




U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

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MEMORANDUM FOR: All Multifamily Regional Center Directors
All Multifamily Satellite Office Coordinators
All Multifamily Asset Management Directors
All Contract Administrators

FROM: 
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and Portfolio Oversight, HTN

SUBJECT: Clarification on Use of Median Gross Rents for High Cost Zip
Codes When Determining HUD Rent Comparability Study
Requirements

This memorandum clarifies the 2017 Section 8 Renewal Guide (Guide) procedures for zip codes with median rents exceeding the maximum calculated amount.

Section 9-14.D of the Guide provides special procedures for instances where a median gross rent amount is not available in the Census Bureau data that are issued each year. One reason for the absence of a median rent is that the rents exceed an upper threshold established by the Census Bureau. In past years, that threshold was set at \$2,000, which is the amount referenced in the Guide. The December 2017 data, issued by the Department on January 19, 2018, now include median gross rent amounts up to \$3,500.

Section 9-14 of the Guide will be modified at a later date to include the general guidance provided below. This general policy and procedure must be followed on an ongoing basis, even if the Census Bureau maximum reported median rent increases over time. The examples provided below use the current maximum amount of \$3,500 and the 140 percent threshold amount of \$4,900.

Each year the Census Bureau reports the actual median market rent value up to a maximum amount. If median rents for a zip code exceed that maximum amount, then the Census Bureau assigns such zip codes a value of "\$x,xxx+". If a project is in a zip code where the Median Gross Rent exceeds the calculated range, the below guidance applies:

- i. If the owner's Rent Comparability Study (RCS) has a median rent that is less than 140 percent of the maximum amount, then no further action is required, and the final comparable market rent is determined by the owner's RCS.

Example: RCS median rent = \$4,260 and the median rent for the project's zip code is \$3,500+. Since the RCS median rent is less than 140 percent of the maximum amount (\$4,900), no HUD-commissioned RCS is required. The final rents will be set at \$4,260.

- ii. If the RCS median rent is greater than or equal to 140 percent of the maximum amount, but less than 105 percent of the current Housing Assistance Payments (HAP) contract rent for the project, then the final comparable market rent is determined by the owner's RCS.

Example: Current median rent at a property is \$4,800 and the owner's RCS median rent is \$5,000. A 105 percent increase over the current median rent of \$4,800 = \$5,040. Even though the owner's RCS rent exceeds 140 percent of the maximum median rent by zip code (\$4,900), the RCS amount is lower than the 105 percent amount of current median rent. No HUD-commissioned RCS is required. The final rents will then be set at \$5,000.

- iii. If the RCS median rent is greater than or equal to 140 percent of the maximum amount and greater than or equal to 105 percent of the current HAP contract rent for the project, then a HUD-commissioned RCS would be required.

Example: Current median rent is \$4,800 and the owner's RCS median rent is \$5,150. The RCS rent then exceeds both 140 percent of the maximum amount (\$4,900) and a 105 percent increase over the current median rent (\$5,040). The Department must order a HUD-commissioned RCS in this situation.

If you have any questions, please contact Carissa Janis at (202) 402-2487.