



Guidance on Rent Increase Policy for LTH Assisted Units with No Rent Subsidies

Determining Tenant Rent

Households will pay the greater of the development's current contract LTH unit rent, OR 30% of their income. Tenant rent must be recertified annually on the anniversary of the move-in date.

Rent increases may happen for two reasons:

1. The tenant's income increases – If 30% of the tenant's increased income is greater than the contract LTH unit rent, the tenant's rent will increase to 30% of his income.
2. During the annual budget process - the owner or management agent may increase the contract LTH unit rent, typically by no more than 5%.

Note: Developments funded with Agency first mortgages, bonds, ARRA funding or other types, **will need** Agency approval before increasing rent levels. Reference your legal documents or consult with the assigned Housing Management Officer to determine if this applies. See how to request rent level increases below.

The initial rental rates for LTH units are established during the underwriting process and approved on the closing application, which is attached to the Regulatory Agreement, Repayment Agreement, Land Use Restriction Agreement (LURA) declaration or other loan document executed at closing.

How to Request a Contract Rent Increase for an LTH Unit

If your development has a first mortgage or other funding source with Minnesota Housing that requires Agency approval on rental rates, you may include this request for the LTH unit rent with your annual budget process of requesting all rent increases.

All developments must have a policy that outlines how tenant rent increases are calculated. You should also have a written procedure that describes how 30% of household income is calculated and that procedure should align with other funding requirements to the extent possible.

Owners and management agents must ensure rent increases do not provide undue financial hardship, cause displacement to current LTH tenants, and do not exceed the rents established in the LURA and are in compliance with other program guidelines. Agency staff will review rent structures during management reviews.



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Example of Determining a Rent Increase

A household without a voucher or other rent subsidy lives in a tax credit development in an LTH unit with a 30% AMI rent limit (per the LURA):

Published 30% AMI	\$500 (Gross Rent)
Utility allowance	- \$20
Contract Rent	\$480 (amount the tenant is responsible for)

LTH Gross Rents	\$130 (current unit rent at development)
Utility allowance	-\$20
LTH Contract Rent	\$110

Year 1: Tenant annual income is \$4,000

- $\$4,000/12$ months = \$333 monthly income
- 30% of \$333 = \$100
- Tenant will pay \$110 (current LTH contract rent is greater than 30% of tenant's income)

In Year 2 a rent increase is approved on the LTH Contract Rents to $\$135 - \$20 = \$115$ current contract LTH unit rent (published 30% AMI remains at \$500, utility allowance remains at \$20)

Year 2: tenant annual income is \$8,000

- $\$8,000/12$ months = \$667 monthly income
- 30% of \$667 = \$200
- Tenant will pay \$200 (30% of tenant income is greater than current LTH contract rent)

Determining Rent Upon Turnover of Unit

When an LTH household moves out of the unit, upon re-renting the unit, the rent should be reset to the most recent approved contract rental rate so that the former tenant's income is no longer tied to that unit.