

## **OWNER FREQUENTLY ASKED QUESTIONS: SMALL AREA FAIR MARKET RENTS**

As required by HUD on April 1, 2018 Delaware County Housing Authority (DCHA) began using Small Area Fair Market Rents (SAFMRs) to determine the payment standards applicable to the Housing Choice Voucher (HCV) program. This handout answers some basic questions about SAFMRs.

### **What are SAFMRs?**

SAFMR stands for “Small Area Fair Market Rent.” SAFMRs are estimates of the typical rent for different sizes in a specific zip code. They are determined by the U.S. Department of Housing Urban Development (HUD) each year, based on the distribution of all rent for standard quality housing within that zip code.

### **What are payment Standards?**

Payment standards are used to calculate the maximum subsidy DCHA will pay toward rent and utilities for rental units leased to families with HCVs. Under the HCV program, families are generally required to pay 30 percent of their adjusted income toward rent and utilities. DCHA then pays the difference between the family’s required contribution and the lower of (a) the payment standard and (b) the gross rent (rent plus estimated utilities) of the unit. HCV families may choose to pay more to live in a unit whose rent and utilities exceed the payment standard but may not pay more than 40 percent of their adjusted income for rent and utilities when initially signing a lease.

Effective April 1, 2018 DCHA will use different payment standards for different ZIP codes in its jurisdiction. The payment standard will be set as a percent of the SAFMRs for that ZIP code. Owners and tenants can use the SAFMR Payment Standard Look-Up Tables to determine the payment standard in a particular location.

### **What’s new about this approach?**

Up until this year, HUD required the PHA to base payment standards on Fair Market Rents calculated for the entire metropolitan area, rather than for specific ZIP codes. This meant that payment standards may have been too low to enable HCV families to rent units in higher-cost areas and may have been higher than market rents in lower-cost areas. Under the new approach, the payment standard is based on the localized rent for each ZIP code. If your property is located in a high-cost neighborhood, it is likely that the share of the rent and utilities we will pay on behalf of the tenant will increase under the new approach. At the same time, the payment standards in many low-cost areas will likely be reduced, meaning tenants may be responsible for a greater share of rent and utility payments, depending on the amount of the rent.

### **How will I be impacted?**

The degree to which you will be impacted by the switch to SAFMRs depends on the location of the properties that you own. The change in methodology used to calculate payment standards means that families with vouchers may now be able to afford units in high-cost parts of town. If you own units in these areas, please consider opening your doors to HCV families. If you currently rent to individuals and families with HCVs, you will receive a letter from the PHA with details about how properties will be impacted by changing payment standards. As annual reexaminations of income and eligibility for current HCV tenants are conducted, the housing assistance payment provided by DCHA will be determined using the new payment standards. At that time, you will be given additional information about impacts on tenants who rent units in your properties.

### **What else do I need to know?**

Please be aware that all Housing Assistance Payment contracts will remain subject to rent reasonableness determinations, including in areas where payment standards increase.