



U.S. Department of Housing and Urban Development
Office of Housing

Special Attention of:

All Regional Directors
All Multifamily Hub Directors
All Multifamily Program Center Directors
All Contract Administrators
All Owners and Managements Agents of Section 8 Properties

Notice: H 2002-10

Issued: May 17, 2002
Expires: May 31, 2003

Cross References:

Subject: Section 8 Project-Based Rent Adjustments Using the Annual Adjustment Factor (AAF)

PURPOSE:

This Notice describes updated procedures for annual adjustment of pre-renewal contract rent for Section 8 projects where rent is adjusted using the HUD-published Annual Adjustment Factor. This Notice also describes the procedures for applying statutory comparability requirements in AAF adjustments for Section 8 new construction and substantial rehabilitation projects, including updated guidance concerning Rent Comparability Studies (RCS). The procedures implement statutory requirements and they will **not be waived**.

NOTICE APPLICABILITY:

What units are covered under this Notice?

This Notice applies to AAF adjustments of contract rent for a Section 8 project-based HAP contract that is assisted under the Section 8 new construction, substantial rehabilitation, loan management and property disposition programs.

This Notice does **NOT** apply to HAP contracts that renewed under the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA), after expiration or termination of the original HAP contract term.

This Notice does **NOT** apply to budget-based adjustments of contract rent.

This Notice does **NOT** apply to the Section 8 Voucher Program, the Moderate Rehabilitation program (including the Moderate Rehabilitation Single Room Occupancy (SRO) Program), or to Section 8 Project-Based assistance under the Project-Based Certificate or Project-Based Voucher Programs.

WHEN IS THIS NOTICE EFFECTIVE?

The procedures in this Notice apply to rent adjustments for HAP contract anniversaries that fall on or after the publication date of this Notice.

BACKGROUND:

This notice specifies procedures for contract rent adjustments using the HUD-published AAF in accordance with 42 U.S.C. 1437f (§ 8(c)(2)(A) of the United States Housing Act of 1937).

For Section 8 new construction and substantial rehabilitation units, the AAF-based rent adjustment is subject to rent comparability if the pre-adjustment gross rent (contract rent plus any allowance for tenant-paid utilities) is above the HUD-published fair market rent (FMR) for the area in which the project is located. The owner must submit a RCS to support any increase in the contract rent by application of the AAF.

Each year, HUD publishes two separate AAF tables in the Federal Register (24 CFR Part 888, Schedule C, Tables I and II). As required by law, each Table II AAF is 0.01 less than the corresponding Table I AAF for the same area and bedroom size. In general, Table I AAFs are used to adjust contract rent for units occupied by a new family since the last contract anniversary (turnover units), and Table II AAFs are used to adjust contract rent for non-turnover units. The FY 2002 AAFs were published in the Federal Register on Monday November 26, 2001.

Part I of this Notice describes the procedures for adjusting contract rent of Section 8 new construction and substantial rehabilitation units for which the pre-adjustment contract rent exceeds the FMR.

Part II of this Notice describes the procedures for adjusting contract rent of:

- All other Section 8 new construction and substantial rehabilitation units (i.e., units not covered by Part I);

- All Section 8 loan management (LM) and property disposition (PD) units where rents are adjusted by application of the AAF (but not for units for which HUD elects a budget-based adjustment of the contract rent).

This Notice includes the following appendices:

1. Part One Adjustment Worksheet
2. Part Two Adjustment Worksheet
3. Sample Owner's Certification Form
4. Sample Format for Reporting Unit Turnover
5. Owner Certification for RCS Adjustment
6. HUD 92273-S8 Rent Comparability Study Form (RCS)

WHEN AND HOW AN OWNER REQUESTS AN AAF RENT ADJUSTMENT:

Owner's request for AAF Adjustment:

The contract rent shall not be increased unless the owner has timely submitted a written request for an AAF rent adjustment to the Contract Administrator (HUD/CA or Public Housing Agency). The owner's request must include all of the required submissions to support the adjustment. The request must be in the form and manner required by HUD, as described in this Notice. If the owner is required to submit an RCS to support the rent adjustment, the owner's submission must include the required comparability analysis.

When the Rent Adjustment is Effective:

An AAF contract rent increase is effective for contract months commencing on the later of:

- (1) The annual contract anniversary date for which the adjustment is requested, or
- (2) The first contract month beginning at least two months after the owner has submitted all required materials to the CA (but no later than two months before the next annual contract anniversary date).

The following principles apply:

- When the Owner's request with all required materials is submitted within the two-month deadline:

If the owner's request for the annual rent adjustment (with all required materials) is submitted at least two months before the annual contract anniversary date for which the adjustment is

requested ("two-month deadline"), any increase is effective for the contract months beginning on the annual contract anniversary date. **Note: The increased rent is the base for any special adjustment, and for the next annual adjustment.**

- When the Owner's request is submitted late ("extended deadline"):

If the owner's request for the annual rent adjustment is submitted after the two-month deadline, but not after the end of the twelve-month period commencing on the two-month deadline date ("extended deadline"), any increase is effective only for contract months beginning at least two months after submission of the owner's request. The contract rent for prior contract months will not be increased, however, the increased rent is the base for any special rent adjustment and for the next annual adjustment.

- When the Owner's request is not submitted by the extended deadline:

If the owner's request for the annual rent adjustment is submitted after the extended deadline, the owner's request is not accepted, and the contract rent is not increased.

Note: A special rent adjustment is never approved to make up any loss of contract rent where rent is not increased at the annual anniversary date because the owner failed to submit their request by the two-month deadline.

PART 1: NEW CONSTRUCTION AND SUBSTANTIAL REHABILITATION CONTRACTS WHERE PRE-ADJUSTMENT GROSS RENTS ARE ABOVE THE PUBLISHED FMR

When comparability applies:

Comparability only applies if the pre-adjustment gross rents for new construction or substantial rehabilitation contract units are above the published FMR for the unit size in the area where the project is located. Comparability **does not** apply to the determination of the annual adjustment for project-based units assisted under the loan management or property disposition programs.

"Gross rent" is the sum of the contract rent for each unit size, plus any applicable allowance for tenant-paid utilities. The calculation of gross rent is based on the pre-adjustment gross rent for the contract month before the annual contract

anniversary, including any special adjustment included in the pre-anniversary contract rent, but not including any additional adjustment by application of the AAF at the annual anniversary.

When an Owner Must Submit a RCS:

If comparability applies, the owner must submit a RCS to the CA. The RCS must be submitted with the owner's request for an AAF rent increase. The contract rent will not be increased unless the owner has submitted the RCS in the form and manner required by HUD.

How to Determine Comparability:

On January 19, 2001, HUD issued the Section 8 Renewal Policy Guide. Chapter Nine of the Guide contains detailed instructions for conducting and reporting results of the RCS. The RCS instructions contained in the Section 8 User Guide must be used in preparing the RCS for AAF rent adjustments. The Section 8 User Guide is available at www.hudclips.org

The RCS must include the comparability analysis for all unit sizes assisted under the HAP contract (0 bedroom (BR), 1 BR, 2 BR, etc;) and must be submitted on form HUD-92273-S8 (7/00), Estimates of Market Rent by Comparison (Appendix 6 of this Notice).

Adjusting the RCS:

Some owners of projects that have not yet renewed under MAHRA and who utilize the AAF as the method of rent adjustment have requested that HUD permit the five-year RCS that is used for MAHRA contracts to be used for AAF properties. Unfortunately, the Department is unable to approve such a request.

However, in an effort to reduce the costs associated with conducting comprehensive annual RCS's, the Department has determined that owners of AAF properties may submit an "updated RCS" rather than a new RCS. The updated RCS may be used for a period of four years (the original submission plus four (4) updates). A certified appraiser must prepare the updated RCS. HUD anticipates that the costs associated with an updated RCS should be considerably less than a new study (see Appendix 5).

In addition to annual rent adjustments, owners are permitted to request HUD approval of justified "special rent adjustments" during the contract year. Eligible expenses for special adjustments are defined in HUD Handbook 4350.1, Chapter 34. Special rent adjustments must **NOT** result in contract rents that exceed the comparable market rent.

HOW TO CALCULATE THE PART I ANNUAL ADJUSTMENT:

The CA will apply the published AAF in Table I and will ask the following question for each unit type: **"Will the resulting rent still be equal to or lower than the comparable rent?"** (NOTE: Throughout Part I of this Notice, when applying the published AAF, the factor of 1.000 must be used in all cases where the published factor is below 1.000.)

A. **If yes**, then the published AAF in Table I is applied to adjust contract rent for units in which turnover occurred since the last HAP anniversary date (see Appendix 4). The published AAF in Table II is used to adjust contract rents for units in which turnover has **not** occurred.

B. **If no (the pre-adjustment contract rent multiplied by the Table I AAF exceeds the comparable market rent)**, then the CA must:

1. Determine the adjusted comparable rent (sum of the comparable rent plus any "initial difference" (see below));
2. Multiply the pre-adjustment contract rent times the Table I AAF;
3. If the amount calculated in Step 2 above is equal to or less than the adjusted comparable rent, then calculate the adjusted contract rent in accordance with paragraph A above.
4. If the adjusted comparable rent is less than the amount calculated in Step 2 above, then calculate the adjusted contract rent in accordance with paragraph C below.

C. If the adjusted comparable rent is less than the amount calculated in Step 2 (pre-adjustment contract rent times the Table I AAF), then the adjusted comparable rent is the new contract rent, and by statute, will be applied to all units regardless of turnover.

When the adjusted contract rent is determined, the owner must be notified of the new contract rent. The Field Office Worksheet (Appendices 1 and 2) is used to determine the new contract rent level and should be attached to all correspondence informing the owner of the new rent level.

How to determine adjusted comparable rent:

The "adjusted comparable rent" is the sum of the comparable rent (as documented by the rent comparability study), plus the initial difference. The initial difference is the dollar amount by which the initial Section 8 contract rent exceeded the original comparable rent (or the FMR if originally used instead of a comparable).

The owner must submit adequate evidence of the initial difference. If the owner does not submit adequate evidence of the amount of the initial difference to the contract administrator and if the initial difference is not documented in the project file (generally maintained by the local HUD Office), then the CA must use 10% of the initial Section 8 contract rent for that unit, as a substitute for the initial difference.

For Financial Adjustment Factor (FAF) properties, the initial difference should also include the original dollar figure of the FAF, if the FAF has not been removed as a part of a refinancing transaction.

Once the initial difference is determined for each unit type, the initial difference is added to the comparable rent for each unit type to determine the **Adjusted Comparable Rent**.

How to determine adjusted rent if an owner does not request a rent increase:

If an owner does not request an increase or fails to submit a request based on the procedures in this Notice, then the adjusted contract rents are the same as the pre-adjustment contract rents. Rent decreases in Section 8 new construction and substantial rehabilitation projects, are specifically prohibited by law, unless the project has been refinanced and the refinancing reduces owner's periodic payments.

EXAMPLES OF PART I IMPLEMENTATION:

A New Construction Project with 100% Section 8 adjusted by the AAF. The property has 100 units, 20 have turned over since the last anniversary date, and 10 have remained vacant since the last anniversary date. The rents at this property for 1 BR units are \$400 and \$500 for 2 BR units. The initial Section 8 contract rents on this property in 1979 were \$210 for 1 BR units and \$260 for 2 BR Units. Published FMRs for this area are \$375 for a 1 BR and \$475 for a 2 BR. The published AAF in Table I (AAF for

Turnover Units) is 1.054 and the published AAF in Table II (AAF for non-turnover Units) is 1.044.

Scenario 1: Project is eligible to receive the AAF based on the comparable rents.

The owner submits a form HUD-92273-S8 for the 1 BR rents and a form HUD-92273-S8 for 2 BR rents, both completed in accordance with instructions contained in Chapter Nine of the Section 8 User Guide. The Estimated Market Rents on these forms are \$410 for a 1 BR and \$510 for a 2 BR. HUD receives these forms 60 days prior to the contract anniversary date and begins processing for a thirty-day turnaround.

Applying the Table I AAF to the current rents of \$400 and \$500 would result in new rent levels of \$422 and \$527, both above the rent levels that the comparable produced. The owner did not submit evidence of the initial difference, so the PM/CA would use 10% of the initial Section 8 contract rent as a substitute for the initial difference. For 1 BR units, this figure would be \$21 (10% of \$210) and for 2 BR units, this figure would be \$26 (10% of \$260). These figures added to comparable rents of \$410 and \$510 would produce adjusted comparable rent levels of \$431 for 1 BR units and \$536 for 2 BR units.

Since these rent levels are both above the rent levels produced by the Table I AAF of \$422 and \$527, respectively, then the maximum rent levels that would be permitted are the rents produced by application of the appropriate AAF published in the Federal Register.

Since adjustment by the AAF is permitted based on the comparable rents plus the initial difference, then the 1 BR rent levels would be \$422 for the units in which turnover occurred and \$418 for the units in which turnover has not occurred (including any units which were vacant at the time of the last annual adjustment). In deriving the new GRP for this unit type, \$422 would be multiplied by 20 (turnover units) and \$418 would be multiplied by 80 (non-turnover units) to produce a monthly GRP of \$8,440 (for turnover units) plus \$33,440 (for non-turnover units) which equals \$41,880, divided by 100 units would yield a rent of \$419 for all one bedroom units. The same calculation would then be performed for the 2 BR units.

Scenario 2: The Project is only eligible for the comparable rents.

The owner submits a form HUD-92273-S8 for the 1 BR rents and a form HUD-92273-S8 for 2 BR rents, both completed in accordance with instructions contained in Chapter Nine of the Section 8 User

Guide. The Estimated Market Rent on these forms are \$400 for a 1 BR and \$500 for a 2 BR. HUD receives these forms 60 days prior to the anniversary date and begins processing for a thirty-day turnaround.

Applying the Table I AAF to the current rents of \$400 and \$500 would result in new rent levels of \$422 and \$527, both above the rent levels that the comparable produced. The owner did not submit evidence of the initial difference, so the PM/CA would use 10% of the initial Section 8 contract rent as a substitute for the initial difference. For 1 BR units this figure would be \$21 (10% of \$210) and for 2 BR units, this figure would be \$26 (10% of \$260). These figures added to comparable rents would produce adjusted comparable rent levels of \$421 for 1 BR units and \$526 for 2 BR units. Since these rent levels are both below the rent levels produced by the AAF in Table I of \$422 and \$527, respectively, then the comparable rent plus the initial difference would be the maximum permissible rents HUD could approve.

PART 2: NEW CONSTRUCTION AND SUBSTANTIAL REHABILITATION CONTRACTS WHERE THE PRE-ADJUSTMENT GROSS RENT FOR THE SPECIFIC UNIT TYPE DOES NOT EXCEED THE CURRENT PUBLISHED APPLICABLE EXISTING FMR; AND ALL SECTION 8 LMSA AND PD CONTRACTS IN WHICH THE METHOD OF RENT ADJUSTMENT IS THE ANNUAL ADJUSTMENT FACTOR.

Where the rent level for a specific unit type falls under one of the conditions stated above, the contract administrator applies the appropriate AAF to the pre-adjustment contract rent for the unit type.

For units in which turnover has occurred since the last HAP anniversary date, the AAF in Table I will be applied. For units in which turnover did **NOT** occur since the last HAP anniversary date, the AAF in Table II will be applied.

The owner must submit a statement specifying the number of contract units in which turnover occurred since the last HAP contract anniversary date.

Special Rent Adjustments and Rent Comparability Studies:

HUD Handbook 4350.1, Chapter 34, Section 3, provides instructions for approving and calculating special rent adjustments for AAF units. At its discretion, HUD may approve special rent adjustments to cover a substantial and general increase in real property taxes, assessments, utility rates and hazard insurance

increases, where the increased cost is not sufficiently covered by the annual AAF adjustment.

HUD may approve a special rent adjustment that increases contract rents up to the comparable market rent, but in no case can the special rent adjustment increase rents above the comparable rent for unassisted units in the local housing market. Since special rent adjustments are provided at HUD's discretion, owners must always submit a RCS when requesting a special rent adjustment.

Prohibition of rent reduction for NC & SR projects:

If an owner does not request an increase or fails to submit a request for adjustment (for new construction or substantial rehabilitation projects) in accordance with this Notice, then the contract rents will remain the same as the pre-adjustment contract rents (not including any prior special adjustment).

Rent reductions in Section 8 new construction and substantial rehabilitation are specifically prohibited by law, unless the project has been refinanced and the refinancing reduces the owner's periodic payments. The annual adjustment for new construction or substantial rehabilitation units shall not result in a decrease of the pre-adjustment contract rent (not including prior special adjustments).

Field Office Worksheets:

THE FIELD OFFICE WORKSHEETS found at Appendices 1 and 2 of this Notice must be used for both Part 1 and Part II rent adjustments. The worksheets must be used to calculate the rents, as they are based in statute. A worksheet should be completed for each unit type.

OWNER SUBMISSION REQUIREMENTS FOR PART I:

Where rent levels for a specific unit type, in a substantial rehabilitation or new construction contract, exceed the existing FMR for that specific unit type, then the owner must submit the following items in order to be eligible to receive a rent increase for that unit type:

- Form HUD-92273-S8 (7/00), Estimates of Market Rent by Comparison, completed in accordance with the instructions outlined in Chapter Nine of the Section 8 User Guide. (See Appendix 6)

- A copy of the owner certification (Appendix 3) (Only one certification per project is necessary regardless of the number of unit types for which a rent increase is requested).
- The number of units in which turnover occurred since the last HAP contract anniversary, FOR EACH UNIT TYPE (a sample format for reporting can be found at Appendix 4).

NOTE: Appendices 3 and 4 provide sample formats in which information may be reported or certification language is presented. These formats may be modified so long as the certification language contained in Appendix 3 is presented exactly as printed and the information required by Appendix 4 is contained in the modified format.

Optional Information:

- Evidence of the Initial Difference which existed between the original contract rents and underwriting comparable, or the FMRs at the time of initial underwriting, including any FAF which was a part of the original rents. (If this figure, and the documentation to support this figure, is not submitted, then HUD will use 10% of the initial Section 8 contract rent as a substitute for the initial difference)
- Adjusted RCS.

OWNER SUBMISSION REQUIREMENTS FOR PART II:

Where the rent levels for a specific unit type, in a substantial rehabilitation or new construction contract, **DOES NOT** exceed the existing FMR for that specific unit type, and for all LMSA and PD Section 8 contracts where rents are adjusted by the AAF, the owner must submit the following items in order to be eligible to receive a rent increase for that unit type:

- The number of units in which turnover occurred since the last HAP contract anniversary, FOR EACH UNIT TYPE (a sample format for reporting is attached in Appendix 4).

OWNERS OF SUBSTANTIAL REHABILITATION AND NEW CONSTRUCTION PROPERTIES WITH BOTH PART I AND PART II UNIT TYPES

Unit types are treated individually. In some situations, new construction and substantial rehabilitation properties may have some unit types that meet the requirements of Part I and other unit types that meet the requirements of Part II. When an owner encounters this condition at a property, they are required to

submit the information for each unit type based on the section of this Notice that the rent increase will be processed under.

For example, a new construction property where the 1 BR rents exceed the current FMRs, but the 2 BR rents do not. In requesting a rent increase, the owner should detail in the request to the CA that the 1 BR units exceed the published FMR and thus the information submitted is that required for a Part I request. However, the 2 BR units do not exceed the published FMR and therefore the information submitted for the 2 BR units is that required for a Part II request. The units that are above the FMR must complete a RCS, while units below FMR do not need a RCS. This policy is unit, not project specific.

If you have any further questions regarding this notice, please contact Peter Giaquinto at (202) 708-2866, or your Section 8 Help Desk Officer.

John C. Weicher
Assistant Secretary for Housing -
Federal Housing Commissioner

APPENDIX 1

PART I ADJUSTMENTS WORKSHEET

CONTRACT ADMINISTRATOR WORKSHEET FOR
PROCESSING RENT INCREASES FOR AAF RENT ADJUSTMENTS FOR NEW
CONSTRUCTION
AND SUBSTANTIAL REHABILITATION UNIT TYPES IF THE PRE-ADJUSTMENT
GROSS RENT EXCEEDS THE
EXISTING HOUSING FAIR MARKET RENT
(NOT USED TO CALCULATE BUDGET BASED RENT INCREASES)

Property Name: _____ Unit Type: _____

**ESSENTIAL INFORMATION TO DETERMINE ADJUSTED CONTRACT RENT FOR
EACH UNIT TYPE**

Unit Type _____ BR

For each unit type:

Number of Contract Units: _____

Number of Units With Turnover: _____

Number of Units Without Turnover: _____

Existing Housing FMR
for Unit Type \$ _____

AAF from Table I _____

Comparable Rent (Estimated Market
Rent from HUD-92273-S8, line 46)
\$ _____

AAF from
Table II _____

Pre-adjustment Contract Rent \$ _____

Utility Allowance \$ _____

Pre-adjustment Gross Rent for Unit Type \$ _____

Initial Difference \$ _____

Step 1: Is this contract a New Construction or Sub Rehab contract? ; AND
Is the current gross rent for this unit type (before application of the AAF) above the Existing Housing FMR?

If the answer to BOTH questions is **YES**, then go to Step 2.

If the answer to EITHER question is **NO**, this worksheet does not apply. Contract rent for this unit type is adjusted under Part II of this Notice. Go to Part II Adjustments Worksheet at Appendix 2.

Step 2: Multiply the Table I AAF times the pre-adjustment contract rent. (NOTE: Use a factor of 1.000 if the published Table I AAF is below 1.000.)

Pre-adjustment Contract Rent	x Table I Factor	= Step 2 Amount
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Step 3: Add the initial difference to the comparable rent.

\$ _____	+	\$ _____	=	\$ _____
Comparable Rent		Initial Difference		Adjusted Comparable Rent

STEP 4: Determine if the amount calculated in Step 2 is more than the adjusted comparable rent calculated in Step 3.

\$ _____	\$ _____
Amount calculated In Step 2	Adjusted Comparable Rent (from Step 3)

- b. If the amount calculated in Step 2 is more than the adjusted comparable rent, go to Step 6a and enter the amount of the adjusted comparable rent (in this case, the adjusted contract rent equals the adjusted comparable rent).

- b. If the amount calculated in Step 2 is equal to or less than the adjusted comparable rent, go to step 5.

Step 5: For units in which turnover occurred in the last year, use AAF Table I to calculate the rents. For units in which no turnover occurred in the last year use AAF

Table II to calculate the rents. (NOTE: Throughout this Worksheet, when applying the published AAF, the factor of 1.000 must be used in all cases where the published factor is below 1.000.)

TURNOVER UNITS

Step 5a:

$$\begin{array}{r}
 \$ \underline{\hspace{2cm}} \\
 \text{Pre-Adjustment} \\
 \text{Contract Rent}
 \end{array}
 \times
 \begin{array}{r}
 \underline{\hspace{2cm}} \\
 \text{Table 1} \\
 \text{Factor}
 \end{array}
 =
 \$ \underline{\hspace{2cm}}$$

Adjusted Contract
Rent for Turnover
Units (enter this
amount in Step 6b)

UNITS WITH NO TURNOVER

Step 5b:

$$\begin{array}{r}
 \$ \underline{\hspace{2cm}} \\
 \text{Pre-Adjustment} \\
 \text{Contract Rent}
 \end{array}
 \times
 \begin{array}{r}
 \underline{\hspace{2cm}} \\
 \text{Table 2} \\
 \text{Factor}
 \end{array}
 =
 \$ \underline{\hspace{2cm}}$$

Adjusted Contract
Rent for Non-
Turnover Units
(enter this amount in
Step 6c)

Step 6: Enter the adjusted contract rent.

- a) From Step 4a \$ _____ for all units; **OR**
- b) From Step 5a \$ _____ for units with turnover
Number of Units with turnover: _____
- c) From Step 5b \$ _____ for units with no turnover
Number of Units with no turnover: _____

Step 7: Repeat Steps 1 through 6 for each unit type.

STEP 8: If Step 5 resulted in different rent levels for the same unit type, then a common rent level for this unit type must be derived. Use the rent levels listed in Step 6 to derive a new monthly Contract Rent Potential.

\$ _____ for units with turnover X _____ (units) = \$ _____

\$ _____ for units with no turnover X _____ (Units) = \$ _____

Add the two numbers calculated above to derive total Contract Rent Potential

$$\begin{array}{r} \$ \underline{\hspace{2cm}} \\ \text{Turnover} \end{array} + \begin{array}{r} \$ \underline{\hspace{2cm}} \\ \text{No Turnover} \end{array} = \begin{array}{r} \$ \underline{\hspace{2cm}} \\ \text{Total} \end{array}$$

Divide Total Contract Rent Potential by the number of units for this unit type to obtain the new rent level for all _____ BR units.

$$\begin{array}{r} \$ \underline{\hspace{2cm}} \\ \text{New Rent Level} \end{array} = \frac{\begin{array}{r} \$ \underline{\hspace{2cm}} \\ \text{Total Contract Rent Potential} \end{array}}{\begin{array}{r} \underline{\hspace{2cm}} \\ \text{units} \end{array}}$$

STEP 9: The new rent level for all _____ BR units is approved at \$ _____.

APPENDIX 2

PART II ADJUSTMENTS WORKSHEET

FIELD OFFICE WORKSHEET FOR
PROCESSING RENT INCREASES FOR AAF RENTS FOR NEW CONSTRUCTION
AND SUBSTANTIAL REHABILITATION UNIT TYPES THAT DO NOT EXCEED
THE EXISTING HOUSING FAIR MARKET RENTS AND FOR ALL LMSA AND PD
SECTION 8 CONTRACT TYPES.

(NOT FOR USE ON BUDGET BASED RENT INCREASES)

Property Name: _____ Unit Type: _____

ESSENTIAL INFORMATION

Existing FMR
Level for Unit Type \$ _____ Current Contract
Rent for Unit Type \$ _____

Step 1: If this contract is a New Construction or a Substantial Rehab contract, is the current gross rent for this unit type (before application of the AAF) below the Existing Housing FMR? ;

OR

If this contract is an LMSA or PD contract, is the method of adjustment for gross rent the application of the AAF (as opposed to budget-based)?

(NOTE: Budget-based rents are NOT processed under this Notice. See Chapter 7, Handbook 4350.1)

If the answer to the applicable question is YES, then proceed to Step 2.

If the answer to the applicable question is NO, then this unit type should be adjusted under Part I of this Notice. This worksheet does not apply.

Please find Part I Adjustments Worksheet at Appendix 1.

If the second question is applicable and the answer is NO, then this Notice is not applicable and the rents should be adjusted under Chapter 7, Handbook 4350.1.

Step 2: For units in which turnover occurred in the last year, use AAF Table I to calculate the rents. For units in which no turnover occurred in the last year, use AAF Table II to calculate the rents. (NOTE: Throughout this Worksheet, when applying the published AAF, the factor of 1.000 should be used in all cases where the published factor is below 1.000.)

Turnover units

$$\begin{array}{ccccccc} \$ & \underline{\hspace{2cm}} & & \times & & \underline{\hspace{2cm}} & = & \$ & \underline{\hspace{2cm}} \\ \text{Current Rent} & & & & & \text{Table I Factor} & & & \text{New Rent Level} \end{array}$$

Units with no Turnover

$$\begin{array}{ccccccc} \$ & \underline{\hspace{2cm}} & & \times & & \underline{\hspace{2cm}} & = & \$ & \underline{\hspace{2cm}} \\ \text{Current Rent} & & & & & \text{Table II} & & & \text{New Rent Level} \\ & & & & & \text{Factor} & & & \end{array}$$

Step 3: The new rent level(s) for _____ unit type is:

\$ _____ for units with turnover (Number of Units _____)

\$ _____ for units with no turnover (Number of Units _____)

Step 4: Since the calculation in Step 3 resulted in different rent levels for the same unit type, then a common rent level for this unit type must be derived. Use the rent levels listed in Step 3 above to derive a new monthly Gross Rent Potential (GRP).

\$ _____ for units with turnover X _____ (Units) = \$ _____

\$ _____ for units with no turnover X _____ (Units) = \$ _____

Add the two numbers calculated above to derive the total Contract Rent Potential

$$\frac{\$ \underline{\hspace{2cm}}}{\text{Turnover}} + \frac{\$ \underline{\hspace{2cm}}}{\text{No Turnover}} = \frac{\$ \underline{\hspace{2cm}}}{\text{Total Contract Rent Potential}}$$

Divide Total GRP by the number of units for this unit type to obtain the new rent level for all _____ BR units.

$$\frac{\$ \underline{\hspace{2cm}} \text{ Total GRP}}{\text{divided by } \underline{\hspace{1cm}} \text{ units}} = \frac{\$ \underline{\hspace{2cm}}}{\text{New Rent Level}}$$

Step 5: The new rent level for all _____ BR units is approved at \$ _____.

APPENDIX 3

**SAMPLE FORMAT FOR
OWNER'S CERTIFICATION OF COMPLIANCE WITH THE REQUIREMENTS OF
NOTICE:**

***Annual Adjustment Factor Rent Increase Requirements Pursuant to
42 U.S.C. 1437f(c) (2) (A) .***

Property Name: _____

FHA Number: _____

Section 8 Contract Number: _____

The attached represents a request for a rent increase for the aforementioned property and the following unit type(s) (e.g. 1 BR, 2BR/2BA, 3 BR, etc.):

I certify as the owner of the property (or the agent empowered to act on behalf of the owner) that all of the following items are true:

- Preparations of all copies of form HUD-92273-S8 were completed IN ACCORDANCE WITH INSTRUCTIONS CONTAINED IN Chapter Nine of the Section 8 User Guide.
- If project funds were used to pay for the completion of form(s) HUD-92273-S8, I certify that I am in compliance with the Contracting Guidelines set forth in Paragraph 6.50 of Handbook 4381.5, REV-2.
- If a figure is submitted for the initial difference this figure is the same dollar difference that existed between the original comparable used in underwriting (or the FMRs) and the contract rents at the time of initial occupancy. If no initial difference is submitted, then I authorize HUD to use 10% of the initial Section 8 contract rent for each unit type as the initial difference.
- The figures submitted with this request regarding the number of units in which turnover has occurred since the last HAP anniversary date are complete and accurate.

Under penalties and provisions of Title 18, United States Cost, Chapter 47, Section 1001, the statements contained in this request have been examined by me and to the best of my knowledge and belief are true, correct and complete.

Owner/Agent

APPENDIX 4
OWNER
SAMPLE FORMAT FOR REPORTING UNIT TURNOVER

This form or any other format may be used for reporting the number of units in which turnover occurred **since the last HAP contract anniversary date**. This information need only be submitted for the unit types in which a rent increase is being requested under this Notice.

This information reflects the number of units in which turnover has occurred since ___/___/___ (HAP Anniversary Date)

Unit Type _____ Total Number of Units _____

_____ Units have incurred turnover

_____ Units did not incur turnover

Unit Type _____ Total Number of Units _____

_____ Units have incurred turnover

_____ Units did not incur turnover

Unit Type _____ Total Number of Units _____

_____ Units have incurred turnover

_____ Units did not incur turnover

Unit Type _____ Total Number of Units _____

_____ Units have incurred turnover

_____ Units did not incur turnover

Unit Type _____ Total Number of Units _____

_____ Units have incurred turnover

_____ Units did not incur turnover

Owner/Agent

APPENDIX 5
AAF RCS ADJUSTMENT WORKSHEET

_____ My Rent Comparability Study (RCS) is less than five years old.

◇ The date of my original RCS is _____.

◇ A updated RCS was completed on _____. (Attach a list with the names and titles of persons contacted for each comparable property).

◇ Based on the updated RCS, the *New Comparable Market Rent Potential* is _____.

I hereby certify that:

_____ The original RCS that was submitted on _____, has been updated and that the revised comparable market rent is as stated above; AND

_____ neither I, nor any of my affiliates, are suspended or debarred,

OR

_____ I, or my affiliates, are suspended or debarred and are requesting a contract renewal subject to HUD approval; AND

_____ this information is true and complete.

Project Name _____

Owner's Name _____

Owner's signature: _____ **Date:** _____

Warning: There are fines and imprisonment--\$250,000/5 years--for anyone who makes false, fictitious, or fradulent statements or entries in any matter within the jurisdiction of the Federal government (18 USC 1001). In addition, any person who knowingly and materially violates any required disclosure of information, including intentional non-disclosure, is subject to civil money penalty not to exceed \$10,000 for each violation.