



## California Affordable Housing Initiatives, Inc.

### Complete Package Requirements *Annual Adjustment Factor (AAF), Part 1*

AAF adjustments allow an owner to have their rents increased by the annually published AAF to accommodate increased costs. Only projects that have not been renewed under MAHRA, when specifically stated in their contract or regulatory agreement, are eligible for an AAF unless stated in their Plan of Action.

- ☐ An RCS prepared in accordance with Chapter 9 of the Section 8 Renewal Guide;
- ☐ Owner's RCS Certification (sample attached);
- ☐ Estimates of Market Rent by Comparison (sample attached);
- ☐ Tenant notification of rent increase (sample attached);
- ☐ Number of units in which turnover occurred since the last HAP contract anniversary for each unit type (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>

## **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**

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.

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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 fraudulent 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.*

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
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*(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 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](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