



## California Affordable Housing Initiatives, Inc.

### Complete Package Requirements *Annual Adjustment Factor (AAF), Part 2*

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.

- 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.

Please submit all Rent Adjustment and Contract Renewal documents via email in pdf format to [signeddoc@cgifederal.com](mailto:signeddoc@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 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

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.

### 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, encompassing all buildings on a site. If buildings are not identical, the sample must be done for each bedroom size;
  - c. If the analysis is performed by a third party or the utility provider, the sample size data/bills must be submitted;
  - 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.

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

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 (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](#).
3. Provide an explanation for any sample sizes that do not meet the required criteria established in [Notice 2015-04](#).
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



California Affordable Housing Initiatives, Inc.

- 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 650  
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 \_\_\_\_\_