

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY  
**OFFICE OF COMMUNITY DEVELOPMENT**

**SUBJECT: CDBG, MSHDA and HOME Rent and income Limits and Guidelines for HOME Floating Units**

**Policy Bulletin #25**

**EFFECTIVE DATE: June 1, 2002 (Revised March 14, 2008)**

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Rent and income limits apply to assisted units and vary according to the source of funds. HOME, MSHDA and Community Development Block Grant (CDBG) rents include a Utility Allowance. This policy bulletin will define:

- Rent and Income Limits Under the CDBG and MSHDA Program
- CDBG and MSHDA Program for Downtown and NPP Areas
- Applying New CDBG/MSHDA Policies to Projects Set-up Before January 2008
- Rent and Income Limits Under the HOME Program
- Guidelines for Floating Units Under the HOME Program

**Rent and Income Limits Under the CDBG and MSHDA Program**

The maximum rents which may be charged for rental units rehabilitated with CDBG or MSHDA funds are the HUD Fair Market Rents (FMR). (See **Attachment A, Rent Limits.**) The FMR is a gross rent figure. Therefore, any utilities required to be paid by the tenant must be subtracted from the FMR when determining the maximum rent/contract rent, which may be charged for a specific unit size. (Please refer to **Attachment B, Utility Schedule**, when determining the amount of tenant paid utilities.)

The maximum income for tenant households in CDBG assisted projects is 80% of AMI.

**CDBG and MSHDA Program for Downtown Revitalization and NPP Areas Effective January 1, 2008**

For all OCD CDBG or MSHDA funded Downtown (or NPP) Rental Rehabilitation projects set up after **January 1, 2008** the following less restrictive requirements apply (unless it is determined by MSHDA and the local unit of government that the downtown area is a "high cost area" and it is in the best interest of the community to maintain the rent and income restrictions):

- The initial occupant of 51% of the units (1 of 1 unit, 1 of 2 units, 2 of 3, 3 of 4, 3 of 5, etc.) in the project must have income at or below 80% AMI.
- The rent charged to the initial occupant(s) of 51% of the units cannot exceed the HUD Section 8 "Fair Market Rent".
- The landlord may not economically displace the initial low/mod tenant(s). Therefore, any rent increase for those tenants after their first year of occupancy cannot exceed 10% of the previous year's rent.
- All units in the project must be maintained as residential rental property for a period of five years. Additionally, for five years, the units will be maintained up to local property standard or at a minimum HUD Housing Quality Standards (HQS) and marketed to the general public when vacancies occur.

- All Tenants (for all units) must be given a minimum a one year lease.
- Landlords must market (list) their units on the Michigan Housing Locator web-site ([www.MichiganHousingLocator.com](http://www.MichiganHousingLocator.com)) for the five year lien period.
- A Mortgage and Note between the City/Village and the property owner will regulate the rental program requirements.
- Failure to comply by the landlord and/or Grantee could result in required repayment of part or all of the CDBG or MSHDA funds to MSHDA.

### **Applying the New Policy to Projects Set Up Prior to January 1, 2008**

OCD Grantees can adopt MSHDA's new policy for CDBG and MSHDA funded Downtown and NPP rental projects, and apply it retroactively by following the steps outlined below:

1. Adopt the new policy by amending the Rental Rehabilitation Program Guidelines, including language that would apply it retroactively.
2. Have the City/Village Attorney approve Program Guidelines.
3. Have MSHDA CD Specialist review and approve Program Guidelines.
4. Change/create Note and Mortgage documents that reflect the new policy.
5. Create Mortgage/Note Amendments for existing liens (consult with City/Village attorney for legal issues), and offer to amend Mortgages and Notes for all past Rental Rehabilitation Program participants.
6. Send revised Mortgage/Note and Amendments model documents along with letter from local attorney acknowledging that documents conform to OCD's new DRR policy.

### **Rent and Income Limits Under the HOME Program**

For projects with one to four (1-4) HOME-assisted units (HAUs), the maximum rent to be charged initially is established by HUD for the area. This figure is the lesser of the HUD published High HOME Rent (65% Rent Limit) or the FMR. Household income when there are 1-4 HAUs for initial tenants must be less than 60% AMI. Subsequent household tenants can have incomes at or below 80% AMI.

For projects with five (5) or more HOME-assisted units, 20 percent of the assisted units must be rented at the lesser of the Low HOME Rent (50 percent Rent Limit) or the FMR. The remaining 80 percent of the units must be rented at the lesser of the HUD published High HOME Rent (65 percent Rent Limit) or the FMR. Household income for 80% of the HAUs must be below 60% AMI for the initial tenants, and must be below 50% AMI for 20% of the HAUs. Subsequent tenants can have income up to 80% AMI for 80% of the HAUs and up to 50% AMI for 20% of the HAUs.

As with CDBG-assisted units, all rents include a utility allowance. The FMR and HOME rent limits are gross rent figures. Therefore, any utilities required to be paid by the tenant must be subtracted from the FMR or HOME rent limit when determining the maximum rent/contract rent, which may be charged for a specific unit size. Please refer to **Attachment B, Utility Schedule** when determining the amount of tenant paid utilities.

**Note:**

- Tenant incomes must be re-certified annually, with tenant self-certification permitted. If tenants are over income, rent is adjusted to 30 percent of their income, without utility allowance.
- While the annual submittal of income is a requirement of tenancy, MSHDA does not require the grantee to pursue eviction if the tenant does not provide income or self-certification information. If the tenant refuses to provide his/her income, the unit rent will be established at the rent that unit would rent for if rents were unrestricted (fair street rent). This rent would not include a tenant utility allowance.

**Guidelines for Floating Units Funded with the HOME Program**

HOME-assisted units may change over time as long as the total number of HOME-assisted units does not change. As tenants' incomes change and vacancies occur, this allows the owner some flexibility to stay in compliance with HOME rules. The replacement units must be comparable in size, number of bedrooms, and amenities to those originally designed as HOME-assisted.

If a family occupying a "floating" High HOME Rent unit has increased income beyond 80 percent of the area median income (AMI), their rent would be increased to either 30 percent of the gross monthly income or the fair street rent. Therefore, their unit would cease to be tracked as a "HOME-assisted" unit. The owner would be required to rent the next comparable vacant unit to a family within the income limit and charge the High HOME Rent or the FMR, whichever is greater.

Any questions regarding this Policy Bulletin should be addressed to your Community Development (CD) Specialist or CD staff at (517) 373-1974.

Attachments

A, Rent Limits

B, Utility Schedule