

Contract Renewals and Rent Adjustments

North Tampa Housing Development Corporation

Leading Age
July 19, 2022
Orlando, FL



Learning Objectives:

Different types of Contract Renewals and eligibility for each

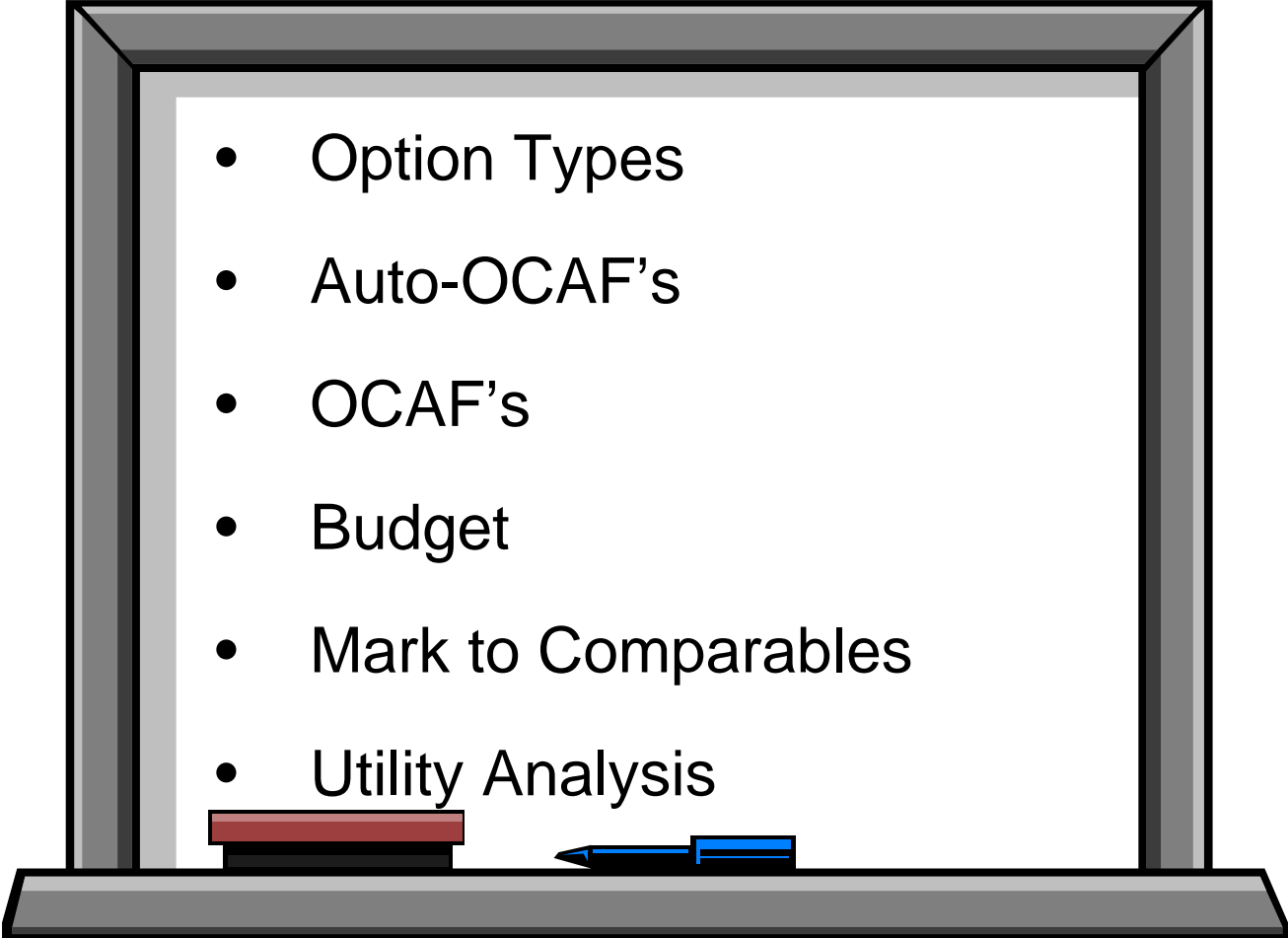
Different types of Rent Adjustments overview of submission requirements

Utility Allowance overview

“We are turning our eyes toward the
future as we build
momentum”



Topics Covered

- 
- Option Types
 - Auto-OCAF's
 - OCAF's
 - Budget
 - Mark to Comparables
 - Utility Analysis
- A whiteboard with a grey frame and a grey base. On the base, there is a red eraser and a blue pen. The whiteboard contains a list of six topics, each preceded by a bullet point.

Option Types

Option 1 – Mark Up To Market (MU2M)

Option 2 – Rents At or Below Market

Option 3 – Referral to RECAP a/k/a Mark to Market (M2M)

Option 4 – Exempt from RECAP

Option 5 – Preservation / Demonstration Projects

Option 6 – Opt-out

Short-term Contracts

Option 1: Mark Up to Market (MU2M)

An emergency initiative created to provide certain Below Market properties with incentives to continue to provide affordable housing

Two Options

1-A: Entitlement

1- B: Discretionary

- Vulnerable Population
- Vacancy
- Community Support

Option 1: MU2M

All properties, regardless of Option 1-A or 1-B must meet the following criteria to be eligible for a MU2M:

Property Condition - A Real Estate Assessment Center (REAC) physical inspection score of 60 or above with no uncorrected Exigent Health and Safety (EH&S) violations

Management and Occupancy Review (MOR) Rating – The most recent MOR score must be “Satisfactory” or above

Ownership – Owner must be profit-motivated, a limited-distribution entity, a non-profit controlled for-profit entity, or a housing authority occupying the status of a “public body corporate and politic”

Market Rents – The RCS must demonstrate that the comparable market rents are at or above 100% of the FMR potential.

*Option 1A: Use Restrictions – The project does not have a low-and moderate-income use restriction that cannot be eliminated by unilateral action by the Owner.

Option 1: A

INPUTS WORKSHEET

ENTER DATA IN SHADED CELLS ONLY

Section 8 Units in Contracts Eligible Under this Notice Only

(A) Unit Type	(B) # of Units	(C) Current Section 8 Rents	(D) Utility Allowance	(E) Current Section 8 Gross Rents (C + D)	(F) New Authorized Rents 236, 915 & BMR	(G) New Authorized Gross Rents (F + D)	(H) Owner Comparable Market Rents	(I) Owner Comparable Gross Rents (H + D)	(J) HUD Comparable Market Rents	(K) HUD Comparable Gross Rents (J + D)	(L) Fair Market Rents
1BR	28	996	65	1,061		65	1,075	1,140		65	920
2BR	56	1,087	99	1,186		99	1,150	1,249		99	1,100
3BR	16	1,285	140	1,425		140	1,400	1,540		140	1,430
				0		0		0		0	0
				0		0		0		0	0
				0		0		0		0	0
				0		0		0		0	0
				0		0		0		0	0
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				0		0		0		0	0
				0		0		0		0	0
				0		0		0		0	0
				0		0		0		0	0
				0		0		0		0	0
Monthly Total	100	109,320	9,604	118,924	0	9,604	116,900	126,504	0	9,604	110,240
Annual Total	100	1,311,840	115,248	1,427,088	0	115,248	1,402,800	1,518,048	0	115,248	1,322,880

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(B) # of Units	(C) Current Section 8 Rents	(D) Owner Comparable Market Rents	(E) Utility Allowance	(F) Owner Comparable Gross Rents (D + E)	(G) Fair Market Rents	(H) Current Section 8 Rent Potential (C x B)	(I) Owner Comparable Rent Potential (D x B)	(J) Owner Comp. Gross Rent Potential (F x B)	(K) FMR Potential (G x B)
28	996	1,075	65	1,140	920	27,888	30,100	31,920	25,760
56	1,087	1,150	99	1,249	1,100	60,872	64,400	69,944	61,600
16	1,285	1,400	140	1,540	1,430	20,560	22,400	24,640	22,880
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
Monthly Total	100					109,320	116,900	126,504	110,240
Annual Total	100					1,311,840	1,402,800	1,518,048	1,322,880

(A)	Owner Comparable Rent Potential is:	106.9% of Current
(B)	This contract is:	Below Market
(C)	Owner Comparable Gross Rent Potential is:	114.8% of FMR
(D)	This contract is initially:	Eligible

Notes

Total of Column I divided by total of Column H
 If Row A > 100%, then contract is below market
 Total of Column J divided by total of Column K
 If Row C >= 100% and contract below market, then eligible

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MOMENTUM

Option 1: B

•For Owners who request participation in Option One-B, and for Owners of projects that request an increase in rents above the cap on comparable rents of 150% of FMR, HUD will consider these requests if the project meets at least one of the following three characteristics:

•**Vulnerable Populations**. The tenants of the property are a particularly vulnerable population, demonstrated by a high percentage (at least 50%) of the units rented to elderly families, disabled families, or large families (large family is defined as a family of five or more persons);

•**Vacancy Rates**. The property is located in a low-vacancy market area (or in a rural area with no comparable rental housing) where there is a lack of affordable housing and where Housing Choice vouchers would be difficult to use. The determination of a low vacancy area should be made using the most recent available data on the rental inventory, renter households, rental vacancy rates and other factors as appropriate. A market with a rental vacancy rate of less than 3 percent is considered a low vacancy area. Confirm the vacancy rate with HUD staff/CA staff; or

•**Community Support**. The property is a high priority for the local community as demonstrated by a contribution of State or local funds to the property. This matching requirement may be in the form of tax abatements, capital improvement funds etc.

Option 1: MU2M – Amend Rents

Generally multi-year contracts that will receive **OCAF** increases.

Contracts exceeding 5 years are subject to an adjustment in the 6th year via RCS (no OCAF increase):

- O/A must submit new RCS
- Rents are adjusted to comps

The approved rent potential *cannot exceed* the RCS rent potential

- If the newly-adjusted OCAF rents are above the RCS rent potential, the rent increase will *only* be adjusted to the comparable market rents

No Budget-Based Rent Adjustments will be approved

Option 1 Contract Renewal Submission

Option 1 – Mark-Up-to-Market

The Mark-Up-To-Market Option was introduced as an Emergency Initiative in June 1999 to provide owners of certain below-market properties located in strong markets, an incentive to renew the Section 8 contract and continue providing affordable housing.

Submission Requirements

The owner must submit the following information:

- One-year written notice to tenants and to HUD of the contract's expiration (in accordance with the Section 8 Renewal Guide Section 11-4.A.)
- Form HUD-9624 Contract Renewal Request Form
 - ✓ Cover Page with DUNS # (signed/dated)
 - ✓ Worksheet for Option One A **OR** One B (signed/dated)
- 30-day Tenant Notification for MU2M rents (24CFR Part 245 Subpart D)
- A New Rent Comparability Study (RCS)
- Owner's RCS Certification
- Utility Allowance, if applicable (UAF or Baseline, as required)
- 30-day Tenant Notification, if applicable due to UA decrease
- Owners Certification of Compliance with the Tenant Comment Period dated at least 31 days after the notice (may be one combined notice for both UA and Rents)

Option 2 – Rents at or Below Market

For S8 owners requesting renewal when current rents are *at or below* comparable market rents

RCS needed to establish market rents

Contract Length between 1 and 20 years

Long-term contracts are subject to 6th year comparability

Current annual rent potential must not exceed the market rents based on the approved RCS

- The RCS “caps” the total annual rent potential *not* the individual unit rents.

Option 2 – Amend Rents

The O/A is eligible for either an OCAF or Budget Based Rent Adjustment

5 year contract = aOCAF years 2 through 5

Process BBRA at O/A's request

- If BBRA is requested and rents exceed comp rents, the budget will be denied. The O/A will be eligible for an aOCAF increase or a “zero budget”.

If the contract life exceeds 5 years, a new RCS is required in year 6 (and each subsequent 6th year).

Option 2 Contract Renewal Submission

☐ Option 2 – Rents at or Below Comparable Market Rents

Owner's eligible for an Option 2 contract must ensure that the current contract rents are at or below the comparable market rents as demonstrated through an RCS.

Submission Requirements:

The owner must submit the following information:

- Owners may request a contract term from one to twenty years.
- One-year written notice to tenants and to HUD of the contract's expiration (in accordance with the Section 8 Renewal Guide Section 11-4.A.)
- Form HUD-9624 Contract Renewal Request Form
 - ✓ Cover Page with DUNS # (signed/dated)
 - ✓ Worksheet for Option 2 (Initial or Subsequent) (signed/dated)
- A Rent Comparability Study
 - ✓ Either a new RCS or a Contract Renewal term not to exceed the life of the existing RCS
 - ✓ Prepared following the instructions found in Chapter 9 of the Section 8 Renewal Policy Guidebook
- Owner's RCS Certification (New RCS only)
- OCAF Rent Increase: Form HUD-9625 OCAF
- Budget-Based Rent Increase: Form HUD-9625 OCAF Worksheet **AND** form HUD-92547-a Budget-Based Worksheet **OR** RHS approved budget if budget requested
 - ✓ If applicable, a budget-based rent increase request prepared in accordance with the requirements of HUD Handbook 4350.1, Chapter 7, and Attachment 5 of the Section 8 Renewal Policy Guidebook (Only required for properties submitting a budget for the first time).
 - ✓ Please note: current debt service is to be used for all Rent Adjustments.
- Utility Allowance, if applicable (UAF or Baseline, as required)

Option 3 – Referral to RECAP

Current Section 8 rents *exceed* comparable market rents and the property **does not qualify as an exception project**, the request is referred to the Office of Recapitalization (RECAP)

Under this option, the Owner may select:

- Option 3a (Lite) – Rents marked down to market *without* mortgage restructuring; or
- Option 3b (Full) – Rents marked down to market *with* mortgage restructuring.

Option 3 – Referral to RECAP

Option 3(a) – RECAP Lite:

Rents are reduced to market

Interim Lite Contract not to exceed 12 months

Rent adjustments are prohibited during the term of the interim contract

Long – term contracts (>5 years) must submit an RCS on years 6, 11 and 16 and rents will be automatically adjusted to comparable rents.

FHA Insured Property

- If not FHA insured may be eligible for Option 4

Option 3 – Referral to RECAP

Option 3(b) – RECAP Full:

Rents are reduced to market

Complete debt restructuring

Generally a term of up to 20 years

During life of contract – Amend rents only be by the OCAF

No RCS required during the term of the contract

Option 3 – Amend Rents

Option 3-A (Lite)

- › 5-year contract, A-OCAF years 2 -5
- › Multi-year contracts, year 6 requires an RCS
- › Process a BBRA at O/A's request
- › BBRA rents cannot exceed A-OCAF adjusted RCS

Option 3-B (Full)

- › A-OCAF increases ONLY regardless of length of contract
- › NO RCS required
- › NO 6th year adjustments
- › NO BBRA's

Option 4 – Exempt from RECAP

Certain properties are exempt from referral to RECAP even if current rents exceed comparable market rents

These projects, referred to as “Exception Projects”, are renewable under Section 524(b) of MAHRA which allows for renewal with rents above market

Examples of Exception Projects are:

- State or Local Government Financing
- Section 202/8 and 515/8
- SRO Mod Rehab
- Section 512 (2) of MAHRA
- Section 524 Risk-sharing Loans

Option 4 – Exempt from RECAP

Generally, an RCS is not required for Exception Projects

Owners are subject to the “Lesser of Test” for **all** Option 4 initial and subsequent renewals

- The “Lesser Of” Test is a comparison of a project’s forecasted OCAF and Budget Based rents. The lesser rents between the OCAF and Budget are applied as the renewed rents.
- The lesser of test may result in a *reduction* of contract rents when the budget does not warrant an increase

Option 4 – Amend Rents

For subsequent years, funding of contracts that have been renewed under Option 4 may have their rents adjusted by either a BBRA or the OCAF

O/A's are *required to submit both* when in conjunction with execution of a new contract and the “lesser of test”

A budget-based rent adjustment. If requesting a budget-based rent adjustment: The owner must submit or have submitted within the preceding 5 years a RCS prepared following the instructions found in Chapter Nine of the Section 8 Renewal Guide. *This requirement does not apply if the owner is seeking a “0” budget based rent adjustment.

*Review the Section 8 Renewal Policy for details

Option 4 Contract Renewal Submission

Option 4 – Renewal of Projects Exempted from RECAP

Option Four is for project types that are not eligible for RECAP even though the contract rents may exceed market. These properties are known as "exception properties" and are renewable under Section 524(b) of MAHRA. Projects without FHA-insured loans are exempt, as are certain FHA-insured properties. Owners who have projects that are exempt from RECAP and have contract rents that exceed market rents should consider this option. Eligible projects that wish to renew under this option will renew their rents at the lesser of the projects current rents adjusted by an operating cost adjustment factor (OCAF) or the budget based rent as described in [HUD Handbook 4350.1 chapter 7](#) and appendix 5.

- One-year written notice to tenants and to HUD of the contract's expiration (in accordance with the Section 8 Renewal Guide Section 11-4.A.)
- Form HUD-9624 Contract Renewal Request Form
 - ✓ Cover Page with DUNS # (signed/dated)
 - ✓ Worksheet for Option 4 (Initial or Subsequent)(signed/dated)
- Documentation of current debt service is required
- Form HUD-9625 OCAF Worksheet **AND** form HUD-92547-a Budget-Based Worksheet **OR** RHS (RD) approved budget (for 515 Rural Development properties)
- Supporting documentation is required for all line items increasing \$500 or \$5 or more
- A Rent Comparability Study (RCS), if applicable.
- Rent Schedule
- Utility Allowance Analysis in accordance with HUD Notice 2015-04, if applicable.

Option 5 – Preservation and Demo

Portfolio Reengineering Demonstration (“Demo”)

Program Projects are projects that completed the Demo Program, as evidenced by a recorded Demo Program Use Agreement.

Preservation Projects primarily consist of Section 236 and 221d3 BMIR projects whose Owners entered into long-term use agreements with HUD under the Preservation Program

Option 5 - Demonstration

Only subsequent renewals - HUD is no longer doing initial renewals

Review the Use Agreement to verify eligibility

Contract term can't exceed the term of the recorded use agreement

Adjusted by aOCAF every year for the term of the contract (if debt was restructured).

Owner must conduct an RCS to verify rents are not above market every 5 years

Option 5 - Demonstration

Can not be referred to RECAP – rents will be reduced if necessary

O/A must renew under Opt 5 for the duration of the Use Agreement

The HAP contract for the subsequent renewal of a Demonstration Project may be a multiyear contract but may not exceed the number of years remaining at that time under the project's Demo Program Use Agreement.

Option 5 - Demonstration

Portfolio Reengineering Demonstration Contracts that have undergone debt restructure are **REQUIRED** to accept Section 8 renewals for 20 years and may **NOT** Opt-Out of their contract

Properties with Demo Contracts have previously had their mortgages restructured and rents reduced

- These will not go to RECAP

Option 5 - Preservation

Primarily 236 and 221d3 BMIR

Will have an executed Plan of Action (POA)

- Renew the contract according to the POA
- Generally the POA allows for either a Budget Based Rent adjustment or an AAF; few allow OCAFs
- Review PBCA Preservation Spreadsheet

Preservation contracts can only be renewed under Option 5

Option 5 – Amend Rents

Demo Properties

- › May increase rents via the OCAF (aOCAF for properties with restructured mortgage)
- › Are subject to 6th year comparability (RCS)
- › Cannot be referred to RECAP (rents will be reduced if over the comparables)

Preservation Projects

- › AAF/Budget Based/OCAF
- › Refer to the rent adjustment method provided in the approved Plan of Action/Use Agreement/PBCA Preservation Spreadsheet

Option 6 – Opt Out

Owner is choosing not to renew Section 8 contract

Upon receipt of HUD 9624 indicating an Owner's request to Opt Out, the PBCA forwards request to HUD AE

HUD process Opt-Outs

Short Term Contracts

Short-term” refers to *length* of contract not *type*

Length of contract is for less than one year

Possible reasons for a Short-term Contract:

- To protect residents (e.g. Option 6: Opt-Out);
- To align multiple contracts or stages in a project;
- To provide additional time for processing a MU2M (or to provide HUD more time to complete a rent adjustment);
- To provide additional time to complete an RCS; or
- To extend a contract referred to RECAP (Option 3) that has yet to close.

Chapter 15 Renewals

One of HUD's goals is the long-term preservation of affordable housing

HUD encourages rehabilitation, known as "Capital Repairs" and acquisition, known as "Transfer"

1. Will be an Option One or Option Two
2. RCS will have "as-is" rents and "as-renovated" rents included
3. HUD 9624 for Option two has a Chapter 15 selection

Chapter 15 Renewals

HUD will approve the early termination (if applicable) and new 20 year HAP contract.

HUD will also provide PBCA with background information on Chapter 15 status

Once HUD approves the Owner's Early Termination Request, HUD will notify the PBCA in writing and will provide the following information:

1. Effective date, new approved 20 year contract date
2. Notification of change in ownership, if applicable
3. As-is Market Rents and Post Rehab Market Rents



Chapter 15 Renewals

HUD 93181 or HUD 93182

HUD 93181 (aka Appendix 15-2a): When full debt service is not needed at closing and “as-is” rents are effective at closing.

HUD 93182 (aka Appendix 15-2b): Requires full debt service and “as-renovated” rents are effective at closing

Unique Entity Identifier Replacing DUNS for LOCCS User

Announcements



Unique Entity Identifier Replacing DUNS for LOCCS Users

February 25, 2022

For HUD Line of Credit Control System (LOCCS) users, please note that by April 4, 2022, the federal government will transition away from using the Dun & Bradstreet data universal numbering system (DUNS) to the new Unique Entity Identifier (UEI) for identification for federal awards. Entities must be registered in SAM.gov to qualify for federal awards that are reported to the public through USASpending.gov.

If you have not already registered or if your registration has expired, please register immediately. The General Services Administration (GSA) has provided tools that will assist you in registering your entity and obtaining a DUNS/UEI. Visit the [GSA SAM web site](#) that contains a number of resources related to the UEI implementation.

[Watch a webinar](#) from November 3, 2021, concerning the changes.

You can also go to fsd.gov and select the green "Help on UEI Transition" button to learn more.

Unique Entity Identifier Vouchering

Recently HUD had announced that effective 4/4/2022 for all eLOCCS users, the federal government will transition away from using the Dun & Bradstreet data universal numbering system (DUNS number) to the new Unique Entity Identifier (UEI) for identification. This impacts vouchering because on the MAT30 (voucher) File, the DUNS number is 9 digits long whereas the new UEI number will be 12 digits long. Due to the difference in length, TRACS will need to accommodate that difference on the MAT30 (voucher) file.

Although the requirement for the new UEI is effective 4/4/22, the update for vouchers to accommodate the UEI upgrade will be rolled out with the **203A implementation**.

HUD has released a notification which can be viewed at: [Multifamily Housing - TRACS | HUD.gov / U.S. Department of Housing and Urban Development \(HUD\)](https://www.hud.gov/multifamilyhousing-tracs) by clicking the UEI Update link under the **“What’s New”** section.



The screenshot shows the HUD website header with the U.S. Department of Housing and Urban Development logo and navigation links. Below the header is a dark blue navigation bar with links for Housing Home, About Us, Single Family, Healthcare Programs, Multifamily, Housing Counseling, and More. The main content area has a breadcrumb trail: Home / Program Offices / Housing / Multifamily / TRACS / Multifamily Housing - TRACS. The title is **TENANT RENTAL ASSISTANCE CERTIFICATION SYSTEM (TRACS)**. Below the title is a brief description: "TRACS is a HUD computer system developed to help improve financial controls over assisted housing programs by automating manual". On the right side, there is a "What's New" section with a red arrow pointing to a link: "Unique Entity Identifier (UEI) Update Tenant Rental Assistance Certification System (TRACS)".

Contract Renewal Request Form Multifamily Section 8 Contracts

U.S. Department of Housing and Urban Development
Office of Housing
OMB No. 2502-0587
(Exp. 04/30/2017)

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This information is required to obtain benefits. HUD may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

Title V of the Departments of Veterans Affairs and Housing and Urban Development and Independent Agencies Appropriations Act of 1988 (P.L. 106-65, 111 Stat. 1384) authorizes the FHA Multifamily Housing Mortgage and Housing Assistance Restructuring Program. HUD implemented a statutory permanent program directed at FHA-insured multifamily projects that have project-based Section 8 contracts with above-market rents. The information collection is used to determine criteria eligibility of FHA-insured multifamily properties for participation in the Mark to Market program and the terms on which participation should occur. The purpose of the program is to preserve low-income rental housing affordability while reducing the long-term costs of Federal rental assistance. While no assurances of confidentiality are pledged to respondents, HUD generally discloses this data only in response to a Freedom of Information request.

Cover Sheet

PROJECT NAME	
PROJECT ADDRESS	
PROJECT OWNER	
FHA PROJECT NO	DUNS NUMBER
TOTAL UNITS IN PROJECT	TOTAL SECTION 8 UNITS IN PROJECT
DATE OF SUBMISSION	DATE RECEIVED BY HUD

Section 8 contracts and stages in the project:

Section 8 Contract Number	Stage Number (if applicable)	Combine (Yes?)	# Units	Expiration Date	Renew (Yes?)

I hereby elect to renew the above-indicated contracts under the following option (Check the appropriate box(es) below and provide the corresponding worksheet(s)):

This is an ☐ Initial or ☐ Subsequent Renewal of a MAHRA contract.

☐ **OPTION ONE - Request Renewal Under Mark-Up-To-Market Procedures**

☐ **Option One A Entitlement Mark-Up-To-Market**

☐ **Option One B Discretionary Authority**

I hereby request a contract renewal for a -year term. (A five-year minimum term)

☐ **OPTION TWO - Request Renewal With Rents At or Below Comparable Market Rents And Without Restructuring**

I hereby request a contract renewal for a -year term. (A maximum 20-year term)

☐ **OPTION THREE - Request Referral to OAHF for: Choose One**

☐ **OPTION THREE-A - Reduction of Section 8 Rents to Comparable Market Rents without Restructuring (Lite)**

☐ **OPTION THREE-B - Restructure of the mortgage and reduction of Section 8 Rents to Comparable Market Rents (Full)**

☐ **OPTION FOUR - Request Renewal of the Contract for Projects Exempt from or not Eligible for Debt Restructuring**

I hereby request a contract renewal for a -year term.

☐ **OPTION FIVE - Portfolio Reengineering Demonstration and Preservation Contract Renewals**

☐ **I request a contract renewal of my Demonstration Program Contract.
(Based on Use Agreement)**

☐ **Mortgage Restructuring Demonstration Use Agreement**

☐ **Budget Based Without Mortgage Restructuring Demonstration Use Agreement**

☐ **I request a contract renewal of my Preservation Program Contract.**

I hereby request a contract renewal for a -year term. (The term may not exceed the remaining term of the recorded Use Agreement.)

☐ **OPTION SIX - Opt-Out of the Section 8 Contract**

Owner's signature: Date:

ONE-YEAR NOTIFICATION LETTER

APPENDIX 11-3

ONE-YEAR NOTIFICATION LETTER – OWNER INTENDS TO RENEW

(Date)

Dear Tenant:

The Department of Housing and Urban Development subsidizes the rent of your apartment through the project-based Section 8 program. Federal law requires that owners provide tenants with a one-year notification before the expiration of a Section 8 contract. The Section 8 contract that pays the government's share of your apartment rent at (name of project) expires on (one year from date of this letter).

While there will be no immediate change in your rental assistance, we are required to inform you of our intended actions when the contract expires one year from now.

THIS LETTER IS TO NOTIFY YOU THAT WE INTEND TO RENEW THE CURRENT SECTION 8 CONTRACT WHEN IT EXPIRES.

If Congress makes funds available, which it has in the past and is expected to in the future, we will renew the Section 8 contract. However, in the unlikely circumstance that we cannot renew our contract, it is our understanding that, subject to the availability of funds, HUD will provide all eligible tenants currently residing in a Section 8 project-based assisted unit with tenant-based assistance. If we later decide not to renew the current Section 8 contract when it expires, we will provide you with at least one year of advance notification of this decision.

If you have any questions or would like information on the Section 8 Program, the following sources may be of assistance:

Contract Administrator (if applicable)

Name: _____

Telephone Number: _____

HUD Regional Center

Name: _____

Telephone Number: _____

HUD Web

<http://www.hud.gov> - click on "I want to" and the on "Find Rental Assistance."

Sincerely,

(Owner)

(contact info)

cc: Local HUD Office/ (Contract Administrator)

APPENDIX 11-3

ONE-YEAR NOTIFICATION LETTER – OWNER DOES NOT INTEND TO RENEW

(Date)

Dear Tenant:

The Department of Housing and Urban Development subsidizes the rent of your apartment through the project-based Section 8 program. Federal law requires that owners provide tenants with a one-year notification before the expiration of a Section 8 contract. The Section 8 contract that pays the government's share of your apartment rent at (name of project) expires on (one year from date of this letter).

Although there will be no immediate change in your rental assistance, we are required to inform you of our intended actions when the contract expires one year from now.

THIS LETTER IS TO NOTIFY YOU THAT WE DO NOT INTEND TO RENEW THE CURRENT SECTION 8 CONTRACT WHEN IT EXPIRES.

Since we do not intend to renew this project-based contract upon its expiration, it is our understanding that, if Congress makes funds available (which it has in the past and is expected to in the future), the Department of Housing and Urban Development will provide all eligible tenants currently residing in a Section 8 project-based assisted unit with tenant-based assistance. Unlike the current project-based Section 8 contract, Section 8 vouchers are issued to the tenants and allow them to choose the place they wish to rent. The Section 8 voucher program is administered by the local Public Housing Authority. Federal law allows you to elect to continue living at this property provided that the unit, the rent, and we, the owners, meet the requirements of the Section 8 tenant-based assistance program. As an owner, we will honor your right as a tenant to remain at the property on this basis as long as it continues to be offered as rental housing, provided that there is no cause for eviction under Federal, State or local law.

You will also have the opportunity to choose another development or single family house in which to move provided that the new landlord will accept the voucher and the owner and the unit meet Section 8 tenant-based program requirements.

Please remember that project-based Section 8 rental assistance will continue to be provided on your behalf for one year. In addition, we may agree to a renewal of the project-based contract with HUD, thus avoiding contract termination altogether.

Approximately four months (120 days) before the expiration of the Section 8 contract, HUD requires that we confirm our final decision to not renew this contract. Following this confirmation, you will be contacted by the local Public Housing Authority (PHA) to determine your household's eligibility for tenant-based assistance. If you intend to apply for Section 8 tenant-based rental assistance you should not move from your current unit until you have consulted with the local PHA about your eligibility for tenant based assistance.

If you have any questions or would like information on the Section 8 Program, the following sources may be of assistance:

Contract Administrator (if applicable)

Name: _____

Telephone Number: _____

HUD Regional Center

Name: _____

Telephone Number: _____

HUD Web

<http://www.hud.gov> - click on "I want to" and the on "Find Rental Assistance."

Sincerely,

(Owner)

(contact info)

MOMENTUM



§ 245.310 Notice to tenants.

§ 245.310 Notice to tenants.

- (a) At least 30 days before submitting a request to HUD for approval of an increase in maximum permissible rents, the mortgagor must notify the tenants of the proposed rent increase. Copies of the notice must be served on the tenants as provided in § 245.15. The notice must contain the following information in the following format or an equivalent format:

Notice to Tenants of Intention To Submit a Request to HUD for Approval of an Increase in Maximum Permissible Rents

Date of Notice

Take notice that on [date] we plan to submit a request for approval of an increase in the maximum permissible rents for [name of apartment complex] to the United States Department of Housing and Urban Development (HUD). The proposed increase is needed for the following reasons:

- 1.
- 2.
- 3.

The rent increases for which we have requested approval are:

Bedrooms	Present rent ¹		Proposed increase ¹		Proposed rent ¹	
	Basic	Market	Basic	Market	Basic	Market
5	\$	\$	\$	\$		\$
0						
1						

24 CFR 245.310 (up to date as of 5/09/2022)
Notice to tenants.

24 CFR 245.310(b)

Bedrooms	Present rent ¹		Proposed increase ¹		Proposed rent ¹	
	Basic	Market	Basic	Market	Basic	Market
2						
3						
4						

¹ Separate columns for basic and market rent should be used only for projects assisted under sec. 236 of the National Housing Act. In addition, in projects with more than 1 type of apartment having the same number of bedroom but different rents, each type should be listed separately.

A copy of the materials that we are submitting to HUD in support of our request will be available during normal business hours at [address] for a period of 30 days from the date of service of this notice for inspection and copying by tenants of [name of apartment complex] and, if the tenants wish, by legal or other representatives acting for them individually or as a group.

During a period of 30 days from the date of service of this notice, tenants of [name of apartment complex] may submit written comments on the proposed rent increase to us at [address]. Tenant representatives may assist tenants in preparing those comments. (If, at HUD's request or otherwise, we make any material change during the comment period in the materials available for inspection and copying, we will notify the tenants of the change or changes, and the tenants will have a period of 15 days from the date of service of this additional notice (or the remainder of any applicable comment period, if longer) in which to inspect and copy the materials as changed and to submit comments on the proposed rent increase). These comments will be transmitted to HUD, along with our evaluation of them and our request for the increase. You may also send a copy of your comments directly to HUD at the following address: United States Department of Housing and Urban Development [address of local HUD field office with jurisdiction over rent increases for the project], Attention: Director, Housing Management Division, Re: Project No. [Name of Apartment Complex].

HUD will approve, adjust upward or downward, or disapprove the proposed rent increase upon reviewing the request and comments. When HUD advises us in writing of its decision on our request, you will be notified. If the request is approved, any allowable increase will be put into effect only after a period of at least 30 days from the date you are served with that notice and in accordance with the terms of existing leases.

[Name of mortgagor or managing agent]

- (b) The mortgagor must comply with all representations made in the notice. The materials to be made available to tenants for inspection and copying are those specified in § 245.315.

24 CFR 245.310(a) (enhanced display)

page 1 of 2

MOMENTUM



Auto Operating Cost Adjustment Factor (Auto-OCAF)

History of Automatic OCAF Rent Increase

- On 3/26/2011, HUD launched the Automatic (Auto) OCAF Rent Increase process in our area of the country.
- Streamlines the Amends Rents process for multi-year contracts renewed under the Multifamily Assisted Housing Reform and Affordability Act (MAHRA) and that are eligible to receive an Operating Cost Adjustment Factor (OCAF) rent increase.
- Eliminates the requirement for the Owner to calculate its own OCAF rent increase and submit an OCAF Worksheet and a cover letter to the contract administrator (CA) during Amend Rents years to obtain an OCAF rent increase.
- Contract renewals and certain contract types (5b preservation) are not eligible to participate in the aOCAF process. The Contract Renewal and rent increase packages for those projects should be submitted to the CA as in the past.

Initial Owner Notification Letter

Subject:

Dear Owner/Agent:

This is a reminder notice that the HAP contract anniversary date for the above mentioned property is 09/20/2021. A project owner participating in the Section 8 Program is required under the Section 8 Renewal Policy Guide to submit HUD Form 9624 and/or rent adjustment forms 120 days prior to the HAP contract anniversary date.

If your property is eligible for the Auto OCAF process, you will receive additional correspondence approximately 150 days from the expiration date specified. Details pertaining to the OCAF determination will be provided at that time along with instructions should you wish to pursue another option. You should also consider the following prior to your submission:

- 24 CFR 245.310, requires that the tenants be provided with a thirty (30) day notice and comment period prior to the approval of an increase to the maximum permissible rents for any rent increase other than an OCAF increase.
- If you plan on submitting a budget-based rent increase rent adjustment it is strongly encouraged that you reference the PBCA website at www.nthdc.org to become familiar with the requirements of a budget submission.
- If an RCS is required, ensure that the RCS is completed in accordance to Chapter 9 of the Section 8 Renewal Guide. An RCS is valid for 5 years from the date the owner's Appraiser signs the HUD-92273-S8, Rent Comparability Grid.
- If tenants pay part or all of the utilities and your project receives a utility allowance,
 - You must submit a utility analysis in accordance with HUD Notice 2015-04 and 4350.1 Chapter 7, Section 24. Failure to submit a properly completed Utility Analysis will delay the processing of your Contract Renewal or Multi-Year Rental Adjustment. Detailed guidance can be found in the FAQ section of the www.nthdc.org web page.
 - Note that a decrease in the UA will require a 30 day tenant notification and comment period as required by 24 CFR Part 245.405(a) and 245.410.
 - If your property is in the 2nd or 3rd year of the UA cycle, a UAF calculation/notification sheet has been attached for your convenience. If you elect to use this calculation method, sign and return at your earliest convenience and no later than with your package due 120 days prior to your HAP anniversary.
 - If submitting a baseline analysis and including bill support, it is strongly recommended that each individual UA sample is clearly marked with the unit number and bedroom size with the information verified for accuracy before transmission. Incorrect samples that result in an increase or decrease to the utility allowance, post initial submission, will be the responsibility of the owner/agent.
 - Per HUD Notice 2015-04, households are required to provide utility data and documentation, if requested, in accordance with the regulation at 24 CFR 5.659 and the *HUD Model Lease for Subsidized Projects*. A tenant's failure to comply with the requirements in Part IX of HUD Notice 2015-04 is a lease violation and may result in termination of tenancy. If an owner pursues termination of tenancy, the termination must be carried out in accordance with Chapter 8 of HUD Handbook 4350.3, REV-1.

If you have any questions regarding this matter, please do not hesitate to contact me at (813) 554-1268.

Sincerely,

Lynn Mey
Lynn Mey
Central Contract Specialist



Automatic OCAF Rent Increase

- Approximately 185 days from the funding expiration date for your contract, you will receive an **Initial Owner Notification Letter**.
- The letter is a general reminder of possible aOCAF rent adjustment requirements.
- Your CCS will go into more detail on what will be required on the email attached to the Initial Owner Notification Letter.



If you are uncertain as to what is required, now is the time to contact your CCS for more details.

Please do not wait as this could cause delays in processing!

Gather Your Documents for A-OCAF

- Yearly Debt Supporting Documents
- Non-Section 8 Annual Rent Potential and Verify usage of Non-Revenue Units
- UA Baseline/UAF Certification
- UA Decrease; be certain to include your tenant posting and Certificate of Compliance (if the required tenant comment period has ended)



Send these to your CCS as soon as possible to expedite the process.

A-OCAF Let's Get Started!

Approximately 150 days prior to the contract anniversary date, project eligible for an Auto-OCAF rent increase will receive:

- An Auto-OCAF letter
- Rent Schedule with Exhibit A
- A request that you certify the accuracy of the debt service and non-Section 8 rent potential amounts used.



This is why it is so important to have the accurate debt and non-Section 8 annual rent potential before the Auto-OCAF is calculated.

Auto-OCAF Letter Tip

Utility Allowance:

Check these boxes if you are electing to move forward with the aOCAF:

Indicate below which rent increase option you are requesting be applied in the upcoming contract year. Complete the Project information section that follows, and return this Notice and any attachments to your HUD/PBCA within 10 days of receipt of this package (check one).

☐ I elect to receive the attached automatic OCAF rent increase.



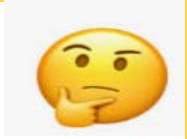
Box 1: If your property does not have an utility allowance.

☐ I elect to receive the attached automatic OCAF rent increase, and am submitting a Utility Analysis and recommendation for a change to the Utility Allowances. Supporting documentation is enclosed.



Box 2: If your property does have an utility allowance.

Missing Rent Schedule A-OCAF



Why did I receive an Auto-OCAF letter with no Rent Schedule?

Answer:

If the UA Baseline is required and has not been submitted, your CCS will send out the aOCAF letter with no Rent Schedule.

Once the UA Baseline has been submitted and approved, your CCS will send out the Rent Schedules requiring your signature.



Discrepant Data on Auto-OCAF Letter

- If there is discrepant data on the Auto-OCAF letter, please notify your CCS.
- The Auto-OCAF letter must be in its original format and cannot be altered.
- **A revised set of documents** will be sent out with the updated information and you will be required to sign the revised documents.

Page 1 Auto-OCAF Letter

U.S. Department of Housing and Urban Development
North Tampa Housing Development Corporation
4300 West Cypress Street, #300
Tampa, FL 33607

3/29/2021

Subject: Automatic OCAF Rent Increase

Rent Comparability Study Expires: 03/27/2023

Dear Owner/Mortgagor:

[REDACTED] is in a multi-year Housing Assistance Payments Contract and, as such, is eligible for an automatic OCAF rent increase to become effective 08/26/2021. The rent increase factor is 1.018. The debt service amount used in the calculation of new rents is \$360,320.38. ✓

Should you elect this rent increase, the new rents for Sand Dunes Apartments will be as indicated on the attached Exhibit A. Complete, execute, and return three (3) forms HUD-92458 Rent Schedule Low Rent Housing to your HUD/PBCA within 10 days of receipt of this package.

Indicate below which rent increase option you are requesting be applied in the upcoming contract year. Complete the Project information section that follows, and return this Notice and any attachments to your HUD/PBCA within 10 days of receipt of this package (check one).

- ☐ I elect to receive the attached automatic OCAF rent increase.
- ☐ I elect to receive the attached automatic OCAF rent increase, and am submitting a Utility Analysis and recommendation for a change to the Utility Allowances. Supporting documentation is enclosed.
- ☐ I request a zero budget-based rent adjustment in lieu of the OCAF adjustment and understand that this will result in renewed funding at current rents. I further understand that the OCAF adjustment for this year may not be recouped retroactively in the future. If applicable, I am submitting a Utility Analysis and recommendation for a change to the Utility Allowances. My signature on this letter certifies that I have reviewed the project's income and expenses and they are at levels that will enable me to continue to provide decent, safe and sanitary housing.

✓ Box 1 no UA
✓ Box 2 yes for UA

Attachment
Amend Rents Auto OCAF Part B

form HUD-9627 (02/21)



Executing Auto-OCAF Documents

- Once you have accepted the Auto-OCAF rent increase, you will need to complete and return the aOCAF letter, Rent Schedule and UA Form to us within ten (10) days.
- We will execute the HUD-92458 Rent Schedules upon receipt and one will be returned to you along with an Exhibit A.
- You may email these documents to:
Tampageneralmailbox@cgifederal.com

Process Gross Rent A-OCAF

Once you receive the executed Rent Schedule:

- Complete your Gross Rent Change through TRACS at the appropriate time per the effective date.
- Be certain to provide the tenant with required notices prior to the Gross Rent being implemented.

Declining the Auto-OCAF



What if I don't want an Auto-OCAF?

What should I do?

Rejecting the Auto-OCAF

Owners are permitted to submit either:

- A written certification that you have reviewed the project's income and expenses and elect a zero percent budget-based rent adjustment in lieu of the OCAF rent adjustment.

Box 3:



- ☐ I request a zero budget-based rent adjustment in lieu of the OCAF adjustment and understand that this will result in renewed funding at current rents. I further understand that the OCAF adjustment for this year may not be recouped retroactively in the future. If applicable, I am submitting a Utility Analysis and recommendation for a change to the Utility Allowances. My signature on this letter certifies that I have reviewed the project's income and expenses and they are at levels that will enable me to continue to provide decent, safe and sanitary housing.

OR

- A standard Budget Based Rent Adjustment (BBRA) (if eligible) when rejecting an Auto-OCAF rent increase.

Box 4:



- ☐ I request a Budget Based Rent Increase for the upcoming contract year. The required documentation for this rent increase is enclosed. If applicable, I am submitting a Utility Analysis and recommendation for a change to the Utility Allowances.

Welcome to

Manual Operating Cost Adjustment Factor (OCAF)

Manual OCAF Rent Increase

- What is a manual OCAF?
- What option type needs to submit a manual OCAF?
- Submission Requirements
- CA Process
- Common errors found during the process

What is a Manual OCAF?

A Manual Operating Cost Adjustment Factor (OCAF) is where the Site is not eligible for the Auto OCAF process and must submit an OCAF rent increase submission at least 120 days but no earlier than 180 days before their funding expiration date.

What Option Types are required to submit a Manual OCAF submission in the rent adjustment years?

Option 5B's- Preservation Projects.

Option 5B's must read their Plan of Action and Use Agreement to determine whether any other rent increase can be processed besides an OCAF.



If you are unsure of your option type you can reference your current HAP contract or contact your CCS.

Manual OCAF Rent Increase Submission Requirements

- OCAF worksheet (HUD form 9625)
- Debt Service Verification (if applicable)
- Non-Section 8 rent potential (if applicable)
- Utility Analysis (Baseline or signed UAF form, if applicable)
- 30 day notice if there is a UA decrease
- Certification of compliance regarding tenant comment procedures (dated 31 days from date of notice) if a UA decrease.
- RCS (if applicable)

Resource Links for Rent Adjustment Documents

Where to find documents needed for submission?

[North Tampa Housing Development Corporation website](#) has an Owner/Agent section where the HUD forms can be found.



Resource Links for Rent Adjustment Documents

[North Tampa Housing Development Corporation website](#) has an Owner/Agent section where the HUD forms can be found.

The OCAF factor needed for calculation is also available on our website.

The screenshot shows the 'Rent Adjustments' page of the North Tampa Housing Development Corporation website. The page has a navigation bar with links: Home, About NTHDC, Owner/Agent Info, CA Resources, Regulatory Center, and Virgin Islands. Below the navigation bar is a header with a wrench and screwdriver icon and the title 'Rent Adjustments'. The page is organized into three main sections: 'Operating Cost Adjustment Factor- OCAF', 'Budget Based Rent Adjustment', and 'Annual Adjustment Factors'. Each section contains a numbered list of links to various documents and forms. The 'Other' section is at the bottom.

Operating Cost Adjustment Factor- OCAF

1. [OCAF Worksheet HUD-9625](#)
2. [Current FY OCAF Factor](#)
3. [Certification of Zero Debt Service](#)
4. [Owner/Agent Certification of Deccontrolled Non Section 8 Rent Potential](#)

Budget Based Rent Adjustment

1. [Budget Worksheet- HUD92547-A](#)
2. [NTHDC Budget Worksheet](#)
(This document is only to be used as a guide and should not be submitted as part of an official rent increase package)
3. [Budget Submission Checklist](#)
4. [4350.1 Chapter 7 – Budget Based Rent Increases](#)
5. [Appendix 3 –Certification as to Purchasing Practices and Reasonableness of Expenses](#)
6. [30 day Tenant Notification](#)
7. [Owner's Certification as to Compliance with Tenant Comment Procedures](#)
8. [HUD-9250 Reserve for Replacement](#)
9. [HUD Charts of Accounts \(ZIP File \)](#)

Annual Adjustment Factors

1. [HUD Notice H02-10](#)
2. [HUD User- AAF Tables and Fair Market Rents](#)
3. [Owner Certification Appendix 3 \(Part I only\)](#)
4. [Turnover Log Appendix 4](#)
5. [RCS Adjustment Worksheet Appendix 5](#)

Other

1. [Rent Schedule HUD-92458](#)
2. [What Debt Service Should I Use](#)
3. [How to Obtain a DUNS Number](#)

Resource Links for Documents

This is another place to find all HUD forms:

www.hud.gov

This is where you can find the OCAF factor needed for calculation:

www.federalregister.gov

CA Process Manual OCAF Rent Increase

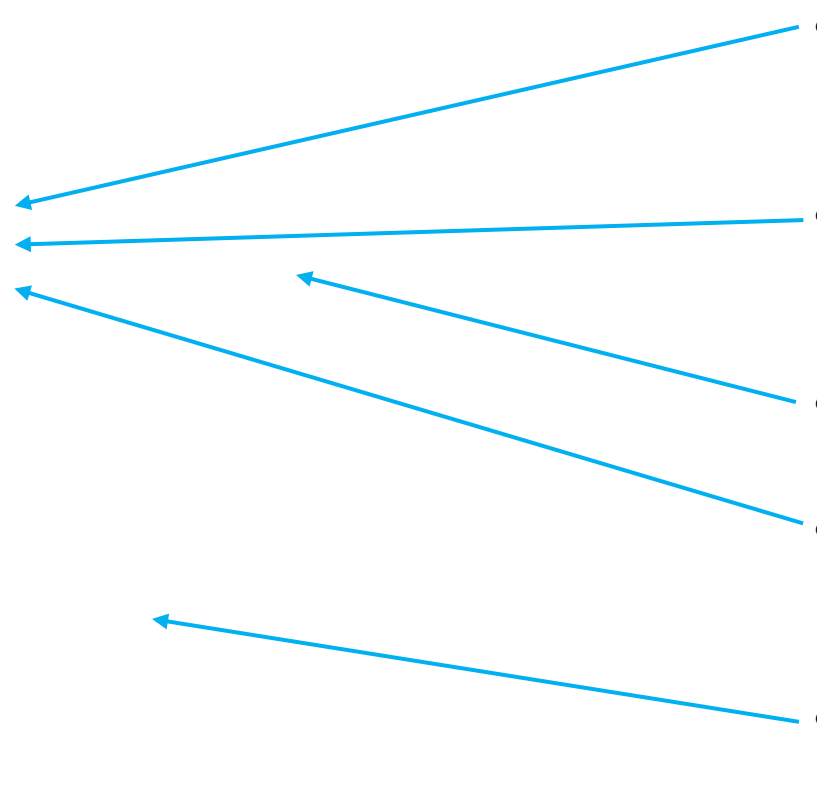
- 187 days prior to the funding expiration date, the CA will send a reminder letter regarding the upcoming rent increase submission to the Owner/Agent. The CA will also process the UAF, if applicable, at that time or request a baseline UA.
- 150 days prior to the funding expiration date, the CA will begin to follow up on rent increase submission.
- Once package is received, CA will review and inform Owner/Agent if any corrections are needed. If not, CA will process the manual OCAF and send the rent schedule to the Owner for signature.

CA Process

Manual OCAF Rent Increase

- Once the rent schedule is sent back signed, the CA will execute and send an executed copy to the Owner/Agent.
- Once the executed rent schedule is received from the CA, the Owner/Agent can bill for GR on next applicable voucher submission.

Common Errors on HUD 9625 Form Manual OCAF Rent Increase

- 
- Project Address (including zip code) does not match IREMS
 - Owner name does not match IREMS
 - DUNS number missing
 - FHA number listed when no longer insured
 - Incorrect unit count or contract rent listed in Step 1

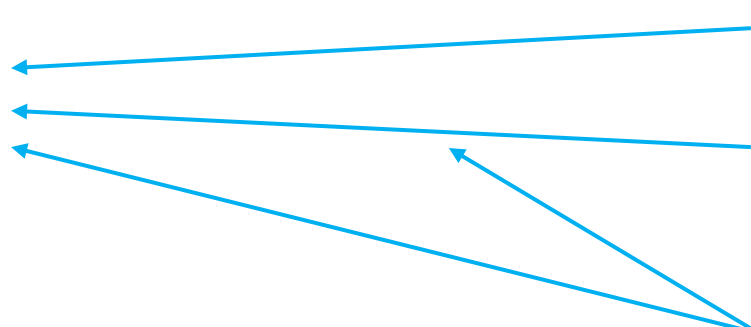
Common Errors on HUD 9625 Form – Page 2

Manual OCAF Rent Increase

- Incorrect Non-Section 8 Rent Potential or Non-Expiring Section 8 Rent Potential (if applicable).
- Incorrect Debt Service listed.
- Incorrect OCAF Factor used in calculation.

Common Errors on HUD 9625 Form – Page 3

Manual OCAF Rent Increase

- 
- Project Name not filled in.
 - Owner name blank or doesn't match IREMS.
 - Not signed and/or dated.

Common Errors on Rent Schedule

Manual OCAF Rent Increase

Rent Schedule

- Please do not change the rent schedule that the CA sends to the Owner/Agent for signature. If corrections are needed, please contact your CCS to make those corrections.
- CA must be able to verify the correct person signed the rent schedule. If the information sent back on the rent schedule doesn't match IREMS, the CCS will follow up with the Owner/Agent.
- If an Owner chooses to submit their own rent schedule, as long as it is filled out correctly we can accept it. The next few slides discuss the rent schedule entries.

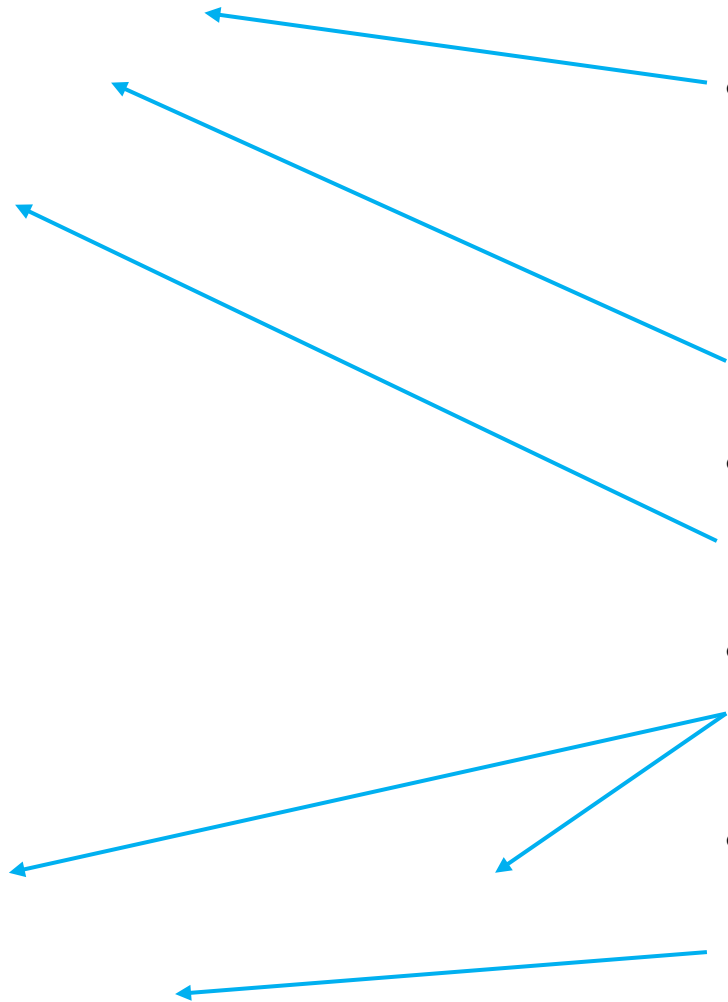
Common Errors on Rent Schedule – Page 1

Manual OCAF Rent Increase

- FHA number added to rent schedule when no longer FHA insured.
- Changes made on Part B, C, D or E that do not match what the CA sent out or rent schedules from previous years.

Common Errors on Rent Schedule – Page 2

Manual OCAF Rent Increase

- 
- Owner name was changed and doesn't match IREMS. CCS sends out rent schedule with Owner name how it is listed in IREMS.
 - "Type of Entity" checked doesn't match IREMS.
 - "List All Principals Comprising Mortgagor Entity" not filled in.
 - Part H-Owner name and/or title field not filled in or signed and date missing.
 - Part I - HAP contract number is removed.

Common Errors on Non-Section 8 Rent Potential Manual OCAF Rent Increase

Non-Section 8 Rent Potential

Owner/Agents can either send an email with this information with their rent adjustment package or the CA has a “Certification of non-section 8 rent potential” form on the website that can be filled out and sent in.

Common Errors:

- Incorrect number of units listed on form giving incorrect rent potential.
- Property name missing.
- Form not signed and/or dated.

Common Errors on Debt Service Manual OCAF Rent Increase

Debt Service

CA must be able to verify the debt service amount listed on the OCAF worksheet. Owner/Agents must submit verification of debt service to support amount listed on the 9625 if CA cannot verify amount in IREMS.

Common Errors:

- No Debt Service verification documentation submitted.
- Submitted documentation does not add up to the amount listed on the Owner/Agent's OCAF worksheet. Debt service amount should only include Principal, Interest and MIP (no taxes, insurance, etc.).
- If zero debt service, the Owner/Agent can either use the OCAF worksheet (9625) as certification of zero debt or the Owner/Agent can fill out and submit the "certification of zero debt" form. See example on next page.

Certification of Zero Debt Form

Manual OCAF Rent Increase

Budget Based Rent Adjustment

1.  [Budget Worksheet- HUD92547-A](#)

2.  [NTHDC Budget Worksheet](#)

(This document is only to be used as a guide and should not be submitted as part of an official rent increase package)

3.  [Budget Submission Checklist](#)

4.  [4350.1 Chapter 7 – Budget Based Rent Increases](#)

5.  [Appendix 3 –Certification as to Purchasing Practices and Reasonableness of Expenses](#)

6.  [30 day Tenant Notification](#)

7.  [Owner's Certification as to Compliance with Tenant Comment Procedures](#)

8.  [HUD-9250 Reserve for Replacement](#)

9.  [HUD Charts of Accounts](#) (ZIP File)

Budget Based Rent Adjustment

The following required information for submission is based on the HUD 4350.1, Chapter 7, Section 7-22. Please reference this Handbook for more detailed explanations for the required items identified below.

- ❑ Cover Letter – The cover letter briefly summarizes the reasons why a rent increase is needed and the date the increase should be effective (this will be impacted by the date of submission). The letter must also describe the project's physical condition and any improvements that have been incorporated into the budget. The main reasons outlined in the letter must correspond to the Notice to the Tenants. Any proposed changes to services and/or equipment must be approved by HUD prior to making any change.
- ❑ HUD Budget Worksheet (HUD-92457-A). Please be sure to use the most current version available from the HUDClips website. This worksheet should provide income and expenses for the 12 months following the anticipated effective date of the proposed rent increase.
- ❑ A brief statement explaining the basis for any increase in the expense line items on the budget worksheet. **Generally, if an increase amounts to 5% or more, it must be documented.** If the income or expense was estimated at the prior annual periods actual, or the increase is less than \$500, no explanation is required.
- ❑ Copy of the 30-day Notice to Tenants annotated to show where and how the notice was distributed. **[Please reference the CFR 245.310 for details]**
- ❑ Executed copy of the Owner's Certification Regarding Purchasing Practices and Reasonableness of Expenses (Appendix 3 – HUD 4350.1).
- ❑ ***Section 236 & BMIR Projects Only.*** Copy of Energy Conservation Plan along with the status of the project's implementation of the Plan.
- ❑ Signed request for an increase in the Reserve for Replacement deposit amount if such an increase is part of the budget. (HUD 9250 Form).
- ❑ ***Projects with Utility Allowance Only.*** A recommendation for the appropriate utility allowance along with the analysis used to make this determination. NTHDC requires a minimum sample size of 10% (with minimum sample of 5) for each type of unit represented at the property.
- ❑ ***Projects with Service Coordinator Position.*** Site must submit a signed One-Year Service Coordinator Budget (HUD Form 91186-A). Please note the cost increase for this position is limited to 3% per year.

Budget Based Rent Adjustment

Any budget line item that are at or above 5% and \$500 (per 4350.1Rev-1 Chapter 7. Section 7-22, paragraph C), you must provide a brief statement and supporting documentation (i.e., copies of invoice, bills, etc.) explaining the basis for any increase and all miscellaneous expense line items (i.e. 6390, 6590, 6790) require back up documentation.

NTHDC Recommendation Letter for Budget Based
request greater than 5%

Mark to Comparable Rents

Mark to Comparable Rents

- What is a Mark to Comparable Rents (5th Year Rent Adjustment)
- Options on which 5th Year adjustments can be applied
- Rent Comparability Study
- Submission Required for an RCS

What is Mark to Comparable Rents

Mark to Comparable Rents is a 5th Year rent adjustment that occurs when a HAP contracts exceeds 5 years in duration and, at the end of each fifth year for Options 1(a)(b), 2, and 5 (a), multiyear contracts, the rents are set to the comparable rents. This is achieved by the Owner/Agent providing a new RCS.

Options that Require an RCS for Contract Renewals or 5th Year Rent Adjustments

- Option 1(a)(b) – Mark Up To Market
- Option 2 – Rents at or Below Market
- Option 4 – Lesser of Test (During the HAP contract some Option 4 will require an RCS if the OA is requesting a budget base rent adjustment.)
- Option 5(a) – Demo – Portfolio Reengineering Demonstration



**HAP Contracts with a term greater than 5 years,
an RCS is required in years 6, 11 and 16
where a 5th Year Adjustment will be performed.**

What is a Rent Comparability Study (RCS)

- Is a study performed by a “qualified” Appraiser.
- The Appraiser Compares similar unsubsidized units in the area to that of the Section 8 Property.
- The RCS sets the rent ceiling for the property.
- An RCS is good for 5 years from the date the owner’s Appraiser signs the HUD-92273-S8, which is a Rent Comparability Grid.

Processing the Rent Comparability

- CA will receive the RCS from the Owner/Agent. The RCS must be submitted in accordance with Chapter 9 of the Section 8 Renewal Guide.
- CA will review the RCS for timeliness and completeness. The RCS must pass an “Initial Review” by CA or a “Substantive Review” by an HUD Appraiser to assess and evaluate whether the RCS Appraiser’s selection for comparables, adjustments and rent conclusions are reasonable.
- CA will submitted the RCS to an independent Appraiser for review who will return it to the CA within 5 business days.
- If the RCS is **rejected** by the Appraiser, CA will notify the Owner/Agent with the reason(s) why the RCS was rejected and instructions for resubmission.
- Owner/Agent must submit the missing items within 7 calendar days of CA’s initial review.

Test Your Knowledge

Debt Service is calculated for a 5th Year Adjustment?

- A. True
- B. False

Answer:

B. False

Rents are determined by the RCS and set at the comparable rents.

Rent Comparability Submission

- Owners must review and submit an RCS with an Owner's Cover Letter and Checklist.
- The RCS Owner's Cover Letter and Checklist must be signed and dated.
- The RCS cannot be reviewed by CA until both the RCS Owner's Cover Letter and Checklist have been received.
- The Sample Owner's Cover Letter can be found in the Section 8 Renewal Guide, Chapter 9, Appendix 9-2-1 and the Checklist Appendix 9-5-1.

Sample of Owner's Cover Letter

Appendix 9-2-1

Sample Owner's Cover Letter & Owner's Checklist

[Date]

[Owner's Name]

[Owner's Address]

RCS Submittal Cover Letter for [Project Name]

1. I have reviewed the content of the RCS and concluded that the RCS includes all material required by Chapter Nine and the Owner's Checklist in Appendix 9-2-2.
2. The RCS appraiser's [insert appraiser's name] narratives and Rent Grid accurately describe the subject project and properly treat non-shelter services and their funding sources as required by Section 9-12 and Appendix 9-1-2.
3. There is no family relationship or identity-of-interest between the principals of the subject's Ownership or management agent entity and the principals that manage/ own the projects used as comparables. [Owners must identify and provide information if there is an identity-of-interest existing between principals. See Handbook 4381.5, Paragraph 2-3 for a definition of the term "identity-of-interest".]
4. I certify that: a) neither the selection of the RCS appraiser nor the RCS appraiser's compensation was/is contingent upon the RCS appraiser reporting a predetermined rent nor direction in rent; and b) to the best of the Owner's knowledge, the RCS appraiser meets Section 9-8. A.'s conditions regarding absence of financial, employment, and family relationships.
5. I certify that the fee paid for the RCS is the only compensation the RCS appraiser will receive for the RCS work and there is no side agreement or other consideration.
6. The following person is our point of contact for HUD/CA's decision letter, or to address any questions that the HUD/CA staff may have on the RCS:

[Provide a name, email and phone number for a point of contact at the agent/Owner's office]

7. HUD/CA may talk with the RCS appraiser directly and copy the RCS appraiser on written materials. The RCS appraiser's contact information is provided below

[Insert RCS appraiser's name, address, email and phone number]

I certify that the above is all true.

[Owner's Name & Signature]

[Date]

Encl: Owner's Checklist

Owner's Checklist for RCS

Appendix 9-2-1

Owner's Checklist for RCS Submission

Owner's Materials

- ☐ Signed Cover Letter
- ☐ Signed Owner's Checklist
- ☐ Scope of Repair

RCS Materials

- ☐ RCS Appraiser's Transmittal Letter
- ☐ Scope of Work
- ☐ Description of Subject Project (including color photographs)
- ☐ Identification of the Subject's Market Area
- ☐ Description of Neighborhood
- ☐ Narrative Describing Selection of Comparables
- ☐ Locator Map for Subject and Comparables
- ☐ Rent Comparability Grid for Each Primary Unit type
- ☐ Narrative Explaining Adjustments and Market Rent Conclusions (one set of explanations for each Rent Grid)
- ☐ Comparable Project Profiles (each including a color photo)
- ☐ RCS Appraiser's Certification
- ☐ Copy of RCS Appraiser's License (only if relying upon a temporary license)

Mandatory Market Rent Threshold Materials

- ☐ Distribution of RCS Rents and Subject Project's median rent
- ☐ Comparison of Project's median rent to the Median Gross Rent

Owner's Signature & Date

Complete Package Requirements

Mark to Comparables

- Owner's RCS, prepared in accordance with Chapter 9.
- Utility Allowance, if applicable (baseline or UAF, as required).
- 30-day tenant notification for decrease in UA, if applicable.
- 30-day tenant notification for an increase in rents (can be combined with the UA decrease notice, if applicable).
- Owners Certification of Compliance with the Tenant Comment Period dated 31 days from the date of the tenant notice.

Welcome to **Utility Analysis**

Overview Utility Analysis

- The Utility Allowance (UA) is conducted to reimburse residents for utility expenses for projects receiving subsidy assistance where all or some utilities are paid directly by the tenant.
- The UA is *not* intended to pay all utility costs.
- If the property has a UA, the property must submit a UA analysis with a written recommendation with every Rent Adjustment Request.

Utility Analysis

HUD Notice 2015-04

Baseline	UAF
<ul style="list-style-type: none">• Multifamily property owners must establish baseline utility allowances for each of their bedroom sizes every third year.• The O/A has the discretion to submit a Baseline at any time. A new, <i>full</i> baseline utility analysis will reset the 3-year cycle.	<ul style="list-style-type: none">• For the two years after the baseline is established, O/As have the option to perform a factor-based utility analysis, called a Utility Adjustment Factor (UAF).

Completing the Baseline Utility Analysis



Minimum Sample Requirements

The baseline submission must include appropriate samples for each *unit type* based on the number of contract units.

When submitting your baseline utility analysis, please confirm that the number of samples submitted meets the minimum sample requirements:

Number of Units	Minimum Sample
1-20	All
21-61	20
62-71	21
72-83	22
84-99	23
100-120	24
121-149	25
150-191	26
192-259	27
260-388	28
389 and above	29

Collecting the Appropriate Data

When compiling data for your baseline, please confirm that:

- 12 months (or at least 10 months) of utility bills have been submitted for each unit and unit type.
- Data is no more than 18 months old.
- All data for each unit type is from the same 12 month period.

What Data Should be Excluded?

- Units receiving an increased U/A as a reasonable accommodation.
- Units that have been vacant for more than 2 months.
 - ▶ If a resident vacates an apartment and another resident moves in, documentation from both residents residing in the unit can be submitted.



Remember, units included in the sample must have at least 10 months of occupancy (no matter the reason).

- Generally, units receiving a flat utility rate as part of a low-income rate assistance utility program *should be excluded*.
 - ▶ However, if **most residents** at a property pay a flat rate, including them in the sample will be more representative of the utilities at the property.



If the flat rate samples are included, please document the reasons for doing so to help the CA/HUD determine if the approach was reasonable.



Submitting the Baseline

Request utility data from either the utility company or the tenant household for at least the number of units determined by the sample size methodology. This must be done for each bedroom size at the property. Data can be submitted in the following formats:

- Copies of the tenant data received from utility providers, this is typically in summary format; OR
- Copies of the printouts indicating a summary of monthly data if the tenant was able to obtain data online from their utility provider for the previous 12 months; OR
- If the O/A obtained actual monthly utility bills from a tenant, the O/A may submit a spreadsheet summarizing the average of the monthly bills. The actual utility bills will not need to be submitted to the CA but will need to be retained in the tenant files for the term of tenancy plus 3 years and will be subject to CA review.

The screenshot shows a spreadsheet template with columns A through K. It includes fields for Property Name, Contract Number, Project Number, and Date. There are three tables: 1. 'Contract Units' and 'Units to be Sampled' for 0 to 5 Bedroom Units. 2. 'Average as Calculated from Analysis' for 0 to 5 Bedroom Units. 3. 'Current Utility Allowance' and 'Proposed Utility Allowance' for 0 to 5 Bedroom Units. The bottom tab bar shows 'Summary', '0 Bedroom Analysis', '1 Bedroom Analysis', '2 Bedroom Analysis', '3 Bedroom Analysis', '4 Bedroom Analysis', and '5 Bedroom Analysis'.

	Contract Units	Units to be Sampled
0 Bedroom Units		0
1 Bedroom Units		0
2 Bedroom Units		0
3 Bedroom Units		0
4 Bedroom Units		0
5 Bedroom Units		0

	Average as Calculated from Analysis
0 Bedroom Units	N/A
1 Bedroom Units	N/A
2 Bedroom Units	N/A
3 Bedroom Units	N/A
4 Bedroom Units	N/A
5 Bedroom Units	N/A

	Current Utility Allowance	Proposed Utility Allowance
0 Bedroom Units		
1 Bedroom Units		
2 Bedroom Units		
3 Bedroom Units		
4 Bedroom Units		

An OA may submit multiple forms of documentation to support the baseline analysis. There may be cases where a combination of the above will need to be performed.



The OA should collect the data and calculate the average in dollars and cents, and then round the resulting UA to the nearest dollar amount, following general rounding guidance.

Special Circumstances

If the required minimum sample size cannot be met, please confirm that every effort was made to meet the requirements of the analysis.

Factor-based Utility Analysis Years 2 and 3

During Years 2 and 3 of the Utility Analysis cycle, the Utility Adjustment Factor (UAF) can be submitted.

- This factor will be published annually by HUD (effective with the OCAF factor on 2/11).
- However, the O/A has the discretion to submit a Baseline at any time.

Rent Effective Date 6/12/2021

HUD Notice 2015-04 requires that owners/agents of multifamily section 8 properties submit a baseline Utility Allowance every three years. In years 2-3 following the baseline submission, a property can choose to apply the HUD Utility Allowance Factor (UAF) to the current UA amounts to determine the new UA amounts for the upcoming year. HUD publishes the UAF factors annually in accordance with the OCAF.

According to our records, tenants pay all or a part of the utilities and there is a utility allowance at this property. We will be adjusting the amount of last year's uncapped UA amount by the HUD UAF. Last year's approved uncapped UA amount and the HUD UAF are:

<u>BR Type</u>	<u>Utility Type</u>	<u>Uncapped Utility</u>
1 Bedroom	Electric	74

The FY2021 UAF for FL is:

Electric
1.037

The UAF adjusted utility allowance amounts for this property will be:

<u>BR Type</u>	<u>Utility Type</u>	<u>Uncapped Utility</u>	<u>UAF</u>	<u>Calculation</u>	<u>New UA</u>
1 Bedroom	Electric	74	1.037	$74 * 1.037 = 76.738$	77

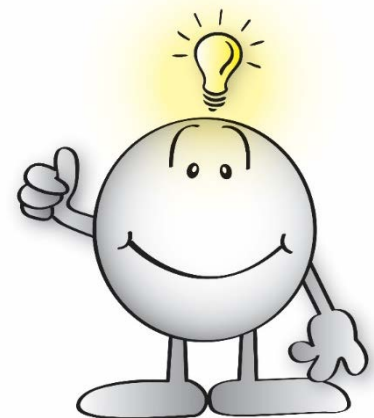
*NOTE: BR Types with an * above will have a decrease in Utilities. Regulations at 24 CFR 245.405(a) and 245.410 require the owner to serve notice, as defined in 24 CFR 245.410, to the tenants of a proposed decrease in utility allowances. Changes to the UA are effective the same date as the rent effective date (4350.3, Paragraph 7-18 C.); however, according to the regulations at 245.430 and the HUD model lease, you may not collect from tenants the new tenant rent reflecting the decreased UA until the tenant notice expires.



O/A is not required to use the UAF worksheet sent by the CA. In this case, the OA is required to submit a recommendation for approval.

UAF Process

- For projects that have tenant paid utilities, the owner must submit an analysis of the project's Utility Allowance (please see Housing Notice 2015-04) so that processing may be completed and any resulting change be effective on the date of the contract anniversary.
- The UAF document is sent with the initial documents, during the rent adjustment/contract renewal process. The purpose of this notification is to show how we calculated the UAF. If the you agree, please sign and return the notice to your CA.
- To utilize the Auto OCAF process to its maximum benefit, owners are encouraged to submit their analysis prior to 150 days from contract anniversary, but should not submit more than 180 days.



Tenant Notification and Owner Certification

- Per HUD Notice 2015-04, whenever an adjustment to the utility allowance results in a decrease, the owner must provide notice to tenants.
- If a UA decrease has been calculated, please post a 30-Day Tenant Notice.
- The Certification of Compliance with Tenant Comment Procedures should be submitted once the Tenant Notice has been posted for a full 30 days. Owners must ensure that tenants have the right to the entire 30 day comment period.
- Both the 30-Day Tenant Notice and The Certification of Compliance with Tenant Comment Procedures are a part of the Complete Package requirement.

Tenant Notification Requirements

A compliant notice must contain the following information:

- a. The mortgagor intends to submit a request to HUD for approval of the covered action or actions specified in the notice;
- b. The tenants have the right to participate and what those rights are, including the address at which the materials required to be made available for inspection and copying under that section are to be kept;
- c. Tenant comments on the proposed covered action may be sent by the mortgagor at a specified address or directly to the local HUD office, and comments sent to the mortgagor will be transmitted to HUD, along with the mortgagor's evaluation of them;
- d. HUD will approve or disapprove the proposed action, based upon its review of the information submitted and all tenant comments received. In the case of a proposed reduction in tenant-paid utilities, the notice must also state that HUD may adjust the proposed reduction upward or downward;
- e. The mortgagor will notify the tenants of HUD's decision and it will not begin to effect any approved action (in accordance with the terms of existing leases) until at least 30 days from the date of service of the notification.

Resources to Help Complete the Utility Analysis

North Tampa Housing Development Corporation website

<http://nthdc.org/utilityAnalysis.aspx>

Sample Requirements

Utility Analysis Submission Workbook

Tenant Notification Templates



Utility Analysis

A Utility Allowance adjustment is required annually in conjunction with the property's contract renewal or rent adjustment. [HUD notice 2015-04](#) outlines the methodology with which an owner must submit the analysis.

In accordance with the notice, all properties that have a contract anniversary date of December 20, 2015 or later must submit a baseline Utility Analysis. Properties with a contract expiration date prior to December 20, 2015 may choose to implement the new methodology, but are not yet required.

Owners must submit a baseline for each bedroom size once every three years. For two years after the baseline was completed, utility allowances for each bedroom size and each utility at property can be adjusted by a state-specific increase factor, called a Utility Adjustment Factor (UAF).

The baseline submission must include appropriate samples for each unit type based on the number of contract units.

Number of Units	Minimum Sample
1-20	All
21-61	20
62-71	21
72-83	22
84-99	23
100-120	24