Recent Articles on Small Area Fair Market Rents
(last updated February 1, 2024)

2024


Abstract: This paper examines the effects of improving low-income households’ access to high-rent, high-opportunity neighborhoods on the residential equilibrium. Amidst pervasive residential segregation, I study the Small Area Fair Market Rents (SAFMR), a re-design of the rental voucher program that increased subsidies in high-rent neighborhoods and allowed voucher families to relocate there. I find that it led to a more polarized rental market: rents rose in high-rent areas but declined in low-rent areas. In contrast, it reduced income and racial stratification across neighborhoods, fostering a more egalitarian residential equilibrium. While high-income non-voucher households experienced a modicum of welfare loss due to increased living costs, low-income counterparts benefited from reduced rents in low-rent neighborhoods. I also find that, compared to the traditional design, the SAFMR allows a more equitable implementation of the voucher program by spreading the welfare incidence more evenly across the income distribution within the metropolitan area. This research illustrates the broader implications of housing vouchers, underscoring the need to balance affordable housing, societal integration, and overall welfare.

2023


Introduction: Having a safe place to live and raise a family is critical to economic security, health, and many other aspects of daily life. Maryland has some of the highest housing costs in the country and, despite recent progress on tenants’ rights and worker protections like raising the state’s minimum wage and guaranteeing paid leave, too many people are forced to pay far more than they can afford in rent or accept unsafe, unhealthy housing conditions.

As in most metropolitan areas throughout the nation, in Baltimore City from 2007 to 2017 the homeownership rate fell from 51% to 47%. For Black homeowners the drop was more dire – the ownership rate decreased to 42%. This trend is a part of a national decline in Black homeownership that started during the foreclosure crisis of the Great Recession in 2007 and continued through to the housing unaffordability and instability stemming from the COVID-19 pandemic. Research has shown that the most stable housing markets in the Baltimore region are characterized by housing diversity, where different kinds of households have real possibilities for either homeownership, renting, or
using housing choice vouchers (assisted rent). Providing realistic housing options for a range of household incomes in Baltimore’s most stressed communities as well as its strongest markets would increase housing diversity in every neighborhood. Housing diversity matters because the strength of the housing market is correlated with better outcomes for families. This project builds upon existing local research by the Baltimore Neighborhood Indicators Alliance (BNIA). BNIA began tracking the rate of voucher holders by community in Baltimore in 2014 and found that areas disproportionately impacted by the 2008 housing market crisis, where homeowners had negative equity in their properties, were subsequently experiencing high rates of voucher use. In their 2022 report on how affordability changed in Baltimore over the past decade, the data shows that some neighborhoods are becoming housing voucher submarkets with three times the rate of voucher use of the citywide average. This research examines the effects of Baltimore City adopting the Small Area Fair Market Rent guidelines from the US Department of Housing and Urban Development (HUD) versus the city’s current practice of using metro area 50th percentile Fair Market Rent. The report uses data maps to demonstrate the spatial distribution of housing vouchers using housing voucher data; demographic information, such as race/ethnicity; housing affordability; income; and gross median rent, owner-occupancy data, and homes sold for cash.

2021


Abstract: Michael Eriksen’s “The Location of Affordable and Subsidized Rental Housing Across and Within the Largest Cities in the United States” (March 2021) provides evidence on changes in rent levels and the availability of subsidized rental housing for LMI households over the last two decades in the nation’s 50 largest MSAs. Analyzes how the mandatory adoption of Small Area Fair Market Rents in 24 metro areas in 2018 affected the surrounding neighborhood poverty rates of HCV recipients.

2020


Abstract: Low-income families in the United States tend to live in neighborhoods that offer limited opportunities for upward income mobility. One potential explanation for this pattern is that families prefer such neighborhoods for other reasons, such as affordability or proximity to family and jobs. An alternative explanation is that they do not move to high-opportunity areas because of barriers that prevent them from making such moves. We test between these two explanations using a randomized controlled trial with housing voucher recipients in Seattle and King County. We provided services to reduce barriers to moving to high-upward-mobility neighborhoods: customized search assistance, landlord engagement, and short-term financial assistance. Unlike many previous housing mobility programs, families using vouchers were not required to move to a high-opportunity neighborhood to receive a voucher. The intervention increased the fraction of families
who moved to high-upward-mobility areas from 15% in the control group to 53% in the
treatment group. Families induced to move to higher opportunity areas by the treatment
do not make sacrifices on other aspects of neighborhood quality, tend to stay in their new
neighborhoods when their leases come up for renewal, and report higher levels of
neighborhood satisfaction after moving. These findings imply that most low-income
families do not have a strong preference to stay in low-opportunity areas; instead, barriers
in the housing search process are a central driver of residential segregation by income.
Interviews with families re-veal that the capacity to address each family’s needs in a
specific manner – from emotional support to brokering with landlords to customized
financial assistance – was critical to the program’s success. Using quasi-experimental
analyses and comparisons to other studies, we show that more standardized policies –
increasing voucher payment standards in high-opportunity areas or informational
interventions – have much smaller impacts. We conclude that redesigning affordable
housing policies to provide customized assistance in housing search could reduce
residential segregation and increase upward mobility substantially.

2019

Adam Bibler, Chalita Brandly, Peter Kahn, Marie Lihn, Lydia Taghavi, Guest Editors’
Introduction: Small Area Fair Market Rents, Cityscape: A Journal of Policy Development and
Research Vol 21:3, Available at:

Aksel Olsen, Examining the Transition to HUD Small Area Fair Market Rents Using Craigslist

Abstract: The limitations of the U.S. Department of Housing and Urban Development’s
(HUD) metropolitan-scale, American Community Survey (ACS)-driven annual Fair
Market Rent (FMR) estimates are familiar to local housing officials. Each year, scores of
comment letters are received by HUD as FMRs are updated and implications for local
housing markets become known. The transition to Small Area Fair Market Rent
(SAFMRs) holds great promise in mitigating key shortcomings of using area-wide
geography, offering a much more submarket-specific variable payment standard for use
by public housing authorities (PHAs). This potentially opens up more high-opportunity
areas to the program’s users. A more formal, large-scale assessment of this key rental
housing policy, however, has been difficult due to paucity of current national yet
sufficiently local, datasets describing rental housing markets. Using recent and spatially
comprehensive rental data from Craigslist, a listing website that includes housing, we
analyze HUD data for 2,600 FMR areas nationwide and show rental gaps between the
actual cost of rentals and what PHAs will pay per the FMR payment standard. We
analyze how a shift to SAFMRs changes the potential availability of units, focusing on
both the 24 HUD rule areas and the nation at large. Based on our findings, we argue that
more areas should be included in the program if appropriate safeguards can be instituted.

Alex Schwartz, Necessary but Not Sufficient: Small Area Fair Market Rents and Voucher Access

Summary: This note provides a brief response and evaluation of the results of Reina et al.
(2019) and argues that SAFMRs are helpful to a degree but are inadequate to address the
underlying issue of racial segregation.
Abstract: In this article, I use Zillow Group’s proprietary rental listing data to measure the proportion of rental units advertised at prices at or below both the units’ corresponding metro-wide Fair Market Rent (FMR) and Small Area Fair Market Rent (SAFMR). I find that, within the 24 metropolitan areas affected by recent SAFMR litigation, calculating voucher payments based on SAFMRs will increase the proportion of units listed at prices affordable to voucher holders in low-poverty neighborhoods. In most areas, SAFMRs also decrease the proportion of affordable listings in high-poverty neighborhoods. Findings from pilot programs suggest that, although more options became available in high-rental cost ZIP Codes, decreased options in low-rent ZIP Codes could lead to an overall decline in the number of affordable rental units for voucher holders within a metropolitan area. This analysis shows that, according to Zillow’s online listings, that is not the case. In all 24 areas analyzed, the overall share of listings suitable for voucher recipients increased under the new SAFMR rule relative to the share suitable under metro-wide Fair Market Rent calculations.


Abstract: Small Area Fair Market Rents (SAFMRs) are calculated at the 40th percentile of the U.S. postal ZIP Code instead of the metropolitan area in an effort to capture localized rents to expand choice for voucher holders to access housing in higher-opportunity neighborhoods. Existing studies on the potential and actual outcomes of SAFMRs demonstrate that findings vary for different types of housing markets. Furthermore, the decisions public housing authorities (PHAs) make in the implementation process affect PHAs’ program budget and the rent burden and locational outcomes for voucher households. This study aims to address how these implementation factors are affected by local rental market conditions for three PHAs—Housing Authority of the City of Fort Lauderdale, San Antonio Housing Authority, and Seattle Housing Authority—in diverse housing markets. By comparing different sources of market rent estimates with SAFMRs in each location, we contribute new information about how this rule is likely to produce different residential outcomes in terms of increased access to low-poverty neighborhoods and adjustments to payment standards in low-rent neighborhoods. The findings reveal differences across rent measures in terms of estimated levels and relative differences across ZIP Codes. These findings suggest that housing authorities may face challenges in meeting the objectives of the SAFMR final rule without some form of local adjustments.


Abstract: This paper reviews three of the four symposium papers on the Small Area Fair Market Rents (SAFMRs) Demonstration Evaluation—those by Dastrup, Ellen, and Finkel; Geyer, Dastrup, and Finkel; and McClure and Schwartz. These are all based on
the very detailed data made available by the U.S. Department of Housing and Urban Development (HUD) to enable initial evaluation of this initiative. Together, these articles provide impressive, detailed approaches to different aspects of the program: the experience of family households in the areas where SAFMRs have been introduced as compared with metropolitan-wide fair market rents (FMRs); the importance of race in determining who may or may not be expected to benefit from the initiative; and the evidence on whether the introduction of SAFMR has affected how long people stay in the voucher programme. Taken together the findings reflect three main issues: 1) how even extensive datasets, while producing interesting results, can only cover some aspects of a full evaluation; 2) all the initial findings are mainly about what would normally be called outputs—that is, what has happened as a result of the initiative, rather than outcomes—which, to the extent that the objectives of the policy are clear, must be about the impact on the welfare of those affected, both in terms of housing and opportunity; and 3) whether, especially given the extent of locational segregation (between income groups as well as race and other household attributes), such an approach can be expected to generate significant changes in household decisions and outcomes. Importantly, there is also no discussion of value for money from the point of view of government, which is often (usually) a major objective of such evaluations. Rather, success appears to be based on ensuring the money made available is used and used for the intended purposes.


Abstract: Despite being eligible for use in any neighborhood, housing choice vouchers tend to be redeemed in low-opportunity neighborhoods. This paper investigates how landlords contribute to this outcome and how they respond to efforts to change it. We leverage a policy change in Washington, DC, that increased voucher rental payments only in high-rent neighborhoods. Using two waves of a correspondence experiment that bracket the policy change, we show that most opportunity landlords screen out prospective voucher tenants, and we detect no change in average screening behavior after a $450 per month increase in voucher payments. In lease-up data, however, enough landlords do respond to increased payments to equalize the flow of voucher tenants into high- vs. low-rent neighborhoods. Using tax data and listings from a website specializing in subsidized housing, we characterize a group of marginal opportunity landlords who respond to higher payments. Marginal opportunity landlords are relatively rare, list their units near market rates, operate on a small scale, and negatively select into the voucher program based on hard-to-observe differences in unit quality.


Abstract: One argument for Small Area Fair Market Rents (SAFMRs) is that they would reduce overpayment for voucher units in low-rent neighborhoods. This leads to the belief that the benefits of SAFMRs can be funded largely by reductions in landlord profits rather than by losses to voucher recipients who remain in low-rent areas. The usual theoretical argument that has led many to believe that voucher units are overpriced focuses on one implication of one feature of the Housing Choice Voucher program. This article provides a more comprehensive theoretical analysis that leads to the conclusion that the worst voucher units and those in the worst neighborhoods will usually rent for more than the mean market rent of identical units, and the best units in the best
neighborhoods will rent for less than this amount. The debate over this matter has ignored the bulk of the available evidence. This article summarizes and assesses the data, methods, and results of the major studies. The evidence is consistent with the general pattern predicted by the comprehensive theoretical analysis but also with an alternative explanation that challenges its interpretation of overpayments and underpayments for voucher units. The mix of units with estimated overpayments and underpayments varies across studies, but the weight of the evidence is that the aggregate differences are modest. Finally, the evidence available indicates that SAFMRs will decrease the rents paid for voucher units with any specified set of characteristics in the worst neighborhoods and will increase the rents of such units in the best neighborhoods.


Abstract: This paper examines whether expanding neighborhood choice by adding a more localized approach to setting the rental payment standard affects length-of-stay in the U.S. Housing Choice Voucher (HCV) program. Payment standards are typically constant within a metropolitan area, rather than small geographic areas such as ZIP Codes. Using data from the Small Area Fair Market Rent (SAFMR) Demonstration by the U.S. Department of Housing and Urban Development (HUD), we observed changes in program exit rates over time in housing agencies adopting ZIP-Code-based payment standards and compare these with changes in exit rates in programs that continued under metropolitan-area-based standards. We expand the analysis by looking at subgroups, specifically households with children, seniors, adults with disabilities, and residents in lower, average, or higher rent neighborhoods. We find that the introduction of SAFMRs increased program attrition, with exit rates that imply about a 2-year reduction in the median length of program participation (from a base of about 11 years). Effects are largest among working-age adults and in households living in lower- and moderate-rent areas at the time of program introduction. We conclude with a discussion of how our findings on program attrition and housing independence inform recent proposals to adopt more flexible payment standards or increase public housing agencies (PHAs) authority to change payment standards under Moving to Work (MTW) authority.


Excerpt: “The analysis focuses on PHA administrators’ perceptions of barriers to voluntary adoption of SAFMRs. After results are presented from both parts of the report, it concludes with two sets of recommendations. The first focuses on lessons learned from the analysis of metropolitan areas mandated to use SAFMRs. The second set of recommendations focuses on lessons learned from metropolitan areas that have the option to voluntarily implement SAFMRs.”

Abstract: The U.S. Department of Housing and Urban Development’s (HUD) new Small Area Fair Market Rents (SAFMRs) rule sets fair market rents at the ZIP Code level as opposed to an entire metropolitan region. The rule became effective on January 1, 2018. It is mandatory in 24 metropolitan areas and voluntary in the other metropolitan areas across the United States. SAFMRs allow for housing choice voucher (HCV) payment standards to vary across ZIP Codes within a region. This is a change from previous policy that based Fair Market Rents (FMRs) on the 40th percentile of gross rents in a region. This change opens properties in higher income areas to HCV holders because rents at the ZIP Code level often exceed regional FMRs. The use of SAFMRs is predicted to help to deconcentrate poverty and allow HCV holders to access high opportunity neighborhoods in core cities and their suburbs. SAFMRs have the potential to curb some of the effects of increasing rents in places experiencing gentrification, as well as promote housing mobility and fair housing across regions. This article examines the early implementation strategies for SAFMRs in the 24 metropolitan areas where they are currently mandated. Data were collected from the 180 public housing authorities (PHAs) in those 24 metropolitan areas. The analysis is based on 2018 HCV payment standards and other program documents related to tenant and landlord notification collected from PHAs, as well as content analysis of archival materials and public documents. The analysis is used to measure PHA fidelity to the SAFMR rule’s opportunity advancement goals, identify best practices, and make policy recommendations for the broader implementation of SAFMRs


Abstract: This article assesses the potential of Small Area Fair Market Rents (SAFMRs) to help Housing Choice Voucher (HCV) recipients, especially Black and Hispanic recipients, secure housing in high-opportunity neighborhoods. Examining large metropolitan areas, it is estimated that increasing the availability of rental housing in high-opportunity neighborhoods may not work well, especially when HCV recipients are Black or Hispanic. Racial segregation and discrimination may still discourage Black and Hispanic voucher holders from moving into high-opportunity neighborhoods when these neighborhoods are predominantly White. Moreover, widespread implementation of SAFMRs could make it more difficult for minority voucher holders to find eligible units because the maximum qualifying rents would be reduced in many neighborhoods with large concentrations of minority voucher holders. For the SAFMR program to succeed, supporting transportation and housing counseling services will be needed in addition to extensive landlord outreach.


Abstract: Demand-side or demand assistance with housing costs is known as housing allowance, housing benefit, or rent rebate in advanced economies and as housing vouchers in the United States. This type of assistance, which is also called a subject or person-based subsidy, aims to safeguard access to housing by making it affordable for consumers whose income is insufficient to pay for their housing costs. This contribution aims to contextualize the newest development in the United States housing voucher implementation: the use of Small Area Fair Market Rents (SAFMRs) rather than metropolitan Fair Market Rents (FMRs) in the determination of the tenant subsidy
amount. Some possible outcomes of this change in the design of the instrument are reported in three articles in this issue of Cityscape: (1) “The Effects of Small Area Fair Market Rents on the Neighborhood Choices of Families with Children” by Samuel Dastrup, Ingrid Ellen, and Meryl Finkel (2) “Impact of Expanded Choice on Tenure in the Housing Voucher Program” by Judy Geyer, Samuel Dastrup, and Meryl Finkel (3) “Small Area Fair Market Rents, Race, and Neighborhood Opportunity” by Kirk McClure and Alex Schwartz. This contribution summarizes these outcomes, after presenting a brief history of housing demand-side assistance schemes and their design characteristics. The contribution concludes by comparing different systems and the role played by demand-side assistance.


Abstract: The Section 8 voucher program enables low-income residents to rent homes in the private market while receiving financial assistance to keep their housing affordable. Unfortunately, voucher holders are more likely to live in high poverty areas, and the traditional formula used by the Department of Housing and Urban Development (HUD) may be partly responsible. HUD sets Section 8 limits, known as Fair Market Rents (FMRs), based on the 40th percentile rent of each region. As a result, vouchers cannot be used in the more expensive parts of metropolitan areas where most of the rental units available are more expensive than that regional limit. HUD is now experimenting with recalculating the FMRs at the ZIP code level in select cities to correct this imbalance. These new geographic areas would be known as “Small Area Fair Market Rents” (SAFMRs). This brief summarizes findings from the project, which evaluated this HUD policy by calculating if a set of for-rent listings across California are accessible to a voucher holder under the current FMRs limits and again under the proposed SAFMRs limits. The rental listings, from a proprietary source, include data from 2012 and 2013. This brief focuses on results for the Sacramento Metropolitan Statistical Area, which includes Sacramento, Placer, and El Dorado Counties.


Abstract: Local public housing authorities define the payment standards—the voucher amounts paid to landlords—for renting their property under the Housing Choice Voucher (HCV) Program. Payment standards have been historically based on 40th percentile Fair Market Rents (FMRs) calculated by the U.S. Department of Housing and Urban Development (HUD) for metropolitan areas and non-metro counties. To better align payment standards with market rents, HUD has developed 40th percentile Small Area Fair Market Rents (SAFMRs) at the ZIP-Code level and have mandated their use in 24 metropolitan areas. Public housing authorities using SAFMRs in lieu of FMRs must maintain payment standards within 10 percent of the SAFMR. This study compares the efficacy of SAFMRs with rents listed for Pittsburgh, PA, by Rent Jungle, a commercial aggregator of rental data. Correlations between SAFMRs and the sampled rents were relatively low at 37 percent. Results indicate that small area markets defined using a combination of clustering and nearest neighbor algorithms are better predictors of market rents than ZIP Codes and require fewer market delineations, as shown by the adjusted R-
squared exceeding 60 percent with only three clusters (compared with the 26 ZIP Codes in Pittsburgh). Results suggest that SAFMR achieves its goal of increasing the eligible units relative to FMR. Those increases were disproportionately in low-rent areas, however, where the proposed SAFMR is competitive with market rents. In contrast, in high-rent areas, the SAFMR is more than 50 percent lower than market rents, on average, resulting in few eligible units. These observations suggest SAFMRs are likely to increase the number of landlords interested in the HCV program in low-rent areas, but not in high-rent areas. To increase the use of vouchers in high-rent areas, payments to landlords should adequately compete with market rents. Otherwise, only landlords in high-rent areas that have trouble renting in the private market, such as those that offer properties of marginal quality, are likely to participate in the HCV program.


Abstract: This paper reports and extends the quantitative findings of the Small Area Fair Market Rent Demonstration Evaluation, focusing on the important subgroup of families with children. We test whether varying housing assistance subsidy caps with ZIP Code rent levels (that is, introducing Small Area Fair Market Rents or SAFMRs) increases the likelihood that voucher-holder families with children locate in higher opportunity neighborhoods, as proxied by poverty rates, the proficiency levels of local elementary schools, jobs proximity, and environmental hazards. Because of our focus on families with children, we pay particular attention to school proficiency levels and poverty rates. We estimate a difference-in-differences specification on a repeated cross-section of administrative data to estimate the effect of the introduction of SAFMRs in seven public housing agencies as compared to a large group of agencies that continued to operate under metro area FMRs. Five years after implementation, Small Area FMRs do not appear to affect overall move rates, but they meaningfully affect the locational outcomes among families with children who move. The share of such families settling in neighborhoods in the top quartile of our opportunity index measure increases by 11 percentage points (a 120-percent increase)


Abstract: A lawsuit that argued that the method used to calculate rent limits in the Housing Choice Voucher Program promoted racial segregation in Dallas, Texas, resulted in the U.S. Department of Housing and Urban Development developing zip code-based voucher rent limits in Dallas in 2011. This rent calculation approach was then expanded to five other demonstration sites in 2012. This article analyzes whether adjusting voucher rent limits reduces a minority household’s likelihood of living in a high-minority neighborhood, improves their likelihood of living in a higher opportunity neighborhood, and reduces the disparity in location outcomes between minority and White households in the voucher program. This article finds evidence of improvements in the location outcomes of Black and Hispanic voucher households because of the use of zip code-based rent limits, but that these results are only marginal with respect to the persistent disparities in outcomes based on race within the voucher program.
Abstract: One critique of the U.S. Department of Housing and Urban Development (HUD)’s Housing Choice Voucher program is that its maximum rent limit is set at the metropolitan level, making more expensive neighborhoods effectively off limits to households who receive rental assistance. As a result, the design of the program limits a voucher household’s access to opportunity neighborhood. In response, HUD created the Small Area Fair Market Rent (SAFMR) demonstration program, which calculates the maximum voucher rent at the zip code level so that HUD’s rent limits more closely align with local neighborhood rents. In theory, this program should improve a voucher household’s choice set and location outcomes. Looking at changes in the location of beneficiaries in the six sites that participated in the SAFMR demonstration program, we find a significant amount of regional variation in the results. Specifically, introduction of the SAFMR rent calculations results in voucher households living in higher opportunity neighborhoods in Dallas, Texas, in lower opportunity neighborhoods in Chattanooga, Tennessee, and mixed effects in other areas. These mixed results highlight some of the potential incremental benefits of the program and reinforce the importance of viewing this policy over a longer period of time, and in the context of other constraints voucher households face in accessing neighborhood opportunity.

2018

How do Small Area Fair Market Rents Affect the Location and Number of Units Affordable to Voucher Holders? NYU Furman Center, Available at: https://furmancenter.org/files/NYUFurmanCenter_SAFMRbrief_5JAN2018_1.pdf (2018).

Summary: This paper analyzes how the shift to SAFMRs will affect the number of rental units affordable to voucher holders in the 24 metropolitan areas mandated to switch. In these 24 metropolitan areas, the number of units affordable to voucher holders will actually increase by more than 9 percent in aggregate under Small Area FMRs. They estimate that four metropolitan areas will experience a small reduction in the number of affordable units. However, their analysis does not account for the strategies that HUD’s Final Small Area FMR Rule offers housing authorities to mitigate reductions in payment standards in low-rent ZIP Codes.

Implementing the Small Area Fair Market Rents in the HCV Program: Housing Authority of Cook County Case Study (2018). Available at: https://files.hudexchange.info/resources/documents/SAFMRs-Housing-Authority-of-Cook-County-Case-Study.pdf

Implementing the Small Area Fair Market Rents in the HCV Program: Plano Housing Authority Case Study (2018). Available at: https://files.hudexchange.info/resources/documents/SAFMRs-Plano-Texas-Housing-Authority-Case-Study.pdf

Abstract: This Note analyzes the new HUD rule finalized in November 2016, which dramatically changed the structure of the Housing Choice Voucher program in select metropolitan areas. In August 2017, HUD suspended automatic implementation of the rule until 2020 for twenty-three of the twenty-four selected metropolitan areas, but in December 2017, a preliminary injunction was granted requiring HUD to implement the rule as of January 1, 2018. The rule as written changes the method for calculating the vouchers from using a metropolitan area-wide average to calculating a separate level for each zip code. Such a change could greatly deconcentrate poverty and reduce economic and racial segregation; a result that the current status quo has failed to accomplish. The new rule, however, is not without its flaws. This Note offers a number of recommendations for changing the rule to address these flaws: (1) tweaking metro area selection criteria to include large, highly-segregated areas; (2) granting public housing agencies flexibility in implementing the rule; (3) including new protections for gentrifying neighborhoods and additional funding for landlord outreach and mobility counseling; and (4) revising methodology to increase accuracy. Despite the problems with the new rule, as long as HUD is truly committed to implementing it, its benefits are likely to outweigh its flaws.


Abstract: The U.S. Department of Housing and Urban Development (HUD) caps subsidies for Section 8 housing vouchers using limits known as the Fair Market Rents (FMRs). HUD recently implemented Small Area Fair Market Rents (SAFMRs), based on ZIP Code-level rents, to improve options for voucher recipients in high-opportunity areas. I use a proprietary dataset of for-rent listings to test the ways in which SAFMRs would change the number of listings below FMR across five California HUD metropolitan FMR areas—Oakland-Fremont, Sacramento--Roseville--Arden-Arcade, San Diego-Carlsbad, San Francisco, and San Jose-Sunnyvale, Santa Clara. I examine local housing authorities’ concerns regarding the SAFMRs. I find the SAFMRs will increase the number of listings below FMR in high-opportunity neighborhoods across each area studied except San Francisco. I confirm Oakland housing authorities’ concerns that the SAFMRs would reduce the number of units below FMR in areas with rapidly rising rents. I find that Sacramento and San Diego may benefit most from the SAFMRs among those studied. These findings validate HUD’s criteria for identifying areas in which to implement the SAFMRs, as Sacramento and San Diego are also the only two areas among the case studies in this article that HUD initially approved for SAFMRs implementation. The SAFMRs highlight the importance of geographic scale in housing policy implementation.


Abstract: Fair Market Rents (FMRs), calculated for an entire metropolitan region, are used to establish payment standards for the Housing Choice Voucher (HCV) program. In response to recent criticism that FMRs do not represent rent disparity and restrict households from moving to high-opportunity areas, a new rule introducing Small Area Fair Market Rents (SAFMRs) has been issued. SAFMRs are based on ZIP codes to reflect local market rents and increase the number of payment standards used to administer the HCV program. The purpose of this research is to determine whether the
number of payment standards can be reduced by consolidating ZIP codes, while adhering to the primary objectives of the SAFMR rule. The ZIP code grouping process conducted offers one method for reducing the number of payment standards needed to implement the new rule; however, the rent analysis reveals the over- and underestimation of SAFMRs for some ZIP codes.


Abstract: US housing voucher holders pay their landlord a fraction of household income and the government pays the rest, up to a rent ceiling. We study how two types of changes to the rent ceiling affect landlords and tenants. A policy that makes vouchers more generous across a metro area benefits landlords through increased rents, with minimal impact on neighborhood and unit quality. A second policy that indexes rent ceilings to neighborhood rents leads voucher holders to move into higher quality neighborhoods with lower crime, poverty, and unemployment.


Summary: This report documents the findings from the evaluation of the Small Area Fair Market Rent (SAFMR) demonstration of the U.S. Department of Housing and Urban Development (HUD) launched in 2012. The evaluation focuses on the implementation beginning in 2012 of SAFMRs at five public housing agencies (PHAs) that participated in the demonstration—Chattanooga Housing Authority (TN), Housing Authority of Cook County (IL), Housing Authority of the City of Laredo (TX), Housing Authority of the City of Long Beach (CA), and Town of Mamaroneck Housing Authority (NY). The evaluation also includes two PHAs in the Dallas, Texas metropolitan area—the Housing Authority of the City of Dallas and the Plano Housing Authority—where SAFMRs were introduced in 2011. The evaluation compares results for these seven study PHAs to the results of a large group of comparison PHAs to isolate the effects of SAFMRs. They find SAFMRs increased the pool of rental units potentially available to HCV holders in high-opportunity neighborhoods and decreased the pool in low-opportunity neighborhoods. When a jurisdiction shifts from metropolitan area FMRs to SAFMRs, the net change in the number of units renting below the applicable FMR depends on how rental units are distributed across lower-, moderate-, and higher-rent ZIP Codes. In general, if fewer rental units are in higher-rent ZIP Codes than in lower-rent ZIP Codes, fewer units will rent below SAFMRs than below the metropolitan area FMR. If the pattern is reversed, the net number of units renting below the applicable SAFMR would be greater. HCV holders in the SAFMR PHAs were more likely to live in higher-rent and higher-opportunity ZIP Codes than they had prior to the demonstration. Households in comparison PHAs saw no change, so they conclude that the shift was due to the SAFMRs. Most PHAs concluded that the administrative costs and burden of implementing and administering SAFMRs were justified by what they saw as the benefit to their HCV holders of better access to higher-opportunity neighborhoods.

Abstract: In June of 2015, the U.S. Department of Housing and Urban Development released an Advance Notice of Proposed Rulemaking to establish a more effective Fair Market Rent System using Small Area Fair Market Rents (SAFMRs) in the Housing Choice Voucher Program (HCVP) instead of the current 50thPercentile FMRs. The 50th Percentile FMR is currently in use in the Richmond, Virginia region, and the region is likely to be among early adopters of the new SAFMR System. This thesis assesses existing conditions that will affect implementation of the Small Area Fair Market Rent (SAFMR) System. First, it evaluates where voucher holders have located and concentrated with limited mobility counseling and without the SAFMR System intervention. Second, this evaluation assesses the theory of opportunity and targeting metrics currently in use by the local Move to Opportunity Program administered in the region, because the SAFMR System has a stated objective to enable voucher holders to deconcentrate from low opportunity areas. Finally, this evaluation assesses the SAFMR System’s potential for value capture, estimating total savings and a discrete number of potential new vouchers that may be created with those savings. This research attempts to answer these dimensions of SAFMR System implementation by evaluating key characteristics of current voucher holder concentration in the metropolitan region.


Summary: This report examines the ability of existing and proposed affordable housing policies to align with sustainable transportation goals in California. At the federal level, we measure how a change in the determination of maximum payouts for Section 8 housing vouchers, known as Fair Market Rents (FMRs), alters the ability of voucher holders to access transit and jobs rich neighborhoods. The results show that changing to “Small Area” FMRs, which are determined at the ZIP code scale, dramatically improves voucher holders’ access to jobs rich neighborhoods. This benefit comes at the cost of nearly eliminating voucher accessibility in neighborhoods that are currently accessible. And finally, at the state level, an analysis is conducted to determine if California’s emphasis on promoting affordable housing in transit and jobs rich neighborhoods is increasing the cost of affordable housing development. The modeling results indicate that affordable housing near transit stops is not significantly more expensive, but that costs increase slightly for projects in jobs rich neighborhoods. Participation in the state’s Transit Oriented Development (TOD) housing program does not significantly impact costs. The results of this research are intended to inform policy makers at every level of government on how best to continue to integrate transportation and housing policies without sacrificing the primary purpose of our affordable housing policies: to house people.

2014

Abstract: What is the incidence of housing vouchers? Housing voucher recipients in the US typically pay their landlord a fixed amount based on their income and the government pays the rest of the rent, up to a rent ceiling. We consider a policy that raises the generosity of the rent ceiling everywhere, which is equivalent to an income effect, and a policy which links generosity to local unit quality, which is equivalent to a substitution effect. Using data on the universe of housing vouchers and quasi-experimental variation from HUD policy changes, we analyze the incidence of these policies. Raising the generosity of the rent ceiling everywhere appears to primarily benefit landlords, who receive higher rents with very little evidence of medium-run quality improvements. Setting ZIP code-level rent ceilings causes rent increases in expensive neighborhoods and decreases in low-cost neighborhoods, with little change in aggregate rents. The ZIP code policy improves neighborhood quality as much as other, far more costly, voucher interventions.