

## **Frequently Asked Questions about Income and Rent limits**

### **Q: Why is MHDC no longer posting Maximum Income and Rent limits?**

**A:** Recent legislation changes have made it no longer feasible for MHDC to provide Maximum Income and Rent limits. Income limits for properties must be analyzed individually, and can no longer be determined based on county location.

### **Q: When must new income limit be implemented?**

**A:** Income limits must be implemented 45 days from the posted HUD effective date – 5/14/10.

### **Q: What does MTSP stand for?**

**A:** Multifamily Tax Subsidy Projects

### **Q: What are HERA income limits?**

**A:** The 2008 Housing Economic Recovery Act (HERA) established a Hold Harmless policy to avoid jeopardizing the financial feasibility of existing housing properties by maintaining the prior year established income limits and rents when annual income limits decrease. **Note:** The limits identified in the MTSP Income Limits tables as "HERA Special" Income Limits are only for use by projects placed in service prior to 1-1-2009 and located in a county that had its rent limits determined under HUD's hold harmless in 2007 and 2008.

### **Q: If you have 4% Tax Exempt Bonds and your last placed in service date is before 12-31-2008, are you allowed to use the HERA income limits?**

**A:** Yes. Only for Tax Exempt Bond deals that are under IRC-Section 142 Multifamily Tax Exempt Bonds. NOTE: Tax Exempt Bonds under IRC-Section 143 Single Family homes may NOT use the HERA income limits.

### **Q: What properties are allowed to use the HERA income limits?**

**A:** If projects are 100% Section 42 LIHTC and/or IRC-Section 142 Multifamily Tax Exempt Bonds, the property OR specific units may be allowed to use the HERA income limits.

### **Q: Can all properties that have the HERA income limits in a county use them?**

**A:** No, it would depend on the specific programs that are required on a specific property that was "in service" prior to 1-1-2009, a project or unit within a project may be eligible to use the HERA income limits or non-metropolitan income limits.

### **Q: Does the HERA Hold Harmless Policy still apply?**

**A:** Yes. This decision will allow income limits to increase or decrease annually based on the area's economic conditions. The 2008 Housing Economic Recovery Act (HERA) established a general hold-harmless rule that says: "Any determination of area median gross income under subparagraph (B) with respect to any project for any calendar year after 2008 shall not be less than the area median gross income determined under such subparagraph with

respect to such project for the calendar year preceding the calendar year for which such determination is made." Note: Effective with the 2010 income limits, HUD will no longer apply a hold harmless policy *for the Section 8, Section 221(d)(3) BMIR, Section 235 and Section 236 programs.*

**Q: How do I know if my property is Held Harmless?**

**A:** Hold harmless applies if:

**Projects placed in service before January 1, 2009** - these projects are eligible for the HERA Special income limits if they are within a county in which the HERA Special income limits are published by HUD. **Note:** These properties would then be held harmless at the 2009 HERA Special limit, if the limit was to decrease in 2010.

**Projects placed in service after December 31, 2008 and before May 14, 2010** (the effective date of the 2010 income limits) - these projects are not eligible to use the HERA Special income limits, but their rent and income limits are still eligible for the hold-harmless provisions, and can therefore use 2009 income and rent limits if they are higher than the published 2010 limits.

**Projects placed in service after May 14, 2010** - these projects must use the current income limits published by HUD. These projects are eligible for hold-harmless provisions under HERA as well, but the floor for their rent and income limits in future years will be the 2010 limits instead of 2009 like projects placed in service earlier.

**Q: What information do I need know about my property before I can use the [Novogradac & Company LLP's Rent & Income Limit Calculator](#)©.**

**A:** In order to use the Novogradac & Company LLP's Rent & Income Limit Calculator©, Properties must know when the first building was Placed in Service, if the property is located in a rural area as defined by the USDA, and when was the property's rent floor election.

**Q: The Novogradac & Company LLP's Rent & Income Limit Calculator© asks for a Minimum Set –Aside election. How do I determine this?**

**A:** The Minimum Set –Aside election can be determined by reviewing the property's Land Use Restriction Agreement (LURA.)

**Q: The Novogradac & Company LLP's Rent & Income Limit Calculator© automatically displays results for 60% of AMGI. Will I be able to choose %'s other than 60% of AMGI?**

**A:** Yes. There is space for you to enter other %'s of AMGI such as 50%, 80%, and 150%.

**Q: Can I use the Novogradac & Company LLP's Rent & Income Limit Calculator© to determine the limits for other funding sources?**

**A:** No. The Novogradac & Company LLP's Rent & Income Limit Calculator© only calculates the income limits for IRS Sec. 42 LIHTC properties. Properties with funding sources other than IRS Sec. 42 LIHTC properties will have to refer to the income and rent limits set forth by the other programs. Links for the HUD Section 8 maximum income limits and HOME maximum income and rent limits can be found on MHDC's website [www.mhdc.com](http://www.mhdc.com).

**Q: What is the rent floor election?**

**A:** LIHTC project owners can elect to have their rent floor effective on the date of their carryover allocation or the date the project is placed in service. It is extremely important that project owners pay attention to when their rent election is effective and when the project is placed in service in order to use the correct income and rent limits, especially because HUD is currently publishing only the HERA Special limits and the MTSP income limits, without the hold-harmless provisions.

**Q: What is the HUD income limit year?**

**A:** 2009 Income limit year is defined as 3/19/09 through 5/13/10. 2010 income limit year began 5/14/10.

**Q: How do I determine if my project located in a rural area?**

**A:** As defined in section 520 of the Housing Act of 1949, rural properties can be determined by connecting to the USDA link at <http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=sfp&NavKey=property@12> This is important to know because properties located in Rural areas are eligible to use the "GREATER OF" the area median gross income OR the national non-metropolitan median income. **NOTE:** Tax Exempt bond projects are NOT eligible for the national non-metropolitan income limits.

**Q: What income limit and rent limits do I use if my placed in service date is before 1/1/09?**

**A: Urban** - Use the greater of the 2010 HERA Special, 2010 MTSP, or 2009 MTSP for income and rent limits. **Rural** – Use the greater of the 2010 HERA Special, 2010 National Non-Metro, 2009 National Non-metro, 2009 MTSP income and rent limits.

**Q: What income limit and rent limits do I use if my placed in service date is before 5/14/10?**

**A: Urban** - Use the greater of the 2010 or 2009 MTSP for income and rent limits. **Rural** – Use the greater of the 2010 National Non-Metro, 2009 National Non-Metro, or 2009 MTSP income and rent limits.

**Q: What income limit and rent limits do I use if my placed in service date is on or after 5/14/10?**

**A: Urban** - Income limit is the 2010 MTSP. Rent limit is the greater of the 2010 MTSP or the MTSP/VLI for the year of your Rent Floor Election. **Rural** – Income limits is 2010 National Non-Metro. Rent limit is the greater of the 2010 National Non-Metro, MTSP/VLI for the year of your Rent floor Election, or National Non-Metro for the year of your Rent Floor Election.

**Q: Could my income limits be different if I have multiple buildings in my project?**

**A:** The answer depends how the question 8b on the 8609 is answered. 8b of the 8609 asks "Are you treating this building as part of a multiple building project for purposes of section 42?" A yes answer means all buildings are to be included as one project. A no answer means each building should be treated as a stand alone project and therefore could have different income limits.

**Q: Although other properties we manage were placed in service before 12/31/08, some of them have HOME funds, what income limit should be used?**

**A:** The HOME income limits MUST be used on the HOME designated units.