



# Income to Rent Ratio

## Sample policies and options

### Income to Rent Ratios

Many landlords require an applicant's income to equal three or more times the rent (some now require four times the rent), and some require each household member to demonstrate they earn three or more times the rent (rather than the combined income of the household). Many low-income and fixed-income individuals, such as seniors and people with disabilities, struggle to meet these requirements.

Other cities have addressed these challenges by implementing policy to create guidelines for income to rent requirements.

Tacoma prohibits landlords from requiring an applicant's income to be more than 2.5 times the rent (if the unit rent is above HUD Fair Market Rent) and 3 times the rent (if the unit rent is under HUD Fair Market Rent).

Portland uses a similar calculation to Tacoma. If a monthly rent amount is less than what is considered affordable for households at 80% of the median family income (MFI), a landlord may require a monthly gross income of up to—but not greater than—2.5 times the rent amount. If a monthly rent amount is more than what is considered affordable for households at 80% of the median family income (MFI), a landlord may require a monthly gross income of up to—but not greater than—2 times the rent amount.

In Minneapolis, if a landlord requires an income equal to 3 times the rent or higher, the landlord must allow an exception where the applicant can demonstrate a history of successful rent payment with an income less than 3 times the rent.

In Colorado, a landlord may not require the tenant's income to be more than 2 times the rent.

### Tacoma Municipal Code Summary

Landlords cannot:

1. Exceed maximum income-to-rent ratios (of either 2.5 times the monthly rent or 3 times the monthly rent depending whether the rent is above or below HUD Fair Market Rent.)
  - A landlord may require the financially responsible applicant to demonstrate a monthly gross income of up to three (3) times the amount of the monthly rent for the unit when the monthly rent amount is below Fair Market Rent.
  - A landlord may require a financially responsible applicant to demonstrate a monthly gross income of up to 2.5 times the amount of the rent for the dwelling unit when the monthly rent amount is at or above the Fair Market Rent.

[Tacoma Municipal Code, 1.95.035\(C\) Tenant Screening](#) (Effective July 23,2023) – Full text

#### C. Financial Responsibility of Applicant.

When there are multiple tenants who will reside in common within a dwelling unit, the tenants may choose which adults will be the applicants financially responsible for the dwelling unit and which will be tenants with no financial responsibility and considered just an occupant of the dwelling.

1. A landlord may require the financially responsible applicant to demonstrate a monthly gross income of up to three (3) times the amount of the monthly rent for the dwelling unit when the monthly rent amount is below Fair Market Rents as published by the U.S. Department of Housing and Urban Development (“HUD”).
2. A landlord may require a financially responsible applicant to demonstrate a monthly gross income of up to 2.5 times the amount of the rent for the dwelling unit when the monthly rent amount is at or above the Fair Market Rents as published annually by HUD.
3. For the purpose of this subsection, a landlord’s evaluation of an applicant’s income to rent ratio must:
  - a. Include all income sources of a financially responsible applicant, including, but not limited to, wages, rent assistance (non-governmental only), and monetary public benefits. The landlord may also choose to consider verifiable friend or family assistance.
  - b. Calculate the income to rent ratio based on a rental amount that is reduced by the amount of any local, state, or federal government rent voucher or housing subsidy available to the applicant;
  - c. Be based on the cumulative financial resources of all financially responsible applicants for the dwelling unit.
  - d. If an applicant does not meet the minimum income ratios as described herein, a landlord may require additional and documented security from a guarantor, or an additional security deposit. The landlord shall communicate this conditional approval to the applicant in writing and indicate the amount of the additional security. Applicant will have no less than 48 hours after the communication of conditional approval to accept or decline this opportunity.
  - e. If a landlord chooses to require additional documented security from a guarantor, the landlord may require the guarantor to demonstrate financial capacity. If the guarantor is a friend or family member, the landlord cannot require the guarantor to have income greater than 3 times the rent amount. The landlord may not require an applicant’s guarantor agreement to exceed the term of the tenant’s rental agreement.
4. Evaluating adult tenants who are not financially responsible. A landlord may screen an adult tenant who will reside with an applicant in a dwelling unit but who is not responsible for paying the rent, only for factors related to maintaining the property, and for conduct consistent with the health, safety or peaceful enjoyment of the premises by other residents or the landlord and to evaluate prospective occupants’ ability to comply with the landlord’s rules of residency. A landlord may not screen an occupant for financial responsibility.

**Portland Municipal Code, [30.01.086](#) (Effective July 29, 2022)**

When multiple persons will reside in a unit, the applicants may choose which adults will be financially responsible, and which will be tenants with no financial responsibility. An applicant assumes financial responsibility, and can be screened for financial responsibility. A non-applicant tenant assumes no financial responsibility, and cannot be screened for financial responsibility. A non-applicant tenant can

be screened for factors related to maintenance and conduct. A landlord may screen adult non-applicant tenants solely for factors related to maintaining property, and for conduct consistent with the health, safety or peaceful enjoyment of premises by other residents or the landlord, and to evaluate prospective tenants' ability to comply with the landlord's Rules of Residency. While a landlord may not screen non-applicant tenants for financial responsibility, they may require all adult tenants to sign Rules of Residency.

When the monthly rent amount is less than what is considered affordable for households at 80% of the median family income (MFI), a landlord may require a monthly gross income of up to—but not greater than—2.5 times the rent amount.

When the monthly rent amount is more than what is considered affordable for households at 80% of the median family income (MFI), a landlord may require a monthly gross income of up to—but not greater than—2 times the rent amount.

When evaluating an applicant's income-to-rent ratio, a landlord is required to:

- Include all sources of an applicant's income, including—but not limited to—wages, rent assistance (non-governmental only), and monetary public benefits. A landlord may also choose to consider verifiable assistance from friends or family.
- Base calculations on:
  - a) a rental amount that is reduced by the amount of any local, state, or federal government rent voucher or housing subsidy available to the applicant; and
  - b) the cumulative financial resources of all applicants (does not include non-applicant tenants).

#### **Minneapolis City Charter [244.2030](#) (Effective June 1, 2020)**

If a landlord uses a minimum income test requiring an income equal to three (3) times the rent or higher, the landlord must allow an exception to that test where the applicant can demonstrate a history of successful rent payment with an income less than three (3) times the rent.

#### **Colorado [SB23-184](#) (Effective August 7, 2023)**

If a landlord uses financial information, including rental history or credit history, as a criterion in consideration of a rental application from any prospective tenant who is seeking to rent without the assistance of a housing subsidy, the landlord shall not consider or inquire about the prospective tenant's amount of income, except for the purpose of determining that the prospective tenant's annual amount of income equals or exceeds two hundred percent of the annual cost of rent. A landlord shall not require a prospective tenant to have an annual amount of income that exceeds two hundred percent of the annual cost of rent.

## **Options**

Set income to rent ratio guidelines for housing units:

1. Set a different income to rent ratio based on the affordability of the rent amount
  - Use Tacoma or Portland's model of allowing higher rent to income ratios if unit rents are lower
2. Use a set income to rent ratio for all housing units, regardless of rent amount

Set a guideline for what income to rent ratio may be used:

1. Two times the monthly rent (using tenant gross income)
2. Two and one half (2.5) times the monthly rent (using tenant gross income)
3. Three times the monthly rent (using tenant gross income)

Set guidelines for combined household income vs. individual tenant income (can offer both options):

1. Combined gross household income can be used to calculate household eligibility (household qualifies vs. needing each individual tenant to qualify)
2. One tenant may be chosen as the financially responsible applicant for screening.

Alternative screening through positive rental history payments:

1. Per Minneapolis, if a tenant does not meet the income to rent ratio, the landlord must allow the tenant to demonstrate a history of successful rent payments.

## **Staff Recommendation**

If a landlord screens tenant income for eligibility, either a financially responsible applicant's income OR combined household income may be used to determine financial eligibility. Landlords may not require the applicant income to be more than 2.5 times the amount of monthly rent for the unit. Per state law, if a tenant uses a voucher to pay their rent, only the tenant's portion of rent should be used for screening purposes.