



California Affordable Housing Initiatives, Inc.

Complete Package Requirements *Option 1B Mark Up to Market*

If you are not eligible for Option 1A – Entitlement, you may still be eligible for Option 1B with HUD approval. Refer to the Section 8 Renewal Policy Guide for details explaining discretionary criteria and the HUD approval process.

- ☐ Owner signed Attachment 3A-2, Contract Renewal Request Form and Worksheet (sample attached);
- ☐ An RCS prepared in accordance with Chapter 9 of the Section 8 Renewal Guide;
- ☐ Owner's RCS Certification (sample attached);
- ☐ Documentation to support that the property meets at least one of the discretionary criteria (Vulnerable Populations, Vacancy Rates or Community Support);
- ☐ Tenant One-Year Notification Letter (sample attached);
- ☐ Tenant notification of rent increase (sample attached);
- ☐ Full Utility Allowance Analysis, if applicable (guidance attached);
- ☐ If there is a decrease in UA, 30 day tenant notification of UA decrease (sample attached); and
- ☐ A signed Owner's Certification of Compliance with Tenant Comment Procedures executed after the 30-day comment period (sample attached)

NOTE: This list of documents is not exhaustive. Please be advised that other documents may be required for the renewal option selected.

Additionally, with the exception of HUD-required (e.g. Attachment 3A-2), the sample attachments serve as acceptable templates. You are *not* required to use these documents.

Per the section 8 renewal guide, should a notice need to be issued for both a rent increase and a utility allowance decrease, a single notice is sufficient if the owner clearly identifies both items in the notice.

Please submit all Rent Adjustment and Contract Renewal documents via email in pdf format to cahi-submissions@cgifederal.com with a cc to your CAHI Central Contract Specialist.

Please contact your CAHI Central Contract Specialist if you have questions about complete package requirements. A listing of our staff including contact information can be found at: <http://www.cahi-oakland.org/Staff.aspx>

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?)
		<input type="checkbox"/>			<input type="checkbox"/>
		<input type="checkbox"/>			<input type="checkbox"/>
		<input type="checkbox"/>			<input type="checkbox"/>
		<input type="checkbox"/>			<input type="checkbox"/>
		<input type="checkbox"/>			<input type="checkbox"/>
		<input type="checkbox"/>			<input type="checkbox"/>
		<input type="checkbox"/>			<input type="checkbox"/>

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 OAHP 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:** _____

RENEWAL WORKSHEET FOR OPTION ONE

Requesting a Contract Renewal Under the Mark-Up-To-Market Procedure

I hereby request a renewal of my contract under the Mark-Up-To-Market procedures. I have attached a **Rent Comparability Study (RCS)** and completed the "Initial Eligibility Worksheet" for the Section 8 Contract(s) eligible under this Option.

Please select one of the following:

☐ **Option One A**

*I request Option One A, based on the RCS and the Initial Eligibility Worksheet; the comparable Market Rent Potential is at or above **100%** of the published Fair Market Rents (FMRs).*

☐ The property does not have any low or moderate-income use restrictions that I cannot unilaterally eliminate.

☐ **Option One B**

I request Option One B of the Mark-Up-To-Market eligibility requirements because (Please select the following statements that apply)

- ☐ The project has a high percentage ($\geq 50\%$) of the assisted units rented to elderly, disabled, or large families.
- ☐ The project is located in a low-vacancy area ($\leq 3\%$) where tenant-based assistance is difficult to be used and there is a lack of comparable rental housing; and/or
- ☐ The project is a high priority for the local community as the attached documentation of State or local funds demonstrates.

I hereby certify that:

- ☐ The property's most recent REAC score is 60 or above and there are no uncorrected Exigent Health and Safety (EHS) violations; 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: Any person who knowingly presents a false, fictitious, or fraudulent statement or claim in a matter within the jurisdiction of the U.S. Department of Housing and Urban Development is subject to criminal penalties, civil liability, and administrative sanctions, including but not limited to: (i) fines and imprisonment under 18 U.S.C. §§ 287, 1001, 1010 and 1012; (ii) civil penalties and damages under 31 U.S.C. § 3729; and (iii) administrative sanctions, claims, and penalties under 24 C.F.R. parts 24, 28 and 30.

Appendix 9-2-1

Sample Owner's Cover Letter

[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 Comparability Grid accurately describe the subject project and properly treat non-shelter services and their funding sources as required by Section 9-12 and Appendix 9-1-1.
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:
7. [Provide a name, email and phone number for a point of contact at the agent/Owner's office]
8. 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]
9. I certify that if I discontinue any service to tenants at this property which forms the basis of a rent adjustment in this RCS, I will inform HUD in writing within 30 days of the termination of that service.
10. I/We, the undersigned, certify under penalty of perjury that the information provided above is true and correct. WARNING: Anyone who knowingly submits a false claim or makes a false statement is subject to criminal and/or civil penalties, including confinement for up to 5 years, fines, and civil and

administrative penalties. (18 U.S.C. §§ 287, 1001, 1010, 1012; 31 U.S.C. §3729, 3802).

[Owner's Name & Signature] [Date]

Encl: Owner's Checklist

Appendix 9-2-2

Sample Owner's Checklist

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

Computation of the Project's gross rents and the SAFMR gross rents
Comparison of Project's gross rents to the SAFMR gross rents

Owner's Signature & Date

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: California Affordable Housing Initiatives, Inc., 505 14th Street, Suite 900, Oakland, CA 94612

Telephone Number: 510-238-5300

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)

SAMPLE 30-DAY NOTICE TO TENANT LETTER 24 CFR 245

Date

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:

# of Bedrooms	Current Rent	Proposed Rent
---------------	--------------	---------------

(insert rent information by bedroom size here)

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 the purpose of 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:

California Affordable Housing Initiatives, Inc.
505 14th Street
Suite 900
Oakland, CA 94612

RE: *(Project Number)* *(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.

Signed by managing owner/agent



GUIDANCE FOR DETERMINING UTILITY ALLOWANCES

HUDs current UA guidance outlined in [HUD Notice 2015-04](#) instructs owner/agents to establish a baseline for each bedroom size **once every three years**. For two years after the baseline submission, utility allowances for each bedroom size and each utility type at the property will be adjusted by state-specific increase factor called a Utility Adjustment Factor (UAF). These factors will be published annually by HUD.

NOTE: *RHS/USDA properties must comply with the requirements outlined in HUD Notice 2015-04.*

Baseline Submission Requirements

1. 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 detailed below. A sample tenant release can be found [here](#).
 - a. This must be done for each bedroom size at the property;
 - b. If the property consists of multiple identical buildings (or building that are substantially similar, then the sampling may be performed at the property level, encompassing all buildings on a site. If buildings are not identical, the sample must be done for each bedroom size/unit type;
 - c. Backup documentation must be submitted;
 - i. Copies of the tenant data received from utility providers, can be submitted in a summary format; or
 - ii. 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 10 months if the case may be; or
 - iii. If actual monthly utility bills from a tenant were received, 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 the CA review;
 - iv. There may be cases where a combination of the above will need to be performed and your CCS will notify you of any additional requirements;
 - d. The data collected must be for the same time period;
 - e. The data used must not be more than eighteen (18) months from the contract anniversary date;
 - f. Samples submitted must be from the units receiving Section 8 assistance;
 - g. A unit should be excluded from the sample if it:
 - i. Is receiving an increased UA as a reasonable accommodation;
 - ii. Has been vacant for 2 or more months (units included in the sample should have at least 10 months of occupancy); or
 - iii. Is receiving a flat rate as part of a low-income rate assistance utility program.
2. Determine the average utility cost for each bedroom size without removing any units from the sample size beyond those excluded as indicated in (g.) above. Do **not** remove the highest and/or lowest utility cost household when determining the average. The monthly cost of consumption is the NET COST *after* the application of discounts. Do **not** include late fees in the monthly cost



of consumption. (The monthly usage amount included in the UA analysis should not be reduced by the California Climate Credit, as those credits are to be counted as income for recertification purposes).

- a. A sample format for utility allowance submissions, which includes built-in formulas to average utility costs for each unit size, can be found [here](#).
3. Provide an explanation for any sample sizes that do not meet the required criteria established in [Notice 2015-04](#). (samples that do not meet the required criteria do not need to be submitted)
4. Recommend the UA amount to the contract administrator for approval.
5. Follow the requirements in 24 CFR 245.405(a) and 245.410 to notify tenants of a utility allowance decrease.

Sample Size 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

Factor-Based Analysis

For the two years after a baseline utility analysis is completed, the UA amounts for each bedroom size and each utility type can be adjusted by the established Utility Allowance Factor (UAF) in lieu of a baseline utility allowance.

After completely the property's utility analysis under the factor-based utility analysis method, O/As should compare the adjusted utility analysis to their paid utilities over the previous twelve months. If



the results indicate a significant disparity between the two, the O/A should complete a baseline analysis to help ensure the allowance(s) provided are accurate.

When the factor-based method is used to determine UAs, the O/A should submit their recommendation for the UA amount to contract administrator for approval.

Refer to HUD Notice 2015-04 for more information about:

- Utility Allowance Changes Outside of the Contract Rent Adjustment Schedule
- Allowances for New Construction or Substantial Rehabilitation
- Administrative Procedures
- Requirements for Tenant Households
- Penalties for Tenant Noncompliance
- Voluntary Use of EPAs Energy Star Portfolio Manager
- Information Collection

This policy will be updated accordingly as HUD releases additional information. Please your [CAHI Contract Specialist](#) with any questions.

For questions about the methodology outlined in Notice 2015-04, please contact Kate Brennan at Catherine.M.Brennan@hud.gov in the office of Asset Management and Portfolio Oversight.

SAMPLE UA DECREASE NOTICE

PLEASE refer to 24CFR 245.420, Section 8 Renewal Guide 2-17 B.1. & C.1. HUD Notice H 2015-04 and 4350.1 Chapter 7 FOR specific and current requirements for your project

NOTICE TO TENANTS THAT A UTILITY ALLOWANCE DECREASE HAS BEEN CALCULATED AND SUBMITTED TO HUD FOR APPROVAL*

Date

Dear Residents,

Take note that a Utility Allowance (U/A) decrease has been calculated based on the utility costs at **Property Name**, and a request to adjust the U/A has been submitted to the United States Department of Housing and Urban Development (HUD)/Contract Administrator (CA). This change will take effect on **UA effective date**.

You have the right to participate as provided in §245.420. A copy of the materials that we are submitting to HUD/CA 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 **property name** 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 **property name** may submit written comments on the proposed rent adjustment to us at **address**. Tenant representatives may assist tenants in preparing those comments. These comments will be transmitted to HUD/CA, along with our evaluation of them and our request for the decrease.

You may also send a copy of your comments directly to the Contract Administrator at the following address:

CAHI
505 14th Street, Suite 900
Oakland, CA 94612

Attention: Project Based Contract Administration

HUD will approve, adjust upward or downward, or disapprove the proposed UA decrease upon reviewing the request and comments. When HUD/CA advises us in writing of the decision on our request, you will be notified. If the request is approved, any allowable adjustment 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.

Owner/agent Name

Property Name

OWNER'S CERTIFICATION AS TO COMPLIANCE WITH TENANT COMMENT PROCEDURES IN 24 CFR 245 (FORMERLY IN 24 CFR 401)

FHA or Non-Insured Project Name _____ Project No. _____

Acting on behalf of _____, the Project Owner, I certify that project management has taken ALL of the actions listed below.

- 1) Distributed a Notice to Tenants, in the forms and manner required by 24 CFR 245.310 and 245.410. (24 CFR 245.410 applies only if a reduction in utility allowances is proposed.)
- 2) Took reasonable steps to assure that any posted Notices remained intact and in legible form for the full comment period required by 24 CFR 245.
- 3) Made all materials submitted to justify the increase available during normal business hours in a place reasonably convenient to project residents.
- 4) Honored any resident's request to inspect those materials.
- 5) Reviewed and evaluated all comments received from project residents or their authorized representatives.
- 6) Examined all materials submitted to HUD/the State Agency in support of the rent increase request. I also certify, that all information submitted with my rent increase request is true, correct and complete.

WARNING: 18 U.S.C. 1001 provides, among other things, that whoever knowingly and willingly makes or uses a document or writing containing any, false, fictitious, or fraudulent statement or entry, in any matter within the jurisdiction of any department or agency of the United States, shall be fined not more than \$10,000 or imprisoned for not more than 5 years, or both.

Signed by: _____ Name _____
Title _____ Signature Date _____

APPENDIX 2