

PHFA RENT APPROVAL POLICY

PHFA's *Rent Approval Policy* defines the policies and procedures required when requesting rent increases from tax credit application to annual increases for existing properties.

All rent increases must be approved by the Agency in writing prior to implementation.

APPLICATION TO CLOSING

All Tax Credit application rents may be increased up to 5% each year from application to closing. Any increase over 5% requires an updated Market Analysis to support the request and maximum rent limits still apply. Requests must be submitted to the Lending Analyst and then forwarded to the Housing Management Representative for review.

CLOSING TO OCCUPANCY

- If a project increased rents prior to closing, rents are permitted to increase up to 5% per year from closing to initial occupancy of the first unit.
- If rents did not increase at closing, rents are permitted to increase up to 5% per year from the application date to initial occupancy of the first unit.
 - Example: Application June 1, 2020, and Initial Occupancy December 2023 – This project could receive a compounded 15% rent increase.

Application 2020	2021	2022	Initial Occupancy 2023
Tenant Rent: \$1,000	\$1,000	\$1,050	\$1,102
Increase amount	5% = \$50	5% = \$52	5% = \$55
New Tenant Rent Request	\$1,050	\$1,102	\$1,157

- If a rent increase is not requested during this period, the rents on the *PHFA Closing Spreadsheet* must be used for initial lease up.
 - Increasing rents without PHFA written approval may result in negative ranking points on future tax credit applications.

EXISTING PROPERTIES (POST RENT-UP)

Agency financed properties must submit a *Rent Summary* for review and approval on an annual basis within thirty (30) days of the release of the PennHOMES rent and income limits. This is the only time a rent increase will be considered. The *Rent Summary* submission is the Agent's opportunity to request an increase to Tenant Rents for the upcoming year. The Agency caps annual Tenant Rent increases at 5%. *Rent Summaries* must be submitted to the Housing Management Representative (HMR) and upon review, the HMR will issue a written response with an approval or disapproval. *All requested increases must be approved by the Agency in writing prior to implementation.*

Agency approved increases are only applicable to the ***portion of rent paid by the tenant*** which is referred to in the *Rent Approval Policy* as "**Tenant Rent(s)**". Agency approved rent increases are not applicable to Utility Allowance or Gross Rent amounts. Tenant Rent (including the requested increase) + the Utility Allowance for tenant-paid utilities cannot exceed the published maximum rents.

IMPLEMENTATION

Rent increases may be implemented upon receipt of written approval from the Agency. The Agent may apply the approved rent increases for move-ins, household recertifications, or at a date specified in the lease agreement. Please note, rent increase requests are limited to one request per year. O/As are encouraged to request rent increases after the rent and income limits are released.

RENT INCREASES EXCEEDING FIVE PERCENT (POST RENT-UP)

Tenant Rent increase requests exceeding the 5% threshold must be included on the annual *Rent Summary* submission to the Housing Management Representative (HMR) for review. A written request must also be provided including a detailed explanation of specific factors impacting the need for the increase and supporting documentation.

The HMR and the Financial Analyst (FA) will review the request and issue a written response with an approval or disapproval. Consideration is given to the following factors to ensure residents do not receive rent increases due to unsatisfactory management policies or implementation:

- Consistent, adequate, and trained staff at the site.
- Management policies and execution regarding:
 - Rental delinquency
 - Evictions
 - Occupancy and move-ins
 - Unit Turnovers
 - Rent collection

- Overall affordability to residents
- Management and usage of RFR account
- Review of project financials.

FUNDING TYPES SUBJECT TO RENT APPROVAL POLICY

- HOMES (pre-July 1995 HOMES funds/ per Chapter 12 of the Property Operations Manual)
- PennHOMES with Federal HOME
- PennHOMES Match including Match properties that have concluded their affordability period but still have an outstanding PHFA loan.
- PennHOMES with Tax Credits
- PHFA Mortgages (1st, 2nd, 3rd) National Housing Trust Fund (HTF)
- Capital Magnet Fund (CMF)

All rent increases must be approved by the Agency. Failure to abide by this policy may result in negative ranking points on future applications.