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United States Senate

WASHINGTON, DC 20510

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September 15, 2014

The Honorable Julián Castro
Secretary
U.S. Department of Housing and Urban Development
451 7th Street SW
Washington, D.C. 20410

Dear Secretary Castro:

I write to express my concern about the accuracy of the Proposed Fiscal Year (FY) 2015 Fair Market Rents (FMR) for the Housing Choice Voucher Program, and to set the rents for HOME assisted projects and other HUD programs, for several North Dakota counties contained in the Department of Housing and Urban Development (HUD) notice FR–5807–N–01. While I appreciate HUD's past efforts to reevaluate and promulgate more accurate FMRs for counties in the western part of my state affected by the oil and natural gas boom, I am troubled by the recently released FMRs for North Dakota. I encourage HUD to closely collaborate with local public housing agencies (PHAs) to ensure North Dakota's low-income and vulnerable families' housing needs are met.

After several decades of stagnant population, including persistent population loss in the majority of western counties, North Dakota has experienced an estimated 7.6 percent change in population since 2010. In a 2012 housing needs assessment, the North Dakota Housing Finance Agency found the state is expected to grow by 25 percent over the next 15 years. The influx of new residents has strained local housing markets: vacancy rates are less than one percent in some affected areas and home sales are actually declining in some regions because of a lack of available inventory. Housing constraints are not limited to the western part of the state, with vacancy rates in eastern North Dakota at nearly half the national average. A recent study by Apartment Guide found that rents in Williston, North Dakota topped those in the nation with a one-bedroom apartment averaging more than $2,000 per month; rents in Dickinson, ND ranked fourth most expensive in the country.

The FMR Calculation Methodology, while reasonable for the vast majority of the country, may not be appropriate for some counties in North Dakota due to the state's low population, thriving economy, and housing crisis.

Affordable housing is crucial for North Dakota's future, and I encourage HUD to collaborate with PHAs in my state to ensure FMRs adequately reflect the real cost of housing. Please find attached several letters I received from them regarding the situation. I also welcome the Department's comments and suggestions on how Congress can best enable HUD to implement common sense solutions to North Dakota's urgent urban and rural housing needs.

Sincerely,

Heidi Heitkamp

HEIDI HEITKAMP
United States Senate

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GRAND FORKS
HOUSING AUTHORITY

August 20, 2014

Senator Heidi Heitkamp
United States Senate
SH-502 Hart Senate Office Building
Washington, DC 20510

Re: HUD's Proposed 2015 Fair Market Rents

Dear Senator Heitkamp:

I am writing today to bring your attention to a matter that I am sure you will find, as I do, absolutely unbelievable and absurd. On Friday, August 15, via the Federal Register, HUD released its "Proposed Fair Market Rents for the Housing Choice Voucher Program, Fiscal Year 2015."

http://www.gpo.gov/fdsys/pkg/FR-2014-08-15/pdf/2014-19390.pdf

What is unbelievable is that for 45 of the 53 North Dakota counties HUD is proposing to lower the FMR an amount that is generally 6% lower than the 2014 FMRs. (Ranging from a low of a 0% ($1.00) reduction in Stark County to a high of a 23% reduction in McIntosh County (for 2BR units)). HUD is proposing an increase in FMRs for only 8 counties with increases ranging from a low of a 1% increase in Bowman County to a high of an 8% increase in Burleigh and Morton Counties. (See PHADA's Comparison of Final FY 2014 FMRs vs. Proposed FY 2015 FMRs by Area and Bedroom Size (August 18, 2014) attached.) Most of the counties (35) are at HUD's "minimum rent" for the state of $600. (See attach file PHADA 2015 ND FMRs)

All across the state North Dakota HCV holders are already experiencing difficulties in finding available rental units that can be assisted using the HCV Program. To lower the FMRs even further, thereby reducing the Payment Standards established by the local housing authorities, is going to only compound this problem. The Comment Due Date for these proposed FMRs is September 15th. Be assured that there will be comments from ND PHAs questioning the validity of HUD's proposed FMRs and questioning the methodology used to arrive at these proposed, lower rates. However, as you are aware, to challenge a methodology used to set a national standard is extremely difficult at best.

What is the apparent cause of this problem? I believe it is HUD's methodology for computing the FMR. To start, HUD uses the 5 year ACS data collected between 2008

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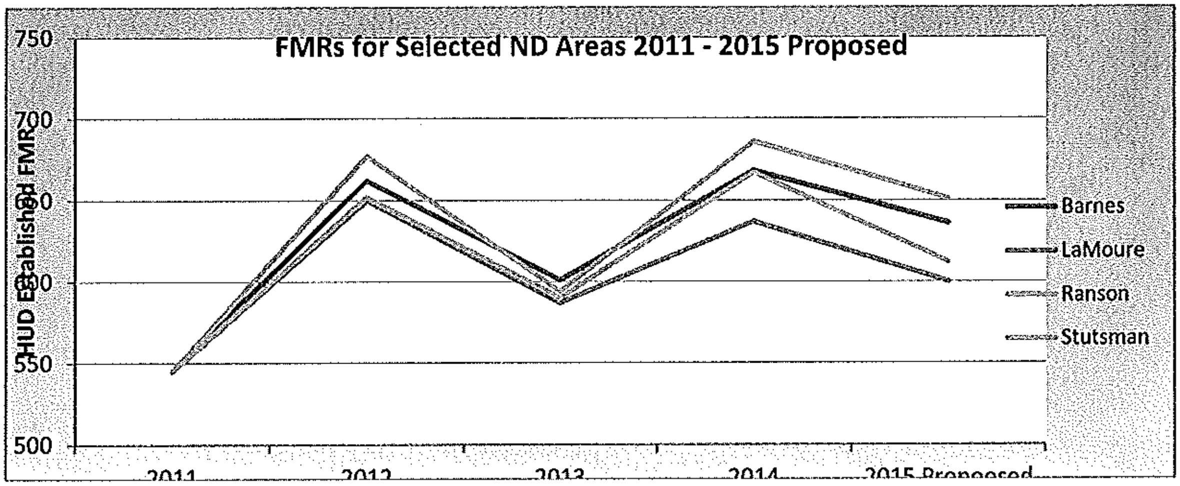
and 20012. This is then adjusted based on a "recent mover factor" as well as a CPI factor for trending. Although I cannot suggest a better methodology to be used for a national data set, for the state of North Dakota this method appears to be flawed. Here are two examples of how the current methodology appears to not be working:

1. In 2013, after considerable pressure from stakeholders, HUD completed a rent study for Ward, Mountrail and Williams Counties. The result of this study was for HUD to increase the FMR for each county by 70%, thereby establishing a new baseline. The 2014 FMR and the proposed 2015 FMR both show increases over the previous year. The study completed in 2013 shows that the methodology previously used for these counties did not provide accurate, current data upon which to establish FMRs. However, did HUD take this new information and consider it when establishing any other county's FMRs? No, it did not. The methodology used by HUD still computes the FMR for the surrounding counties, of the three listed above, at amounts ranging from $517 to $653 as follows: Divide - $517, Burke - $520, Renville - $533, McHenry - $553, McLean - $521, Dunn - $612 and McKenzie - $653. The point is, even though HUD discovered that its methodology for the three referenced counties was obviously flawed it did not take its findings any further. (Note: the surrounding counties that had FMRs computed at below the state minimum were all given the state minimum FMR of $600)

2. In 2013 there was an attempt by HUD to perform a rental study for the counties of Stutsman, Barnes, LaMoure and Ransom. I do not believe a formal adjustment was made to the FMR of the counties as a result of the study, but let's take a look at the historical data for these selected counties.

	2011	2012	2013	2014	2015 Proposed
Stutsman	545	652	590	667	612
Barnes	545	662	601	668	636
LaMoure	545	650	587	637	600
Ransom	545	677	594	686	651
Year Over Year Change		21.1%	-10.2%	12.1%	-6.0%



Note on the chart and the graph the up and down fluctuations in the annual FMRs for these 4 counties. On average the FMR increased 21% from 2011 to 2012, decreased 10% from 2012 to 2013, increased 12% from 2013 to 2014 and now decreased again 6% from 2014 to 2015. It is my position that this year to year fluctuation is a clear indication that the methodology used by HUD to establish FMRs is flawed. With the rental pressures that have been experienced in these counties, especially Stutsman and Barnes Counties, are we really to believe that there has been decreases in the rents for 2 bedroom units?

It is apparent that accurate, timely data is not available via the ACS from which HUD can develop a sound basis for FMRs. Or, when it is, HUD does not consider accurate information beyond the limited scope of the information obtained. The only other explanation would be for HUD to be manipulating the data in order to achieve some unknown result.

The result of all of this inaccurate FMR information is that ND PHAs have families that are not receiving the assistance that the HCV program is intended to provide. Rather, there are resources that are going unused. Unused vouchers results in reduced administration fees for the PHAs which just means a continual downward spiral of all funding and services. Granted, this is a double edged sword in that increased FMRs also result in increased per unit cost which leads to fewer families being assisted. But then, at least, someone is being assisted. Also, it may be easier for the case to be made to Congress for additional funding for this and like programs if Congress could see that all funds were being used with the need still greatly apparent. Now Congress sees allocations going unused.

This matter has been brought to the attention of HUD Denver whose responses have included a concern on behalf of HUD Denver for the situation ND PHAs are experiencing. It was suggested that all PHAs have the availability of applying for Emergency Exception Payment Standards, by which HUD waives a number of the regulatory restrictions and allows Payment Standards to be increased to as high as 135%

of the FMR. For me, rather than have a number of PHAs submit the required data necessary to warrant the waivers necessary to increase the Payment Standards to necessary levels it would be much more timely and cost efficient for HUD to undertake a state wide Housing Rental Study to be used to re-establish the base line FMRs, such as was done for Ward, Mountrail and Williams Counties. My belief is that HUD is reluctant to do this, not only because of their limited resources, but also because there is a concern that it would bring to light the flaw in the methodology used to arrive at the FMRs across the country.

What is being asked of you as a member of Congress is for your assistance in requesting HUD to explain how there can be such discrepancies in the FMRs arrived at for ND counties under the current methodology. And, how does HUD expect local PHAs to initiate the waivers necessary to accommodate current rental markets when they (HUD) do not have the resources to do it.

I would greatly appreciate the opportunity to discuss this matter in greater detail with you and to respond to any questions you may have.

Regards,

Terry Hanson
Executive Director

Housing Authority of Stark County, North Dakota
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September 9, 2014

Senator Heidi Heitkamp
United States Senator
SH 502
Washington, DC 20510

Dear Senator Heitkamp:

I am writing you today on behalf of three Public Housing Authorities (PHA) that we manage in Western North Dakota. Specifically, they are the Stark, McKenzie and Dunn County PHA's. We have been operating the Section 8 Housing Choice Voucher Program in these Counties for years.

Recently, due to the oil boom this area has been experiencing, our program has changed dramatically. Rents that our private landlords are charging have been increasing at an alarming rate. Due to these high rents our existing Section 8 residents are moving out of the area (or in with family) due to the extremely high tenant portion of the rent. Regulations allow that they can stay in their existing home but pay the difference over and above our payment standard. This causes some of our residents who wish to stay in the area to pay in excess of 60% of their income towards rent. The factor which is the driving force behind this is the Fair Market Rents (FMR) and the resulting payment standards that are a product of the FMR.

The Fair Market Rents were increased in 2014 from the previous year. Even with the increase and the fact that we increased our payment standard to the maximum of 110% of the FMR, we were not successful in leasing to voucher holders in 2014. This year to date, we have issued 80 vouchers in Stark, McKenzie and Dunn Counties. Of those 80 vouchers issued, nine participants were able to lease up.

The proposed FMR's for 2015 have been published and to our surprise, Stark County remained static, Dunn County decreased 6% and McKenzie County increased 2-3%. In the meantime, the rents for these counties continue to rise. The result of which has had a huge impact on our Section 8 program over the past 6 years going from a 230 units leased to 90 in Stark County alone.

On behalf of the Stark, McKenzie and Dunn County Housing Authorities, I am asking that you direct HUD to complete a survey to raise the Fair Market Rents for these areas.

Sincerely,

M. Blake Strehlow PHM
Executive Director

SCHA

STUTSMAN COUNTY HOUSING AUTHORITY

September 12, 2014

HUD

RE: 2015 FMRs

We reviewed the proposed fair market rates for 2015, and were greatly disappointed. Stutsman County Housing covers five counties; Stutsman, Logan, Foster, Dickey, and Sargent. All five counties have decreases, which is completely unexplainable. Last year a survey was completed and showed Stutsman needed to increase by 13%, and now this year it decreases by 8%!

We are experiencing vacancy rates below two percent in most areas, and below .5% in Foster County. Our housing assistance costs have risen significantly in the past few years as rents skyrocket. In Stutsman County, we have 20 or more clients that experienced a $200 a month increase in rent or more per month.

Our region region is experiencing large growth that is bring thousands of workers starting this fall, and very few housing developments happening for affordable rents. Making the situation worse are owners opting out of subsidized housing. Rents continue to climb with no relief in sight.

Decreasing the FMRs may result in landlords no longer working with housing and increasing our homeless issue. Landlords do not want to work with housing when they can get more rent from others and not deal with the government headaches.

I ask that at minimum HUD keeps the FMRs at last year's rate. HUD needs to devise a better method in calculating rents and projected increases. Our housing authorities would offer to participate in any new method.

Sincerely,

David Klein
Executive Director

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