

June 30, 2017

VIA ELECTRONIC SUBMISSION
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HUD Desk Officer
Office of Management and Budget
New Executive Office Building
Washington, DC 20503.

Re: 30-Day Notice of Proposed Information Collection: Small Area Fair Market Rent Demonstration Evaluation - Docket No. FR-5997-N-25

Ladies and Gentlemen:

The undersigned organizations appreciate the opportunity to comment on the Department of Housing and Urban Development's Notice of Proposed Information Collection ("Notice") for the Small Area Fair Market Rent ("SAFMR") Demonstration Evaluation.¹ HUD's tenant-based rental assistance in the Section 8 Housing Choice Voucher (HCV) program serves some 2.2 million households nationwide.² The program is substantially and critically important to all who are served, and our organizations therefore support HUD's efforts to consider and study ways to improve the HCV program.

Although we recognize that moving low-income households to areas of opportunity may be a worthwhile objective, and we strongly support the principle of choice in the voucher program, we do not believe HUD has established that Small Area Fair Market Rents (SAFMRs) are an effective way to accomplish this. In fact, many of our groups have urged HUD to withdraw the SAFMR final regulation, and hold harmless the tenants who are under housing assistance payment (HAP) contracts in the SAFMR areas.

We are concerned that HUD has enthusiastically and prematurely sought to apply broader applications of SAFMRs in the absence of empirical evidence of their effectiveness. For example, HUD has stated³ SAFMRs are more effective than other methods in helping families move to areas of higher opportunity, and that SAFMRs can achieve this goal at about the same average cost. These are very strong assumptions. In order to justify them, HUD must establish, at a minimum, that:

- 1) SAFMRs cause voucher holders to move out of zip codes where rents and HCV subsidies are lower and into zip codes where rents and subsidies are higher;
- 2) The quality of the units and neighborhoods in the high rent zip codes is better;
- 3) Reduced demand in the low-rent zip codes that retain holders will cause rents and subsidies to decline far enough to offset the increased subsidy costs in the high-rent zip codes; and
- 4) Increased demand in the high-rent zip codes into which voucher holders move will not cause rents and subsidy costs in these areas to increase further.

To this list, we would add that it is also critically important to establish that:

- 5) Reduced subsidies in lower rent zip codes do not cause disinvestment, harming voucher holders and other tenants in these areas.

¹ Docket No. FR-5997-N-25

² HUD's Housing Choice Voucher Program Tenant Characteristics, HUD FY2016 Proposed Budget.

³ For example, in the June 16, 2016 *Federal Register* notice "Establishing a More Effective Fair Market Rent System; Using Small Area Fair Market Rents in Housing Choice Voucher Program Instead of the Current 50th Percentile FMRs."

For these reasons, we agree that HUD should study the positive and negative impacts of the SAFMR demonstration program. We do not believe, however, that the proposed methodology will yield results that have any practical utility for the operation of the HCV program. We offer the following recommendations to ensure the Department has meaningful data to evaluate the demonstration program and from which it can draw sound policy conclusions.

In reviewing the proposed information collection and interview process, we understand that HUD faces a variety of challenges in collecting actionable, generalizable information. Nevertheless, we have several concerns about the underlying methodology of the proposed information collection process.

One is the limited size of the proposed information collection, raising questions about whether it can capture enough information to establish that the demonstration program has been effective. Some of this is due to the limitations of the demonstration program itself. As one example, the restricted geography and predominance of Texas locations in the demonstration program makes it unlikely generalizations made from it would accurately portray the program’s impact nationwide. It is also unclear that, even within the confines of the demonstration program area, the proposed information collection will be extensive enough to establish the effectiveness of the program. In commenting on this, we are at a disadvantage, because the questionnaires will not be available to the public until after the comment period.

We support HUD engaging both property owners and tenants in an interview process, but note that, in order to establish the effectiveness of the SAFMR demonstrations it is critically important, in each metro area, to collect **equivalent information from property owners and tenants in zip codes where FMRs are both significantly higher and lower** than for the metropolitan area overall.

Examples of the type of information that should be collected in each case include the following:

High FMR zip codes	Low FMR zip codes
Tenants	
Did they understand the transition to SAFMRs?	Did they understand the transition to SAFMRs?
Did higher FMRs induce them to move to these zip codes?	Does knowing that FMRs are higher elsewhere in the same metro area make it more likely they will move out of this zip code?
Do they have better quality units because they live in this zip code?	
Do they have better quality neighborhoods because they live in this zip code?	
Property Owners	
Did they understand the transition to SAFMRs?	Did they understand the transition to SAFMRs?
Do the higher FMRs make it more likely they will accept voucher holders?*	Do the higher FMRs make it less likely they will accept voucher holders?*
Will increased demand for their units make it easier for them to raise rents?	Will reduced demand for their units cause them to lower rents?
Will increased demand and higher subsidies make it easier for them to maintain and upgrade their units?	Will reduced demand and lower subsidies make it more difficult for them to maintain and upgrade their units?

The asterisks that appear in the questions about willingness to accept voucher holders are there because some states and local governments require certain types of property owners to accept voucher holders, so asking these questions may place the property owners in an awkward position. Similarly, some properties built with federal funding or tax credits are required to accept HCVs as a source of income. We recommend that HUD evaluate each jurisdiction and test these questions carefully before deciding to include them in the survey.

When HUD first announced this information collection, our organizations expressed concern that HUD did not outline how it plans to control for differing market conditions, differing property situations, higher and lower program payment standards, whether the landlords in the interview process are on-site property managers or in off-site corporate offices, and other factors that could impact the feedback received. On December 1, 2016, HUD sent a written response to our comments stating, in part, that, for purposes of presenting and interpreting the findings, HUD will designate a companion PHA for each of the SAFMR PHAs included in the analysis.

Our organizations greatly appreciated receiving this written response from HUD. However, we would point out that simply designating a companion PHA and using it as a basis for comparison is not a persuasive way to analyze the data. A large body of statistical literature on estimating treatment effects by matching exists, covering several different methods, advantages and disadvantages of each, and ways in which matching may fail, such as insufficient overlap between treatment and control groups. If HUD is going to evaluate the SAFMR PHAs by matching each to a control PHA, it should employ formal statistical techniques to implement the matching procedure in a way consistent with the existing technical literature.

Our organizations support HUD's effort to gather information about the SAFMR demonstrations, and recognize the challenges that this information collection can pose. The sample being studied from the demonstration presents challenges given the diversity in market and program conditions and interviewees, as well as in the objectivity of the interview questions. We encourage HUD to work closely, and share preliminary information and results, with stakeholders in an effort to create the most informed review process possible. We also strongly urge HUD to discontinue use of the SAFMRs in the absence of an accurate assessment of the program's success in achieving the stated goal of moving voucher holders to areas of opportunity in the demonstration areas. We all share the goal of producing the most effective rental assistance policy to help those in need, but it is unclear that the SAFMR methodology as it exists today is the best way to achieve that goal. Thank you for your consideration of our comments. We look forward to engaging HUD in further discussions on these important matters.

Sincerely,

Council for Affordable and Rural Housing
Institute of Real Estate Management
National Affordable Housing Management
Association
National Apartment Association

National Association of Home Builders
National Association of Housing
Cooperatives
National Leased Housing Association
National Multifamily Housing Council