



## HUD's FY2009 Area Median Family Income Estimates and Income Limits



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## Agenda

- What are the Area Median Family Income (MFI) Estimates, the Income Limits, and what are they for?
- FY 2009 MFIs and Income Limits – What's New
- Available Resources
- On the Horizon
- Anticipated questions
- Q&A



**What are MFI Estimates and Income Limits, and what are they for?**

- Section 3 requires MFIs and Income Limits to establish eligibility for HUD rental housing assistance programs
- MFI estimates are HUD's best estimate of the median (50<sup>th</sup> percentile) income among families residing in the geographic areas specified



**What are MFI Estimates and Income Limits, and what are they for?**

- Income Limits are set at 80% (the Low-Income Limit, LIL) or 50% (the Very Low-Income Limit, VLIL) of MFI subject to adjustment for high or low housing cost (Fair Market Rent, FMR) relative to MFI
- LIL and VLIL are “held harmless” against decrease



## What are MFI Estimates and Income Limits, and what are they for?

PD&R

- The LIL and VLIL are used to set eligibility for HUD rental assistance programs
- More than 2 dozen Federal subsidy or regulatory programs use MFIs, Income Limits, or derivatives thereof, to set eligibility or regulatory compliance standards





## FY2009 MFI and Income Limits – What's New?

PD&R

- ACS 3-year data is used instead of 1-year data
- Methodology Improvements:
  - Higher level of estimate accuracy required – restricting the Margin of Error Ratio (MoER) to 10% or less
  - Use of BLS wage data eliminated. State level update factors were substituted for BLS data for small areas.
  - Basis for Trend Factor Updated
- Multifamily Tax Subsidy Projects and the Housing and Economic Recovery Act of 2008



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## 3 Year ACS Data

- Reduces year-to-year variability of estimates
  - Margins of Error are smaller because sample is larger
    - 3 year sample is 3 times as large as the 1 year sample
- Inherently Smooths Income Changes
  - One third of the sample is replaced each year

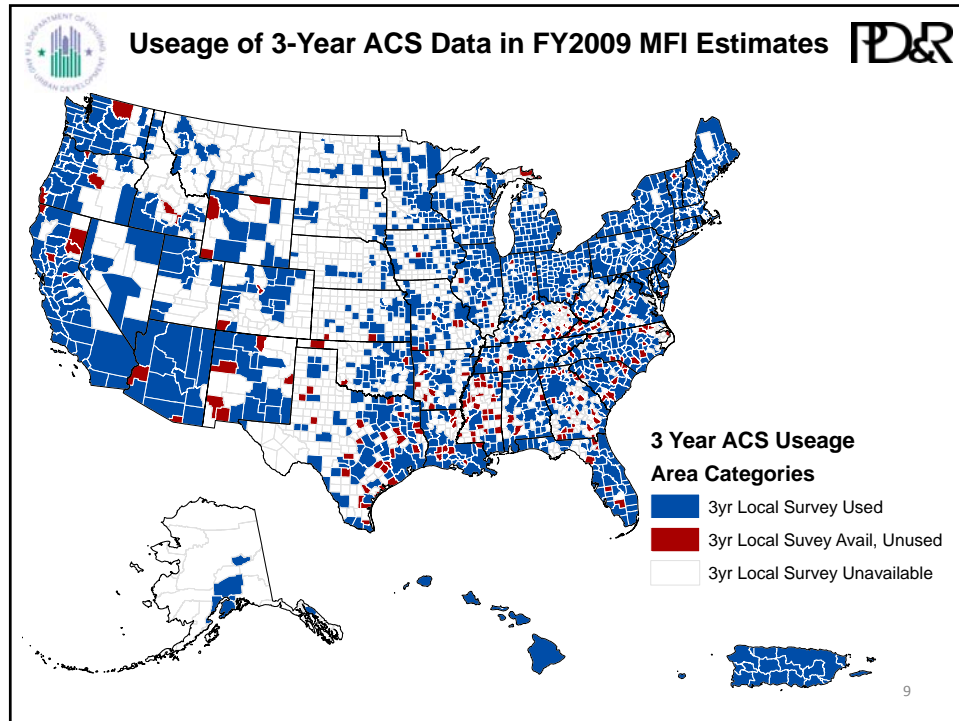
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## ACS Reliability

Margin of Error Ratio Statistic	Decennial Census (2000)	One-year survey areas (2007)	Three-year survey areas (2007)	Three-year MoEs for one-year areas (2007)
Minimum	0.3%	0.8%	0.6%	0.6%
Maximum	9%	25%	26%	12%
Average	1.5%	6.2%	6.3%	3.5%
Percent of areas with less than 2.5% MoE	91%	13%	13%	33%
Number of Areas	All metropolitan areas	546 one-year survey areas	1400 three-year survey areas	546 one-year survey areas



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 **Methodology Improvements** 

- **Increased Required Accuracy of ACS Estimates**
  - MoER to be 10 percent or less of estimates before they will be used
  - Increases the stability of MFI estimates
  - Eliminates 199 out of 854 areas (9 percent) where three-year survey results are newly available
- **Elimination of BLS Wage Data in Small Areas**
  - BLS Wage Data show large and unexplained fluctuations in wages in small areas
  - 3 Year ACS Data Available for Populations as small as 20,000
  - Updated exclusively with state level median family income data
- **Trend Factor Updated**
  - Currently measured as annualized change in MFI's between the C2SS and one-year 2007 ACS

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## FY2009 Median Family Income Calculation



FY2009 MFI=Census 2000 MFI \* ACS 2007 Update factor \* trend

ACS 2007 Update factor:

$$(1 - 10 * \text{margin of error ratio}) * (\text{ACS2007 local median} / \text{Census 2000 local median}) + (10 * \text{margin of error ratio}) * (\text{ACS2007 state median} / \text{Census 2000 state median})$$

The margin of error ratio (MoER) is the margin of error divided by the estimate.



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## Multifamily Tax Subsidy Projects and the Housing and Economic Recovery Act of 2008

- What are MTSPs?
  - Projects financed with tax exempt housing bonds issued to provide qualified residential rental development under section 142 of the Internal Revenue Code (the Code)
  - Low-income housing projects funded with tax credits authorized under section 42 of the Code
- The Housing and Economic Recovery Act of 2008 (HERA) made significant changes to the link between HUD's VLILs and MTSP income limits and maximum rents



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## Relevant HERA provisions affecting MTSPs

- Immediate holding harmless of “area median gross income” for MTSPs
  - The applicable MTSP income limits based on HUD’s VLIL now statutorily held harmless
- HUD hold harmless impacted project(s) - Impacted MTSPs
  - Projects in areas subject to HUD’s Hold Harmless Policy in 2007 or 2008
    - Requires Additional Set of Income Limits
    - Income limits for these projects are the greater of the regular MTSP income limits or the FY2008 VLIL times the growth in median incomes between the current year and FY2008.

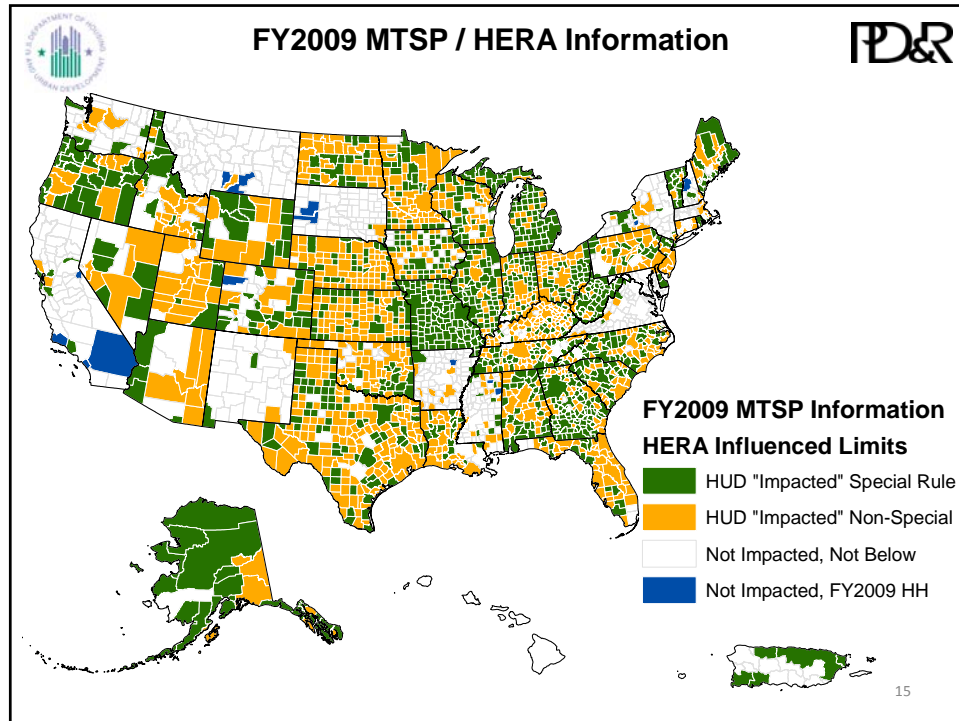
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## Why did HUD split MTSP Income Limits from Section 8 Income Limits?

- HUD has no official authority regarding the implementation of HERA for MTSPs
- IRS is the final arbiter of all matters related to MTSPs and Income Limits
- Allows Users to have access to the specific information they need



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**FY2009 MTSP Income Limit Calculations**

- For all areas:
  - FY2009 MTSP 50% Income Limit = max (VLIL2009, VLIL2008)
  - FY2009 MTSP 60% Income Limit = MTSP 50% Limit \* 1.2
- Areas classified as “Impacted”
  - New Projects use limits specified above
  - Projects in service by 12/31/2008 use:
    - For 50% - max(MTSP\_VLIL2009 , VLIL2008 \* (MFI2009/ MFI2008))
    - For 60% - Use 50% defined in line above \* 1.2

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## MFI/Income Limit Resources

**HUD's USE OF ACS Data:**

- <http://www.huduser.org/periodicals/cityscpe/vol10num1/ch8.html>



**MFI/Section 8 Income Limits**

- FY2009 Section 8 Briefing Materials
  - [http://www.huduser.org/datasets/il/il09/IncomeLimitsBriefingMaterial\\_FY09.pdf](http://www.huduser.org/datasets/il/il09/IncomeLimitsBriefingMaterial_FY09.pdf)
- FY2009 Section 8 Income Limit Tables
  - [http://www.huduser.org/datasets/il/il09/incomelimits\\_section8.pdf](http://www.huduser.org/datasets/il/il09/incomelimits_section8.pdf)
- FY2009 Local Area Section 8 Income Limits Documentation System
  - [http://www.huduser.org/datasets/il/index\\_il2009.html](http://www.huduser.org/datasets/il/index_il2009.html)
- FY2009 Local Area Section 8 MFI Documentation System
  - [http://www.huduser.org/datasets/il/index\\_il2009\\_mfi.html](http://www.huduser.org/datasets/il/index_il2009_mfi.html)

**HERA/MTSP Income Limits**

- FY2009 MTSP Briefing Materials
  - [http://www.huduser.org/datasets/mtsp/mtsp09/MTSP\\_Briefing.pdf](http://www.huduser.org/datasets/mtsp/mtsp09/MTSP_Briefing.pdf)
- FY2009 MTSP Income Limit Tables
  - [http://www.huduser.org/datasets/mtsp/mtsp09/MTSP\\_IncomeLimits\\_Report.pdf](http://www.huduser.org/datasets/mtsp/mtsp09/MTSP_IncomeLimits_Report.pdf)
- FY2009 Local Area MTSP Income Limits Documentation System
  - [http://www.huduser.org/datasets/il/index\\_mtsp.html](http://www.huduser.org/datasets/il/index_mtsp.html)



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## On the Horizon

- HUD's Hold Harmless Policy
- MTSP Limits When AMI Falls
- Section Eight Voucher Reform Act



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## HUD's Hold Harmless Policy

- HUD developed the Hold Harmless (HH) policy primarily to protect programs whose rents are tied to Income Limits
- HUD is considering eliminating the Policy – Federal Register Notice Forthcoming
- Reason's for eliminating the policy
  - HH inflates the population eligible for HUD programs
  - New MTSPs would have lower maximum rents in keeping with most recent local incomes
  - Distorts Allocation of MTSP Resources through the designation of DDAs
  - Existing MTSPs now protected via HERA



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## MTSP Limits when AMI Falls

- Based upon HUD's Interpretation of HERA Section 3009
  - New projects are subject to the applicable Section 8 income limits in the year they are placed into service
  - In subsequent years, projects use the higher of the new Section 8 limit or their previous limit (hold harmless defined within HERA)
  - Absent HUD's Hold Harmless policy, projects coming online would have lower incomes limits and rents than those projects already in existence



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## Section Eight Voucher Reform Act

- Provisions within the current House version significantly and drastically alter the definition of FMR Areas
  - Cities or Census Designated Places with 40,000 rental units
  - County basis otherwise (except in New England)
  - PHAs can request separate areas if there are at least 20,000 rental units in both the requested area and the remainder area and the rent differential is at least 10 percent
- Absent further legislation, HUD is likely to redefine income limit areas to match these newly mandated areas

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## Anticipated Questions #1

Q: Why do some areas eligible for HERA Special Limits not receive them?

A: In general, HUD assigns the each area the maximum of the Special Limit or the normal Section 8 Very Low Income Limit. Please see the following Examples

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### Anticipated Question #1 – Example 1

**Case 1:** Standard MTSP Area Qualified for Special Limits  
 Naples-Marco Island, FL MSA was subject to HUD's Hold Harmless Policy in 2007 and 2008

	MFI	S8 4PVLIL
FY 2008	\$69,200	\$34,900
FY 2009	\$70,800	\$35,400
<b>% Change</b>	<b>1.0231</b>	

Hera Special Limits	MAX(\$35,400 , (34,900*1.0231))
	MAX (\$35,400 , \$35,700)
	<b>\$35,700</b>

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### Anticipated Question #1 – Example 2

**Case 2:** MTSP Special Limits and Section 8 VLIL are the same  
 Houston-Baytown-Sugar Land, TX HUD Metro FMR Area was subject to HUD's Hold Harmless Policy in 2007.

	MFI	S8 4PVLIL
FY 2008	\$61,100	\$30,550
FY 2009	\$73,800	\$31,900
<b>% Change</b>	<b>1.0442</b>	

Hera Special Limits	MAX(\$31,900 , (30,550*1.0442))
	MAX (\$31,900 , \$31,900)
	<b>\$31,900</b>

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### Anticipated Question #1 – Example 3

**Case 3:** MTSP Special Limits are lower than Section 8 VLIL  
 Gila County, AZ was subject to HUD's Hold Harmless Policy in 2007.

	MFI	S8 4PVLIL
FY 2008	\$45,700	\$22,850
FY 2009	\$46,100	\$23,600
<b>% Change</b>	<b>1.0088</b>	

Hera Special Limits	MAX(\$23,600 , (22,850*1.0088))
	MAX (\$23,600 , \$23,050)
	<b>\$23,600</b>

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### Anticipated Questions #2

**Q:** Why doesn't the MTSP Income Limit Website address the HERA provision allowing higher income limits for tax credit properties located in certain rural areas?

**A:**

- The MTSP website is primarily concerned with the calculation of limits specified in section 3009 of HERA.
- HUD has no jurisdiction over MTSP rules about which projects are "rural" under HERA (rural ≠ nonmetro)
- HUD maintains no definition of "rural" for the purposes of income limits

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Your Questions



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