



City of Rockville

**MODERATELY PRICED DWELLING UNIT  
(MPDU) RENTAL PROGRAM**

<http://www.rockvillemd.gov/194/Affordable-Housingn>



**The City of Rockville Moderately Priced Dwelling Unit (MPDU)  
Program  
Program Guide for Leasing Agents**

**March 2019**

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## IMPORTANT!

The most current income limits may be found at:  
<http://rockvillemd.gov/194/Affordable-Housing>

## Section 1 – BACKGROUND, RENTS, FEES

The City of Rockville’s Moderately Priced Unit (MPDU) ordinance, which was enacted in 1990, requires that all new development in the City with 50 or more units contain a certain percentage of affordable units. The MPDU program has both rental and homeownership components. The ordinance requires the units to remain MPDUs for a period of 30 years.

The rental MPDU program is a partnership between the City of Rockville and the rental complexes containing MPDUs. The City’s Department of Community Planning and Development Services (CPDS), “the Department”, administers the program.

The offering of rental MPDUs to the Department will not be considered a bona fide offering unless such units are available for occupancy within 120 days of the acceptance of the offering by the Department. In the event that the units are not rented to eligible persons during the 90-day period referred to above, and the applicant (i.e., developer) has proved to the satisfaction of the Department that a good faith effort was made to rent the units to eligible persons, the applicant may then market the units to the general public at the rental price limits currently in effect for new units.

The rental limits for MPDUs offered for rent are those in effect at the time that the ninety (90) day priority offering period to persons. This ninety (90) day priority offering period commences in accordance with the procedure described in the regulation.

*The MPDU rents include all operating expenses and utilities, except as noted. Operating expenses include all costs associated with the operation and maintenance of the rental property. Where operating costs assumed in the establishment of these prices are the responsibility of the owner/developer but are paid by the tenant, the maximum allowable rent may be adjusted downward by the Department. This provision applies to all units rented according to Section 13.5, Rockville City Code as amended.*

Please refer to this guide for most of the information you will need regarding the MPDU rental program. For additional information on topics not covered or special situations, please contact the MPDU office at 240-314-8200 or email the Department at: [RockvilleMPDU@rockvillemd.gov](mailto:RockvilleMPDU@rockvillemd.gov)

Forms and reports may be sent to:

Community Planning and Development Services  
ATTN: Chief of Housing  
111 Maryland Avenue,  
Rockville, MD 20852  
240-314-8200 (phone) / 240-314-8210 (fax)  
[RockvilleMPDU@rockvillemd.gov](mailto:RockvilleMPDU@rockvillemd.gov)

### *The Leasing Agent's Role*

The leasing agent is the primary on-site partner who helps the Department to enforce the MPDU program rules. Through the normal rental application process, the leasing agent verifies a household's annual income and determines whether their annual income is within the income limits permitted under the program.

Additionally, the leasing agent must:

1. Ensure that the household composition meets the size limits per bedroom;
2. Have the prospective tenants verify that they do not currently own or have not owned residential property within the past 5 years. A prospective tenant can ask that this requirement be waived by submitting a written request to the Department explaining in detail the reasons for the request. Such request can be submitted by email to [RockvilleMPDU@rockvillemd.gov](mailto:RockvilleMPDU@rockvillemd.gov); and
3. Require that the MPDU apartment is the household's primary residence; and
4. Ensure that the number of occupants is consistent with the approved household size; and
5. Re-certify the household as eligible to live in the MPDU in subsequent years and maintains the records and submits reports as requested and required under the MPDU program. These roles are more fully discussed below.

Renting an MPDU apartment is a private transaction between the apartment complex and the household seeking to rent an MPDU. The Department does not act as an intermediary or involve itself in the process except in the rare case of a dispute between the two parties. The renting of MPDUs is on a "first come, first serve" basis; the Department does not maintain a waiting or priority list of potential renters. A landlord may, but is not required to, maintain a waiting list for MPDUs. Each MPDU renter must meet the same credit checks and income tests as other rental applicants and must

have the resources (which may include rental assistance from third parties, such as the Rockville Housing Enterprises) to pay the monthly rent.

### *Department Role*

The Department sets the rents, notifies complexes of the permissible annual rent increases, and provides training for property managers and leasing agents. In addition, the Department visits properties containing MPDUs to monitor for continued compliance program rules, and to provide technical assistance and training to staff, as needed.

### *MPDU Rents for New Properties*

The MPDU rents for properties when they became initially available for rent are included in the property's MPDU Offering Agreement (or Rental Agreement) which is signed by the Landlord and the City at the time the property is placed in service.

### *Annual Rent Increases*

1. The initial MPDU rent for each unit is set by the MPDU Offering Agreement (or Rental Agreement) when the property is first opened. This initial rent cannot be increased until the unit has been occupied by a tenant for a period of 12 months.
2. A landlord can only issue one rent increase to any tenant in a 12-month period.
3. A tenant must receive a 90-day notice of a rent increase.

### *Fees – Application, Amenity, Parking and Other Fees*

#### *Application Fees*

Under state law, a landlord may charge a prospective tenant a non-refundable application fee. However, if the application fee exceeds \$25.00, the landlord must return all but \$25.00 of the fee if no tenancy occurs, or be liable for twice the amount of the fee as a penalty. Questions about an application fee should be directed to the Office of Landlord-Tenant Affairs (OLTA) at 240-314-8330.

#### *Amenity Fees*

The MPDU regulations states:

*The rent listed above cover all operating expenses and utilities, except as noted. Operating expenses include all costs associated with the operation and maintenance of the rental property. Where operating costs assumed in the establishment of these prices are the responsibility of the owner/developer but are paid by the tenant, the maximum allowable rent*

*may be adjusted downward by the Department. This provision applies to all units rented according to Section 13.5-7 Rockville City Code as amended.*

It is the intent of the regulations that the operation and maintenance of amenities is included in the calculated rent. As such, amenity fees should not be charged to tenants occupying MPDU units.

#### *Parking Fees*

MPDU tenants cannot be charged a fee for non-structured parking. In cases where free parking is limited or non-existent onsite at the property (i.e., surface parking), structured parking, garage or other enclosed spaces may be offered as an option to the MPDU tenants at cost not to exceed 50% of the market rate for the first parking space and full charge for second space.

#### *Other Fees*

MPDU tenants can be charged the monthly rate normally charged by the landlord, including storage and pet fees, if applicable.

#### *Properties Financed with Low Income Housing Tax Credits*

Developers may fulfill their MPDU requirement through the construction of housing under federal, state, or other local governmental programs to assist low and moderate-income families. The units will be considered if the rents are at or below the City's MPDU rent schedule.

## SECTION 2 - ELIGIBILITY CRITERIA

### *Introduction*

To be eligible to rent an MPDU, a person or household must meet certain basic eligibility criteria as follows:

- the household's gross annual income must be below the current maximum rental income, based on household size; and
- the household must occupy the MPDU unit as its primary residence.

### *Certification and Recertification Process*

Prospective and Renewing Tenants must proceed as follows:

- Complete MPDU Application Form (See Attachment "A")
- Complete MPDU Rental Agreement (See Attachment "B")
- Submit most recent Federal tax return and W-2s for all adults
- Submit most recent pay stubs for all adults
- Submit additional documentation, if needed

Each adult prospective occupant for an MPDU must complete the must be included in the MPDU Application form, providing the relevant information, and submit a tax return and paystub.

### *Total Household Income*

A household must be income-eligible at the time of initial lease signing. For the purposes of qualifying under the MPDU program, a household's annual gross household income must be less than the annual maximum income permitted by the MPDU program (this maximum change annually, usually around June 15 of each year). Income is defined as the gross income received annually from all sources by all wage earners in a household. Sources of income include, but are not limited to, the following:

- Wages and salary
- Child support
- Alimony
- Interest income from savings and checking accounts
- Dividends from stocks and bonds, and interest from certificates of deposit
- Social Security benefits (must provide benefits statement for all recipients of benefits)
- Veterans Administration benefits
- Overtime pay
- Unemployment insurance benefits
- Bonus payments
- Pension and retirement payments
- Long-term Disability benefits



- Any other annuities or stipends received

### *Calculating Household Income*

There are two methods to determine an individual's income from employment using an individual's paystubs.

#### Method 1 – Year-to-Date Earnings

Average the gross year-to-date earnings based through the year to date. This method cannot be used if the individual has not had the same employer since January of the current year.

#### Method 2 – Paystub Averaging

1. Average the gross incomes from the two most recent paystubs and multiply by the frequency of pay. All income must be counted and documented with proof of source.
2. Gross income includes vacation pay, sick pay, shift differential, commission, and overtime. The applicant/resident must submit one (1) full month of paystubs (two most recent paystubs if bi-weekly or semi-monthly or 4 stubs if paid weekly). Using the gross amount of pay on the stubs, an average of the payments should be calculated. The annualized year-to-date should be calculated using the total gross pay on the most recent paystubs.
3. If a months' worth of stubs cannot be obtained (i.e., new employment) a verification of employment must be obtained directly from the employer or an offer letter may be accepted if all information needed to calculate is evident.
4. Applicant may be able to prove that over-time and/or bonuses are unusual and not consistent.
5. Tax returns are not used for wage and salary income verification although looked to for unearned income such as retirement benefits.
6. For freelance and independent contractors (i.e., driver for hire; housekeeper), 1099s and an accounting of year to date earnings and copies of at least two cancelled (cashed) payment checks are acceptable. The applicant/resident must provide the most current year's federal income tax return including all schedules; complete an Affidavit of Self-Employment and Profit and Loss Statement and submit documentation to support amount. The GROSS income should be shown on the MPDU income certification form.

### *Taxes Returns*

Applicants/residents must provide the most recent two (2) years of filed Tax Returns and must include W-2s.

### *Person does not file Taxes*

A Verification of non-filing of a tax return is needed from any adult who indicates that they did not need to file taxes last year. This would occur when one of the applicants works and the other applicant indicates they do not work, such as non-married couples, friends, parent and adult child. An exception would be if the adult offspring of the applicant is 25 or younger and is a dependent of his or her parent as verified with the showing of federal tax return of the applicant parent. In that circumstance, it is unusual that the dependent is providing financial support to the household. An applicant can obtain a Verification of Non-Filing from the IRS at <http://www.irs.gov/Individuals/Get-Transcript>.

### *Social Security Benefits*

A proof of benefits letter is required by adults when they indicate they do not file taxes which can be obtained from the Social Security Administration and for anyone in the household who is a recipient of Social Security benefits.

<https://faq.ssa.gov/ics/support/kbanswer.asp?QuestionID=3705>

### *Assets*

Life insurance, retirement accounts, 401K's etc. - their income will be reflected on Tax returns if applicable. No additional documentation is needed.

### *Rockville Housing Enterprises (RHE) Voucher Holders and other Rental Assistance Programs*

The Housing Choice Voucher program (HCVP) as well as other Rental Assistance Programs may be used to lease an MPDU unit as the amount of rent covered by the voucher would pay some or all of the rent, depending on the payment standards. Since a portion of the tenant's rent is subsidized and guaranteed, the landlord would only need to determine whether the household's income is sufficient to pay whatever their portion of the rent is, as well as utilities. Housing Opportunities Commission HCVP voucher are also acceptable for the City's MPDU program; however, holders of an HOC voucher must convert ("port-over") their voucher to an RHE voucher. Holders of an HOC voucher should be referred to RHE.

### *Income Limits*

The City sets the annual income for participation in the program. The income limits are released in June of each year. Below are the income limits thru June 30, 2019<sup>1</sup>.

<b>Household Size</b>	<b>Maximum Income</b>
1	49,200
2	56,300
3	63,300
4	70,300
5+	75,900

### *Annual Income Re-Certifications*

1. MPDU tenants must be certified every year with each leasing period, even in a month to month lease.
2. MPDU tenants may continue to reside in their MPDU unit if they earn at or below the income limit, adjusted for household size.
3. The household size must still comply with household size requirements. A household may be required to vacate an MPDU unit if the number of persons in their household changes and they no longer qualify.
4. If the tenant fails to provide the re-certification information within 30 days, the landlord must issue the tenant a 60-day notice to vacate the unit for failing to submit the recertification form and required documentation.
5. If the tenant is no longer eligible due to income or household size, the landlord must issue the tenant at least a 60-day notice to vacate the MPDU unit.

### *Month-to-Month Leases*

The MPDU program does not prohibit a landlord from offering a tenant a month-to-month tenancy when renewing if the household stills meet the income requirement. However, MPDU applicants who do not wish to renew their lease for 12 months shall be given 90 days upon which to decide to either renew their lease for another 12 months or vacate the unit. There are no options to paying a month-to-month premium.

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<sup>1</sup> These income limits are applicable to properties that are not tiered income, where the units are restricted to be affordable at 60% of the Area Median Income. These are units that were placed in service before June 2018.

### *Over-Income MPDU Tenants*

Tenants Who Were Previously Income Qualified: The tenant must vacate the MPDU if, at the time of re-certification and/or lease renewal, the tenant's income exceeds the income limit. The leasing agent must issue the tenant a 60-day notice to vacate the MPDU.

### *MPDU Tenant Fails to Recertify*

If an MPDU tenant fails to provide the re-certification information within 30 days, the landlord must issue the tenant at least a 60-day notice to vacate the unit for failing to submit the recertification form and required documentation.

### *Household Size and Bedroom Size*

To make a household size determination, all persons that are to reside in the unit must be listed on the application.

### *Minor Dependents*

A parent can include in their household their child even if they do not have full custody. A birth certificate must be submitted if the child is not listed on the tax return of the applicant parent. If a dependent is not in direct relations to any adults in the household (Child of parent), documentation of Legal Custody is required in order to include dependent as an occupant in the MPDU.

### *Bedroom Size*

To avoid over housing and under housing (overcrowding), the City's MPDU program recommends the size of MPDU apartment in which a household of a size is eligible to rent.

Households may be eligible to rent a unit with the appropriate number of bedrooms, as shown below in the chart below:

<b>Number of Persons in Household</b>	<b>Eligible Number of Bedrooms*</b>
1	Studio or 1
2	1 or 2
3	2 or 3
4	2 or 3
5	3 or above

These are general guidelines. The City's code on sleeping area is as follows:

#### ***R302.5.1 Opening protection.***

*Openings from a private garage directly into a room used for sleeping purposes shall not be permitted. Other openings between the garage and residence shall be equipped with solid wood doors not less than 13/8 inches (35 mm) in thickness, solid or honeycomb-core steel doors not*

*less than 13/8 inches (35 mm) thick, or 20-minute fire-rated doors, equipped with a self-closing device.*

***R304.1 Minimum area.***

*Habitable rooms shall have a floor area of not less than 70 square feet (6.5 m2).*

***R304.2 Minimum dimensions.***

*Habitable rooms shall be not less than 7 feet (2134 mm) in any horizontal dimension.*

Only those persons listed and approved for the MPDU program may be on the lease may live in the MPDU unit.

A household may be required to vacate an MPDU unit if the household composition changes. If members are added, the household may be eligible to move into a larger MPDU; if members move away, they may be required to move into a smaller unit (for example, in the case where a three-person household renting a three-bedroom unit becomes a two-person household; or a two-person household renting a two-bedroom unit becomes a one-person household) upon lease renewal or within a timeframe the property manager deems appropriate.

*Student Restriction*

The City's MPDU program does not have student restrictions. Any income the student makes (employment/gift income etc.) must be counted as income, including any financial aid/assistance beyond tuition.

## SECTION 3 - FORMS AND REPORTS

### *Rental Forms*

The City requires the following forms be completed. These forms are provided by the Department:

1. **Certification/Re-Certification Form** – completed by prospective MPDU tenants and renewing MPDU tenants;
2. **MPDU Renter’s Agreement** – completed and signed by the leasing agent and tenant each year; and
3. **MPDU Lease Addendum** – signed by MPDU tenants and landlord/leasing agent at time of initial leasing.

### *Renters Agreement Form*

The Renters Agreement Form is a required form that must be signed by every renter of an MPDU. By signing this form, the renter acknowledges that they understand and accept the MPDU program’s requirements. This form must be signed at the time the initial lease for the unit is signed. A new form must be signed upon each subsequent lease renewal.

The leasing agent must send the signed Renters Agreement Form to the Department within 14 days of the date of initial lease ratification for an MPDU rental unit, and upon each lease renewal. Place a copy of this form in your files.

### *Lease Addendum*

The lease agreements for MPDUs, other than those leased to the RHE or a designated nonprofit housing provider, must include the provisions listed below:

1. The tenant must occupy the unit as his or her primary place of residence and must not sublet the unit.
2. The tenant must provide income and household composition information to the apartment complex every year for re-verification purposes. The documents that must be provided are federal income tax forms for the last year, a copy of the two most recent pay stubs for all employed household members, and the current household composition.
3. The tenant must provide the re-certification information within 30 days of receiving the re-certification form from the complex. If the tenant fails to provide the re-certification information within the 30-day period, the tenant must vacate

the unit within 60 days of receiving notification from the complex that the re-certification form and required documentation was not received.

4. The tenant must vacate the MPDU if, at the time of re-certification, the tenant's income exceeds the income limits necessary to qualify as an eligible household. The leasing agent must act necessary to have the tenant vacate the MPDU unit within 60 days of receiving information that the tenant's income exceeds the maximum permitted income limit. The leasing agent may substitute another unit with the same number of bedrooms for the existing MPDU unit and permit the tenant to occupy their present unit at a rent higher than the approved MPDU rent. However, a new Declaration of Restrictions and Covenants form must be recorded subjecting the substitute unit to the MPDU restrictions and covenants.

### *MPDU Tenant Files*

At a minimum, the following documents must be kept on-site for each MPDU tenant:

1. a copy of the lease
2. a copy of the MPDU Renters Agreement Form
3. a copy of the MPDU application
4. Lease Addendum
5. income verification form and back-up documentation
6. household size confirmation

In addition, certain forms and reports must be sent to the Department:

1. the original signed MPDU Renters Agreement Form (to be sent within 14 days of each lease signing or renewal)
2. a rent roll must be sent quarterly and must include as follows (see attached a sample template: Attachment A)

The number of MPDUs, by bedroom count and unit number, that are leased including units leased to RHE or its voucher holders, and/or designated nonprofit housing corporations and its voucher holders, if applicable.

For each MPDU, the tenant's name(s), household size, the dates of the lease and lease expiration, and the total annual household income, household size, whether the occupant of the MPDU unit holds an HCVP voucher ("Section 8") as of the date of the lease.

The report must be notarized and include the statement "To the best of the owners (or leasing agents) information and knowledge, the tenants who are leasing the MPDUs meet the eligibility criteria of the MPDU program."

A copy of each annual rent increase letter sent to each MPDU tenant in the complex during the reporting period.