STATE OF CALIFORNIA -BUSINESS, TRANSPORTATION, AND HOUSING AGENCY GRAY DAVIS, Governor

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Division of Housing Policy Development

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September 3,1999

Ms. Theresa Parker, Executive Director
California Housing Finance Agency
1121 L Street, 7th Floor
Sacramento, California 95814

Dear Ms. Parker:

At the last California Housing Finance Agency Board meeting in July, your B o d requested that HCD provide information regarding property tax exemptions for affordable housing and the impact of statutory income limits on those exemptions. The enclosed information has been prepared in response to this request.

I hope this information is useful to you and your Board. If you have any questions about this material or if we can be of further assistance, please feel free to contact either Camilla Cleary or Linda Wheaton, of our *staff,* at 445-4728.

Sincerely,

Cathy E. Creswell

Cathy E. Creswell
Acting Deputy Director

Enclosure

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DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF HOUSING POUCY DEVELOPMENT

PROPERTY TAX EXEMPTION FOR HOUSING

This paper presents the relevant California statutes involved with local real property tax exemptions for affordable housing and discusses the relevant federal provisions. The property fax exemption of California Revenue and Taxation (R&T) Code Sections 214(f) and 214(g)(3) specifies both income and rent standards required for the exemption. The rent standard is that of Health and Safety (H&S) Code Section 50053. The sections establishing the income standards for the exemption are those of H&S Code Sections 50093 and 50079.5. These Sections define lower-income households to be those whose income does not exceed limits established and updated by HUD pursuant to the Section 8 program. The Board of Equalization in turn forwards this information to local assessors, who are responsible for qualifying the exemption. These statutory provisions are described below and in the reproduced attachments.

Background:

Historically, the State has allowed a real property tax exemption for nonresidential properties serving a public good. Sections 201 through 241 of the R&T Code identify properties in the State eligible for some type of property tax exemption. In 1968 the law was amended to include specific rental housing developments serving the elderly and disabled. Since that time, the law was expanded to include affordable rental housing serving lower-income households. Sections 214(f) and 214(g) of the R&T Code establish the language.

Affordable Housina Provisions

- Section 214(f) provides a property tax exemption for housing and related facilities for low- and moderate-income elderly or disabled families, including, but not limited to that financed with federal government programs, e.g., Section 202 (elderly), Section 811(disabled) or Section 236. The housing must serve low- and moderate-income targeted households (as defined by H&S Code Section 50093), and must be owned and operated by a nonprofit entity. Partial exemption is allowed if not all units are occupied by low- or moderate-income elderly or disabled households.

- Section 214(g) extends the property tax exemption to properties serving lower income households as defined by H&S Code Section 50079.5, used exclusively for rental housing owned and operated by a nonprofit entity, including limited partnerships in which the managing general partner is an eligible nonprofit corporation.

- The subdivision (g) exemption, which is allowed to vary with the proportion of lower-income households, requires qualifying properties to meet one of three criteria: a) at least 20 percent of the households are lower-income with rents not in excess of the standard prescribed in H&S Code Section 50053; b) be financed by tax-exempt mortgage revenue bonds, general obligation bonds, or government grants, and the rents conform to the corresponding regulatory agreements or deed restrictions; or c) the property Owner receives federal low-income housing tax credits.

  In all cases, the property Owner must certify both of the following: a) that the lower-income units are continuously available pursuant to a restrictive use agreement with affordable rents as defined by H&S Code 50053 or those prescribed by the terms of the financing or financial assistance; and b) that the amount of funds saved by the property tax exemption is used to maintain the affordability or reduce the rents for the lower-income households.

Definitions:

Health and Safety Code Section 50093 - Persons and families of low, moderate, and median income: Persons and families whose income does not exceed 120 percent of the area median family income, adjusted for family size by the Department in accordance with adjustment factors adopted and amended from time to time by HUD pursuant to Section 8 of the United States Housing Act of 1937, subject to additional adjustments by HCD (see Attachment B I for full definition).

Health and Safety Code Section 50079.5 - Lower income households: Persons and families whose income does not exceed the qualifying limits for lower-income families as established and amended from time to time pursuant to Section 8 of the United States Housing Act of 1037 (Attachment B2).

Health and Safety Code Section 50053 - Affordable rent: Section 50053, amended effective January 1, 1991 (Attachment B3), includes a specified rent calculation as illustrated in the example in Attachment C. This statute and Section 50052.5 define rents for households of very low-, low-, and moderate-income.

Income limits used for property tax exemption: As defined, the income limits to be used are those established pursuant to Section 8 of the United States Housing Act of 1037, which are updated annually (see Attachment DI), filed by HCD, and published in the California Code of Regulations (CFR) as Section 6932 of Title 25 (see Attachment D2). The HUD-established income limits include adjusted limits for high income areas, such *that* the limit for high income areas are adjusted upward, but all areas are subject to a national cap. In most cases the national cap is the national median family income, but as of 1999, four California counties have caps exceeding the national median (i.e., Marin, Santa Clara, San Francisco, and San Mateo).

Potential Qualifying Issues:

While the State income and tent limits are at one standard, in practice, affordable rental housing is developed under a variety of income and rent standards, most of which are federally prescribed. For example, there are currently several legislated income limit standards, **i.e., 30%, 50%, 60%, 65%, 80%,** 95%, 100%, 115%, or 125% of **area** median income for affordable housing programs (although all of these standards are not necessarily applicable to rental housing). These programs also may vary by occupancy assumptions associated **with** apartments by number of bedrooms; 8s **qualifying income** standards vary by household size, different occupancy standards can account for different income limits between programs. Consequently, the rent or income standards of all rental assistance programs may not be consistent with those specified for the property tax exemption.

There is **no** authorization in the R&T **Code** provisions for use of alternative rent or income standards other than those specified by the referenced H&S codes. Flexibility for CHFA is authorized in the H&S Code Sections 50053 and 50093 for alternative qualifying criteria, including income determination, family *size* adjustments, and rent, or alternative criteria necessary for consistency with pertinent federal statutes or regulations. For example, H&S Section 50053 authorizes CHFA, with the concurrence of the Business, Transportation and Housing Agency, to use income limits higher than 120 percent of area median income in designated geographic areas of the State under specified circumstances. This authorization for alternative criteria is not applicable to any other agency (i.e., not authorized for **local** agencies). tt should be noted that if adjustments are made to conform with one particular program it may affect conformance with other programs.

Pending Legislatioq

Currently, proposed legislation amending the lower-income housing property tax exemption, AB 1559 (Wiggins), is enrolled and awaiting action by the Governor. This bill would make two amendments with respect to rental housing:

1) in order for elderly or disabled affordable housing to qualify for the exemption, it would eliminate *one* of the three optional qualifying criteria, that at least 20 percent of the units must be reserved for lower-income households at affordable **rents.** Therefore, the only requirement for elderly and disabled housing would be financing with bond or government financing or federal low-income housing tax credits, thereby allowing fewer than 20 percent of the units to be affordable to **lower-income** households.

2) for developments qualifying pursuant to **subdivision** (g), in addition to requiring a recorded deed restriction, **it** now would allow "an enforceable and verifiable agreement with a public agency."

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Attachment A

CALIFORNIA CODES:

REVENUE AND TAXATION CODE

201. All property in this State, not exempt under the laws of the United States or of this State, is subject to taxation under this code.

214. (a) Property used exclusively for religious, hospital, scientific, or charitable purposes owned and operated by community chests, funds, foundations or corporations organized and operated for religious, hospital, scientific, or charitable purposes is exempt from taxation, including ad valorem taxes to pay the interest and redemption charges on any indebtedness approved by the voters prior to July 1, 1978, or any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1,1978, by two-thirds of the votes cast by the voters voting on the proposition, if:.....

(f) Property used exclusively for housing and related facilities for elderly or handicapped families and financed by, including, but not limited to, the federal government pursuant to Section 202 of Public Law 86-372 (12 U.S.C. Sec. 1701q), as mended, Section 231 of Public Law 73479 (12 U.S.C. Sec. 1715v), Section 236 of Public Law 90-448 (12 U.S.C. Sec. 1715z), or Section 811 of Public Law 101-625 (42 U.S.C. Sec. 8013), and owned and operated by religious, hospital, scientific, or charitable funds, foundations, or corporations meeting all of the requirements of this section shall be deemed to be within the exemption provided for in subdivision (b) of section 4 and Section 5 of Article XIII of the California Constitution and this section. The amendment of this paragraph made by Chapter 1102 of the Statutes of 1984 does not constitute a change in, but is declaratory of, the existing law. However, no refund of property taxes shall be required as a result of this amendment for any fiscal year prior to the fiscal year in which the amendment takes effect.

Property used exclusively for housing and related facilities for elderly or handicapped families at which supplemental care or services designed to meet the special needs of elderly or handicapped residents are not provided, or that is not financed by the federal government pursuant to Section 202 of Public Law 86372 (12 U.S.C. Sec. 1701q), as amended, Section 231 of Public Law 73-479 (12 U.S.C. Sec. 1715v), Section 236 of Public Law 90-448 (12 U.S.C. Sec. 1715z), or Section 811 of Public Law 101-625 (42 U.S.C. Sec. 8013), shall not be entitled to exemption pursuant to this subdivision unless the property is used for housing and related facilities for low- and moderate-income elderly or handicapped families. Property that would otherwise be exempt pursuant to this subdivision, except that it includes some housing and related facilities for other than low- or moderate-income elderly or handicapped families, shall be entitled to a partial exemption. The partial exemption shall be equal to that percentage of the value of the property that is equal to the percentage that the number of low- and moderate-income elderly and handicapped families occupying the property represents of the total number of families occupying the property.

As used in this subdivision, "low and moderate income" has the same meaning as the term "persons and families of low or moderate income" as defined by Section 50093 of the Health and Safety Code.

(g)(1) Property used exclusively for rental housing and related facilities and owned and operated by religious, hospital, scientific, or charitable funds, foundations, or corporations, including limited partnerships in which the managing general partner is an eligible nonprofit corporation, meeting all of the requirements of this section, or by veterans' organizations, as described in Section 215.1, meeting all the requirements of paragraphs (1) to (7), inclusive, of subdivision (a), shall be deemed to be within the exemption provided for in subdivision (b) of Section 4 and Section 5 of Article XIII of the California constitution and this section and shall be entitled to a partial exemption equal to that percentage of the value of the property that the portion of the property serving lower income households represents of the total property in any year in which any of the following criteria are applicable:

(A) Twenty percent or more of the occupants of the property are lower income households whose rent does not exceed that prescribed by Section 50053 of the Health and Safety Code.

(B) The acquisition, rehabilitation, development, or operation of the property, or any combination of these factors, is financed with tax-exempt mortgage revenue bonds or general obligation bonds, or is financed by local, state, or federal loans or grants and the rents of the occupants who are lower income households do not exceed those prescribed by deed restrictions or regulatory agreements pursuant to the terms of the financing or financial assistance.

(C) The owner of the property is eligible for and receives low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code of 1986, as added by Public Law 99-514.

(g)(2) In order to be eligible for the exemption provided by this subdivision, the owner of the property shall do both of the following:

(A) Certify and ensure that there is a deed restriction, agreement, or other legal document that restricts the project's usage and that provides that the units designated for use by lower income households are continuously available to or occupied by lower income households at rents that do not exceed those prescribed by Section 50053 of the Health and Safety code, or, to the extent that the terms of federal, state, or local financing or financial assistance conflicts with Section 50053, rents that do not exceed those prescribed by the terms of the financing or financial assistance.

(B) Certify that the funds that would have been necessary to pay property taxes used to maintain the affordability of, or reduce rents otherwise necessary for, the units occupied by lower income households.

(3) As used in this subdivision, "lower income households" has the same meaning as the term "lower income households" as defined by section 50079.5 of the Health and Safety Code.

(h) Property used exclusively for an emergency or temporary shelter and related facilities for homeless persons and families and owned and operated by religious, hospital, scientific, or charitable funds, foundations, or corporations meeting all of the requirements of this section shall be deemed to be within the exemption provided for in subdivision (b) of Section 4 and Section 5 of Article XIII of the California Constitution and this section. Property that otherwise would be exempt pursuant to this subdivision, except that it includes housing and related facilities for other than an emergency or temporary shelter, shall be entitled to a partial exemption.

As used in this subdivision, "emergency or temporary shelter" means a facility that would be eligible for funding pursuant to Chapter 11 (commencing with Section 50800) of Part 2 of Division 31 of the Health and Safety Code.

Attachment B-1

Health and Safety Code Section 50093

Section 50093. "Persons and families of low or moderate income" means persons and families whose income does not exceed 120 percent of area median income, adjusted for family size by the department in accordance with adjustment factors adopted and amended from time to time by the United States Department of Housing and Urban Development pursuant to Section 8 of the United States Housing *Act* of 1937. However, the agency and the department jointly, or either acting with the concurrence of the Secretary of the Business and Transportation Agency, may permit the *agency* to *use* higher *income* limitations m designated geographic areas of the state, upon a determination that 120 percent of the median income m the particular geographic area is too low to qualify a substantial number of persons and families of low or moderate income who can afford rental or home purchase of housing financed pursuant to Part 3 (commencing with Section 50900) without subsidy.

"Persons and families of low or moderate income" includes very low income households, as defined in Section 50105 and lower income households as defined in Section 50079.5, and includes persons and families of low income, persons and families of moderate income, and middle-income families. As used in this division:

(a) "Persons and families of low income" or "persons of low income" means persons or families who are eligible for financial assistance *specifically* provided by a governmental agency for the benefit of occupants of housing financed pursuant to this division.

(b) "Persons and families of moderate income" or "middle-income families" means persons and families of low or moderate income whose income exceeds the income limit for lower income households.

(c) "Persons and families of median income" means persons and families whose income does not exceed the area median income, as adjusted by the department for family *size* in accordance with adjustment factors adopted and amended from time *to* time by the United States Department of Housing and Urban Development pursuant to Section 8 of the United States Housing *Act* of 1937.

As used in this section, "area median income" means the median family income of a geographic area of the state, as annually estimated by the United States Department of Housing and Urban Development pursuant to Section 8 of the United States Housing Act of 1937. In the *event* these federal determinations of area median income are discontinued, the department shall establish and publish as regulations income limits for persons and families of median income for all geographic areas of the state at 100 percent of area median income, and for persons and families of low or moderate *income* for all geographic areas of the state *at* 120 percent of area median income. These income limits shall be adjusted for family size and shall be revised annually.

For purposes of this d o n , the department shall file, with the Office of Administrative Law, any changes in area median income and income limits determined by the United States Department of Housing and Urban Development, together with any consequent changes in other derivative income limits determined by the department pursuant to this section. These filings *shall* not be *subject* to Article 5 (commencing with section 11346) or Article 6 (commencing with section 11349) of Chapter 3.5 of Part 1 of Division 3 of Title 2 of the Government Code, but shall be effective upon filing with the Office of Administrative Law and *shall* be published as soon as possible in the California Regulatory Code Supplement and the California code of Regulations.

The department shall establish and publish a *general* definition of income, including inclusions, exclusions, and allowances, for qualifying persons under the income limits of this section and Sections 50079.5 and 50105, to be used where no other federal or *state* definitions of income apply. This definition need not be established by regulation.

Nothing in this division shall prevent the agency or the department from adopting separate family size adjustment factors or programmatic definitions of income to qualify households, persons, and families for programs of the agency or department, as the *case* may be.

Attachment B-2

Health and Safety Code Section 50079.5

50079.5. "Lower income households" means persons and families whose income does not exceed the qualifying limits for lower income families as established and amended from time to time pursuant to Section 8 of the United States Housing Act of 1937. The limits shall be published by the department in the California Administrative Code as soon as possible after adoption by the secretary of Housing and Urban Development. In the event such federal standards are discontinued, the department shall, by regulation, establish income limits for lower income households for all geographic areas of the state at 80 percent of area median income, adjusted for family size and revised annually. As used in this section, "area median income" means the median family income of a geographic area of the state.

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Health and Safety Code Section 50053

Attachment B-3

50053. (a) For any rental housing development which receives assistance prior to January 1, 1991, and a condition of that assistance is compliance with this section, "affordable rent" with respect to lower income households shall not exceed the percentage of the gross income of the occupant person or household established by regulation of the department which shall not be less than 15 percent of gross income nor exceed 25 percent of gross income.

(b) For any rental housing development which receives assistance on or after January 1, 1991, and a condition of that assistance is compliance with this section, "affordable rent," including a reasonable utility allowance, shall not exceed:

(1) For very low income households, the product of 30 percent times 50 percent of the area median income adjusted for family size appropriate for the unit.

(2) For lower income households whose gross incomes exceed the maximum income for very low income households, the product of 30 percent times 60 percent of the area median income adjusted for family size appropriate for the unit. In addition, for those lower income households with gross incomes that exceed 60 percent of the area median income adjusted for family size, it shall be optional for any state or local funding agency to require that affordable rent be established at a level not to exceed 30 percent of gross income of the household.

(3) For moderate income households, the product of 30 percent times 110 percent of the area median income adjusted for family size appropriate for the unit. In addition, for those moderate income households whose gross incomes exceed 110 percent of the area median income adjusted for family size, it shall be optional for any state or local funding agency to require that affordable rent be established at a level not to exceed 30 percent of gross income of the household.

(c) The department's regulation shall permit alternative percentages of income for agency-assisted rental and cooperative housing developments pursuant to regulations adopted under subdivision (f) of Section 50462. The department shall, by regulation, adopt criteria defining and providing for determination of gross income, adjustments for family size appropriate to the unit, and rent for purposes of this section. These regulations may provide alternative criteria, where necessary, to be consistent with pertinent federal statutes and regulations governing federally assisted rental and cooperative housing. The agency may, by regulation, adopt alternative criteria, and pursuant to subdivision (f) of Section 50462, alternative percentages of income may be adopted for agency-assisted housing developments.

For purposes of this section, "area median income," "adjustments for family size appropriate to the unit," and "moderate income household" shall have the same meaning as provided in Section 50052.5.

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Attachment C

SANTA CLARA COUNTY - 1999

Affordable Housing Costs/Rents: Health & Safety Code §§ 50052.5 & 50053

Income Group	Unit Size	Max Monthy Rent	Max. Monthy Housing cost (Purchasers)	Formula Area Median Income: $82,600 (This column shows how the maximum rent and maximum housing cost columns were calculated.)
Very	Studio	$723	same	(.30 × .50 × $82,600 X .7) divided by 12)
	1 bedroom	$826	same	(.30 × .50 × $82,600 X .8) divided by 12)
	2 bedrooms	$929	same	(.30 × .50 × $82,600 X .9) divided by 12)
	3 bedrooms	$1,033	same	(.30 × .50 × $82,600 X 1.0) divided by 12)
	4 bedrooms	$1,115	same	(.30 × .50 × $82,600 X 1.08) divided by 12)
Other	Studio	$867		(.30 × .60 × $82,600 × .7) divided by 12)
	1 bedroom	$991		(.30 × .60 × $82,600 × .8) divided by 12)
	2 bedrooms	$1,115		(.30 × .60 × $82,600 × .9) divided by 12)
	3 bedrooms	$1,239		(.30 × .60 × $82,600 × 1.0) divided by 12)
	4 bedrooms	$1,338		(.30 × .60 × $82,600 × 1.08) divided by 12)
	Studio		$1,012	(.30 X .70 X $82,600 × .7) divided by 12)
	1 bedroom		$1,156	(.30 X .70 X $82,600 × .8) divided by 12)
	2 bedrooms		$1,301	(.30 X .70 X $82,600 × .9) divided by 12)
	3 bedrooms		$1,446	(.30 X .70 X $82,600 × 1.0) divided by 12)
	4 bedrooms		$1,561	(.30 X .70 X $82,600 × 1.08) divided by 12)
Moderate	Studio	$1,590		(.30 × 1.10 X $82,600 × .7) 12)
	1 bedroom	$1,817		(.30 × 1.10 X $82,600 × .8) 12)
	2 bedrooms	$2,044		(.30 × 1.10 X $82,600 × .9) 12)
	3 bedrooms	$2,272		(.30 × 1.10 X $82,600 × 1.0) divided by 12)
	4 bedrooms	$2,453		(.30 × 1.10 X $82,600 × 1.08) divided by 12)
	Studio		$1,855	(.35 X 1.10 X $82,600 × .7) divided by 12)
	1 bedroom		$2,120	(.35 X 1.10 X $82,600 × .8) divided by 12)
	2 bedrooms		$2,385	(.35 X 1.10 X $82,600 × .9) divided by 12)
	3 bedrooms		$2,650	(.35 X 1.10 X $82,600 × 1.0) divided by 12)
	4 bedrooms		$2,862	(.35 X 1.10 X $82,600 × 1.08) divided by 12)

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HPD 99-02

February 1999

MEMORANDUM FOR: Interested Parties

FROM: Cathy E. Creswell
Cathy E. Creswell, Acting Deputy Director
Division of Housing Policy Development

SUBJECT: **1999 Income Limits**

Attached for your information is a copy of updated income limits for California counties. These include income limits for very low-, lower-, median-, and moderate-income categories of varying household sizes. These income limits replace the limits which were in effect during 1998.

California Health and Safety Code Sections 50079.5 and 50105 provide that the low- and very low-income limits established by the U.S. Department of Housing and Urban Development (HUD) are the State limits for those income categories. Sections 50079.5 and 50105 direct the Department of Housing and Community Development (HCD) to publish the income limits. HUD released new FY 1999 income limits on January 27, 1999.

Accordingly, HCD has filed with the Office of Administrative Law amendments to Section 6932 of Title 25 of the California Code of Regulations. The filing contains the new HUD income limits and also includes new median income groups and moderate-income group limits, prepared by HCD pursuant to Health and Safety Code Section 50093. Please note that the use of these income limits is subject to individual program guidelines covering definitions of income and other factors such as effective dates. **For example, this year there is a new provision of the Community Development Block Grant (CDBG) and HOME programs, whereby jurisdictions within Orange, Marin, San Francisco, Santa Clara, and San Mateo counties are authorized, under specified conditions, to use lower-income limits not capped by the national median family income.**

The income limits are posted on HCD's World Wide Web site at: http://housing.hcd.ca.gov

This annual update of the income limits, and subsequent annual updates, are being distributed electronically, via the Website, instead of by mail. If you have any questions concerning the income limits or their accessibility, please contact HCD staff at (916) 324-8652, or by e-mail at:
cahouse@hcd.ca.gov

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Income Limits Pursuant to Title 25, § 6932
California Code of Regulations (CCR)

<u>Methodology</u>

The very low and lower income limits of CCR Section 6932 are the very low and low income limits established by HUD for use in HUD's Section 8 housing program. In establishing its income limits, HUD estimates area median family income for the current federal fiscal year. The income limits are based on a four-person family. Adjustments are made in areas with unusually high or low incomes relative to housing costs.

HUD's very low four-person limit is 50 percent of area median income except that HUD has established a higher limit in some areas based on high rent levels relative to incomes in that area. Most four-person low income limits are the higher of 80 percent of the area median income or 80 percent of the State non-metropolitan median family income level. Except in high income areas, HUD's four-person low income limit is 80/50 of the very low income limit. In many high income areas the four-person low income limit is less than 80 percent of area median because a national maximum or cap is applied. The cap is the national median family income, and no four-person low income limit may exceed HUD's estimate of the national median income ($47,800 for 1999), unless justified by high housing costs. Income limits for areas where 80 percent of median exceeds the U.S. median family income are assigned higher limits if 80/50th of their minimum four-person very low income limit exceeds the cap.

HCD calculates "median" and "moderate" income limits based on HUD's very low income limits. The four-person median income limit is two times HUD's four-person very low income limit. The four-person moderate income limit is 120 percent of HUD's four-person median income limit.

Income limits are adjusted for family size so that larger families have higher income limits. At all income levels, the income limits for household sizes other than four persons are calculated using the four-person income limit as the base. HUD's formulas are as follows:

Number of persons:	1	2	3	4	5	6	7	8
Factor:	7	.8	.9	base	1.08	1.16	1.24	1.32

All answers are rounded to the nearest $50.

Higher income limits apply to families with more than eight persons; the formula for this determination is included at the end of this memorandum.

"Area median," as defined in federal law and HUD regulations, is the higher of:
1) the metropolitan area or non-metropolitan county median family income; or
2) the statewide non-metropolitan median family income ($36,700 for 1999).

Reference: FY 1999 HUD Income Limits Transmittal 1/99; PDR-99-02, 1/27/99.

(1st pg. of 58-County listing)

NUMBER OF PERSONS IN FAMILY

COUNTY	STANDARD	1	2	3	4	6	6	7	8
ALAMEDA	Very low income	23000	26300	29550	32850	35500	38100	40750	43350
Area median:	Lower income	33450	38250	43000	47800	51600	55450	69250	63100
$65.700	Median income	46000	52550	59150	65700	70950	76200	81460	86700
	Moderate income	86200	63100	70950	78850	85150	91460	97750	104100
ALPINE	Very low income	12900	14750	16600	18450	19950	21400	22900	24350
Area median:	Lower income	20650	23600	26550	29500	31900	34250	36600	38950
$36,900	Median income	25850	29500	33200	36900	39850	42800	45750	48700
	Moderate income	31000	35450	39850	44300	47850	51400	54950	58500
AMADOR	Very low income	14900	17000	19150	21250	22950	24650	26350	28050
Area median:	Lower income	23800	27200	30600	34000	56700	38450	42160	44900
$42,500	Median income	29750	34000	38250	42500	45900	49300	52700	66100
	Moderate income	35700	40800	45900	51000	55100	59150	63250	67300
BUTTE	Very low income	12860	14700	16500	18350	19800	21300	22750	24200
Area median:	Lower income	20550	23500	26400	29350	31700	34050	36400	38750
$36,700	Median income	25700	28360	33050	36700	39650	42550	45500	48450
	Moderate income	30850	36280	39650	44050	47650	51100	54600	68150
CALAVERAS	Very low income	12850	14700	16500	18350	19800	21300	22750	24200
Area median:	Lower income	20550	23500	26400	29350	31700	34050	36400	38750
$36,700	Median income	25700	28380	33050	36700	39660	42550	45500	48450
	Moderate income	30850	35260	39660	44050	47650	61100	54600	58150
COLUSA	Very low income	12850	14700	16500	18350	19800	21300	22760	24200
Area median:	Lower income	20550	23500	26400	29350	31700	34050	36400	38750
$36,700	Median income	25700	29350	33050	36700	38660	42550	45500	48450
	Moderate income	30850	35250	39650	44050	47550	61100	54600	68150
CONTRA COSTA	Very low income	23000	26300	29550	32850	35500	38100	40750	43350
Area median:	Lower income	33450	38280	43000	47800	51600	66450	58250	63100
465,700	Median income	46000	52550	59150	65700	70950	76200	81450	86700
	Moderate income	55200	63100	70950	78850	85150	91450	97750	104100
DEL NORTE	Very low income	12850	14700	16500	18350	19800	21300	22750	24200
Area median:	Lower income	20550	23500	26400	29350	31700	34050	36400	38750
$36,700	Median income	25700	29350	33050	36700	39650	42550	45500	48450
	Moderate income	30850	35250	39650	44050	47550	51100	54600	68150
EL DORADO	Very low income	18150	20750	23360	25950	28050	30100	32200	34250
Area median:	Lower income	29050	33200	37350	41500	44850	48150	51500	54800
$51,900	Median income	36350	41500	46700	51900	56050	60200	64350	68500
	Moderate income	43600	49850	56050	62300	67300	72250	77250	82250

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U.S. Department of Housing and Urban Development
Office of Policy Development & Research

U.S. Department of Housing and Urban Development

NOTICE

PDR-99-02

Special Attention of:
Secretarial Representatives, Community Builders, Economists, Public & Indian Housing Division Directors, Multifamily HUB Directors, Multifamily Program Center Directors

Issued: January 27, 1999
Expires: Effective until superseded

Cross References:

Subject: Transmittal of Fiscal Year (FY) 1999 Income Limits for the Public Housing and Section 8 Programs

This notice transmits revisions in the income limits used to define the terms "very low-income" and "low-income" in accordance with Section 3(b)(2) of the United States Housing Act of 1937, as amended. These income limits are listed by dollar amount and family size.

Public Housing/Section 8 income limits are used to determine the income eligibility of applicants for the Public Housing, Section 8, and other programs subject to Section 3(b)(2). The revised income limits are based on HUD estimates of median family income for FY 1999.

The most important statutory provisions relating to income limits are as follows:

- low-income is defined as 80 percent of the median family income for the area, subject to adjustments for areas with unusually high or low incomes or housing costs;
- very low-income is defined as 50 percent of the median family income for the area, subject to specified adjustments for areas with unusually high or low incomes;
- 30 percent of the area median income is a new income targeting standard of the 1998 Act Amendments to the Housing Act of 1937; to avoid inconsistencies with other income limits, it is defined as 60 percent of the four-person family very low-income limit, adjusted for family size;
- where the local median family income is less than the State nonmetropolitan median family income, income limits are based on the State nonmetropolitan median; and,
- income limits are adjusted for family size so that larger families have higher income limits.

Very Low-Income Limits:

relevant four-person income limit.) All income limits are rounded to the nearest $50 to reduce administrative burden.

Income Limit Area Definitions:

HUD income limit areas are the same as FMR areas. HUD normally uses current Office of Management and Budget (OMB) Metropolitan Statistical Area (MSA) and Primary Metropolitan Statistical Area (PMSA) definitions to define income limits areas because they closely correspond to housing market area definitions. The exceptions are counties deleted from six metropolitan areas whose revised OMB definitions encompass areas that were determined to be larger than the housing market areas. These counties have been assigned their own income limits based on county-level data. The six metropolitan areas and the respective counties deleted from them are as follows:

AREA	Counties Deleted from OMB Definition
Chicago, IL:	DeKalb, Grundy and Kendall Counties
Cincinnati-Hamilton, OH-KY-IN:	Brown County, Ohio; Gallatin, Grant and Pendleton Counties in Kentucky; and Ohio County, Indiana
Dallas, TX:	Henderson County
Flagstaff, AZ-UT:	Kane County, Utah
New Orleans, LA:	St. James Parish
Washington, DC-MD-VA-WV:	Berkeley and Jefferson Counties in West Virginia; and Clarke, Culpeper, King George and Warren counties in Virginia

Two changes have been made in the past year that affect FY 1999 income limits. The Census and Office of Management and Budget defined Missoula County, Montana, as a new Metropolitan Statistical Area. In addition, the 1998 Act Amendments direct that Rockland County, New York, which is part of the New York City Primary Metropolitan Statistical Area, should have separate income limits based on data for the county.

HUD Field Office Responsibilities:

HUD field offices with assisted housing program functions are responsible for maintaining records of income limits for areas within their jurisdiction. Notification of income limit revisions should be promptly distributed to program participants, and Field Offices should be prepared to make income limits available to the public upon request.

Requests from the public for sets of national or regional income limits may be referred to the HUD USER Reference Service, whose toll-free number is 1-800-245-2691. In addition, FY 1999 income limits have been placed on the World Wide Web (www.huduser.org\data\factors.html). Questions related to how these income limits apply to the programs of State and other Federal agencies should be referred to those agencies. Questions concerning the methodology used to develop these income limits are addressed in the FY 1999 Income Limits Briefing Material supplied to all HUD field economists. This document is also available from HUD USER.

very low-income limits are calculated using a set of formula relationships. The first step in calculating very low-income limits is to calculate what they would be if the four-person limit is based on 50 percent of the estimated area median family income. Adjustments are then made if this number is outside of formula constraints.

More specifically, the very low-income limit for a four-person family is calculated as follows:

1. 50 percent of the area median family income is calculated and set as the tentative four-person family income limit;

2. if it is lower, the four-person income limit is increased to the amount at which 35 percent of it equals 85 percent of the annualized two-bedroom Section 8 FMR (this adjusts income limits upward for areas where rental housing costs are unusually high in relation to the median income);

3. if it is higher, the four-person income limit is reduced to the amount at which 30 percent of it equals 120 percent of the two-bedroom FMR (this adjusts income limits downward for areas where rental housing costs are unusually low in relation to the median income);

4. to minimize program management problems, income limits are being held at FY 1998 levels in areas where FMR reductions would have resulted in lower income limits; and,

5. in no instance are income limits less than if based on the State nonmetropolitan median family income level.

Low-Income Limits:

Most four-person low-income limits are the higher of 80 percent of the area median family income or 80 percent of the State nonmetropolitan median family income level. Because the very low-income limits are not always based on 50 percent of median, calculating low-income limits as 80 percent of median would produce anomalies inconsistent with statutory intent (e.g., very low-income limits could be higher than low-income limits). The calculation normally used, therefore, is to set the four-person low-income limit at 1.6 (i.e., 80%/50%) times the relevant four-person very low-income limit. The only exception is that the resulting income limit may not exceed the U.S. median family income level ($47,800 for FY 1999) except when justified by high housing costs. Use of very low-income limits as a starting point for calculating other income limits has the effect of adjusting low-income limits in areas where the very low-income limits have been adjusted because of unusually high or low housing-cost-to-income relationships.

Family Size Adjustments:

By statute, family size adjustments are required to provide higher income limits for larger families and lower income limits for smaller families. The factors used are as follows:

<u>Number of Persons in Family and Percentage Adjustments</u>

1	2	3	4	5	6	7	8
70%	80%	90%	Base	108%	116%	124%	132%

Income limits for families with more than eight persons are not included in the printed lists because of space limitations. For each person in excess of eight, 8 percent of the four-person base should be added to the eight-person income limit. (For example, the nine-person limit equals 140 percent [132 + 8] of the

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ARIZONA

Park Fees Rise

Tucson residents now have to pay more to visit the city zoo. pools, or recreation centers to help pay off the city's golf-course deficit, according to local reports.

Park and recreation fees increased an average of 21.7% on Wednesday. The fee increases, approved in May, will help pay down about $7 million in debt sold for capital improvements to the public golf courses.

City officials, however, did not raise fees for the golf courses themselves in order to avoid losing golfers to neighboring courses, which would only complicate efforts to repay the debts.

Although the fee increases will help buffer the burden, other options are being explored.

The city's Parks Department is studying whether it should sell one golf course or the land around it, or else lease other courses.

A report on the options is due next month.

—Andrea Figler

CALIFORNIA

Smokers Appeal

A smokers' rights group has filed yet another appeal in an attempt to block the distribution of the $206 billion owed to municipalities around the county as part of the national tobacco liability settlement.

Two weeks ago a state court of appeals rejected an attempt by Smokers for Fairness to block the delivery of California's share of the settlement. California and its municipalities are set to earn $25 billion from the deal.

The group tried to block delivery of the money by arguing in court that smokers are unfairly taxed to pay for the settlement. A Superior Court judge had earlier rejected the claim, and the group appealed.

The court found that the group had not taken the necessary procedural steps required for an appeal. The group, which on Monday asked the court to reconsider its decision, says it will fight all the way to the U.S. Supreme Court to block the delivery of the money. The group has filed a similar motion in New York.

While municipalities across the country have suggested ways to secure bonds with the money, most governments in California have not yet latched onto the idea. However, Orange County is floating an idea to use some of the money to pay down bankruptcy-related debt.

— Michael E. Marois

HFA Cap Upped

Gov. Gray Davis Monday signed a bill into law that increases the borrowing cap for the California Housing Finance Authority to a maximum of $8.9 billion, a jump of $2.2 billion.

Gov. Gray Davis
California

California's HFA, one of the nation's most active state housing authorities, hopes to lend $1 billion in single-family mortgages annually in the next five years. The HFA, which finances loans for first-time homebuyers, had a statutory borrowing cap of $6.75 billion. Lawmakers have raised the HFA's borrowing cap nine times since 1980, most recently during last year's regular session, when they bumped it up by $1.4 billion. The state treasurer sells HFA bonds through a negotiated pool of underwriters.

— Michael B. Marois

Big Highway Needs

A highway construction industry and labor lobby this week released a report stating that California has fallen so far behind in highway spending that it now has an estimated $83 billion in transportation needs.

The group, called Transportation California, wants lawmakers to spend the $1.5 billion currently idle in the state's highway construction fund. The need for more highway spending is compounded by the state's rapidly growing population, which is increasing by as much as 600,000 new residents every year.

"The most obvious result of this underinvestment is that individual Californians waste a lot of time traveling for business and pleasure," said the group's chairman Bert Sandman. "The state's businesses are losing employee time and productivity, as well as incumng additional cost in the transportation of goods and services."

The study comes as lawmakers are debating two key pieces of highway funding legislation. One bill would ask voters to borrow $16 billion in bonds by placing a $4 billion bond measure on the ballot every other year for eight years, starting next year. The other measure would lower the voter threshold for sales tax increases. Sales taxes are often the source for highway funds in California.

— Michael B. Marois

Spaceports Boosted

The state Assembly this week approved a joint resolution to support federal legislation to classify spaceports as tax-exempt facilities and allow local governments to sell bonds for developing infrastructure.

The resolution, introduced last month, is geared to help persuade space technology companies to build spaceports in California.

"Many, many states are starting to see what the future holds," said Eric Daniels, a lobbyist for California Space and Technology Alliance. "Our goal is to try to help create the infrastructure in the state of California. And that has a ripple effect. If you're going to launch in California, you're probably going to manufacture in California."

This summer, U.S. congressmen introduced bills to place spaceports in the same tax-exempt category as airports and seaports to enable them to sell bonds exempt from the private-activity bond volume cap.

California has about four companies interested in building a launching system. but Daniels would only disclose one, Lockheed-Martin, which owns the VentureStar system. VentureStar is a satellite deployment system geared to replace NASA's space shuttle that can

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Visible Supply by State

State	September 2, 1999 Issues	Amount	August 26, 1999 Issues	Amount	Chg in Amt
Alaska	0	$0	1	$76.000.000	-$76.000.000
Arizona	1	118,100,000	1	118,100,000	0

Far West: GO Yield Curves for

state	Ratings	One-Year
California	Aa3/AA-/AA-	3.58
Oregon	Aa2/AA/AA	3.70