

Portland Housing Bureau – 5% Rent Increase Limit Policy

6/1/2018

Purpose and Scope

The Portland Housing Bureau (PHB) is focused on providing affordable rents in the City's housing portfolio with an affordability period. The bureau is concerned with potential displacement and financial hardship resulting from possible rent increases. It is the City's intent to limit rent increases to not more than 5% for any resident household during a 12-month period.

This Policy will be implemented after August 1, 2018 and will include all new construction, rehabilitated and PHB owned housing projects with a regulatory agreement. Excluded from this Policy are the MULTE Program and the Inclusionary Housing Program.

Policy Requirements and Process

All requests for rent increase above 5% will be subject to the guidelines and review criteria, as outlined below. The requested rent increase must be for actual rents that will be charged at the property per unit type (type of income restrictions, PHB program, and bedroom size) from the effective date of the new rents forward until the next change is approved (not more than once during a 12-month period). All increase requests must also meet other State and/or Local laws as applicable. Borrowers will be allowed to raise rents at turn-over to the maximum allowable rent **without** approval from PHB.

Written Request Guidelines

Rent increase requests above 5% while tenant/s are residing in the unit will need to be submitted to the Risk, Analysis & Compliance Team through the following email address: assetmanagement@portlandoregon.gov and will follow the guidelines as outlined below. Further, only one request to adjust/increase rents per year will be considered. The written request must be submitted no later than 90 days prior to the intended implementation date and must include the following:

- Explanation for the need to increase rents above 5%.
- Comparison of the current rents with the proposed rents (broken down by unit size and applicable AMI).
- A copy of the current utility allowance, source documentation, and calculations.
- Explanation of how the increase will be implemented (for current as well as new residents).

Review Criteria

PHB considers multiple criteria when reviewing a request to increase rents for a property. The requested rent adjustment/increase will be reviewed for the following:

- Compared to the current maximum rent limits for the property based on most restrictive funding source.
- Property's vacancy rate history.
- Property proforma Exhibit agreed upon by both the borrower and PHB in loan documents.
- Operating expenses and replacement reserve needs.

Increase Threshold and Approval

While increases for rent restricted properties may be permitted periodically as HUD publishes median income limits, rent increases will be limited to a maximum of 5% during a 12-month period except at turnover. Rent increases during lease-up, as shown

in the proforma during underwriting, will be permitted up to maximum allowable rents.

Additional information may be required by PHB to review the property's financial viability and impact to current residents, such as property financials and a current rent roll showing all unit rents, rent subsidy, and household income.

If the information reviewed does not support the need for the requested increase, the request may not be approved, in part or in total. PHB encourages the owner to avoid large annual increases that may bring undue financial burden to residents (rent to income ratio) or increase the property's turnover and vacancy rates. The resident lease and all notifications to the resident must meet all Federal, State, and local funding source regulations as applicable. If a rent increase is being implemented before lease renewal, the lease should contain language allowing for the rent adjustment/increase with proper notice.

If PHB determines the owner is charging rents above the approved amounts for City funding sources, the owner will be required to refund the overcharged amount to the residents. Proof of rent credit or refund to the tenant may be required by PHB.

Housing Choice Section 8 Vouchers and the LIHTC Program Guidance

If a resident is utilizing the Housing Choice Voucher (HCV) Section 8 program in a PHB housing unit, the gross rent for the unit shall not exceed the Voucher Payment Standard as established by the Public Housing Agency (PHA) for the household's Voucher unit size.

It is the responsibility of the owner to contact the PHA prior to issuing a rent change notice to determine the Voucher unit size, payment standard, and utility allowance for each HCV household residing in the property. Regardless of the payment standard as established by the PHA, the rents should not be increased to an amount that the expense for the resident portion of the rent exceeds the PHA calculated amount based on the resident's income. If the unit has Low-income Housing Tax Credits in it is the owner responsibility to contact Oregon Housing and Community Services (OHSC).

Note: policy is subject to change.



Policy # XXXXX

Date 4/2018

Implemented by the Risk Analysis Compliance Section