



## Frequently Asked Questions Puerto Rico Income Limits June 2022



### **1. Why have the FY 2022 Income Limits in Puerto Rico changed so little?**

42 U.S.C. Section 1437a (b) requires the Secretary of HUD to establish income limits for the purposes of defining families with low, very-low, and extremely-low incomes relative to HUD's estimates of area median family income. Each year, HUD publishes new income limits that determine eligibility for federal assistance, including public housing and HUD-assisted housing.

The FY2022 Income Limits were calculated using 2019 American Community Survey/Puerto Rico Community Survey (ACS/PRCS) data and inflated to FY2022 using the growth in national CPI measured between 2019 and February 2022. HUD also incorporates the FY2022 Fair Market Rents when assessing areas of high housing costs relative to income levels.

The high housing cost adjustment adjusts income limits upward for areas where rental housing costs are unusually high in relation to median income. Therefore, there are a variety of factors that contribute to the annual change in income limits. HUD provides comprehensive details about the calculation of income limits in our Income Limits Documentation systems.

The FY 2022 calculation details are available at:

[https://www.huduser.gov/portal/datasets/il.html#2022\\_query](https://www.huduser.gov/portal/datasets/il.html#2022_query), please click the button labeled "Click Here for FY2022 IL Documentation". HUD is aware of concerns regarding the calculation of income limits in Puerto Rico and HUD continues to explore available legal and data options for setting Puerto Rico Income Limits, but has not completed this work, so any changes that HUD might pursue are not yet reflected in the 2022 Income Limits.

### **2. Rental and housing market challenges in Puerto Rico follow a decades-long economic recession, the 2017 disasters of Hurricanes Irma and Maria, a series of earthquakes, and now the COVID-19 pandemic. What factors led to income limits remaining relatively flat in Puerto Rico?**

Income limits are generally based on measures of local Area Median Family Income. However, where housing market complications, such as natural disasters, have a measurable impact on market rents and the Fair Market Rent is sufficiently high relative to Area Median Family Income, the income limits are adjusted upward to account for higher housing costs.

In the San Juan metropolitan statistical area (MSA) in particular, a decreasing Fair Market Rent coupled with an increase in local Median Family Income means that San Juan is no longer eligible for a high housing cost adjustment, which had the impact of lowering local income limits for FY22.

**3. *Is there an appeals process regarding HUD's Income Limits calculations for extenuating circumstances?***

No, there are no statutory or regulatory provisions for implementing an appeals process for the calculation of Income limits. Notwithstanding, HUD welcomes communications from the public regarding any issue that concerns or affects them.

**4. *As stated in the Congressional Task Force on Economic Growth in Puerto Rico [Report](#) published in 2016, Puerto Rico has a large informal economy that at times has been estimated to account for about 15-20 percent of GNP. Is HUD taking into account its existence and related economic implications when revising income limits?***

Yes, HUD takes this information into account when calculating income limits assuming Puerto Rico Community Survey (PRCS) respondents are accurately reporting their income regardless of its source. Income limits are calculated as a function of each area's median family income as reported through the PRCS, which asks households to report their total income.

**5. *Does the increase in income limits affect other benefits I receive?***

Possibly. HUD's income limits are calculated under the authority of 42 USC 1437a primarily for the purpose of defining income eligibility for HUD rental assistance programs. Over the years, many other Federal, State, and local programs have referenced HUD's income limits as an operating parameter. Each program that references HUD's income limits may have different operating rules; therefore, you should reach out to representatives of the specific program in question to get definitive answers.

**6. *What happens if my income now exceeds the revised income limits?***

Eligibility for qualifying for assistance and ongoing rental assistance is determined by the rules associated with the assistance program. In most HUD Section 8 rental assistance programs, families are income eligible to qualify for assistance if the family's income remains below the level of the Low-Income Limit (80% of area median family income).

If your family's income now exceeds the Low-Income Limit, we recommend that you discuss what options are available to your family at the next re-examination of your income for your housing assistance program.

**7. *How does HUD's Income Limits calculations factor in recent increases in local minimum wage rates coupled with increases in construction costs?***

HUD's income limits are calculated as a function of each area's median family income as collected and aggregated through the Puerto Rico Community Survey (PRCS). Consequently, as local minimum wages increase, those families earning minimum wages and responding to the PRCS should be reporting increased incomes. As this information becomes available, HUD's calculations will be based on higher median family incomes.

As for increased construction costs, HUD's income limit calculations include an adjustment for areas of high housing costs relative to income levels. HUD uses the Fair Market Rent for the area to determine areas of high housing costs relative to incomes in the areas. All areas in Puerto Rico benefit from this adjustment except for the Guayama, PR MSA, the Caguas, PR HUD Metro FMR Area, and the San Juan-Guaynabo, PR HUD Metro FMR Area.

**8. *Landlords have raised concerns of how increasing energy rates and construction costs disincentivize the development of affordable housing in Puerto Rico. Instead, many landlords have opted to participate in the short-term rental industry given the yields it generates. How does HUD reconcile the competing urgencies of having more affordable supply available and a landlord's willingness to participate in low-yielding federal programs?***

HUD is aware of the unique circumstances around housing supply in Puerto Rico, and our various programs are meant to respond to different facets of those challenges. Some HUD programs are meant to address the affordable housing supply issues and some programs are intended to provide rental assistance subsidies. For example, the HOME and Housing Trust Fund programs are HUD's largest federal block grants provided to states and local governments designed to create affordable housing for low-income households.

Puerto Rico and other Municipalities that receive this funding design and administer housing programs to address their priority housing needs and goals. Other programs, such as the Public Housing Program and the Housing Choice Voucher program provide rental assistance.

In FY 2021, HUD made over \$18 billion available to address housing needs in Puerto Rico. This represents a historic amount of HUD support in Puerto Rico in a given fiscal year.

**9. *What effect, if any, will changes in Income Limits have on Puerto Rico's Fair Market Rents?***

Changes made to the calculation of Income Limits will have no direct impacts on the calculation of Fair Market Rents (FMRs). FMRs are used in the calculation of income limits but income limits are not used in the calculation of Fair Market Rents.

**10. *Do the FY 2022 Income Limits take into account the dramatic rise in utility costs in Puerto Rico?***

Possibly. HUD's income limits are calculated as a function of each area's median family income. However, when the Fair Market Rent (FMR) is used to adjust Income Limits through the High Housing Cost adjustment, utility costs are factored into the calculation of FMRs.

**11. *Advocates have raised concerns over the surge in housing prices on the island that stem from a shortage in affordable housing and negative impacts of short-term rental units and other investor activity. What is HUD doing to mitigate this effect?***

HUD's Income limits are primarily used to determine income eligibility for a variety of HUD programs and are based on ACS/PRCS data. Typically, increasing income limits do not spur affordable housing development but may allow additional families to become eligible for HUD assistance.

In order to spur affordable housing development HUD has made over \$18 billion available to address housing needs in Puerto Rico. This represents a historic amount of HUD support in Puerto Rico in a given fiscal year.

**12. *Is there a consultation process with other federal government agencies when calculating changes to Income Limits? Is there a consultation process with the Government of Puerto Rico or other stakeholders before issuing changes?***

Yes, HUD is required by statute to consult with the Secretary of Agriculture in establishing income limits that apply to U.S. Department of Agriculture (USDA) housing programs.

No, there is not a consultation process with the Government of Puerto Rico or other stakeholders before HUD issues annual updates to the Income Limit calculations.

**13. *In the past, HUD has provided Puerto Rico alternative increased income limits, so long as they apply only for the use of CDBG-DR funds. Why can't these be extended more broadly?***

The statutory language governing the use of Community Development Block Grant-Disaster Recovery (CDBG-DR) funds gives the Secretary broad discretionary authority to waive or amend programmatic rules. The statute does not extend similar authority for the calculation of income limits for standard program operations.

**14. *Do Hawaii and Alaska have a different methodology than the rest of the continental United States? Could this methodology be applied to Puerto Rico, and how would that change the income limits?***

The methods used to calculate Median Family Income estimates and their associated income limits in Hawaii and Alaska are the same as those currently used to calculate the program parameters in Puerto Rico.

**15. *How does the methodology for Puerto Rico compare to the methodology used for the US Virgin Islands and other territories? Could this methodology be applied to Puerto Rico, and how would that change the income limits?***

HUD uses different methods to calculate the median family income estimates and associated income limits in Puerto Rico from those used in the US Virgin Islands and other territories. The reason for this is due to differing data availability.

The Census Bureau conducts the Puerto Rico Community Survey (PRCS) on an annual basis and provides annual updates of many socio-economic indicators including income. The U.S. Virgin Islands are not covered by an annually updated survey such as the PRCS.

HUD uses income data collected in the U.S. Virgin Islands during the 2010 Decennial Census and updates it to current using the growth in U.S. Median Income as measured between the 2010 Decennial Census and the most current year American Community Survey value. A similar method cannot be applied to Puerto Rico as income was not collected as part of the 2010 Decennial Census

in Puerto Rico because of the existence of the PRCS. The PRCS is updated annually and provides much more current income data than what is available for the US Virgin Islands or other territories.

**16. *Would it be possible to change Puerto Rico's income limits to be equivalent to the minimum value in the continental United States while HUD considers updating income limits in Puerto Rico?***

There is no continental United States "minimum value" for income limits beyond the requirement that the extremely low-income limit be the greater of 30 percent of median family income or the Federal Poverty Guidelines.

HUD's Income Limits are calculated in accordance with the statutory language found in Section 3 of the US Housing Act of 1937 (42 USC 1437a). HUD uses the same methods for calculating income limits for each geographic area whenever possible. Therefore, each area's income limits are subject to a high housing cost adjustment, a low housing cost adjustment, state non-metro median family income adjustment and ceilings and floors on annual changes.

The Federal Poverty Guideline adjustment is prohibited in Puerto Rico or any other territory of the United States by statute (42 USC 1437a (b)(2)(C)(i)).

**17. *If an exception was permitted for CDBG-DR funds regarding their income limits, shouldn't this exception be considered as the basis for evaluation for a review of these conditions?***

No, the statutory language governing the use of CDBG-DR funds gives the Secretary broad discretionary authority to waive or amend programmatic rules. The statute does not extend similar authority for the calculation of income limits for standard program operations. HUD is reviewing if there is other legal authority that may provide similar authority to adjust income limits in Puerto Rico.

**18. *Why is Puerto Rico excluded from adjustments in Section 8 income limits?***

The Section 8 Income Limits calculated for Puerto Rico are subject to all adjustments that are used in the calculation of income limits in other areas except for the application of the Federal Poverty Guidelines to the Extremely Low-Income Limits, which determine preference for eligibility in some programs but do not generally determine eligibility itself. Congress specifically excluded this adjustment from being applied to Puerto Rico and other territories or possessions of the United States in 42 USC 1437a (b)(2)(C)(i).

**19. *Why do the Federal Income Poverty Guidelines by HHS work for some programs like CDBG but not others such as PIH Section 8?***

The HHS poverty guidelines are generally not used in the calculation of CDBG Income Limits. HUD was able to adjust the income limits for CDBG-DR in Puerto Rico because the statute gives the Secretary broad discretionary authority to waive or amend programmatic rules.

HUD is required to use the poverty guidelines in the calculating Section 8 extremely low-income limits, but Congress specifically excluded the application of the Federal Poverty Guidelines to the Extremely Low-Income Limits in Puerto Rico and other territories or possessions of the United States

in 42 USC 1437a (b)(2)(C)(i). The exclusion likely stems from the fact that the Department of Health and Human Services states that “The poverty guidelines are not defined for Puerto Rico, the U.S. Virgin Islands, American Samoa, Guam, the Republic of the Marshall Islands, the Federated States of Micronesia, the Commonwealth of the Northern Mariana Islands, and Palau.” (<https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines>).