



Budget Based Rent Increase Requirements and Procedures – Family Developments (units occupied prior to 5/1/2025)

Budget based rent increases are subject to the same compliance requirements as the non-budget based rent increase process, and the development's budget must be reviewed and closed prior to review of this type of rent increase. A budget-based rent increase has a higher allowed maximum rent increase amount. The development's annual budget must demonstrate a need for a maximum rent increase available as determined by analyzing these key performance indicators:

- Cash flow after considering development soft debt,
- Deferred development fee
- Agreed upon owner distribution
- Development Debt Coverage Ratio (DCR)

MHDC considers a healthy property to maintain a 1.20 DCR. Any budget that projects a development to exceed a 1.20 DCR may have their rent increase reduced or denied. Higher DCRs may be allowed for developments to achieve their agreed upon owner distribution and repay surplus cash notes and remaining deferred developer fees. In any event, MHDC will not approve an increase that is more than the maximum rent increase percentage allowed per MHDC policy for that year.

Under the budget-based rent increase policy, the Owner/Agent waives the right to a non-budget-based rent increase if the budget cannot demonstrate the need for a rent increase. Rent increases **MUST NOT** be implemented before the effective date or before a signed Schedule II has been provided to the owner or the managing agent. In the event the owner/management has not complied with the list above, the Schedule II will be placed on hold until the non-compliance is corrected.