



Budget Based Rent Increase Requirements and Procedures – Family Developments

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.

Note: 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