

Rent Increases

<p>1. What is a Schedule II?</p> <p>The Schedule II is the official rent increase document issued by MHDC that lists the newly approved rents. The new rents cannot be increased until on or after the Effective Date listed on the previous Schedule II. A new Schedule II must be issued every time rents are increased during the development's initial compliance period. Rent increases MUST NOT be implemented before the approved effective date or before a signed Schedule II has been provided to the owner or the managing agent.</p>
<p>2. Where can I find my Schedule II?</p> <p>Newly approved Schedule II's can be found under the rent increase module in MHDC's AMRS system. Schedule II's are no longer mailed or emailed to the Owner/Agent.</p>
<p>3. When can I submit my rent increase?</p> <p>The window for submitting a rent increase is open from October 1st - December 31st. Rent increases submitted outside of the applicable window will not be processed.</p>
<p>4. When is the earliest a rent increase can be requested?</p> <p>The earliest a development can request a rent increase is one year from when the development's last building was placed in service.</p>
<p>5. How often can a resident receive a rent increase?</p> <p>A resident cannot have their rent increased mid-term and leases should not allow for mid-term rent increases. In addition, a resident cannot receive more than one rent increase in a 365-day period, and this includes tenants with month-to-month leases.</p>
<p>6. How do I determine the effective date for my rent increase submission?</p> <p>The effective date must be at least one year from the effective date of the last approved rent increase, indicated on the approved Schedule II.</p>
<p>7. How do I submit my rent increase?</p> <p>All rent increase requests are to be submitted online through AMRS, MHDC's online reporting system. MHDC will no longer accept mailed rent increase requests. Please reach out to MHDC's Asset Manager for AMRS setup if your development has 12 units or less.</p>
<p>8. Has there been a change in MHDC's rent increase policy?</p> <p>Yes. Effective May 1, 2025, the total housing cost for all new, vacant, and vacated units after April 30, 2025, shall not exceed applicable program-specific rent limits. Rent increases for these units will be subject to HUD's annual published income and rent limits set for each county within Missouri. Residents housed prior to May 1, 2025, are grandfathered in and applicable rent increases will continue to follow MHDC's rent increase policy prior to May 1, 2025.</p>
<p>9. What are MHDC's requirements to submit a rent increase?</p> <p>The following items are required to submit a rent increase:</p> <ul style="list-style-type: none"> • Annual Financial Statement and Budget are submitted by the due date in AMRS. • Current Utility Allowances have been submitted in AMRS. • Current Rent Roll must be uploaded in AMRS. • A signed copy of MHDC's Exhibit A-11: Owner/Agent's Certification of Rent Increase Notice to Residents.

10. What are MHDC's requirements to review and approve a rent increase?

The following items are required to submit a rent increase:

- The development must be in compliance with all MHDC policies and procedures.
- AOD reporting must be in compliance.
- The proposed rents may not exceed maximum Section 42 rent limits.
- If applicable, the development's mortgage must be current.

11. How will rent increases be determined for residents housed after the May 1, 2025, policy change?

For residents that moved in after May 1, 2025, their rent increase will be the lesser of the percentage increase from the current rent to the maximum allowable program rent or 10%, if the maximum program rent could not be obtained at initial move-in regardless if the development is designated family or elderly.

Example 1: A Resident moves into a 60% LIHTC 3 Bedroom unit located in St. Louis City on July 1, 2025. At move-in the resident's rent was \$900 and has a \$150 utility allowance. Max program rent for a 3 Bedroom 60% Tax Credit unit is \$1,738. The maximum allowed rent increase for 2026 would be \$990 since the increase is the lesser of the percentage increase from the current rent to the maximum allowable program rent less utility allowance or 10% increase. The increase would become effective on the tenant's lease renewal date.

Example 1	
Maximum Program Rent for 60% 3 BR unit on 7/1/2026	\$ 1,738
Less: Current utility allowance	\$ (150)
Maximum program rent less Utility Allowance	\$ 1,588
Current Tenant Rent	\$ 900
Maximum annual rent increase percentage	10%
	\$ 990
Allowed 2026 rent increase amount	\$ 990

Example 2: A Resident moves into a 60% LIHTC 3 Bedroom unit located in St. Louis City on July 1, 2025. At move-in the resident's rent was \$1,500 and has a \$150 utility allowance. Max program rent for a 3 Bedroom 60% Tax Credit unit is \$1,738. The maximum allowed rent increase for 2026 would be \$1,588 since the increase is the lesser of the percentage increase from the current rent to the maximum allowable program rent less utility allowance or 10% increase. The increase would become effective on the tenant's lease renewal date.

Example 2	
Maximum Program Rent for 60% 3 BR unit on 7/1/2026	\$ 1,738
Less: Current utility allowance	\$ (150)
Maximum program rent less Utility Allowance	\$ 1,588
Current Tenant Rent	\$ 1,500
Maximum annual rent increase percentage	10%
	\$ 1,650
Allowed 2026 rent increase amount	\$ 1,588

12. If an existing LIHTC household, in place prior to May 1, 2025, transfers to a different unit within the development, are they subject to MHDC's May 1, 2025, rent increase policy?

This question is for rent increase purposes only. A tenant in place prior to May 1, 2025, is designated as an "existing tenant," subject to MHDC's rent increase policy prior to the May 1, 2025, policy change. Owner/Agents still must follow all applicable program rules regarding unit transfers.

13. How will rent increases be determined for residents housed prior to the May 1, 2025, policy change?

Units occupied April 30, 2025, or earlier will still be subject to MHDC's existing policy for rent increases in effect prior to May 1, 2025, policy change. Family designated developments have the option to request either a non-budget-based rent increase subject to compliance testing or a budget-based rent increase which would allow for a rent increase up to a maximum amount as determined by MHDC. Senior designated developments are capped at the greater of 2% or the prior year Social Security Cost of Living Adjustment (COLA). Please refer to the FAQ section titled Rent Increase Procedures for Units Occupied Prior to May 1, 2025.

14. Can I request a rent increase at the same time I submit my budget?

Yes, the rent increase request window is **October 1st – December 31st**. To submit during the budget process, the system will ask whether you want to submit a rent increase. Answering “yes” will open the rent increase input screens. Answering “no” will trigger a warning that no rent increase has been approved and you will need to submit your rent increase request by the following deadlines. There are no exceptions:

- November 15th to be considered for a January 1st effective date.
- December 15th to be considered for a February 1st effective date.
- December 31st for all others.

15. When can I expect to receive approval of my rent increase?

MHDC reviews rent increases in “proposed” effective date order. Rent increase requests with proposed effective dates in January and February of the upcoming year are reviewed before rent increase requests with later requested effective dates. In order to allow MHDC staff adequate time to review and turnaround rent increase requests, properties with January and February effective dates must submit their rent increase to MHDC by November 15th and December 15th respectively. All other requests are due to MHDC no later than December 31st.

16. I need to offer rental concessions due to soft market conditions. How should the approved rent and corresponding rental concessions be reflected in the tenant's lease?

MHDC recommends that the rent listed on the tenant's lease be the most current approved Schedule II rent amount. For review purposes, this amount will be considered the base rent. It is recommended that a concession addendum be attached to the lease when rental concessions are offered. The maximum allowed percentage will be calculated on the amount reported as base rent in the lease.

17. Does MHDC have a required format for notifying residents of a rent increase?

Yes, Owner/Management (O/A) is required to send their residents a rent increase notice no later than 30 days prior to the proposed rent increase effective date. The rent increase notice to residents must state the tenant's current rent, proposed rent, percentage of increase, monthly dollar amount of such increase, proposed effective date of the rent increase, and purpose for the rent increase. The O/A must keep a copy of the rent increase notices to residents on file, and the rent increase notices must be provided to MHDC upon request.

The property Owner/Agent (O/A) is responsible for administering the required compliance for all applicable programs, such as LIHTC, HOME, Rural Development, Section 8, etc. Properties layered with multiple sources of financing are subject to the most restrictive rules of all the funding programs they participate in. The O/A is responsible for maintaining comprehensive knowledge of current program requirements and updates.

18. Where can I find the Exhibit A-21 “Notice to Residents of Management's Intention to Submit a Rent Increase Request to MHDC for Approval?”

The **Exhibit A-21 “Notice to Residents of Management's Intention to Submit a Rent Increase Request to MHDC for Approval”** and the notification processes required to be followed under the previous Exhibit A-21 has been discontinued and replaced with **Exhibit A-11 Owner/Agent's Certification of Rent Increase Notice to Residents**.

19. What is the Exhibit A-11 Owner/Agent's Certification of Rent Increase Notice to Residents?

The **Exhibit A-11 Owner/Agent's Certification of Rent Increase Notice to Residents** is an Owner/Agent certification that must be uploaded with the rent increase submission that acknowledges the O/A's understanding of MHDC's rent increase policies, and the required notice provisions the O/A must provide their residents.

20. What is a EUP Schedule II?

Extended Use Period (EUP) Schedule II's are issued by MHDC upon request from the Owner/Manager once the development reaches their Extended Use Period as determined by the development's Land Use Restriction Agreement or LURA. A development that has an active loan with MHDC does not qualify for a EUP Schedule II even though the development's tax credits may have reached their EUP period. An EUP Schedule II allows the development to immediately charge new tenants the Maximum Section 42 rent limits listed for that development's county. Existing tenant's rents cannot be increased more than the maximum amount allowed by MHDC for that year until either the unit is vacated, or the development eventually reaches their full thirty-year compliance period. A 30-day notice must still be given, increases can only occur at lease renewal, and existing residents cannot receive more than one rent increase in a 365-day period. The development will only receive one EUP Schedule II. The rents listed will be the maximum rents listed for the county the development is located in for that year only. It is the Owner/Manager's responsibility to continuously check the applicable maximum Sec 42 rents limits thereafter to ensure tenant rent plus utility allowance does not exceed the maximum Section 42 published rent limits. Once a EUP Schedule II is issued, the Owner/Manager no longer needs to seek MHDC approval for rent increases.

Rent Increase Procedures for Units Occupied Prior to May 1, 2025

The FAQs below apply to rent increase procedures for residents residing at the property prior to May 1, 2025.

1. What is considered when determining the minimum and maximum rent increase amounts that can be requested?

MHDC considers, but is not limited to the following economic conditions and factors to set the minimum and maximum rent increase percentages each year:

- Previous Year Annual Social Security Cost-of Living Adjustment Factor.
- Industry Standard 15-year Cash Flow analysis of 2% annual rent increases and 3% Expense increase.
- US Inflation Calculator as published by U.S. Department of Labor.

2. What is the maximum rent increase that can be requested?

Maximum rent increases may be allowed only for developments that are not senior designated (i.e., properties for residents age 55 and older). Rent increase requests for senior designated properties are capped at the greater of 2% or the prior year Social Security Cost of Living Adjustment (COLA). (In years of 0% COLA adjustments, the owner may be allowed to increase rents by a maximum of 2%.) For planning purposes, MHDC will notify Owner/Agents of the maximum rent increase percentage that may be requested for family designated developments no later than September of each year.

3. What are the key performance indicators that MHDC looks at when approving, reducing, or denying a rent increase?

The two main performance indicators MHDC looks at when approving rent increases are cash flow and DCR after agreed upon owner distribution. MHDC regards a development as healthy that maintains a 1.20 DCR or above. When a budget that projects a development to exceed a 1.20 DCR, a requested rent increase may be reduced or denied. Higher DCRs may be allowed for properties to achieve their agreed upon owner distribution, repay surplus cash notes, or pay remaining deferred developer fees. In any event, MHDC will not approve an increase that is more than the maximum amount published by MHDC or the previous year Social Security COLA adjustment. Under no circumstances, will gross rents be allowed to exceed the maximum Section 42 LIHTC rent limits.

4. Are there different types of rent increase request options for family developments?

Yes, the Owner/Agent has a choice to request either a non-budget-based rent increase or a budget-based rent increase.

5. What is a non-budget rent increase, and how is it implemented (family developments only)?

Each year, MHDC establishes a non-budget rent increase threshold. A non-budget-based rent increase is a rent increase for a development that is not subject to a budget review. A non-budget-based amount is lower than the thresholds published for a budget-based review. Non-budget rent increase requests are submitted with all supporting documentation and a new Schedule II will be issued as long as the development can demonstrate that they are in compliance with the following:

- The development must be in compliance with all MHDC policies and procedures.
- Certification Portal (Tenant Data) reporting must be in compliance.
- The proposed rents may not exceed maximum Section 42, HOME, or other applicable program rent limits.
- If applicable, the development's mortgage must be current.
- Approved rents MUST NOT be implemented before the Schedule II has been signed by MHDC and returned to the owner, or before the effective date. In the event the Owner/Manager has not complied with the above, the Schedule II will be placed on hold until the non-compliance is corrected.

Example: For all 2022 rent increase submissions, MHDC approved a 3.5% non-budget threshold with a maximum budget-based rent increase cap of 7%. Rent increases submitted under the non-budget-based election would have received a 3.5% rent increase provided that the development was in compliance. Please note the approved MHDC non-budget and maximum budget-based thresholds can change each year.

6. What is a budget-based rent increase, and how is it implemented (family developments only)?

A budget-based rent increase is when the Owner/Agent would like to increase rents greater than the non-budget-based threshold and up to a maximum amount allowed by MHDC for that year. When submitting a budget-based rent increase request, the development's annual budget MUST demonstrate a need for a rent increase, and the development must be in compliance. MHDC considers a healthy development 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 properties 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.

Example: For all 2022 rent increase submissions, MHDC approved a 3.5% non-budget threshold with a maximum budget-based rent increase cap of 7%. All rent increase requests submitted with percentages greater than 3.5% and up to 7% would need to submit a budget for review. If a development submitted a 6% rent increase and the budget review supported the increase, a Schedule II would be issued for 6%. If a development submitted a 6% rent increase and the budget review only supported a 2% increase, a Schedule II would be issued for 2%. Please note the approved MHDC non-budget and maximum budget-based thresholds can change each year.

7. My property's Operating Assistance Application received MHDC approval for operating assistance.**What is the rent amount that I should list on the resident's lease?**

MHDC's Operating Assistance Program is **not** a rental assistance program. For purposes of the Operating Assistance Program, resident rents are used to determine the amount of operating assistance the property will qualify for if eligible. The tenant's lease should always reflect the rent amount listed on the approved Schedule II.

8. Can I appeal MHDC's rent increase decision?

Yes, a development may appeal MHDC's decision to amend or deny a rent increase request. The development must submit their appeal in writing. Appeals must include additional information for consideration significant enough to change the rent increase decision.

9. Who approves my rents if my development has Project Based Section 8 Units?

Rents are approved by HUD or HUD's Contract Administrator when the development has Project Based Section 8 Units. When both MHDC financing and Project Based Section 8 Units are present, MHDC's rent increase policies only apply to the units that are *not* Project Based Section 8 Units.

10. I have not fully implemented the rent increase per the most current approved Schedule II. Can I still increase rents, and do I need MHDC approval to do so?

Yes, rents can be increased in cases where a development has not fully implemented the previously approved rent increase, up to the previously approved amount. MHDC approval is not required since rents are below the Schedule II rents on file with MHDC. Residents must be given a 30-day notice of the rent increase and may not receive more than one rent increase in a 365-day period.

11. What rents are charged when a unit goes over 80% of the HOME income limit at recertification?

Once a household's income at recertification exceeds 80% of the area median income, the household is considered over-income by HOME Program standards and the amount of rent the resident must pay is the lesser of the amount required by state or local law or 30% of their adjusted income. The development will still be in compliance provided the requirements of 24 CFR 92.252(i) are met. Residents of HOME-assisted units that have been allocated LIHTCs must pay the rent governed by Section 42 of the Internal Revenue Code.

Please note that if a unit is both LIHTC and HOME, the rent charged would be the approved MHDC LIHTC rent in the most recent Schedule II.

Reference: 24 CFR Part 92.252 and HUD Exchange HOME Guidance:

<https://www.hudexchange.info/programs/home/home-rent-limits/> 2025 HOME Final Rule