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Office of General Council
Rules Docket Clerk
Department of Housing and Urban Development
451 7th Street S.W. Room 10276
Washington, DC 20410-0001

Docket No. FR-5413-N-01
Section 8 Housing Choice Voucher Program – Demonstration Project of Small Area Fair Market Rents in Certain Metropolitan Areas for Fiscal Year 2011
Request for Comment

To whom it may concern:

Enterprise Community Partners appreciates the opportunity to submit comments on the proposed demonstration project of small area Fair Market Rents (FMRs). In many cities, particularly high-cost cities, the current metro-wide FMR system often concentrates Section 8 Housing Choice Vouchers in a few low-cost neighborhoods, or encourages vouchers to be ported out to lower-cost suburbs. Therefore, we commend the Department of Housing and Urban Development (HUD) for its commitment to providing Section 8 tenants with an enhanced ability to move into opportunity areas. We also commend HUD for working to improve HUD’s data systems to enhance program performance.

At Enterprise, we create opportunity for low- and moderate-income people through fit, affordable housing and diverse, thriving communities. Central to our mission is Enterprise’s fundamental commitment to give people living in poverty an opportunity to move up and out. We believe that these opportunities are best provided in communities with a diverse mix of affordable and market housing options, access to jobs and social supports, and a strong commitment to the environment and civic participation. Since 1982, Enterprise has raised and invested nearly $11 billion to help finance more than 270,000 affordable homes across the United States.

After reviewing the small area FMR notice, we would like to offer the following specific comments on the proposed change:

1. **Continue to monitor rents in very high-cost areas so as to permit greater mobility for Housing Choice Voucher (HCV) tenants.** The shift to small area FMRs will greatly enhance the ability of HCV tenants to rent units in higher-cost neighborhoods. However, HUD’s small area rental rate ratio retains the median gross rent for CBSA in the denominator. Because the CBSA in some metro areas is a large area that may include several counties, including the CBSA in the denominator may create small area FMRs
that are still too low for certain high cost cities. In such situations, HCV tenants will still not be able to afford apartments in many neighborhoods within the major city because the FMR will continue to be too low. Therefore, we recommend that HUD continue to monitor rents in high cost cities to evaluate whether HUD is achieving its objective of permitting true mobility; if not, HUD should adjust rents in these areas. One way to make such an adjustment would be to raise the 150 percent rent relationship cap for areas that would otherwise be greater.

2. **We commend HUD for adopting a policy that will, hopefully, create more mixed income neighborhoods.** If FMRs are increased in higher-cost neighborhoods, more HCV tenants will be able to move in. Also, in the future, if small area FMRs are applied to project-based vouchers, project-based voucher properties will be able to underwrite with higher rents, thereby creating the ability to create and preserve affordable housing in high-cost areas. We consider this a very good impact and commend HUD for incentivizing such mixed-income neighborhoods.

3. **Consider the implications of small area FMRs on other affordable housing deals that use the FMR as a guidepost for underwriting.** Even though it is not a HUD requirement, many affordable housing underwriters want to be consistent with national standards and will therefore use the FMR as a guidepost. Therefore, as small area FMRs are instituted across the country, they will impact many affordable housing programs that rely on FMRs to set rents or underwrite financing deals. HUD should carefully consider these implications before rolling out the program to a national scale.

4. **Support national legislation on non-discrimination for Section 8 voucher holder.** HUD should anticipate a fair amount of NIMBY (not in my back yard) opposition from wealthier neighborhoods and suburbs who may perceive increased HCV tenant mobility as a threat. We recommend that HUD combat this opposition through enhanced fair housing laws, specifically national legislation that prohibits discrimination against Section 8 voucher holders. Currently, such protections only exist in some states and localities.

As a final note, to the extent that the small area FMRs are applied to project-based properties in the future, we recommend that HUD institute a strong hold-harmless provision on existing properties. Though the proposed small area FMR demonstration project will only apply to tenant-based vouchers, a national roll-out would eventually mean that such FMRs will be applied to project-based Section 8 and other assisted properties receiving project-based subsidies based on FMRs as well. If this happens, projects that were underwritten to certain rents could undergo substantial financial stress if the rents decrease as a result of the small area FMRs. HUD could also consider extending this hold-harmless provision to properties whose rents would increase as a result of the new methodology so as to avoid windfalls.
Thank you, once again, for the opportunity to provide comments on the proposed small market FMR initiative. We commend HUD for their ongoing willingness to seek and respond to public input. Please contact us with any questions or for further discussion.

Sincerely,

Adrienne E. Quinn  
Vice President, Public Policy and Government Relations  
Enterprise Community Partners