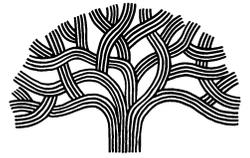


CITY OF OAKLAND



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MEMO

DATE: May 27, 2022
TO: Owners and Residents of City-Assisted and City-Restricted Affordable Housing
FROM: Brian Warwick, Housing Development Coordinator, Housing and Community Development Department
RE: **Income and Rent Limit Methodology**

The City of Oakland (City) is required by local and state regulations to follow the California Health and Safety Code (H&SC) in setting income and rent limits for any non-federal funds it administers. These limits may differ from those published by other agencies. This memo provides a description of the City's methodology.

Please note that the City's published income and rent limits are provided as a convenience to project owners and tenants by the City. However, they are not intended to modify or override legal standards regarding occupancy and rents. If there is any conflict between the limits set forth here and the legal standards set forth in the regulatory agreement for a project, the standards of the regulatory agreement will apply.

Income Limits

The U.S. Department of Housing and Urban Development (HUD) publishes the Area Median Income (AMI) annually for a family of four in Alameda County. HUD also publishes the Low, Very Low, and Extremely Low Income limits pursuant to its Section 8 program. These limits are then used by the California Department of Housing and Community Development (CA HCD) to publish its Official State Income Limits chart. CA HCD may make adjustments to HUD's figures, particularly if applying a Hold Harmless provision, discussed further below.

The City applies income limits published by CA HCD in its Official State Income Limits chart. The 2022 Income Limits are available [here](#).

1. CA HCD 2022 Official State Income Limits

Section 6932. 2022 Income Limits

Number of Persons in Household:	1	2	3	4	5	6	7	8
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Last page instructs how to use income limits to determine applicant eligibility and calculate affordable housing cost and rent

Alameda County Area Median Income: \$142,800	Acutely Low	15000	17100	19250	21400	23100	24800	26550	28250
	Extremely Low	30000	34300	38600	42850	46300	49750	53150	56600
	Very Low Income	50000	57150	64300	71400	77150	82850	88550	94250
	Low Income	76750	87700	98650	109600	118400	127150	135950	144700
	Median Income	99950	114250	128500	142800	154200	165650	177050	188500
	Moderate Income	119950	137100	154200	171350	185050	198750	212450	226200

These income categories are nominally tied to the following AMI percentages:

2. Income Categories and Nominal Percentage of AMI

Category	% of AMI
Acutely Low Income	15%
Extremely Low Income	30%
Very Low Income	50%
Low Income	80% ¹
Median Income	100%
Moderate Income	120% ²

However, the Acutely Low, Extremely Low, Very Low, and Low Income categories may not mathematically correspond to their nominal percentage of AMI. This is primarily due to adjustments made by HUD for high housing cost jurisdictions (such as Alameda County). In areas where a large number of households are severely rent-burdened, these income categories may be higher than their nominal AMI categories would indicate. Please refer to HUD's website for an explanation of high housing cost adjustments.

CA HCD does not publish limits for income levels in between each category, such as at 20% or 40% of AMI. The City imputes the value of these units by treating them as a subset of the next higher income category. For example, a unit restricted to 40% of AMI households is considered to be a Very Low Income unit, and the income limit is calculated as a fraction of the Very Low Income limit. To determine the income limits at thresholds in between these categories, the following calculations are performed:

3. Calculations for In-Between Categories

Income Level	Calculation
20%	Extremely Low Income limit x 2/3
25%	Extremely Low Income limit x 5/6
35%	Very Low Income limit x .7

¹ While the *Income* Limit for Lower Income households is approximately 80% of AMI, the *rent* limit is 30% of 60% of AMI, pursuant to H&SC Section 50053.

² While the *Income* limit for Moderate Income households is 120% of AMI, the *rent* limit is 30% of 110% of AMI, pursuant to H&SC Section 50053.

40%	Very Low Income limit x .8
45%	Very Low Income limit x .9
55%	Low Income Limit x .6875
60%	Low Income Limit x .75

All income limits calculated by the City are rounded down to the nearest dollar.

Rent Limits

Pursuant to H&SC Section 50053, rent limits are calculated true to their mathematical percentage of AMI, without reference to the Low, Very Low, and Extremely Low Income limits. For this reason, rent limits may not correspond to 30% of the applicable income limit. This method differs from other programs that set rents at 30% of the corresponding income limit.

Monthly rent limits are calculated via the following steps:

1. Identify benchmark occupancy for unit.
2. Identify AMI for applicable household size based on benchmark occupancy.
3. Multiply AMI times percentage of AMI according to unit restrictions designated in the regulatory agreement.
4. Multiply by 30%.
5. Divide by 12.
6. Round down to the nearest \$1.
7. Deduct an amount for tenant-paid utilities as necessary.

These figures are then checked using the [Novogradac Rent and Income Limit Calculator](#). Because Novogradac’s tool adjusts the Median Income by household size according to HUD rounding rules rather than CA HCD rounding rules, there may be slight discrepancies in results for rent limits. These discrepancies are typically not more than \$1.00.

A sample calculation is provided here for a **50% AMI 1 bedroom** apartment with a hypothetical utility allowance of \$100, using the 2022 AMI figures for Alameda County as published by CA HCD:

4. Sample Rent Limit Calculation

Step	1.5x Benchmark Occupancy	1 + 1 Benchmark Occupancy
Identify Benchmark Occupancy	1.5 persons	2 people
Identify AMI Based on Benchmark Occupancy	\$107,100 (average of 1 person + 2 people)	\$114,250
Multiply AMI x 50%	\$53,550	\$57,125
Multiply x 30%	\$16,065	\$17,137.50
Divide by 12	\$1,338.75	\$1,428.13
Round down to nearest \$1 (Gross Rent Limit)	\$1,338	\$1,428
Less Utility Allowance	(\$100)	(\$100)
Net Rent Limit	\$1,238	\$1,328

As mentioned above, rent limits as published by the City are NOT calculated by multiplying the corresponding income limit times 30%. This skips an important step and may lead to incorrect results. Rent limit calculations must start from the Median Income (100% of AMI) figure as published by CA HCD.

SROs

SRO units, also called rooming units, are defined as units without a private kitchen. (Some SRO units also lack a private bathroom.) Rent limits in SRO units are set at 75% of the applicable rent limit for studio apartments.

Hold Harmless Provisions

Depending on economic trends, the AMI, or any of the other income categories published by HUD pursuant to its Section 8 program, may decrease from one year to the next. HUD does not apply a Hold Harmless provision to keep these income limits from decreasing. However, CA HCD does apply such a provision. Because the City follows CA HCD’s schedules, the Hold Harmless provision applies to City income limits.

In 2022, HUD’s Low Income limits were reduced from the previous year, pursuant to its adjustment formulas. No other income categories were reduced. CA HCD applied its Hold Harmless provision to keep Low Income limits at the same rate as the previous year. Income limits published by the California Tax Credit Allocation Committee (CTCAC) follow a different formula, resulting in a variance from both HUD and CA HCD’s limits.

5. 2021-2022 Low Income Comparison

Income Limit (Family of 4)	2021	2022	Rule
HUD Low Income Limit	\$109,600	\$106,000	HUD Adjustment
CA HCD Low Income Limit	\$109,600	\$109,600	Hold Harmless provision
CTCAC 80% Income Limit	\$109,600	\$114,240	Derived from Very Low Income limit
Area Median Income	\$125,600	\$142,800	HUD Calculation

Because City rent limits are tied to AMI rather than their corresponding income category, *rent* limits for Low Income units were not affected by the Hold Harmless provision applied to the Low Income category.

Sources

Below is a comparison of various affordable housing programs, their methodology for setting rent limits, and the relevant statute or program guidance.

6. Rent-setting Rules for Various Local, State, and Federal Programs

Agency	Program	Applicable Rule	Reference
City of Oakland	Affordable Housing Trust Fund funds	H&SC Sections 50053 and 50052.5	Oakland Municipal Code Chapter 15.62
City of Oakland	CA State Density Bonus program	H&SC Sections 50053 and 50052.5	H&SC Section 65915(b)(2)(B)(i)
City of Oakland	Affordable Housing Impact Fees – Onsite Option	H&SC Sections 50053 and 50052.5	City of Oakland Impact Fee Administrative Regulations and Manual
City of Oakland	Measure KK Bond funds	H&SC Sections 50053 and 50052.5	Oakland Municipal Code Section 4.54.200
City of Oakland	HUD HOME Investment Partnerships Program (HOME) funds	Determined by HUD	HUD HOME limits page
City of Oakland	HUD Community Development Block Grant (CDBG) program funds	Determined by HUD	HUD CDBG limits page
CTCAC	Low Income Housing Tax Credit (LIHTC)	Multifamily Tax Subsidy Program (MTSP)	HUD MTSP limits page TCAC 2022 Income and Rent Limits page
CA HCD	Multifamily Housing Program (MHP), Affordable Housing and Sustainable Communities (AHSC), and Veterans Housing and Homelessness Program (VHHP)	CTCAC limits	H&SC Section 50675.2 (See also H&SC Section 50053(c)) HCD State and Federal Income Limits page

Links

- [2022 Official State Income Limits \(CA HCD\)](#)
- [Oakland Housing Authority Utility Allowance Schedule](#)
- [HUD Income limits](#)
- [Novogradac Rent and Income Limit Calculator](#)
- [Section 50053 of the Health and Safety Code](#)
- [Section 50052.5 of the Health and Safety Code](#)
- [Chapter 15.62 of the Oakland Municipal Code](#)
- [San Jose memo regarding Income & Rent Limits methodology](#)

For questions regarding this memo, please contact Brian Warwick, Housing Development Coordinator, at bwarwick@oaklandca.gov.