# Demonstrating the Need for Implementing Small Area Fair Market Rents (SAFMRs) to Reduce Racial Segregation in the Baltimore Metro Area

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# Introduction

- Funding opportunity from The Robert Wood Johnson Foundation, coordinated by the National Neighborhood Indicators Partnership (NNIP)
  - "Data to Improve Community Conditions Shaped by Structural Racism"
  - Awarded to over two dozen organizations and technical data partners
- Maryland Center for Economic Policy – Lead Organization
  - Advances innovative policy ideas, fostering broad prosperity and helping Maryland be the standard-bearer for responsible public policy
  - Produces research, analysis, strategic communications, public education, and grassroots alliances promoting robust debate and greater public awareness of the policy choices Maryland residents face together
  - Member of the States Priorities Partnership
- Baltimore Neighborhood Indicators Alliance – Technical Assistance Partner
  - Focused on community indicators to improve quality of life in Baltimore's neighborhoods
  - Producer of open data, research, and policy recommendations
  - Member of NNIP network

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# Housing Choice Voucher Program in Baltimore City

- The Housing Choice Voucher Program (HCV) is the nation's largest federal rental assistance program and assists over **5 million** people in **2.2 million** low-income households. Unfortunately, only **1 in 4** households that qualify for housing assistance receive it due to inadequate funding
- In Baltimore, while more than **17,000 households** have access to a housing voucher, an additional **23,000** are on a waiting list to receive one.
- The HCV program has led to artificial inflation of existing rental prices in low to middle income neighborhoods, resulting in market pressure among other renters in the same neighborhood, causing those without any housing assistance to struggle to pay rent
- Although the rent burden in Baltimore City has decreased over the last decade overall, there has been a significant increase in a select few neighborhoods in the number of people spending more than 30% of their income on rent.
- The neighborhoods with the highest voucher use saw the greatest increases in rent burden, which is exactly what the housing voucher was intended to prevent

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# Interviews with Stakeholders

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- City has substandard housing which steers certain residents into a narrow range of neighborhoods
- Voucher program can be inadequate
- Long wait-times compound housing needs
- Voucher program tends to steer recipients to certain neighborhoods
- Voucher recipients have little time to find landlords that accept their voucher (60 days).
- Investor activity within certain neighborhoods acquiring units mainly to occupy them with voucher holders
- Landlords opting into the program can charge a premium on a voucher unit, particularly if the unit is in a low-income neighborhood

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# Fair Market Rent vs Small Area Fair Market Rent

- Housing voucher subsidies are capped based on fair market rents (FMRs) that HUD estimates each year for modest housing units in a geographic area. A family with a voucher pays about 30 percent of its income for rent and utilities, and the voucher covers the remainder up to a payment standard set by the state or local housing agency
- Historically, HUD established a single set of payment standards (rents) for units of various sizes in each metro area. Typically, these encompass large regions with various neighborhoods characteristics that skew payment ceilings higher in certain low-income neighborhoods.
- Small Area Fair Market Rents (SAFMR) are based on rents in particular zip codes and therefore reflect neighborhood rents more accurately than metro-level rents; Implementing SAFMR would raise the voucher amount in high-opportunity neighborhoods and decrease it in low-opportunity neighborhoods.

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# Understanding the Geography

- Need to create a data tool to show spatial disparities in locations of voucher use as it relates to other demographic and housing characteristics
  - Key questions: **who** would benefit from SAFMRs and **where** are they located? And then, **what** could this mean for policy recommendations?
- Exploratory data to enable variety of audiences to learn more about the indicators and geographic areas
  - Zoom to data for familiar zip codes and counties
  - Focus on relationships: how are these data factors related?

# Data Tool – Input Datasets

- Interactive map and dashboard (ArcGIS Online) to display data indicators by Census Tract
- American Community Survey 5-Year Estimates, 2017-2021
  - Race/ethnicity
  - Median household income
  - Gross rent
  - Rental affordability (percent spending > 30% of income on housing costs)
- HUD
  - Number of housing choice vouchers divided by total renters (ACS)
  - Area median income - AMI
- MdProperty View (Maryland Department of Planning)
  - Owner-occupancy
- RBIntel
  - Cash sales of residential properties

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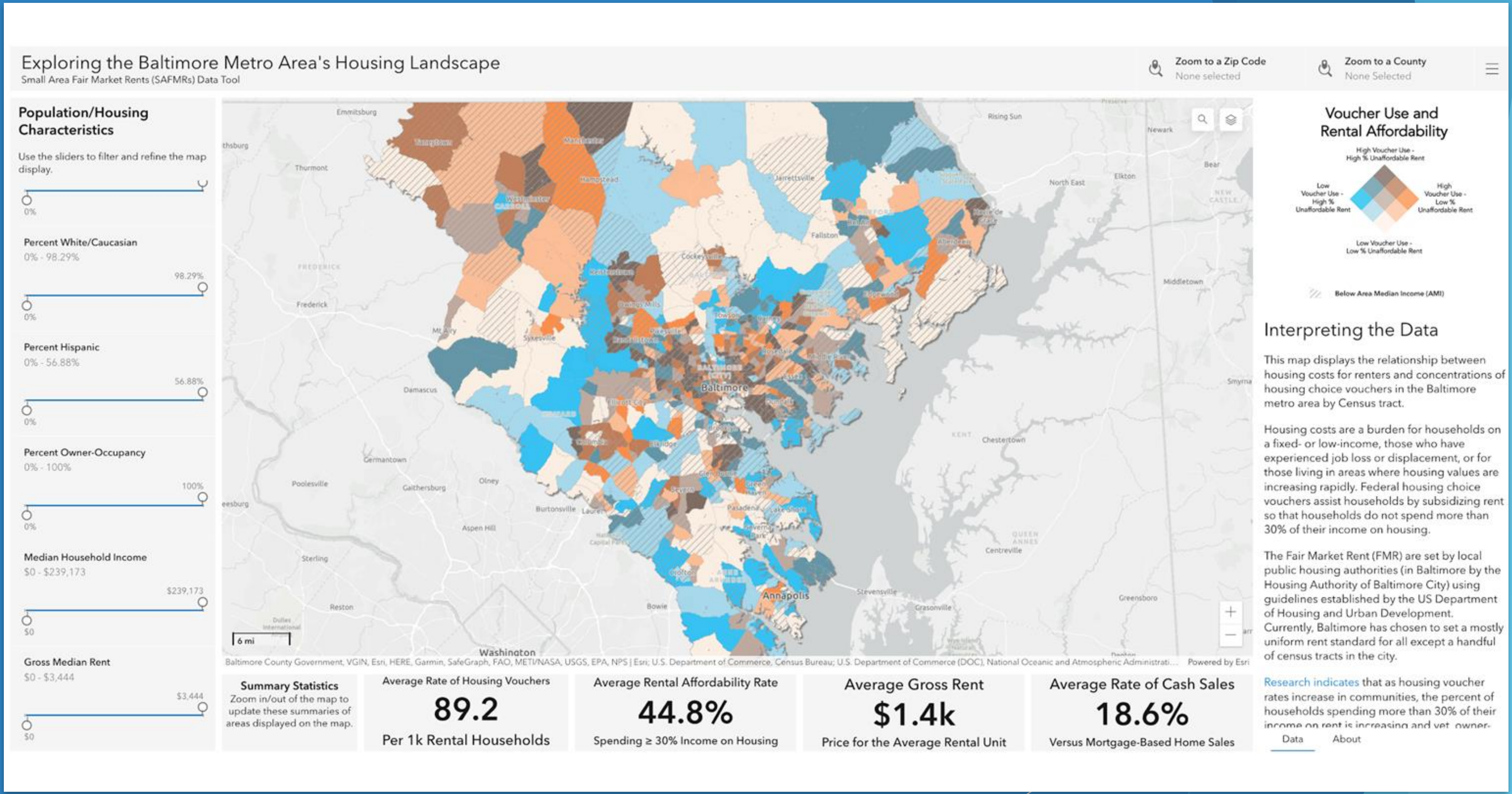
Exploring the Baltimore Metro Area's Housing Landscape
Small Area Fair Market Rents (SAFMRs) Data Tool
Zoom to a Zip Code
None selected
Zoom to a County
None Selected
Population/Housing Characteristics
Use the sliders to filter and refine the map display.
0%
Percent White/Caucasian
0% - 98.29%
98.29%
0%
Percent Hispanic
0% - 56.88%
56.88%
0%
Percent Owner-Occupancy
0% - 100%
100%
0%
Median Household Income
$0 - $239,173
$239,173
$0
Gross Median Rent
$0 - $3,444
$3,444
$0
Baltimore
Annapolis
Washington
6 mi
Baltimore County Government, VGIN, Esri, HERE, Garmin, SafeGraph, FAO, METI/NASA, USGS, EPA, NPS | Esri; U.S. Department of Commerce, Census Bureau; U.S. Department of Commerce (DOC), National Oceanic and Atmospheric Administrati...
Powered by Esri
Summary Statistics
Zoom in/out of the map to update these summaries of areas displayed on the map.
Average Rate of Housing Vouchers
89.2
Per 1k Rental Households
Average Rental Affordability Rate
44.8%
Spending ≥ 30% Income on Housing
Average Gross Rent
$1.4k
Price for the Average Rental Unit
Average Rate of Cash Sales
18.6%
Versus Mortgage-Based Home Sales
Voucher Use and Rental Affordability
High Voucher Use - High % Unaffordable Rent
Low Voucher Use - High % Unaffordable Rent
High Voucher Use - Low % Unaffordable Rent
Low Voucher Use - Low % Unaffordable Rent
Below Area Median Income (AMI)
Interpreting the Data
This map displays the relationship between housing costs for renters and concentrations of housing choice vouchers in the Baltimore metro area by Census tract.
Housing costs are a burden for households on a fixed- or low-income, those who have experienced job loss or displacement, or for those living in areas where housing values are increasing rapidly. Federal housing choice vouchers assist households by subsidizing rent so that households do not spend more than 30% of their income on housing.
The Fair Market Rent (FMR) are set by local public housing authorities (in Baltimore by the Housing Authority of Baltimore City) using guidelines established by the US Department of Housing and Urban Development. Currently, Baltimore has chosen to set a mostly uniform rent standard for all except a handful of census tracts in the city.
Research indicates that as housing voucher rates increase in communities, the percent of households spending more than 30% of their
Data
About

# Voucher Use and Rental Affordability

High Voucher Use -
High % Unaffordable Rent

Low
Voucher Use -
High %
Unaffordable Rent

High
Voucher Use -
Low %
Unaffordable Rent

Low Voucher Use -
Low % Unaffordable Rent

Below Area Median Income (AMI)

Bivariate choropleth map to show relationship between voucher use and rental affordability

Hatched overlay to show Tracts that are below the AMI

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Spatial concentrations of high voucher use and high rental costs apparent in Baltimore

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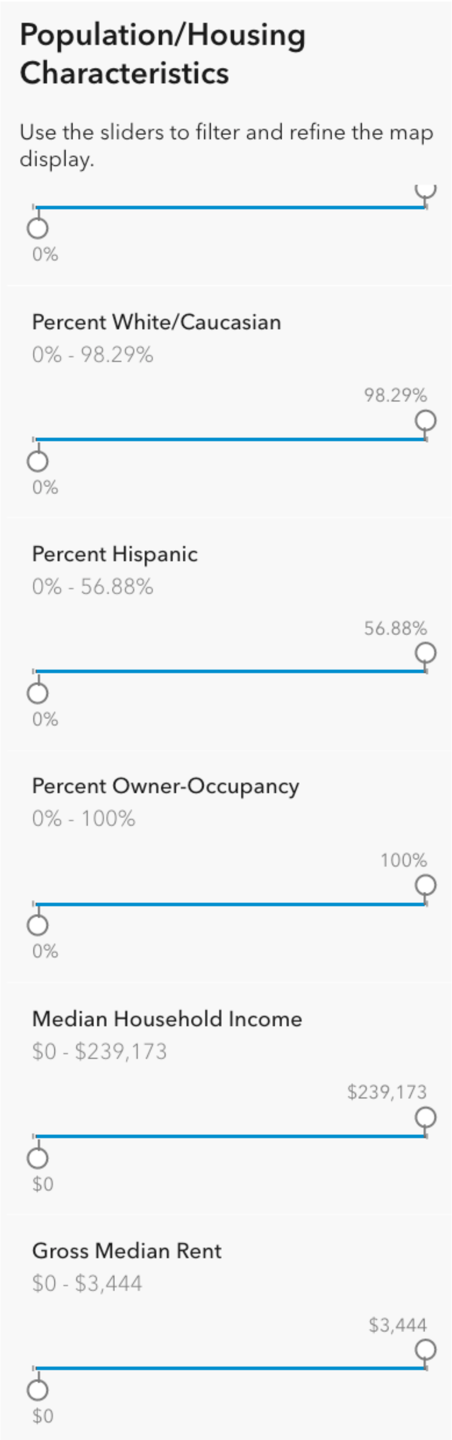


Custom sliders for displaying population and household characteristics

Adjust the sliders and the map and numeric indicators will update its display

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# Policy Implications

## SAFMR can capture local rental conditions but have potentially harmful outcomes for voucher holders currently living in low-income communities.

## How can policymakers and administrators use SAFMR while protecting voucher holders?

- HUD’s ruling established several ways of protecting these families in low-rent ZIP codes.
- First, by limiting voucher rent declines to no more than 10 percent per year, which means in each future year, the SAFMR will be no lower than 90 percent of the previous year’s SAFMR. In the lowest-rent neighborhoods, SAFMRs will therefore phase down gradually rather than dropping abruptly.
- Second, they can delay the impact of lower payment standards on families that choose to remain in these areas. They can do this in one of four ways:

# Policy Implication Cont.

- Maintain the regular practice of applying reductions at the second annual review, which gives families one to two years of notice before the new payment standard goes into effect;
- Phase the payment standard reduction in gradually, for example by applying a 15% payment standard reduction in three increments of 5% per year (with the first part of the reduction going into effect no sooner than the second annual review);
- Permanently hold families harmless by continuing to use the previous, higher payment standard for as long as a family remains in the same unit;
- Applying a portion of the reduction and then holding families harmless after that, for example by applying only 5 percentage points of a 15% reduction (no sooner than the second annual review).

# Recommendations for SAFMRs

- Deconcentrate voucher holders by reducing rents in low-income neighborhoods, increasing affordability in the rent prices for unassisted renters.
- Incentivize moving by raising payment standards in high-opportunity neighborhoods and decreasing the payment standards in low-opportunity neighborhoods; this should increase the affordability of higher-opportunity neighborhoods.
- Recruit new landlords in new neighborhoods, as well as give voucher households with more choice move to those neighborhoods through increased availability of affordable units

SAFMR has shown itself to be successful and, in many cases, increases access to opportunity and helps families move out of poverty. However, it is not guaranteed that voucher holders can overcome systemic boundaries to high-opportunity neighborhoods.

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# More Significant Policy Changes Must Be Considered

- Addressing the insufficient supply of vouchers and funding the voucher program at adequate levels.
- Expanding SAFMR rule to additional non-rule PHAs that will benefit.
- Addressing widespread housing discrimination against families with vouchers by expanding source of income laws to the federal level.
- Increasing voucher search times.
- Assisting families with security deposits, applications, and other administrative barriers to high-opportunity neighborhoods either through government funding or PHA administration.
- Eliminating restrictions and barriers to PHA jurisdictions. Multiple PHAs serving the same regional housing market should consider consolidating, allowing for vouchers to be portable across a larger region.
- Reforming landlord listings and other tenant information systems.

# Thank you!

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