

## FAIR MARKET RENTS

Fair Market Rents (FMRs) are used to determine payment amounts and rent ceilings under several programs administered by the US Department of Housing and Urban Development (HUD).<sup>1</sup> HUD estimates FMRs each year for metropolitan areas and non-metropolitan counties across the country. Metropolitan areas often cover a large geographic region; for example, the Sacramento metropolitan area includes El Dorado, Placer, Sacramento, and Yolo Counties. The FMR includes the total cost of shelter plus utilities (all major utilities except telephone, cable or satellite television, and Internet services). FMRs go into effect at the beginning of each federal fiscal year (October 1).

It is important to note that the FMR is a calculation of the rent level at the 40<sup>th</sup> percentile, meaning that 60% of the area's rents fall *above* that level. In comparison, "market rent" refers to the amount a property can be expected to rent for on the open market, in line with other similar properties in the area. For more information on how FMRs are calculated and used, please see <https://www.huduser.gov/portal/datasets/fmr.html>.

The National Low Income Housing Coalition publishes a report each year, "Out of Reach," that documents the gap between renters' wages and the cost of rental housing (based on FMRs) across the US. Specifically, the report calculates a "housing wage," an estimate of the hourly wage a full-time worker must earn in order to afford a rental home at the FMR without spending more than 30% of his or her income on housing costs (the accepted standard for affordability). According to the 2021 report, the housing wage for California is \$39.03 for a two-bedroom FMR and \$31.06 for a one-bedroom FMR. A worker earning the state minimum wage of \$13 per hour would have to work 112 hours per week (nearly three full-time jobs) to afford a two-bedroom FMR or 89 hours per week (more than two full-time jobs) to afford a one-bedroom FMR. In comparison, the 2021 national housing wage is \$24.90 per hour for a two-bedroom rental and \$20.40 per hour for a one-bedroom rental. For more information, please see <https://reports.nlihc.org/oor>.

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<sup>1</sup> Housing Choice Voucher Program, project-based Section 8 contracts, Moderate Rehabilitation Single Room Occupancy Program, Home Investment Partnerships Program, Emergency Solution Grants Program, Continuum of Care, and Public Housing units.