



California Affordable Housing Initiatives, Inc.

Complete Package Requirements

Annual Adjustment Factor (AAF), Part 2

AAF adjustments allow an owner to have his/her 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 specified by a Plan of Action.

- 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/Comment Letter (sample attached); and
- If there is a decrease in UA*, signed Owner's Certification of Compliance with Tenant Comment Procedures executed after the 30-day comment period has expired (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 forms (e.g. Attachment 3A-2), the sample attachments serve as acceptable templates. You are *not* required to use these documents.

Please submit all Rent Adjustment and Contract Renewal documents via email in pdf format to signeddocs@cgifederal.com with a cc to your CAHI Central Contract Specialist. An optional coversheet is available here: [O/A Transmittal](#).



California Affordable Housing Initiatives, Inc.

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://cahi.cgigovt.local/Staff.aspx>.

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



GUIDANCE FOR DETERMINING UTILITY ALLOWANCES

UA analysis submission requirements will depend on the anniversary date of your contract:

- If your property's contract anniversary is **before December 20, 2015**, you may choose to implement the new methodology *or* you may use the current methodology.
- If your property's contract anniversary is **December 20, 2015 or later**, you **MUST** submit a Baseline Utility Analysis using the new methodology outlined in [HUD Notice 2015-04](#).

Current Methodology

There have been questions raised by all of San Francisco Hub PBCAs and Hub Asset Management staff on how to implement both the [Carol Galante](#) and [Tom Azumbrado](#) policy memos regarding the Owner/Agent (O/A) submittal of the Utility Allowance (UA) Analysis and review and approval of the UA by HUD/PBCA. Following are key requirements in both the policy memos:

- The O/A must submit to the PBCA a UA Analysis with Rent Adjustment and Contract Renewal packages regardless of the increase, decrease, or no change in the amount for each unit type.
- At any time the recently approved UA increases by 10% or more due to increase in utility rates, the O/A must submit to the PBCA a request to adjust the UA. This request for adjustment does not have to be concurrent with the annual Rent Adjustment cycle or Contract Renewal submittal.
- If the O/A determines there should be a decrease in the UA, the O/A must notify the tenants in writing at least 30 days prior to submitting the request to the PBCA for approval and must provide the tenants with the right to participate in and comment on the proposed decrease in the UA. The written tenant notification must be included in the UA Analysis submittal.
- The approved decrease in the UA *can* go lower than the UA levels originally set in the HAP contract per result of the analysis.
- The O/A's best estimate of average monthly utility cost that an energy-conscious tenant will incur for the year can be better achieved by the PBCA recognizing anomalies in the O/A's UA Analysis such as unusually high or low utility consumption (high and low spikes) for each unit type. The PBCA must instruct the O/A's not to consider those high and low spikes in its analysis. If the high and low spikes are present in the analysis submitted by the O/A, the PBCA must not include those spikes in determining the



approvable UA levels.

- If only 3 are looked at, the high/low spikes may not be apparent, but the O/A should not be submitting supporting documentation from the same residents each year.
- The Tom Azumbrado policy memo limits the number of supporting documentation to the UA Analysis to be submitted by the O/A, which is 10% of all unit types and from the minimum of three (3) to a maximum of twenty (20). The standard practice in requiring supporting documentation should be based on the 10% of all unit types; and
- A minimum of three (3) supporting documentation should only be used in recognizing the O/A's best effort and verifiable hardship in acquiring the supporting documentation.
- On small properties where the 10% of all unit types result in just three supporting documentation, the PBCA must strive to not allow the O/A to submit the same supporting documentation from the same residents in every submittal. This is consistent with the intent of determining the average utility consumption from energy-conscious residents. This cannot be ascertained unless supporting documentation is received from other residents. However, the PBCA will be sensitive to the O/A's dilemma and hardship in getting cooperation from both the Utility Company and the residents and will exercise good judgment.

The UA levels will be based on the PBCA's analysis of the O/A's submittal and cannot be left at the current level if the analysis results in a change of less than 10%. If there is even a \$1 change in UA based on the analysis, the change will proceed.

New Methodology (Reminder: If your property's contract anniversary is before 12/20/15, you may choose to implement the new methodology *or* you may use the current methodology).

New 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 a state-specific increase factor called a Utility Adjustment Factor (UAF). These factors will be published annually by HUD.

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. This must be done for each bedroom size at the property;
 - b. If the property consists of multiple identical buildings (or buildings that are substantially similar, then the sampling may be performed at the property level,



- c. encompassing all buildings on a site. If buildings are not identical, the sampling must be done for each bedroom size);
- d. If the analysis is performed by a third party or the utility provider, the sample size data/bills must be submitted;
- e. The data collected must be for the same time frame;
- f. The data used must not be more than eighteen (18) months from the contract anniversary date;
- g. Samples submitted must be from units receiving Section 8 assistance;
- h. 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 utility rate as part of a low-income rate assistance utility program.

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

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



1. 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 (e.g. California Climate Credit, Solar Discount, surcharges, transmission fees, etc.). Do **not** include late fees in the monthly cost of consumption.
 - 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](#).
 - b. A sample tenant release form can be found [here](#)
2. Provide an explanation for any sample sizes that do not meet the required criteria established in [Notice 2015-04](#).
3. Recommend the UA amount to the contract administrator for approval.
4. Follow the requirements in 24 CFR Part 245.405(a) and 245.410 to notify tenants of a utility allowance decrease
5. Phase-in UA decreases that would exceed 15% AND \$10 from the most recent (approved) UA.
 - a. The phase-in applies only to decreases resulting from the *initial* baseline analysis. Refer to [HUD Notice 2015-04](#) for additional information on phase-in requirements.

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 the 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 contact 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 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
<i>(insert rent information by bedroom size here)</i>		

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 650
Oakland, California 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

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