



# MPDU Rental Program Training for Property Managers

Planning and Development Services  
Housing Division  
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## Updates From March 22<sup>nd</sup>

1. Created sample letters for the following events:
  - a) Recertification
  - b) Income verification
  - c) Notice to vacate for over-income
  - d) Notice to vacate for failure to certificate
  
2. Increased income minimum from \$22,000/yr. to equal to 2.5x MPDU rent, adjusted for bedroom count. The minimum is applicable for all new leases.
  
3. Clarified pet fee and amenity fees. Pet fees can be charged at same rate for MPDU tenants as market rate. Amenity fee is not to be assessed to MPDU tenants.
  
4. Clarified bedroom size by household composition—to avoid overcrowding and over-housing.
  
5. Marketing vacant MPDUs—must market unit for 72 before accepting any applications. This avoids family and friends of the tenant that's vacating from having an unfair advantage.
  
6. Savings/Monetary Gifts may count as **supplemental income** and will be prorated to monthly amounts (divided by 12). Applicant must provide 3 consecutive months of statement. For those where retirement/savings/401k is their source of income, the applicant must provide 12 statements for 12 consecutive months.

## **Why Are We Delegating the Application Intake/Eligibility Determination?**

**To create a one-stop shop at each property for residents by:**

- Connecting eligible households with real time unit availability
- Eliminating redundancy in data collection and applications
- Create uniformity and consistency in data requests and collection
- Allowing applicants better predictability and expectation for qualifying and locating a unit

**To minimize the administrative burden on property managers by:**

- Allowing for the processing an MPDU application once and at the same time that property application is being processed
- Put properties in control of when the unit is leased
- Create uniformity and consistency in data requests and collection
- Eliminating the time spent verifying and matching the information applicants provide to the properties and the city

## **Why Are We Delegating the Application Intake/Eligibility Determination?**

### **To allow city staff to better administer and monitor the program**

- Staff can dedicate more staff time monitoring the program
- Staff can dedicate more time providing technical assistance to property managers—i.e., training; information sharing and updating program changes
- To work with you and continue to adjust the program to make it better

## Program Background

- The fundamental goal of the city's Moderately Priced Dwelling Unit Law is to provide affordable housing throughout the city.
- The MPDU law requires that all new developments with 50 or more units contain a minimum of 12.5% to 15% of MPDUs.
- The MPDU law was adopted in 1990, and applies to both homeownership and rental developments
- There are currently close to 780 MPDU rentals
- The program has created 420 homeownership units since inception
- Rental and homeownership units have 30 year control period.
- Alternative Payment (i.e., in-lieu fee) are another option for developers to meet MPDU requirements. Option has not been exercised as of yet.

# Program Background—List of Properties with MPDUs

## MPDU Apartment Properties in the City of Rockville

(last update August 24, 2018)

MPDU Apartment Name	Address	Phone Number
<b>The Galvan</b>	1750 Rockville Pike, Rockville, MD	301-231-6515
<b>Bainbridge Shady Grove Metro</b>	15955 N. Frederick Road, Rockville, MD	301-330-2979
<b>Post at Falls Grove</b>	102 Falls Grove Blvd, Rockville, MD	301-294-6556
<b>Camden at Falls Grove</b>	719 Falls Grove Drive, Rockville, MD	301-738-2400
<b>*The Stories at Congressional Plaza</b>	1620 E. Jefferson Street, Rockville, MD	240-396-5881
<b>Fenestra at Town Square</b>	20 Maryland Avenue, Rockville, MD	301-279-0999
<b>Residences at Congressional Village</b>	198 Halpine Road, Rockville, MD	301-468-8800
<b>Huntington at King Farm</b>	801 Elmcroft Blvd., Rockville, MD	240-632-8303
<b>Rollins Ridge</b>	130 Rollins Avenue, Rockville, MD	301-881-9436
<b>Westchester at Rockville Station</b>	100 1st Street, Rockville, MD	240-314-0421
<b>The Alaire</b>	1101 Higgins Place, Rockville, MD	301-770-4310
<b>Gables Upper Rock</b>	70 Upper Rock Circle, Rockville, MD	301-926-8045
<b>The Terano</b>	5720 Fisher Lane, Rockville, MD	301-770-4310
<b>The Upton</b>	44 Maryland Avenue, Rockville, MD	301-683-7460
<b>The Flats at Shady Grove</b>	1380 Piccard Drive, Rockville, MD	301-590-9880
<b>The Metropolitan</b>	255 North Washington St., Rockville, MD	301-284-1742
<b>The Escher</b>	1900 Chapman Avenue, Rockville, MD	301-468-1900

For information on the City of Rockville MPDU program, visit the city's [Affordable Housing website](#) or call 240-314-8200.

\* Studio and One Bedrooms only



## Recent Program Changes

- Parking fees—Occupants of MPDU units can be charged no more than 50% of the parking fee assessed to market rate renters for the first spot in any structured parking. Full amount can be charged for subsequent spaces.
- Senior housing with services—rent calculation for such products
- Expanded income band and rent calculation—incomes were expanded to include up 120% of AMI.
- Rents are also calculated at 30% at the various income levels up to 120% of AMI.

\*\*The last two are applicable to properties placed in service after June 2018.

## What Does “Affordable” Mean?

- Housing is considered affordable when a household spends no more than 30 percent of gross income on rent or mortgage costs (including utilities)
- 2018 (current) Area Median Income (AMI) for the Washington, DC Primary Metropolitan Statistical Area is \$117,200 for a household size of 4.
  - Set annually by U.S. Department of Housing and Urban Development. Data is released in March/April of each year
  - The city uses these AMIs to arrive at MPDU maximum income levels
  - Income minimums are applicable for all new leases

Household Size	2018 Minimum Household Income	2018 Maximum Household Income
1	31,600.00	49,200
2	34,800.00	56,300
3	36,900.00	63,300
4	38,900.00	70,300
5+	41,100.00	75,900

- Minimum income levels to be based on 2.5x MPDU rent, adjusted by bedroom count



## Calculating MPDU Rents

- In general, the MPDU rent is set at a level so that a qualified household pays no more than 25 percent of its monthly gross income on rent (not including utilities).
- Units delivered before 2018 have rents based on 60% of AMI for all units types. One rent schedule set exactly at 60% of AMI.
- For units coming online after 2018, rents will be calculated at 30% at various AMIs (chart in later slide).
- These initial MPDU rents are agreed to in an MPDU Offering Agreement (or Rental Agreement), which is signed by the property owner and the city at the time the property files for building permit.
- Initial MPDU Rent for each unit is set by the MPDU Offering Agreement.
- Rent cannot be increased until the unit has been occupied by a tenant for a period of 12 months.

## Calculating MPDU Rents

- Each year in June, the city publishes the MPDU rent and income schedule.  
<http://rockvillemd.gov/836/Affordable-Rental-Housing>
- An MPDU tenant's rent cannot be increased beyond the MPDU rent schedule.
- Tenants must be given 90 notice of a rent increases.
- An MPDU can only receive one rent increase each year.
  - 2018 (current) MPDU rents

<b>Bedroom Count</b>	<b>Rent Amounts</b>
0	982
1	1,125
1+den	1,196
2	1,262
2+den	1,334
3	1,405

# Maximum MPDU Income Limits & Rents—Properties Placed in Service After June 2018

Household Size	30% of AMI	40% of AMI	50% of AMI	60% of AMI	70% of AMI	80% of AMI	90% of AMI	100% of AMI	110% of AMI	120% of AMI
1	24,612	32,816	41,020	49,224	57,428	65,632	73,836	82,040	90,244	98,448
2	28,128	37,504	46,880	56,256	65,632	75,008	84,384	93,760	103,136	112,512
3	31,644	42,192	52,740	63,288	73,836	84,384	94,932	105,480	116,028	126,576
4	35,160	46,880	58,600	70,320	82,040	93,760	105,480	117,200	128,920	140,640
5+	37,973	50,630	63,288	75,946	88,603	101,261	113,918	126,576	139,234	151,891
* Based on 2018 HUD's income data.										

# of Bedrooms	30% of AMI	40% of AMI	50% of AMI	60% of AMI	70% of AMI	80% of AMI	90% of AMI	100% of AMI	110% of AMI	120% of AMI
Studio	513	684	855	1,026	1,196	1,367	1,538	1,709	1,880	2,050
1	586	781	977	1,172	1,367	1,563	1,758	1,953	2,149	2,345
2	659	879	1,099	1,319	1,538	1,758	1,978	2,198	2,417	2,635
3	733	977	1,221	1,465	1,709	1,953	2,198	2,442	2,686	2,930

## MPDU Offering Agreement Schedules

- The MPDUs are the specific units listed in the Offering Agreement and MPDU Covenants are recorded in Land Records for the specific units.
- In certain circumstances, units can be swapped (and re-recorded) with written permission of the Department.
- **Future consideration:** City may consider making MPDUs floating versus fixed set of unit.

## Eligibility Criteria

To be eligible to rent an MPDU:

- The household's **gross** annual income must be below the current maximum rental income limit, based on household size;
- The number of people in the household must equal or be greater than the number of bedrooms in the unit;
- The occupants must not have owned real property in the past 5 years
  - Applicant certifies that s/he has not owned property in the past five years on certification form
  - Tax Return – look to taxes to see if rent income is claimed or mortgage interest is listed as a deduction; Also looks at other income sources other than reported
  - Waiver – the Department may grant waivers of this requirement under certain circumstances; must request written waiver

## Determining Eligibility to Rent an MPDU

### Prospective tenant must:

- Complete Certification Form
- Submit two most recent Federal tax return and W-2s
- Submit most recent pay stubs—two pay cycles
- Submit additional documentation, if needed

### Note:

- Each adult prospective occupant for an MPDU must complete Certification Form, and submit tax returns and pay stubs
- 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

## Household Income

Income is defined as the gross income received annually from all sources by all wage earners in a household, including, but not limited, the following:

Wages and salary

Child support

Alimony

Interest income

Dividends from stocks and bonds

Social Security 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

Savings/monetary gifts

# Calculating Income

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 on the time period through the year to date.

## **Method 2 – Paystub Averaging**

Average the gross incomes from the paystubs and multiply by the frequency of pay.

### NOTES:

- Gross income includes vacation pay, sick pay, shift differential, commission, and overtime. Applicant may be able to prove that over-time and/or bonuses are unusual and not consistent.
- Tax returns are not used for wage and salary income verification although looked to for unearned income such as retirement benefits.
- For new employment, an individual can submit a Verification of Employment form from an employer.



## **Person does not file Taxes**

<http://www.irs.gov/Individuals/Get-Transcript>

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 usually 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 is 25 or younger and is a dependent of his or her parent. In that circumstance, it is unusual that the dependent is providing financial support to the household.

## **Social Security Benefits**

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

A proof of benefits letter is required by adults over the age of 62 when they indicate they do not file taxes.

## Household Size

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

Household Size	Maximum # of Bedrooms
1	1 BR
2	2 BRs
3	3 BRs
4	4 BRs

- Only those persons listed on the lease may live in the MPDU.
- Federal income tax returns can be used to confirm household size and non W2 income.
- 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 their taxes.
- If 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.

## **RHE Voucher (AKA: Section 8) Holders and other Rental Assistance Programs**

- The Rockville Housing Enterprises (RHE) and the Montgomery County Housing Opportunities (HOC) voucher programs as well as other Rental Assistance Programs complements the MPDU Program.
- The amount of rent covered by RHE, HOC or other rental assistance programs would probably not allow voucher holders to rent most market rate units in many areas of the County.
- A portion of the tenant's rent is subsidized by the voucher 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.
- HOC voucher holders would need to convert or “port over” their voucher to RHE. HOC voucher holders should be referred to RHE.

### **RHE Contact Information**

Crystal Gorham

Manager of Assisted Housing

Phone (301) 424-6265 ext 105

Email: [cgorham@rockvillehe.org](mailto:cgorham@rockvillehe.org)

## Recertifications

- MPDU renters must be certified every year with each lease renewal.
- MPDU renters must remain at or below income limits for continued occupancy.
- The household size must still comply with household size requirements or move to an appropriate unit size as one becomes available.
- A household may be required to vacate a MPDU if the number of persons in their household changes.
- For MPDU tenants not wishing to sign a 12 months lease, tenant must be given 90 days to either renew their lease or vacate as tenants can't be charged a month-to month lease with a premium.
- 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.
- If the tenant is no longer eligible due to income or household size, the landlord must issue the tenant a **90 day notice to vacate** the MPDU.

## Compliance Review & Monitoring

What will staff do now that they are not processing MPDU applications?

- ✓ Continue to monitor program
- ✓ Provide technical assistance to property managers
- ✓ Communicate new program rules
- ✓ Continue to review program requirements and refine it as necessary
- ✓ Work with tenants and property managers to resolve issues

## Annual Compliance Review & Monitoring—What are we looking to monitor?

### What will we review

- Ensure that incomes are calculated accurately
- Ensure that correct rents are being charged
- Review other non-rent fees—i.e., parking fees
- Ensure that there's an appropriate match between household size and bedroom count; and that occupants match application
- Ensure that appropriate notifications are being provided to tenants—i.e., rent increases; vacate notices

## Annual Compliance Review & Monitoring—What are we looking to monitor?

**The following documents must be kept on-site for each MPDU:**

Certification Form (completed each year)

- Renters Agreement Form (completed each year)
- Lease Addendum (signed at initial leasing)
- Income verification form and back-up documentation (submitted each year)
- Lease Agreement

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

- Signed Renters Agreement Form
- Rent roll for MPDUs (quarterly)

## Next Steps

### **Initial audit in January**

- we will time the MPDU file audit with code compliance physical inspections
- audits will be annual

### **Updated income and rent schedule**

- HUD still hasn't released its income limits.
- Updated schedule will be provided shortly after HUD's release



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We welcome your  
thoughts and questions.