

# Flat Rent Exception Requests

General Questions / Concerns

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# Guidance

- Changes to Flat Rent Requirements – [FY 2015 Appropriations Act](#)
  - [Notice 2015-13](#) published in September 2015

# Flat Rent Options

Housing authorities should choose one option and set the flat rent no less than:

1. 80% of Fair Market Rent (FMR) or 80% of Statewide Minimum depending on availability

Source: HUD

2. 80% of Small Area Fair Market Rent (SAFMR) or 80% of Unadjusted Rent depending on availability

Source: HUD

3. Results of Market Analysis

Source: Housing Authority Research

*If using this option, the PHA must submit an exception request*

\*An exception request is not needed to set a higher flat rent than option 1 or 2 above

\*\*FMR/Statewide minimum and SAFMR/unadjusted rent is by availability, not PHA choice.

# Establishing FMR-Based Flat Rents

- FMR-based flat rent amount does not need HUD approval;
- PHAs must update flat rents within 90 days of the effective date of new FMRs or submit an exception request;

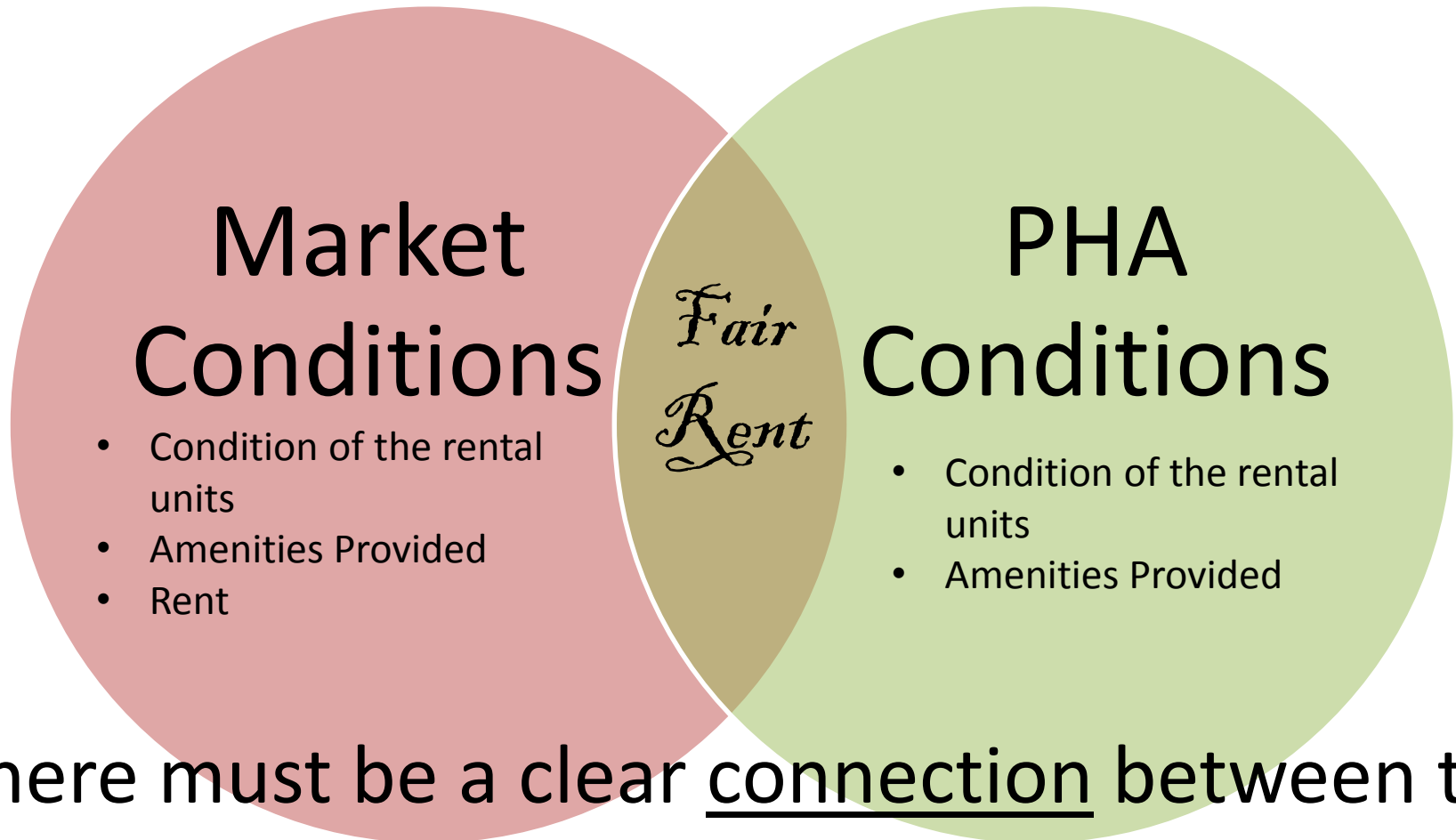
# Where to Find Fair Market Rents

- FMR information available at:  
<https://www.huduser.gov/portal/datasets/fmr.html>
- SAFMR information available at:  
<https://www.huduser.gov/portal/datasets/fmr/smallarea/index.html>
- Unadjusted rents can be found at:  
<https://www.huduser.gov/portal/datasets/fmr.html>

# What is a Market Study

- A market study collects and analyzes the local rental market conditions to determine the average and appropriate rent for an area;
- There is no one standard or methodology of how to conduct a market study, but there are a few common methodologies HUD has approved.

# Market Study



There must be a clear connection between the market conditions and the PHA conditions in order to determine the appropriate flat rent.



# Documentation

- There are many correct ways to conduct a market study.
- The most important aspect of a market study is to explain and document why something was done.

# Suggestions of Where to Find Information

- Newspaper Advertisements
- Internet Research
- Rental Flyers
- Phone Research
- Interviews with Tenants
- Property Tax Records (square footage)

The most important factor is to document where and when (month and year) you found the information.

# Steps to a Market Study

Step 1: Select Comparable Units

Step 2: Compare PHA Units and Market Rate Units

Step 3: Calculate Flat Rent

# Finding Comparable Units

- Physically Located in the Same Rental Market:
  - The PHA should use discretion when determining if a unit is in the same rental market;
  - The average tenant would consider moving to a unit in the given location.
- Unsubsidized by a government or non-profit agency:
  - Rent is set independent of a tenant's income;
  - The unit does not have maximum income restriction;
  - Examples of subsidized units: USDA subsidized units, tax credit units, other public housing authorities, and other HUD programs.

# Selection of Comparable Units

When there are many comparable units the PHA should choose a criteria to identify the most appropriate units.

- Criteria may include units that are closest in age, physical location, and general condition;
- It is not appropriate to select comparable units solely based on their current rent;
- The housing authority must clearly state its chosen methodology of comparison.

# Comparable Units: Exclusions

Do not include units that the average tenant would not consider renting if they move out including:

- College Housing;
- Illegal Rental Units;
- Substandard Housing;
- Housing units that do not provide safe, sanitary, and decent living conditions.

# Examples of Acceptable Language Used in Other PHA Submissions

- The housing authority is the only apartment building in town, therefore the market study used single family homes for comparison purposes.
- The Appleton Apartment building is a mix of subsidized and unsubsidized units. This study used only the unsubsidized units for comparison.

**Important Theme = Documentation & Explanation**

# Examples of Acceptable Language Used in Other PHA Submissions

#1: The market study identified 8 comparable developments, and analyzed the 4 that are physically closest to the housing authority properties.

#2: The market study identified 7 comparable developments, and analyzed the 4 that are closest in age to the housing authority.

#3: The market study identified 3 comparable developments, but excluded Park Village because its overall condition is significantly different than the housing authority's properties. Park Village is a new building with many amenities that the housing authority is not able to offer such as wall to wall carpeting, large closets, stainless steel appliances, granite counter tops, and swimming facilities.



# Steps to a Market Study

Step 1: Select Comparable Units

Step 2: Compare PHA Units and Market Rate Units

Step 3: Calculate Rent

# Compare PHA & 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.
- Note: This includes taking into account who pays the utilities.

# References for More Information

These forms and methodologies are useful, but not required for documenting differences among properties:

- “Fair Market Rents For The Section 8 Housing Assistance Payments Program” available:  
<https://www.huduser.gov/portal/datasets/fmr.html>
- HUD 92273 and [HUD 92273-S8](#)
- Freddie Mac Form 1000 / Fannie Mae Form 1007  
[https://www.fanniemae.com/content/guide\\_form/1007.pdf](https://www.fanniemae.com/content/guide_form/1007.pdf)

# HUD 92273 (pdf)

## HUD 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 16 hours per response, including the time for reviewing instructions, searching existing forms and you are not required to complete this form, unless it displays a currently valid OMB control number.

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 insurance 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 1		
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					

# How to Report Amenities

- Document all relevant information!
- Tables are a great way to organize data!

	Public Housing	Comp 1	Comp 2	Comp 3
Rent		\$450	\$385	\$512
Age	1965	1985	2005	1973
Year Renovated				2012
Refrigerator	x	x	x	x
Dishwasher		x	x	
Laundry		On-Site	Connections	In Unit
Carpeting		x	x	x

# Amenities to Consider

The market study does not need to include all amenities listed below but should evaluate factors important 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.

# Identify & Compare Characteristics

## The Simple Example

	<b>PHA</b>	<b>Comp 1</b>	<b>Comp 2</b>	<b>Comp 3</b>
Bedroom	2	2	2	2
Bathroom	1	1	1	1
Age	1965	1964	1966	1965
Laundry	In Unit	In Unit	In Unit	In Unit
SF	950	940	960	Unk
Rent		\$500	\$575	\$475
Tenant Paid Utilities		Electric		Electric, Gas

# Calculate the Average Rent

## The Simple Example

	Rent	Utilities	Total
Comp 1	\$500	\$75	\$575
Comp 2	\$600	-	\$600
Comp 3	\$450	\$100	\$550
Average			\$575

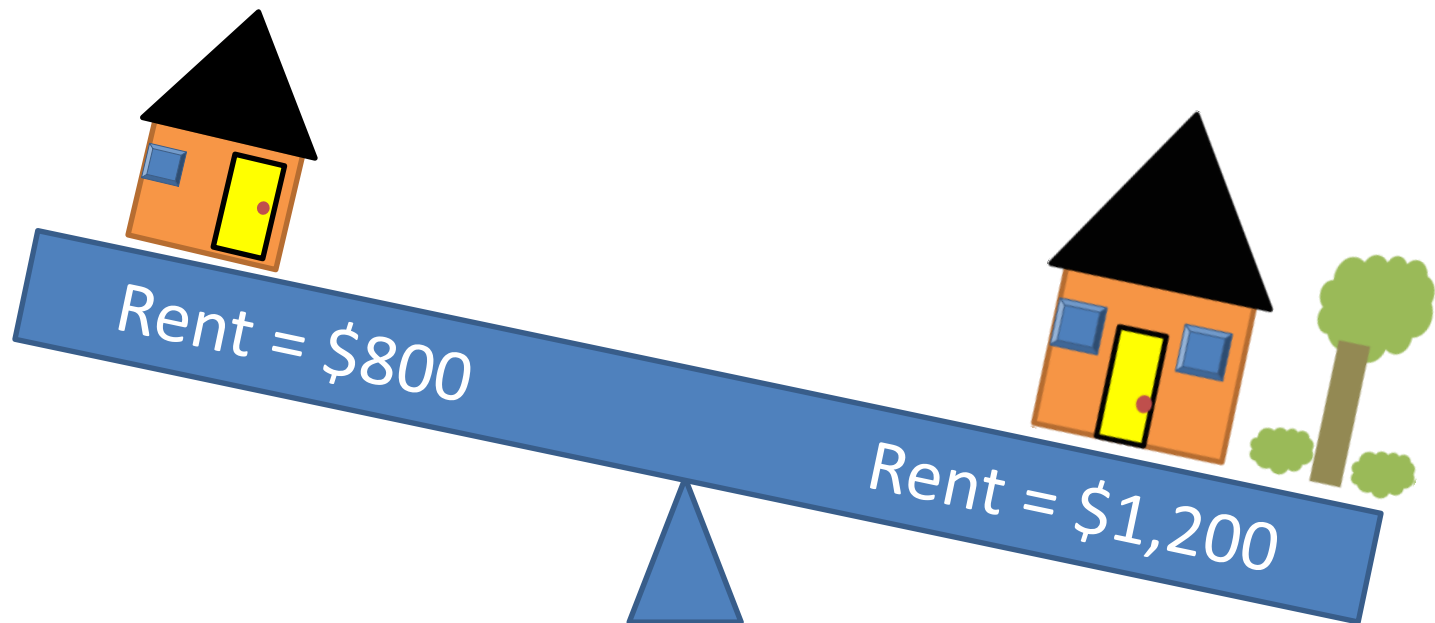
Total Expenditures  
- \$25 Average Gas Cost  
(Tenant Allowance)  
-----  
\$550 Flat Rent for 2 Bedroom



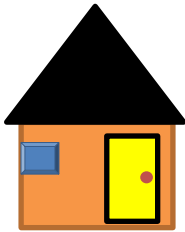
# Evaluate and Adjust Similarities & Differences

Are You Comparing Apples to Apples?

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.



# Evaluate and Adjust Similarities & Differences



## Amenities & Utilities

Square Footage = 800	Square Footage = 1,200
Refrigerator	Refrigerator, Dishwasher, Microwave
On-Site Maintenance	
	Carpeting
	On-Site Parking
Tenant Pays Electricity	Tenant Pays All Utilities
Rent = \$800	Rent = \$1,200

# Evaluate and Adjust Similarities & Differences

Are the Different Rents Equal?

	Public Housing	Comparable Unit	
Rent			\$ 1,200
Square Footage	800	1,200	\$ (200)
Refrigerator	x	x	
Dishwasher, Microwave		x	\$ (40)
Laundry		x	\$ (60)
On-Site Maintenance		x	\$ 20
Carpeting			\$ (20)
On-Site Parking		x	\$ (25)
Tenant Paid Utilities	Electricity	None	\$ (75)
Adjusted Rent			\$ 800

This is the added value for the extra amenities. The housing authority should use discretion in assigning these dollar values.

Tenant Allowance

# Examples of Acceptable Language Used in other PHA Submissions

- The Appleton Apartment Complex has tennis courts, whereas the SHA does not. However, the tennis courts are in disrepair and rarely used. Therefore we did not include the tennis courts in the market analysis.
- The cost adjustment for laundry was \$45. The value of onsite laundry was set at this level because there are no laundromats in town, public transportation is limited, and many of the residents do not drive or own cars.

**Important Theme = Documentation & Explanation**

# Reporting Utility Responsibility

- Identify who has responsibility to pay the utilities:

	Resident Paid Utilities			
	Public Housing	Comp 1	Comp 2	Comp 3
Electric	x	x	x	x
Natural Gas		x		x
Water / Sewer		x		
Trash Removal				

# Steps to a Market Study

Step 1: Select Comparable Units

Step 2: Compare PHA Units and Market Rate Units

Step 3: Calculate Rent

# Frequently Asked Questions

# Frequently Asked Questions

- Can I set different flat rents for different PHA properties?  
**Yes**, but you must provide an explanation.
- Common reasons:
  - Different locations (i.e. downtown);
  - Different size units (i.e. square footage);
  - Different amenities;
  - Different age and/or renovation.



# Frequently Asked Questions

- Can neighboring PHAs submit a joint waiver request?
  - Yes, if appropriate.
- The market study calculated the appropriate market rent as \$500. Should the flat rent be set at  $\$500 \times 80\% = \$400$ ?
  - No, rent should be set at \$500 based on the results of the market study, not 80% of the results of the market study.

# Frequently Asked Questions

- What is the maximum increase for flat rents?
  - 35% annual increase in rent is the maximum increase.

Example:

- The Jones family is currently paying the flat rent amount of \$500 per month.
- The PHA tells the family that the flat rent amount has increased to \$700.
- The flat rent payment would only increase to \$675 because flat rent changes must be phased-in.

# Frequently Asked Questions

PHAs with mixed families and flat rent

1. Determining total tenant payment.
2. Subtracting the total tenant payment from a HUD- supplied public housing flat rent.
3. Dividing the family maximum subsidy by the number of eligible persons in the family.
4. Multiplying the member maximum subsidy by the number of "eligible" family members.
5. The family's rent is the "flat rent" minus the amount of the eligible subsidy.

# Additional Sample Methodologies for Conducting a Market Analysis

- Compare cost per square foot
- The Point System

# Points System Analysis

Category	Points	Multiplier	Rent	Adjusted Rent
Comp 1	70	0.93	\$ 375	\$ 402
Comp 2	89	1.19	\$ 485	\$ 409
Comp 3	96	1.28	\$ 525	\$ 410
Comp 4	92	1.23	\$ 510	\$ 416
Average	86.75	1.16	\$ 474	\$ 410

- Public Housing = 75 Points
- Multiplier = (Comp Points) / (Public Housing Points, 75)
- If using this methodology, the market study must include a key to explain how points were assigned.

# Common Issues with Flat Rent Exception Market Studies

- Lacking utility data.
- Lacking the minimum of three comparable units.
- Arbitrarily assignment of amenity values.
- Placing apples with oranges without an Explanation.
- Assignment of different monetary values for similar amenities without an explanation.
- Use of subsidized units as comparables.
- Using comparables from other states.

# For More Information Contact:

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HUD Notice 2015-13:

Changes to Flat Rent Requirements – FY 2015 Appropriations Act