



February 12, 2024

Solomon Greene  
Principal Deputy Assistant Secretary for Policy Development and Research  
U.S. Department of Housing and Urban Development  
451 7th Street, S.W.  
Washington, DC 20410

**Re: Comments on Proposed Changes to the Methodology Used for Calculating Section 8 Income Limits (Docket No. FR-6436-N-01)**

Dear Principal Deputy Assistant Secretary Greene:

The National Council of State Housing Agencies (NCSHA) appreciates the opportunity to comment on behalf of our state Housing Finance Agency (HFA) members on proposed Department of Housing and Urban Development (HUD) changes to the methodology used for calculating Section 8 income limits.

NCSHA's members administer a number of affordable housing programs that rely on HUD income limits, including the Low Income Housing Tax Credit (Housing Credit), single family and multifamily private activity bonds, the HOME Investment Partnerships program, the Housing Trust Fund, and Section 8 project- and tenant-based assistance, among others.

In general, NCSHA supports the proposed changes to the income limits calculation methodology. Our comments focus on the following two questions posed in the Notice:

**Question #1: Is a cap of 10 percent appropriate for HUD's income limit calculation methodology? If not, is there an alternative cap that would be more appropriate? Would such a cap harm planned or in development LIHTC-financed properties (i.e., do such properties assume rent growth in excess of 10 percent)?**

Under current HUD methodology, the maximum possible increase in income limits is the higher of five percent or twice the change in the national median family income. The Notice refines the maximum possible increase by imposing a 10 percent absolute cap.

In general, we support a cap of 10 percent on the maximum possible increase in income limits. The Housing Credit is one program for which rent limits are directly tied to income limits. For existing properties, this 10 percent cap on income limit increases

would ease the financial strain on low-income tenants that could otherwise face rent increases in excess of 10 percent in one year. Such a cap is especially critical for seniors and families on fixed incomes that could face displacement as a result of such a dramatic rent increase. While not all property owners impose annual rent increases at the maximum amount allowed, others do and the proposed 10 percent cap would therefore limit the possibility of overly burdensome rent increases on existing tenants.

In properties financed with Housing Credits, owners do not typically assume annual rent growth in excess of 10 percent. In fact, financial underwriting criteria are generally much more conservative, assuming rent growth in the range of 2 or 3 percent annually. While property owners are under financial pressure given recent increases in both development and operating costs, the proposed 10 percent cap appropriately balances the economic pressure on owners with the policy objective of protecting low-income residents from untenable rent increases. As such, properties in jurisdictions with newly capped income limit increases could phase in rent increases over a multi-year period instead of implementing a larger increase all in one year. This phased-in approach to rent increases would help to ease the financial burden on existing tenants.

**Question #5: Should income limits consider direct measures of costs, such as wages or insurance, instead of, or in addition to, its high housing cost adjustment?**

We encourage HUD to explore the impact of recent development and operating cost increases on project viability and consider whether additional adjustments to income limit methodology are necessary to ensure existing and future affordable housing developments do not face undue financial burden. Insurance costs, in particular, have increased at historic levels during the past few years and additional increases could certainly impact financial viability of developments. Any further adjustments to income limits should be in addition to the existing high housing cost adjustment—not in place of it—as the high housing cost adjustment makes additional housing supply possible in those areas due to the increased rents allowed.

Thank you for this opportunity to provide comments on this Notice. Please let us know if you have any questions or would like to discuss our comments further.

Sincerely,

A handwritten signature in black ink, appearing to read "Garth Rieman". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Garth Rieman  
Director of Housing Advocacy and Strategic Initiatives