



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.

- AAF, Part II Worksheet (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/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](#).



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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 2

PART II ADJUSTMENTS WORKSHEET

FIELD OFFICE WORKSHEET FOR
PROCESSING RENT INCREASES FOR AAF RENTS FOR NEW CONSTRUCTION
AND SUBSTANTIAL REHABILITATION UNIT TYPES THAT DO NOT EXCEED
THE EXISTING HOUSING FAIR MARKET RENTS AND FOR ALL LMSA AND PD
SECTION 8 CONTRACT TYPES.

(NOT FOR USE ON BUDGET BASED RENT INCREASES)

Property Name: _____ Unit Type: _____

ESSENTIAL INFORMATION

Existing FMR
Level for Unit Type \$ _____

Current Contract
Rent for Unit Type \$ _____

Step 1: If this contract is a New Construction or a Substantial Rehab contract, is the current gross rent for this unit type (before application of the AAF) below the Existing Housing FMR? ;

OR

If this contract is an LMSA or PD contract, is the method of adjustment for gross rent the application of the AAF (as opposed to budget-based)?

(NOTE: Budget-based rents are NOT processed under this Notice. See Chapter 7, Handbook 4350.1)

If the answer to the applicable question is YES, then proceed to Step 2.

If the answer to the applicable question is NO, then this unit type should be adjusted under Part I of this Notice. This worksheet does not apply.

Please find Part I Adjustments Worksheet at Appendix 1.

If the second question is applicable and the answer is NO, then this Notice is not applicable and the rents should be adjusted under Chapter 7, Handbook 4350.1.

Step 2: For units in which turnover occurred in the last year, use AAF Table I to calculate the rents. For units in which no turnover occurred in the last year, use AAF Table II to calculate the rents. (NOTE: Throughout this Worksheet, when applying the published AAF, the factor of 1.000 should be used in all cases where the published factor is below 1.000.)

Turnover units

$$\begin{array}{r} \$ \underline{\hspace{2cm}} \\ \text{Current Rent} \end{array} \quad \times \quad \begin{array}{r} \underline{\hspace{2cm}} \\ \text{Table I Factor} \end{array} = \quad \begin{array}{r} \$ \underline{\hspace{2cm}} \\ \text{New Rent Level} \end{array}$$

Units with no Turnover

$$\begin{array}{r} \$ \underline{\hspace{2cm}} \\ \text{Current Rent} \end{array} \quad \times \quad \begin{array}{r} \underline{\hspace{2cm}} \\ \text{Table II} \\ \text{Factor} \end{array} = \quad \begin{array}{r} \$ \underline{\hspace{2cm}} \\ \text{New Rent Level} \end{array}$$

Step 3: The new rent level(s) for _____ unit type is:

\$ _____ for units with turnover (Number of Units _____)

\$ _____ for units with no turnover (Number of Units _____)

Step 4: Since the calculation in Step 3 resulted in different rent levels for the same unit type, then a common rent level for this unit type must be derived. Use the rent levels listed in Step 3 above to derive a new monthly Gross Rent Potential (GRP).

\$ _____ for units with turnover X _____ (Units) = \$ _____

\$ _____ for units with no turnover X _____ (Units) = \$ _____

Add the two numbers calculated above to derive the total Contract Rent Potential

$$\begin{array}{r} \$ \underline{\hspace{2cm}} \\ \text{Turnover} \end{array} + \begin{array}{r} \$ \underline{\hspace{2cm}} \\ \text{No Turnover} \end{array} = \begin{array}{r} \$ \underline{\hspace{2cm}} \\ \text{Total Contract Rent} \\ \text{Potential} \end{array}$$

Divide Total GRP by the number of units for this unit type to obtain the new rent level for all _____BR units.

$$\begin{array}{r} \$ \underline{\hspace{2cm}} \\ \text{Total GRP} \end{array} \text{ divided by } \underline{\hspace{1cm}} \text{ units} = \begin{array}{r} \$ \underline{\hspace{2cm}} \\ \text{New Rent Level} \end{array}$$

Step 5: The new rent level for all _____ BR units is approved at \$_____.

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



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GUIDANCE FOR DETERMINING UTILITY ALLOWANCES

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



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- 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.

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 _____