

Mai Vang

From: Angie French <afrench@mcmc.rent>
Sent: Thursday, January 18, 2024 9:35 AM
To: *CI-StPaul_RentAppeals; elijah.cresap@gmail.com; info
Cc: Angie Wiese; Demetrius Sass; Lynne Ferkinhoff
Subject: RE: rent determination appeal for 1485 St. Paul Ave, Unit 3
Attachments: FY 2024 Fair Market Rent Documentation System — Calculation for Minneapolis-St. Paul-Bloomington, MN-WI HUD Metro FMR Area.html

Wonderful, thank you. OI have one more document that I forgot to include which is attached. It is the HUD guidelines for Fair Market Rent for Ramsey County for 2024. I would like to point out that the rent we are charging is far less (\$127 or 12.6% less) than the 2023 rate of \$1,007 and will be \$294 or 25% less than the 2024 rate of \$1,174. We are **not** intending to raise our rates to that level but would like to put this into perspective.

IF we were to implement an 8% increase on 1485-03, that would make the new rent \$950 (\$880 + \$70), which is still below the 2023 and 2024 FMR.

Thank you,



From: *CI-StPaul_RentAppeals <RentAppeals@ci.stpaul.mn.us>
Sent: Thursday, January 18, 2024 8:54 AM
To: Angie French <afrench@mcmc.rent>; *CI-StPaul_RentAppeals <RentAppeals@ci.stpaul.mn.us>; elijah.cresap@gmail.com; info <info@midcontinentmgmt.com>
Cc: Angie Wiese <angie.wiese@ci.stpaul.mn.us>; Demetrius Sass <Demetrius.Sass@ci.stpaul.mn.us>; Lynne Ferkinhoff <Lynne.Ferkinhoff@ci.stpaul.mn.us>
Subject: RE: rent determination appeal for 1485 St. Paul Ave, Unit 3

Thank you. Documents received and printed for the Hearing Officer.

Mai Vang

(She, her)

Legislative Hearing Coordinator | St Paul City Council

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FY 2024 Fair Market Rent Documentation System

The FY 2024 Minneapolis-St. Paul-Bloomington, MN-WI HUD Metro FMR Area FMRs for All Bedroom Sizes

Final FY 2024 & Final FY 2023 FMRs By Unit Bedrooms

Year	Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom
FY 2024 FMR	\$1,174	\$1,327	\$1,622	\$2,188	\$2,478
FY 2023 FMR	\$1,007	\$1,149	\$1,410	\$1,916	\$2,209

Ramsey County, MN is part of the Minneapolis-St. Paul-Bloomington, MN-WI HUD Metro FMR Area, which consists of the following counties: Anoka County, MN; Carver County, MN; Chisago County, MN; Dakota County, MN; Hennepin County, MN; Isanti County, MN; Ramsey County, MN; Scott County, MN; Sherburne County, MN; Washington County, MN; Wright County, MN; Pierce County, WI; and St. Croix County, WI. All information here applies to the entirety of the Minneapolis-St. Paul-Bloomington, MN-WI HUD Metro FMR Area.

Fair Market Rent Calculation Methodology



Show/Hide Methodology Narrative



Fair Market Rents for metropolitan areas and non-metropolitan FMR areas are developed as follows:

1. **[Calculate the Base Rent](#)**: HUD uses 2017-2021 5-year American Community Survey (ACS) estimates of 2-bedroom adjusted standard quality gross rents calculated for each FMR area as the new basis for FY2024, provided the estimate is statistically reliable. For FY2024, the test for reliability is whether the margin of error for the estimate is less than 50% of the estimate itself and whether the ACS estimate is based on at least 100 survey cases. HUD does not receive the exact number of survey cases, but rather a categorical variable known as the count indicator indicating a range of cases. An estimate based on at least 100 cases corresponds to a count indicator of 4 or higher.

If an area does not have a reliable 2017-2021 5-year estimate, HUD checks whether the area has had at least 2 minimally reliable estimates in the past 3 years, or estimates that meet the 50% margin of error test described above. If so, the FY2024 base rent is the average of the inflated ACS estimates.

If an area has not had a minimally reliable estimate in the past 3 years, HUD uses the estimate for the area's corresponding metropolitan area (if applicable) or State non-metropolitan area as the basis for FY2024.

2. **[Calculate the Basis for Recent Mover Adjustment Factor](#)**: HUD calculates a recent mover adjustment factor by comparing an ACS 2021 1-year 40th percentile recent mover 2-bedroom rent to the ACS 2017-2021 5-year 40th percentile adjusted standard quality gross rent. If either the recent mover and non-recent mover rent estimates are not reliable, HUD uses the recent mover adjustment for a larger geography. For metropolitan areas, the order of geographies examined is: FMR Area, Entire Metropolitan Area (for Metropolitan Sub-Areas), State Metropolitan Portion, Entire State, and Entire US; for non-metropolitan areas, the order of geographies examined is: FMR Area, State Non-Metropolitan Portion, Entire State, and Entire US. The recent mover adjustment factor is floored at one.

HUD has traditionally defined recent movers as those who have moved into their residence within the current year or preceding year of the ACS survey. Newly for FY2024, HUD is electing to first examine recent movers who have moved within the current year of the ACS. Upon determining a reliable recent mover estimate, HUD calculates the appropriate recent mover adjustment factor between the 5-year data and the 1-year data.

3. **Adjust for Inflation:** In order to calculate rents that are "as of" 2022, HUD applies a gross rent inflation adjustment factor using data from commercial rent data sources and the Consumer Price Index. HUD uses a local measure of private rent inflation for markets that are covered by at least three of the six available sources of private rent data. HUD combines this local measure of rent inflation with either the local metropolitan area CPI rent of primary residence for the 23 areas where such data exist, or the regional CPI rent in areas without a local index.

Unlike in FY 2023, for areas without at least three of the six private rent data sources available, HUD uses a regional average of private rent inflation factors alongside the regional CPI rent of primary residence. HUD constructs the regional average by taking the rental unit weighted average of the change in rents of each area in a region that does have private rent data coverage. HUD averages the private and CPI shelter rent data with the year-to-year change in the CPI housing fuels and utilities index for the area in order to make the resulting inflation measure reflective of gross rents.

The private and CPI gross rent update factors are then combined using a weighting scheme which controls the national weighted average of the private and CPI gross rent factors to the national change in the ACS recent mover gross rent. The resulting weights assigned are as follows: $W_{2022} = 0.558$ assigned to the private gross rent factor and $(1 - W_{2022}) = 0.442$ assigned to the CPI gross rent factor.

4. **Calculate the Trend Factor:** To further inflate rents from CY2022 to FY2024, HUD uses a "trend factor" based on the forecast of CPI gross rent changes through FY2024.
5. **Multiply the Factors:** HUD multiplies the base rent by the recent mover factor, the gross rent inflation factor, and the trend factor to produce a rent that is "as of" the current fiscal year.
6. **Compare to the State minimum:** FY2024 FMRs are then compared to a State minimum rent, and any area whose preliminary FMR falls below this value is raised to the level of the State minimum.
7. **Calculate Bedroom Ratios:** HUD calculates "bedroom ratios" and multiplies these by the two-bedroom rent to produce preliminary FMRs for unit sizes other than two bedrooms.
8. **Compare to Last Year's FMR:** FY2024 FMRs may not be less than 90% of FY2023 FMRs. Therefore, HUD applies "floors" based on the prior year's FMRs.

The results of the Fair Market Rent Step-by-Step Process

1. Base Rent Calculation

The following are the 2021 American Community Survey 5-year 2-Bedroom Adjusted Standard Quality Gross Rent estimates and margins of error for Minneapolis-St. Paul-Bloomington, MN-WI HUD Metro FMR Area.

Area	ACS ₂₀₂₁ 5-Year 2-Bedroom Adjusted Standard Quality Gross Rent	ACS ₂₀₂₁ 5-Year 2-Bedroom Adjusted Standard Quality Gross Rent Margin of Error	Ratio	Sample Size Category	Result
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Minneapolis-St. Paul-Bloomington, MN-WI HUD Metro FMR Area	\$1,206	\$9	\$9 / \$1,206=0.00746	6	0.00746 < .5 6 ≥ 4 Use ACS ₂₀₂₁ 5-Year Minneapolis-St. Paul-Bloomington, MN-WI HUD Metro FMR Area 2-Bedroom Adjusted Standard Quality Gross Rent
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Since the ACS₂₀₂₁ Margin of Error Ratio is less than .5, HUD uses the ACS₂₀₂₁ Minneapolis-St. Paul-Bloomington, MN-WI HUD Metro FMR Area value for the estimate of 2-Bedroom Adjusted Standard Quality Gross Rent (Base Rent).

Area FY2024 Base Rent

Minneapolis-St. Paul-Bloomington, MN-WI HUD Metro FMR Area \$1,206

2. Recent Mover Adjustment Factor Calculation

A recent mover adjustment factor is applied based on the smallest area of geography containing Minneapolis-St. Paul-Bloomington, MN-WI HUD Metro FMR Area that has an ACS₂₀₂₁ 1-year Adjusted Standard Quality Recent-Mover estimate with a Margin of Error Ratio that is less than .5 and a sufficient number of sample cases.

Area	ACS ₂₀₂₁ 1-Year Adjusted Standard Quality Recent-Mover Gross Rent	ACS ₂₀₂₁ 1-Year Adjusted Standard Quality Recent-Mover Gross Rent Margin of Error	Ratio	Sample Size Category	Result
Minneapolis-St. Paul-Bloomington, MN-WI HUD Metro FMR Area – ACS 1-year 2 Bedroom	\$1,447	\$51	0.035	6	0.035 < .5 6 ≥ 4 Use ACS ₂₀₂₁ 1-Year Minneapolis-St. Paul-Bloomington, MN-WI HUD Metro FMR Area 2-Bedroom Adjusted Standard Quality Recent-Mover Gross Rent

The calculation of the relevant Recent-Mover Adjustment Factor for Minneapolis-St. Paul-Bloomington, MN-WI HUD Metro FMR Area is as follows:

ACS ₂₀₂₁ 5-Year Area	ACS ₂₀₂₁ 5-Year 40th Percentile Adjusted Standard Quality Gross Rent	ACS ₂₀₂₁ 1-Year 40th Percentile Adjusted Standard Quality Recent-Mover Gross Rent
Minneapolis-St. Paul-Bloomington, MN-WI HUD Metro FMR Area – 2 Bedroom	\$1,206	\$1,447
Area	Ratio	Recent-Mover Adjustment Factor
Minneapolis-St. Paul-Bloomington, MN-WI HUD Metro FMR Area	\$1,447 / \$1,206 = 1.200	1.1998 ≥ 1.0 Use calculated Recent-Mover Adjustment Factor of 1.1998

3. Inflation Adjustment Factor Calculation

A gross rent inflation adjustment factor is applied based on a weighted average of a private source gross

rent inflation factor and a Consumer Price Index gross rent inflation factor. Since Minneapolis-St. Paul-Bloomington, MN-WI HUD Metro FMR Area is covered by at least 3 private data sources, a local-based private rent factor is applied. Furthermore, since Minneapolis-St. Paul-Bloomington, MN-WI HUD Metro FMR Area is covered by a local-CPI rent area, a Local-based CPI gross rent factor is applied.

Components of 2022 Inflation Adjustment Factor for Minneapolis-St. Paul-Bloomington, MN-WI HUD Metro FMR Area

	R₂₀₂₂= Shelter Rent Change, 2021 to 2022	U₂₀₂₂ = CPI Annual Utilities Change, 2021 to 2022	C₂₀₂₂ = ACS Utility Cost as a Percent of Gross Rent	Gross Rent Inflation Factor Calculation = (R₂₀₂₂ x (1-C₂₀₂₂) + U₂₀₂₂ x C₂₀₂₂)	Inflation Factor Type
P₂₀₂₂= Private Inflation Factor	1.05278	1.19346	0.1173	(1.05278 * 0.88270) + (1.193463 * 0.1173)= 1.06928	Local
CPI₂₀₂₂= CPI Inflation Factor	1.03105	1.19346	0.1183	(1.03105 * 0.8817) + (1.19346 * 0.1183)= 1.05026	Local

The 2022 Gross Rent Inflation Factor for Minneapolis-St. Paul-Bloomington, MN-WI HUD Metro FMR Area is computed as follows:

$$= \text{CPI}_{2022} \times (1-\text{W}_{2022}) + \text{P}_{2022} \times \text{W}_{2022}$$

$$= (1.05026 \times 0.442) + (1.06928 \times 0.558)$$

$$= (0.464215) + (0.596658)$$

$$= \mathbf{1.06088}$$

4. Trend Factor Adjustment

The calculation of the Trend Factor is as follows: HUD forecasts the change in gross rents from 2022 to 2024 for each CPI area and Census Region. This makes Fair Market Rents "as of" FY2024.

Trend Factor	Trend Factor Type
Trend Factor <u>1.05644</u>	Local

5. Combination of Factors

The FY 2024 2-Bedroom Fair Market Rent for Minneapolis-St. Paul-Bloomington, MN-WI HUD Metro FMR Area is calculated as follows:

Area	<u>Base Rent</u>	<u>Recent-Mover Adjustment Factor</u>	<u>Annual 2021 to 2022 Gross Rent Inflation Adjustment</u>	<u>Trending 2022 to FY2024</u>	FY 2024 2-Bedroom FMR
Minneapolis-St. Paul-Bloomington, MN-WI HUD Metro FMR Area	\$1,206	* 1.1998	* 1.06088	* 1.05644	= \$1,622

6. State Minimum Comparison

In keeping with HUD policy, the preliminary FY 2024 FMR is checked to ensure that it does not fall below the state minimum.

Area	Preliminary FY2024	FY 2024 Minnesota	Final FY2024 2-Bedroom FMR
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	2-Bedroom FMR	State Minimum	
Minneapolis-St. Paul-Bloomington, MN-WI HUD Metro FMR Area	\$1,622	<u>\$905</u>	\$1,622 ≥ \$905 Use Minneapolis-St. Paul-Bloomington, MN-WI HUD Metro FMR Area FMR of \$1,622

7. Bedroom Ratios Application

Bedroom ratios are applied to calculate FMRs for unit sizes other than two bedrooms.

Click on the links in the table to see how the bedroom ratios are calculated.

FY 2024 FMRs By Unit Bedrooms

	<u>Efficiency</u>	<u>One-Bedroom</u>	<u>Two-Bedroom</u>	<u>Three-Bedroom</u>	<u>Four-Bedroom</u>
FY 2024 FMR	\$1,174	\$1,327	\$1,622	\$2,188	\$2,478

8. Comparison to Previous Year

The FY2024 FMRs for each bedroom size must not be below 90% of the FY2023 FMRs.

	Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom
FY2023 FMR	\$1,007	\$1,149	\$1,410	\$1,916	\$2,209
FY2023 floor	\$907	\$1,035	\$1,269	\$1,725	\$1,989
FY 2024 FMR	\$1,174	\$1,327	\$1,622	\$2,188	\$2,478
Use FY2023 floor for FY2024?	No	No	No	No	No

Final FY2024 Rents for All Bedroom Sizes for Minneapolis-St. Paul-Bloomington, MN-WI HUD Metro FMR Area

Final FY 2024 FMRs By Unit Bedrooms

	Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom
Final FY 2024 FMR	\$1,174	\$1,327	\$1,622	\$2,188	\$2,478

The FMRs for unit sizes larger than four bedrooms are calculated by adding 15 percent to the four bedroom FMR, for each extra bedroom. For example, the FMR for a five bedroom unit is 1.15 times the four bedroom FMR, and the FMR for a six bedroom unit is 1.30 times the four bedroom FMR. FMRs for single-room occupancy units are 0.75 times the zero bedroom (efficiency) FMR.

Permanent link to this page: http://www.huduser.gov/portal/datasets/fmr/fmrs/FY2024_code/2024summary.odn?&year=2024&fmrtype=Final&selection_type=county&fips=2712399999

Other HUD Metro FMR Areas in the Same MSA

Select another Final FY 2024 HUD Metro FMR Area that is a part of the Minneapolis-St. Paul-Bloomington, MN-WI: Le Sueur County, MN HUD Metro FMR Area Select Metropolitan FMR Area

Select a different area

Press below to select a different county within the same state (same primary state for metropolitan areas):

Aitkin County, MN
Anoka County, MN
Becker County, MN
Beltrami County, MN
Benton County, MN

Select a new county

Press below to select a different state:

Select a new state

Select a Final FY 2024 Metropolitan FMR Area:

Minneapolis-St. Paul-Bloomington, MN-WI HUD Metro FMR Area

▼

Select Metropolitan FMR Area

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