



## California Affordable Housing Initiatives, Inc.

### Complete Package Requirements *Budget-Based Rent Adjustment*

For eligible properties, Budget-Based Rent Adjustments (BBRA's) may be requested at the contract anniversary date or at contract renewal. They are designed to cover the increase in the cost of operations when current rent levels are not sufficient to cover these increases.

- Cover letter that briefly summarizes the reason why a rent increase is needed and for Pre-MAHRA contracts, the date the increase will be effective;
- Budget Worksheet (sample attached);
- A brief statement and documentation explaining the basis for an increase in the expense line items on the budget worksheet that is greater than 5% and \$500;
- Loan information if the property does not have an FHA loan;
- An executed copy of the Owner's Certification Regarding Purchasing Practices & Reasonableness of Expenses (sample attached);
- A signed, dated Owner's Energy Conservation Plan Certification (applies only to 236 and BMIR projects that receive Rent Supplement Assistance, projects that converted from Rent Supplement to Section 8 and 202 properties with a direct loan more than 15 years old, sample attached);
- For post-MAHRA properties, Section 8 Renewal Guide Attachment 5, "Allowance for Owner Distribution for Profit-Motivated projects that Have Not Previously Submitted a Budget-Based Rent Increase" (sample attached);

- A signed request for an increase in the Reserve for Replacement (Form HUD-9250) and 5-year analysis if such an increase is contemplated as part of the rent increase request (sample attached);
- An RCS prepared in accordance with Chapter 9 of the Section 8 Renewal Guide (if applicable);
- Owner's RCS Certification (sample attached);
- Tenant notification of rent increase (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 CHAI 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>

# Budget Worksheet

## Income and Expense Projections

U.S. Department of Housing  
and Urban Development  
Office of Housing  
Federal Housing Commissioner

OMB Approval No. 2502-0324  
(exp. 11/30/2024)

Item#1695

Public reporting burden for this collection of information is estimated to average 5.33 hours 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 agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

This information is collected in accordance with Title II of the National Housing Act which requires that HUD regulate rents for certain cooperative and subsidized rental projects. The Department formulated the processes by which owners could request increases. The requirement for tenant participation in the rent increase process, which is included in Section 202(b) of the HCD Amendments of 1978, necessitated that the Department design procedures to give consideration to tenant comments. The information gathered is not of a confidential nature. The information is required in order to obtain benefits.

| Project Number  | Name of Project   |                               |                           |                        |  |
|---|---|-------------------------------|---------------------------|------------------------|--|
| Description of Account                                  | Acct.No.  | Statement of Profit/Loss FY__ | Current FY (no. of mos. ) | Budget from ( ) to ( ) |  |
| <b>Rental Income 5100</b>                               | Rent Revenue - Gross Potential  | 5120                          |                           |                        |  |
|   | Tenant Assistance Payments  | 5121                          |                           |                        |  |
|   | Rent Revenue - Stores and Commercial  | 5140                          |                           |                        |  |
|   | Garage and Parking Spaces   | 5170                          |                           |                        |  |
|   | Flexible Subsidy Revenue  | 5180                          |                           |                        |  |
|   | Miscellaneous Rent Revenue  | 5190                          |                           |                        |  |
|   | Excess Rent   | 5191                          |                           |                        |  |
|   | Rent Revenue/ Insurance   | 5192                          |                           |                        |  |
|   | Special Claims Revenue  | 5193                          |                           |                        |  |
|   | Retained Excess Income  | 5194                          |                           |                        |  |
| <b>Total Rent Revenue Potential at 100% Occupancy</b>   | <b>5100T</b>  |                               |                           |                        |  |
| <b>Vacancies 5200</b>                                   | Apartments  | 5220                          |                           |                        |  |
|   | Stores and Commercial   | 5240                          |                           |                        |  |
|   | Rental Concessions  | 5250                          |                           |                        |  |
|   | Garage and Parking Spaces   | 5270                          |                           |                        |  |
|   | Miscellaneous   | 5290                          |                           |                        |  |
|   | <b>Total Vacancies</b>  | <b>5200T</b>                  |                           |                        |  |
| <b>Net Rental Revenue (Rent Revenue less Vacancies)</b> | <b>5152N</b>  |                               |                           |                        |  |
| <b>Income 5300</b>                                      | <b>Nursing Homes/ Assisted Living/ Board &amp; Care/ Other Elderly Care/ Coop/ Other Revenues</b> | 5300                          |                           |                        |  |
| <b>Financial Revenue 5400</b>                           | Financial Revenue -Project Operations   | 5410                          |                           |                        |  |
|   | Revenue from Investments-Residual Receipts  | 5430                          |                           |                        |  |
|   | Revenue from Investments-Replacement Reserve  | 5440                          |                           |                        |  |
|   | Revenue from Investments-Miscellaneous  | 5490                          |                           |                        |  |
| <b>Total Financial Revenue</b>                          | <b>5400T</b>  |                               |                           |                        |  |
| <b>Other Revenue 5900</b>                               | Laundry and Vending Revenue   | 5910                          |                           |                        |  |
|   | Tenant Charges  | 5920                          |                           |                        |  |
|   | Interest Reduction Payments Revenue   | 5945                          |                           |                        |  |
|   | Gifts (nonprofits)  | 5970                          |                           |                        |  |
|   | Miscellaneous Revenue   | 5990                          |                           |                        |  |
|   | <b>Total Other Revenue</b>  | <b>5900T</b>                  |                           |                        |  |
| <b>Total Revenue</b>                                    | <b>5000T</b>  |                               |                           |                        |  |
| <b>Admin. Expenses 6200/ 6300</b>                       | Conventions and Meetings  | 6203                          |                           |                        |  |
|   | Management Consultants  | 6204                          |                           |                        |  |
|   | Advertising and Marketing   | 6210                          |                           |                        |  |
|   | Other Renting Expense   | 6250                          |                           |                        |  |
|   | Office Salaries   | 6310                          |                           |                        |  |
|   | Office Expenses   | 6311                          |                           |                        |  |
|   | Office or Model Apartment Rent  | 6312                          |                           |                        |  |
|   | Management Fee  | 6320                          |                           |                        |  |
|   | Manager or Superintendent Salaries  | 6330                          |                           |                        |  |
|   | Administrative Rent Free Unit   | 6331                          |                           |                        |  |
|   | Legal Expenses - Project  | 6340                          |                           |                        |  |
|   | Audit Expenses  | 6350                          |                           |                        |  |
|   | Bookkeeping Fees/Accounting Services  | 6351                          |                           |                        |  |
|   | Miscellaneous Administrative Expenses   | 6390                          |                           |                        |  |
| <b>Total Administrative Expenses</b>                    | <b>6263T</b>  |                               |                           |                        |  |

| Description of Account                   | Acct.No.  | Statement of Profit/Loss FY__ | Current FY (no. of mos. ) | Budget from ( ) to ( ) |
|--|---|-------------------------------|---------------------------|------------------------|
| <b>Utilities</b>                         | Fuel Oil/Coal   | 6420                          |                           |                        |
| <b>6400</b>                              | Electricity   | 6450                          |                           |                        |
|  | Water   | 6451                          |                           |                        |
|  | Gas   | 6452                          |                           |                        |
|  | Sewer   | 6453                          |                           |                        |
|  | <b>Total Utilities Expense</b>  | <b>6400T</b>                  |                           |                        |
| <b>Operating &amp; Mainten. Expenses</b> | Payroll   | 6510                          |                           |                        |
| <b>6500</b>                              | Supplies  | 6515                          |                           |                        |
|  | Contracts   | 6520                          |                           |                        |
|  | Operating and Maintenance Rent Free Unit  | 6521                          |                           |                        |
|  | Garbage and Trash Removal   | 6525                          |                           |                        |
|  | Security Payroll/Contract   | 6530                          |                           |                        |
|  | Security Rent Free Unit   | 6531                          |                           |                        |
|  | Heating/Cooling Repairs and Maintenance   | 6546                          |                           |                        |
|  | Snow Removal  | 6548                          |                           |                        |
|  | Vehicle & Maint. Equip. Oper. and Repair  | 6570                          |                           |                        |
|  | Misc. Operating & Maintenance Expenses  | 6590                          |                           |                        |
|  | <b>Total Operating &amp; Maintenance Expenses</b>   | <b>6500T</b>                  |                           |                        |
| <b>Taxes and Insurance</b>               | Real Estate Taxes   | 6710                          |                           |                        |
| <b>6700</b>                              | Payroll Taxes (Project's share)   | 6711                          |                           |                        |
|  | Property and Liability Insurance (Hazard)   | 6720                          |                           |                        |
|  | Fidelity Bond Insurance   | 6721                          |                           |                        |
|  | Workmen's Compensation  | 6722                          |                           |                        |
|  | Health Insurance & Other Employee Benefits  | 6723                          |                           |                        |
|  | Misc. Taxes, Licen., Permits, & Insurance   | 6790                          |                           |                        |
|  | <b>Total Taxes &amp; Insurance</b>  | <b>6700T</b>                  |                           |                        |
| <b>Financial Expenses</b>                | Interest on Mortgage Payable  | 6820                          |                           |                        |
| <b>6800</b>                              | Interest on Notes Payable (Long-Term) *   | 6830                          |                           |                        |
|  | Interest on Notes Payable (Short-Term) *  | 6840                          |                           |                        |
|  | Mortgage Insurance Premium/Service Charge   | 6850                          |                           |                        |
|  | Miscellaneous Financial Expenses  | 6890                          |                           |                        |
|  | <b>Total Financial Expenses</b>   | <b>6800T</b>                  |                           |                        |
| <b>Expenses</b>                          | <b>Nursing Homes/ Assisted Living/ Board &amp; Care/ Other Elderly Care/ Coop/ Other Revenues</b> | 6900                          |                           |                        |
| <b>6900</b>                              | <b>Total Cost of Operations</b>   | <b>6000T</b>                  |                           |                        |
|  | Reserve for Replacements Dep. Required  |                               |                           |                        |
|  | Principal Payments Required   |                               |                           |                        |
|  | Debt Service for other approved loans   |                               |                           |                        |
|  | Debt Service Reserve (if required)  |                               |                           |                        |
|  | General Operating Reserve (Coops)   |                               |                           |                        |
|  | <b>Total Cash Requirements</b>  |                               |                           |                        |
|  | <b>Less Total Revenue</b>   |                               |                           |                        |
|  | <b>Net Cash Surplus (Deficiency)</b>  |                               |                           |                        |

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

**Warning:** HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 100, 1012; 31 U.S.C. 3729, 3802)

(Signature)

Date (mm/dd/yyyy)

CERTIFICATION AS TO PURCHASING PRACTICES AND  
REASONABLENESS OF EXPENSES

Project Name: \_\_\_\_\_ FHA or Non-insured  
Project Number: \_\_\_\_\_

Acting On behalf of, \_\_\_\_\_, the Project owner, I certify that ALL of the following statements are true.

- 1). The project is obtaining utilities at the lowest rates available.
- 2). The project has received or requested any tax relief for which it is eligible and management has analyzed the project's property tax bills and appealed any assessments which appeared unreasonable.
- 3). Amounts paid to individuals or companies having an identify-of-interest with the owner or the management agent were not excess of the costs that would have been incurred in making arms-length purchases on the open market.
- 4). Management has exerted reasonable effort to take advantage of discounts and has credited the project with all discounts, rebates or commissions received with respect to purchases, service contracts and other transactions made on behalf of the project.
- 5). Management has obtained contracts, materials, supplies and services, including the preparation of the annual audit, on terms most advantageous to the project and at costs no in excess of amounts ordinarily paid for comparable contracts, materials, supplies, and services in the area in which such services, supplies, or materials are furnished.
- 6). Management has solicited verbal or written cost estimates, as necessary to comply with the Paragraphs 3 through 5 above. Management has documented the reasons for accepting other than the lowest bid and will make the documentation available to HUD, upon request.

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.
- 12 U.S.C. 1715z-4 provides in part: “Whoever, as an owner of a property which is security for a mortgage (covering multifamily housing, as defined in the regulations of the Secretary\_ or as a stockholder beneficial owner... trust... or as an officer, director or agent of any such owner (1) willfully uses or authorizes use of any part of the rents or other funds derived from the property covered by such mortgage in violation of a regulation... (2) willfully and knowingly uses or authorizes the use, while such mortgage is in default, of any part of the rents or expense... shall be fined not more than \$5,000 or imprisoned not more than 3 years or both.

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**ENERGY CONSERVATION  
CERTIFICATION FOR  
BUDGET-BASED RENT INCREASE**

|              |  |
|--------------|--|
| Project Name |  |
|--------------|--|

|                |  |
|----------------|--|
| Project Number |  |
|----------------|--|

Acting on behalf of the \_\_\_\_\_ ,  
the Project Owner, I certify that all of the following statements are true:

- 1.** The project is obtaining utilities at the lowest rate available.
  
- 2.** The project is undertaking energy conservation measures which are financially feasible and cost effective to both increase energy efficiency and to reduce energy consumption

**WARNING**

WARNING: 18 U.S.C. 1001 provides, among other things, that whosoever knowingly and willingly makes or uses a document or writing containing any false, fictitious, or fraudulently 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 five (5) years or both.

Signed by:

\_\_\_\_\_

Print Name

\_\_\_\_\_

Signature

\_\_\_\_\_

Date

**Projects Preparing A Budget-Based Rent Increase**

Guidance for preparing a budget-based rent increase may be found in Chapter 7 of HUD Handbook 4350.1, REV-1. Projects that have not previously prepared or submitted a budget based increase should carefully follow these instructions. The basic components to be included are listed in Chapter 7, paragraph 7-22.

**Allowance for Owner Distribution For Profit Motivated Projects that Have Not Previously Submitted a Budget Based Rent Increase.**

Projects falling under this category may factor in an allowance for owner return/distribution as follows:

- For **Section 515/8** projects (regardless of whether they are for the elderly or families), 8% of the initial Owner equity.
- For all other projects:
  - ⇒ **Elderly**, 6% of the initial owner equity.
  - ⇒ **Families**, 10% of the initial owner equity.

To determine initial owner equity, the owner(s) should refer to the Maximum Insurable Mortgage Form (FHA 2580/HUD 92580). If the project was not insured or the HUD 92580 is not available, the Owner(s) must certify as to the amount of the initial equity and provide supporting documentation.

For Section 515/8 projects:

$$\frac{\text{Initial Owner Equity}}{\text{Return/Distribution}} \times .08 = \frac{\text{Allowance for Owner}}{\text{Return/Distribution}}$$

For Elderly Projects:

$$\frac{\text{Initial Owner Equity}}{\text{Return/Distribution}} \times .06 = \frac{\text{Allowance for Owner}}{\text{Return/Distribution}}$$

Return/Distribution

For Family Projects:

$$\frac{\text{Initial Owner Equity}}{\text{Return/Distribution}} \times .10 = \frac{\text{Allowance for Owner}}{\text{Return/Distribution}}$$

I hereby certify that this accurately reflects the initial Owner equity in the project as of the date the project initially entered into a Section 8 contract.

\_\_\_\_\_  
Owner(s) Signature

\_\_\_\_\_  
Date

The allowance for Owner Return/Distribution should be factored into the Rent Computation Worksheet (Appendix 5, Chapter 7 of the 4350.1) in Box C, "Return/Net Income Reserve."



Funds Authorizations

U.S. Department of Housing and Urban Development
Office of Housing
Federal Housing Commissioner

OMB Approval No. 2502-0555
(exp. 2/29/2020)

For Instructions, Public Burden Statement, and Privacy Act requirements: See Page 2.

Form section containing checkboxes for 'Reserve for Replacements Fund' and 'Residual Receipts Fund', fields for 'Project Number', 'Mortgagee Loan Number', 'Property Address', 'To: (Mortgagee)', and 'Comments: (Optional)'.

Table with 2 columns: Purpose and Amount. Includes a Total Amount row at the bottom.

Check (X) appropriate box:
- An inspection made on the date of (mm/dd/yyyy) revealed satisfactory replacement and/or installation.
- An inspection will be made on the next visit to the property.

This Office has approved (Check (X) appropriate boxes.) This is your authority to adjust the Reserve requirements accordingly.
- A suspension of Deposits to the Reserve from the date of (mm/dd/yyyy) to the date of (mm/dd/yyyy)
- A suspension of Deposits to the Reserve so long as a balance of \$ is maintained.
- A change in the Monthly Deposit to the Reserve from \$ to \$ effective the date of (mm/dd/yyyy) through the date (mm/dd/yyyy)

Remarks (optional)

To: (Mortgagor/Managing Agent)
Name of Hub Director or Program Center Director: (please type or print)
Signature
City State Date (mm/dd/yyyy)

**Instructions:** Indicate the Fund for the request and provide the information for each section as requested. Owners/Agents must also submit the following with this form:

- (1) A narrative providing a detailed description of the work performed or to be performed;
- (2) Copies of paid invoices if the withdrawal request is for reimbursement for work that has been performed;
- (3) If a bid exceeds \$25,000 than copies of bids may required. Please refer to HUD Handbook 4350.1 Chapter detailed guidance;
- (4) Mortgagor Certification (refer to HUD Handbook 4350.1, REV-1); and,
- (5) A list of appliances and/or major components that will be replaced along with a notation of whether or not the replacement items will be energy efficient products. If replacement items are not energy efficient products, the owner/agent must provide a justification.

**Public reporting burden** for this collection is estimated to average 30 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining data needed, and completing and reviewing the collection of information. This information is required to obtain 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.

The regulations at 24 CFR Part 880.601 and 24 CFR Part 880.602 authorizes the Secretary of the Department of Housing and Urban Development to effectively monitor withdrawals from the Reserve for Replacements and/or Residual Receipts Funds. This information collection sets forth the information that must be reviewed and approved by HUD in order to withdraw funds from these accounts. While no assurances of confidentiality are pledged to respondents, HUD generally discloses this data only in response to a Freedom of Information Act request.

## **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**

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 |
|---------------|--------------|---------------|
|---------------|--------------|---------------|

*(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.  
1550 Parkside Drive  
Suite 150  
Walnut Creek, CA 94596

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  
1550 Parkside Drive, Suite 150  
Walnut Creek, CA 94596

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 \_\_\_\_\_