



## Frequently Asked Questions Maximum Allowable Rent in Mixed-Finance Properties

### Question One

I am decoupling a Section 236 property using private activity, tax-exempt bonds and low income housing tax credits. How much rent may I charge the residents: The Section 236 basic rent? The tax credit rent? Some other rent?

### Answer One

After decoupling a Section 236 property, the owner must continue to ask HUD approval to increase the basic and market rents as required by the Section 236 program. Take the following steps to determine how much rent you may charge a Section 236/tax credit resident.

Step One – A Section 236 resident pays no less than the basic rent and no more than the market rent HUD approved for the property. Apply the Section 236 tenant rent formulas to determine exactly how much HUD says you may charge the resident. You can find the rent formulas for the Section 236 program in Chapter Five of HUD's 4350.3 Handbook.

Step Two – Determine the maximum rent allowable for the tax credit program. The maximum rent you may charge a resident under the tax credit program is based on the unit size and the income limit the owner commits to in the property's minimum set aside.

Step Three – Charge the resident the *lesser of* the rent allowed by the Section 236 program or the tax credit program.

- If the tax credit rent is less than the Section 236 basic rent, charge the resident no more than the tax credit rent.
- If the tax credit rent is more than the Section 236 basic rent but less than the Section 236 market rent, charge the resident no more than the *lesser of* the tax credit rent or the tenant rent calculated using the Section 236 rent formulas.
- If the tax credit rent is more than the Section 236 market rent, charge the resident the tenant rent calculated using the Section 236 rent formulas.

There are no federal limitations on the rents allowed by the tax exempt bond program, but check your bond regulatory agreement to determine if your bond issuer has established local limitations on how much rent you may charge for your bond eligible units.

### Question Two

How much rent may I charge the residents at my HOME/tax credit property?

### Answer Two

Take the following steps to determine how much rent you may charge a resident who lives at a HOME/tax credit property.

Step One: Identify the low HOME and high HOME units at your property.

Step Two: Identify the tax credit units at your property.

Step Three: Determine the low HOME and high HOME rents for your property.

Step Four: Determine the maximum tax credit rents for your property.

Step Five: Charge a resident no more than the rent allowed for their particular unit.

- For a low HOME unit, charge no more than the low HOME rent.
- For a high HOME unit, charge no more than the high HOME rent.
- For a tax credit unit, charge no more than the maximum tax credit rent.
- For a low HOME/tax credit unit, charge no more than the *lesser of* the low HOME rent or the tax credit rent.
- For a high HOME/tax credit unit, charge no more than the *lesser of* the high HOME rent or the tax credit rent.

### Question Three

I heard a rumor that I may collect revenue exceeding the tax credit rent for a unit occupied by a resident who receives rental subsidy. Is this true?

### Answer Three

Yes, it is true. If a resident is on a subsidy program, (e.g., housing choice voucher, project-based Section 8, RAP, rent supplement or public housing occupancy subsidy), and you receive at least \$1 in subsidy on the resident's behalf, the total revenue you receive for the unit may exceed the maximum allowable tax credit rent.

For help in determining how much rent you may charge at your mixed-finance property, call Liz at (202) 316-0532 or send an email to [Liz@lizbramletconsulting.com](mailto:Liz@lizbramletconsulting.com).