

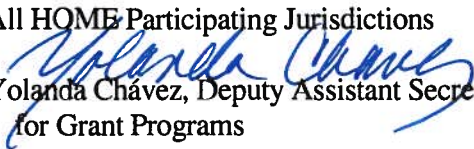


U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-7000

OFFICE OF COMMUNITY PLANNING  
AND DEVELOPMENT

MAY 02 2013

MEMORANDUM FOR: All CPD Division Directors  
All HOME Participating Jurisdictions

FROM:   
Yolanda Chávez, Deputy Assistant Secretary  
for Grant Programs

SUBJECT: HOME Program Rent Limits – 2013

The purpose of this memorandum is to issue the HOME Program rent limits for 2013 and to advise HUD Field Offices and HOME participating jurisdictions of important changes in the calculation of the HOME rent limits for 2013.

### Background

The maximum HOME rent limits are established in Section 215 of the Cranston-Gonzalez National Affordable Housing Act of 1990 (NAHA), as amended. The High HOME Rent Limit for an area is the lesser of the Section 8 Fair Market Rent (FMR) for the area or a rent equal to 30 percent of the annual income of a family whose income equals 65 percent of the area median income, as determined by HUD. The Low HOME Rent Limit for an area is 30 percent of the annual income of a family whose income equals 50 percent of the area median income, as determined by HUD, capped by the High HOME Rent Limit. HUD's Economic and Market Analysis Division calculates the HOME rents each year using the FMRs and the Section 8 Income Limits.

The Housing and Economic Recovery Act of 2009 required HUD to eliminate its policy of maintaining Section 8 income limits for certain areas at previously published levels when reductions would otherwise have resulted from changes in median income estimates, housing cost adjustment data, median family income methodology or metropolitan area definitions. This policy is commonly known as the "hold harmless" policy. For the purposes of the HOME Program, HUD determined that it was appropriate to remove the hold harmless for the income limits used to determine the eligibility of program beneficiaries. However, the Department opted to continue using the hold harmless income limits in calculating the annual HOME rent limits to avoid jeopardizing the financial feasibility of existing HOME rental projects that used High HOME Rents or Low HOME Rents that were tied to a percentage of the Section 8 Income Limits.

HUD set forth this proposed policy for public comment in Federal Register Notice 74 FR 47016, dated September 14, 2009. The final Federal Register Notice (75 FR 27564, May 17, 2010) mistakenly stated that: "(f)or its HOME program, ... HUD determined that rents will be held harmless, but that income limits will be allowed to fluctuate with the market." This statement resulted in incorrect calculation of HOME rent limits beginning with the 2010 HOME rent limits that were issued on May 27, 2010. Instead of using the income limits that had been held harmless in calculating High HOME Rent Limits based upon the 30 percent of 65 percent of income and then determining whether the income-based rent or the FMR was the lesser rent, HUD used the new Section 8 income limits that were not held harmless to calculate the income-based rents and held all High HOME Rents Limits harmless regardless of whether the FMR or the income-based rent was applicable. HUD used the same incorrect methodology in calculating the 2011 and 2012 HOME High HOME Rent Limits. As a result, there have been no reductions in High HOME Rent Limits since 2009.

The Low HOME Rent Limits, which equal 30 percent of the annual income of a family whose income equals 50 percent of the area median income, have also been affected by this calculation error. Beginning with the 2010 rent limits, HUD used the published Section 8 income limits that had not been held harmless income limits to calculate the Low HOME Rent Limits and held all Low HOME Rents Limits harmless. HUD used the same incorrect methodology in calculating the 2011 and 2012 HOME Low HOME Rent Limits. As a result, there have been no reductions in Low HOME Rent Limits since 2009.

The calculation error has not affected areas where High HOME Rent Limits or Low HOME Rent Limits have increased. The error affects only areas where area median income and/or FMRs have decreased.

### **Corrections for 2013 HOME Rent Limits**

Because HOME Rent Limits are established by NAHA, HUD must take action to correct its error and bring the HOME Rent Limits into compliance with the statute by implementing the correct method of calculation (i.e., using the hold harmless income limits for calculation purposes and removing the incorrectly applied hold harmless on the High HOME Rent Limits and Low HOME Rent Limits). HUD is aware that large decreases in maximum rent limits may adversely affect the financial viability of HOME projects. Consequently, HUD is implementing an approach to correcting rents designed to minimize adverse impacts in areas where HOME Rent Limits would have decreased significantly between 2010 and 2013.

For the 2013 High HOME Rent Limits and Low HOME Rent Limits, HUD is limiting the decrease from the published 2012 High or Low HOME Rent Limit for an area to 33 percent of the total difference between the two rents. If 33 percent of the difference equals \$10 or less, HUD will permit the HOME Rent Limit for the area to decrease by the entire amount. HUD will continue this policy of structured decreases to High HOME Rent Limits and Low HOME Rent Limits for the next two years (i.e., the 2014 and 2015 HOME Limits) so that HOME Rent Limits comply with the NAHA statutory rent provisions by 2015.

To assist participating jurisdictions in understanding how this corrective plan will affect rent limits, HUD is attaching several examples to this memorandum.

### **Effective Date of 2013 HOME Rent Limits**

The 2013 HOME rents are based upon the FMRs published in the Federal Register on October 5, 2012 (77 FR 61158), and on the FY 2013 Section 8 Hold Harmless Income Limits, with the adjustments described above. The 2013 HOME Rent Limits published by HUD must be used by all participating jurisdictions. These HOME Rent Limits become effective 30 calendar days after the date of this memorandum and are applicable to new HOME leases and lease renewals after that date. High HOME Rent Limits and Low HOME Rent Limits that have been partially held harmless as described above have been marked with an asterix.

Attachments

## Examples of 2013 HOME Rent Calculations

### Decrease in rent limits not due to previous hold harmless policy

- In the first example, High HOME Rents that were not previously held harmless are allowed to increase or decrease with the actual FMR or income based rent in 2013. In this specific example, the 2012 High HOME Rent limit (\$743) was based on the 65 percent rent limit; however, the 2013 High HOME Rent limit (\$708) is based on the FMR. Because the FMR fell from \$886 in 2012 to \$708 in 2013, the new 2013 High HOME Rent limit is \$708. Since the 2012 limit was not held harmless, the 2013 limit is based on the actual rent limit. Similarly, Low HOME Rent limits that were not previously held harmless are allowed to increase or decrease based on the actual 50 percent rent limit for 2013.

STATE: CALIFORNIA		----- 2013 HOME PROGRAM RENTS -----						
	PROGRAM	EFFICIENCY	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
Riverside-San Bernardino-Ontario, CA MSA								
	LOW HOME RENT LIMIT	586	628	753	871	972	1072	1172
	HIGH HOME RENT LIMIT	708	797	958	1099	1206	1312	1418
For Information Only:								
	FAIR MARKET RENT	708	816	1036	1464	1786	2054	2322
	50% RENT LIMIT	586	628	753	871	972	1072	1172
	65% RENT LIMIT	743	797	958	1099	1206	1312	1418

STATE: CALIFORNIA		----- 2012 HOME PROGRAM RENTS -----						
	PROGRAM	EFFICIENCY	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
Riverside-San Bernardino-Ontario, CA MSA								
	LOW HOME RENT LIMIT	586	628	753	871	972	1072	1172
	HIGH HOME RENT LIMIT	743	797	958	1099	1206	1312	1418
For Information Only:								
	FAIR MARKET RENT	886	974	1149	1617	1886	2169	2452
	50% RENT LIMIT	586	628	753	871	972	1072	1172
	65% RENT LIMIT	743	797	958	1099	1206	1312	1418

**Controlled rent decrease over three years due to decrease in previously held harmless rent limits**

2. In the second example, High HOME Rents previously held harmless are limited to 33.3 percent decrease from last year's limit. As shown below, the High HOME Rent limit for an efficiency for 2012 (\$1,125) is allowed to decrease by only 33.3 percent of the actual decrease. Since the 2013 High HOME Rent, in this case, is determined by the Fair Market Rent (FMR) of \$970, HUD subtracted \$970 from \$1,125 for a difference of \$155. Because 33.3 percent of \$155 is \$52, \$52 is subtracted from the 2012 held harmless efficiency High HOME Rent limit, resulting in an adjusted 2013 limit of \$1,073. Similarly, Low HOME Rent limits previously held harmless are limited to 33.3 percent decrease from last year's limit. The 2013 Low HOME Rent for a one-bedroom unit should be based on the 50 percent rent limit of \$898. However, because the one-bedroom rent was previously held harmless, HUD subtracted the 50 percent rent limit from the 2012 held harmless Low HOME Rent of \$945 for a difference of \$47. Because 33.3 percent of \$47 is \$16, \$16 is subtracted from the 2012 held harmless one-bedroom Low HOME Rent limit, resulting in an adjusted 2013 limit of \$929.

STATE: CALIFORNIA		----- 2013 HOME PROGRAM RENTS -----						
PROGRAM	EFFICIENCY	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR	
Santa Cruz-Watsonville, CA MSA								
LOW HOME RENT LIMIT	867*	929*	1116*	1288*	1438*	1586*	1735*	
HIGH HOME RENT LIMIT	1073*	1188*	1428*	1641*	1812*	1980*	2149*	
For Information Only:								
FAIR MARKET RENT	970	1173	1587	2045	2282	2624	2967	
50% RENT LIMIT	838	898	1078	1245	1390	1533	1676	
65% RENT LIMIT	1070	1148	1379	1585	1749	1911	2073	

STATE: CALIFORNIA		----- 2012 HOME PROGRAM RENTS -----						
PROGRAM	EFFICIENCY	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR	
Santa Cruz-Watsonville, CA MSA								
LOW HOME RENT LIMIT	882*	945*	1135*	1310*	1462*	1613*	1764*	
HIGH HOME RENT LIMIT	1125*	1208*	1452*	1669*	1843*	2015*	2187*	
For Information Only:								
FAIR MARKET RENT	978	1154	1504	2164	2230	2565	2899	
50% RENT LIMIT	838	898	1078	1245	1390	1533	1676	
65% RENT LIMIT	1070	1148	1379	1585	1749	1911	2073	

**Controlled rent decrease of \$10 due to decrease in previously held harmless rent limits**

3. In the third example, High and Low HOME Rents previously held harmless for which the 30 percent decrease would be \$10 or less are allowed to decrease \$10. In the example below, the High HOME Rent limit for an efficiency for 2012 (\$920) is allowed to decrease by \$10 because the actual decrease is only \$22 and 33.3 percent of \$22 is less than \$10. Since the 2013 High HOME Rent, in this case, is determined by the 65 percent rent limit of \$898, HUD subtracted \$920 from \$898 for a difference of \$22. Because 33.3 percent of \$22 is less than \$10, \$10 is subtracted from the 2012 held harmless efficiency High HOME Rent limit (\$920), resulting in an adjusted 2013 limit of \$910. To determine the 2013 two-bedroom Low HOME Rent limit, which is determined by the 50 percent rent limit of \$907, HUD subtracted \$907 from the previously held harmless two-bedroom Low HOME Rent limit of \$928 for a difference of \$21. Because 33.3 percent of \$21 is less than \$10, \$10 is subtracted from the 2012 held harmless two-bedroom Low HOME Rent limit (\$928), resulting in an adjusted 2013 limit of \$918. **Note:** If the decrease in the actual High or Low HOME Rent limits from 2012 to 2013 is less than \$10, the actual 2013 limit is used and is not noted with a star.

STATE: CALIFORNIA		----- 2013 HOME PROGRAM RENTS -----						
	PROGRAM	EFFICIENCY	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
San Diego-Carlsbad-San Marcos, CA MSA								
	LOW HOME RENT LIMIT	712*	764*	918*	1063*	1187*	1311*	1433*
	HIGH HOME RENT LIMIT	910*	977*	1177*	1351*	1488*	1623*	1759*
For Information Only:								
	FAIR MARKET RENT	959	1054	1382	2009	2448	2815	3182
	50% RENT LIMIT	706	756	907	1048	1168	1290	1410
	65% RENT LIMIT	898	963	1158	1329	1463	1596	1728

STATE: CALIFORNIA		----- 2012 HOME PROGRAM RENTS -----						
	PROGRAM	EFFICIENCY	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
San Diego-Carlsbad-San Marcos, CA MSA								
	LOW HOME RENT LIMIT	722*	774*	928*	1073*	1197*	1321*	1445*
	HIGH HOME RENT LIMIT	920*	987*	1187*	1362*	1500*	1637*	1774*
For Information Only:								
	FAIR MARKET RENT	984	1126	1378	1960	2421	2784	3147
	50% RENT LIMIT	703	753	903	1044	1165	1285	1405
	65% RENT LIMIT	894	959	1153	1324	1458	1589	1721

**Rent limit increases for previously held harmless rent limits**

4. In the following example, the High and Low HOME Rent limits, held harmless in 2012, are allowed to increase from 2012 to 2013 based on the increase of the lesser of the FMR or the 65 percent rent limit in 2013 in the case of the High HOME Rent limit and the increase of the 50 percent rent limit in the case of the Low HOME Rent limit. As shown below, the two-bedroom 2012 High HOME Rent limit of \$973 was held harmless in 2012. Since the 2013 rent is based on the 65 percent rent limit of \$991, which increased over the 2012 hold harmless rent (\$973), the 2013 High HOME Rent was allowed to increase based on the increased 65 percent rent limit to \$991. Similarly, the three-bedroom 2012 Low HOME Rent limit of \$883 was held harmless in 2012. Since the 2013 rent is based on the 50 percent rent limit of \$900, which increased over the 2012 hold harmless rent (\$883), the 2013 Low HOME Rent was allowed to increase based on the increased 50 percent rent limit to \$900.

STATE: CALIFORNIA		----- 2013 HOME PROGRAM RENTS -----						
PROGRAM	EFFICIENCY	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR	
Amador County, CA								
LOW HOME RENT LIMIT	606	649	778	900	1003	1108	1211	
HIGH HOME RENT LIMIT	688*	800	991	1136	1248	1358	1469	
For Information Only:								
FAIR MARKET RENT	644	800	1082	1436	1747	2009	2271	
50% RENT LIMIT	606	649	778	900	1003	1108	1211	
65% RENT LIMIT	768	824	991	1136	1248	1358	1469	

STATE: CALIFORNIA		----- 2012 HOME PROGRAM RENTS -----						
PROGRAM	EFFICIENCY	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR	
Amador County, CA								
LOW HOME RENT LIMIT	595*	637*	765*	883*	986*	1088*	1190*	
HIGH HOME RENT LIMIT	710*	809*	973*	1115*	1224*	1332*	1441*	
For Information Only:								
FAIR MARKET RENT	707	829	1088	1581	1629	1873	2118	
50% RENT LIMIT	592	635	762	880	982	1083	1184	
65% RENT LIMIT	750	805	968	1110	1219	1327	1434	