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## City of Los Angeles



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### **Los Angeles Housing Department (LAHD) Rent Increase Policy**

Since the dissolution of the former Community Redevelopment Agency of Los Angeles (CRA/LA) and the transfer of its housing assets to the City of Los Angeles in 2013, LAHD has monitored a portfolio of over 40,000 affordable housing units. As part of these asset management and occupancy monitoring responsibilities, LAHD is tasked with ensuring that any rent increases involving affordable units are performed in accordance with California State policy, California redevelopment law, and the former CRA/LA policy.

For all affordable housing projects monitored by LAHD, the following policy regarding rent increases shall apply:

#### **1. CRA/LA or State Funded Projects**

For projects financed with either CRA/LA or any other state funding - with some exceptions for those projects that use different program definitions of income, family and household size, etc., including but not limited to Multifamily Tax Subsidy Projects - all annual rent increases for affordable units shall be based on the California Department of Housing and Community Development (HCD) State Income Limit schedules published annually by HCD and shall be calculated according to HCD published methodology for adjustments for household size and other factors. (See 25 California Code of Regulations Section 6932, Income Limits.) Rent increases in excess of the percentage increase in the HCD-calculated Area Median Income (AMI) are not allowed, and such overages must be credited back to tenants of the affordable units. During years in which HCD-calculated AMI does not increase, no rent increases of any kind are allowed for affordable units monitored by LAHD, including those rents that are below the Maximum Allowable Limit. If an owner/property manager did not increase the rent by the percentage allowed as published by HCD during previous years, no accumulation of rent increases is allowed in order to "catch-up" the rents to the Maximum Allowable Limit.

For more information on this policy, interested owners or property managers can view the 2010 change in HUD's "Hold Harmless" policy and the 2013 "Hold Harmless" policy adapted by HCD. These changes in policy are explained in the February 25, 2013 Memorandum from HCD to the Interested Parties. It is entitled "State Income Limits for 2013 Reflecting New State Hold Harmless Policy." A copy of the HCD Memorandum is attached to this LAHD Rent Increase Policy. The Hold Harmless policy protects from unanticipated decreases in project rental income that can jeopardize the viability of existing and future affordable housing projects and discourage providing more affordable units that are most in demand by persons with the lowest household incomes. Additional information is available on the HCD website at <http://www.hcd.ca.gov/>.

## **2. Federally Funded Projects**

For federally funded projects, LAHD will allow rent increases up to the percent increase in AMI as determined annually by the US Department of Housing and Urban Development (HUD), unless a different methodology is specified in the regulatory agreement or loan document of a particular affordable housing project. If an owner/property manager did not increase the rent by the percentage allowed as published by HUD during previous years, no accumulation of rent increases is allowed in order to “catch-up” the rents to the Maximum Allowable Limit.

## **3. Projects With Both State and Federal Funding**

Effective August 1, 2015, for projects funded with both state and federal money, and specifically for the affordable units at such projects subject to both state affordability covenants and federal regulatory agreements, the most restrictive requirement applies resulting in the lowest rents. Therefore, during years in which no annual rent increase is allowed by HCD but HUD allows a rent increase that same year, LAHD will require that rents not be increased that year based on the application of the most restrictive policy. In this case, HCD’s no rent increase is the most restrictive and the controlling policy. Alternatively, during years in which no annual rent increase is allowed by HUD but HCD allows a rent increase that same year, LAHD will require that rents not be increased that year. Also, during years in which annual rent increase is allowed by both HCD and HUD, but the allowed percentage of increase differ, the least percentage of increase between HCD and HUD applies. During years in which HUD requires decrease in rents and the HCD requires no decrease in rents under the HCD Hold Harmless Policy, LAHD will require decrease in rents that year. Finally, if an owner/property manager did not increase the rent by the percentage allowed as published by HCD or HUD during previous years, no accumulation of rent increases is allowed in order to “catch-up” the rents to the Maximum Allowable Limit.

Attachment: HCD State Income Limits for 2013 Reflecting New State Hold Harmless Policy.