

Income & Rent Limits

The City of San José has updated the methodology used to calculate the income and rent limit information effective June 1, 2020.

Each year the City of San José publishes a chart of maximum incomes by household size that shows income limits based on the restricted income categories for household sizes from one to eight people (City of San José “CSJ” Maximum Income chart). The income maximums are based on the determinations provided by the State Housing and Community Development Department (HCD) in Title 25 of the California Code of Regulations at section 6932 (25 CCR 6932), based on the limits in Section 8 of the United States Housing Act of 1937.

Additionally, the City of San José publishes a chart to show the maximum rents that may be charged (“CSJ Maximum Rent chart”). The underlying calculation is based on an assumed household size and the number of bedrooms in the unit. Collectively, the CSJ Maximum Income and the CSJ Maximum Rent charts are referred to as “the Charts.”

Adjustment Calculations

The U.S. Department of Housing and Urban Development (HUD) applies income adjustments to areas with unusually high or low family income, uneven housing-cost-to-income relationship, or for other reasons. For example, HUD applies an income adjustment increase if the four-person very-low-income limit would otherwise be less than the amount at which 35% of the very low-income limit equals 85% of the annualized two-bedroom Section 8 Fair Market Rate. Meaning in this example, the income limit would become the 40th percentile rent in 50th percentile Fair Market Rate area. The purpose is to increase the income limit for areas where rental housing costs are unusually high in relation to the median income.

HCD’s income chart in Title 25 CCR 6932 contains HCD’s determination of the area median income for Santa Clara County based on HUD’s data, and shows the adjustments for various household sizes. HCD’s income chart in Title 25 CCR 6932 also contains income limits for extremely low income, very low income and low income affordability categories (adjusted for imputed household size).

The affordability categories in HCD’s income chart in Title 25 CCR 6932 start from the HUD median income and makes adjustments for high housing costs. This explains why on HCD’s income chart the very-low-income level is not 50% of area median income because it includes the high housing cost adjustment.

Methodology Review

Periodically the City of San José reviews the Charts to ensure accuracy and compliance. Recently, we examined our current methodology for calculating income limits and rents. Among other things, we compared the maximum rents in the Charts to the limits in California Community Redevelopment Law (Health and Safety Code 50053) which applies to all City funded affordable housing projects. Additionally, we compared our methods, systems, and regulations to those of HUD, HCD, and surrounding metropolitan areas.

Earlier CSJ Maximum Rent Charts assumed that, for extremely low income and very low income units, the maximum rent should be based on 30% of the maximum income determination published in Title 25 CCR 6932; for low income units, the maximum rent should be 60% of twice the maximum income determination for very low income units. However, those maximum income determinations are now different from, and higher than, HCD's published chart and the California Community Redevelopment Law (Health and Safety Code 50053) rent limits - especially for lower-income households.

Outcome

The CSJ's Maximum Rent Chart has been revised to ensure that the rents do not exceed the rents mandated by Health and Safety Code 50053, which are based on a percentage of the AMI, less the applicable utility allowance. The state's permitted maximum rent for Low Income (LI) households is 30% of 60% of AMI, for Very Low Income (VLI) household is 30% of 50% of AMI, and Extremely Low Income (ELI) is 30% of 30% of AMI.

Here is an example, based on the below assumptions, that illustrates the revised methodology and previous methodology:

- One-bedroom unit is to be made available to ELI households
- Assumed Household size is two people
- Example is for an ELI Unit, which has annual rent limited to 30% of 30% of AMI
- Income for this assumed household size is \$113,300.00.
- If utility charges are not paid by developer, a city-approved allowance for utilities must also be deducted from the rent.
- Data is based on Santa Clara County limits

Revised Method – Based on AMI

AMI for assumed family size of two people \$113,300, multiply by 30%	\$33,990.00
Annual Rent Limit for an ELI unit is 30% of \$33,990 from line (a)	\$10,197.00
Divide by 12 to calculate max monthly rent (no utilities)	**\$849.00

Previous Method (as applied in 2019) – Based on HCD Income Chart

Maximum income limit for assumed family size of two people at ELI from HCD income chart	\$35,150.00
Annual Rent is 30% of \$35,150 from line (a)	\$10,545.00
Divide by 12 to calculate max monthly rent (no utilities)	**\$879.00

** Rent amounts are rounded down to the nearest dollar.

Utilizing the previous method (as shown above in the green chart), the income determinations were found to be higher than the HCD rent limits. To be consistent with Health and Safety Code 50053 and the provisions in our recorded affordability restrictions, we are using the revised method based on AMI calculation (as shown above in the blue chart) effective June 1, 2020.

For additional comparative analysis, please see the sample of variances between the 2019 and 2020 one- and two-bedroom charts:

HCD OCCUPANCY ASSUMPTION				
% OF AMI RENT LEVEL	2019 RENTS	2020 RENTS	VARIANCE	
1BR				
100%	\$2,628	\$2,832		\$204
80%	\$2,079	\$2,266		\$187
60%	\$1,757	\$1,699		(\$58)
50%	\$1,464	\$1,416		(\$48)
30%	\$879	\$849		(\$30)
2BR				
100%	\$2,956	\$3,185		\$229
80%	\$2,339	\$2,548		\$209
60%	\$1,976	\$1,911		(\$65)
50%	\$1,646	\$1,592		(\$54)
30%	\$989	\$955		(\$34)

For occupied units that are in compliance with all program rules, owners may increase rents up to the maximum allowable for 2020.

For occupied units that are above the maximum allowable rent for 2020, rents must be adjusted down beginning June 1, 2020.

For vacant units, owners may charge up to the applicable maximum rent for 2020.

This information has an effective date of June 1, 2020 and will remain in effect until the City of San José publishes an update.

The Charts provide more specific guidance by program and are posted on our website:

<https://www.sanjoseca.gov/your-government/departments/housing/data/income-and-rent-limits/affordable-rental-housing>

City of San José 2020 Resources

Sources used for income, rent limits, and rent calculation include:

- AMI limits for the San José HMFA, as published by the U.S. Department of Housing and Urban Development (HUD) effective April 1, 2020
<https://www.huduser.gov/portal/datasets/il.html>
- California Department of Housing and Community Development (HCD) website at <https://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits/docs/Income-Limits-2020.pdf>: (Regulations remain unpublished as of June 23 2020)
- California Tax Credit Allocation Committee (CTCAC)
<https://www.treasurer.ca.gov/ctcac/2020/supplemental.asp>
- [Novogradac](http://www.novogradac.com)
- <https://www.novoco.com/income-limits>
- http://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=50053.&lawCode=HSC

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