

# Budget Based Rent Increase Requirements and Procedures

Budget based rent increases are subject to the same compliance requirements as the basic/automatic rent increase, but the budget must be reviewed and closed prior to review of this type of rent increase. The difference is that a budget-based rent increase has a higher maximum. The annual development 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 property 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 allowed.