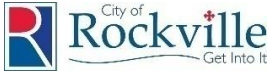


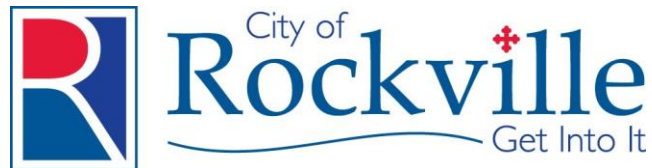
City of Rockville



MODERATELY PRICED DWELLING UNIT (MPDU) RENTAL PROGRAM



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



Program Guide for Property Managers and Leasing Agents

June 2024

**City of Rockville
Moderately Priced Dwelling Unit (MPDU) Program**

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IMPORTANT!

The most current income limits and rental rates may be found at:
<https://rockvillemd.gov/836/Affordable-Rental-Housing>

Section 1 – BACKGROUND, RENTS, AND FEES

Background

The City of Rockville’s Moderately Priced Dwelling Unit (MPDU) ordinance, enacted in 1990, requires that all new for-sale or rental development in the city with 20 or more units contain a certain percentage of affordable units. Designated rental units are required to remain MPDUs for a period of either 30 or 99 years, depending on the date of first rental.¹ The rental MPDU program is a partnership between the City of Rockville and the rental complexes containing MPDUs. The City’s Department of Housing and Community Development (HCD), “the Department,” administers the program.

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 240-314-8300 or email the Department at: RockvilleMPDU@rockvillemd.gov.

Forms and reports may be sent to:

City of Rockville
Department of Housing and Community Development
ATTN: Director
111 Maryland Avenue
Rockville, MD 20850
240-314-8300 (phone) / 240-314-8309 (fax)
RockvilleMPDU@rockvillemd.gov

The Leasing Agent’s Role

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

¹ For an MPDU first offered for rent between March 1, 2001 and December 20, 2021, the control period is 30 years from the date of first rental of the MPDU. For an MPDU first offered for rent after December 20, 2021, the control period is 99 years from the date of first rental of the MPDU.

the two parties. The renting of MPDUs is on a “first come, first served” 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.

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 must:

1. Verify a household’s annual income and determine whether their annual income is within the income limits permitted under the program;
2. Ensure that the household composition meets the size limits per bedroom; and
3. Require that the MPDU apartment is the household’s primary residence.

Annually, the leasing agent must re-certify the household as eligible to live in the MPDU in subsequent years and maintain the records and submit reports as requested and required under the MPDU program. This role is more fully discussed below.

The Department’s Role

The Department sets the rental limits, 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 with program rules and to provide technical assistance and training to staff, as needed.

Rents

The initial rental limits for MPDUs when first constructed are those in effect at the time of the 90-day priority offering period to eligible persons. While offering the MPDU rental units, the property owner or leasing office must give priority to eligible persons who are currently living within the corporate boundaries of the City of Rockville, currently are working within the corporate boundaries of the City of Rockville or who are over the age of fifty five. The Department will notify the property owner or leasing office when the 90-day priority marketing period may begin. The offering of new 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 property owner or leasing office 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.

Landlords offering MPDUs for rent are required to send to the Department

- copies of the initial rental contract
- rental certification form indicating whether utilities are included in the rent or paid separately by the tenant
- notice of rent increases and renewal leases.

For many MPDUs, the MPDU rents include all operating expenses and utilities, except as noted in MPDU Rental Program Agreement which is signed by the property owner and the Mayor and Council. 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 Chapter 13.5 of the Rockville City Code.

Annual Rent Increases

A landlord can issue only one rent increase to any tenant in a 12-month period and a tenant must receive a 90-day notice of a rent increase. Any rent increase on an MPDU must adhere to the current maximum rental rates for MPDUs, as established annually on July 1st by the Department.

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 240-314-8300.

Amenity Fees

Whether or not amenity fees should be charged to MPDU tenants or at what percentage of the market-rate amenity fee should be charged to MPDU tenants is subject to a building's individual MPDU program agreement, as approved by the Mayor and Council.

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 (LIHTC)

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 MPDUs if the rents are at or below the City's MPDU rent schedule. If the term of the LIHTC or other unit expires before an MPDU's control period would, the unit must formally be brought into the MPDU program in order to comply with the City's MPDU requirements.

Section 2 - ELIGIBILITY CRITERIA

Eligibility Criteria

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

Each adult prospective or renewing tenant must proceed as follows:

- Complete MPDU Rental Application Form (see Attachment "A")
- Complete MPDU Renter 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

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 for the MPDU program, as set by the city annually, in effect July 1 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 and six-month bank statement
- 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 full month of paystubs (two most recent paystubs if bi-weekly or semi-monthly or four 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. The applicant/resident 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 (cash) 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 years of filed Tax Returns and must include W-2s.

Persons Who Do 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. Applicants/residents who work with Tax Exempt organizations, such as International Monetary Fund (IMF) World Bank, international embassies, etc. don't file income taxes. This would also occur when one of the applicants/residents works and the other applicant/resident indicates they do not work, such as non-married couples, friends, parents, 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/resident 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. - this income will be reflected on tax returns if applicable. No additional documentation is needed.

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 vouchers are also acceptable for the city's MPDU program; however, holders of an HOC voucher must convert ("port-over") their voucher to a Rockville Housing Enterprises voucher (RHE). Holders of an HOC voucher should be referred to RHE.

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. If the tenant is no longer eligible due to household size, the landlord must provide such tenants with a 60-day notice to vacate.
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 their exceeding the maximum income, the landlord must provide such tenants with a 180-day notice to vacate.

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 still meets 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.

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

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. Federal income tax returns may be used as one method of confirming a household size.

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

Number of Persons in Household	Eligible Number of Bedrooms*
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.

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 eligible 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 and resident deem appropriate.

Student Restriction

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

Section 3 - FORMS AND REPORTS

Rental Forms

The city requires the following forms to be completed. These forms are provided by the Department and can be found online at <https://www.rockvillemd.gov/836/Affordable-Rental-Housing>:

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.

Renter's Agreement Form

The Renter's 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. The leasing agent is to keep a copy of this form in their records.

Lease Addendum

The lease agreements for MPDUs, other than those leased to Rockville Housing Enterprises 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-certification 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 necessarily to have the tenant vacate the MPDU unit within 180 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. MPDU Lease Addendum
5. Income verification form and back-up documentation along with the calculations
6. Household size confirmation
7. Copy of all the notifications sent to the residents

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 sent biannually (submit report by June 30, and by December 30) and include as follows (see attached a sample template: Attachment A)
3. 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.
4. 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.

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

The reports 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.”

The Department will conduct on-site monitoring visits on a periodic basis for annual audits of files for MPDU tenants. These files may be kept electronically.