

HPRP Tips and Updates: Rent Reasonableness Under HPRP (Part 2 of 2)

AUDIENCE: PROGRAM AND HOUSING STAFF (Case Workers, Housing Specialists, their supervisors, Grantee or Subgrantee Program Managers).

NOTE: This is the second of two listserv messages on the topic of rent reasonableness. This second listserv message will focus on the potential sources of data for identifying comparable units.

The first listserv message defined rent reasonableness; reminded program staff that rent reasonableness is different from Fair Market Rents (FMR); and emphasized that the process for determining and documenting rent reasonableness is not dictated by HUD, but rather local policies.

SOURCES OF RENTAL HOUSING DATA

Regardless of the methodology used to determine rent reasonableness, a grantee or subgrantee should already be aware of sources of rental housing data to use in establishing comparable rents. This listserv message is intended to provide some ideas for difference sources of information on rental units, to help grantees and subgrantees ensure that they are completing rent reasonableness checks thoroughly. Each grantee will have to determine the right approach for its jurisdiction, given the size of their program, other housing programs they administer, and local capacity.

Public sources of data: There may be organizations within the grantee state, county, or city that collect and aggregate data on the rental housing stock, such as a State or local Public Housing Authority (PHA) or the local Chamber of Commerce. Please note that while using these existing sources is acceptable, if there is a charge for these sources, HPRP funds cannot be used to pay these costs.

Real Estate Advertisements and Contacts: Ads in newspapers or online are simple ways to find comparable rents. The following are potential sources of information:

- Newspaper ads (including internet versions of newspaper ads);
- Weekly or monthly neighborhood or shopper newspapers that have rental listings;
- “For Rent” signs in windows or on lawns;
- Bulletin boards in community locations, such as grocery stores, laundromats, churches, and social service offices;
- Real estate agents; and
- Property management companies that handle rental property.
- Rental Listing websites including:
 - www.apartmentguide.com

- www.apartments.com
- www.forrentmag.com
- <http://www.move.com/apartments/main.aspx>

Tip: *These sources might not provide all the information the grantee requires to determine rent reasonableness. In such instances, a follow-up call to obtain the missing information may be required. Newspaper and internet listings often contain either the lowest rent or the range of rents when there is variation among units with the same number of bedrooms. The grantee should follow up to determine what causes the rents to vary (e.g., unit size, location within the development, number of bathrooms, amenities), and record each configuration as a separate comparable factor.*

Rental Market Studies and Surveys:

- A *Rental Market Study* is an in-depth analysis of a particular rental market. These are often prepared by independent organizations for specific communities. Also, commercial firms will frequently conduct these studies before developing rental housing in a particular location. If HPRP grantees and subgrantees have access to rental market studies, they can provide a good source of data upon which to base a rent reasonableness policy. Appraisals of particular properties and market studies for these properties are also useful in establishing comparable rents, but they are generally prepared by certified real estate appraisers or researchers and are both time-consuming and expensive. Please note that HPRP funds **may not** be used to pay for rent studies conducted by an organization that is not an HPRP grantee or subgrantee or to purchase rent studies already conducted.
- A *Rental Market Survey* is a survey of various landlords and property management companies in the area. Some local governments conduct surveys to assist with planning activities. Additionally, local associations of rental owners and managers may survey their members periodically and publish the results. Many of these surveys report average rents and/or rent ranges by bedroom category and submarket location. However, such surveys frequently do not have all the detailed information required for rent reasonableness comparisons.

When deciding whether to use a study or a survey, it is important to note that many rental market surveys are designed to show the overall picture of the rental market and may not be very useful in evaluating the rent for a particular unit type. On the other hand, a rental market study may be narrowly focused on a particular type of rental housing and might be useful only for certain housing units assisted with HPRP funds.

Tip: *When using either a market study or a market survey, it is very important to understand what is and is not included in the rent reported. Some surveys/studies report rents with all utilities included, some without utilities included, and others with only the most typical set of utilities included. When comparing unassisted units with HPRP-assisted units, it is important to consider whether utilities and other amenities are included.*

Rental Database: Some grantees have found it useful to build a rental database for HPRP, in order to search for comparable rents more efficiently. Building a rental database allows the majority of work to be completed on the front end, which eases the rent reasonableness determination and allows assistance to be provided more quickly. However, there are serious resource issues to address when considering this option. Updating the data and maintaining the database can be labor-intensive and costly. HPRP grantees in close proximity to other grantees may choose to coordinate efforts to maintain a regional database.

DATA IN RURAL AREAS

While there may be fewer rental units in rural areas than in urban and suburban areas, it is possible to find comparable rents or establish rent payment standards for different unit types located in these areas.

- One source of rental housing data for rural areas may be the US Department of Agriculture's Rural Development Agency. USDA provides direct and guaranteed loans for single and multi-family housing development in rural areas as well as for farm laborers. Contact information for Rural Development State and Local Offices or USDA Service Centers is available at http://www.rurdev.usda.gov/recd_map.html. Each Rural Development Office, if it has a Rural Housing component, should have information on the types of rental housing available in various communities throughout the state, as well as unit sizes and rents.
- Some rural communities are also under the jurisdiction of PHAs. In these cases, the PHA may be a source of comparable rent data.
- Another potential source of comparable rent data are real estate agents. Local real estate agents are not only knowledgeable about real estate prices but often are a source of information on rental housing in the area. They may be able to extrapolate rent comparables based on the general cost of housing in the area. To find real estate agents active in particular communities, grantees can consult the National Association of Realtors on the web at <http://www.realtor.org/>. For demographic information on the housing stock, market trends, etc., grantees should access <http://www.realtor.org/research>.