

# THE VALUATION REPORT

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## Market Analysts' Meeting Abuzz Over New Metropolitan Statistical Area Definitions

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One of the hottest topics of discussion at the National Council of Affordable Housing Market Analysts' (NCAHMA) January conference was the new definitions for metropolitan areas created by the Office of Budget and Management (OMB) in June. The new metropolitan area definitions add, remove, or change the metropolitan area with which some counties are associated. The new definitions are based purely on 2000 census statistics and are not policy related. Agencies that are affected by the change, including the Department of Housing and Urban Development (HUD), are working to determine how these changes will affect their programs and policies. Out of the entire United States, with the exception of New England, 41 counties have been removed from metro areas as a result of the revised definitions; 214 have been added to metro areas; and 59 have been switched from one metro area to another.

The greatest impact on affordable housing developers will be a change in area median income (AMI). HUD sets maximum income limits for a county based on the AMI in non-metropolitan areas and on the AMI for counties within an entire MSA. In addition to the AMI, the list of qualified census tracts (QCT) and difficult development areas (DDA). Community Development Block Grant (CDBG) allocation formula, and fair market rents will be affected.

Winners under this new definition will be those counties that have substantial increases in income limits, as they will have new opportunities for low-income housing tax credit (LIHTC) housing. Increases are likely in cases where outlying counties are being added to metropolitan areas. Losers under this new definition will be those counties that have substantial decreases in income limits. Existing tax credit properties that were at or near the maximum allowable rent will be deeply affected

because they may not be allowed rent increases for a significant period of time. A positive decision for existing properties in these counties is that they will not have to lower their property rents to the new maximum allowable rent.

The tables list a sampling of counties that will have new area definitions and illustrate the changes that the counties will have in AMI. For example, Mohave, King George and Island counties will be removed from MSAs and will have decreases in their AMI, which will have a negative impact on existing properties. Los Alamos and Baldwin counties will be removed from MSAs and will have increases in their AMI, which will benefit existing properties. Summit and Kendall counties will be added to MSAs and will have decreases in their AMI, which will have a negative impact on existing properties. Dallas, Washington and Anson counties will be added to MSAs and will have increases in their AMI, which will benefit existing properties. Berkley, Bergen and Passaic counties will be switching metropolitan areas, and will have decreases in their AMI, which will have a negative impact on existing properties. Pike County will be switching metropolitan areas, and will have decreases in its AMI, and will have an increase in its AMI, which will benefit the existing properties.

HUD will not begin to implement the new MSA definitions into its programs until spring of this year when the new fair market rents are published. AMI levels affecting the LIHTC program will not reflect the MSA changes until 2005. For 2004, both AMI levels and QCTs will be based on the old metro definitions. QCTs will be based on the new definitions beginning in 2005.

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# Market Analysts'

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## Counties REMOVED From Existing Metropolitan Areas

County	Removed From	County Income of Old Metro in 1999	County Income of New Individual County in 1999	Difference
Mohave County, AZ	Las Vegas, NV-AZ MSA	\$48,420	\$36,311	(\$12,109)
King George County, VA	Washington, DC-MD-VA-WV PMSA	\$72,247	\$55,160	(\$17,087)
Island County, WA	Seattle-Bellevue-Everett, WA PMSA	\$63,758	\$51,363	(\$12,395)
Los Alamos County, NM	Santa Fe, NM MSA	\$54,579	\$90,032	\$35,453
Baldwin County, AL	Mobile, AL MSA	\$42,118	\$47,028	\$4,910

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## Counties ADDED To Metropolitan Areas

County	Added To	County Income of Old Individual County in 2002	County Income of New Metro in 2002	Difference
Suwalk County, UT	Salt Lake City, UT MSA	\$82,400	\$61,100	(\$22,300)
Kendall County, TX	San Antonio, TX MSA	\$64,700	\$50,500	(\$14,200)
Dallas County, MO	Springfield, MO MSA	\$38,900	\$49,400	\$10,500
Washington County, MO	St. Louis, MO-IL MSA	\$54,579	\$90,032	\$35,453
Anson County, NC	Charlotte-Castoria-Concord, NC-SC MSA	\$40,000	\$61,800	\$21,800

Source: Census Bureau; NMHC

## Counties SWITCHING From One Metropolitan Area to Another

County	Added To	Income of Old Individual County in 2003	County Income of New Metro in 2003	Difference
Suwalk County, UT	Salt Lake City, UT MSA	\$82,400	\$61,100	(\$22,300)
Kendall County, TX	San Antonio, TX MSA	\$64,700	\$50,500	(\$14,200)
Dallas County, MO	Springfield, MO MSA	\$38,900	\$49,400	\$10,500
Washington County, MO	St. Louis, MO-IL MSA	\$54,579	\$90,032	\$35,453
Anson County, NC	Charlotte-Castoria-Concord, NC-SC MSA	\$40,000	\$61,800	\$21,800



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