

October 21, 2022

To: Owners and Agents of Tax Credit and HOME properties

From: IHFA Compliance Department

Re: Rent Increases and Tenant Protections

The IHFA compliance department published the Housing Compliance Manual in June of 2020. This was a new manual that replaced an older one and it included a rent cap of 5% on all existing tenants in LIHTC and HOME properties.

The manual states:

Rent increases are capped at 5% on existing residents without regard for published income and rent limits. Any rent increase over 5% must be approved by IHFA. This applies to voucher holders as well as non-voucher holders. Owner/Agents are required to submit a written request along with financial and other relevant documentation to support the need for a rent increase exceeding 5%. If an owner/agent increases rent more than 5% without IHFA approval they will be required to reduce the rent to satisfy the 5% increase cap and refund any rent overpayment made by the tenant.

If a unit becomes vacant, the owner/agent may raise the rent on that unit to the published income and rent limits at that time.

The decision to implement a rent cap was the result of two significant issues, the first being the COVID 19 pandemic. We were also receiving numerous complaints from residents, public housing authorities and tenant advocates regarding excessive rent increases in Tax Credit properties. When we investigated the increases, we discovered some owner/agents had neglected to monitor rents for a few years and were attempting to raise the rent to current published rents. Some of the increases were hundreds of dollars. While the amounts were not in violation of any IRS rule or the current published rents, they were devastating for residents.

If an owner/agent is monitoring their rents regularly and applying *reasonable* increases as they become available, the rent cap would not have a negative effect on the property. It also lessens the impact on the tenant.

It is also important that management agents are regularly considering income eligibility and the unit mix. A tenant's income eligibility should be matched as best as possible to the unit mix.

Housing affordability is a statewide and national crisis. Idaho has low inventory and low vacancy. When a rent increase forces a tenant to vacate, there is likely no place for them to go.

IHFA recognizes the operational cost of doing business has risen. Ongoing and preventative maintenance is critical to the health of a property and we don't want to implement policies that impact the overall financial condition of a property.

IHFA will amend the rent cap and implement the following policies and tenant protections effective November 1, 2022:

- All rent increases over 10% must be submitted for review to IHFA PRIOR to the tenant being notified. Management will need to submit the review with the new Tax Credit Rent increase form which is on our website at: <https://www.idahohousing.com/documents/tax-credit-rent-increase-request-form.pdf> IHFA may also require a current rent roll along with financials to review the request.
- Rent increases over 5% will require a 60- day notice to the tenant.
- LIHTC tenants may not have their lease terminated without good cause (non-payment of rent, repeated and documented lease violations, behavior that disrupts or threatens the health and safety of other residents or onsite staff).
- Owner/agents may only increase rent once a year. If you have already processed a rent increase, you will need to wait 12 months before raising the rent. Increases will depend on the move in date or the last time an increase was performed. A month to month lease will not be an exemption to raise rents more than once in a 12 month period. Tenant files should be documented with all rent increase notices and effective dates.
- Vacant units are eligible to be rented at the maximum published rents.

All of these changes will be incorporated into Tax Credit and HOME Compliance Manuals at the next revision which should occur in 2023. Owner/agents will be notified when the revisions are completed.

Please accept this memo as a temporary revision to the existing policy.

Sincerely,



Katie Kilgrew
Housing Compliance Manager
Idaho Housing and Finance Association