



[Docket No. FR-6432-N-01]

Notice of Certain Operating Cost Adjustment Factors for 2024

AGENCY: Office of the Assistant Secretary for Housing — Federal Housing Commissioner, HUD.

ACTION: Notice.

SUMMARY: This notice establishes operating cost adjustment factors (OCAFs) for project-based assistance contracts issued under Section 8 of the United States Housing Act of 1937 and renewed under the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA) for eligible multifamily housing projects having an anniversary date on or after February 11, 2024.

OCAFs are annual factors used to adjust Section 8 rents renewed under section 515 or section 524 of MAHRA.

DATES: Applicability Date: February 11, 2024.

FOR FURTHER INFORMATION CONTACT: Jennifer Lavorel, Director, Program Administration Office, Office of Asset Management and Portfolio Oversight, Department of Housing and Urban Development, 451 7th Street SW, Washington, DC 20410; telephone number 202-402-2515 (this is not a toll-free number). HUD welcomes and is prepared to receive calls from individuals who are deaf or hard of hearing, as well as individuals with speech or communication disabilities. To learn more about how to make an accessible telephone call, please visit <https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs>.

SUPPLEMENTARY INFORMATION:

I. Background

Section 514(e)(2) and section 524(c)(1) of the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA) (42 U.S.C. 1437f note), as amended, require HUD to establish guidelines for the development of operating cost adjustment factors (OCAFs) for rent adjustments. Similar language is found in sections 524(a)(4)(C)(i), 524(b)(1)(A), and 524(b)(3)(A) of MAHRA,

all of which prescribe the use of the OCAF in the calculation of renewal rents. MAHRA gives HUD broad discretion in setting OCAFs. For example, sections 524(a)(4)(C)(i), 524(b)(1)(A), 524(b)(3)(A), and 524(c)(1), simply refer to “an operating cost adjustment factor established by the Secretary.” HUD uses a single methodology for establishing OCAFs. The sole limitation to this grant of authority is a specific requirement in each of the foregoing provisions that application of an OCAF “shall not result in a negative adjustment.”

OCAFs vary among states and territories. Contract rents are adjusted by applying the OCAF for the state or territory in which the subject project is located to that portion of the rent attributable to operating expenses exclusive of debt service.

The OCAFs provided in this notice are applicable to eligible projects having a contract anniversary date on or after February 11, 2024.

II. OCAF Data Sources

OCAFs are calculated as the sum of weighted component cost changes for electricity, employee benefits/employee wages, fuel oil, goods/supplies/equipment, insurance, natural gas, property taxes, and water/sewer/trash using publicly available indices. The weights used in the OCAF calculations for each of the nine cost component groupings are set using current percentages attributable to each of the nine expense categories. The nine cost component weights are calculated at the state level, which is the lowest level of geographical aggregation with enough projects to permit statistical analysis. These data are not available for the Western Pacific Islands, so data for Hawaii are used as the best available indicator of OCAFs for these areas. HUD calculates weights using three years of audited Annual Financial Statements from projects covered by OCAFs. The expenditure percentages for these nine categories have been found to be stable over time, and using three years of data increases their stability.

HUD uses the best current price data sources for the nine cost categories in calculating annual change factors. State-level data for electricity, fuel oil, and natural gas from Department of Energy surveys are relatively current and continue to be used. Data on changes in employee

benefits/employee wages, goods/supplies/equipment, insurance, property taxes, and water/sewer/trash costs are available only at the national level.

The data sources used for the selected nine cost indicators are as follows:

- Electricity: Energy Information Agency (EIA), May 2023 “Electric Power Monthly” report, Table 5.6.B. HUD compares the January 2023 to May 2023 estimate with the January 2022 to May 2022 estimate.
https://www.eia.gov/electricity/monthly/epm_table_grapher.php?t=epmt_5_06_b.
- Employee benefits/employee wages: Bureau of Labor Statistics (BLS) ECI, Private Industry Benefits, All Workers (Series ID CIU2030000000000I), at the national level and Private Industry Wages and Salaries, All Workers (Series ID CIU2020000000000I), at the national level. HUD compares the second quarter of 2023 to the second quarter of 2022.
- Fuel Oil: EIA U.S. Weekly Heating Oil and Propane Prices report. Average weekly residential heating oil prices in cents per gallon excluding taxes for the period from October 5, 2022, through the week of March 29, 2023 are compared to the average from October 5, 2021, through the week of March 29, 2022. For the States with insufficient fuel oil consumption to have separate estimates, the relevant regional Petroleum Administration for Defense Districts (PADD) change between these two periods is used; if there is no regional PADD estimate, the U.S. change between these two periods is used.
https://www.eia.gov/dnav/pet/pet_pri_wfr_a_EPD2F_PRS_dpGal_w.htm.
- Goods/Supplies/Equipment: Bureau of Labor Statistics (BLS) Consumer Price Index, All Items Less Food, Energy and Shelter (Series ID CUUR0000SA0L12E) at the national level. HUD compares the July 2023 estimate to the estimate for July 2022.
- Insurance: Bureau of Labor Statistics (BLS) Producer Price Index, Industry Data for Direct Property and Casualty Insurers: Commercial Multiple Peril Insurance (Series ID PCU5241265241265) at the national level. HUD compares the estimate for July 2023 to the estimate for July 2022.

- Natural Gas: Energy Information Agency, Natural Gas, Residential Energy Price, June 2022–May 2023 monthly prices in dollars per 1,000 cubic feet at the state level. Due to EIA data quality standards, several states were missing data for one or two months in 2022 and 2023; in these cases, data for these missing months were estimated using data from the surrounding months in that year and the relationship between that same month and the surrounding months in 2021.

http://www.eia.gov/dnav/ng/ng_pri_sum_a_EPG0_PRS_DMcf_a.htm.

- Property Taxes: Census Quarterly Summary of State and Local Government Tax Revenue – Table 1

<https://www.census.gov/econ/currentdata/dbsearch?program=QTAX&startYear=2019&endYear=2021&categories=QTAXCAT1&dataType=T01&geoLevel=US¬Adjusted=1&submit=GET+DATA&releaseScheduleId=>. Twelve-month property taxes are computed as the total of four quarters of tax receipts for the period from April through March. Total 12-month taxes are then divided by the number of occupied housing units to arrive at average 12-month tax per housing unit. The number of occupied housing units is taken from U.S. Census Bureau’s Current Population Survey/Housing Vacancy Survey (CPS/HVS) housing inventory estimates, Table 8: <https://www.census.gov/housing/hvs/data/histtab8.xlsx>.

- Water/Sewer/Trash: Consumer Price Index, All Urban Consumers, Water and Sewer and Trash Collection Services (Series ID CUUR00 00SEHG) at the national level. HUD compares the estimate for July 2023 to the estimate for July 2022.

The sum of the nine cost component percentage weights equals 100 percent of operating costs for purposes of OCAF calculations. To calculate the OCAFs, state-level cost component weights developed from AFS data are multiplied by the selected inflation factors. For instance, if wages in Virginia comprised 50 percent of total operating cost expenses and increased by 4 percent from 2022 to 2023, the wage increase component of the Virginia OCAF for 2024 would be 2.0 percent (50% * 4%). This 2.0 percent would then be added to the increases for the other eight

expense categories to calculate the 2024 OCAF for Virginia. For states where the calculated OCAF is less than zero, the OCAF is floored at zero. The OCAFs for 2024 are included as an Appendix to this notice.

III. Findings and Certifications Environmental Impact

This notice sets forth rate determinations and related external administrative requirements and procedures that do not constitute a development decision affecting the physical condition of specific project areas or building sites. Accordingly, under 24 Code of Federal Regulations 50.19(c)(6), this notice is categorically excluded from environmental review under the National Environmental Policy Act of 1969 (42 U.S.C. 4321).

IV. Paperwork Reduction Act

This notice does not impact the information collection requirements already submitted to the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501–3520). In accordance with the Paperwork Reduction Act, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

V. Catalog of Federal Domestic Assistance Number

The Catalog of Federal Domestic Assistance Number for this program is 14.195.

Julia R. Gordon,

Assistant Secretary for Housing — FHA Commissioner.

[Billing Code: 4210-67]

APPENDIX**OPERATING COST ADJUSTMENT FACTORS FOR 2024**

	2023	2024	Percent Change in OCAF
Alabama	5.8	5.1	-12.1
Alaska	6	4.9	-18.3
Arizona	5.7	4.7	-17.5
Arkansas	5.9	5.3	-10.2
California	7.1	5.4	-23.9
Colorado	5.9	5.2	-11.9
Connecticut	6.1	7.1	16.4
Delaware	5.8	5.3	-8.6
District of Columbia	5.8	5.4	-6.9
Florida	6.1	5.2	-14.8
Georgia	5.6	4.8	-14.3
Hawaii	7.3	5.4	-26.0
Idaho	5.1	4.8	-5.9
Illinois	7.3	5.6	-23.3
Indiana	6.4	5	-21.9
Iowa	5	4.5	-10.0
Kansas	5.5	5.1	-7.3
Kentucky	6.4	4.8	-25.0
Louisiana	5.9	5	-15.3
Maine	8.3	8	-3.6
Maryland	6.6	5.4	-18.2
Massachusetts	6.1	6.6	8.2
Michigan	5.5	5.2	-5.5
Minnesota	7.3	5.3	-27.4
Mississippi	6.2	5.3	-14.5
Missouri	5.2	5.2	0.0
Montana	5.4	5.3	-1.9
Nebraska	5.9	4.9	-16.9
Nevada	6.2	5.4	-12.9
New Hampshire	5.7	7	22.8
New Jersey	5.3	5.6	5.7
New Mexico	6	4.9	-18.3
New York	7.6	5.4	-28.9
North Carolina	5.7	4.9	-14.0
North Dakota	6	4.7	-21.7
Ohio	6.2	5.6	-9.7
Oklahoma	4.9	5.2	6.1
Oregon	5.6	4.9	-12.5
Pacific Islands	7.3	5.4	-26.0
Pennsylvania	5.8	6.1	5.2
Puerto Rico	6.3	5	-20.6
Rhode Island	5.3	6.4	20.8
South Carolina	5.6	4.8	-14.3

South Dakota	4.8	4.3	-10.4
Tennessee	5.7	4.9	-14.0
Texas	5.7	5.3	-7.0
Utah	5.6	4.8	-14.3
Vermont	6	5.2	-13.3
Virgin Islands	5.8	5.7	-1.7
Virginia	6	5.2	-13.3
Washington	5.9	4.9	-16.9
West Virginia	6.6	5.3	-19.7
Wisconsin	6.6	5.1	-22.7
Wyoming	5.6	4.9	-12.5
United States	6.1	5.3	-13.1

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