



California Affordable Housing Initiatives, Inc. CGI

# CONTRACT RENEWAL AND RENT ADJUSTMENT SUBMISSIONS

August 2025

The goal of this session is to familiarize owners and agents on the contract renewal and rent adjustment submission requirements.

Complete and timely submissions received by the PBCA helps to make the process more efficient.

# Housekeeping

- ▶ Please feel free to ask questions as we go along, raise your hand!
- ▶ Silence your phones
- ▶ We'll make a pdf version of this presentation available



The goal of this session is to familiarize newer OAs to the rent adjustment and HAP Contract Renewal process.

You should come away with an understanding and general expectations of how to properly submit your rent adjustment package or HAP Contract Renewal package to the PBCA.



# Your CAHI Team

## ^ CAHI

[Keischa Harris – Contract Administrator](#)

[Charles Young – State Contracts Manager](#)

## ^ Contact Center

[Andrea Pitts-Hampston – Customer Relations Manager](#)

[Kathryn Baranek – Customer Relations Specialist](#)

[Anna Stewart – Customer Relations Supervisor](#)

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[Darlene Keyes – Customer Relations Specialist](#)

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## ^ Asset Management - Ann Ninh

[Ann Ninh – Asset Manager](#)

[Cynthia Colvin – Contract Specialist](#)

[Mariano Gonzalez Hernandez – Contract Specialist](#)

[Shannon Haire – Contract Specialist](#)

[Michelle Barrios – Contract Specialist](#)

## ^ Asset Management - Darline Burell

[Darline Burrell – Asset Manager](#)

[Alicia Miranda Emerson – Contract Specialist](#)

[Tamikia Johnson – Contract Specialist](#)

[Kathleen Agustin – Contract Specialist](#)

[Andrew Thomas – Contract Specialist](#)

## ^ Local Services Management - Paul Rabuy

[Paul Rabuy – Manager of Local Services](#)

[Holly Schroeder – Local Contract Specialist](#)

[Priscilla De La Cruz – LCS Team Lead](#)

[Carole Blackford – Local Contract Specialist](#)

[Victor Wong – Local Contract Specialist](#)

[Tenia Decuire – Local Contract Specialist](#)

[Theresa Campbell – Local Contract Specialist](#)



# Today's Agenda

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- ✓ Intros
- ✓ RCSs
- ✓ Utility Analysis
- ✓ Contract Renewals
- ✓ OCAF's
- ✓ Mark to Comparables
- ✓ Auto-OCAF's



# Today's Agenda Does *NOT* Include

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## Budgets

Please see our AHMA budget [presentation](#) in CAHI's Knowledge Center.



# Rent Comparability Studies





# RCS

- The purpose of a Rent Comparability Study (RCS) is to estimate “market” rents for each Section 8-unit type. “Market Rent” is the rent that a knowledgeable tenant would most probably pay for Section 8 units, as of the date of the appraiser’s report, if the tenants were not receiving rental subsidies and rents were not restricted by HUD or other government agencies.
- Section 8 Renewal Guide, Chapter 9



# Rent Comparability Study (RCS)

- The RCS (and owner's RCS checklist) should be submitted no more than 180 days from the property's anniversary/expiration date and no less than 120 days from the property's anniversary/expiration date.



# RCS Complete Package

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- Owners must review and submit an RCS with an Owner's Cover Letter (formerly known as the Owner's RCS Certification).
- The RCS Owner's Cover Letter is part of a complete RCS package. The RCS cannot be reviewed until CAHI receives both the letter and the RCS.



# Owner's Cover Letter

## Appendix 9-2-1

### Sample Owner's Cover Letter & Owner's Checklist

[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 Grid accurately describe the subject project and properly treat non-shelter services and their funding sources as required by Section 9-12 and Appendix 9-1-2.
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:  
  
[Provide a name, email and phone number for a point of contact at the agent/Owner's office]
7. 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]

I certify that the above is all true.

[Owner's Name & Signature]

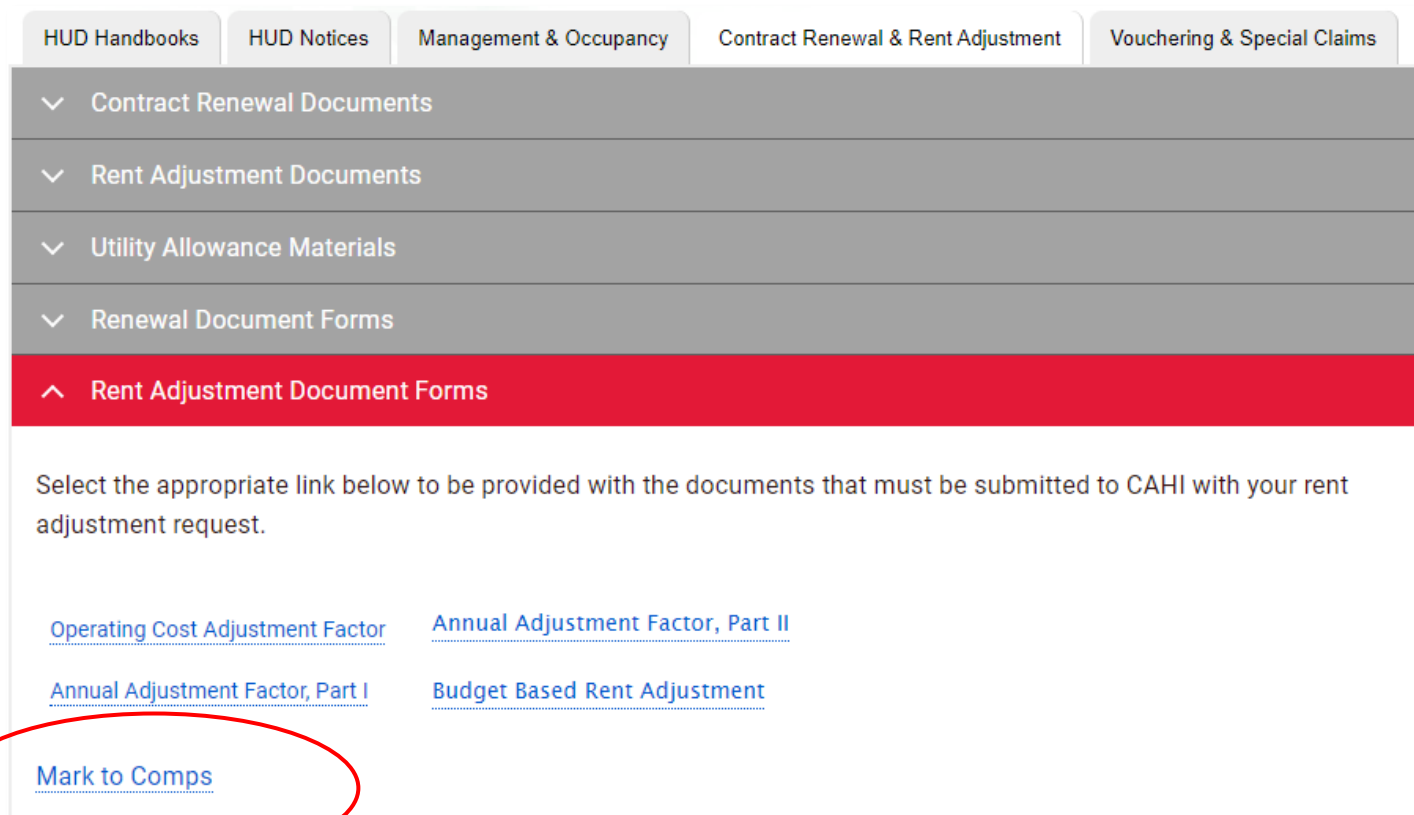
[Date]

Encl: Owner's Checklist



# Packets on CAHI website

- The Sample Owner's Cover Letter and Owner's Checklist, Appendix 9-2-1, can be found in CAHI's Knowledge Center under Contract Renewal/Rent Adjustment > Rent Adjustment Document Forms > Mark to Comps.



The screenshot displays the CAHI website's Knowledge Center navigation menu. At the top, there are five tabs: 'HUD Handbooks', 'HUD Notices', 'Management & Occupancy', 'Contract Renewal & Rent Adjustment', and 'Vouchering & Special Claims'. The 'Contract Renewal & Rent Adjustment' tab is selected. Below the tabs, a list of categories is shown with expand/collapse arrows. The categories are: 'Contract Renewal Documents', 'Rent Adjustment Documents', 'Utility Allowance Materials', 'Renewal Document Forms', and 'Rent Adjustment Document Forms'. The 'Rent Adjustment Document Forms' category is expanded and highlighted in red. Below this category, a text prompt reads: 'Select the appropriate link below to be provided with the documents that must be submitted to CAHI with your rent adjustment request.' There are four links listed in a 2x2 grid: 'Operating Cost Adjustment Factor', 'Annual Adjustment Factor, Part II', 'Annual Adjustment Factor, Part I', and 'Budget Based Rent Adjustment'. The link 'Mark to Comps' is located below these links and is circled in red.

HUD Handbooks HUD Notices Management & Occupancy Contract Renewal & Rent Adjustment Vouchering & Special Claims

Contract Renewal Documents

Rent Adjustment Documents

Utility Allowance Materials

Renewal Document Forms

Rent Adjustment Document Forms

Select the appropriate link below to be provided with the documents that must be submitted to CAHI with your rent adjustment request.

[Operating Cost Adjustment Factor](#) [Annual Adjustment Factor, Part II](#)

[Annual Adjustment Factor, Part I](#) [Budget Based Rent Adjustment](#)

[Mark to Comps](#)



# RCS Checklist



## Appendix 9-2-1

### Owner's Checklist for RCS Submission

#### 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

- ☐ Distribution of RCS Rents and Subject Project's median rent
- ☐ Comparison of Project's median rent to the Median Gross Rent

#### Owner's Signature & Date

# Rent Comparability Study (RCS)

**Section 9-14 requires the following contents of the RCS to be submitted in the following order:**

1. Appraiser's Transmittal Letter
2. Scope of Work
3. Description of Subject Property (with color photos)
4. Identification of Subject's Market Area
5. Description of Neighborhood
6. Narrative Describing Selection of Comparable properties
7. Locator Map for Subject and Comparable properties
8. Rent Comparability Grid for Each Primary Unit
9. Narrative Explaining Adjustments and Market Rent Conclusions (one set of explanations for each Rent Grid)
10. Comparable Property Profiles (including photos)
11. Appraiser's Certification
12. Copy of Appraiser's License (if relying upon a temporary license)

# AVOID STALE RCS

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- The RCS should be submitted no more than 180 days from the property's anniversary/expiration date and no less than 120 days from the property's anniversary/expiration date.



# TIMELINESS AND COMPLETENESS REVIEW

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- Not stale.
- The order of the contents of the RCS are also checked under Initial Review.
- The RCS must pass an “Initial Review” before moving to Step 2.

# SUBSTANTIVE REVIEW

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- Assess and evaluate whether the Owner's RCS appraiser's selection of comparables, adjustments and rent conclusions are reasonable.

# MANDATORY MARKET RENT THRESHOLD

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- The RCS submission must include a distribution of RCS Rents by unit type
- Compute the RCS gross rent potential
- Identify 150 percent SAFMR/FMR
- Compare Project's RCS gross rent potential to 150 percent of SAFMR/FMR.

# RCS RECAP

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- We send reminder letters to you 6 months in advance
- Start the process so your RCS is ready in the proper timeframe
- Make sure your appraiser knows the requirements of HUD's Sec 8RG Chapter 9
- Make sure you have a complete RCS package, all items are included and presented in the proper order
- Make sure your appraiser is responsive to our appraiser
- HUD process to get RCSs also takes a lot of time

# HUD TRIVIA





Who is the current Secretary of Housing and Urban Development?

1. Linda McMahon
2. Scott Turner
3. Jerome Powell

Answer:

2. Scott Turner

# UTILITY ANALYSIS



# Utility Analysis

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- The Utility Allowance (UA) is intended to reimburse residents for utility expenses (not telephone) for projects receiving subsidy assistance where all or some utilities are paid directly by the tenant.
- The UA is *not* intended to pay all utility costs.





# Utility Analysis

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## HUD Notice 2015-04

- UA analyses are required with each annual rent adjustment.
- The UA will be adjusted based on the supported analyses which can warrant an increase or a decrease.
- Baseline, an analysis of tenants' bills, based on a minimum sample size, for a given time period, to determine average usage
- Baselines are processed in 3 year cycles

Year 1 – Utility Allowance Baseline

Year 2 – Utility Allowance Factor (UAF)

Year 3 – Utility Allowance Factor (UAF)

- Owner/Agents can submit a Baseline at any time. A new, *full* baseline utility analysis will reset the 3-year cycle.

# Completing the UA Baseline

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## Collect the Appropriate Data

When compiling data for your baseline, please confirm that:

- Determine Sample Size(s)
- 12 months (or at least 10 months) of utility bills have been submitted for each unit and unit type.
- Data is no more than 18 months old (from site's HAP anniversary).
- All data for each unit type is from the same 12 month period.



# Completing the UA Baseline

## A Baseline Should Not Include...

- Market rate units.
- Units receiving an increased U/A as a reasonable accommodation.
- Units receiving a flat utility rate as part of a low-income rate assistance utility program
- Units that have been vacant for more than 2 months. Units included in the sample must have at least 10 months of occupancy
  - ▶ *If a resident vacates an apartment and another resident moves in, documentation from both residents residing in the unit can be submitted.*



# Completing the UA Baseline

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- If there are like units with varying sizes, e.g. 1BD Small, 1BR Large, there should be a separate UA calculation for each bedroom size.
- Properties with multiple utility types will have to do a separate comprehensive analysis for each type.
- RHS/USDA Properties must submit a Utility Analysis. It is no longer acceptable to use the UA amounts listed on the USDA budget or letter.
- Third Party Utility Analysis providers are acceptable so long as the analysis meets the requirements of the notice.



# Minimal Sample Size Requirement per Unit Type

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



# HUD Sample UA Workbook – Summary Page

	A	B	C	D	E	F	G	I	
2	Property Name:					Date			
3	Contract Number:								
4	Project Number:								
6									
7									
8									
9									
10									
11									
12									
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30									
31									
32									
33									
34									

	Contract Units	Units to be Sampled
0 Bedroom Units		0
1 Bedroom Units		0
2 Bedroom Units		0
3 Bedroom Units		0
4 Bedroom Units		0
5 Bedroom Units		0

Average as Calculated from Analysis	
0 Bedroom Units	N/A
1 Bedroom Units	N/A
2 Bedroom Units	N/A
3 Bedroom Units	N/A
4 Bedroom Units	N/A
5 Bedroom Units	N/A

	Current Utility Allowance	Proposed Utility Allowance
0 Bedroom Units		
1 Bedroom Units		
2 Bedroom Units		
3 Bedroom Units		
4 Bedroom Units		
5 Bedroom Units		

Enter number of units per current rent schedule

Enter UA amounts per current rent schedule

Must be provided

# HUD Sample UA Workbook – Analysis Tabs

1 Bedroom Analysis

Unit	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Average
Unit 1													
Unit 2													
Unit 3													
Unit 4													
Unit 5													
Unit 6													
Unit 7													
Unit 8													
Unit 9													
Unit 10													
Unit 11													
Unit 12													
Unit 13													
Unit 14													
Unit 15													
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Unit 26													
Unit 27													
Unit 28													
Unit 29													
Unit 30													
Unit 31													
Unit 32													
Unit 33													
Unit 34													
Unit 35													
Unit 36													
Unit 37													

Summary 0 Bedroom Analysis 1 Bedroom Analysis 2 Bedroom Analysis 3 Bedroom Analysis 4 Bedroom Analysis 5 Bedroom Analysis

Enter unit numbers

Use billing date

Unit size must be clearly marked on each tab

# Completing the UA Baseline

- Owner must determine average utility cost without removing ANY units from the analysis... ***DO NOT remove highest and lowest household to determine the average.***
- O/A must submit the completed analysis to the CA for review and approval and recommend the UA amount to CA.
- O/A must submit data in a format that uses HUD's formulas for averaging UA costs. HUD has provided an Excel Workbook with built-in formulas for calculating UA increases/decreases. O/A do not have to use this particular form, but must use HUD's formulas.
- The utility bills DO NOT need to be submitted with the UA analysis, but must be retained for the period of tenancy plus 3 years, and made available for a review, if requested.





# Tenant Notification & Certification

- Per HUD Notice 2015-04, whenever an adjustment to the utility allowance results in a decrease, the owner must provide notice to tenants.
- If a UA decrease has been calculated, please post a 30-Day Tenant Notice.
- The Certification of Compliance with Tenant Comment Procedures should be submitted once the Tenant Notice has been posted for a full 30 days. Owners must ensure that tenants have the right to the entire 30 day comment period. Certifications should be signed on the 31<sup>st</sup> day!
- Both the 30-Day Tenant Notice and The Certification of Compliance with Tenant Comment Procedures are a part of the Complete Package requirement.



# Completing the UA Baseline

Note: UA MUST be increased whenever changes in utility rates result in a cumulative increase of 10% or more.

## **Special Provisions**

- Special submission guidelines have been provided in the notice for properties undergoing New Construction or Substantial Rehab.
- With HUD approval, properties undergoing NC or SR can establish baseline based on analysis completed at underwriting through an energy consumption model.
- This option instead of the regular methodology can only be used in the first year of occupancy post-construction.



# UAF Process

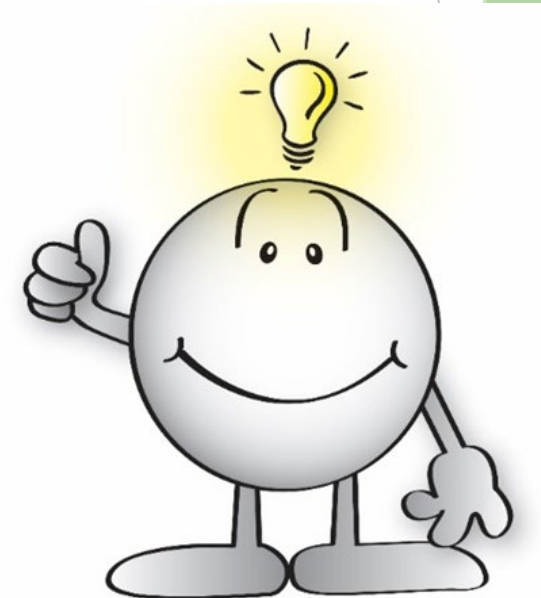
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- If the property is eligible, the UAF document is sent with the 6 month reminder letter from CAHI, during the rent adjustment/contract renewal process. The purpose of this notification is to show how we calculated the UAF.
- When you receive your reminder letter, please confirm if you are in fact eligible (you are in year 2 or 3 of your baseline cycle) for a UAF adjustment and that the proposed UA amounts meet the needs of your tenants.
- If you agree, please sign and return the notice to your CA.



# UA Recap

- Utility Allowance Baselines are often labor intensive and take several weeks (sometimes months) to complete
- We send 6 month letters out, get started on Baselines ASAP!
- Proper sample sizes, proper timeframes for data
- If tenants are not cooperative, it can be a lease violation



# Contract Renewals



# HAP Contract & Renewal

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- The contract is called a Housing Assistance Payment Contract, or “HAP Contract”
- The HAP contract is for a term of 1 to 20 years
- A Contract Renewal is a continuation of an expiring HAP under Section 8 of the United States Housing Act of 1937
- The contract dictates the obligations of the owner and also HUD for maintaining a Multi-Family Section 8 Property
- The contract dictates the number of units, the type of units, the length of time the owner will be eligible for assistance payments and what the owner needs to do to continue to receive payments



# Six (really 5) Renewal Options

- ▶ Option 1, the current rents are below market, and rents at renewal are increased to this market determination\*;
- ▶ Option 2, the current rents are again below market, and the rent increase at renewal is determined via the OCAF or BBRA, however cannot go above the market;



- ▶ Option 3 Referral to Recap: This option results in a reduction in rents, as current rents are above market. Option 3a is for reduction in rents without restructuring, while Option 3b is a reduction in rents with restructuring of the property's mortgage. OA certifies rents exceed RCS.
- ▶ Option 4, rents are determined at the 'Lesser Of' between the OCAF and BBRA; this rent determination can be negative if the BBRA warrants a decrease in rents
- ▶ Option 5's have a document called a 'Plan of Action (POA)' which, in addition to the HAP contract, enumerates other actions and obligations the owner and HUD have to each other; it will dictate the type of rental adjustment the property can do. As long as POA is in effect, you can only renew under Option 5.
- ▶ Option 6, Opt out





# Complete Packages and Submission Timelines

Complete Package Documents should be submitted to CAHI ***at least 120*** days prior to contract expiration!

	Opt 1a	Opt 1b	Opt 2	Opt 4	Opt 5
HUD Renewal Form & Worksheet	Y	Y	Y	Y	Y
RCS & Owner's RCS Certification	Y	Y	Y	N	Y <sup>4</sup>
Discretionary Criteria	N	Y	N	N	N
One Year Tenant Letter	Y	Y	Y	Y	Y
UA Analysis	Y <sup>1</sup>	Y <sup>1</sup>	Y <sup>1</sup>	Y <sup>1</sup>	Y <sup>1</sup>
30 Day Notice & Cert to Compliance	Y <sup>2</sup>	Y <sup>2</sup>	Y <sup>2</sup>	Y <sup>2</sup>	Y <sup>2</sup>
OCAF RA Documents	N	N	Y <sup>3</sup>	Y	Y <sup>4</sup>
BBRA Documents	N	N	Y <sup>3</sup>	Y	Y <sup>4</sup>

1: If applicable to the property.

2: If UA Analysis supports decrease or rents increasing (not OCAF)

3: For Option 2, Owner may choose either OCAF or BBRA

4: For Option 5, please see property's POA or Use Agreement



# Option 3a and 3b

	Opt 3a	Opt 3b
HUD Renewal Form & Worksheet	Y	Y
RCS & Owner's RCS Cert	Y	N***
A Certification that rents exceed comparables	Y	Y
UA Analysis	Y <sup>1</sup>	Y <sup>1</sup>
One Year Tenant Letter	Y	Y
30 Day Notice & Cert to Compliance	Y <sup>2</sup>	Y <sup>2</sup>
A Physical Inspection Report	Y	N
Most recent Audited Financial Statements	Y	N

1: If applicable to the property.

2: If UA Analysis supports decrease, or if rents are increasing (not due to OCAF)



# Contract Renewal Recap

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- ▶ Renewals depend on a variety of factors
  - Expiring Contract
  - POA?
  - Financing: HUD, conventional (bank), state/local?
  - Ownership Entity: for profit, non-profit
  - RCS: current rents in relation to 'the market'; *most* options require an RCS from the owner
  - Although does not impact option type or eligibility, start work Utility Allowance Baselines, if required, ASAP!



# HUD TRIVIA



How many *renewal* options are available?

Answer:

5 renewal options. The 6<sup>th</sup> choice is not a renewal, but an  
Opt-out of the program.



# Rent Adjustments



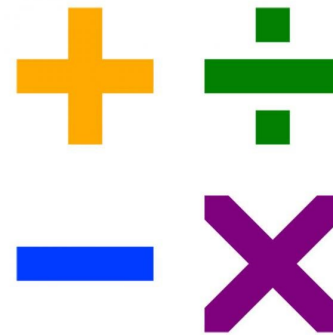
# Contract dictates rent adjustment type

Option Type	Rent Adjustment at Renewal	Subsequent Years of Multi-year Contracts
Option 1: Mark-Up-to-Market	Mark up to Market per RCS	OCAF or M2C
Option 2: Current Rents at or Below Market Rents	OCAF or BBRA	OCAF or BBRA or M2C
Option 3a: Referral to Recap (Lite)	Mark to Market	OCAF or M2C
Option 3b: Referral to Recap (Full)	Mark to Market	OCAF only
Option 4: Renewal of Projects Exempt Recap	Lesser of Test(OCAF v BBRA)	OCAF or BBRA
Option 5: Renewal of Demonstration or Preservation Projects	Check POA and/or Use Agreement	Check POA and/or Use Agreement
Option 6: Opt-Out		





# AUTO OPERATING COST ADJUSTMENT FACTOR (AOCAF)





# AOCAF

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- On 3/26/2011, HUD launched the AOCAF process in our area of the country.
- Streamlines the Amends Rents process for multi-year contracts that are eligible to receive an AOCAF rent increase.
- Eliminates the requirement for the Owner to submit an OCAF Worksheet to CAHI.
- Owner/Agent can certify debt service amounts on file are correct



Option 5 is not eligible to participate in the AOCAF process



# Initial Owner Notification Letter

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- Approximately 185 days from the funding anniversary date for your contract, you will receive an Initial Owner Notification Letter.
- The letter is a general reminder of possible AOCAF rent adjustment requirements.



If you are uncertain as to what is required, now is the time to contact your CCS for more details.

Please do not wait and delay submission of your complete package



# Initial Owner Notification Letter

Dear Owner/Agent:

This is a reminder notice that the HAP contract anniversary date for the above mentioned property is 06/01/2022. A project owner participating in the Section 8 Program is required under the Section 8 Renewal Policy Guide to submit HUD Form 9624 and/or rent adjustment forms 120 days prior to the HAP contract anniversary date.

If your property is eligible for the Auto OCAF process, you will receive additional correspondence approximately 150 days from the expiration date specified. Details pertaining to the OCAF determination will be provided at that time along with instructions should you wish to pursue another option. You should also consider the following prior to your submission:

- 24 CFR 245.310, requires that the tenants be provided with a thirty (30) day notice and comment period prior to the approval of an increase to the maximum permissible rents for any rent increase other than an OCAF increase.
- If you plan on submitting a budget-based rent increase rent adjustment it is strongly encouraged that you reference the PBCA website at [www.cahi-oakland.org](http://www.cahi-oakland.org) to become familiar with the requirements of a budget submission.
- If an RCS is required, ensure that the RCS is completed in accordance to Chapter 9 of the Section 8 Renewal Guide. An RCS is valid for 5 years from the date the owner's Appraiser signs the HUD-92273-S8, Rent Comparability Grid.
- If tenants pay part or all of the utilities and your project receives a utility allowance,
  - You must submit a utility analysis in accordance with HUD Notice 2015-04 and 4350.1 Chapter 7, Section 24. Failure to submit a properly completed Utility Analysis will delay the processing of your Contract Renewal or Multi-Year Rental Adjustment. Detailed guidance can be found in the FAQ section of the [www.cahi-oakland.org](http://www.cahi-oakland.org) web page.
  - Note that a decrease in the UA will require a 30 day tenant notification and comment period as required by 24 CFR Part 245.405(a) and 245.410.
  - If your property is in the 2<sup>nd</sup> or 3<sup>rd</sup> year of the UA cycle, a UAF calculation/notification sheet has been attached for your convenience. If you elect to use this calculation method, sign and return at your earliest convenience and no later than with your package due 120 days prior to your HAP anniversary.
  - If submitting a baseline analysis and including bill support, it is strongly recommended that each individual UA sample is clearly marked with the unit number and bedroom size with the information verified for accuracy before transmission. Incorrect samples that result in an increase or decrease to the utility allowance, post initial submission, will be the responsibility of the owner/agent.
  - Per HUD Notice 2015-04, households are required to provide utility data and documentation, if requested, in accordance with the regulation at 24 CFR 5.659 and the *HUD Model Lease for Subsidized Projects*. A tenant's failure to comply with the requirements in Part IX of HUD Notice 2015-04 is a lease violation and may result in termination of tenancy. If an owner pursues termination of tenancy, the termination must be carried out in accordance with Chapter 8 of HUD Handbook 4350.3, REV-1.



# Start Your Baseline

- UA Baseline/UAF Certification
- UA Decrease; be certain to include your tenant posting and Certificate of Compliance (if the required tenant comment period has ended)



Send these to your CCS as soon as possible to expedite the process.



# Maximize the ease of the AOCAF

- To utilize the AOCAF process to its maximum benefit, owners are encouraged to submit their analysis (UAB or UAF) prior to 150 days from contract anniversary, but should not submit more than 180 days.



# AOCAF Letter

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Approximately 150 days prior to the contract anniversary date, project eligible for an AOCAF rent increase will receive:

- An AOCAF letter
- Rent Schedule
- Exhibit A



Be sure to review your AOCAF Letter and rent schedule for accuracy!



# Missing Rent Schedule & Exhibit A



Why did I receive an AOCAF letter, but no Rent Schedule and Exhibit A?

## Answer:

If the UA Baseline is required and has not been submitted, your CCS will send out the AOCAF letter with no Rent Schedule and no Exhibit A.

Once the UA Baseline has been submitted and approved, your CCS will send out the Rent Schedules requiring your signature.

The fully executed Rent Schedule with the Exhibit A will be sent at the end of the process.





# Understanding Your AOCFA Letter

U.S. Department of Housing and Urban Development  
California Affordable Housing Initiatives, Inc.  
505 14th Street, Suite 900  
Oakland, CA 94612

Property Address

4/28/2022

Subject: Automatic OCAF Rent Increase

Property Name and  
Contract Number

Rent Comparability Study Expires: 04/15/2024

Dear Owner/Mortgagor:

**Property Name** is in a multi-year Housing Assistance Payments Contract and, as such, is eligible for an automatic OCAF rent increase to become effective 05/08/2022. The rent increase factor is 1.02. The debt service amount used in the calculation of new rents is \$555,057.96. ☒

Should you elect this rent increase, the new rents for **Property Name** will be as indicated on the attached Exhibit A. Complete, execute, and return three (3) forms HUD-92458 Rent Schedule Low Rent Housing to your HUD/PBCA within 10 days of receipt of this package.

Indicate below which rent increase option you are requesting be applied in the upcoming contract year. Complete the Project information section that follows, and return this Notice and any attachments to your HUD/PBCA within 10 days of receipt of this package (check one).

☒ I elect to receive the attached automatic OCAF rent increase.

OR

☒ I elect to receive the attached automatic OCAF rent increase, and am submitting a Utility Analysis and recommendation for a change to the Utility Allowances. Supporting documentation is enclosed.

☐ I request a **zero** budget-based rent adjustment in lieu of the OCAF adjustment and understand that this will result in renewed funding at current rents. I further understand that the OCAF adjustment for this year may not be recouped retroactively in the future. If applicable, I am submitting a Utility Analysis and recommendation for a change to the Utility Allowances. My signature on this letter certifies that I have reviewed the project's income and expenses and they are at levels that will enable me to continue to provide decent, safe and sanitary housing.





## Utility Allowance:

Check these boxes if you are electing to move forward with the AOCAF

Indicate below which rent increase option you are requesting be applied in the upcoming contract year. Complete the Project information section that follows, and return this Notice and any attachments to your HUD/PBCA within 10 days of receipt of this package (check one).

☐ I elect to receive the attached automatic OCAF rent increase.

↖ **Box 1: If your property does not have an **utility allowance**.**

☐ I elect to receive the attached automatic OCAF rent increase, and am submitting a Utility Analysis and recommendation for a change to the Utility Allowances. Supporting documentation is enclosed.

↖ **Box 2: If your property does have an **utility allowance**.**



# AOCAF Letter Discrepancies

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- If there is a discrepancy on the AOCAF letter, such as a new conventional loan, please notify your CCS and submit supporting documentation.
- The AOCAF letter must be in its original format and cannot be altered.
- Once the requested revisions have been verified by your CCS, updated documents will be sent to you for signature.



# Executing AOCAF Documents

- Once you have accepted the AOCAF rent increase, you will need to complete and return the aOCAF letter, Rent Schedule to us within ten (10) days.
- We will execute the Rent Schedules upon receipt and one will be returned to you along with an Exhibit A.

Email these documents to: [cahi-submissions@cgifederal.com](mailto:cahi-submissions@cgifederal.com).



Your UA Baseline or UAF should be complete at the time you receive your AOCAF Letter, which will allow you to have all documents completed 120 days prior to the property's anniversary.



# Rejecting the AOCAF

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What if I don't want the AOCAF?  
What should I do?



## Owners are permitted to submit either:

- A written certification that you have reviewed the project's income and expenses and elect a zero percent budget-based rent adjustment in lieu of the OCAF rent adjustment.

### Box 3:



- ☐ I request a **zero** budget-based rent adjustment in lieu of the OCAF adjustment and understand that this will result in renewed funding at current rents. I further understand that the OCAF adjustment for this year may not be recouped retroactively in the future. If applicable, I am submitting a Utility Analysis and recommendation for a change to the Utility Allowances. My signature on this letter certifies that I have reviewed the project's income and expenses and they are at levels that will enable me to continue to provide decent, safe and sanitary housing.

**OR**

- A standard Budget Based Rent Adjustment (BBRA) (if eligible) when rejecting an Auto-OCAF rent increase.

### Box 4:



- ☐ I request a Budget Based Rent Increase for the upcoming contract year. The required documentation for this rent increase is enclosed. If applicable, I am submitting a Utility Analysis and recommendation for a change to the Utility Allowances.



## AOCAF Recap

- If you're eligible for the AOCAF
  - Do you have a UAB due this year? Start it ASAP!
  - UAF, review the letter we give you, trying to make your life easier!
  - Review your AOCAF letter carefully, complete and sign it
  - New Debt Service? provide documentation to your CCS



# Manual OCAF



# Manual OCAF

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A manual OCAF is processed when the Site is not eligible for the AOCAF process and must submit an OCAF rent increase submission at least 120 days but no earlier than 180 days before their funding expiration date.

**What Option Types are required to submit a Manual OCAF submission in the rent adjustment years?**

**Option 5B's Preservation Projects** → Option 5B's must read their Plan of Action and Use Agreement to determine whether any other rent increase can be processed besides an OCAF.





If you reviewed your Plan of Action and Use Agreement and are still unsure of your property's increase type, contract your CCS.





# Document Resources

California Affordable Housing Initiative's website → <https://www.cahi-oakland.org/>



CGI

California Affordable Housing Initiatives, Inc.

Home

About Us

Knowledge Center

Newsletters

Our Staff

Announcements

FAQ



Careers

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9th Avenue

Tenant Information



Spring 2022

The CA Quarterly Review

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## Knowledge Center

Welcome to the Knowledge Center. This site was created to be a resource to Owners, Agents and Contract Administrators working to improve housing for California communities.

This section contains helpful links to CAHI and HUD Handbooks, Forms and Notices to help and assist you in administering the HUD Multifamily Housing Section 8 Project-Based Program. Please bookmark this page and return to it frequently.

If you have any questions or suggestions for additional information you would like to see added that is not listed, please contact us using the [Contact Us](#) page


HUD Handbooks

HUD Notices

Management & Occupancy

Contract Renewal & Rent Adjustment

Vouchering & Special Claims



California Affordable Housing Initiatives, Inc. CGI

# Document Resources



## Knowledge Center

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HUD Handbooks

HUD Notices

Management & Occupancy

Contract Renewal & Rent Adjustment

Vouchering & Special Claims

Contract Renewal Documents

Rent Adjustment Documents

FORMS

HUD 924580 [Rent Schedule](#)

HUD 9625 [OCAF Worksheet \(Excel\)](#)

HUD 92547-a [Budget Worksheet](#)

Notice 02-10 [AAF Instructions](#)

HUD 9250 [Request for Reserve for Replacement funds](#)

Utility Allowance Materials

Renewal Document Forms

Rent Adjustment Document Forms

Select the appropriate link below to be provided with the documents that must be submitted to CAHI with your rent adjustment request.

[Operating Cost Adjustment Factor](#)

[Adjustment Factor, Part II](#)

[Annual Adjustment Factor, Part I](#)

[Budget Based Rent Adjustment](#)



# What to Expect From CAHI

- Approximately 185 days prior to the funding expiration date, CAHI will send a reminder letter regarding the upcoming rent increase submission to the Owner/Agent. CAHI will also process the UAF, if applicable, at that time.
- 150 days prior to the funding expiration date, CAHI will begin to follow up on rent increase submission.



While CAHI actively provides reminders, it is the your responsibility to know your obligations per your HUD contract. You should not solely rely on CAHI's reminders.



# What to Expect From CAHI

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- Once package is received, CAHI will review and inform Owner/Agent if any corrections are needed. If not, CAHI will process the manual OCAF and send the rent schedule to the Owner for signature.
- Once the Owner signed rent schedule is sent back, CAHI will execute and send an executed copy to the Owner/Agent.
- Once the executed rent schedule is received from the CAHI, the Owner/Agent can bill for GR on next applicable voucher submission.

# COMMON ERRORS OCAFS



# Common Errors HUD 9625 Form, Header, Page 1

## OCAF Rent Adjustment Worksheet

### 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 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.

Title V of the Departments of Veterans Affairs and Housing and Urban Development and Independent Agencies Appropriations Act of 1988 (P.L. 100-45, 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.

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:

- Project Address (including zip code) does not match HUD Secure Systems
- Owner name does not match HUD Secure Systems
- Incorrect unit count for Units In Project and/or Total Section 8 units In Project



# Common Errors HUD 9625 Form, Step 1, Page 1

## Step 1:

Calculate the current Section 8 Rent Potential for EXPIRING contracts

(A) Unit Type and Contract and/or Stage	(B) # of Units	(C) Current Section 8 Contract Rents	(D) Current Section 8 Rent Potential (B x C)
			0.00
			0.00
			0.00
			0.00
			0.00
			0.00
			0.00

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

0.00

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

0.00

- Incorrect unit type or count
- Incorrect contract rent listed





# Common Errors HUD 9625 Form, Step 2, Page 2



## Step 2:

Calculate Increase Factor Adjusted by OCAF for Expiring contracts

Attachment 3B

(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 (F + G + H)	0.00
(J)	Expiring Section 8 Portion of Total Project Rent Potential (F + I)	#DIV/0!
(K)	Total Annual Project Debt Service	
(L)	Annual Expiring Section 8 Share of Debt Service (J x K)	#DIV/0!
(M)	Annual Expiring Section 8 Potential Less Expiring Sec. 8 Share of Debt Service (F - L)	#DIV/0!
(N)	OCAF Adjustment	
(O)	Annual Expiring Section 8 Rent Potential Attributed to Operations Multiplied by Published OCAF (M x N)	#DIV/0!
(P)	Adjusted Contract Rent Potential (L + O)	#DIV/0!
(Q)	Lesser of (P) or Comparable Rent Potential From Rent Comparability Study	
(R)	Increase Factor (Q ÷ F)	#DIV/0!

- Incorrect Non-Expiring Section 8 Rent Potential
- Incorrect Non- Section 8 Rent Potential (if applicable).
- Incorrect Debt Service listed.
- Incorrect OCAF Factor used in calculation.



# Common Errors HUD 9625 Form, Page 3

Attachment 3B

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.

- Project Name not filled in.
- Owner name blank or doesn't match IREMS.
- Not signed and/or dated.





OMB Approval No. 2502-0012  
(exp. 11/30/2020)

Project Name	FHA Project Number	Date Rents Will Be Effective (mm/dd/yyyy)
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Show the actual rents you intend to charge, even if the total of these rents is less than the Maximum Allowable Monthly Rent Potential.

\* These amounts may not exceed the Maximum Allowable Monthly Rent Potential approved on the last Rent Computation Worksheet or requested on the Worksheet you are now submitting. Market Rent Potential applies only to Section 236 Projects.

Previous editions are obsolete

- FHA number added to rent schedule when no longer FHA insured.
- Making changes to Part B, C, D or E without discussing it with your assigned CCS first



- Part G – Name of Entity doesn't match Owner's name in IREMS.
- Part G - Type of Entity checked doesn't match IREMS.
- List All Principals Comprising Mortgagor Entity not filled in.
- Part H - Owner Name and/or Title field not filled in, signed, or missing signature date
- Part I - HAP contract number is removed.



# Mark to Comparable Rents (M2C)



# M2C

M2C is a 5<sup>th</sup> Year rent adjustment that occurs when a HAP contract exceeds 5 years in duration. At the end of each fifth year of the contract, rents are set to the comparable rents. The Owner is required to submit a new RCS for the M2C rent adjustment.



# Options Subject to M2C

- Option 1(a)(b) – Mark Up To Market (MU2M)
- Option 2 – Rents at or Below Market
- Option 5(a) – Demo – Portfolio Reengineering Demonstration


Also remember the mandatory market rent threshold for 3<sup>rd</sup> Party RCS



At the end of each 5<sup>th</sup> year of a multiyear contract a M2C is due. This is year 6, 11, and 16.



# POP QUIZ!



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Debt Service is calculated for a 5th Year Adjustment?

- A. True
- B. False

Answer:

**B. False**

Rents are determined by the RCS and set at the comparable rents.



# Tenant Notification Requirements for non-OCAF rent Increases (M2C, Budgets, any decreases in UA)

A compliant notice must contain the following information:

- a. The rents! And if applicable, the new UA amounts!
- b. The mortgagor intends to submit a request to HUD for approval of the covered action or actions specified in the notice;
- c. The tenants have the right to participate and what those rights are, including the address at which the materials required to be made available for inspection and copying under that section are to be kept;
- d. Tenant comments on the proposed covered action may be sent by the mortgagor at a specified address or directly to the local HUD office, and comments sent to the mortgagor will be transmitted to HUD, along with the mortgagor's evaluation of them;
- e. HUD will approve or disapprove the proposed action, based upon its review of the information submitted and all tenant comments received. In the case of a proposed reduction in tenant-paid utilities, the notice must also state that HUD may adjust the proposed reduction upward or downward;
- f. The mortgagor will notify the tenants of HUD's decision and it will not begin to effect any approved action (in accordance with the terms of existing leases) until at least 30 days from the date of service of the notification.





# In Summary



# Summary

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Pay attention to those Reminder Letters we send you!

- a. Get started on UA Baselines (if applicable) early!
- b. Get started on RCSs (if applicable) early!
- c. Use resources available!
  - Section 8 Renewal Guide
  - Packets for renewals and rent adjustments on CAHI Website
  - HUD Notice 2015-04 (UAs)
- d. Your CCS is here to assist you!



Email your submissions to:  
[Cahi-submissions@cgifederal.com](mailto:Cahi-submissions@cgifederal.com)



# QUESTIONS?

