The Impact of
Market Rate Vacancy Increases
Eleven-Year Report

January 1, 1999 - December 31, 2009

Santa Monica Rent Control Board
April 2010

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IMPACT OF MARKET RATE VACANCY INCREASES

SUMMARY

Until the late 1990s, the vacancy control provision of Santa Monica's rent control law moderated the cost of the city's entire controlled rental housing supply. This changed when the California Legislature passed the Costa-Hawkins Rental Housing Act, which allowed landlords to charge market rents for most new tenancies. Enacted in 1995, the law was phased in over a three-year period from 1996 to 1999, and has now been fully in effect for 11 years. This report surveys the effect that this state law change has had on Santa Monica's rent-controlled housing stock.

Not surprisingly, the most dramatic effect has been on cost. For the almost 16,000 units that have been rented at market rates, the median rent for a studio apartment that would have been $703 per month if continually controlled is now $1,141; median rents for one-bedroom apartments that would have been $799 per month are $1,514; rents that would have been $1,024 are now $2,000 per month for two-bedroom apartments; and those that would have been $1,299 are now $2,643 for apartments with three or more bedrooms.

This change in cost has also affected affordability. Federal housing guidelines provide that households should spend no more than 30% of their gross incomes (with some adjustment for family size) on housing. Under these guidelines, Santa Monica families must earn $65,200 a year in order to be able to afford a market-rate studio apartment, and nearly $100,000 a year to afford a unit with three or more bedrooms. This dramatic increase in the income needed to afford Santa Monica market-rate rents has been matched by the reduction in the number of units affordable to the economically disadvantaged. Since Costa-Hawkins's full phase in, 15,955 of 27,507 controlled units (58%) have been rented at market rate. The unlimited rent increases allowed on vacancies mean that many units once affordable to lower-income households (including 6,684 that were formerly affordable to very-low-income households) are now affordable only to families making more than 100% of the Los Angeles area's median family income.

Although these data are suggestive, the unavailability of hard facts makes it impossible to know whether, or in what ways, the increased cost and decreased supply of affordable housing have affected the diversity of Santa Monica's population. With the release of 2010 census data later this year, this should become easier to determine and will be addressed in next year's report.

One thing that is already certain, however, is the change that Costa-Hawkins has made to neighborhood stability. Of the 58% of all rent-controlled units that have

been rented at market rate, most have turned over at least twice since 1999. Nearly a quarter have been re-rented four or more times at market rate.

All of these changes have been occurring over the past 11 years and are only likely to continue. There is one bright spot in this year's report, however: the median market-rate rent actually went down slightly—the first time that this has happened since Costa-Hawkins was enacted in 1999.

This year's report attempts to put the facts and figures into a broader historical and economic context. This context makes clear that, while there will be times like the present when a troubled economy drives rents down, the historical trend is upward, and away from affordability. This is important because it has been times like these, when there has been little or no upward pressure on rents, that local rent control laws seem to have been least valued. This makes sense; in the absence of an immediate problem that such laws visibly solve, their value is less readily apparent. But once weakened, rent-control laws cannot mitigate the harms that they were intended to guard against when the need returns. This report, looking back at more than a decade's worth of experience with the most significant weakening of local rent-control laws since their passage in the late 1970s, provides a sobering illustration of this point.

VACANCY DECONTROL'S EFFECTS ON RENT LEVELS

In the eleven years since Costa-Hawkins was enacted, 15,955 units have experienced at least one market-rate increase. Those 15,955 units represent 58% of the 27,507 controlled units for which the Agency has registered rents.[1] According to Agency records, 42% of all controlled units (11,552) have never received market-rate increases.

Last year, 3,113 units were re-rented at market rate; of these, 2,682 had already been rented at market level before 2009, and had simply experienced another turnover. Four hundred thirty-one units were rented at market rate for the first time last year.

[1] For comparison, 56% of all controlled units (15,340) had been rented at market rate at the end of 2008.

Effect on Median Maximum Allowable Rents (MARs)[2]

If Costa-Hawkins had not been enacted, the median MAR for a two-bedroom apartment rented in Santa Monica last year would have been $1,024. Because of the change in the law, the actual median rent for a two-bedroom apartment rented last year was $2,095 (see table, p. 4).

The chart below shows the cumulative increase in median rents for the 15,955 units that received market rate increases between January 1, 1999 and December 31, 2009.

Vacancy Increases 1/1/99 – 12/31/09 (15,955 units)

Number of Bedrooms	**Adjusted 1998**[3] Median MARs	**Post-Increase** Median MARs	Dollar Amount Change	% Change
0	$703	$1,141	$438	62%
1	799	1,514	715	90
2	1,024	2,000	976	95
3 or +	1,299	2,643	1,344	103

The second column is the median rent that would have applied as of December 2009 in the absence of any vacancy increase. The next three columns reflect the median rent after the market rate vacancy increases; the difference, expressed in dollars, between actual cumulative median rents over the past 11 years and what they would have been in the absence of vacancy increases; and the difference expressed as a percentage.

Median MARs at Time of Rental (by Year)

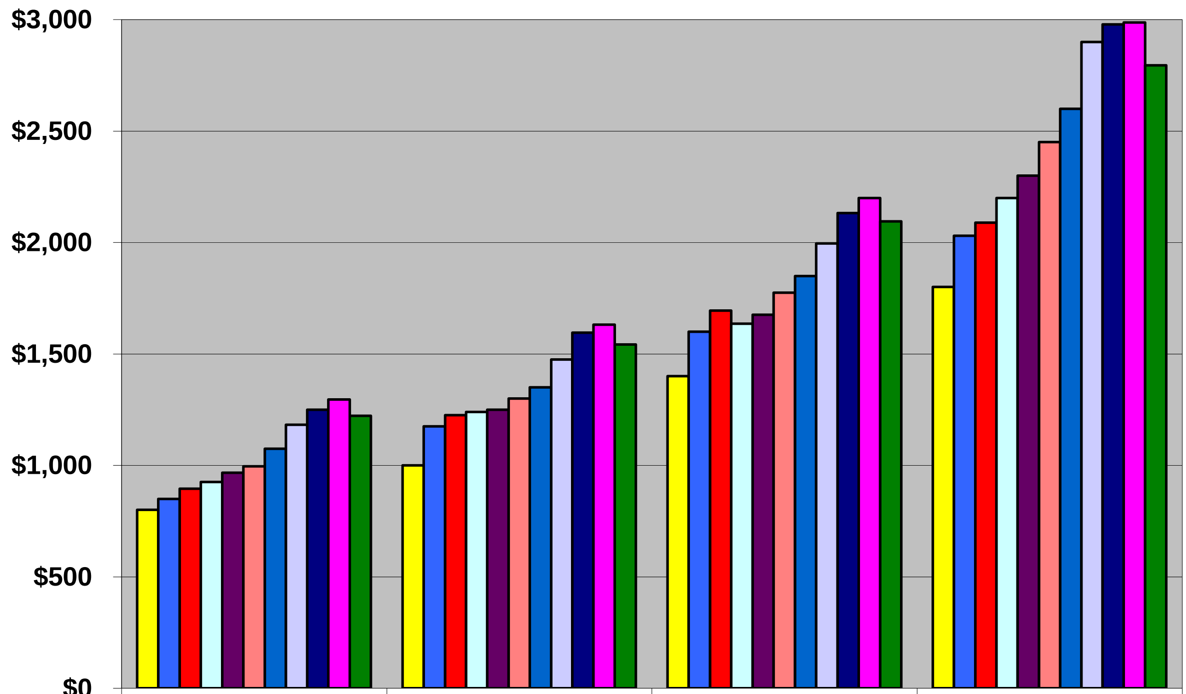
Again, the chart above shows cumulative median rents after vacancy increases over the entire 11-year period since Costa-Hawkins was enacted. Because early increases were lower than those that came later, the cumulative figures suggest that median rents are lower than they actually are.

The chart on the next page provides a more accurate understanding of how median rents have actually risen. This chart shows median post-vacancy rents by year. If a unit was rented in 1999 and re-rented again in 2009, the first market rent is reflected in the figures for 1999 and the later market rent is reflected in the figures for 2009. Additionally, if a unit was rented more than once in a year, all new rental amounts for that year are included in the calculation of that year's median rents.

[2] Median rent levels (the point at which half the rentals were higher and the other half were lower) are used throughout this report because they are considered more statistically accurate than average rents. Medians filter out the effect of rents at the extreme high and low ends.

[3] December 1998 median MARs with 1999-2009 general adjustments added.

Median MARs at Time of Rental



	0	1	2	3+
1999	$800	$1,000	$1,400	$1,800
2000	$850	$1,175	$1,600	$2,030
2001	$895	$1,225	$1,695	$2,089
2002	$925	$1,239	$1,635	$2,200
2003	$967	$1,250	$1,676	$2,300
2004	$995	$1,300	$1,775	$2,450
2005	$1,075	$1,350	$1,850	$2,600
2006	$1,182	$1,475	$1,995	$2,900
2007	$1,250	$1,595	$2,132	$2,979
2008	$1,295	$1,631	$2,200	$2,987
2009	$1,223	$1,542	$2,095	$2,795

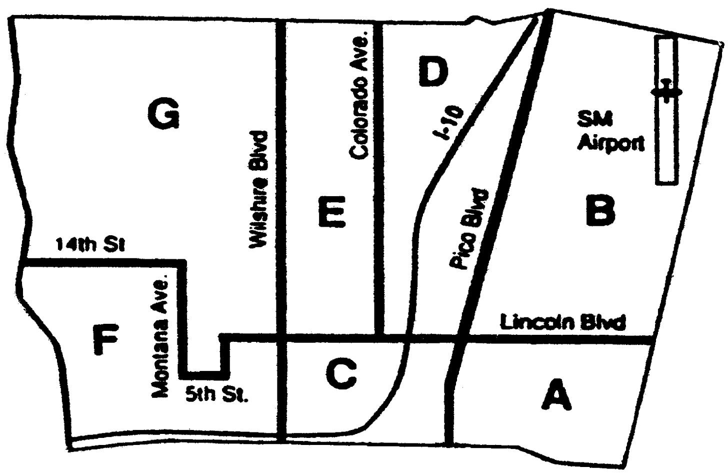
Number of Bedrooms

As shown above, the median cost of a new tenancy went down last year for the first time since Costa-Hawkins was enacted. For units with two or fewer bedrooms, 2009 initial median rents were below those established in 2007. For three-bedroom units, the 2009 initial median rents were lower than those in 2006. This is likely the result of the marked downturn in the economy that had begun in 2008 and worsened in 2009. But, as the above graph also makes clear, the general trend of rents has been upward since 1999 reflecting the high demand for rental housing in Santa Monica.

Even taking into account last year's lower median rents, the increases in median market-level rents between 1999 and 2009 have been at least 50% for all unit sizes. Median market-level rents for singles increased 53%, one-bedrooms increased 54%, two-bedrooms increased 50% and three or more-bedrooms (the smallest category of units) had the largest increase, 55%.

Market Rate Rentals by City Area

In the early 1990s, the Rent Board began to track changes in the housing stock in different areas of the city. To do this, the Board divided the city into seven areas which parallel neighborhoods and census tracts. The map below shows the city areas identified as A-G.



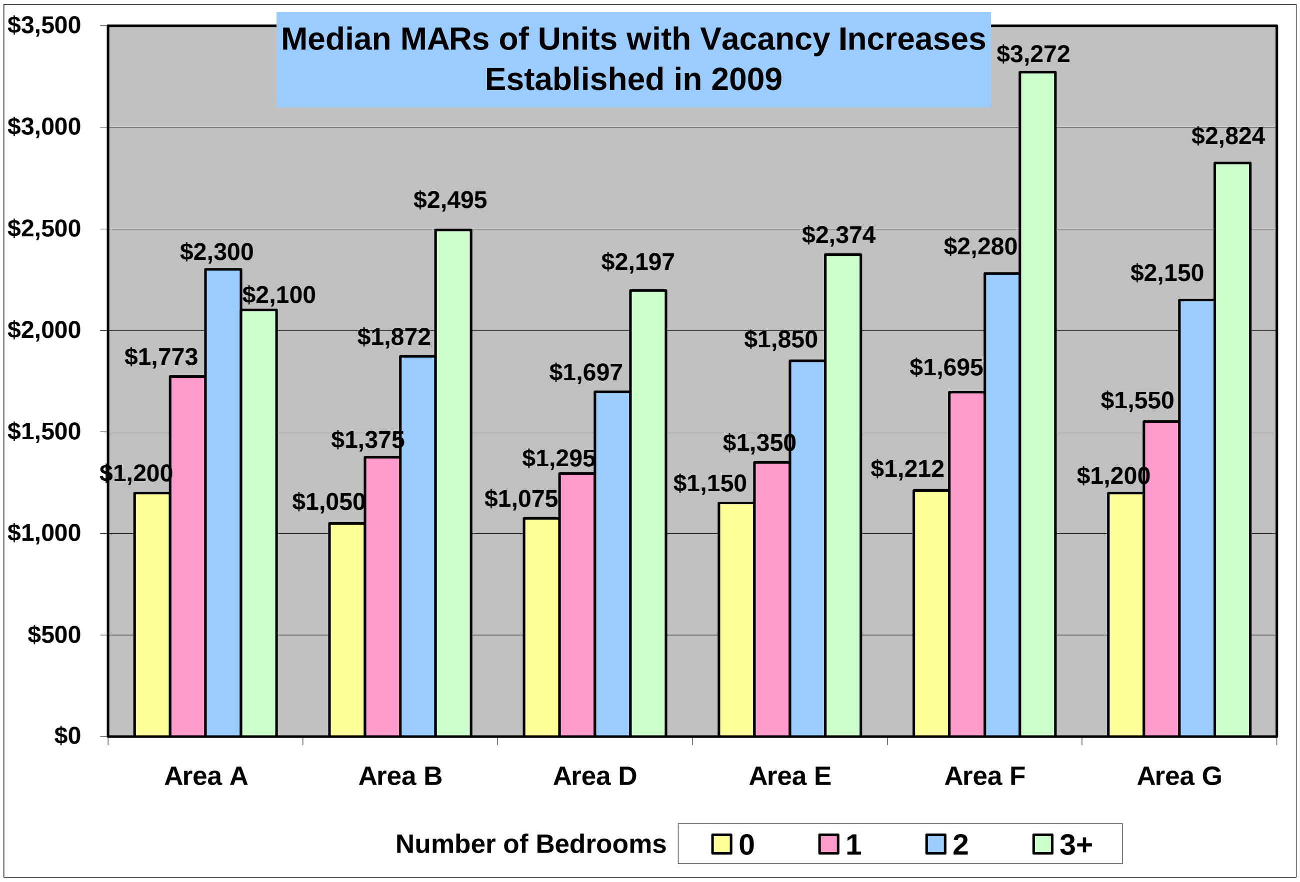
The table below shows that the distribution of units rented at market rate during the eleven years of vacancy decontrol closely parallels the distribution of rental units throughout the city. For example, Area G contains the largest percentage of controlled rental units (22%) and 23% of the market rate rentals have occurred in this area. These percentages have not changed significantly since 2003.

City Area	A	B	C	D	E	F	G
Percentage of Units	17	12	4	10	19	16	22
Percentage of Market Rentals	18	12	4	8	19	16	23

Median MARs by City Area in 2009

The following graph shows the median market rents for 2,741 of the 3,113 units in which new tenancies were established last year. For units that were rented more than once during the year, only the last initial rent charged for that unit is included.

Area C is omitted from the graph because a substantial number of units in that area have been removed from rent control since the area lines were drawn, leaving it with a significantly smaller number of controlled rental units than every other area. With just over 1,000 controlled units, two buildings on Ocean Avenue (one with 120 units and one with 288 units) alone account for more than 40% of the total, and those units are unrepresentative of the remaining 60% in both size and character. Because of Area C’s small size and the distorting impact of these two buildings, including the area in this graph would be misleading.



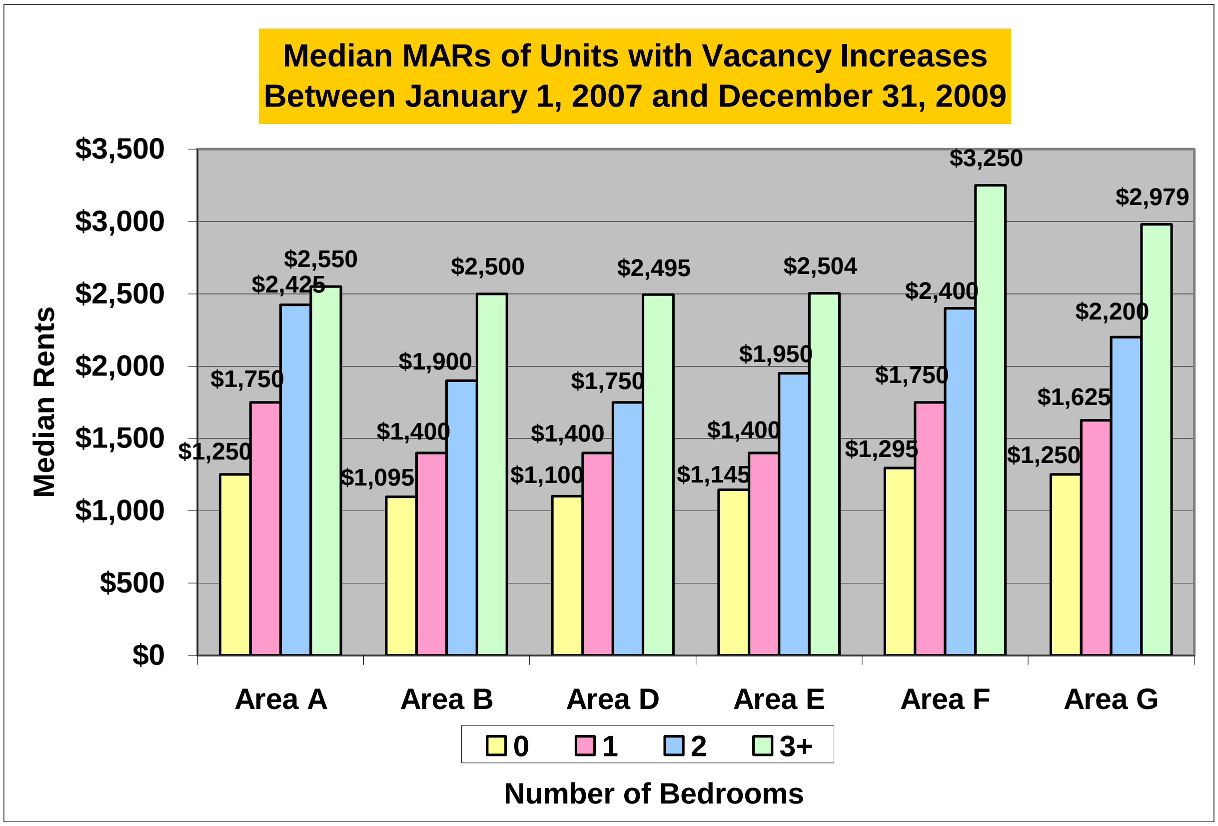
The table below details the number of units rented last year at market rate in each area, organized by number of bedrooms. As the table shows, more one-bedroom units were rented at market rate in each area than any other size unit. Conversely, very few new tenancies were established in three-bedroom units in 2009. Areas A, B, D and F had fewer than 10 units of this size rented and Area G had the largest number, 52 units.

Bedrooms	Area A	Area B	Area D	Area E	Area F	Area G	Totals
0	39	44	7	71	88	50	404
1	319	139	171	193	252	282	1,414
2	133	79	61	143	155	206	798
3+	7	9	8	25	9	52	125

The distribution of market rentals as shown in the above chart is consistent with the distribution of rent-controlled units, by size, throughout the city. Citywide, singles make up 11% of controlled units overall, and 13% of market rentals; one-bedroom apartments make up 47% of units overall and 50% of market rentals; two-bedroom units make up 34% of units overall and 32% of market rentals; and units with three or more bedrooms make up 8% of units overall and 5% of market rentals.

Median MARs by City Area—2007-2009

This graph shows median MARs by area and number of bedrooms for 6,963 units with vacancy increases established in the most recent three-year period, January 1, 2007 through December 31, 2009. This three-year view of vacancy increases provides a more complete overview of current market rate rentals because it includes significantly more units overall as well as many more units of each size.[4] As in the previous graph, if a unit was rented more than once in a year or more than once in the three-year period, only the last established market rate rent is used in the calculations. The units rented in Area C are not included.



The table below details the number of units in each category rented at market rate during the same three-year period.

Bedrooms	Area A	Area B	Area D	Area E	Area F	Area G	Totals
0	122	116	28	209	160	121	756
1	830	411	397	600	640	793	3,671
2	342	256	210	426	381	595	2,210
3+	25	32	26	75	31	137	326

[4] The rent levels for most units rented in 2007 and 2008 were registered by the owners the year they were rented. However, also included in this graph are 41 units with market rents established in 2007 and 90 units with market rents established in 2008 that were first registered by the owners in 2009.

Comparison of Market Rate Rentals Established in 2008 and 2009 by City Area

The table below compares median market rate rents established in 2008 and 2009 in each area, broken down by unit size. With just two exceptions, one-bedrooms in Area A and singles in Area E (pink highlights), initial rents across the city and for all unit sizes decreased in 2009. Again, this is likely the result of the current economic climate.

Unit Size	Area A		Area B		Area D		Area E		Area F		Area G	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
0	$1,272	$1,200	$1,176	$1,050	$1,200	$1,075	$1,100	$1,150	$1,300	$1,212	$1,200	$1,200
1	$1,750	$1,773	$1,400	$1,375	$1,499	$1,295	$1,425	$1,350	$1,781	$1,695	$1,675	$1,550
2	$2,442	$2,300	$2,000	$1,872	$1,812	$1,697	$1,995	$1,850	$2,402	$2,280	$2,250	$2,150
3+	$2,330	$2,100	$2,650	$2,495	$2,750	$2,197	$2,462	$2,374	$3,375	$3,272	$3,100	$2,824

EFFECTS ON AFFORDABILITY

The cost of rental housing in Southern California is high. In Los Angeles County generally, the current fair market value of a two-bedroom apartment is $1,420. In Santa Monica specifically, the cost is higher still. As noted above, the median new MAR established last year for a two-bedroom apartment here was $2,095, or a median annual rent of $25,140. A worker earning minimum wage, working 40 hours per week, 52 weeks a year, with no days off for illness or vacation, earns $16,640 before taxes or other payroll deductions. After paying rent, a two-adult minimum-wage earning household would have only $8,140 for the entire year (or $678 per month), *before taxes*, for all other necessities of life.

Affordability Standards

HUD affordability standards assume 30% of a household's gross income may be used for rent before the household becomes "rent burdened." In 2009, the HUD median income for a "Four-Person Household" in Los Angeles County was $62,100.

Each year, HUD establishes the very low-income limits at 50% of area median income and then uses those figures to calculate the limits for the other income categories. In counties where HUD identifies adjustment factors such as high housing costs relative to incomes, they issue an elevated very low-income limit and also make adjustments to the 60% and 80% categories. HUD made this type of adjustment for Los Angeles County in 2009. The income limits listed on the following page were determined by HUD and published in a April 9, 2009 Memorandum which is attached to this report as Attachment A.

Very Low 50%	Very Low 60%	Low 80%	Moderate 100%	Moderate 120%
$39,650	$47,580	$59,740	$62,100	$74,520

Translating Affordability into Income

The chart below shows the *minimum* total household income needed to pay for median rents at each unit size without being rent burdened. The blue numbers show the median income needed today to afford the various-size units that have not been rented at market rates. The pink numbers show the median income necessary to afford the market rate rent levels; i.e., those controlled units for which market-rate rents were established under Costa-Hawkins.

The minimum income required to afford the median rents was calculated using HUD affordability guidelines. Under those guidelines, a HUD-determined "household adjustment factor" is used to calculate the income needed for various size units, and this factor results in the unexpected similarity of the income needed to afford the singles and one-bedroom units. See calculations below.[5]

Income Needed to Afford MARs (30% Affordability Standard)
Units with Vacancy Increases 1/1/99 – 12/31/09 (15,955 units)

No. of Bedrooms	Adjusted 1998[6] Median MARs	Income needed to Afford MAR	Post-Increase Median MARs	Income Needed to Afford MAR	Income Difference
0	$703	$40,171	$1,141	$65,200	$25,029
1	799	39,950	1,514	75,700	35,750
2	1,024	43,116	2,000	84,211	41,095
3 or more	1,299	47,889	2,643	97,438	49,548

As the chart shows, depending on the size of a unit, the household income needed to "afford" the median market rent is $25,029 - $49,548 higher than the income needed to afford the median rent of that same size unit if it had not received a market rate increase. This is true even though the market rate units remain subject to rent control.

For market rate units, a family of four earning the county median income of $62,100 cannot rent even a single in Santa Monica without being rent burdened. But a household of four cannot realistically live comfortably in a single, which is more appropriate for a single person. A single person earning minimum wage and working full time earns well less than half of what is required to afford a single. To live in a market rate single without being rent burdened, the minimum-wage worker would have to do the impossible: work 170 hours a week—more than 24 hours a day—seven days a week, 52 weeks a year, with no unpaid time off.

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[5] Annual Income Calculation = (monthly rent/household adjustment factor/affordability standard) x 12
0-bedroom = $700/.7/30%=$3,333 x 12 = $39,996; 1-bedroom = $792/.8/30%=$3,300 x 12 = $39,600

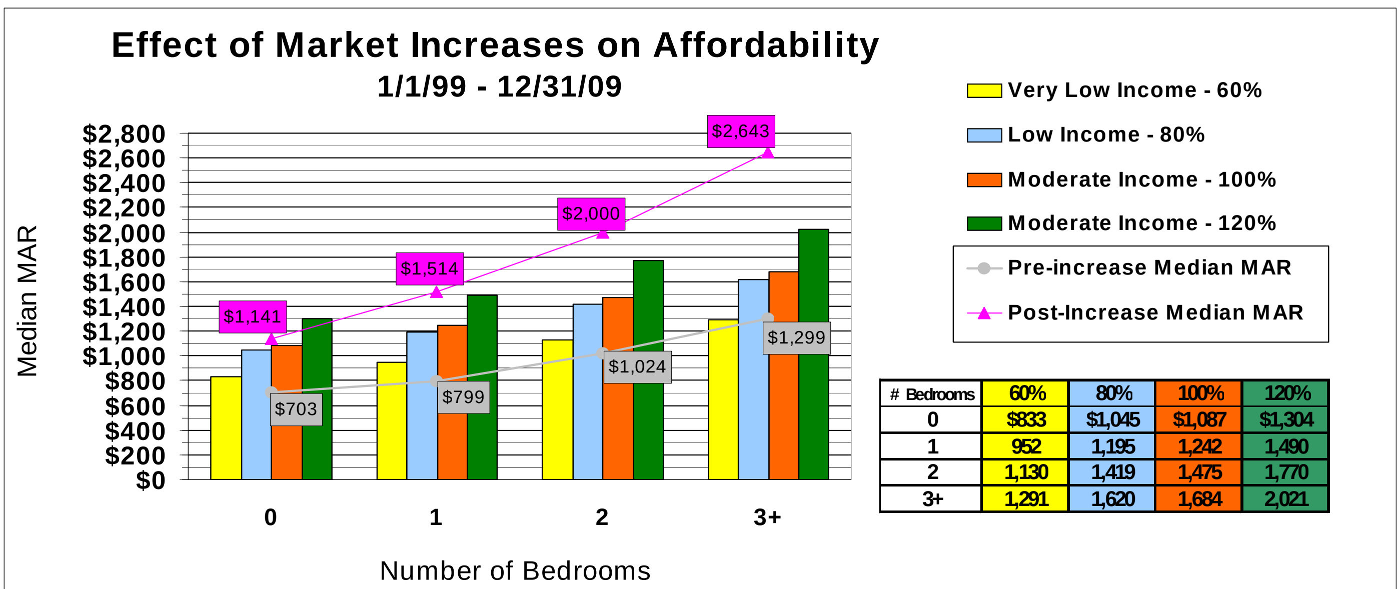
[6] December 1998 median MARs with 1999-2009 general adjustments added.

Loss of Affordability – 1/1/99 - 12/31/09

Affordable units have been lost at every affordability level and every bedroom size as a result of market rent increases since January 1, 1999. Had Costa-Hawkins not gone into effect, median rents for units of all sizes would be affordable to a household whose income is 60% of the adjusted County median. *None* of the median rents for units that have received market-rate increases, at any unit size, are affordable to a family making even 100% of median income.

After market-rate increases, the median MARs of only the singles ($1,141) are even close to the rent that would be affordable ($1,087) to households making 100% of median income. The median MARs of one-bedroom units are $24 above the affordable rent level for households at 120% of median income. Even more significantly, the median rents for two and three-bedroom units are no longer affordable even to households at 120% of the median income. (The median MAR for a two-bedroom unit is $230 above the amount affordable at 120% of median income and the median MAR for a three-bedroom unit is $622 above the amount affordable at 120% of median income.)

This information is shown in graph form below. The vertical bars represent the rents affordable to households with incomes at 60%, 80%, 100% and 120% of the adjusted county median.[7] The chart shows the corresponding rents affordable for each of the four household sizes. The gray line shows the pre-increase median MARs (with 1999-2009 GAs) and the pink line shows the post-increase median MARs for the various bedroom sizes. In order for a unit to be affordable, the top of the bar representing that income category must be above the line representing the median MARs. The table shows that the post-increase median rents are higher than the affordable rents for almost every income category and bedroom size.



# Bedrooms	60%	80%	100%	120%
0	$833	$1,045	$1,087	$1,304
1	952	1,195	1,242	1,490
2	1,130	1,419	1,475	1,770
3+	1,291	1,620	1,684	2,021

[7]Due to adjustments to low-income limits at 80% of median, there is only a small difference in rent levels affordable at 80% and 100% of median income. This is represented by the slight difference between the blue and orange bars on the graph.

Before market-level increases were implemented, a substantial number of units throughout the city were affordable to families at all income levels. Once the increases were implemented far fewer of those same units remain affordable, even though they are still subject to rent control. The table below and graph on the next page detail the dramatic shift in affordability levels for the units that have received market rate rent increases.

Affordability Distribution of 15,955 Units Before and After Increases

Affordability Category	Number of Units Before Increases	Number of Units After Increases	Difference
Very Low (50 & 60%)	7,461	777	-6,684
Low (80%)	5,535	1,544	-3,991
Moderate (100 & 120%)	2,467	4,271	+1,804
Above 120%	492	9,363	+8,871

Affordability to low-income people is generally lost with the first market rate increase. Therefore, the filing of a subsequent market rate increase on the same unit usually does not result in the additional loss of an affordable unit.

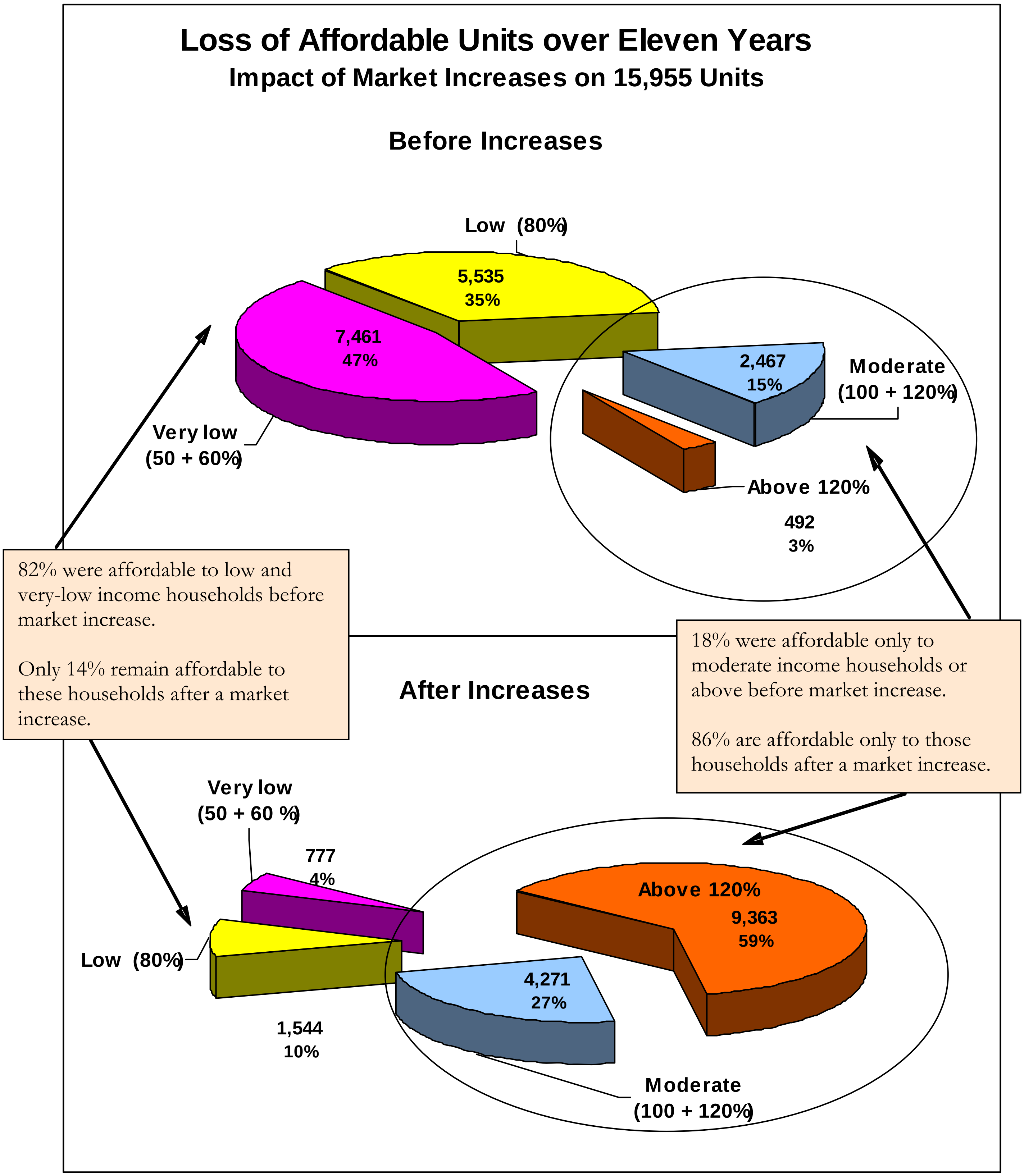
In summary:

- Before the increases, 47% of the units had median rent levels affordable to **very-low income** households. After the increases, just 4% of the units remained affordable at this income level. This represents a loss of affordability of 6,684 units.

- Before the increases, 82% of the units had median rent levels affordable to low or very-low income households. After the increases, only 14% of the units remained affordable to these households.

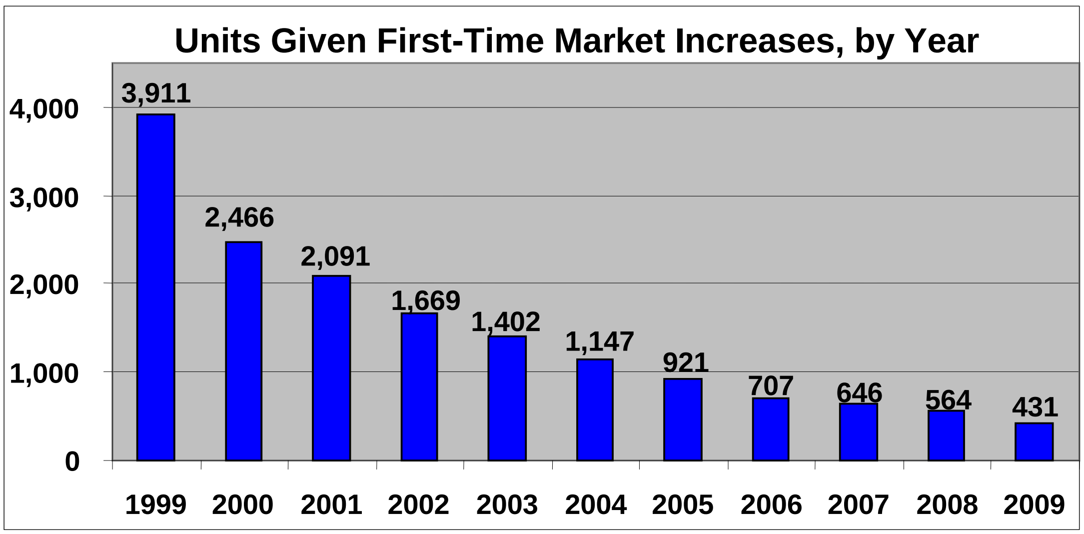
- Fifty-nine percent (59%) of units rented at market rate are affordable only to people making more than 120% of the median income for a family of four ($74,520).

The pie chart on the next page graphically details the shifts in affordability of the units rented at market rate.


Loss of Affordable Units over Eleven Years
Impact of Market Increases on 15,955 Units
Before Increases
Low (80%)
5,535
35%
7,461
47%
Very low
(50 + 60%)
2,467
15%
Moderate
(100 + 120%)
Above 120%
492
3%
82% were affordable to low and very-low income households before market increase.
Only 14% remain affordable to these households after a market increase.
18% were affordable only to moderate income households or above before market increase.
86% are affordable only to those households after a market increase.
After Increases
Very low
(50 + 60 %)
777
4%
Low (80%)
1,544
10%
Above 120%
9,363
59%
4,271
27%
Moderate
(100 + 120%)

NUMBER OF UNITS RENTED AT MARKET RATES
JANUARY 1999 - DECEMBER 2009

As noted previously in this report, 15,955 units experienced at least one market-rate increase in eleven years since Costa-Hawkins was enacted. The table below shows that the number of units rented at market rate for the first time each year has declined. Although 615 units were registered as being rented at market rate for the first time in 2009, only 431 of those were actually rented in 2009; the remaining 184 had been rented in previous years but registered late. The 431 units rented market in 2009 represent just 1.6% of all controlled rental units and 3.6% of the units that had not yet been rented at market rate by the end of 2008.



The table above shows the number of units given a market-rate increase for the first time in each year since Costa-Hawkins was enacted. The chart reflects the year the rents were implemented, not the year they were registered with the Rent Control Board.

Rates of Re-Rental – Multiple Increases per Unit

After eleven years of vacancy decontrol, sixty-four percent (64%) of the units rented at market rate have been re-rented at least once since the first market rate rental.[8] Of the 15,955 units rented at market rate so far, 25% (4,043) have experienced two vacancies and re-rentals, 17% (2,764) have had three, and 22% (3,541) have had four or more re-rentals.

The continuing increase in units with more than one market rate rental shows that once a unit is rented at market rate, it is likely to receive subsequent vacancies and re-rentals in a relatively short period of time. In fact, of the 3,113 market rate

[8] At the end of 2008, 63% of the units rented at market rate had been re-rented at least once.

tenancies established in 2009, only 431 were in units rented at market rate for the first time. More than 86% of the market rate rentals in 2009 were in units that had been rented at market rate at least once before.

CONCLUSION

While the number of first-time market-rate rentals of controlled units declined last year, as it has every year since 1999, the cumulative number of controlled market-rate units continues to rise. Thus, there has been a slowing of the rate at which long-term controlled units are rented at market level even as the overall trend toward more and more units being rented at market level continues. And as this trend continues, rents overall continue to climb ever farther out of the reach of households making less than the area median income. It appears likely that, for much of the workforce, establishing an affordable new tenancy in Santa Monica has become out of reach.

This increase in the number of units rented at market rates has had an effect on neighborhood stability, and may also have affected the diversity of the Santa Monica population, two subjects that will be addressed in next year's report.

In the meantime, the following facts are known:

- Once a unit is rented at market rate, the tenant has less incentive to stay in place, so the unit may receive subsequent vacancies in a relatively short period. At the end of 2009, 65% of units rented at market rate have been re-rented at least once since the first market-rate rental. Twenty-two percent of these units have been re-rented at market level four or more times.

- Upon re-rental, median MARs have increased from $703 to $1,141 (62%) for singles; from $799 to $1,514 (90%) for one-bedroom units; from $1,024 to $2,000 (95%) for two-bedroom units; and from $1,299 to $2,643 (103%) for units with three or more bedrooms.

- Depending on unit size, as measured by the number of bedrooms, the household income needed to afford the median market rent at 30% of gross income ranges from $65,200 to $97,438. This is between $25,029 and $49,548 higher than the income needed to afford the median rent of the same size unit that has not yet received a market-rate increase.

- To date, 15,955 units have been re-rented at market level. Of those, 10,675 had been affordable to low-income households before the re-re-rental and now are not. Of the 10,675 that had been affordable to low-income households, 7,461 had been affordable to very-low-income households and now are not.

STATE OF CALIFORNIA -BUSINESS, TRANSPORTATION AND HOUSING AGENCY ARNOLD SCHWARZENEGGER, Governor

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MEMORANDUM

DATE: April 2, 2009

TO: **Interested Parties**

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

SUBJECT: **Official State Income Limits for 2009**

Attached are official State Income Limits for 2009 for all counties reflecting extremely low-, very low-, lower-, median-, and moderate-income for households of various sizes. These income limits are posted at the Department of Housing and Community Development's (Department) website <http://www.hcd.ca.gov/hpd/hrc/rep/state/incNote.html> and replace those in effect until this posting.

These official State Income Limits are for determining eligibility of household incomes or calculating housing cost amounts for housing assistance programs. Note that use of these official State Income Limits is subject to a particular program's definition of income, family, family size, effective dates, and other factors. Also, definitions applicable to income categories, criteria, and areas sometimes differ between programs, and there are other sets of income limits used by some programs.

California Health and Safety Code (H&SC) provides that limits for the extremely low- (H&SC 50106), very low- (H&SC 50105), and low- (H&SC 50079.5) income categories are the same as those in the equivalent levels established by the U.S. Department of Housing and Urban Development (HUD) for its Section 8 Housing Choice Voucher (HCV) Program. Pursuant to State law, the Department is required to publish these State income limits after HUD's release of its new income limits which occurred on March 19, 2009.

California Health and Safety Code Section 50093(c) requires the Department to file with the Office of Administrative Law changes that revise Section 6932 of Title 25 of the California Code of Regulations. The changes contain: (1) HUD's updated income limits for extremely low-, very low-, low-income households, and area medians and, (2) the Department's updated income limits for moderate-income households and adjustments to some area medians.

If you have any questions concerning these income limits, please contact Department staff at (916) 445-4728.

Attachment

ATTACHMENT A

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

Methodology

The extremely low-, very low-, and lower-income limits contained in California Code of Regulations Section 6932 equal the extremely low-, very low-, and low-income limits established by the U.S. Department of Housing and Urban Development (HUD) for use in its Section 8 Housing Choice Voucher Program. Based on HUD's limits, the Department: (1) adjusts the median figure for some counties so there is no decrease from last year's limits, and for a few other counties applies the higher state "non-metropolitan" median figure; and (2) sets the State's moderate-income limits at 120 percent of the median figure.

HUD's FY 2009 estimates make more extensive use of ACS data than previous years. All estimates are projected forward from 2007 to April 1, 2009, using an annual trend factor of 3.0 percent.

In preparing the 2009 income limits, HUD used the 2007 American Community Survey (ACS) three year data published by the Bureau of the Census. Since the ACS responses where delivered between 2005 and 2007, the impact of the recession which began in 2008 on family incomes is not measured by these data. While HUD's FY 2009 median family income (MFI) estimates are still updates of 2000 Census data, the 2009 HUD update factors are similar to the methodology employed to generate FY 2008 update factors; however, FY 2009 estimates use three year ACS data because more areas are covered by the three year estimates. In general:

- FY 2009 estimates are based on local area ACS 2007 surveys for places of 20,000 or more, where such surveys have been published.
- Estimates for all other areas now reflect the state-level change between the 2000 Census state and 2007 ACS state estimates.

HUD first estimates median family income for the metropolitan statistical area (MSA) or for the sub-area (termed "HMFA" for HUD Metropolitan Fair Market Rent Area). Where an area or county has a condition that warrants special consideration, called an exception, HUD adjusts the limit for an income category. Upward adjustments are made either to the level of the State non-metropolitan median for high housing costs or because of a historical exception. Adjustments to the low-income limit are capped by the U.S. median. However, if an adjustment resulted in an income limit below that of last year, then, for the extremely low-, very low-, and low-income limits, HUD kept the limit at the level of the prior year.

Generally, but not always, the area median income (AMI) is the greater of either: 1) the median family income (MFI) for a county's metropolitan statistical area or its non-metropolitan county; 2) the MFI for non-metropolitan counties statewide ($55,800 for 2009); or 3) the AMI of the prior year. Once HUD establishes the very low-income limits, they are then used to determine the limits for extremely low- and low-income categories. HUD's four-person very low-income limit usually equals 50 percent of MFI. Also, in most cases, the four-person median-income limit equals two times HUD's four-person very low-income limit, except when an adjustment has been made. For areas, in which the estimated MFI has decreased, HUD applies a "hold-harmless policy" to set the four-person median at the higher of normal income limit calculations or at the previous year's income limits. Based on HUD's historical exceptions, the Department uses either the higher of HUD's current year updated estimated MFI or last year's AMI as the median figure. Finally, in some counties, adjustments and rounding conventions cause the four-person median income limit to be less than two times the four-person very low-income limit.

Although many four-person low-income limits equal 80 percent of the area median income, HUD's briefing materials specify that the low-income limits actually are calculated using 160 percent of the relevant four-person very low-income limit, with some HUD exceptions. An exception for some high income areas means that the four-person low-income limit is different from what the 160 percent calculation would yield because a maximum, or cap, was applied by HUD. An exception for high housing costs relative to incomes means that, although HUD may have raised the low-income limit for an area, HUD may not have raised the limit for the very low-income category. In sum, what is called, for example, an "80%" limit cannot be assumed to equal 80 percent of the AMI or four-person median income limit nor 160 percent of the very low-income limit due to HUD's adjustments.

California's extremely low-income limits are HUD's limits for "30% of Median". HUD calculates its "30% of Median" limits using 60 percent of the relevant very low-income limits, but with a floor set at the minimum Supplemental Security Income (SSI).

Income limits for all income categories are adjusted for household size so that larger households have higher income limits than smaller households. For all income categories, the income limits for household sizes other than four persons are calculated using the four-person income limit as the base. HUD's adjustments use the following percentages, with results rounded to the nearest $50 increment:

Number of persons in Household:	1	2	3	4	5	6	7	8
Adjustments:	70%	80%	90%	Base	108%	116%	124%	132%

For households of more than eight persons, refer to the formula at the end of the table of the 2009 Income Limits. Due to the adjustments HUD can make between income limits in a given county, these tables should be the only method of determining eligibility. Arithmetic calculations are applicable only when a household has more than eight members.

References: FY 2009 HUD Income Limits Transmittal Notice PDR-2009-02 issued March 19, 2009 and FY 2009 HUD Income Limits Briefing Material dated March 11, 2009 available at <*http://www.huduser.org/datasets/il/il09/index.html*>.

County	Income Category	1	2	3	4	5	6	7	8
		Number of Persons in Household							
Los Angeles County	Extremely Low	16,650	19,050	21,400	**23,800**	25,700	27,600	29,500	31,400
Area Median Income:	Very Low Income	27,750	31,700	35,700	**39,650**	42,800	46,000	49,150	52,350
62,100	Lower Income	44,400	50,750	57,100	**63,450**	68,550	73,600	78,700	83,750
	Median Income	43,450	49,700	55,900	**62,100**	67,050	72,050	77,000	81,950
	Moderate Income	52,150	59,600	67,050	**74,500**	80,450	86,400	92,400	98,350
Madera County	Extremely Low	11,750	13,400	15,100	**16,750**	18,100	19,450	20,750	22,100
Area Median Income:	Very Low Income	19,550	22,300	25,100	**27,900**	30,150	32,350	34,600	36,850
55,800	Lower Income	31,250	35,700	40,200	**44,650**	48,200	51,800	55,350	58,950
	Median Income	39,050	44,650	50,200	**55,800**	60,250	64,750	69,200	73,650
	Moderate Income	46,850	53,550	60,250	**66,950**	72,300	77,650	83,000	88,350
Marin County	Extremely Low	23,750	27,150	30,550	**33,950**	36,650	39,400	42,100	44,800
Area Median Income:	Very Low Income	39,600	45,250	50,900	**56,550**	61,050	65,600	70,100	74,650
96,800	Lower Income	63,350	72,400	81,450	**90,500**	97,700	104,950	112,200	119,450
	Median Income	67,750	77,450	87,100	**96,800**	104,550	112,300	120,050	127,800
	Moderate Income	81,300	92,900	104,550	**116,150**	125,450	134,750	144,050	153,300
Mariposa County	Extremely Low	11,900	13,600	15,300	**17,000**	18,350	19,700	21,100	22,450
Area Median Income:	Very Low Income	19,800	22,650	25,450	**28,300**	30,550	32,850	35,100	37,350
56,600	Lower Income	31,700	36,250	40,750	**45,300**	48,900	52,550	56,150	59,800
	Median Income	39,600	45,300	50,950	**56,600**	61,150	65,650	70,200	74,700
	Moderate Income	47,550	54,300	61,100	**67,900**	73,350	78,750	84,200	89,650
Mendocino County	Extremely Low	11,750	13,400	15,100	**16,750**	18,100	19,450	20,750	22,100
Area Median Income:	Very Low Income	19,550	22,300	25,100	**27,900**	30,150	32,350	34,600	36,850
55,800	Lower Income	31,250	35,700	40,200	**44,650**	48,200	51,800	55,350	58,950
	Median Income	39,050	44,650	50,200	**55,800**	60,250	64,750	69,200	73,650
	Moderate Income	46,850	53,550	60,250	**66,950**	72,300	77,650	83,000	88,350
Merced County	Extremely Low	11,750	13,400	15,100	**16,750**	18,100	19,450	20,750	22,100
Area Median Income:	Very Low Income	19,550	22,300	25,100	**27,900**	30,150	32,350	34,600	36,850
55,800	Lower Income	31,250	35,700	40,200	**44,650**	48,200	51,800	55,350	58,950
	Median Income	39,050	44,650	50,200	**55,800**	60,250	64,750	69,200	73,650
	Moderate Income	46,850	53,550	60,250	**66,950**	72,300	77,650	83,000	88,350
Modoc County	Extremely Low	11,750	13,400	15,100	**16,750**	18,100	19,450	20,750	22,100
Area Median Income:	Very Low Income	19,550	22,300	25,100	**27,900**	30,150	32,350	34,600	36,850
55,800	Lower Income	31,250	35,700	40,200	**44,650**	48,200	51,800	55,350	58,950
	Median Income	39,050	44,650	50,200	**55,800**	60,250	64,750	69,200	73,650
	Moderate Income	46,850	53,550	60,250	**66,950**	72,300	77,650	83,000	88,350
Mono County	Extremely Low	14,050	16,100	18,100	**20,100**	21,700	23,300	24,900	26,550
Area Median Income:	Very Low Income	23,450	26,800	30,150	**33,500**	36,200	38,850	41,550	44,200
67,000	Lower Income	37,500	42,900	48,250	**53,600**	57,900	62,200	66,450	70,750
	Median Income	46,900	53,600	60,300	**67,000**	72,350	77,700	83,100	88,450
	Moderate Income	56,300	64,300	72,350	**80,400**	86,850	93,250	99,700	106,150
Monterey County	Extremely Low	14,150	16,150	18,200	**20,200**	21,800	23,450	25,050	26,650
Area Median Income:	Very Low Income	23,550	26,900	30,300	**33,650**	36,350	39,050	41,750	44,400
67,300	Lower Income	37,700	43,100	48,450	**53,850**	58,150	62,450	66,750	71,100
	Median Income	47,100	53,850	60,550	**67,300**	72,700	78,050	83,450	88,850
	Moderate Income	56,550	64,600	72,700	**80,750**	87,200	93,650	100,150	106,600

Note: See instructions/example on last page to determine income limit for households larger than 8 persons