

# Flat Rent Guidance

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HUD FLAT RENT REQUIREMENTS  
OFFICE OF PUBLIC AND INDIAN HOUSING  
MANAGEMENT AND OCCUPANCY DIVISION  
2018



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# Guidance

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## FY2015 Appropriations Act

- Maintains FY2014 rent increase phase-in requirements, and
- Requires that flat rents be set no less than the lower of:
  1. 80% of Fair Market Rent (FMR)
  2. 80% of Small Area Fair Market Rent (SAFMR), or Unadjusted Rent (*when applicable*)
- Establishes exception flat rent option when 80% of FMR or SAFMR is not reflective of local market conditions.

## Notice 2017-23 (Published: November 30, 2017)



# PIH Notice 2017-23 – Updates to Flat Rent Requirements

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- Option to extend previously approved exception requests for up to 2 years.
- PHAs administering ceiling rents must use line 10b (flat rent) on the HUD Form-50058 to report applicable maximum rents.
- HUD minimum rents may not exceed Low Income Housing Tax Credit (LIHTC) maximum rents (when applicable).
- New flat rent exception requests, or extension request submission deadline: December 31 (in a typical year).
- Flat rent exception market analyses submissions must value PHA local market conditions.



# Flat Rent Options Overview

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## 1. Option I: 80% of FMR

- $(\text{FMR} \times 80\%) - \text{Utility Allowance}$

## 2. Option II: 80% of SAFMR

- $(\text{SAFMR} \times 80\%) - \text{Utility Allowance}$ 
  - Areas where HUD does not publish a SAFMR, HUD will permit PHAs to use 80% of the unadjusted rent to satisfy this option.

## 3. Option III: Flat Rent Exception

- If a PHA does not believe 80% of FMR or SAFMR is reflective of its local market, a PHA may submit an exception flat rent based on a PHA produced market analysis.



# Timelines - Options I, II, and III

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## FMR Updates

- HUD posts new FMRs annually. Typically, the final FMR rates for the current Fiscal Year (FY) are effective on or around October 1.

## FMR Implementation

- PHAs have 90-days from the effective date of new FMRs to either implement FMR-based flat rents (Options I or II) or submit an exception flat rent request (Option III). This would mean, in a typical year PHAs have until December 31.

## FMR Effective Duration

- Rents remain effective until the sooner of:
  1. The end of the 90-day period commencing the next effective date of HUDs final FMR (typically, December 31), or
  2. The date which the PHA updates and makes effective its flat rents schedule based on that FY FMR; whichever comes first.

## Flat Rent Extensions

- PHAs may request a 2-year extension of previously approved exception flat rent. Extension requests are due to HUD no later than 90-days after the effective date of the final FMRs published by HUD (typically, December 31).



# Websites

## (HUD Published FMR, SAFMR, Unadjusted Rent)

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### **FMR:**

<https://www.huduser.gov/portal/datasets/fmr.html>

### **SAFMR:**

<https://www.huduser.gov/portal/datasets/fmr/smallarea/index.html>

### **Unadjusted Rent:**

[https://www.huduser.gov/portal/datasets/fmr.html#2018\\_data](https://www.huduser.gov/portal/datasets/fmr.html#2018_data)



# Option III - Flat Rent Exception

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## Applicability

- HUD only requires flat rent exception requests when PHAs are setting flat rents at an amount that is lower than the lesser of:
  - 80% FMR, or
  - 80% SAFMR (or 80% of Unadjusted Rent; when applicable)
- If a PHA does not believe 80% of FMR or SAFMR is reflective of its local market, a PHA may submit an exception flat rent based on a PHA produced market analysis.





# Flat Rent Exception Requests – Submission Information

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## **Flat Rent Exception Request Submissions Must Include:**

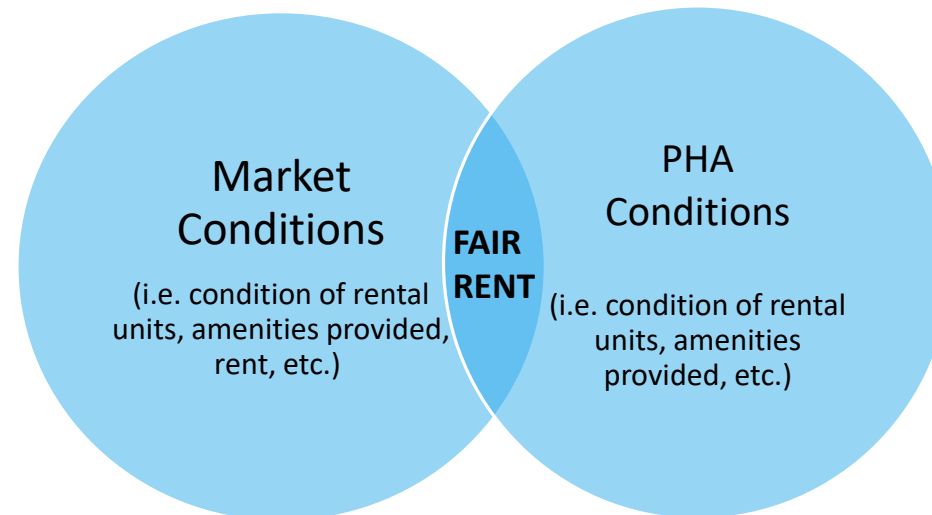
1. The address, including unit numbers(s) and AMP number(s) of the units or property for which the PHA is seeking an exception flat rent.
2. Market Analysis and any supplemental documentation.
3. Proposed flat rent schedule.



# What is a Market Analysis?

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- There is no one standard methodology of how to conduct a market study.
- A Flat Rent Exception Market Analysis should collect and analyze the local rental market conditions to determine the average and appropriate rent for an area.
- There must be a clear connection between the market conditions and the PHA conditions in order to determine the appropriate flat rent.



# Market Analysis Content Requirements

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1. Narrative explanation and/or Excel representation of methodology used to compare public housing units to unassisted market rate units in the area.
2. Narrative discussion of the factors used to establish a proposed rent schedule. Factors may include:
  - Location, quality, size, unit type, age of unit;
  - Amenities, housing services, maintenance; and
  - Utilities the PHA and/or the landlord pay under the applicable lease.
3. A key explaining the calculations used to determine the valuation of each factor.



# Steps to Conducting a Market Analysis

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1. Select Comparable Market Rate Units
2. Compare PHA Units to Comparable Market Rate Units
3. Make Adjustments and Develop a Key
4. Calculate Flat Rent
5. Finalize Narrative and Explain Methodology



# Selecting Comparable Market Rate Units

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Only three (3) comparable market rate units per bedroom size are required.

Market rate units should be selected with the following factors in mind:

- **Location:** physically located in the same market as the PHA property.
- **Quality:** comparable physical condition.
- **Age:** developments closest in age to the PHA property.
- **Size:** comparable bedroom size (square footage) and number of bathrooms.
- **Type:** unsubsidized by a government or non-profit agency.



# Comparing PHA Units to Comparable Market Rate Units

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“Apples to Apples”



Subject - PHA



Comparable Market Rate Units



# Comparing PHA Units to Comparable Market Rate Units

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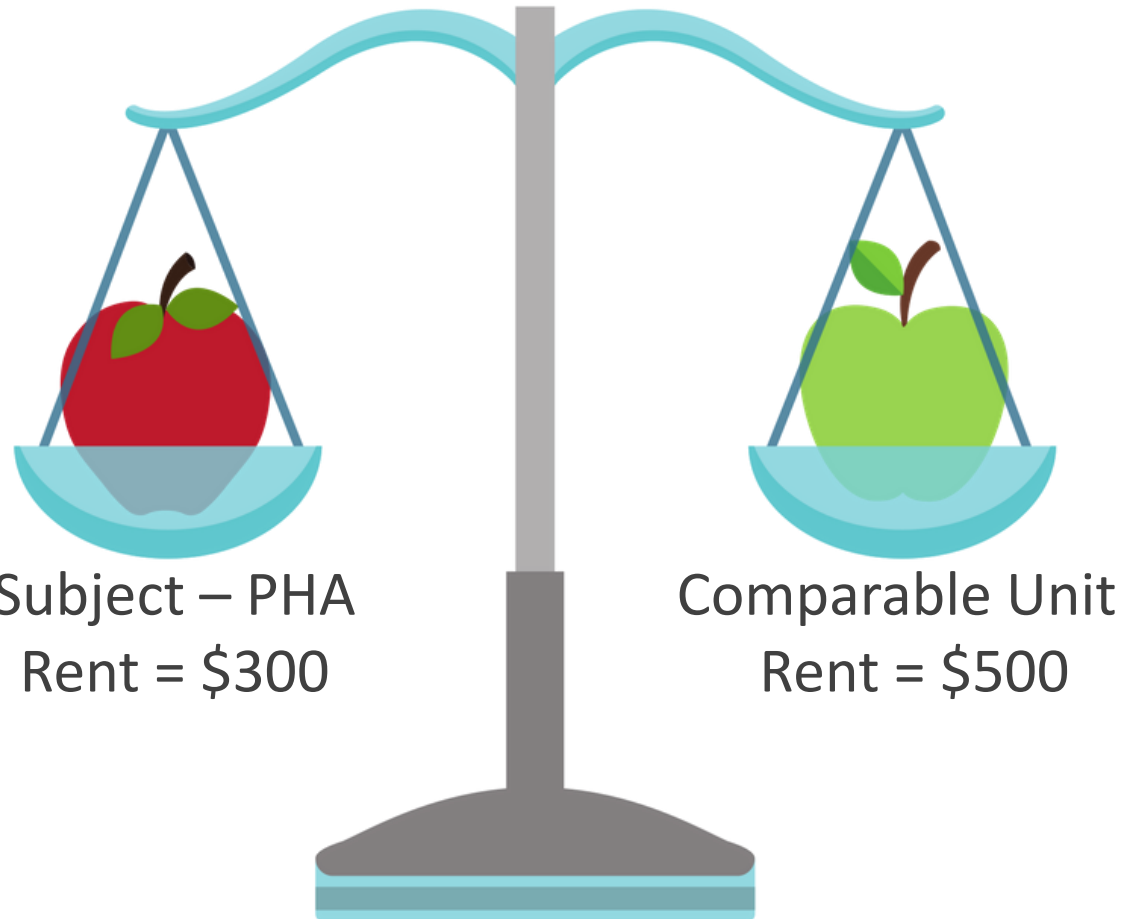
The market study does not need to include all amenities listed below but should evaluate factors relative to the local rental market.

- **General Condition:** Age, unit square footage, parking, closet size, curb appeal, etc.
- **Location:** Proximity to parks, schools, grocery stores, public transit, etc.
- **On-Site amenities:** Playground, laundromat, daycare, maintenance, etc.
- **In-Unit Amenities:** Carpeting, dishwasher, window treatments, refrigerator, laundry, bathroom quantity, etc.
- **Building Style:** Apartment, duplex, single family home.



# Making Adjustments and Developing a Key

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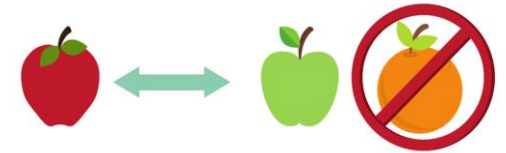


A market analysis should identify and compare the amenities and general conditions and adjust for differences in order to determine the fair market rent for PHA units.





# Comparing PHA Units to Comparable Market Rate Units



The market study should evaluate both the public housing and market rate units and adjust for differences in order to determine the fair market rent for the public housing units.

	PHA	Comp 1	Comp 2	Comp 3
Rent	\$300	\$400	\$385	\$500
Age	1965	1985	2005	1973
Year Renovated				2012
Refrigerator (Y/N)	Yes	Yes	Yes	Yes
Dishwasher (Y/N)	No	Yes	Yes	No
Laundry (Y/N)	Hook Ups	On-Site	Hook Ups	In Unit
Carpeting (Y/N)	No	Yes	Yes	Yes

*What are the differences in the PHA and Market Rate units?*



# Making Adjustments and Developing a Key

Take into account who pays the utilities.

Utility Responsibility				
	Electricity	Gas	Water/Sewer	Trash
Comp 1	Tenant Paid	N/A	Landlord Paid	Landlord Paid
Comp 2	Tenant Paid	N/A	Landlord Paid	Landlord Paid
Comp 3	Tenant Paid	N/A	Landlord Paid	Landlord Paid
PHA	PHA Paid	N/A	Tenant Paid	PHA Paid

*Study should find the “total out of pocket expense” for a tenant.*



# Making Adjustments and Developing a Key

Utility Responsibility				
	Electricity	Gas	Water/Sewer	Trash
<b>Comp 1</b>	Tenant Paid	N/A	Landlord Paid	Landlord Paid
<b>Comp 2</b>	Tenant Paid	N/A	Landlord Paid	Landlord Paid
<b>Comp 3</b>	Tenant Paid	N/A	Landlord Paid	Landlord Paid
<b>PHA</b>	PHA Paid	N/A	Tenant Paid	PHA Paid

In this scenario:

- **Electricity** is PHA paid, therefore it is included in the rent amount. Whereas, the tenant must pay for electricity in addition to the rent amount for the comparable unit. Therefore, the amount spent on electricity must be added to adjust the comparable units rent.
- **Water/Sewer** is paid by residents at the PHA and included in the comparable rent. Therefore, the cost of utility should be deducted from the comparable rent.
- **Trash** is paid for at both the PHA and Comparable units by the Landlord; no adjustments need to be made.



# Calculating Flat Rent

	PHA	Comp 1	Adj.	Comp 2	Adj.	Comp 3	Adj.
Rent		\$400		\$385		\$500	
Age	1965	1985	-\$10	2005	-\$20	1973	
Year Renovated						2012	-\$20
Refrigerator (Y/N)	Yes	Yes		Yes		Yes	
Dishwasher (Y/N)	No	Yes	-\$10	No		Yes	-\$10
Laundry (Y/N)	On-Site	On-Site		Hook-Ups	\$5	In Unit	-\$10
Carpeting (Y/N)	Yes	Yes		Yes		Yes	
Electricity (Included in Rent?)	Yes	No	\$30	No	\$30	No	\$30
Water (Included in Rent?)	No	Yes	-\$40	Yes	-\$40	Yes	-\$40
Trash (Included in Rent?)	Yes	Yes		Yes		Yes	
<b>Adjusted Rent</b>			<b>\$370</b>		<b>\$360</b>		<b>\$450</b>

- Make adjustments to comp units according to what amenities and utilities are included in the PHAs rent.
- This will find the value of that unit in the market via an “adjusted rent”.



# Calculating Flat Rent

2 Bedroom	Proposed Rent
Comp 1	\$370
Comp 2	\$360
Comp 3	\$450
<b>Proposed Rent</b>	<b>\$393</b>

- Average the adjusted rents from the Market Study to find the Exception Flat Rent for Each Bedroom size.



# Making Adjustments and Developing a Key

Key	
Age	\$5 for every 10 years
Air Conditioning	Central \$0
	Window - \$5
	Neither - \$10
Curb Appeal	Good \$0
	Better \$5
	Best \$10
Housing Type	Apartment
	Duplex \$10
	House \$15

Include:

- Any formulas used for Adjustments.
- Multipliers for when comp's do not have certain bedroom sizes.
- Differentiation and valuing of categories.



# Finalize Narrative and Explain Methodology

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After making any necessary amenity adjustments and establishing a proposed flat rent schedule, PHAs should develop and finalize their narrative, explaining their methodology.

Narratives should include explanatory justifications for any comparable inconsistencies. For example, when:

1. There is an insufficient number of comparable market rate units;
2. An analysis compares different types of units (i.e. multifamily and single family units of the same bedroom size);
3. An analysis compares units that are not located in close proximity.

Documentation and explanation is 



# Finalize Narrative and Explain Methodology

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## PIC Number

Bedroom Size	Proposed Rent
1 BR	\$375
2 BR	\$417
3 BR	\$503
4 BR	\$600

- Include the Proposed Flat Rents clearly in your study.
  - Specify AMPs Numbers





# Common Issues with Market Analyses

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- Lacking utility data.
- Lacking the minimum three (3) comparables units.
- Arbitrarily assigning amenity values.
- Placing apples with oranges without an explanation.
- Assigning different monetary values for similar amenities without explanation.
- Using subsidized units as comparables.
- Using comparables from other states.
- Lacking a methodological explanation.



# HUD Forms – HUD 92273 (pdf) and 92273-S8 (Excel)

## Estimates of Market Rent by Comparison

U.S. Department of  
Office of Housing  
Federal Housing Co

Public reporting burden for this collection of information is estimated to average 18 hours per response, including the time for reviewing instructions, searching existing data sources, gathering the data, reviewing the collection of information, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Office, Paperwork Project, (202) 953-7017. This information is being collected under Public Law 101-625, which requires the Department of Housing and Urban Development to implement a system for mortgage information and to execute a firm commitment. Confidentiality to respondents is ensured if it would result in competitive harm in accordance with the Freedom of Information Act (FOIA).

1. Unit Type	2. Subject Property (Address)	A. Comparable Property No. 1 (address)		B. Comparable Property No. 2 (address)	
Characteristics	Data	Data	Adjustments		Data
3. Effective Date of Rental					
4. Type of Project/Stories					
5. Floor of Unit in Building					
6. Project Occupancy %					
7. Concessions					
8. Year Built					
9. Sq. Ft. Area					
10. Number of Bedrooms					
11. Number of Baths					
12. Number of Rooms					
13. Balc./Terrace/Patio					
14. Garage or Carport					
15. Equipment a. A/C					
b. Range/Oven					
c. Refrigerator					
d. Disposal					

[https://www.hud.gov/program\\_offices/administration/hudclips/forms/hud9](https://www.hud.gov/program_offices/administration/hudclips/forms/hud9)



# Flat Rent Exception Review Process – New Submissions

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PHAs have 90-days from the effective date of new FMRs (typically published October 1) to submit a flat rent exception request. This would mean PHAs have until December 31, in a typical year.

## **During Reviews:**

- While HUD reviews a PHAs exception request, the PHA may continue to utilize its current flat rent schedule.

## **Incomplete Submissions:**

- HUD will provide the PHA with two (2) opportunities to address deficiencies before disapproving.
- PHAs must respond in writing no later than 30-days after receiving HUDs notification of insufficient submission.
- While awaiting response from HUD, the PHA may continue to utilize its current flat rent schedule.



# Flat Rent Exception Disapprovals

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If a PHA cannot provide sufficient information to justify its exception after two (2) requests for additional information, HUD will deny the request.

## If Denied:

- The PHA must immediately revise its flat rent rates using an applicable FMR (Options I and II), and the updated flat rents must be applied to any intake or reexamination that takes effect 60-days after the denial date.



# Flat Rent Exception Extensions

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Flat rent exception requests must be approved by HUD on an annual basis unless the PHA requests an extension.

**Extensions:** PHAs may request a 2 year extension of previously approved flat rent exceptions under the following circumstances:

1. The market study accompanying the previously approved request is no more than 2 years old;
2. Local market conditions remain unchanged; and
3. The PHA submits the extension request to HUD no later than 90-days after the effective date of the final FMRs published by HUD (December 31).



# Flat Rent Exception Extensions

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If during the 2-year renewal period the PHA becomes aware of a change in local market conditions that would impact the market, the PHA must:

1. Discontinue the use of the current flat rent exception and use one of the applicable FMRs (Option I or II); or
2. Conduct a new market analysis and submit a new flat rent exception request to HUD for approval.

The PHA may continue to use the current flat rent exception amounts until HUD issues a decision.



# Role of the Field Office

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The Field Office plays a critical role in the Flat Rent Exception Process due to:

1. Local knowledge of the rental markets;
2. Relationships with Public Housing Authorities.

The Field Office review process follows:

1. The Field Office Director designates a reviewer and forwards the form e-mail with the FO Checklist to the reviewer.
2. The reviewer will then review the documents in the [SharePoint Page](#) for the current fiscal year within 10 days.
3. The reviewer will then complete the FO Checklist, upload to the [SharePoint Page](#), and send a confirmation e-mail to [FlatRentExceptionRequests@hud.gov](mailto:FlatRentExceptionRequests@hud.gov).



# Field Office Reviewer Checklist

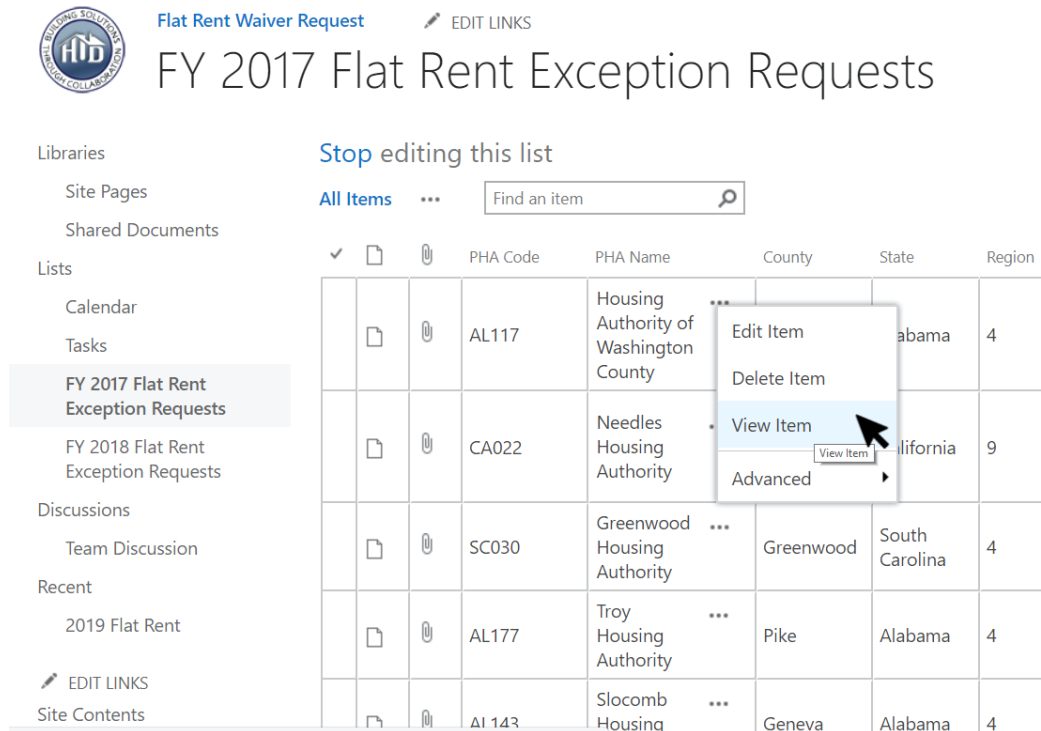
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1. Quantity and Quality of Comparable Units
2. Basic Comparables
3. Amenities
4. Utilities
5. Calculations
6. FO Recommendation





# Field Office Portion of SharePoint



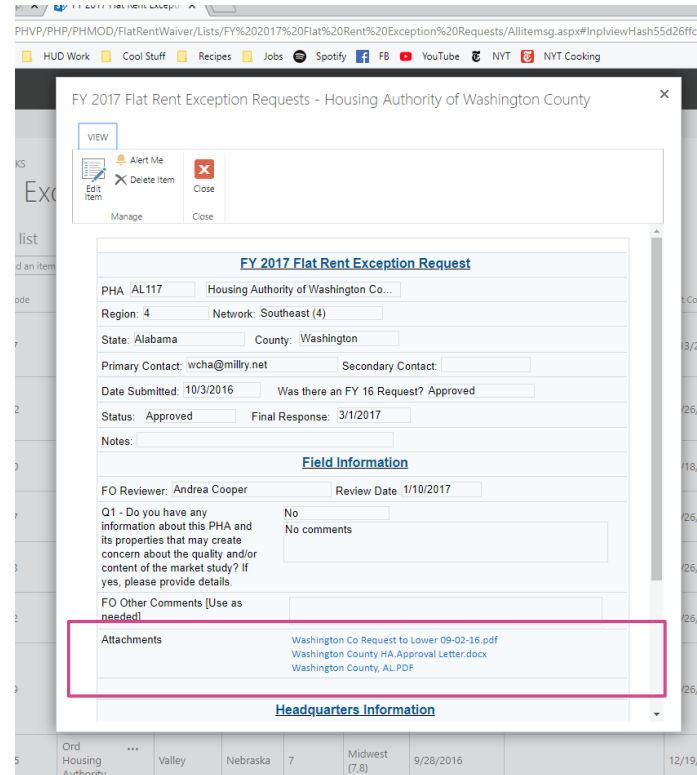
Flat Rent Waiver Request EDIT LINKS

## FY 2017 Flat Rent Exception Requests

Stop editing this list

All Items Find an item

✓	📄	📎	PHA Code	PHA Name	County	State	Region
			AL117	Housing Authority of Washington County		Alabama	4
			CA022	Needles Housing Authority		California	9
			SC030	Greenwood Housing Authority	Greenwood	South Carolina	4
			AL177	Troy Housing Authority	Pike	Alabama	4
			AL143	Slocomb Housing	Geneva	Alabama	4



FY 2017 Flat Rent Exception Requests - Housing Authority of Washington County

**FY 2017 Flat Rent Exception Request**

PHA: AL117 Housing Authority of Washington Co...  
 Region: 4 Network: Southeast (4)  
 State: Alabama County: Washington  
 Primary Contact: wcha@milky.net Secondary Contact:  
 Date Submitted: 10/3/2016 Was there an FY 16 Request? Approved  
 Status: Approved Final Response: 3/1/2017  
 Notes:

**Field Information**

FO Reviewer: Andrea Cooper Review Date: 1/10/2017  
 Q1 - Do you have any information about this PHA and its properties that may create concern about the quality and/or content of the market study? If yes, please provide details.  
 FO Other Comments [Use as needed]

**Attachments**

- Washington Co Request to Lower 09-02-16.pdf
- Washington County HA Approval Letter.docx
- Washington County, AL.PDF

**Headquarters Information**

## Find PHA Documents

1. Select PHA
2. Click "..."
3. Select "View Item"
4. Download attachments



# Uploading FO Checklist in SharePoint

The screenshot shows the SharePoint interface. On the left, a table lists PHA records with columns for PHA Name, PHA Code, and County. A context menu is open over the first row, showing options: Edit Item, Delete Item, View Item, and Advanced. On the right, the 'Edit Item' form is displayed. The 'Attach File' button in the top ribbon is highlighted with a red box. The form fields include: PHA Code (TE023), PHA Name (Test HA), County (Springfield), State (District of Columbia), Region (5), Network (Southeast (4)), Request Type (New), 2017 Request (N/A), Date Submitted (7/2/2018), HHQ Technical Reviewer (Miranda Stern), Request Status (Approved), Date Assigned to TR (7/2/2018), Last Comm w HA, Sent to FO (7/4/2018), FO Reviewer Name (Mr Landlord), FO Approval Date (7/5/2018), Finalized/Date of Signature (7/6/2018), Renewal Expiration, Email Decision Notification to PHA/FO (7/7/2018), PHA Contact Email (Mister.L.Andlord@hud.gov), PHA Contact Phone (202-555-1212), and Comm wHA Notes (N/A). The 'Save' and 'Cancel' buttons are at the bottom right.

Upload FO Checklist:

1. Click "..."
2. Choose "Edit Item"
3. Complete, sign, and upload FO checklist
4. Attach file
5. Complete "FO Reviewer Name" and "FO Approval Date"
6. Save



# Frequently Asked Questions

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- 1. What is the maximum increase for flat rents?**
  - 35% maximum annual increase.
- 2. When can the PHA submit for FY 19?**
  - PHAs can submit Flat Rent Exception Requests once FMR and SAFMR data is issued for FY 2019. Typically around 1 October.
- 3. The market study calculated the appropriate market rent at \$500. Should the flat rent be set at  $\$500 \times 80\% = \$400$ ?**
  - No, the rent should be set at \$500 based on the results of the market study. Not 80% of the results of the market study.
- 4. Can neighboring PHAs submit a joint waiver request?**
  - Yes, if they are in a shared rental market.
- 5. Can a PHA submit an extension request with minor modifications or changes to its previously approved rents?**
  - No, they must submit a new exception request.



# Thank you!

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**For more information, contact a member of the Flat Rent Team!**

General Questions and to Submit an Exception or Extension Request:  
[flatrentexceptionrequests@hud.gov](mailto:flatrentexceptionrequests@hud.gov)

**The Flat Rent Team:**

Allison Ackerman: [allison.l.ackerman@hud.gov](mailto:allison.l.ackerman@hud.gov)

Joshua Noonan: [joshua.r.noonan@hud.gov](mailto:joshua.r.noonan@hud.gov)

Miranda Stern: [miranda.k.stern@hud.gov](mailto:miranda.k.stern@hud.gov)

Aisha Turner: [aisha.r.turner@hud.gov](mailto:aisha.r.turner@hud.gov)



# Questions?

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