



## California Affordable Housing Initiatives, Inc.

### Complete Package Requirements *Option 4 – Exempt from OAHP*

Option 4 is for projects that are exempt from referral to OAHP although rents may exceed market. See the Section 8 Renewal Guide, Chapter 6, for additional information on projects that qualify as exceptions. .

- ☐ Owner signed Attachment 3A-2, Contract Renewal Request Form and Worksheet (sample attached);
- ☐ Budget-Based Worksheet (sample attached) – *See Complete Package Requirements for a Budget-Based rent adjustment;*
- ☐ OCAF Worksheet (sample attached) – *See Complete Package Requirements for a Budget-Based rent adjustment;*
- ☐ If FHA-insured or HUD-held project, an RCS prepared in accordance with Chapter 9 of the Section 8 Renewal Guide;
- ☐ Owner's RCS Certification (sample attached);
- ☐ 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](mailto: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 FOUR

### Request Renewal of Contract for Projects Exempted From OAHP

I hereby request a **RENEWAL** of my contract under Option Four and I am submitting an OCAF Worksheet and a budget calculation to determine which adjustments meets the “lesser of” test. My project is eligible to renew under this option because it falls into one of the following categories (*Please select one of the following*).

- ☐ State or Local Government financing. I am submitting:
- Copies of the original financing documents;
  - The underlying statutory authority which I believe conflicts with a Mark-To-Market restructuring plan; And
  - My bond counsel’s opinion as to the conflict.
- ☐ Section 202/8 and/or Section 515/8 Project; and/or a Section 202 loan refinanced pursuant to Section 811 of the American Homeownership and Economic Opportunity Act of 2000
- ☐ SRO Moderate Rehabilitation Project; OR
- ☐ Section 512(2) of MAHRA  
I am submitting a Rent Comparability Study that shows rents are at or below market.
- ☐ Multifamily Housing Project not eligible under Section 512(2) of MAHRA, or
- ☐ Risk Sharing Loan provided by qualified state or local housing finance agency.
- ☐ I understand that **at Renewal**, the rent is set at the **lesser of**:
- The Annual Adjusted Rent Potential of the Expiring Contracts  
(based on the attached OCAF Worksheet), OR
- The Section 8 Contract Rent Potential from the budget-based  
rent determination (reflected in the attached budget)
- AND
- ☐ I have attached the completed OCAF Worksheet (Form HUD 9625):
- ☐ I have included a budget and rent schedule completed in accordance with the requirements in HUD Handbook 4350.1.
- ☐ I have abided by the requirements in 24 CFR 245 regarding tenant notification of a proposed rent increase. The attached budget and rent schedule was available to tenants upon their request

**I hereby certify that:**

- ☐ 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.*

# OCAF Rent Adjustment Worksheet

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

OMB NO. 2502-0587 (exp. 04/30/2017)

## Multifamily Section 8 Contracts

Public reporting burden for this collection of information is estimated to average 45 minutes 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.

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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:

### Step 1:

Calculate the current Section 8 Rent Potential for EXPIRING contracts

(A)	(B)	(C)	(D)
Unit Type and Contract and/or Stage	# of Units	Current Section 8 Contract Rents	Current Section 8 Rent Potential (B x C)
			- - -
			- - -
			- - -
			- - -

(E) Monthly Expiring Section 8 Contract Rent Potential  
(Total of column D)

(F) Annual Section 8 Rent Potential for Expiring Contracts  
(E x 12)

**Step 2:**

Calculate Increase Factor Adjusted by OCAF for Expiring contracts

(G)	Total Annual Rent Potential For <b>Non-Expiring Section 8 Contracts</b>	
(H)	Total Annual Rent Potential For Non-Sec. 8 Units	
(I)	Total Annual Project Rent Potential <b>(F + G + H)</b>	
(J)	Expiring Section 8 Portion of Total Project Rent Potential <b>(F ÷ I)</b>	
(K)	Total Annual Project Debt Service	
(L)	Annual Expiring Section 8 Share of Debt Service <b>(J x K)</b>	
(M)	Annual Expiring Section 8 Potential Less Expiring Sec. 8 Share of Debt Service <b>(F - L)</b>	
(N)	OCAF Adjustment	
(O)	Annual Expiring Section 8 Rent Potential Attributed to Operations Multiplied by Published OCAF <b>(M x N)</b>	
(P)	Adjusted Contract Rent Potential <b>(L + O)</b>	
(Q)	Lesser of (P) or Comparable Rent Potential From Rent Comparability Study	
(R)	Increase Factor <b>(Q ÷ F)</b>	

**Step 3:**

Calculate OCAF Adjusted contract Rent Potential for Expiring Section 8 contracts ONLY

(S)	(T)	(U)	(V)	(W)	(X)
Unit Type and Contract and/or Stage	# Units	Current Contract Rents	OCAF Adjusted Rent (R x U)	Annual Adjusted Rent (V x 12)	Adjusted Annual Rent Potential (T x W)

**(Y) Annual Adjusted Rent Potential of the Expiring Contracts(s)**

(total Column X):

I (We) hereby certify that the statements and representations contained in or accompanying this instrument are true, accurate and complete to the best of my (our) knowledge and belief.

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.



# Budget Worksheet

## Income and Expense Projections

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

OMB Approval No. 2502-0324  
(exp. 11/30/2024)

Item#1695

Public reporting burden for this collection of information is estimated to average 5.33 hours 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 agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

This information is collected in accordance with Title II of the National Housing Act which requires that HUD regulate rents for certain cooperative and subsidized rental projects. The Department formulated the processes by which owners could request increases. The requirement for tenant participation in the rent increase process, which is included in Section 202(b) of the HCD Amendments of 1978, necessitated that the Department design procedures to give consideration to tenant comments. The information gathered is not of a confidential nature. The information is required in order to obtain benefits.

Project Number		Name of Project			
Description of Account	Acct.No.	Statement of Profit/Loss FY__	Current FY (no. of mos. )	Budget from ( ) to ( )	
<b>Rental Income 5100</b>	Rent Revenue - Gross Potential	5120			
	Tenant Assistance Payments	5121			
	Rent Revenue - Stores and Commercial	5140			
	Garage and Parking Spaces	5170			
	Flexible Subsidy Revenue	5180			
	Miscellaneous Rent Revenue	5190			
	Excess Rent	5191			
	Rent Revenue/ Insurance	5192			
	Special Claims Revenue	5193			
	Retained Excess Income	5194			
	<b>Total Rent Revenue Potential at 100% Occupancy</b>	<b>5100T</b>			
<b>Vacancies 5200</b>	Apartment	5220			
	Stores and Commercial	5240			
	Rental Concessions	5250			
	Garage and Parking Spaces	5270			
	Miscellaneous	5290			
	<b>Total Vacancies</b>	<b>5200T</b>			
	<b>Net Rental Revenue (Rent Revenue less Vacancies)</b>	<b>5152N</b>			
<b>Income 5300</b>	<b>Nursing Homes/ Assisted Living/ Board &amp; Care/ Other Elderly Care/ Coop/ Other Revenues</b>	5300			
<b>Financial Revenue 5400</b>	Financial Revenue -Project Operations	5410			
	Revenue from Investments-Residual Receipts	5430			
	Revenue from Investments-Replacement Reserve	5440			
	Revenue from Investments-Miscellaneous	5490			
	<b>Total Financial Revenue</b>	<b>5400T</b>			
<b>Other Revenue 5900</b>	Laundry and Vending Revenue	5910			
	Tenant Charges	5920			
	Interest Reduction Payments Revenue	5945			
	Gifts (nonprofits)	5970			
	Miscellaneous Revenue	5990			
	<b>Total Other Revenue</b>	<b>5900T</b>			
	<b>Total Revenue</b>	<b>5000T</b>			
<b>Admin. Expenses 6200/ 6300</b>	Conventions and Meetings	6203			
	Management Consultants	6204			
	Advertising and Marketing	6210			
	Other Renting Expense	6250			
	Office Salaries	6310			
	Office Expenses	6311			
	Office or Model Apartment Rent	6312			
	Management Fee	6320			
	Manager or Superintendent Salaries	6330			
	Administrative Rent Free Unit	6331			
	Legal Expenses - Project	6340			
	Audit Expenses	6350			
	Bookkeeping Fees/Accounting Services	6351			
	Miscellaneous Administrative Expenses	6390			
	<b>Total Administrative Expenses</b>	<b>6263T</b>			

Description of Account		Acct.No.	Statement of Profit/Loss FY__	Current FY (no. of mos. )	Budget from ( ) to ( )
<b>Utilities 6400</b>	Fuel Oil/Coal	6420			
	Electricity	6450			
	Water	6451			
	Gas	6452			
	Sewer	6453			
	<b>Total Utilities Expense</b>	<b>6400T</b>			
<b>Operating &amp; Mainten. Expenses 6500</b>	Payroll	6510			
	Supplies	6515			
	Contracts	6520			
	Operating and Maintenance Rent Free Unit	6521			
	Garbage and Trash Removal	6525			
	Security Payroll/Contract	6530			
	Security Rent Free Unit	6531			
	Heating/Cooling Repairs and Maintenance	6546			
	Snow Removal	6548			
	Vehicle & Maint. Equip. Oper. and Repair	6570			
	Misc. Operating & Maintenance Expenses	6590			
	<b>Total Operating &amp; Maintenance Expenses</b>	<b>6500T</b>			
<b>Taxes and Insurance 6700</b>	Real Estate Taxes	6710			
	Payroll Taxes (Project's share)	6711			
	Property and Liability Insurance (Hazard)	6720			
	Fidelity Bond Insurance	6721			
	Workmen's Compensation	6722			
	Health Insurance & Other Employee Benefits	6723			
	Misc. Taxes, Licen., Permits, & Insurance	6790			
	<b>Total Taxes &amp; Insurance</b>	<b>6700T</b>			
<b>Financial Expenses 6800</b>	Interest on Mortgage Payable	6820			
	Interest on Notes Payable (Long-Term) *	6830			
	Interest on Notes Payable (Short-Term) *	6840			
	Mortgage Insurance Premium/Service Charge	6850			
	Miscellaneous Financial Expenses	6890			
	<b>Total Financial Expenses</b>	<b>6800T</b>			
<b>Expenses 6900</b>	<b>Nursing Homes/ Assisted Living/ Board &amp; Care/ Other Elderly Care/ Coop/ Other Revenues</b>	6900			
	<b>Total Cost of Operations</b>	<b>6000T</b>			
	Reserve for Replacements Dep. Required				
	Principal Payments Required				
	Debt Service for other approved loans				
	Debt Service Reserve (if required)				
	General Operating Reserve (Coops)				
	<b>Total Cash Requirements</b>				
	<b>Less Total Revenue</b>				
	<b>Net Cash Surplus (Deficiency)</b>				

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

**Warning:** HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1001, 1012; 31 U.S.C. 3729, 3802)

(Signature)

Date (mm/dd/yyyy)

## **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 14<sup>th</sup> 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 completing 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](mailto: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 14<sup>th</sup> 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