Determining Tenant Rent

The initial rental rates for supportive housing units without rental assistance are established during the underwriting process and approved on the closing or 8609 application workbook.

For units set aside for Long-term Homeless (LTH), High Priority Homeless (HPH) or People with Disabilities (PWD) in properties without project-based rental assistance, tenant rents, including an allowance for tenant-paid utilities, cannot exceed the greater of 30 percent of the household's monthly income or the most current Supportive Housing Standard rental rate for the unit size, as published annually by Minnesota Housing.

Owners must establish and implement policies and procedures to specify what income is included and must outline documentation methods used to determine 30 percent of a household's monthly income. Units with rental assistance will follow calculation and documentation methods for the applicable rental assistance program.

Adjusting Rents

Owners must establish and implement policies and procedures to specify how and when tenant income is reassessed for the supportive housing units and how rent increases or decreases are implemented.

Note that annual recertification of income may not be required for some funding sources (e.g., 100 percent tax credit projects or agency deferred loans), so an owner's policies and procedures would be specific to the supportive housing units that do not have any form of rental assistance. All rent adjustments must be done in accordance with tenant leases.

Owners must not charge rents beyond what is allowed under the applicable funding agreements. For properties with asset management oversight requiring Agency approval for annual budgets, Agency staff will review rent structures for the supportive housing units during the budget process and monitoring visits.

Consistency

Owners' policies and procedures must be applied consistently to all supportive housing units without rental subsidies. Agency staff may request additional information to assist in verifying implementation of policies and procedures for determining rent levels set for the supportive housing units.

Examples

In the examples below, the owner's policy is to use 30 percent of gross annual household income, without any deductions or allowances, to determine rent.

Example 1: Tenant's gross annual income is $4,000.

- $4,000/12 months = $333 monthly income
- 30% of $333 = $100
- Supportive Housing Standard for unit = $130
- Tax credit restriction for unit = $490

- Utility allowance = $20
- Owner may charge the tenant $110 per month in rent because the current Supportive Housing Standard is greater than 30 percent of the tenant's income and is below the tax credit restriction. Including the utility allowance of $20, the total tenant contribution would be $130, equal to the current Supportive Housing Standard.

Example 2: Tenant's gross annual income is $8,000

- $8,000/12 months = $667 monthly income
- 30% of $667 = $200
- Supportive Housing Standard for unit = $130
- Tax credit restriction for unit = $490
- Utility allowance = $20
- Owner may charge the tenant $180 per month in rent because 30 percent of tenant income is greater than the Supportive Housing Standard and is below the tax credit restriction. Including the utility allowance of $20, the total tenant contribution would be $200, equal to 30 percent of the tenant's monthly income.

Example 3: Tenant's gross annual income is $25,000

- $25,000/12 months = $2083 monthly income
- 30% of $2083 = $625
- Supportive Housing Standard for unit = $130
- Tax credit gross rent limit for unit = $490
- Utility allowance = $20
- Owner may only charge the tenant $470 per month in rent because 30% of tenant income is greater than the tax credit rent limit. Including the utility allowance of $20, the total tenant contribution would be $490, equal to the tax credit gross rent limit.