Small Area Fair Market Rents (SAFMRs)

Use of Two-Year Tool

The HCV Two-Year Tool (TYT) allows PHAs to analyze their voucher funding amounts and certain variables of the program, to forecast voucher utilization rates and HAP spending over two-years. The tool can create leasing and spending scenarios to inform future decisions to optimize the program, such as number of vouchers to issue and payment standard amounts. The TYT accounts for factors such as Congressional funding, cost per unit trends, program attrition rates, and voucher success rates (percentage of issued vouchers that result in a lease-up). The tool provides monthly utilization reports[1] using data from the Voucher Management System (VMS) and Public and Indian Housing Information (PIC)system.

Interviews with PHAs revealed they use the tool to 1) track voucher utilization and 2) identify potential impacts to their overall program budgets. Several PHAs identified the value of using the tool to project voucher usage and calculate available funds in their program budgets over multiple years. The tool is an integral part of the HCV program when using SAFMRs. SAFMRs may increase or decrease HAP payments to landlords due to changes in the payment standards in small areas. PHAs that use the TYT regularly, can proactively plan and run scenarios to achieve greater success using SAFMRs.

The tool provides a SAFMR analysis table, which compares the HUD-published SAFMRs for each ZIP code area where voucher holders for that PHA live to the Metro-area FMR. The results may show that the SAFMR is either over or under the Metro-area FMR. Combined with the Payment Standard Tool, PHAs can "try out" different payment standard levels in each ZIP code (or groupings of ZIP codes), to see how those payment standards will impact per unit cost and overall spending. This can help PHAs meet their budget utilization goals, while also preventing potential shortfalls if per unit costs increase too much. The Payment Standard Tool (PST) also analyzes the level of rent burden for each household receiving vouchers and allows PHAs to see how increases or decreases in payment standards will impact the percentage of their income families are paying for rent. In areas where housing costs are higher, families are more likely to be rent-burdened. Using the PST, PHAs can see how much relief SAFMRs can provide to families with high rent burdens.

Key Terms

FMR – Fair Market Rent

HAP – Housing Assistance Payment

HCV – Housing Choice Voucher program

PHA – Public Housing Authority

PIC – Public and Indian Housing Information Center

PST – Payment Standard Tool

SAFMR – Small Area Fair Market Rent

TYT – Two-Year Tool

VMS – Voucher Management System

Regular review of budgets and projections from the TYT is a best practice used by Boston, Brookline, El Dorado County, and San Diego County Housing Authorities.

The ***Brookline Housing Authority, MA*** said its favorite features of the TYT are the HAP figures and the projected leased units. It uses the TYT to track unit increases or decreases in HAP payments. It said the most helpful function of the tool is to monitor spending. The tool also makes it easier to see the impact of rent adjustments. If rents are adjusted, the payment standard and cost per unit increase.

The ***Housing Authority of San Diego County, CA*** uses the TYT to determine the vouchers they can fund. Since they have more tenants moving to areas with higher rents, this can have implications on the budget, reducing the HCV vouchers they can issue due to changes in HAP payments to landlords. This is often balanced out by reductions in payment standards in low-rent areas. The beauty of the TYT is it allows the PHA to plan and make decisions based on its projections over a two-year period when the next year's funding levels are unknown.

[1] HCV Two-Year Tool Guide

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