



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

OFFICE OF COMMUNITY PLANNING  
AND DEVELOPMENT

APR 14 2014

MEMORANDUM FOR: All CPD Division Directors  
All HOME Participating Jurisdictions

FROM: *Yolanda Chavez*  
Yolanda Chávez, Deputy Assistant Secretary  
for Grant Programs

SUBJECT: HOME Program Rent Limits – 2014

The purpose of this memorandum is to issue the HOME Program rent limits for 2014 and to advise HUD Field Offices and HOME participating jurisdictions of important changes in the calculation of the HOME rent limits for 2014.

### 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 were no reductions in High HOME Rent Limits between 2009 and 2012.

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 were no reductions in Low HOME Rent Limits between 2009 and 2012.

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 2014 HOME Rent Limits**

Because HOME Rent Limits are established by NAHA, in 2013, HUD acted 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 implemented 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 limited 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 is continuing this policy of structured decreases to High HOME Rent Limits and Low HOME Rent Limits for 2014 (and will continue the policy for 2015) so that all 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 2014 HOME Rent Limits**

The 2014 HOME rents are based upon the FMRs published in the Federal Register on October 3, 2013, (78 FR 61668), and on the FY 2014 Section 8 Hold Harmless Income Limits, with the adjustments described above. The 2014 HOME Rent Limits published by HUD must be used by all participating jurisdictions. These HOME Rent Limits are effective May 1, 2014, 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 2014 HOME Rent Calculations

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

1. 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 2014. In this specific example, the 2012, 2013, and 2014 efficiency High HOME Rent limits are all based on the FMR (\$541, \$526, and \$510, respectively) and were allowed to decrease each year because these rents were not previously held harmless. Because the FMR fell from \$526 in 2013 to \$510 in 2014, the new 2014 High HOME Rent limit is \$510. The 2012 limit was not held harmless; therefore the 2013, and subsequently the 2014, limit is based on the actual FMR.

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 2014. For example, the not previously held harmless 2012 three-bedroom Low HOME Rent limit of \$688 was allowed to increase to \$713 in 2013 based on an increase in the 50 percent rent limit. However, there was no increase or decrease in this limit from 2013 to 2014 because there was no change in the 50 percent rent limit.

STATE:TEXAS

----- 2012 HOME PROGRAM RENTS -----

PROGRAM	EFFICIENCY	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
Abilene, TX MSA							
LOW HOME RENT LIMIT	463	496	596	688	767	846	925
HIGH HOME RENT LIMIT	541	569	718	861	941	1020	1098
For Information Only:							
FAIR MARKET RENT	541	569	718	935	1183	1360	1538
50% RENT LIMIT	463	496	596	688	767	846	925
65% RENT LIMIT	583	626	753	861	941	1020	1098

STATE:TEXAS

----- 2013 HOME PROGRAM RENTS -----

PROGRAM	EFFICIENCY	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
Abilene, TX MSA							
LOW HOME RENT LIMIT	481	515	618	713	796	878	960
HIGH HOME RENT LIMIT	526	604	782	895	979	1061	1144
For Information Only:							
FAIR MARKET RENT	526	604	814	1031	1314	1511	1708
50% RENT LIMIT	481	515	618	713	796	878	960
65% RENT LIMIT	605	650	782	895	979	1061	1144

STATE:TEXAS

----- 2014 HOME PROGRAM RENTS -----

PROGRAM	EFFICIENCY	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
Abilene, TX MSA							
LOW HOME RENT LIMIT	481	515	618	713	796	878	960
HIGH HOME RENT LIMIT	510	586	782	895	979	1061	1144
For Information Only:							
FAIR MARKET RENT	510	586	790	1000	1276	1467	1659
50% RENT LIMIT	481	515	618	713	796	878	960
65% RENT LIMIT	605	650	782	895	979	1061	1144

### **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 held harmless High HOME Rent limit for an efficiency for 2012 (\$1,125) is allowed to decrease by only 33.3 percent of the actual decrease in 2013 and 2014. 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. The 2014 High HOME Rent limit for an efficiency would have been based on the FMR (\$976), consequently, HUD further reduced the 2013 limit (\$1,073) by \$52 to determine the 2014 limit of \$1,021. In 2015, the High HOME Rent limit, in this case, will be allowed to decrease to the lesser of the actual FMR or 65 percent rent limit.

Similarly, Low HOME Rent limits previously held harmless are limited to 33.3 percent decrease from last year's limit. In the example below, the 2014 Low HOME Rent for a one-bedroom unit should be based on the 50 percent rent limit of \$873. However, because the one-bedroom rent was previously held harmless, HUD subtracted the 2013 50 percent rent limit (\$898) 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. To determine the 2014 one-bedroom Low HOME Rent limit, HUD subtracted \$16 from the 2013 adjusted Low HOME Rent limit (\$929) for a 2014 adjusted limit of \$913. In 2015, the Low HOME Rent limit, in this case, will be allowed to decrease to actual 50 percent rent limit.

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

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

		----- 2014 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	852*	913*	1097*	1266*	1414*	1559*	1705*
HIGH HOME RENT LIMIT	1021*	1168*	1403*	1613*	1780*	1945*	2111*
For Information Only:							
FAIR MARKET RENT	976	1180	1597	2058	2296	2640	2985
50% RENT LIMIT	815	873	1047	1210	1350	1490	1629
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) and 2013 (\$910) were each allowed to decrease by \$10 because the actual decrease between the 2012 held harmless rent limit and the 2013 actual rent limit was only \$22 and 33.3 percent of \$22 is less than \$10. The 2013 High HOME Rent, in this case, is determined by the 65 percent rent limit of \$898. Consequently, 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. Likewise, the 2014 efficiency High HOME Rent limit was decreased by \$10 to an adjusted 2014 limit of \$900.

To determine the adjusted 2013 and 2014 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 2012 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. Likewise, the 2014 two-bedroom Low HOME Rent limit was decreased by \$10 to an adjusted 2014 limit of \$908.

**Note:** If the decrease in the actual High or Low HOME Rent limits from 2013 to 2014 is less than \$10, the actual 2014 limit is used and is not noted with a star. For example, the adjusted one-bedroom Low HOME Rent limit for 2013 was \$764 while the actual one-bedroom Low HOME Rent limit for 2014 is \$756. Because the decrease from 2013 to 2014 was less than \$10, the actual 50 percent limit is used for the 2014 Low HOME rent limit and the limit is no longer marked with a star.

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	

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

		----- 2014 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	706	756	908*	1053*	1177*	1300*	1421*	
HIGH HOME RENT LIMIT	900*	967*	1167*	1340*	1475*	1609*	1743*	
For Information Only:								
FAIR MARKET RENT	939	1032	1354	1969	2398	2758	3117	
50% RENT LIMIT	706	756	907	1048	1168	1290	1410	
65% RENT LIMIT	898	963	1158	1329	1463	1596	1728	



#### **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. The 2013 rent is based on the 65 percent rent limit of \$991, which increased over the 2012 hold harmless rent (\$973). Therefore, the 2013 High HOME Rent (\$991) and 2014 High HOME Rent (\$1,036) were allowed to increase based on the increased 65 percent rent limits in both years.

Similarly, the three-bedroom 2012 Low HOME Rent limit of \$883 was held harmless in 2012. Because 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. Similarly, the 2014 Low HOME Rent limit increased to \$940 based on an increase in the 50 percent rent limit in 2014.

STATE:CALIFORNIA

----- 2012 HOME PROGRAM RENTS -----

PROGRAM	EFFICIENCY	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
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

STATE:CALIFORNIA

----- 2013 HOME PROGRAM RENTS -----

PROGRAM	EFFICIENCY	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
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

----- 2014 HOME PROGRAM RENTS -----

PROGRAM	EFFICIENCY	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
LOW HOME RENT LIMIT	633	678	813	940	1048	1157	1265
HIGH HOME RENT LIMIT	666*	775	1036	1189	1306	1422	1539
For Information Only:							
FAIR MARKET RENT	623	775	1048	1391	1692	1946	2200
50% RENT LIMIT	633	678	813	940	1048	1157	1265
65% RENT LIMIT	803	861	1036	1189	1306	1422	1539

### **Rent limit increases for previously adjusted rent limits**

5. In the following example, the High and Low HOME Rent limits, adjusted in 2013 from held harmless 2012 limits, are allowed to increase from the adjusted 2013 limits to 2014 limits based on the actual increase of the lesser of the FMR or the 65 percent rent limit in 2014 in the case of the High HOME Rent limit and the increase of the 50 percent rent limit in 2014 in the case of the Low HOME Rent limit.

As shown below, the one-bedroom 2013 High HOME Rent limit of \$802 was adjusted in 2013 from the held harmless 2012 limit of \$812. Because the 2014 rent is based on the 65 percent rent limit of \$828, the 2014 High HOME Rent limit was allowed to increase based on the increased 65 percent rent limit to \$828. Similarly, the two-bedroom 2013 Low HOME Rent limit of \$756 was adjusted in 2013 from the held harmless 2012 limit of \$766. The 2014 Low HOME Rent limit is based on the 50 percent rent limit of \$782, which increased over the 2013 adjusted rent (\$756).

STATE: PENNSYLVANIA

		----- 2012 HOME PROGRAM RENTS -----						
	PROGRAM	EFFICIENCY	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
Pike County, PA HUD Metro FMR Area								
	LOW HOME RENT LIMIT	596*	638*	766*	886*	988*	1090*	1193*
	HIGH HOME RENT LIMIT	756*	812*	947*	1119*	1229*	1337*	1446*
For Information Only:								
	FAIR MARKET RENT	839	872	1011	1369	1676	1927	2179
	50% RENT LIMIT	575	616	740	854	953	1051	1149
	65% RENT LIMIT	728	781	939	1077	1181	1285	1389

STATE: PENNSYLVANIA

		----- 2013 HOME PROGRAM RENTS -----						
	PROGRAM	EFFICIENCY	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
Pike County, PA HUD Metro FMR Area								
	LOW HOME RENT LIMIT	586	628	756*	876*	978*	1080*	1183*
	HIGH HOME RENT LIMIT	746*	802*	957	1109*	1219*	1327*	1436*
For Information Only:								
	FAIR MARKET RENT	809	814	1035	1301	1649	1896	2144
	50% RENT LIMIT	586	628	753	870	971	1071	1170
	65% RENT LIMIT	741	796	957	1097	1205	1311	1417

STATE: PENNSYLVANIA

		----- 2014 HOME PROGRAM RENTS -----						
	PROGRAM	EFFICIENCY	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
Pike County, PA HUD Metro FMR Area								
	LOW HOME RENT LIMIT	608	651	782	903	1008	1112	1216
	HIGH HOME RENT LIMIT	771	828	996	1142	1254	1365	1476
For Information Only:								
	FAIR MARKET RENT	908	913	1161	1460	1849	2126	2404
	50% RENT LIMIT	608	651	782	903	1008	1112	1216
	65% RENT LIMIT	771	828	996	1142	1254	1365	1476