

Evaluating Trends in Income and Rent Limits

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FY 2024 Income Limits

Housing Credit Connect 2024





What Are Income Limits?

The income limit for affordable housing programs is the maximum income a household can earn to qualify or be targeted for assistance. This specific figure is based on a percent of median family income for an area and is adjusted depending on how many persons live in the household (including children).



Statutory Definitions

For Section 8 and Public Housing

Statute: [42 U.S.C. 1437a\(b\)](#)

- **Low-income** - families whose incomes do not exceed 80 percent of the median income for the area
- **Very low-income** - families whose incomes do not exceed 50 percent of the median family income for the area
- **Extremely low-income** - very low-income families whose incomes do not exceed the higher of 30 percent of the median family income for the area or the poverty guidelines, which are updated periodically by the Department of Health and Human Services

Allows for the establishment of income ceilings that are higher or lower based on the Secretary's findings that such variations are necessary because of unusually high or low family incomes.



How Are These Income Limits Used?

- **Eligibility**

- 50% Very Low Income (VLIL), 80% Low Income with other Conditions - Section 8 Tenant-Based Voucher Program
- 80% Low Income (LIL) – Section 8 Project-Based Voucher Program; Public Housing

- **Targeting**

- Extremely Low-Income Limit (ELI)
 - [Housing Choice Voucher Program](#) - not less than 75 percent of units shall be available for leasing by extremely low-income families
 - [Project-based rental assistance](#) - not less than 40 percent of units shall be available for leasing by extremely low-income families



MTSP Income Limits

Multifamily Tax Subsidy Projects (MTSP)

This is a catch-all term for rental housing financed with tax credits (LIHTC) (authorized under section 42 of the Internal Revenue Code) and projects financed with tax-exempt housing bonds issued to provide qualified residential rental development (section 142 of the Code)

See: <https://www.huduser.gov/portal/datasets/mtsp.html> and <https://www.huduser.gov/portal/datasets/mtsp/mtsp24/MTSP-BriefingReport-24.pdf>



MTSP Income Limits

How does MTSP work?

For MTSP Income Limits determine eligibility and the maximum rent private property owners can charge program participants

- HUD programs generally tie rent to the household's actual income (Brooke rents)

Income Limits can never decrease for an in-service MTSP (as compared to Section 8 income limits, which can decrease if an area's median family income falls)



Median Family Income

Step 1: Calculate estimate of MFI for the fiscal year

Median family income (MFI) data from the Census Bureau's American Community Survey (ACS [Table B19113](#)) are the basis for HUD's income limits. HUD evaluates the data and inflates it as follows:

A. Determine Base Estimate

- Use 1-year data – check for reliability
 - Reliability criteria: The margin of error must be less than 50% of the estimate itself and the ACS estimate must be based on at least 100 survey cases
- Use 5-year data – if there is not a reliable 1-year estimate
- Still, if there is not a reliable 5-year estimate, use the average of the last 3 years of 5-year estimates (only minimally reliable estimates are used based on the margin of error test; sample size is ignored)
- If there are not at least two minimally reliable estimates from the last 3 years, use higher geography

B. Calculate an inflation factor to trend the ACS forward to the middle of the current fiscal year.

C. Apply inflation factor to ACS MFI base estimate for the current fiscal year; round to the nearest \$100.



Very Low Income Limit (VLIL/50%)

Step 2: Determine preliminary VLIL for a 4-person household

Calculate 50% of the MFI estimate. Then adjust the figure where necessary for:

- A. High housing costs** – increased if 35% of VLIL would otherwise be less than 85% of the area's annualized 2-bedroom Fair Market Rent (FMR);
- B. Low housing costs** – decreased if VLIL exceeds 80% of the US MFI and the FMR is affordable (30% or less of VLIL); decrease to the greater of the two;
- C. State non-metro median** – increased if VLIL less than 50% of the state non-metropolitan median family income level;
- D. Ceilings and Floors** – increased if VLIL is less than 95% of last year's VLIL and reduced to the greater of 105% of last year's VLIL or twice the change in the national MFI, if that amount would be larger than 5% (but never to exceed 10%).



Very Low-Income Limit (50%)

Step 4: Round final 4-person VLIL

- A. For areas with housing cost adjustment – round to the nearest \$50
- B. For areas with a floor – round up to the nearest \$50
- C. For areas with a ceiling – round down to the nearest \$50

Step 3: Derive income limits for other family sizes

This is achieved by applying a percentage adjustment to the final 4-person VLIL as illustrated below. The final figures are then rounded up to the nearest \$50.

Family Size	1	2	3	4	5	6	7	8
Adjustment	0.7	0.8	0.9	Base	1.08	1.16	1.24	1.32



Changes in 2024: 10% income cap

The maximum possible increase in income limits is either 5% or twice the change in national **uninflated** median family income, whichever is higher. Beginning in FY 2024, HUD also sets an absolute cap of 10%.




Note the use of uninflated median family income continues the rule first adopted in FY 2022.

HUD believes this adjustment will align the cap rule with its intended purpose in high income-growth periods. In such periods, doubling the year-to-year change in national median family income produces a cap that is significantly higher than the upper range of income growth experienced by areas, while also limiting the possibility of overly burdensome rent increases for LIHTC tenants.

Read the notice [here](#) and FAQs [here](#)



2024 Dynamics

- **Strong ACS-measured income growth** 
 - Change in national median family income from 2021-22 was 7.4%
- **Slowing inflation** 
 - FY 2023 Inflation Factor (CY2021-FY2023): 1.1217
 - FY 2024 Inflation Factor (CY2022-FY2024): 1.0618
- **Strong Fair Market Rent (FMR) Growth** 
 - FY 2023-24 FMR growth was 12% on average, affecting income limits for areas that receive a high housing cost adjustment



2024 Dynamics

Dynamic	Result
Accelerating inflation	HUD MFI will grow <i>faster</i> than ACS MFI
Inflation same in both years	HUD MFI will grow same ACS MFI
Decelerating inflation	HUD MFI will grow <i>slower</i> than ACS MFI



FY 2024 FMR Changes

HUD issued a Notice of Proposed Material Changes to FMR calculation on June 23, 2023. The proposed changes were:

- Recent Mover Factors
 - Consider “1-year” Recent Mover Data
- Rent Inflation Factors
 - Expanded use of private data to measure rent inflation (first adopted for FY 2023 FMRs)



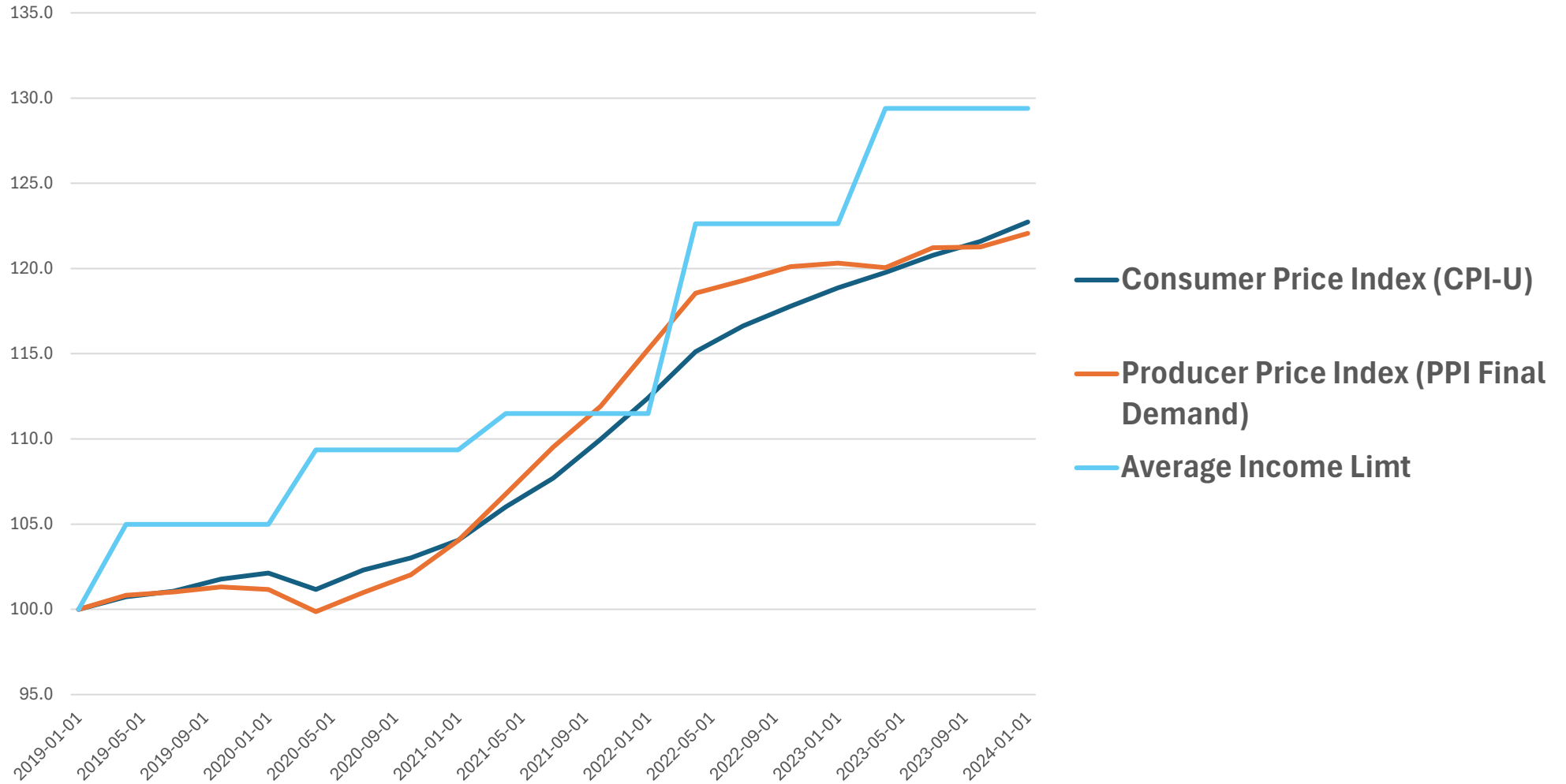
2024 Results

Year	Population Weighted Average 4-Person Very Low Income Limit Change (percent)	Cap on Increases (Percent)
2013	-1.50	5.00
2014	-0.60	5.00
2015	2.88	5.95
2016	0.45	5.00
2017	3.22	7.00
2018	5.69	11.47
2019	4.99	10.01
2020	4.16	7.95
2021	1.95	5.00
2022	9.99	11.89
2023	5.52	5.92
2024	5.85	10.00



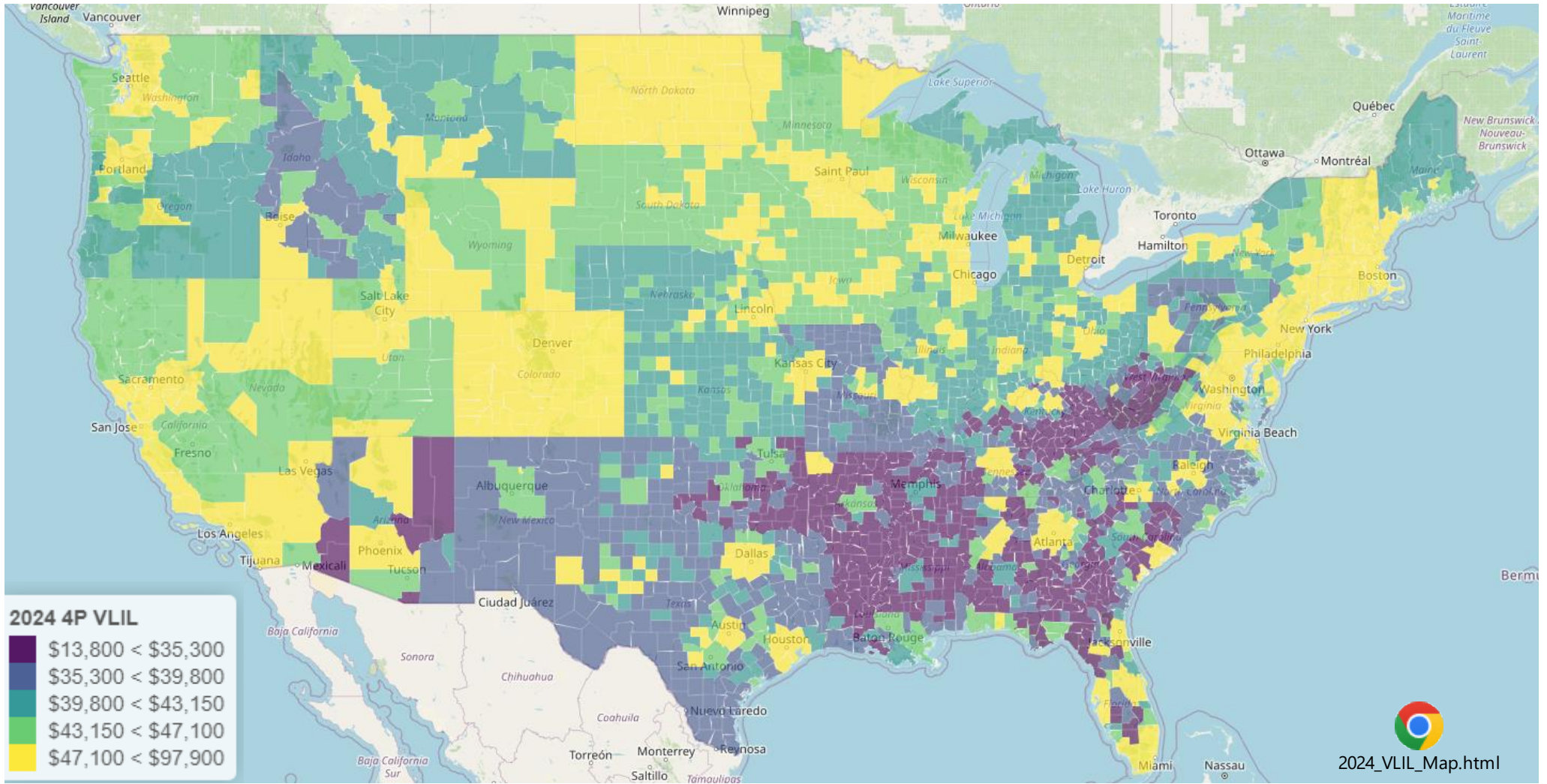


Income Limit Growth vs. Cost Measures



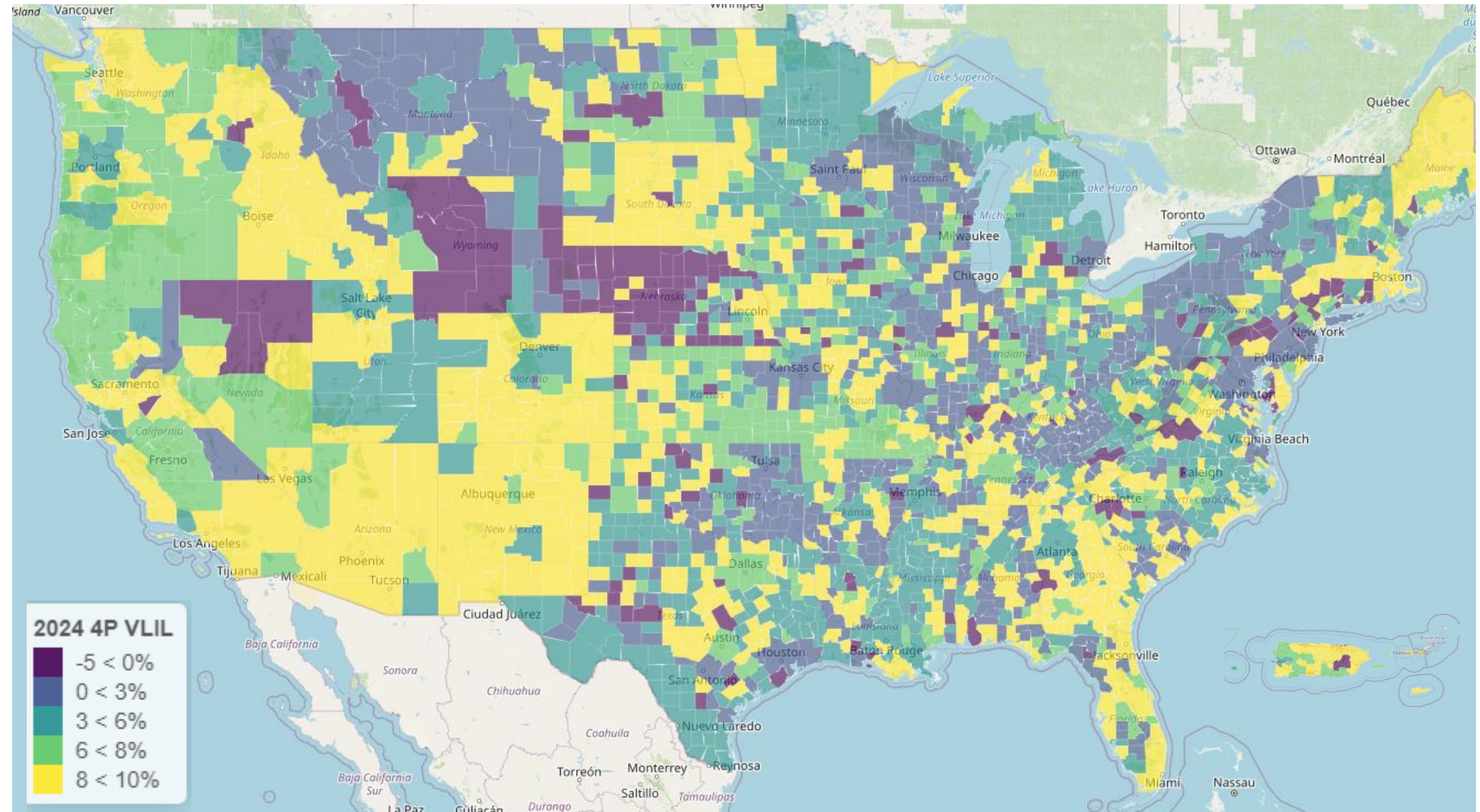


2024 Very Low-Income Limit Levels





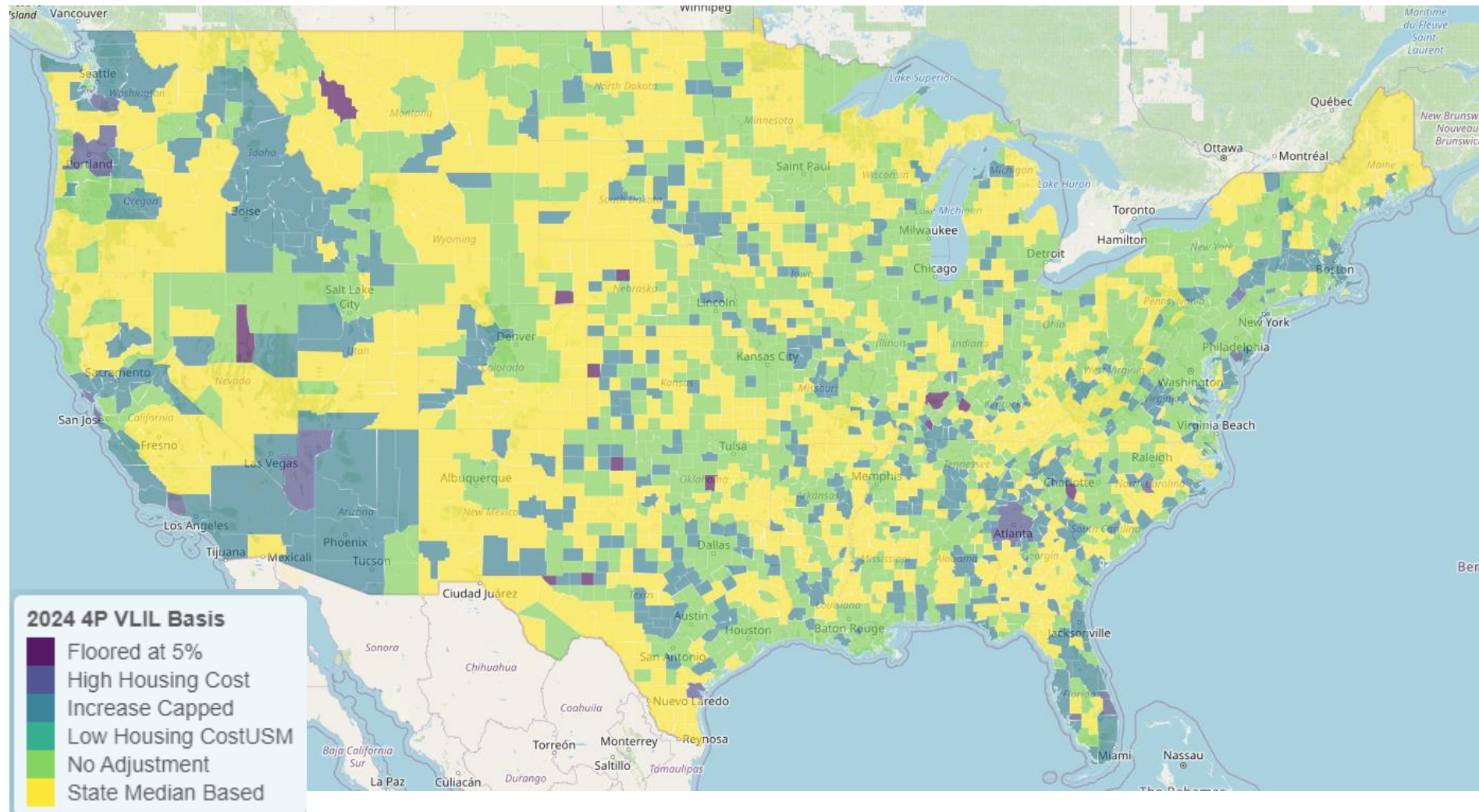
2024 Year over Year Change in Income Limit



2024_VLIL_Change_Map.html



2024 Income Limit Basis





Areas that Received a Cap Over Time

FY	Cap on Increases	Percent of Areas with Income Limit Cap
2014	5.00%	10%
2015	5.95%	14%
2016	5.00%	7%
2017	7.00%	11%
2018	11.47%	5%
2019	10.01%	6%
2020	7.95%	9%
2021	5.00%	14%
2022	11.89%	64%
2023	5.92%	86%
2024	10.00%	21%

Note that despite the cap, the income limit may exceed the statutory target of 50% of median family income because of the **high housing cost adjustment** or **state non-metropolitan minimum**. For FY 2024, over 90% of the country by population is in an area where the 4-person Very Low-Income Limit is equal to or exceeds 50% of area median family income (82% of all areas).





Impact of a Cap

Year	Population Weighted Average VLI Share of MFI
2020	53.0%
2021	53.0%
2022	51.8%
2023	51.0%
2024	52.9%



Impact of a Cap

	Number of Areas	Percent of Areas	Percent of Total US Population in Areas
Capped Areas	553	21.2%	30.8%
Capped Areas Below 50% MFI	468	18.0%	9.8%
ACS 1-year Capped Areas Below 50% MFI	133	5.1%	7.8%
ACS 1-year Capped Areas Below 48% MFI	51	2.0%	2.4%
ACS 1-year Capped Areas Below 45% MFI	9	0.3%	0.2%



Areas with capped income limit can “catch up” when median family income growth slows

Denver, CO			
	FY 2022	FY 2023	FY 2024
Median Family Income	\$117,800	\$125,500	\$130,400
Increase in Median		6.5%	3.9%
Very Low-Income Limit	\$58,600	\$62,050	\$65,200
Increase in Income Limit		5.9%	5.1%
		Capped	



Extremely Low-Income Limit (30%)

Extremely low-income families are defined to be very low-income families whose incomes are the greater of the

- [Poverty Guidelines](#) as published and periodically updated by the Department of Health and Human Services or;
- The 30 percent income limits calculated by HUD



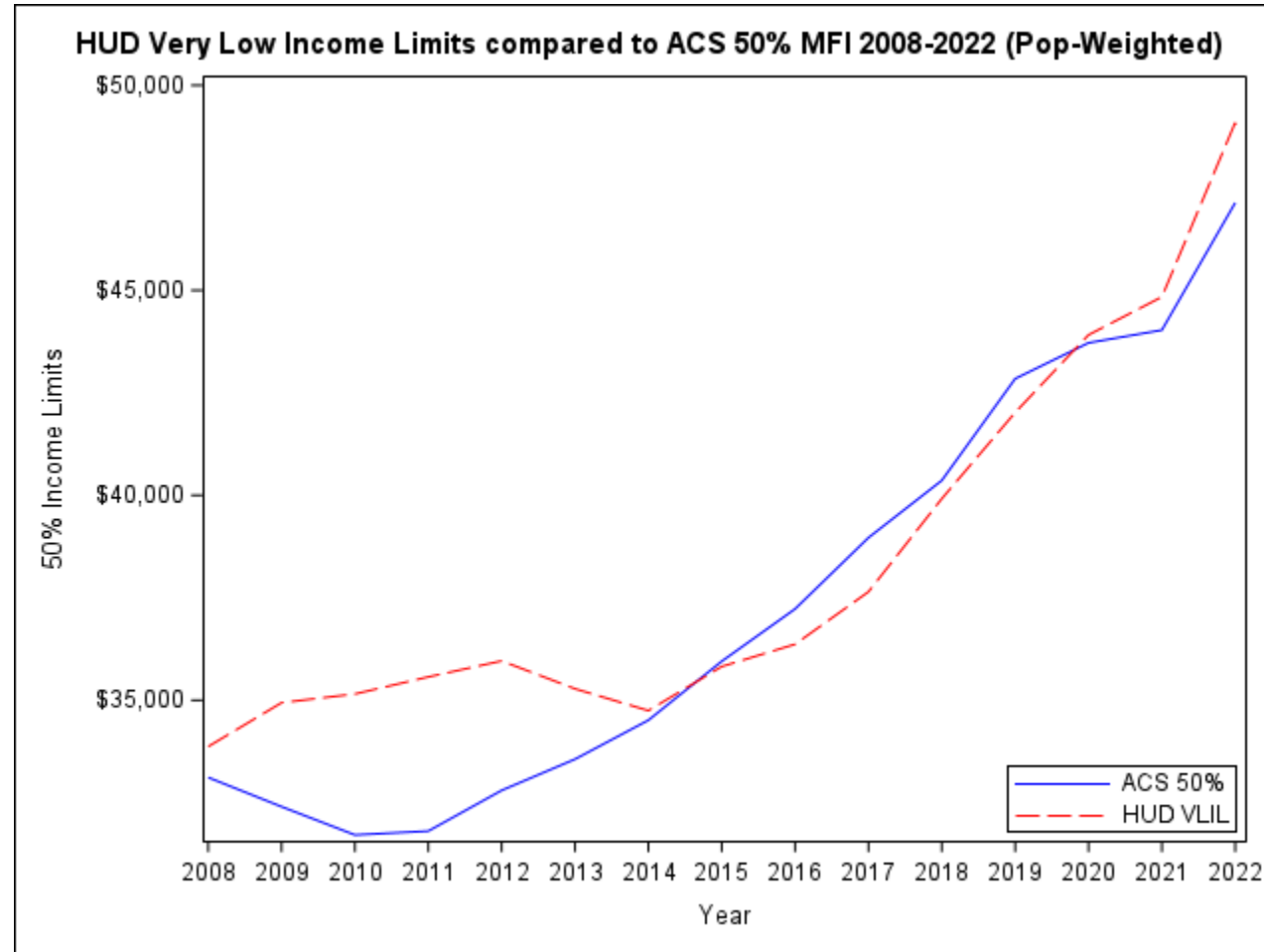
Extremely Low-Income Limit (30%)

4-Person Poverty Guidelines	
2023	\$30,000
2024	\$31,200

There was a 4% increase in the U.S. 4-person poverty guideline from 2023 to 2024.



Continued Evaluation of Income Limits



Note: 2020 data is inflated from the 2019 ACS 1-year



Continued Evaluation of Income Limits

ACS Year	Share of Renters Below 50% AMI
2010	43.1%
2011	43.1%
2012	43.4%
2013	42.9%
2014	43.4%
2015	44.2%
2016	44.2%
2017	42.3%
2018	40.3%
2019	44.1%
2020	42.8%

HUD CHAS/ACS





Additional Resources

- Income Limits Documentation System - <https://www.huduser.gov/portal/datasets/il.html>
- Income Limits Methodology - <https://www.huduser.gov/portal/datasets/il/il24/IncomeLimitsMethodology-FY24.pdf>
- *An Evaluation of HUD's Accuracy in Calculating Income Limits* - <https://www.huduser.gov/portal/pdredge/pdredge-spotlight-article-051424.html>

2024 NCSHA Housing Credit Connect

Evaluating Trends in Income and Rent Limits:

Use of Income Limits in QCT and DDA Designations

June 12, 2024

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Qualified Census Tracts (QCTs):

QCTs, defined in IRC Section 42, are Census tracts with either:

- 1) Poverty Rate of at least 25%, or
 - 2) At least 50% of households earning $\leq 60\%$ AMI.
- Population Cap: No more than 20% of area population can be in designated tracts.



Qualified Census Tracts (QCTs):

How does limiting income limit growth affect QCTs?

Limited effect due to poverty rate criterion

2024 QCTs	
Total QCTs:	14,826
Eligible by Pov Rate Only	2,566
Eligible by Income Only	5,529
Eligible by Both	6,731



Qualified Census Tracts (QCTs):

How is Income Criterion calculated?

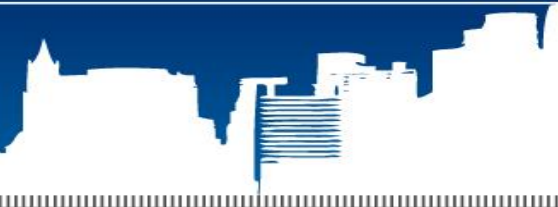
Criterion: At least 50% of households in tract must earn at least 60% of AMGI.

60% Income Limit / Tract Median Household Income

- Ratio ≥ 1 → At least $\frac{1}{2}$ of HHs earn less than IL
- Limiting IL growth will decrease ratio
 - Makes fewer tracts eligible by income criterion.



PD&R



Qualified Census Tracts (QCTs):

How does limiting income limit growth affect QCTs?

- 1) 4% of 2024 QCTs had low IC ratio (≤ 1.025)
- 2) 11% of 2024 QCTs were near population cap ($\geq 17.5\%$)

IC Ratio	2024 QCTs Qualifying Only by IC		% of All 2024 QCTs	2024 QCTs Near Pop Cap ($\geq 17.5\%$)
	#	%		
≤ 1.025	628	11%	4%	2%
1.026 to 1.05	427	8%	3%	1%
1.051 to 1.10	730	13%	5%	1%
1.11 to 1.15	678	12%	5%	2%
1.16 to 1.20	559	10%	4%	1%
1.21 to 1.25	451	8%	3%	1%
> 1.25	2,056	37%	14%	2%
	5,529	100%	37%	11%



Difficult Development Areas (DDAs)

- DDAs, defined in IRC Section 42, are areas with high land, construction and utility costs relative to area median income.
- No more than 20% of population can be in designated areas.
- Metro DDAs are designated by ZIP code.
Non-Metro DDAs are designated by county.
- All Metro ZIP codes ranked together.
All non-metro counties ranked together.



Difficult Development Areas (DDAs)

- Calculated using:
 - SAFMR as proxy for land, construction and utility costs.
 - Areas ranked using ratio of 2-bdrm SAFMR to maximum LIHTC rent (based on 4-person VLIL).
- Effect of Limiting IL Growth:
 - Would not affect the number of areas designated, but could affect the mix.
 - Areas with capped IL growth would be ranked higher than in uncapped or higher cap scenario.

