



Novogradac

2023 HUD Rent and Income Limits Outlook



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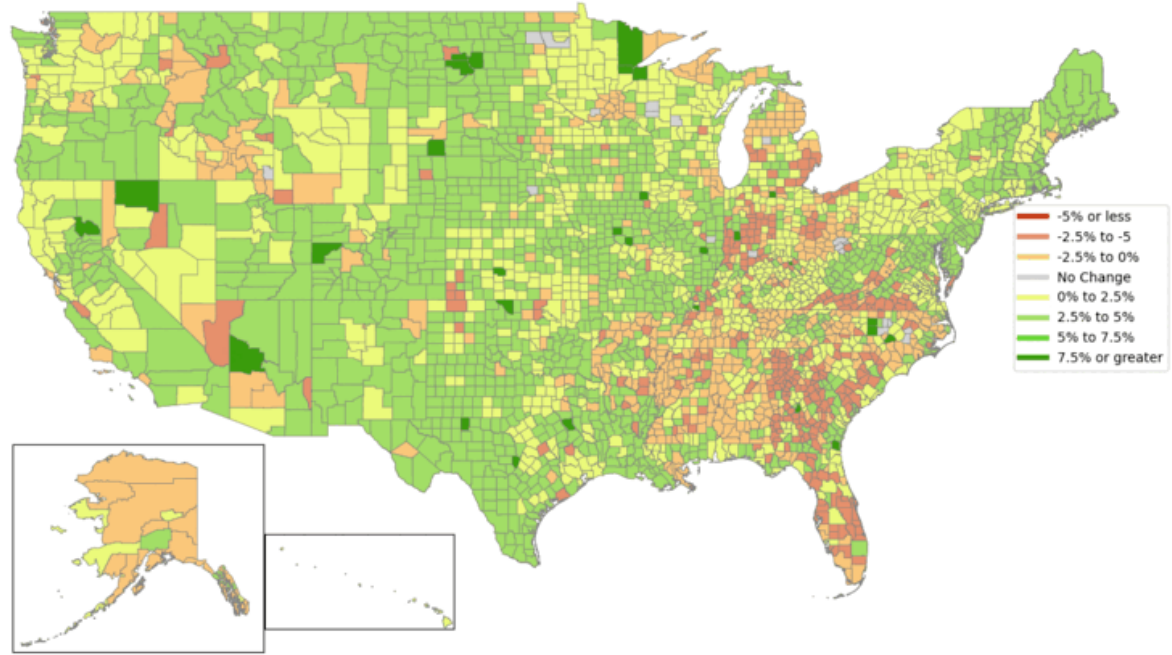
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HISTORIC Changes In VLI

HUD MTSP Income Limits 2010 - 2011 VLI Change



No 1-Year ACS for 2020

- One year ACS is used for FMR, Income Limits, and other HUD data.
- HUD will likely use 5-year ACS in place of 1-year ACS.
 - 5 Year ACS weights all responses equally.

Census Bureau Announces Changes for 2020 American Community Survey 1-Year Estimates

JULY 29, 2021
RELEASE NUMBER CB21-123

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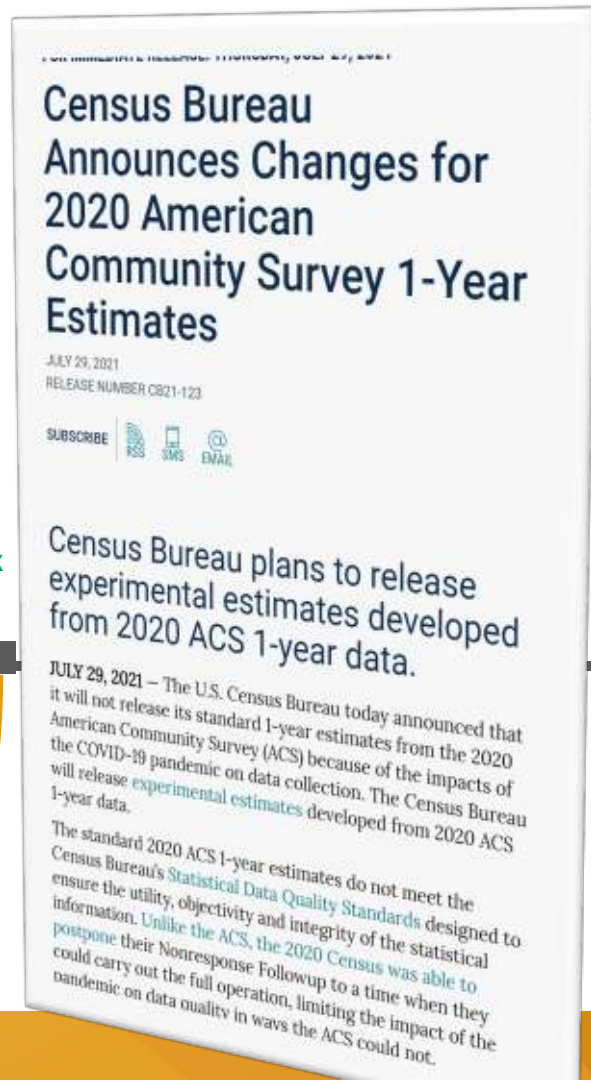
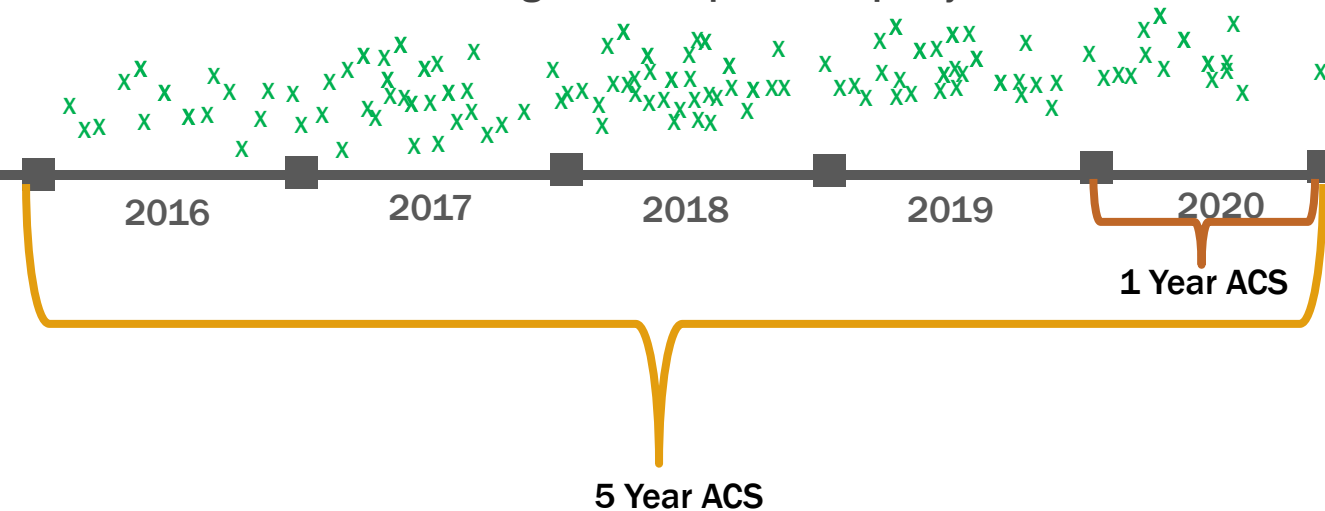
Census Bureau plans to release experimental estimates developed from 2020 ACS 1-year data.

JULY 29, 2021 – The U.S. Census Bureau today announced that it will not release its standard 1-year estimates from the 2020 American Community Survey (ACS) because of the impacts of the COVID-19 pandemic on data collection. The Census Bureau will release [experimental estimates](#) developed from 2020 ACS 1-year data.

The standard 2020 ACS 1-year estimates do not meet the Census Bureau's [Statistical Data Quality Standards](#) designed to ensure the utility, objectivity and integrity of the statistical information. [Unlike the ACS, the 2020 Census was able to postpone their Nonresponse Followup](#) to a time when they could carry out the full operation, limiting the impact of the pandemic on data quality in ways the ACS could not.

No 1-Year ACS for 2020

- One year ACS is used for FMR, Income Limits, and other HUD data.
- HUD will likely use 5-year ACS in place of 1-year ACS.
 - 5 Year ACS weights all responses equally.



1-Year ACS vs. 5-Year ACS

- In Sampling all 330 MSAs from 2016-2019
 - 1 year ACS has been 3.71% higher than the 5-Year
 - using 5-year would have resulted in a 3.71% LOWER income and rent limits).
 - For 82% of areas the 1-Year is Greater than the 5-year

National Median Income

2016	2017	2018	2019	2020
71,062	73,891	76,401	80,944	84,394

5 Year ACS = \$80,069

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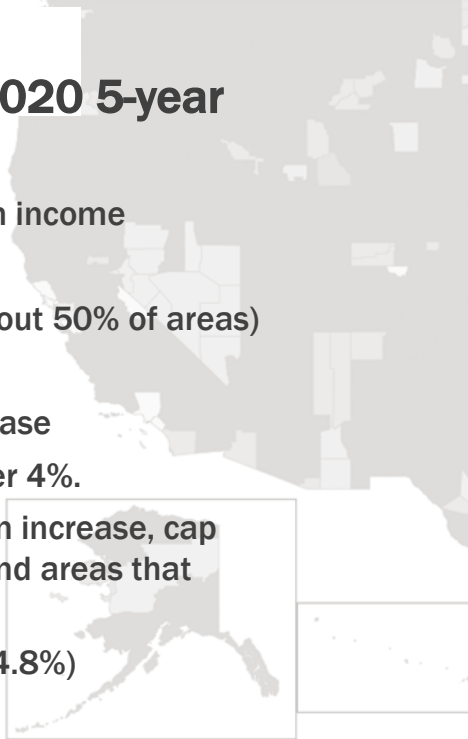
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HUD MTSP Income Limits

2022 to 2023 VLI Change Based on Novogradac Income Limit Estimator

Estimates are based on 2020 5-year ACS:

- 1.1% increase in national median income
 - Cap on increases will be 5%
- Can estimate 2,621 counties (about 50% of areas)
 - Average increase is 3%
 - 6% of counties have a decrease
 - 44% have an increase of over 4%.
 - Increase due to inflation increase, cap carryover from 2022, and areas that already use 5-year ACS.
- 913 counties are capped (34.8%)




Estimated Change in VLI

VLI Change	Percent of Areas
-4% to -5%	0.65%
-3% to -4%	0.04%
-2% to -3%	0.69%
-1% to -2%	1.91%
-0% to -1%	2.40%
0% to 1%	11.83%
1% to 2%	9.73%
2% to 3%	14.23%
3% to 4%	14.46%
4% to 5%	44.07%

What does this mean for 2023

1.1% decrease



	ACS	X	CPI Factor 2022 CPI ÷ 2019 CPI	= 2022 HUD AMI
2022 Actual	80,944	X	284.182/255.64=1.112	=90,000 (+12.64% from 79,900 of '21)
2023 Estimate (5-year)	80,069	X	294.5/258.881=1.138	=91,100 (+1.22% from 90,000 of '22)
2023 Estimate (1-year experimental data)	84,394	X	294.5/258.881=1.138	=96,000 (+6.67% from 90,000 of '22)

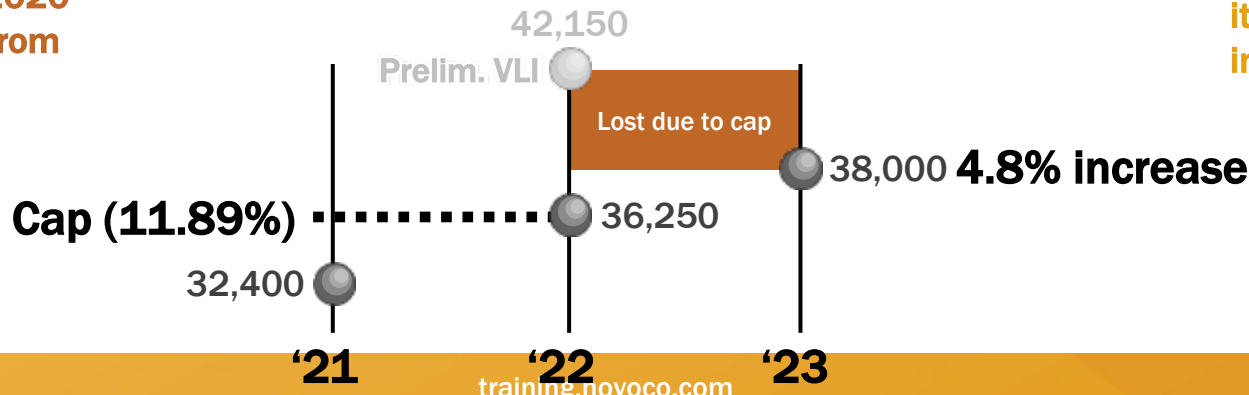
Impact of Cap on 2023 – Jackson, MI

HUD Year	ACS Data	HUD AMI	Prelim VLI	HUD VLI
2021	62,006	64,800 x 50%	32,400	32,400
2022	75,845	84,300 x 50%	42,150 ^{+30%}	36,250 (11.89% CAP)
2023	67,657	76,000 x 50%	38,000 ^{-9.8%}	38,000



Even though the area had a 12% decrease in ACS, it still has a 4.8% increase in VLI

5-year ACS ending 2020 decreased by 12% from 1-year ACS of 2019



What does this mean for 2024

- will there be a snapback?

	ACS	X	CPI Factor 2022 CPI ÷ 2019 CPI	= 2022 HUD AMI
2022 Actual	80,944	X	1.112	=90,000 (+12.64% from 79,900 of '21)
2023 Estimate (5-year)	80,069	X	1.138	=91,100 (+1.22% from 90,000 of '22)
2023 Estimate (1-year experimental data)	84,394	X	1.138	=96,000 (+6.67% from 90,000 of '22)
2024 Estimate (1-year experimental grown by 3%)	86,925	X	1.114	=96,800 (+6.26% from 91,100 of '23)

Bonus Material on FMRs

What is FMR used for:

- Payment standard for Housing Choice Vouchers
- LIHTC income and rent limit in high housing cost areas
- High HOME Rent

FMR

5-year ACS estimates
of 2-bedroom
adjusted standard
quality gross rent
(2016-2020)

x

Unavailable

Recent mover
adjustment
factor

(2020 1-
Year ACS)

x

CPI Factor
(1 Year)

(2020-2021)

x

Trend
factor

(2021-2023)

=

HUD FMR

HUD Proposes to adjust the following two items for 2023 only:

FMR

5-year ACS estimates of 2-bedroom adjusted standard quality gross rent (2016-2020)

x

Unavailable

Recent mover adjustment factor (2020 1-Year ACS)

x

Doesn't reflect rent change

CPI Factor (1 Year) (2020-2021)

x

Trend factor

(2021-2023)

=

HUD FMR

All other items remain unchanged.

Recent mover adjustment

Unavailable

Recent mover adjustment factor

(2020 1-Year ACS)

FMR

5-year ACS estimates of 2-bedroom adjusted standard quality gross rent (2016-2020)

Unavailable

Recent mover adjustment factor (2020 1-Year ACS)

Doesn't reflect rent change

CPI Factor (1 Year) (2020-2021)

Trend factor (2021-2023)

= HUD FMR

Two different methods – depending on if private sector data is available for the area.

6 private sector sources will be used

- RealPage
- Moody's
- CoStar
- CoreLogic
- ApartmentList
- Zillow

3 sources must be available for the area to use private data

Recent mover adjustment

Unavailable

Recent mover adjustment factor

(2020 1-Year ACS)

FMR

5-year ACS estimates of 2-bedroom adjusted standard quality gross rent (2016-2020)

Unavailable

Recent mover adjustment factor (2020 1-Year ACS)

Doesn't reflect rent change

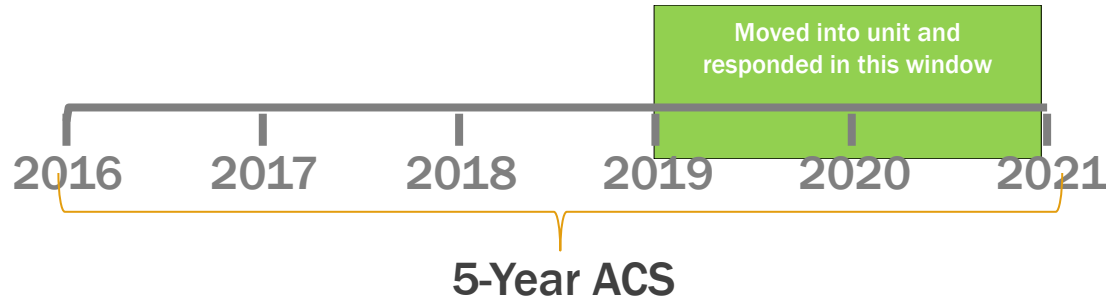
CPI Factor (1 Year) (2020-2021)

Trend factor (2021-2023)

= HUD FMR

Two different methods – depending on if private sector data is available for the area.

Both methods will utilize the special tabulation of the 5-year ACS data for 2020 of the rents paid for standard quality units by persons who moved into their units in 2019 and 2020 and responded to the 2019 or 2020 ACS surveys (“2020 5-year ACS recent mover rent”)



Recent mover adjustment

Unavailable

Recent mover adjustment factor

(2020 1-Year ACS)

$$\begin{array}{l} \text{FMR} \\ \text{5-year ACS estimates} \\ \text{of 2-bedroom} \\ \text{adjusted standard} \\ \text{quality gross rent} \\ \text{(2016-2020)} \end{array} \times \begin{array}{l} \text{Unavailable} \\ \text{Recent mover} \\ \text{adjustment} \\ \text{factor} \\ \text{(2020 1-} \\ \text{Year ACS)} \end{array} \times \begin{array}{l} \text{Doesn't reflect} \\ \text{rent change} \\ \text{CPI Factor} \\ \text{(1 Year)} \\ \text{(2020-2021)} \end{array} \times \begin{array}{l} \text{Trend} \\ \text{factor} \\ \text{(2021-2023)} \end{array} = \text{HUD FMR}$$

Method 1 (data from 3 or more private sector sources is available)

- HUD proposes to estimate recent mover rents by taking an average of 2019 ACS recent mover rent
 - I assume this is the ACS 1-year recent move adjustment used in the 2022 FMRS
- Inflated by 2019-2020 gross rent change using
 - Private sources of rent data,
 - 2020 5-year ACS recent mover rent (see previous slide)

Recent mover adjustment

Unavailable

Recent mover adjustment factor

(2020 1-Year ACS)

Method 1 (data from 3 or more private sector sources is available)

2019 1-ACS Recent Mover Adjustment Factor

x

Gross Rent Change:
2020 5-year ACS recent mover rent
&
Private Sources Rent Information

= Recent mover adjustment

FMR

5-year ACS estimates of 2-bedroom adjusted standard quality gross rent (2016-2020)

x

Unavailable

Recent mover adjustment factor (2020 1-Year ACS)

Doesn't reflect rent change

CPI Factor (1 Year) (2020-2021)

x

Trend factor

(2021-2023)

= HUD FMR

Recent mover adjustment

Unavailable

Recent mover adjustment factor

(2020 1-Year ACS)

FMR

5-year ACS estimates of 2-bedroom adjusted standard quality gross rent (2016-2020)

Unavailable

Recent mover adjustment factor (2020 1-Year ACS)

Doesn't reflect rent change

CPI Factor (1 Year) (2020-2021)

Trend factor (2021-2023)

= HUD FMR

Method 1 (data from 3 or more private sector sources is available)

Initial question/comments on method 1

- No information is provided about how the various methods will be weighted
- Still using data from 2020 for the recent mover adjustment and not more current information

Recent mover adjustment

Unavailable

Recent mover adjustment factor
(2020 1-Year ACS)

$$\begin{array}{l}
 \text{FMR} \\
 \text{5-year ACS estimates} \\
 \text{of 2-bedroom} \\
 \text{adjusted standard} \\
 \text{quality gross rent} \\
 \text{(2016-2020)}
 \end{array}
 \times
 \begin{array}{l}
 \text{Unavailable} \\
 \text{Recent mover} \\
 \text{adjustment} \\
 \text{factor} \\
 \text{(2020 1-} \\
 \text{Year ACS)}
 \end{array}
 \times
 \begin{array}{l}
 \text{Doesn't reflect} \\
 \text{rent change} \\
 \text{CPI Factor} \\
 \text{(1 Year)} \\
 \text{(2020-2021)}
 \end{array}
 \times
 \begin{array}{l}
 \text{Trend} \\
 \text{factor} \\
 \text{(2021-2023)}
 \end{array}
 = \text{HUD FMR}$$

Method 2 (data from 3 or more private sector sources is NOT available)

HUD proposes to use an average of 2019 ACS recent mover rent inflated by the 2019-2020 gross rent CPI change and 2020 ACS recent mover rent.

$$\begin{array}{l}
 \text{2019 1-ACS} \\
 \text{Recent Mover} \\
 \text{Adjustment} \\
 \text{Factor}
 \end{array}
 \times
 \begin{array}{l}
 \text{Gross Rent Change:} \\
 \text{2020 5-year ACS} \\
 \text{recent mover rent} \\
 \text{\&} \\
 \text{Gross Rent CPI}
 \end{array}
 = \text{Recent mover} \\
 \text{adjustment}$$

CPI Factor

**CPI Factor
(1 Year)**

(2020-2021)

FMR

5-year ACS estimates
of 2-bedroom
adjusted standard
quality gross rent
(2016-2020)

Unavailable

Recent mover
adjustment
factor
(2020 1-
Year ACS)

Doesn't reflect rent change

CPI Factor
(1 Year)
(2020-2021)

Trend
factor
(2021-2023)

= HUD FMR

Two options depending on if BLS CPI data is available.

Option 1 – if BLS CPI data is not available for the market – then use the following data to calculate CPI Factor

- BLS regional CPI data
- Average change in rent from private sources

CPI Factor

**CPI Factor
(1 Year)**

(2020-2021)

FMR

5-year ACS estimates
of 2-bedroom
adjusted standard
quality gross rent
(2016-2020)

x

Unavailable

Recent mover
adjustment
factor
(2020 1-
Year ACS)

Doesn't reflect
rent change

CPI Factor
(1 Year)
(2020-2021)

x

Trend
factor
(2021-2023)

=

HUD FMR

Two options depending on if BLS CPI data is available.

Option2 – if BLS CPI data is available for the market – then HUD has two suggestions that they want comments on

- Use the current method (BLS market CPI data only) or
- New methodology using
 - BLS market CPI data
 - Average change in rent from private sources

CPI Factor

**CPI Factor
(1 Year)**

(2020-2021)

FMR

5-year ACS estimates
of 2-bedroom
adjusted standard
quality gross rent
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Unavailable

Recent mover
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x Trend
factor
(2021-2023)

= HUD FMR

Two options depending on if BLS CPI data is available.

Option2 – if BLS CPI data is available for the market – then HUD has two suggestions that they want comments on

- Use the current method (BLS market CPI data only) or
- New methodology using
 - BLS market CPI data
 - Average change in rent from private sources

Note HUD does not have a third option to address what happens if BLS market data and private source data is not available.