

## Avenues of Rent Increases

There are now 5 possible ways that rent for a particular unit may be increased. Rent may be raised once per year, by an amount that conforms to the following:

1. **Annual Increase Percentage (CPI):** This option allows a rent increase to be equal to “100% of the change in the Consumer Price Index for Greater Boston Metro Area, as published by the United States Bureau of Labor Statistics or its designee.” Beginning for 2022, the Housing Safety Office publishes the CPI increase on its website. \*\*\*side note: all verbiage for this section revolves around a landlord being allowed to increase the rent by this indicator, no mention of reductions if CPI were to decrease however this has never occurred. Once per year
2. **Tax Rate Rent Adjustment:** This option can only occur when there has been an “altered” mil rate. Yes, the mil rate can go down (altered) and any additional tax burden may distributed to the units. This option makes no mention as to how the increase is to be split. If not all units in a building are equal, then the tax increase should be allocated in a reasonable manner, depending on the circumstances. We assume that as long as there is a logical attempt to make this equal for each unit, we will stay in the clear. Once per year, so long as there is a change in mil rate.
3. **New Tenancy (Vacancies):** If you have a unit that goes vacant, you may institute a 5% increase to the base rent (i.e., the rent as of June 1, 2020), plain and simple. This may only be applied at most once per year, regardless of the number of new tenancies. Once per year
4. **Banked Rent:** A landlord may take all or part of any unused allowable increases from previous years, and add them to a renewal or new lease. Once per year
5. **Additional Rent Board Approved Increases:** All of the following options listed below may be other just causes for an increase. However, they all require a hearing by the rent board for their approval:
  - i. Capital improvement costs, including financing costs;
  - ii. Uninsured repair costs;
  - iii. Increased housing service costs; and
  - iv. Any additional increase, within the opinion of the Rent Board, required to allow the Landlord to receive a fair rate of return.

Because there have been few Rent Board hearings, it is not yet clear how the Board will treat these requests.

**10% Rule:** Now all 5 of these Rent Increase Avenues may never exceed 10% within one year. They can all be used together, so we may see this cap being met in the near future. (Note: The Rent Board arguably has authority to exceed the 10% cap, but it remains to be seen whether and under what circumstances it will exercise that authority.)

*Example: We have calculated some buildings tax increases to come out to 7-8% increases in a single individual unit let's call it 7% for this exercise. If this same unit vacates, there is another 5%. CPI this year is 4.3%, bringing our total allowable increase to 16.3%. This would allow us to re-lease the unit for a rent that is 10% higher than where it was, leaving the 6.3% to be “Banked”*

**Realistic Use:** With all these options and scenarios, the key to calculating them correctly and to stay out of hot water, will be focusing on one single unit, not a whole building. When calculating increases, always keep it chronological, and in actual dollar amount. Adding together increase percentages and banked amounts from one year to the next is asking for errors. Keeping a running log for each unit's “Max Allowed Increase” at the time of an allowable increase, and then comparing that number to the actual charged rent when considering renewals or starting to market a vacancy.

*Realistic Use Example: “Unit A” has a base rent (June 2020) of \$1000/mo. They renew their lease in Feb 2022 with a properly noticed increase incorporating 7% increase due to that unit's share of the Tax Increase, and the 2021 CPI increase of 4.3%, establishing a new maximum rent of \$1100, and banking an additional increase of \$13 (i.e., a potential future rent of \$1,113). That June the tenants buy a house and break their lease. The rent has already been increased 10% within a year, however the banked rent increases by an additional \$50 (5% of the \$1000 base rent), for a total banked rent of \$63 (i.e., a potential future rent of \$1,163).*

**Notices:** Notice must be given to a tenant who is renewing their lease 75+ days in advance. This notice must include:

- the date on which the Tenancy began;
- the date on which the rent will be increased; and
- the appropriate justifications for such a rent increase as defined in Section 6-234(b) which is the section listing the 5 avenues above. This is where showing our work will be required and possibly reported to the Rent Board if deemed insufficient by the tenant.