



[Docket No. FR-6288-N-01]

Notice of Certain Operating Cost Adjustment Factors for 2022

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, 2022.

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

DATES: Applicability Date: February 11, 2022.

FOR FURTHER INFORMATION CONTACT: Jennifer Lavorel, Director, Office of Asset Management and Portfolio Oversight Program Administration Office, Department of Housing and Urban Development, 451 7th Street SW, Washington, DC 20410; telephone number 202-402-4633 (this is not a toll-free number). Hearing- or speech-impaired individuals may access this number through TTY by calling the toll-free Federal Relay Service at 800-877-8339.

SUPPLEMENTARY INFORMATION:

I. OCAFs

Section 514(e)(2) and section 524(c)(1) of MAHRA (42 U.S.C. 1437f note) require HUD to establish guidelines for the development of OCAFs for rent adjustments. 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, contain similar language. HUD has therefore used a single methodology for establishing OCAFs, which vary among states and territories.

MAHRA gives HUD broad discretion in setting OCAFs, referring, for example, in sections

524(a)(4)(C)(i), 524(b)(1)(A), 524(b)(3)(A), and 524(c)(1), to simply “an operating cost adjustment factor established by the Secretary.” 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.” Contract rents are adjusted by applying the OCAF 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 of February 11, 2022, or after and were calculated using the same method as those published in HUD’s 2021 OCAF notice published on November 27, 2020 (85 FR 76088). Specifically, OCAFs are calculated as the sum of weighted component cost changes for wages, employee benefits, property taxes, insurance, supplies and equipment, fuel oil, electricity, natural gas, 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. These weights are calculated in the same manner as in the November 27, 2020, notice. Average expense proportions were calculated 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 very stable over time but using three years of data increases their stability. The nine cost component weights were calculated at the state level, which is the lowest level of geographical aggregation with enough projects to permit statistical analysis. These data were not available for the Western Pacific Islands, so data for Hawaii were used as the best available indicator of OCAFs for these areas.

The best current price data sources for the nine cost categories were used in calculating annual change factors. State-level data for fuel oil, electricity, 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:

- 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 the estimates, Table 8:

<https://www.census.gov/housing/hvs/data/histtab8.xlsx>.

- Water and Sewer: May 2020 to May 2021 Consumer Price Index, All Urban Consumers, Water and Sewer and Trash Collection Services (Series ID CUUR00 00SEHG) at the national level.

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 2020 to 2021, the wage increase component of the Virginia OCAF for 2022 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 2022 OCAF for Virginia. For states where the calculated OCAF is less than zero, the OCAF is floored at zero. The OCAFs for 2022 are included as an Appendix to this Notice.

II. MAHRA OCAF Procedures

Sections 514 and 515 of MAHRA, as amended, created the Mark-to-Market program to reduce the cost of federal housing assistance, to enhance HUD's administration of such assistance,

and to ensure the continued affordability of units in certain multifamily housing projects. Section 524 of MAHRA authorizes renewal of Section 8 project-based assistance contracts for projects without restructuring plans under the Mark-to-Market program, including projects that are not eligible for a restructuring plan and those for which the owner does not request such a plan.

Renewals must be at rents not exceeding comparable market rents except for certain projects. As an example, for Section 8 Moderate Rehabilitation projects, other than single room occupancy projects (SROs) under the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11301 et seq.), that are eligible for renewal under section 524(b)(3) of MAHRA, the renewal rents are required to be set at the lesser of: (1) The existing rents under the expiring contract, as adjusted by the OCAF; (2) fair market rents (less any amounts allowed for tenant-purchased utilities); or (3) comparable market rents for the market area.

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 CFR 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.

Lopa P. Kolluri,
Principal Deputy Assistant,

Secretary for Housing.

[Billing Code: 4210-67]

APPENDIX
OPERATING COST ADJUSTMENT FACTORS FOR 2022

Alabama	3.1
Alaska	2.5
Arizona	3.0
Arkansas	3.4
California	3.5
Colorado	3.0
Connecticut	2.9
Delaware	3.4
District of Columbia	2.9
Florida	2.9
Georgia	3.1
Hawaii	1.8
Idaho	3.2
Illinois	3.0
Indiana	3.1
Iowa	3.2
Kansas	3.0
Kentucky	3.0
Louisiana	2.8
Maine	2.0
Maryland	3.1
Massachusetts	2.9
Michigan	3.3
Minnesota	3.2
Mississippi	3.1
Missouri	2.8
Montana	3.3
Nebraska	3.2
Nevada	3.1
New Hampshire	2.4
New Jersey	3.0
New Mexico	3.4
New York	2.9
North Carolina	3.2
North Dakota	3.0
Ohio	2.8
Oklahoma	2.8
Oregon	3.2
Pacific Islands	1.8
Pennsylvania	2.8
Puerto Rico	2.9
Rhode Island	2.7
South Carolina	3.0
South Dakota	3.1
Tennessee	3.0
Texas	3.3
Utah	3.3

Vermont	3.0
Virgin Islands	2.6
Virginia	3.2
Washington	3.2
West Virginia	3.3
Wisconsin	3.3
Wyoming	3.1
United States	3.1

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