

9-1 BACKGROUND

A. The project-based Section 8 program is authorized by 42 U.S.C. § 1437f, which allows HUD to make housing assistance payments, “for the purpose of aiding low-income families in obtaining a decent place to live and promoting economically mixed housing.”

A.B. A Rent Comparability Study (RCS) is used in determining contract 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 covered by a project-based Section 8 Housing Assistance Payments (HAP) contract at a HUD-assisted project.

~~B. As a requirement for renewal under Section 524(a) of MAHRA, most project owners with expiring Section 8 project based contracts must submit a RCS at initial renewal to demonstrate that current rents are at or below comparable “market” rents.~~

~~Beginning with the date of the initial renewal of the expiring Section 8 project based contract, the RCSs start a maximum five-year “life cycle,” after which a new RCS is required.~~

C. Contract rents are estimated based on rents paid at comparable properties. “Comparable properties” are defined by the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA)¹ as properties that (1) are not receiving project-based assistance; (2) are in the same market area, where practicable, as properties with project-based assistance; and (3) are similar to properties with project-based assistance “as to neighborhood (including risk of crime), type of location, access, street appeal, age, property size, apartment mix, physical configuration, property and unit amenities, utilities, and other relevant characteristics.”²

D. To prepare an RCS, an appraiser analyzes the subject property (the HUD-assisted property), identifies comparable properties, and determines the rents paid at such properties.³ The appraiser then makes adjustments to these rents based on differences between the comparable properties and the HUD-assisted property to arrive at estimated market rents for the HUD-assisted property.

9-2 APPLICABILITY OF CHAPTER NINE

This Chapter provides guidance on HUD’s standards for preparing, submitting, and reviewing ~~RCSs~~an RCS. More specifically:

¹ 42 U.S.C. 1437f note

² Section 512(1) of MAHRA

³ HUD uses the term “comparable market rents” to describe these rents.

- A. It provides guidance to owners and RCS appraisers for preparing and submitting an RCS. ~~For other rare instances, owners may choose alternatives to~~
- A.B. It defines the limited circumstances under which an owner may employ an alternative mechanism for setting contract rent levels instead of an RCS when renewing under Option One or Two of Section 8 renewal options.(see Section 9-4).
- B.C. It provides guidance to RCS reviewers, including HUD ~~Asset Management~~ staff, Contract Administrators (CA) ~~or The~~, and the Office of Recapitalization (Recap), ~~formerly known as OAHP. Please note that~~. Recap ~~has amended its Operating Guide and~~ will apply the *Rent Comparability Grid* (Form HUD-92273-S8) and ~~policies like those~~the guidelines in Sections 9-9 through 9-13 ~~of this Guide~~ to Recap's processes for RCSs reviewing an RCS.
- C.D. ~~Certain sections of this Chapter apply when HUD Notice H 02-10 (Section 8 When Section 8 Project-Based Rent Adjustments Using the Annual Adjustment Factor) (AAF) (Notice H 02-10) is applicable, and requires owners an owner of a new construction/ substantial rehabilitation projects project is required to submit a HUD Form 92273- Estimates of Market Rent by Comparison. Instead (Form HUD-92273), the owner must use one of the following two methods instead of following the instructions in this Guide, owners must use one of the following two methods determined by the project and transaction:~~
1. Submit the ~~new~~ *Rent Comparability Grid* (HUD Form 92273-S8) and other materials required in this Chapter (Appendix 9-2-2). Owners, RCS Submittal Cover Letter, an Initial Screening Checklist, a Detailed Screening Checklist, a Rent Grid Analysis Checklist, and a Certification of Substantial. The owner must require the RCS ~~appraisers~~appraiser preparing the reports to do so in accordance with the guidance in Sections 9-8 through 9-13 ~~of this Chapter, but should and must~~ follow the instructions provided in HUD Notice H 97-14 Fiscal Year 1997 Annual Adjustment Factor (AAF) Requirements (Notice H 97-14) to determine which units must be included in the RCS.
 2. ~~Ask to use non~~Submit the *Request to Renew Using Non-Section 8 units at* Units in the Section 8 project to set the market rent ceiling instead of performing an RCS if the project meets all the conditions in Section 9-6. B of this Chapter for all unit types for which HUD Notice H 97-14 requires a HUD Form 92273 rent comparison. The owner must submit a request in the format shown in Appendix 9-4, but should delete *Project as a Market Rent Ceiling* (Form HUD-9629), deleting references to renewals and instead ~~refer~~referring to rent comparisons required by HUD Notice H 97-14. In order to use this method, the project must meet all the conditions in paragraph 9-6.B of this Chapter for all unit types for which Notice H 97-14 ~~(also substitute rent comparisons for~~requires the use of *Estimates of Market Rent by Comparison*, substituting references to renewals with references to rent comparisons when reading Section 9-6).

Other provisions of HUD Notice H 97-14, (e.g., adding initial difference to the rent resulting from the analysis in Paragraphparagraph 1 or 2 above), still apply, and HUD Notice H 97-14 determines which units the RCS must cover.

~~Note:~~ “Initial difference” ~~is~~means the dollar amount by which the initial Section 8 contract rents exceeded the original comparable rents (or the Fair Market Rents, if they were originally used instead of comparables). The owner must submit evidence of the initial difference ~~which existed in the initial contract rents~~.

~~D.E.~~ This Chapter does not apply to market rent analyses required in the processing of applications for FHA insurance.

9-3 ROAD MAP TO CHAPTER NINE

The table below provides a road map to ~~the various stakeholders~~—owners, RCS appraisers, and reviewers ~~comprising~~ (both initial and substantive reviewers.). Besides focusing on the relevant Sections and Appendices highlighted in the table below, HUD recommends that all preparers and users of RCSsRent Comparability Studies review the entire Chapter Nine and its Appendices to ensure compliance with all requirements for the respective Section 8 contract renewal.

~~[deleted table for the time being]~~

<u>Sections</u>	<u>Topic</u>	<u>Primary Stakeholder(s)</u>		
		<u>Owner</u>	<u>RCS Appraiser</u>	<u>RCS Reviewer*</u>
<u>9-1 – 9-3</u>	<u>Background, Applicability, and Roadmap to Chapter Nine</u>	✓	✓	✓
<u>9-4 – 9-6</u>	<u>Alternatives to RCS (Using SAFMR or Using Non-Section 8 Units)</u>	✓		✓
<u>9-7</u>	<u>Preparing an RCS</u>	✓	✓	
<u>9-8</u>	<u>Appraiser’s Qualifications</u>	✓	✓	
<u>9-9 – 9-13</u>	<u>Analyzing the Subject Project</u> <u>Selecting Comparable Units</u> <u>Collecting and Documenting Data on Comparable Units</u> <u>Computing Adjusted Rents for Comparable Units</u> <u>Deriving Estimated Market Rents</u>		✓	
<u>9-14</u>	<u>Procedure for Mandatory Market Rent Threshold</u>	✓	✓	✓
<u>9-15 – 9-16</u>	<u>HUD Reviews of RCS</u> <u>Initial and Substantive Review</u>			✓
<u>9-17 – 9-18</u>	<u>Communicating Results of HUD/CA Reviews</u> <u>Owner Appeals</u>	✓		✓
<u>9-19</u>	<u>Imposing Sanctions on Appraisers</u>			✓
<u>Appendix</u>	<u>Topic</u>	<u>Owner</u>	<u>RCS Appraiser</u>	<u>RCS Reviewer*</u>
<u>9-1</u>	<u>Guidance to RCS Appraisers</u>		✓	
<u>9-2</u>	<u>Guidance to Owners</u>	✓		
<u>9-3</u>	<u>Guidance to Reviewers</u>	✓		✓
<u>9-4</u>	<u>Forms Used in Preparation and Review of an RCS</u>	✓	✓	✓

*Reviewer includes initial reviewer and substantive reviewer as defined in Section 9-16

9-4 ALTERNATIVES TO RENT COMARABILITYCOMPARABILITY STUDY

This Section gives owners three methods of demonstrating how the Section 8 rents proposed at renewal compare to rents charged for other units. The first two methods listed below (A and B) are available to owners only under Option Two for renewal of Section 8 contracts (i.e., renewal with existing rents adjusted by an OCAF or based on a budget). Methods A and B, discussed under Sections 9-5 and 9-6 of this Chapter, are rarely used, but when facts strongly suggest that the proposed rents would be under rents computed in an RCS, methods A and B are provided under Option Two to avoid the costs and processing time that may be associated with RCSs.

ComparingIn lieu of procuring an RCS to demonstrate that proposed Section 8 rents do not exceed comparable market rents, an Owner requesting renewal under the renewal options indicated below may, with prior written approval from HUD, rely on one of the following two alternative methods for establishing comparable market rent levels:

Method One: Available only to Owners requesting renewal under Option Two, this method involves comparing the proposed Section 8 rents to Small Area Fair Market Rents (SAFMRs). (See Section 9-5.)

A. —Method Two: Available only to Owners requesting renewal under Options One or Two, this method involves comparing proposed Section 8 rents to fair market rents (FMRs), as provided in Section 9-5.

B. Comparing Section 8 rents to rents charged for other comparable unassisted units in that Section 8the same project, as provided in Section 9-6.. (See Section 9-6.)

C. — Purchasing and submitting an RCS in accordance with Sections 9-7 through 9-13 of this Chapter.

When Electing Alternatives to RCS: If the owner elects method A or B, and HUD approves such election, the FMRs or rents for non-Section 8 units in the Section 8 project act as a cap or ceiling on rents computed using an OCAF or budget approach. Rents are not automatically set at FMRs or rent levels charged for other units in the Section 8 project. Under methods A and B, there will be no RCS to update for budget-based adjustments or for renewals that occur within the next five years. At any subsequent renewal, the owner may choose one of the three methods allowed above. The eligibility requirements and process for using these three alternatives are described in the Sections below.

9-5 — USING FMRS TO DETERMINE BELOW MARKET STATUS

A. Fair Market Rents. Fair Market Rents or FMRs represent the 40th percentile of an area's market rents in most cases, and are published and updated annually by HUD around early October and posted at www.huduser.org/datasets/fmr.html. Under this approach, FMRs create the market rent ceiling that is usually created using an RCS's rents.

Both of these alternative methods are intended to provide additional flexibility and local market specificity, subject to the Owner's discretion, to avoid the cost and processing time associated with obtaining an RCS. Use is limited to a HUD determination that market indicators strongly suggest that the proposed Section 8 rents do not exceed comparable market rents, and an Owner must obtain HUD's prior written approval to use an alternative method. If such approval is granted, then the Section 8 rents are not automatically established at the SAFMR or unassisted comparable rent level; instead, the SAFMR or unassisted comparable rent level establishes a comparable market rent ceiling for the Section 8 rents.

9-5 METHOD ONE: COMPARING PROPOSED SECTION 8 RENTS WITH SAFMRS

A. Small Area Fair Market Rents (SAFMRs). Under this method, the SAFMR rent level serves as the comparable market rent ceiling that is otherwise established by an RCS. The SAFMR is an estimate of rent plus the cost of utilities for a ZIP code area, set at the 40th percentile level (i.e., the dollar amount below which the rent for 40 percent of standard quality rental housing units within the ZIP code area falls). HUD publishes SAFMRs annually, by posting them to <https://www.huduser.gov/portal/datasets/fmr/smallarea/index.html>. SAFMRs are published for ZIP codes in metropolitan areas only; HUD does not calculate SAFMRs for ZIP codes in nonmetropolitan counties.

E.B. Eligibility. ~~Owners eligible~~ An Owner who requests to renew under ~~Chapter Four of this Guide, or Option Two,~~ may request ~~to renew without an RCS~~ HUD approval to establish a comparable market rent ceiling using Method One if the ~~current Section 8 gross rent potential and the~~ proposed Section 8 gross rent potential at renewal ~~are~~ is less than 7590 percent of the ~~FMRs~~ SAFMR potential for the units under the HAP contract being renewed. Since the ~~FMRs~~ SAFMRs are inclusive of utilities, the Section 8 gross rent potential must include utilities in order to make the two figures comparable.

F.C. Owner's Request. To request renewal using this method, an ~~owner~~ Owner must submit the following no later than 120 days before the expiration of the Section 8 contract:

1. Request to Renew HAP Using FMRs as Market Ceiling (~~– see Appendix 9-3) showing a comparison of the current and proposed Section 8 gross rent potential with FMR rent potential.~~ (Form HUD-9630).
 - a. The proposed Section 8 gross rent potential used in the above comparison must be the current rent potential, adjusted by the OCAF or budget;
 - b. The potential must be the gross potential (contract rent +plus utilities) to make the figure comparable to ~~FMRs~~ SAFMRs, which include utilities; and
 - c. The Section 8 gross rent potential must be less than 7590 percent of the ~~FMRs~~ SAFMR potential for the units being renewed under the request.
2. Cover Sheet of the Contract Renewal Request (~~–), showing the current rent potential and identifying~~ (Form HUD-9624). The Owner must identify all HAP contracts at to which the project, ~~as well as indicating which contracts will be renewed is~~ subject, including the HAP contract for which renewal is being requested.
- 2.3. Either Budget Worksheet (~~–);~~ Income and Expense Projections (Form HUD-92547-A), if seeking a budget-based adjustment; or Steps 1 and 2 of the Operating Cost Adjustment Factor (OCAF-calculation on-) Worksheet (Form HUD-9625), if seeking an OCAF-driven adjustment.

G. HUD processing.

D. HUD processing. The Account Executive (AE) will review the Owner's request to determine whether the use of SAFMRs is appropriate and will render a decision within 20 calendar days of receiving the request, documenting the decision on the Request to Renew HAP Using FMRs as Market Ceiling, as completed by the owner, and in the Integrated

Real Estate Management System (iREMS). The AE may consult the Production Technical Specialist Branch Chief to assist with this determination.

1. Due Diligence. Account Executives~~The AE~~ who ~~process these requests~~processes the request must be familiar with the project's condition and amenities. ~~Account Executives and~~ must seek a state-certified appraiser's input as to prevailing rent levels in the subject's market area. ~~Besides. In addition to~~ verifying and validating the owner's computations, the ~~Account Executive~~AE must ~~review~~consider the following ~~factors in their approval decision~~questions:
 - a. Are the subject project's units unusually small, ~~have limited appeal~~ or ~~offer large?~~ Are they substantially ~~fewer amenities than similar to or different from units~~ typically offered in ~~that~~the market? area?
 - b. ~~Were there RCSs~~Did an RCS completed on ~~other projects~~another project in the ~~subject's area that often produced~~market area within the last three years produce market rents ~~which~~that were significantly lower than ~~FMRs~~the SAFMRs?
 - c. Does the ~~project have a~~project's prior RCS ~~which concluded~~show that the project's Section 8 rents ~~were above~~exceeded rents in the market area?
2. Approval/Denial. Account Executives~~The AE~~ must approve the Owner's request to use SAFMRs in lieu of an RCS unless, based on ~~their own~~the AE's due diligence review and/or the input of a state-certified appraiser, ~~they have concluded~~the AE concludes that the proposed rents are above market ~~levels, or if the comparison with FMR levels is erroneous. Staff must make a decision within 20 calendar days after receiving the owner's request.~~
 - a. If HUD denies the Owner's request, HUD may, upon the owner's request, ~~HUD may~~ issue a short-term renewal contract to allow the ~~owner~~Owner a reasonable period of time to obtain an RCS prepared in accordance with Sections ~~9-9 through 9-13 of this Chapter. Owners. Chapter Two explains how to set rent levels for short-term renewal contracts.~~
 - ~~d.~~b. An owner may not appeal HUD's denial of their ~~requests~~request to use ~~FMRs~~SAFMRs in lieu of submitting an RCS. ~~Chapter Two of this Guide provides additional details for setting rent levels in short-term contracts. Staff must document their decision on the owner's request form and in iREMS.~~

9-6 USING METHOD TWO: COMPARING PROPOSED SECTION 8 RENTS WITH RENTS FOR NON-SECTION 8 UNASSISTED UNITS IN THE SECTION 8 PROJECT

Non-Section 8A. Unassisted Units. Under this method, rents paid by ~~tenants not receiving rental subsidies, families residing in unassisted units in the project~~ serve as ~~a market rent ceiling that is otherwise created using an RCS's rents~~the comparable market rent ceiling.

An unassisted unit is one for which a family who receives neither project-based nor tenant-based rental assistance of any kind pays the full rent due to the Owner.

~~B. Eligibility. If the criteria below are met, and the owner is choosing to renew Section 8 contract using Option Two, the owner may request to use non Section 8 units at that Section 8 project to set the market rent ceiling instead of purchasing and submitting an RCS. The project must meet these criteria for each unit type that will be included in the renewal contract.~~

B. Eligibility. The following criteria must be met to qualify for Method Two:

1. The contract(s) ~~is~~ must be eligible ~~to be renewed for renewal~~ under ~~Chapter Four of this Guide~~ Option One or Option Two.
2. ~~At least 25 percent of each unit type being renewed is occupied by tenants who pay the full rent due the owner and receive no tenant rental assistance. "Tenant rental assistance" includes project based Section 8, certificates/vouchers, PRAC/PAC in a 202/811 project, Rent Supplement, Rental Assistance (RAP), or any comparable federal/state/other public subsidy. Tenant rental assistance does not include Section 236 interest reduction (IRP) subsidies, other construction/mortgage based subsidies, or LIHTC / comparable state credits.~~
2. At least 25 percent of each unit type being renewed must be occupied by unassisted tenants.
3. ~~For each unit type being renewed in the contract, the proposed Section 8 contract rent is must be no more greater than the average rent that paid by unassisted tenants who reside in the same type of unit. Such tenants not receiving tenant rental assistance pay for that unit type.~~
- 4.3. Tenants in units used to compute Paragraph 3's average must have been paying (without assistance and for ~~three~~ 3 or more months) at least the rent levels used in computing the average. These tenants must have no business or family relationship with the project's ownership or management. If units are occupied pursuant to a lease providing for rent concessions, the ~~effective rent~~ rents used to calculate the average must take all such concessions into account.
- 5.4. The Section 8 units and the units occupied by unassisted tenants not receiving tenant rental subsidies are must be nearly identical ~~and would not require (i.e., no adjustments would be required~~ if the units ~~without tenant rent subsidies occupied by unassisted tenants~~ were used as comparables in an RCS.). "Nearly identical" means the two sets of units must have the same number of bedrooms and baths; ~~are~~ be similar in condition, layout, and size; and have the same amenities and utilities included in the rent.
- 6.5. Occupancy rates in the units occupied available for occupancy by unassisted tenants must not receiving tenant rental subsidies are not be significantly ~~less lower~~ than occupancy ~~levels~~ rates for ~~those the same~~ unit types in the ~~project's overall~~ market area, ~~because a low.~~ A lower occupancy rate ~~for the~~

~~subject's unassisted units would~~ could imply that ~~the rents for such units~~ are above market. ~~The occupancy levels should consider the overall market.~~ For ~~instance~~ example, if ~~occupancy rates in~~ the overall market ~~is running well above~~ area exceed 90 percent ~~occupancy~~, while the subject's ~~unassisted units available for occupancy by unassisted tenants~~ are 20 percent vacant, then the occupancy ~~level~~ rate for such units is considered ~~to be~~ significantly ~~less~~ lower than ~~that of the overall market area.~~

~~C.~~ C. — Owner's Request. To request renewal using ~~rents of non-Section 8 units for Section 8 Project~~ this method, an ~~owner~~ Owner must submit the following no later than 120 days before the expiration of the Section 8 contract:

1. *Request to Renew Using Non-Section 8 Units in the Section 8 Project as a Market Rent Ceiling* ~~(-)~~.
2. *Rent Table.* A rent table comparing current and proposed Section 8 rents with the rents paid by unassisted tenants ~~not receiving tenant rental assistance.~~
- ~~2.3.~~ Cover Sheet of the Contract Renewal Request (HUD Form 9624), ~~showing the current rent potential and identifying all contracts at the project, as well as . In addition to~~ indicating which ~~contracts will be~~ contract is being renewed, the owner must identify all contracts at the project.
- ~~4.~~ Either Budget Worksheet (HUD Form 92547-A); Income and Expense Projections, if seeking a budget-based adjustment; or Steps 1 and 2 of the *OCAF calculation on HUD Form 9625 Worksheet*, if seeking an OCAF-driven adjustment.

~~D.~~ D. — HUD processing. ~~Staff must decide on the request~~ The AE will review the Request to Renew Using Non-Section 8 Units in the Section 8 Project as a Market Rent Ceiling, as completed by the Owner, to determine whether the use of rents paid by unassisted tenants is appropriate and will render a decision within 20 calendar days ~~after~~ of receiving the ~~owner's request~~ request, documenting the decision on the form and in iREMS.

1. Due Diligence. ~~Account Executives~~ The AE who ~~process these requests~~ processes the request must be familiar with the project's condition and amenities. ~~Account Executives and~~ must seek a state-certified appraiser's input as to prevailing rent levels in the subject's market area. ~~Staff must ensure~~ In addition to verifying that the project meets the eligibility conditions ~~and Staff, the AE~~ must also:
 - a. Use iREMS/Tenant Rental Assistance Certification System (TRACS) to check the data reported in the rent table attached to the owner's request.
 - b. Use the owner's rent table to help assess compliance with the occupancy criterion noted above. ~~A significant vacancy may indicate that the project is asking too much for these units.~~
2. Approval/Denial. ~~Account Executives should~~ The AE must deny the request only if ~~they have concluded~~ the AE concludes that the rents paid by ~~non-Section~~

~~§~~unassisted tenants in the project are significantly higher than rents in the surrounding area or that ~~some of~~ the eligibility conditions listed above are not met. ~~HUD staff must make an approve/deny decision on the application within 20 calendar days after receiving the owner's request.~~

a. ~~_____~~ If HUD denies the Owner's request, HUD may, upon the owner's request, ~~HUD may~~ issue a short-term renewal contract to allow the ~~owner~~Owner a reasonable period of time to obtain an RCS. ~~Owners prepared in accordance with Sections 9-9 through 9-13 of this Chapter. Chapter Two explains how to set rent levels for short-term renewal contracts.~~

e-b. ~~_____~~ An Owner may not appeal HUD's denial of their ~~requests~~request to use ~~projects' non-Section 8 units~~rents paid by unassisted tenants in lieu of submitting an RCS. ~~Chapter Two of this Guide provides additional details for setting rent levels in short term contracts. Staff must document their decision on the owner's request form and in iREMS.~~

d. ~~_____~~

9-7 PREPARING A RENT COMPARABILITY STUDIESSTUDY

An ~~owner~~Owner who is required or decides to procure an RCS must ensure that the RCS:

- A. Is prepared by, or under, the direction of an RCS appraiser who meets the requirements set forth in Sectionparagraph 9-8A-8.A.
- B. Covers at least all unit types that have Section 8 assistance in the contracts being renewed. The ~~owner~~Owner may also include other Section 8 unit types in other contracts the ~~owner~~Owner plans to renew within the next 5 years.
- C. Estimates "comparable market" rents for each Section 8 unit type by adjusting the rents of comparable units to reflect the location, condition, appeal, amenities, and utilities of the Section 8 units. Note: The RCS appraiser must estimate market rent without considering the market's ability to absorb all Section 8 units.
- D. Is concise but contains enough information that a person unfamiliar with the subject property and market area can understand how the RCS appraiser arrived at ~~his/her~~the adjustments and opinion of the subject property's market rent. HUD provides a sampleSample RCS in Appendix 9-2-2.
- E. Is submitted to HUD/the CA no later than 120 days before the end of the 5-year life cycle of the RCS or contract renewal in cases where the contract is being terminated early and renewed.
 1. ~~No~~Not more than 90 calendar days must have elapsed between the date of the RCS and the date the ~~owner~~Owner submits the RCS to HUD/the CA.

2. ~~_____~~

2. Early submissions are allowed, but owners must not submit more than 180 days before the end of the prior RCS's five-year life cycle or early contract termination.
 3. For transactions involving an early termination and renewal, if more than 180 days will have elapsed between the date of submission and the termination date, the Owner must, not more than 180 days prior to the termination date, ~~date~~submit a letter from an appraiser updating the RCS and confirming that current rents are no lower than in the original study. If more than 24 months will have elapsed between the original submission and the termination date, then the Owner must submit a fully updated study.
- F. Includes at least a cover letter from the Owner and all materials listed ~~under~~in Appendix 9-2-1 (under *Template for Owner's Cover Letter & Owner's Checklist*). ~~Each submittal must include a cover letter from the owner (as shown in Appendix 9-2-1).~~ To expedite HUD review, the ~~owner~~Owner and RCS appraiser must ensure that all materials are submitted in electronic format in the same order as shown in the *Owner's Checklist*.
- G. Complies with Standard 1 and Standard 2 of Uniform Standards of Professional Appraisal Practice (USPAP), which establish requirements for the development and reporting of a real property appraisal.

9-8 APPRAISER'S APPRAISER QUALIFICATIONS

This section provides guidance to ~~owners~~Owners and RCS appraisers regarding the required qualifications for an RCS appraiser. It also contains general instructions for preparing an RCS and identifies requirements that need to be followed.

- A. In order to qualify, the RCS appraiser must:
1. Be a Certified General Appraiser, licensed and in good standing in the state in which the project is located. The license may be temporary or permanent. (An ~~owner~~Owner can obtain a list of RCS appraisers meeting this standard at www.asc.gov or from each state's appraiser regulatory agency.)
 2. Be currently active and regularly engaged in performing RCSs Rent Comparability Studies or appraisals of multifamily housing and demonstrate continuing education relating to multifamily housing, market studies, or advanced market analysis and/or separating non-real property features within a property.
 3. Meet all the requirements of the current ~~Competency Provision~~competency provision in USPAP and have read ~~all~~this HUD Chapter and Appendices. (Additional or updated information on USPAP can be obtained at www.appraisalfoundation.org.)
 4. Have no prospective or present financial interest in the subject Section 8 project, its ownership or management agent entity, or the principals of those entities.
 5. Not be an employee of the ~~owner~~Owner, the management agent, or the principals of those entities or have a business or close personal/family relationship with those parties that would commonly be perceived to create bias or a conflict of interest.

6. Not be debarred or suspended from doing business with the Federal Government and not be under a Limited Denial of Participation (LDP) imposed by the Regional Center or [Program Center Satellite Office](#) having jurisdiction over the subject Section 8 project.
7. Be in compliance with all applicable civil rights laws and statutes.

B. In preparing the RCS, the RCS appraiser must:

1. Sign and take full responsibility for the report. Appraisal assistants may contribute to any of the tasks if:
 - a. They are employed by the same firm as the RCS appraiser; and
 - b. The report identifies the tasks(s) the assistant RCS appraiser performed. There is no specific restriction on the tasks an assistant may perform with respect to the subject property or comparables.
2. Ensure compliance with this Chapter and its appendices, and with USPAP.
 - a. If this Chapter's requirements go beyond USPAP, the RCS appraiser must consider the Chapter's requirements to be supplemental standards and must comply with them.
 - b. The RCS appraiser must comply with the Fair Housing Act and must not use or rely on unsupported conclusions related to the comparable or subject properties or their surrounding areas or upon any factors prohibited by the Fair Housing Act. RCS appraisers' opinions, conclusions, and reports must be impartial and objective and must not illegally discriminate or contribute to illegal discrimination through subjective or stereotypical assumptions. The Fair Housing Act explicitly prohibits a person engaging in the business of furnishing real estate appraisals to take race, color, religion, national origin, sex, disability, or familial status into consideration.
3. Collect, update, or verify all data within 90 calendar days before the date of the RCS appraiser's letter transmitting the RCS to the ~~owner~~Owner (or to HUD, when HUD purchases the study pursuant to [Section 9-14](#)).[Section 9-14](#). If more than 90 days will have passed between the date of data collection and transmittal of the RCS, the appraiser may verify or update that data to meet this requirement.
4. Provide a descriptive analysis following the guidance provided in Sections 9-9 through 9-14 and the detailed instructions under Appendix 9-1. The RCS appraiser must download the electronic versions of Word or Excel files for any tables/grids in the RCS, as provided under Appendix 9-1.

9-9 ANALYZING THE SUBJECT PROJECT

This section provides guidance to RCS appraisers for inspecting and analyzing the subject Section 8 project and its surrounding neighborhood. ~~The RCS appraiser must determine:~~

Unit Breakdown

Project's Condition and Appeal

Project's Amenities and Services

Scope of Planned Repairs

Neighborhood Characteristics

A. ~~Unit Breakdown~~. The RCS ~~appraisers~~appraiser must identify the unit breakdown at the subject project as primary versus secondary, as defined in ~~Section paragraph 9-9.A.2~~, below. ~~While~~The RCS ~~appraisers~~appraiser must estimate a market rent for each Section 8-unit type, ~~but~~ a Rent Comparability Grid is required only for each primary unit ~~type~~type. For secondary unit types, ~~the~~ RCS ~~appraisers~~appraiser need not complete an entire Rent Comparability Grid. Instead, ~~they~~the RCS ~~appraiser~~appraiser may start with the market rent for a primary unit type and adjust for the minor difference(s). The RCS appraiser must review ~~Section paragraph 9-13.C~~ regarding estimating market rents for primary and secondary unit types. To identify primary and secondary unit types, the RCS ~~appraisers~~appraiser must:

1. Identify all unit types that will be included in the renewal contract and any other units the owner elected, per ~~Section 9-7~~,Section 9-7, to include in ~~this~~the study. The RCS appraiser must recognize a unit type for each rent level ~~that~~for which the owner is seeking renewal ~~for~~.
2. Label each unit type as a primary or secondary type using the guidance below. It is possible to have multiple primary unit types.
 - a. ~~The RCS appraiser should~~must consider the number of bedrooms and baths, the unit size, the structure (e.g., townhouse, elevator, walk-up), and any other factors the market would consider as to be significant differences. ~~While the RCS appraiser should be allowed some discretion regarding designation of units will be categorized as "primary and" or "secondary units, certain categories of differences must be recognized as significant to renters, and should always trigger the process of designating the more common unit type to be primary and the other unit type to be secondary. Categories of differences that would require the break-out of primary and secondary units include"~~ based on having similar unit size, the same unit size threshold as used to compare the subject to the comparables, the number of bedrooms and bathrooms (including additional toilet or shower/bath fixtures), and the same unit configuration (e.g., stacked versus townhome, or walk-up versus elevator-served).

Example: Project has 100 3-bedroom, 2-Bath, ~~1000~~1,000-square feetfoot units and 30 3-bedroom, 1.5-Bath-bath, 900-square feetfoot units. The owner ~~is charging~~charges different rents for these two unit types. The RCS appraiser will label the most common unit type (the 2 bath, ~~1000~~1,000-square feetfoot unit) as primary and the other as secondary.

- b. If the units being renewed are located on scattered sites, the RCS appraiser must determine if separate unit types ~~should~~will be designated for the different sites. The RCS appraiser must visit each site and assess the extent of any differences in neighborhood, condition, street appeal, services, or market area. If units are located in different market areas or other differences suggest that separate comparables are appropriate, the RCS appraiser ~~should generally~~must create separate unit types for each site if the sites ~~that~~ vary significantly. ~~RCS appraisers should~~ and must use their professional judgment ~~to categorize~~in categorizing the unit types at each site as primary or secondary.

B. ~~Project's~~Project Condition and Appeal— The RCS appraiser must conduct a visual inspection of the subject project to observe physical characteristics and assess the project's condition. More specifically, the RCS appraiser must:

- 1. Inspect at least one unit of each primary unit type, the project grounds, and the interior and exterior common areas (e.g., lobby, laundry rooms, community or dining rooms, recreation rooms, parking areas, outdoor play areas). If the units being renewed are located on scattered sites, the RCS appraiser must visit each site.
- 2.- Determine or verify the size of each unit type. Estimate the rentable interior square footage of the unit. ~~Do not count, excluding the square footage of~~ balconies, mechanical areas, or other non-living spaces.
- 3. Take color photos of the items listed below. ~~Take and~~ additional close-up photos as needed to show the project's condition.
 - a. subject's~~Subject's~~ exterior, showing location on the site, exterior design, site layout, and site amenities;
 - b. ~~interior~~Interior of typical units; and
 - c. ~~interior~~Interior common areas ~~(e.g., meeting rooms).~~
- 4.- Determine and document the project's design, age, and type of structure. (e.g., walk-up, townhomes, low-rise, etc.). Assess the project's physical condition and overall appeal. Determine the extent of any major renovations ~~made~~.

C. ~~Project's~~Project Amenities and Services— The RCS appraiser must identify all amenities and non-shelter services offered at the subject project, and whether they are included in the rent~~reliably available to tenants~~ or charged for separately~~incidental~~. The RCS appraiser must:

1. Identify all unit and site amenities and the type of utilities. The RCS appraiser must consider all characteristics listed on the Rent Comparability Grid, and any other characteristics that would affect the rent a tenant would be willing to pay.

2. At projects providing non-shelter services (e.g., service coordination, neighborhood networks, the elderly services noted below), the RCS appraiser must ask the owner/agent to identify which services are included in the rent and which services require additional payments from tenants. A non-shelter service provided at the subject project for an additional charge may still warrant adjustment to the comparables if there is market evidence that availability of that service has value to tenants in that market. Conversely, a non-shelter service provided at the subject project for no additional charge may not necessarily warrant any adjustment to the comparables, if the RCS appraiser does not find evidence of its value to tenants in that market. However, the RCS appraiser may consider the value Assign a value to the services and amenities available at the property. If a service is available to renters at other properties in the market area, then that service has demonstrated that it may carry market value at the subject property and should be considered in the valuation. The value of a service or amenity may be affected by the availability in the community of similar services or amenities. For example, if a project offers a small collection of books as a library, but it is located in close proximity to a municipal library that contains a much larger selection, then the value of that amenity may be diminished.

If a service is not available at comparable properties or otherwise observed in the local market, HUD may nonetheless allow an adjustment to RCS rents to reflect the market value of such a service to tenants of the subject property. HUD may limit such adjustments to those services that are appropriate to support vulnerable populations in an independent setting and those services which are not already receiving funding support from HUD or another source.

3. One factor in the appropriate valuation of a service whether that service is regularly and reliably available to tenants. For example, an appraiser may determine a service to be reliably available to tenants if there is a demonstrated record of consistently providing the service to tenants at no cost or if there is an agreement between the owner and a service provider. Conversely, a service is considered incidental and not reliably available to tenants if there is no history or providing such service, no designated provider, no service plan, and no agreement between the owner and the provider. The appraiser should make the determination of whether a service is reliably available after evaluating evidence supplied by the owner and agent.

a. Reliable services. A service is considered to be more reliable if an Owner has an agreement with a credible service provider that specifies the services offered, the hours or frequency of services, and provides continuity throughout the five-year term of the RCS. An Owner with a credible services plan and a provider with a successful record of providing the service and who commits to take all reasonable steps to maintain services reflected in the RCS will be considered to have more reliable services. Owners are expected to inform HUD immediately of any expected interruption of such services.

b. Incidental services. A service is incidental if tenants are required to pay to use the service (fee-for-service) if the service is provided on a sporadic

basis, or if the service is provided at will by the Owner or a third party, including a third party that has no service agreement with the property. Incidental services are those that may be terminated or altered at any time with no recourse, thus reducing their market value to potential tenants. Incidental services may still warrant a valuation or adjustment of a comparable if there is market evidence that the availability of that service has value to tenants in that market. Only the value of the convenience or availability of an incidental service may be included in an RCS analysis.

d. c. Specialized services. The RCS appraiser may consider the value of a non-shelter service provided to the tenants at the specific project within the context of the specific occupancy of that project; in that case — perhaps involving a service that is so specialized that it is not found elsewhere in the subject market, — the RCS appraiser ~~can~~ may cite market evidence from other multifamily markets. (Appendix 9—1—2, Pagepage 11, Lineslines 29—31).)

~~e. 3. Consider the tenant profile at the subject project. For instance, when preparing an RCS for projects designed for the elderly/disabled, the RCS appraiser must identify all services provided for elderly/disabled. RCS appraisers must consider whether emergency call systems, transportation, social or educational activities, service coordination, meals, laundry or housekeeping are offered. The foregoing list is not all-inclusive as there could be other non-shelter services offered such as health and wellness monitoring and mental health counselling. RCS appraisers must determine which services are provided by the project and which are just accessed through arrangements the project has established with outside agencies. The RCS appraiser must assess each of these services for its rental value and whether an equivalent service can be found at unassisted properties, regardless of whether the owner or another party is paying for and/or delivering the service to residents. The RCS appraiser must consult the direction provided in Section 9-9. C.2 for how to consider non-shelter services.~~

4. ~~D. Consider the tenant profile at the subject project. When preparing an RCS for a project designed for the elderly/disabled, the RCS appraiser's valuation of the available amenities and non-shelter services must consider the project's occupancy. For example, irrespective of the proximity to the project of a municipal library, the value of having a small collection of books at the project may be greater if the project's occupants are unable to access the library due to their status as elderly or disabled families.~~

D. Scope of Planned Repairs—. If the owner ~~is anticipating~~ anticipates an increase in rents based on repairs to be commenced ~~in the following within~~ 12 months, ~~of HAP contract renewal (such as in the case of a Chapter 15 HAP renewal), then~~ the RCS appraiser must review the complete list of ~~repairs to the subject property planned by the owner during the 12-month period following the as-of date of the rent study. Each item within the scope of planned repairs provided by the owner must be evaluated for the impact of that repair repairs, evaluating each item on the list for its effect on~~ marketability and appeal ~~of the subject property~~ to prospective tenants.

1. Typically, the replacement of components that are worn or at the end of their useful lives will not ~~impact~~affect marketability. On the other hand, the installation of equipment or systems that represent upgrades may increase the appeal of the property. ~~Examples would be installation within living units of features not formerly provided, such as~~Examples of upgrades include installing air conditioning; or ~~kitchen renovations that add features such as~~adding dishwashers. Examples of upgrades that do not directly ~~impacting~~affect living units; but ~~nevertheless having potential impact on~~may improve marketability; ~~would be~~ include improvements to ~~the~~ on-site parking facilities (e.g., providing covered parking at a property formerly offering only open parking; or adding additional parking spaces) or adding a non-shelter service such as an on-site childcare facility.
2. The RCS appraiser ~~should~~must take care to distinguish ~~non-replacement~~between outlays that increase marketability ~~from~~and those that ~~will typically have no impact. And do not. For example, an~~ owner's plan to install a berm on the site to improve ~~site~~ drainage would be ~~an example of a repair that is not a mere replacement of a worn-out component, but would not likely impact~~unlikely to affect marketability.
3. If in the RCS appraiser's judgment, any of the items within the owner's scope of planned repairs ~~would impact~~will affect marketability, ~~a separate set of HUD Form 92273-S8 rent grid~~then the RCS appraiser must be completed. The RCS would thus contain rent grids representing both prepare two versions of the Rent Comparability Grid. One version will show pre-repair ("As-is") estimated market rents and the other will show post-repair ("As-repaired") ~~assumptions of property condition and features. estimated market rents.~~ It is possible that "dual" ~~rent grids~~Rent Comparability Grids will not be required for every type of living unit. For example, if kitchen renovations will be completed only for the ~~two~~2-bedroom units, ~~then "dual" rent grids would only~~ Rent Comparability Grids will be required only for the ~~two~~2-bedroom plan.
4. If the RCS appraiser ~~receives a~~determines that none of the items on the owner's list of planned repairs to the subject property ~~planned by the owner during the 12-month period following the as-of date of the rent study, but the appraiser determines that the listed repairs would not~~will affect market rent, then the RCS must contain an affirmative statement to that affect.

E. Neighborhood Characteristics— The RCS appraiser must assess and describe the project's location and surrounding neighborhood ~~near the subject project. The RCS appraiser and~~ must:

1. Evaluate and note factors that would ~~impact~~affect market rent levels, such as access to schools, employment and medical centers, transportation, shopping, recreation, and community services. The RCS appraiser must identify nuisances (e.g., street noise), crime rates, and other factors ~~affecting~~that affect the perceived quality of the neighborhood.
2. Identify the project's market area, ~~such as. This is~~ the geographic area from which the subject project ~~would~~will likely draw most of its applicants. ~~Identify, taking~~

into account street or other boundaries. ~~Consider and considering~~ mobility patterns and natural or man-made barriers (rivers, freeways, rails, etc.).

Note: Government boundaries like state or county lines often do not establish market area boundaries, as projects often draw from more than one town, county, or state.

3. ~~If the units~~ Consider the unique aspects of scattered-site projects. If the units under the HAP contract being renewed are located on scattered sites, the RCS appraiser must assess whether the sites vary significantly ~~on~~ with respect to condition, street appeal, services, ~~neighborhood~~ neighborhoods, or other factors.

9-10 SELECTING COMPARABLE COMPARABLE UNITS

This section provides guidance on the ~~following~~ items for an RCS ~~appraisers~~ appraiser must take into account to ensure that units and properties selected as comparables accurately represent the rental market for the subject project:

A. Six Point Criteria

Insufficient Comparables Meeting the Criteria

Comparables Search Procedure

~~A. Six Point Criteria~~. For each primary unit type identified pursuant to

~~Section paragraph 9-9.A.2 above, the RCS appraiser should attempt to~~ must exert a good-faith effort to identify comparable units from ~~five different~~ 5 properties. ~~The RCS appraiser should select projects that would~~ that meet all 6 of the criteria listed below and compete with the subject for tenants. ~~The RCS appraiser must exert good faith effort to find~~ Specifically, the comparable ~~units that meet all the conditions listed below. If the RCS appraiser cannot find units that meet these criteria, the RCS appraiser may use the methods discussed in Paragraph B below.~~

- ~~1. The RCS appraiser must evaluate if the units and properties under consideration for comparables selection~~ must:

~~Are~~ 1. Be in the same market area as the subject project, considering rent levels, housing prices, demographics, job opportunities, and other relevant economic indicators.

~~2. Are not receiving tenant rental assistance (project-based Section 8, certificates/ vouchers, PRAC/PAC in a 202/811 project, Rent Supplement, Rental Assistance (RAP), or any comparable federal/state/ other public subsidy). The tenant must be responsible for the full rent due to the landlord.~~

2. Be occupied by tenants without tenant-based assistance, residing in unassisted units as defined in paragraph 9-6.A.

3. Have locations and neighborhood conditions (including crime rates and accessibility to services, employment, transportation, etc.) like the subject's that are similar to those of the subject project.
4. ~~Are projects that are like~~ Be similar to the subject project in terms of project structure and layout, design, street appeal, age, unit size and ~~unit~~ mix, project amenities, and utilities.
5. ~~Provide services and have project~~ Have amenities ~~like and provide non-shelter services similar to~~ those available at the subject.
5. ~~Are project and do~~ not have significant amenities or non-shelter services beyond those available at the property.
6. Not be rent-restricted or rent-controlled by a federal, state, local, or other public program. This category includes Low Income Housing Tax Credit (LIHTC), HOME, HOPE VI, state/local rent controlled and rent stabilization units, and all unassisted units in 236, BMIR, 202/811, and Section 515 Rural Development projects.

If the RCS appraiser cannot find 5 properties that meet these 6 criteria, then the RCS appraiser may use the methods discussed in paragraph B-, below.

B. Insufficient Comparables Meeting the Criteria- HUD recognizes that finding ~~five~~ 5 comparables meeting all ~~the~~ 6 criteria in ~~Section paragraph~~ 9-10.A above ~~can~~ will be difficult in some markets. ~~Example:~~ When the RCS appraiser makes a subject is the only multifamily complex in a rural town or is the only project with four bedroom units. When the RCS appraiser exerts good-faith effort and conducts appropriate research but cannot find five to identify 5 comparables that meet all the conditions in Section 9-10A6 criteria in paragraph 9-10.A but fails to do so, the RCS appraiser may adopt one or more of the following strategies. The RCS appraiser ~~shall~~ must use ~~his/her~~ professional judgment to decide the pairing and ordering of the alternate strategies listed below, except ~~for~~ that using rent-restricted units (~~option six below~~), ~~which should~~ must be done only ~~be used~~ as a last resort.

- ~~#1.~~ Units with No Restrictions- If a project contains rent-restricted units or units with tenant subsidies, but also has other units with no restrictions or subsidies, ~~those units that are~~ then the RCS appraiser may use as a comparable a unit that is both unrestricted and unassisted ~~may be used as comparables.~~ Such mixes will often exist in ~~tax credit~~ LIHTC, tax-exempt, state-financed, HOPE VI, or Section ~~221d3/4~~ 221(d)(3)/(d)(4) FHA-insured projects.
2. Identity-of-Interest Properties ~~with Identity of Interest.~~ The RCS appraiser may select a comparable that has the same ownership/management as the subject project, or is owned or managed by a company/individual having an identity-of-interest ~~with the owner or management agent~~ (as defined in Chapter 2, paragraph 3 of Handbook 4381.5) with the Owner or Management Agent of the subject project. In such a situation, the RCS appraiser must disclose the ~~nature of the~~ "identity-of-interest" under the section titled "Selection of

Comparables' Comparables” in the RCS report. ~~RCS appraiser must review Handbook 4381.5, Paragraph 2-3 for a definition of the term “identity of interest”.~~ Furthermore, ~~the RCS appraiser must~~The RCS appraiser must also take special care to verify the information rent at which a unit in the comparable property is leased, preferably through an unrelated party. For example, ~~to verify the rent at which a unit is leased according to the on-site management,~~ the RCS appraiser might ask ~~to see~~on-site management to provide a copy of ~~the~~a redacted, recently executed lease.

3. Comparables from Outside the Market Area: ~~RCS appraisers must try to. If necessary to identify a comparable in a market area that is similar to the market area in which the subject project is located, the RCS appraiser may select a market area that is like the subject's market area. In assessing similarity, RCS appraisers should consider rent levels, housing prices, demographics, job opportunities and other relevant economic indicators.~~comparable that is in an alternate market area. If equally good comparables are available in more than one alternate market area ~~and those market areas are similar, then~~ the RCS appraiser ~~should generally~~must consider using ~~an~~the alternate market area that is ~~near~~nearest the subject project. For Section 8 projects in rural areas, ~~however,~~ HUD recognizes that it will often be necessary to go to distant, alternate marketsmarket areas that are sometimes of a different character.
4. Dissimilar Comparables: If similar comparables are ~~not available~~unavailable in the subject's neighborhood, ~~the RCS appraisers can~~appraiser may use propertiescomparables that ~~may be different~~differ from the subject in terms of vintage, construction type, layout, design, and/or services and amenities, but are in the same market. Alternatively, ~~the RCS appraisers~~appraiser may use similar comparables from outside the subject's market area when comparables in the same category are not available in the subject's neighborhood. The RCS appraiser must provide market support for the comparable selection process.
5. Fewer Than Five Comparables: If the above strategies do not produce five5 comparables for each unit type, ~~then~~ the RCS appraiser ~~can~~may use fewer than five5 comparables. ~~However, provided~~ no unit type ~~may have less~~has fewer than three3 comparables. Before proceeding with ~~less~~fewer than five5 comparables, the RCS appraiser may ask the Regional Center if it is aware of any comparables ~~not identified by~~ the RCS appraiser ~~has not already identified.~~ As described in 9–10. C.2, below, the RCS appraiser must discuss why fewer than five5 comparables were used.
6. Rent-Restricted Units: ~~Adjustments that would need to be made in the Rent Grid for units that are rent and/or income restricted comparable are inherently subjective. However, if.~~ If the RCS appraiser cannot find any comparables other than rent-restricted units that meet conditions 1 through 5 under paragraph 9–10. A, above, ~~then~~ the RCS appraiser may use the rent-restricted units. Adjustments that would need to be made in the Rent Comparability Grid for such comparables are inherently subjective. Rent-restricted units. ~~Rent restricted units should only~~ may be used as comparables only when they reasonably represent the market. The following guidelines apply:

- a. If the RCS appraiser cannot find five unrestricted, ~~very~~-similar units in the same market area, ~~he/she as the subject project, the RCS appraiser~~ may supplement the rental analysis with rent-restricted units that are available in a nearby, similar market area and meet the requirements of conditions 2 through 5 under paragraph 9-10-A.
- b. The RCS appraiser must clearly disclose the use of rent-restricted comparables and the nature of the rent restriction in the Selecting Comparables narrative part of the RCS where the appraiser provides a narrative description of the selection of comparables and on the *Rent Comparability Grid*. (Note: The RCS appraisers may appraiser must not adjust rents simply to account for the fact that the comparable unit is rent restricted.)
- c. While rent-restricted units may in some cases reflect market rent (e.g., when LIHTC units make up a large percent of the multifamily units in a neighborhood or nearly all units are rent-controlled), rent-restricted units can also be below market rent. Therefore, the RCS appraiser may want to discuss the use of rent-restricted units with the owner and HUD appraisal staff before finalizing the selection of comparables. RCS appraisers hired by HUD/CAs to prepare studies pursuant to Section 9-14 should Section 9-14 must be especially careful to avoid selecting rent-restricted units that would artificially depress the RCS's rent conclusions.
- d. An appraiser may select units in market areas with rent control if they were rented recently (within 3 years of the date of the study) and are therefore representative of market rents.

6.7. Special Project Types: Appendix 9-6 provides guidance on using comparables drawn from project categories that would not typically be suitable for use as comparables for multifamily rental housing. Project types discussed include cooperative housing, certain elderly/disabled project types, student housing, and congregate-care projects. Newly renovated ~~and~~/recently constructed housing is also cited in Appendix 9-6, because properties from that category are suitable comparables for the subject project only after the impact of any proposed rehabilitation to the subject project is considered.

C.- Comparables Search Procedure— The RCS appraiser must include a narrative in the RCS to describe his/her the process for identifying used to identify the set of comparable properties for the subject project.

1. -Document the Search Process: The RCS appraiser must note the means used for comparables selection, whether ~~that be~~ driving the market area, interviewing the Account Executives AEs and owners Owner, consulting subscription databases, or a combination of these approaches.
2. Selected Comparables. For each selected ~~rent~~ comparable, considered separately, the RCS appraiser must describe ~~those the~~ specific characteristics that the respective comparable shares with the subject project (~~for~~ e.g., same market area,

similar design and layout) that justify the inclusion of the project in the RCS. ~~For other potential comparables that were excluded from inclusion, the RCS appraiser should document the reasons for exclusion.~~ The narrative must provide an overall assessment of the availability of comparables ~~and~~, describe the quality of the comparables selected, and state why ~~the comparables used~~ they were selected.

7.3. ~~Excluded Comparables. For potential comparables that were excluded, the RCS appraiser must document the reasons for such exclusion.~~ If the unassisted units in the subject project have the same number of bedrooms and were not used as comparables, the RCS appraiser must explain why. If there are unassisted properties near the subject project that share the subject project's basic characteristics (e.g., number of bedrooms) but were not used as comparables, the RCS appraiser must explain why.

Example: The nearest ~~one~~1-bedroom units to the subject are clustered just ~~one~~1 mile away, along Oceanview Boulevard. However, these are mostly large, luxury units, with many amenities and ocean views. Rather than make numerous large adjustments to most of the property comparison features at those buildings, the RCS appraiser instead selected comparables more similar to the subject and located ~~farther~~ further away, but still within the geographic radius shopped by renters considering living in the subject neighborhood.

8.4. ~~Disclose when Insufficient Comparables Exist.~~ If ~~less~~ fewer than ~~five~~5 comparables were provided for any primary unit type, the RCS appraiser must explain why. If the RCS appraiser chooses to use comparables that are significantly different from the subject, the RCS appraiser must describe the research that was performed to determine that more similar comparables were not available. When comparables are outside the subject's market area, the RCS appraiser must discuss in the RCS what research was done that indicated that better comparables were not available in the subject's market area. In such instances, the RCS appraiser must also compare economic indicators in the alternate market area with those in the subject's market area. When using rent-restricted units, the RCS appraiser must discuss in the RCS what research was done that indicated that no other similar, non-~~rent~~ restricted units were available for use as ~~appropriate~~ comparables. The RCS appraiser must also explain the type of restriction (e.g., LIHTC, local rent control, etc.) when using ~~rent~~ restricted units as comparables.

9.5. ~~Select a Variety of Comparables.~~ In identifying the ~~three~~3 to ~~five~~5 comparables ~~for the subject~~, the RCS appraiser ~~should~~ must try to select some comparables that are superior and some that are inferior to the subject project so that the subject is within the range of indicators.

9-11 COLLECTING AND DOCUMENTING DATA ON COMPARABLE UNITS

This section provides guidance on collecting and reporting data on comparables. ~~It covers the following two topics:~~

~~A. Collecting Data on Comparables~~

B. Reporting Comparable Data

A.- Collecting Data on Comparables. For each relevant unit type at the comparable project, the RCS appraiser must collect data on the elements listed in Parts A through E of the Rent Comparability Grid in Appendix 9-1-1 (HUD-92273-S8)(Form HUD-92273-S8) and on any other characteristics that would affect the rent a tenant would pay. The RCS appraiser must also identify any services that are provided for additional feesto tenants, and that a tenant would consider in selecting a rental, whether they are reliably available or incidental (using the criteria in paragraph 9-2.C). If the comparable is located outside of the subject's market area, the RCS appraiser must provide the market data requested in Paragraph 2b, below. The RCS appraiser must verify and collect relevant data on comparables using the guidance below.

1.- Verification of Data: The RCS appraiser must exercise due diligence to independently verify any information on comparablesa comparable pulled from existing files, Internet research, newspaper ads or apartment guides. The RCS appraiser may use multiple sources if needed to adequately verify the comparablesa comparable's data.

2.- Data on a Comparable's Characteristics: The RCS appraiser must:

- a. View each comparable's grounds and exterior common areas. If access is given, the RCS appraiser should also view interior common areas (e.g., lobby, laundry rooms, community or dining rooms, recreation/ fitness areas, business centers). The RCS appraiser must take color photos of each comparable's exterior, showing location on the site and exterior design and condition.
- b. If the comparable project is in a different market area than the subject, the RCS appraiser must collectCollect market-based data to compare economic indicators and rent levels in the two markets if the comparable project is in a different market area than the subject.
- c. Obtain the unit's rentable interior square footage, either through inspection or through other sources. The RCS appraiser must exclude balconies, mechanical areas or, and other non-living spaces. If the square footage available represents an exterior measurement, the RCS appraiser must use his/her professional judgment to convert the square footage to an interior measurement that can be compared with the interior measurements Section 9-9 requires on the subject. Square footage calculations should be verified with the project's management agent, when possible.

Note: The RCS appraiser is not required to inspect a comparable's unit interiors, but should do so if a unit is available and access is given.

- d. d. Talk with management of the comparable propertiesproperty to determine overall occupancy rates for those projectsthat project, typical and current occupancy levels specific to the unit types used as a comparable,

and whether any unit type is particularly difficult to rent. If the comparable's occupancy rate for a unit type included in the RCS is not typical of the comparable's market, the RCS appraiser must determine and document why. The RCS appraiser ~~should~~must consider if the rent is too high, or if there are other factors causing the vacancy. Also, the RCS appraiser must confirm and quantify the existence/absence of any rent or use restrictions and tenant subsidies.

Note: If the contact person does not provide the unit size or other required information, the RCS appraiser must try to obtain the data from other sources. The RCS appraiser must use ~~his/her~~ professional judgment to determine if the data is sufficient to justify using the unit as a comparable. (Section 9-11-B.3 requires disclosure of data limitations.)

3.- Data on Comparable's Amenities: The RCS appraiser must identify services and amenities available at ~~the~~each comparable(s).

- a. Non-Shelter Services. RCS appraisers must determine if the project provides non-shelter services (e.g., service coordination, neighborhood networks, the elderly services noted below), and, if so, the RCS appraisers must identify which services are ~~included in the rent~~reliably available to tenants and which are ~~covered by additional fees residents pay~~incidental. If the comparable is incidental (i.e., the property offers the service for an additional fee, the service may be terminated at any time or the service is only provided on a sporadic basis), the RCS appraiser needs to value the availability of the service only.

The value of availability is defined as the market value of the convenience of a non-shelter service if it were to be offered in the immediately surrounding community. For instance, if a property offers a gym facility to tenants but it is not included in the lease or other document, the appraiser should consider how much value would be added if a nearby community center gym offers the exact same equipment. If the owner offers a gym but charges a membership fee, the appraiser should consider how much value would be added if the property were in close proximity to a gym charging the same price and offering the same services. However, if the ~~provision of service is reliably available to tenants at no additional cost of the service is included in the rent,~~ then the RCS appraiser must ~~value both the availability of the service and the service itself~~consider the full additional rent differential that tenants at comparable properties are paying for access to similar facilities without an additional usage fee.

Regardless of whether a service is reliably available or incidental, the value of such services should be determined by the attractiveness of the services to tenants like those to whom the subject property is being marketed. If a service is not relevant to tenants like those at the subject property, its value should be diminished.

- b.- Elderly/Disabled. At projects for the elderly ~~and/or~~ disabled, RCS appraisers must determine if the project provides emergency call systems,

transportation, social or education activities, service coordination, meals, laundry, housekeeping, or other services.

B.- Reporting Comparable Data.

1. Comparable Project Profile: For each comparable used, the RCS appraiser must report the data collected in the Comparable Project Profile as required under Item K of Appendix 9-1-3 (Required Contents for an RCS). The Appendix 9-1-4 (Comparable Project Profile) provides a suggested format for reporting the data collected, but RCS appraisers may use their own formats if those formats include all the information listed in Item K of Appendix 9-1-3.
2. Rent Comparability Grid: For each primary unit type, the RCS appraiser must report the data collected by completing the data columns of the Rent Comparability Grid shown in Appendix 9-1-1 (Form HUD-92273-S8). The RCS appraiser must complete all lines of the Rent Comparability Grid's data columns; (i.e., even lines/items for which the RCS appraiser will make no adjustment). All comparables for one subject unit type must be shown on one grid-Rent Comparability Grid. RCS appraisers must review Appendix 9-1-2 for guidance on completing the Rent Comparability Grid.
3. Disclosure: In the Scope of Work Section of the RCS report, the RCS appraiser must identify any data on comparables that was unobtainable or estimated and must describe all efforts to obtain that data. RCS appraisers must review Appendix 9-1-3, Item 2, for more detail on what the Scope of Work write-up must cover.

9-12 COMPUTING ADJUSTED RENTS FOR COMPARABLE UNITS

This section provides guidance to RCS appraisers for deriving an adjusted rent for each comparable. RCS appraisers must review the instructions provided in this section and the line-by-line instructions provided in Appendix 9-1-2, before preparing the Rent Comparability Grid in Appendix 9-1-1. For computed adjusted rents, RCS appraisers must: (Form HUD-92273-S8).

- ~~A. Analyze for differences between subject and comparable~~
- ~~B. Adjust the comparable to the subject~~
- ~~C. Provide narrative explanations~~
- ~~D. Pay particular attention to Special Issues~~
- ~~E. Follow the guiding principles when quantifying adjustments~~

A.- Analyze for differences between subject and comparable. To compute the adjusted rent, the RCS appraiser must:

1. Compute an effective rent by adjusting the most recently charged rent for factors (e.g., rent concessions) listed in Part A of the Rent Comparability Grid.

2. 2. Determine which differences between the subject and the comparable unit would affect the amount of rent a typical applicant would be willing to pay in the subject's market area.
3. 3. For each difference tenants would value, adjust the comparable's rent by the amount tenants in the subject's market area would typically pay for that difference. Adjustments must be displayed in dollar amounts.

B. Adjust the comparable to the subject. ~~The goal is to determine~~ Determine what rent the comparable would obtain if the comparable were nearly identical to the subject. ~~Thus~~ For example, if the comparable is:

1. 1. Inferior to the subject on a characteristic, the RCS appraiser must adjust the comparable upward. The RCS appraiser must enter the adjustment as a positive value to indicate that residents of the comparable would pay more if the comparable had the subject's characteristic. For example, if the comparable unit size is 100 square feet smaller than the subject units, and the RCS appraiser estimates the value of incremental square feet to be ~~\$.~~\$0.50 per square foot, \$50 would be entered on Line 13 of ~~HUD Form 92273-S8;~~ the *Rent Comparability Grid (Form HUD-92273-S8)*.
2. 2. Superior to the subject on a characteristic, the RCS appraiser must adjust the comparable downward. The RCS appraiser must enter the adjustment as a negative value to indicate that residents of the comparable would pay less if the comparable had the subject's characteristic. For example, if the comparable units include patios or balconies and the subject does not, and the RCS appraiser's research shows that at a third project in this market that offers units both, with and without balconies, units with balconies rent for \$15 more, ~~-\$~~\$15 would be entered on Line 14 of the ~~HUD Form 92273-S8;~~ *Rent Comparability Grid (Form HUD-92273-S8)*.

C. Provide narrative explanations. RCS appraisers must provide a concise, but professionally complete ~~explanation~~ explanation as to why ~~the adjustments were~~ each adjustment was made and how the dollar ~~values were~~ value was derived. The explanations must be clear and convincing to a person not familiar with the properties and market areas involved.

1. Every line item adjustment on the *Rent Comparability Grid* requires two separate and distinct explanations in the narrative.
 - a. First, RCS appraisers must explain why the adjustment was made. Specifically, ~~the~~ RCS appraisers are required to state the reasons that justify an adjustment, and explain whether the adjustment would be on a total dollar amount basis (generally used for qualitative adjustment characteristics such as "neighborhood" or "location";) or on a dollar amount per the comparison unit (generally used for adjusting unit size differences). ~~Example: "Comparables A and B were each adjusted upwards by \$20 for not offering units with either a patio or balcony."~~ **Example: "Comparables A and B were each adjusted upwards by \$20 for not offering units with either a patio or balcony."**

Example: “Comparables A and B were each adjusted upward by \$20 for not offering units with either a patio or balcony.”

- b. Second, RCS appraisers must explain how the dollar value was derived. Specifically, ~~the~~ RCS appraisers are required to explain the rationale for their adjustments. This could be supported through paired comparable analysis, interviews with management agents and leasing agents, or prior experience in the subject market. This second component (“how”) of the narrative is required for all adjustments where the amount of adjustment exceeds a nominal amount (a dollar amount or percent of unadjusted rent of the comparable, is as defined in Appendix 9–1–2).

Example: “The subject and comparables C, D, and E offer either a balcony or a patio, while comparables A and B do not offer that feature in any of their units. The RCS appraiser recently appraised a project in this market that offered units both with and without balconies. Units with balconies commanded an average additional rent of approximately \$20, which provides the basis for the upward adjustment to comparables A and B”.

2. RCS appraisers shall not just reiterate the entries in the data column. It would be unacceptable for an RCS appraiser to state: “A negative adjustment was made to comparable A for location.” Instead, the RCS appraiser must outline the data and logic used to arrive at the adjustment amount. ~~Example: In this situation, the RCS appraiser’s narrative could say,~~

2. ~~Example:~~ “Comparable A was adjusted downward to reflect its location in a more desirable neighborhood that consists primarily of single-family homes, has little crime, and has good access to shopping. The adjustment was estimated by comparing the rents at comparable A with those of comparable D, which is in the subject’s neighborhood but otherwise very similar to comparable A. The average value of the superior location was estimated to be \$25.”

- ~~3.~~ 3. For all adjustments exceeding a nominal amount (a dollar amount or percent of unadjusted rent of the comparable, is as defined in Appendix 9–1–2), the RCS appraiser must present market data to support his/her conclusions each conclusion. Section 9–12.-C.1 above shows an example of the two-part explanation needed for adjustments exceeding the nominal amount. For minor adjustments (adjustments not exceeding the nominal amount), the RCS appraiser may state his/her provide a subjective evaluation of why the observed differences would affect rent.

- ~~D.~~ D. Pay attention to Special Issues. The RCS appraiser must pay special attention to the detailed guidance for all line items in the Rent Grid, as provided under Appendix 9–12. Comparability Grid (Form HUD–92273–S8) (see Appendix 9–1–2). In particular, there are a few line items that are discussed under “General Instructions” in Appendix 9–1–2 along with common errors associated with those line items. The RCS appraiser must pay special attention to the guidance before making adjustments for those respective line items.

~~E.~~ E. Follow the Guiding Principles when Quantifying Adjustments.

~~1.~~ 1. Not all differences between the subject and the comparable require ~~adjustments.~~
~~Thean adjustment.~~ An RCS ~~appraisers~~ appraiser must adjust only for differences that would affect how much rent a tenant is willing to pay. If a difference would appear to affect rental value and no adjustment is made, the RCS appraiser must explain why.

~~2.~~ 2. ~~Adjustments~~ An adjustment must reflect the local ~~markets~~ market. The RCS ~~appraisers~~ appraiser must make ~~adjustments~~ an adjustment based on what typical renters in the subject's particular market area ~~will~~ would pay. ~~Swimming pools, floor types, carpets and other special features generally do not affect value to the extent of their cost.~~ Additionally, tenants in different markets may value amenities and services differently, so the RCS appraiser must be aware of sometimes subtle differences in the value of some project features even within the same community.

~~2.~~ Example: Central air conditioning may be less valued by tenants in a beachfront project, compared to tenants at another project, perhaps not far away, but within a location with much warmer summertime temperatures.

3. Adjustments often vary by unit type. Even in the same market, renters may value the same service differently among unit types. ~~Example: A second bathroom may be more valuable in a three bedroom than in a two bedroom unit.~~

~~Adjustments levels~~ Example: A second bathroom may be more valuable in a 3-bedroom than in a 2-bedroom unit.

~~4.~~ 4. An adjustment must reflect rental value, not construction cost or the cost of providing a service.

~~4.~~ Example: In adjusting for differences ~~like~~ such as an elevator, amortizing the cost of the elevator over its useful life is not what a market renter would do. Any adjustment should reflect only what residents would typically pay for the convenience of using the elevator rather than climbing stairs. It is thus imperative that the ~~source~~ value of the adjustment be market-derived, from sources such as paired-comparable analysis or direct interviews with project management personnel, rather than cost-based.

5. Adjustments, whether positive or negative, must be applied consistently. For a given property feature, RCS appraisers must not make small negative adjustments to a comparable when it is the subject that lacks that respective feature, while making large positive adjustments to a comparable when it is the subject, rather than the comparable, that includes that same feature.

~~6.~~ 6. Do not duplicate adjustments. RCS appraisers must be careful not to adjust for the same element in more than one place.

~~6.~~ Example: If adjustments are made for ~~“project appeal” (Line~~ “age” (line 8) and ~~“age” (Line~~ “age” (line 7), the RCS appraiser must take care to ensure that

the sum of those lines is not more than the value the tenant would place on all features covered by those line items.

9–13 DERIVING ESTIMATED MARKET RENTS

This section provides guidance to RCS appraisers for deriving estimated market rents based on the *Rent Comparability Grid (Form HUD–92273–S8)* prepared for the subject project. ~~The RCS appraiser must:~~

- ~~A. Derive the estimated market rent~~
- ~~B. Derive secondary unit’s market rent, if applicable~~
- ~~C. Explain the estimated market rent~~

- A. Derive the estimated market rent. For each primary unit type, the RCS appraiser must analyze the adjusted rents of the comparables computed pursuant to Section 9129–12 and the line-by-line instructions in Appendix 9–1–2. Then, using his/her knowledge of the comparables, the RCS appraiser determines what point in that range of adjusted rents best represents the rent the subject project could most probably obtain in the market. The RCS appraiser must consider: the type, size, and number of adjustments made; the quality of each comparable; whether a comparable’s data was estimated or incomplete; and how the adjusted rents for each unit type relate to each other. The comparables most like the subject should receive more weight. While RCS appraisers may compute and consider averages and other mathematical-based indices, those calculations do not allow for exercise of the RCS ~~appraiser’s~~ appraiser’s professional judgment and should not, by themselves, determine market rents. Instead, the RCS appraiser’s estimated market rent may be skewed towardstoward the range of the adjusted rents for the best suited comparables to the subject project, as opposed to the mean, mode, or median values for the adjusted rents of all comparables.
- B. Derive secondary unit’s market rent, if applicable. If secondary unit types are included in the RCS, the RCS appraiser may adjust the market rent of the related primary unit type to arrive at the secondary unit ~~type’s~~ type’s market rent. To do so, the RCS appraiser may adjust the primary’s market rent to reflect the slight differences (e.g., additional half bath) between the secondary and primary type and set the secondary’s market rent at the resulting amount.
- C. Explain the estimated market rent. The RCS appraiser must explain how the market rent (for primary and/or secondary unit types) was derived and why it was derived that way. The RCS appraiser must note which comparables were given the most weight and why, including which attributes of those respective comparables resulted in their being weighted more or less than others. If the estimated market rent is set at the high or low end of the range of adjusted rents, the RCS appraiser must explain why. Explanations should be concise, while at the same time clear and convincing.

~~C.~~ Example for narrative on estimated market rent: “Comparable A, although not as close in distance as the other four comparables, was given a higher weight than others because leasing agents have observed that prospective tenants often consider both

properties (subject and comparable A) “to be ‘family-friendly’”friendly’ due to on-site day care facilities and similar services.”

9-14 PROCEDURE FOR MANDATORY MARKET RENT THRESHOLD

In addition to submitting the [rent comparability analysis and Rent Comparability Grid](#) and the [RCS Report, the \(Form HUD-92273-S8\)](#) , Owners and RCS appraisers are also required to follow special procedures for all contracts, as outlined in this section, ~~under the following topics:~~

- ~~A. Mandatory market rent threshold~~
- ~~B. Steps for computing median rent and comparing it to the threshold~~
- ~~C. When project’s median rent exceeds the threshold~~
- ~~D. Special exceptions under the threshold~~

Note: HUD allows the use of a lender ordered MAP appraisal to serve as a substitute for the HUD required RCS if the following conditions are met:

- ~~1. The appraisal must be ordered, paid for, and underwritten by the lender. *The MAP appraiser must follow the existing requirements as stated in Chapter 9 of the Renewal Guide to determine the rent.* In cases where there is project-based Section 8 (Section 8), comparable market rents must be estimated both before and after repairs. The MAP Guide will be used for the remainder of the assignment.~~
- ~~2.1. *The MAP appraiser will use the form HUD 92273 S8 in lieu of the form HUD 92273. The 92273 S8 form will be used in all Section 8 related appraisals. The 92273 form will continue to be used for non Section 8 assignments.*~~
- ~~3.1. *Any appeals are to be made by the lender to the processing Regional Centers/Satellite Offices office. No direct appeals to Headquarters by the owner will be accepted.*~~
- ~~4. To set the Section 8 rents, HUD staff shall use the lender supplied appraisal and the HUD 92273 S8 as they would have used the HUD *procured RCS and use Section 14.C to determine the final comparable market rents for the project.*~~
- ~~5. *Appraisers and HUD review appraisers should follow the most current USPAP.*~~

A.- Mandatory market rent threshold. The following requirements will apply for all contracts where the owner’s RCS concludes that the project’s mediangross rent for the assisted units, as derived from the RCS, exceeds 140150 percent of the “Median Gross Rent by Zip Code Tabulation Small Area” FMR gross rent for the property ZIP code as published by the U. S. Bureau of the Census or another comparable source as determined annually by the Department. These requirements do not apply to studies undertaken as part of the

Mark-To-Market (MTM) process. All RCS submissions (other than those for the MTM process) to HUD/CA must include a distribution of RCS Rents and Subject Project's median subject project's gross rent (as explained in Step 1, below, under Section 9-14. B).

B.- Steps for Computing Median Gross Rent and Comparing it to the Threshold. The RCS appraiser will follow the steps outlined below for all RCS submissions (except for those undertaken as part of the MTM process):

Step 1: Compute Subject Project's median gross renewal rent as determined by the RCS;

Step 2: Identify the 140 percent Median Gross Rent for the Subject Project's zip code;

Step 3: Compare Project's median rent to 140 percent of Median Gross Rent.

Step 1: Compute Subject Project's median rent as determine by RCS: The RCS appraiser will compute the median gross renewal rent for the subject project's assisted units by identifying the rental rate in the middle of the distribution of RCS rents for the subject project's assisted units. The following examples illustrate and differentiate how to compute the median rent for a project with odd or even multiplying the RCS rent by the number of units for each renewal type, and by calculating a monthly total assisted units.

Example 1 (Odd # of Units) Example 2 (Even # of Units)

of Bedrooms

0
1
2

Total

Median Rent

Example 1 (project has odd number of total assisted units): The project consists of a total 25 units. The median gross \$700 If an RCS contains multiple rent \$700 modules (such as in a

# of Units	RCS \$ Rent	Cumulative # Units	# of Units	RCS \$ Rent	Cumulative # Units
5	\$1,200	13	5	\$1,200	13
12	\$1,900	25	13	\$1,900	26

Chapter Fifteen renewal with both as-is and post-rehabilitation rents), the higher gross renewal rent will amount must be computed by adding one to used in the total number of analysis.

units and dividing by two, i.e. $(1+25)/2$ = the rent of the 13th unit, or \$1,240.

Example 2 (project has an even number of total assisted units): The project consists of a total of 26 units. The median rent will be obtained by taking simple average of the rents for the 13th and 14th unit, or average of \$1,200 and \$1,900, resulting in a median rent of \$1,550.

Step 2: Identify the 140-150 percent Determine Median Gross SAFMR Rent Threshold by Subject Project's Zip Code: HUD provides the most recent ACS 5-year estimate publishes annually a list of SAFMR rents for each unit size within a ZIP code at http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/mfhse-c8. The RCS appraiser must use this file to search by zip code where the subject project is located, and identify the 140 percent Median Gross Rent threshold for the subject project by its 5-digit zip code. <https://www.huduser.gov/portal/datasets/fmr/smallarea/index.html>. In those rare cases where the subject project to be evaluated lies within multiple zip/ZIP codes either because of the scattered-site configuration of the property or simply because a zip/ZIP code boundary happens to be separate living units within the same property due to its large size and straddling location, the Median Gross Rent Estimate gross rent estimate that is the larger of the figures for the two respective zip/ZIP codes will apply to all assisted living units within the subject project being evaluated. If HUD has not published a SAFMR for the project's ZIP code, the FMR rents for the project's market area shall be used instead (<https://www.huduser.gov/portal/datasets/fmr.html>).

Step 3: Compare Project's mediangross renewal rent to 140-150 percent of Median SAFMR Gross Rent: The RCS appraiser will then compare the mediangross renewal rent determined under Step 1, with the Median Gross Rent SAFMR gross rent for the relevant zip code as determined under Step 2. If the Project's project's assisted units' estimated/median rent does not exceed 140-150 percent of the Median Gross Rent SAFMR gross rent, a HUD-commissioned RCS would will not be required for the purposes of mandatory market rent threshold requirements. If the mediangross renewal rent exceeds this threshold, then HUD will use the process described below to establish comparable market rents. An example comparison of a project's RCS gross renewal rent to 150 percent of SAFMR gross rent is as follows:

Example Project in ZIP code 76469

Owner's Gross Renewal Rent Calculation

<u>Unit Size</u>	<u>Number of Units</u>	<u>RCS Rent</u>	<u>Gross Rent</u>
<u>1 Bedroom</u>	<u>50</u>	<u>\$800</u>	<u>\$40,000</u>
<u>2 Bedroom</u>	<u>75</u>	<u>\$1,100</u>	<u>\$82,500</u>

<u>Total Gross Renewal Rent</u>	<u>\$122,500</u>
---------------------------------	------------------

SAFMR Gross Rent Calculation

<u>Unit Size</u>	<u>Number of Units</u>	<u>SAFMR Rent</u>	<u>Gross Rent</u>
<u>1 Bedroom</u>	<u>50</u>	<u>\$610</u>	<u>\$36,600</u>
<u>2 Bedroom</u>	<u>75</u>	<u>\$800</u>	<u>\$60,000</u>
		<u>Total Gross SAFMR Rent</u>	<u>\$96,600</u>
		<u>150% of SAFMR Gross Rent</u>	<u>\$144,900</u>

Owner's gross renewal rent is less than 150 percent of SAFMR gross rent, so the RCS does not exceed the mandatory market rent threshold.

C.- When Project's ~~median~~ gross renewal rent exceeds the Threshold. If the RCS-based ~~median~~ gross renewal rent for the ~~Subject Project's~~ subject project's assisted units exceeds ~~140~~150 percent of the ~~Median Gross Rent~~ SAFMR gross rent for the project's ~~zip~~ ZIP code, then a HUD-commissioned RCS ~~would~~ will be required. In such a scenario, HUD will ~~hire an~~ use independent third-party ~~appraiser~~ appraisal services procured through its Contracting Officer to prepare ~~another an~~ RCS for the ~~Subject Project~~ subject project. For an RCS ~~submitted~~ that ~~include~~ includes both "as-is" and "post-~~rehab~~ rehabilitation" market rent estimates, if either the "as-is" estimate or the "post-~~repair~~ rehabilitation" estimate exceeds the threshold, then a HUD-~~study would-~~ commissioned RCS will be required. If the "as-is" rents do not exceed the mandatory market rent threshold, then a HUD-commissioned RCS will be procured only for the "post-rehabilitation" condition of the property. HUD shall not commission a third-party RCS until the owner's RCS has been substantively reviewed and deemed acceptable, with no outstanding appeals. HUD is the only intended user of the HUD-commissioned RCS, however a copy will be shared with the owner upon written request.

D. Funding for HUD-Commissioned RCS: ~~Since, A~~ HUD-commissioned ~~RCSs will~~ RCS may be ~~done~~ ordered for ~~both~~ either an insured ~~and or an~~ uninsured properties, ~~contract~~ property. Contract funds to pay for the studies will come from the following respective sources ~~below~~:

1. FHA Insured: Technical Discipline Contract PAS Code: MTF.
2. Noninsured: Section 8 program funds. PAS Code: CRE.

E. Differences in Comparability Studies: HUD ~~will~~ is not required to perform a substantive review of the HUD-commissioned RCS but may perform such a review for the purpose of quality control of the contractor's work product. HUD will review each HUD-commissioned RCS using the "initial Initial Checklist" (included in Appendix 9-5) to determine if all the required material has been submitted. If so, HUD will compare the gross rent potential for the subject project as determined by the HUD-commissioned RCS

~~versus conclusions of~~ the HUD-commissioned RCS and the owner-contracted RCS; and the final market rent for the subject project will be determined as follows:

1. ~~a-~~ When the HUD comparable gross rent potential is greater than the owner's comparable gross rent potential, the final comparable market rents will be the owner's comparable market rents.
2. ~~b-~~ When the HUD comparable gross rent potential is less than the owner's comparable gross rent potential, the final comparable market rents will be determined ~~by reviewing if the owner's comparable rent potential is as follows:~~
 - a. If the owner's comparable gross rent potential is less than 105 percent of the HUD comparable rent potential, ~~and if so, then~~ the final comparable market rents will be the owner comparable market rents; ~~or,~~
 - b. If the owner's comparable gross rent potential is greater than or equal to 105 percent of the HUD comparable rent potential, ~~in which case then~~ the final comparable market rents will be 105 percent of the market rents as determined by the HUD-commissioned RCS.

~~iREMS: HUD reviewers will use iREMS for comparing the owner and HUD comparability studies, determining the final comparable market rents and determining final eligibility.~~

F. Transparency: of HUD-Commissioned RCS. The owner ~~can~~ may request a copy of the HUD-commissioned RCS for ~~information~~ informational purposes only. There are no negotiations allowed ~~nor is there an appeal process for differences between the two RCSs.~~ ~~However, if the owner identifies, however the owner may identify~~ factual discrepancies, such as errors in ~~regarding a mistake of square footage or computational errors that contribute to a large discrepancy in concluded rents, then the owner may notify HUD, a mistake regarding the presence/absence of a characteristic resulting in an adjustment, or a mathematical miscalculation~~ and HUD will review ~~the discrepancy..~~ If such discrepancies are indeed errors in the RCS, HUD will work with the third-party appraiser to correct such errors and adjust the rent conclusions. For other issues of professional discretion, such as the choice of comparables, the amount of adjustments, or derivation of concluded rent, the HUD-commissioned RCS will prevail; and cannot be appealed ~~or questioned~~ by the owner.

G. HUD allows the use of a lender ordered MAP appraisal to serve as a substitute for the HUD-commissioned required RCS if the following conditions are met.

1. The appraisal must be ordered, paid for, and underwritten by the lender. The MAP appraiser must follow the existing requirements as stated in Chapter 9 of this Guide to determine the rent. In cases where there is project-based Section 8 (Section 8), comparable market rents must be estimated both before and after repairs. The MAP Guide will be used for the remainder of the assignment.

2. The MAP appraiser must use the form HUD 92273-S8 in lieu of the form HUD 92273. The 92273-S8 form will be used in all Section 8 related appraisals. The 92273 form will continue to be used for non-Section 8 assignments.
3. Lender appraisers and HUD reviewers must follow the most current USPAP standards.
4. Any appeals regarding the MAP appraisal are to be made by the lender to the processing Regional Centers/Satellite Offices office. No direct appeals to Headquarters by the owner will be accepted.

To set the Section 8 rents, HUD staff shall use the lender-supplied appraisal and the HUD 92273-S8 as they would have used the HUD. **Special exceptions under the threshold.** One of the primary reasons for utilizing the U.S. Department of Census-based threshold is that it is market-based, and it allows for greater comprehensiveness and granularity since it is available by zip codes. However, the threshold has a few limitations. For instance, the Median Market Rent Estimate does not differentiate rents by dwelling unit size. Although statistically, 'Median' should depict rental rates in the middle of the distribution of rents, the threshold does not currently capture the variability in unit sizes and considers all data from studio apartments to the largest units available in the zip code. However, HUD's escalation factor of 140 percent should minimize the effect of this limitation, and provide greater comfort to owners with properties skewed toward larger unit sizes. Other limitations of the Census-based threshold are described below, along with specific guidance for when such situations are encountered.

Special Case #1: When median gross market rent in a zip code equals or exceeds \$2,000, the Census Bureau does not report the actual market rent value. Instead, the Bureau assigns such zip codes a value of '\$2,000+' (or \$2,800+ with the 140% escalation factor). If a Subject Project belongs to such a zip code where the Median-commissioned RCS Gross Rent is estimated at '\$2,000+', HUD will review if the owner's comparable gross rent potential:

- i. is less than 140 percent of \$2,000 (or \$2,800), then no further action is required and use Section 9-14(C) to determine the final comparable market rent is determined by the owner's RCS; or
- ii. is greater than or equal to 140 percent of \$2,000 (or \$2,800), but less than 105 percent of the current HAP contract rent for the subject project, then the final comparable market rent is determined by the owner's RCS; or
- iii. is greater than or equal to 140 percent of \$2,000 (or \$2,800), and greater than or equal to 105 percent of the current HAP contract rents for the subject project, then a HUD-commissioned RCS would be required.

The examples below illustrate the two-stage assessment process described above. As illustrated, a new HUD-commissioned RCS will be required if owner's comparable gross rent potential exceeds \$2,800 and it also exceeds 105 percent of the current HAP rents.

For Zip Codes with ACS-based Median Gross Market Rent of \$2,000+

	Example 1	Example 2	Example 3
RCS Rent submitted by owner ACS-based Median Market Rent for Zip Code	\$2,800 \$2,000+	\$3,000 \$2,000+	\$3,000 \$2,000+
TEST 1:	Is \$2,800 >	Is \$3,000 >	Is \$3,000 >
Does RCS Rent Exceed 140% of	\$2,800?	\$2,800?	\$2,800?
Results of Test 1	NO	YES	YES
If "NO", RCS Rent prevails. If "YES", subjected to Test 2	RCS Rent Prevails	Subjected to Test 2	Subjected to Test 2
Current HAP Rent for the Project		\$2,900	\$2,800
TEST 2:		Is \$3,000 >	Is \$3,000 >
Does RCS Rent Exceed 105% of		\$2,900?	\$2,900?
Results of Test 2		NO	YES
If "NO" RCS Rent prevails. If		RCS Rent	HUD RCS

Special Case #2: When the Median Gross Rent Estimate is unavailable for a certain zip code, the U.S. Census Bureau reports the value as ‘missing’ or ‘blank’ (or “**”) on the HUD published Median Gross Rent Excel spreadsheet). This may occur for zip codes that belong to national parks, resort areas, or in some rural areas so sparsely populated that there is an insufficient number of rental units available for the Census Bureau to compute and report a Median Gross Rent estimate.

If the Subject Project belongs to such a zip code, HUD will compare the owner’s gross potential rent with the current HAP contract rents. More specifically, if the owner’s comparable gross potential rent:

- i. is less than 105 percent of the current HAP contract rents, then no further action is required and the final comparable market rent is determined by the owner’s RCS; or
- ii. is greater than or equal to 105 percent of the current HAP contract rents, then a HUD-commissioned RCS would be required.

9-15 HUD REVIEW OF RENT COMPARABILITY STUDY

This Section gives Housing staff and Section 8 Contract Administrators (provides guidance to HUD/CAs) guidance on how to review RCSs an owner’s RCS prepared and submitted in

accordance with Sections 9–7 through 9–14 of this Chapter. When referring to a particular staff position, this Section uses titles typically used at HUD. CAs should translate those to their own position titles.

This Section also ~~provides~~defines categories of reviewers, ~~i.e., initial. Initial~~ reviewers (~~comprised of~~are HUD/CA staff), ~~and substantive. Substantive~~ reviewers (~~who~~ are required to be state-certified appraisers for all reviews conducted by CAs, or HUD appraisers for those completed by HUD’s Multifamily Regional Centers and Satellite Offices). ~~Such (such~~ substantive reviewers are also referred to as RCS review appraisers~~).~~ For ~~instance~~instance, where HUD’s staffing does not permit the availability of a HUD appraiser, a non-appraiser HUD staff person can complete the substantive review, subject to the minimum requirements and process outlined below.

A. ~~A.~~ Minimum qualifications for reviewers. ~~All RCSs~~Each RCS must be reviewed by staff members who possess the requisite knowledge needed for the level of review being performed. Section 9–16 of this Chapter provides guidance on the level of reviews.

1. Initial Screening: An initial review for timeliness and completeness ~~may~~shall be completed by a HUD/CA initial reviewer using the checklist provided under Appendix 9–5–1. While completing this review, the HUD/CA initial reviewer must adhere to the policies and ~~time frames~~timeframes set forth in this Chapter’s guidance. The HUD/CA initial reviewer must also have read ~~the~~this Chapter Nine guidance and Appendices within the preceding 12 months of performing their first ~~Initial Screening~~initial screening review.
2. Substantive Review: All substantive reviews conducted by CAs must be completed by a state-certified general appraiser. Substantive reviews completed by HUD staff should ideally be completed by HUD appraisers. However, ~~if HUD staffing does not permit that,~~ a non-appraiser substantive reviewer from HUD staff ~~must~~may complete the substantive review if they meet the following minimum qualifications ~~to complete a substantive review~~:
 - a. Have a minimum of two years’ direct multifamily experience. Besides direct experience in HUD multifamily review, other acceptable qualifying experience would be two years’ employment in multifamily project management or leasing, multifamily loan or acquisition underwriting, and/or multifamily development. This background is necessary to effectively review the RCS facts, reasoning, and conclusions; and
 - b. Have read ~~the~~this Chapter Nine guidance and Appendices within the preceding 12 months of performing their first ~~Substantive~~substantive review.

B. ~~B.~~ Process for approving non-appraiser substantive reviewers. The Regional Center Director at HUD’s Multifamily Satellite Office, must authorize all non-appraiser substantive reviewers performing substantive reviews on RCSs within their region.

~~C.~~ ~~C. Timing requirements.~~ An initial screening review using the checklist in Appendix ~~95-9-5-1~~ must be completed within 10 calendar days of the date of receipt of an RCS from the ~~owner~~ Owner. The HUD/CA initial reviewer may contact the RCS appraiser directly unless the ~~owner~~ Owner has specifically objected to that in the ~~owner's~~ Owner's cover letter (as required under Section ~~9-7~~). The HUD/CA initial reviewer must follow up with the ~~owner~~ Owner or RCS appraiser, by email or other ~~forms~~ form of written correspondence, if:

1. The ~~owner's~~ Owner's submission is incomplete. The RCS appraiser or the ~~owner~~ Owner must submit the missing items within 7 calendar days of the HUD/CA initial reviewer's request. If the materials are not submitted, the renewal process is considered abandoned and the owner must make a complete submission to initiate the process again.
2. More than 90 calendar days elapsed between the RCS appraiser's transmittal letter and the date the ~~owner~~ Owner first submitted the RCS to either HUD, or the CA. Under this scenario, the HUD/CA initial reviewer must return the RCS and ask the ~~owner~~ Owner to have the RCS appraiser update the data to comply with Section ~~9-8~~.

~~D.~~ ~~D. Record Keeping-Recordkeeping.~~ All categories of reviewers must retain the RCS submission, subsequent correspondence with the ~~owner~~ Owner, and ~~review~~ all materials and documentation, for a minimum 3 years from the date of a 3-year period: the Owner's RCS submission. This ~~includes review~~ retention requirement applies equally to RCS materials ~~of RCSs~~ that were ~~previously submitted by RCS appraisers,~~ and deemed inadequate and/or incomplete.

9-16 INITIAL AND SUBSTANTIVE REVIEW OF OWNER'S RCS

This section provides guidance to initial and substantive reviewers for performing a comprehensive review of the ~~RCS.~~ It covers guidance on the following items: owner's RCS, covering the initial review, substantive review, and field visit.

A. Initial Review

B. Substantive Review

C. Field Visit

- A. **Initial Review.** ~~The~~ HUD/CA initial ~~reviewers performing~~ reviewer performs an initial screening of the ~~RCSs~~ RCS for completeness and timeliness ~~check must utilize~~ utilizing the ~~“Initial Screening”~~ “Initial Screening” checklist provided under Appendix ~~9-5-1~~. The HUD/CA initial reviewer must sign and retain the completed checklist, and a copy must be provided to the substantive reviewer informing ~~him/her~~ them that the RCS is determined to be complete and ready for a substantive review. ~~If found~~ If the initial reviewer finds the RCS to be incomplete, the initial reviewer must contact the ~~owner~~ Owner or the ~~owner's~~ Owner's appraiser to obtain the missing material before the package is forwarded to the substantive reviewer.

B. Purpose of Substantive Review.

1.B. Purpose of a Substantive Review. The purpose of a substantive review is to assess and evaluate whether the owner's RCS appraiser's selection of comparables, adjustments, and rent conclusions are reasonable. The substantive reviewer may not agree with every detail of the RCS, but the substantive reviewer's approval of the RCS means that the substantive reviewer has concluded that the suggested market rents presented in the RCS are reasonably supported by market facts. The RCS ~~should~~must contain sufficient information to convince a person unfamiliar with the market areas or properties involved; that the RCS conclusions are reasonable.

2.1. Compliance with USPAP. ~~Policying~~The substantive reviewer should not focus on compliance with USPAP ~~should not be the focus of a substantive reviewer,~~ unless the substantive reviewer identifies significant problems in the research, facts, reasoning, or conclusions noted in the RCS report. Substantive reviewers are not required to check for compliance with USPAP when performing a substantive review.

C. 3. Scope of a Substantive Review. The key focus for a substantive reviewer ~~should be~~is to ensure that the owner's RCS is reasonable, consistent with facts and standard appraisal practice, and complies with the guidance provided in Sections 9-9 through 9-13. The tools and checklists provided under Appendix 9-5-2 through ~~95-9-5-6,~~ and discussed in detail below, ~~should~~will facilitate the substantive review process.

a.1. Detailed Screening Checklist. Appendix 9-5-2 provides a “Detailed Screening’Screening” checklist ~~incorporatingthat~~ incorporates key questions that a substantive reviewer must assess and evaluate when reviewing an RCS. These key questions incorporate requirements under Sections 9-9 through 9-11, with respect to analyzing the subject project, comparables selection and data collection. Substantive reviewers must document any concerns or conclusions in the checklist when reviewing the RCS.

b.2. Rent Grid Analysis Checklist. ~~All~~The substantive ~~reviewers~~reviewer must complete the ‘Rent Grid Analysis’ checklist~~Analysis Checklist~~ (Appendix 9-5-3) using guidance provided under “Notes for Rent Grid Analysis and Triggers for Second Review’Review” (Appendix 9-5-4). The purpose of these checklists is to ensure that the concluded market rent is appropriate and reasonable. Substantive reviewers are not expected to challenge minor differences in RCS adjustments, particularly if correcting those perceived flaws would not affect the rent an owner will receive; or the estimated market rent shown on the ~~rent grid.~~Rent Comparability Grid (Form HUD-92273-S8). For example, if the owner is seeking a \$20 rent increase, and the market rent increase will exceed \$20 even if adjustments ~~were~~are revised, then it would not be cost effective to spend extensive time analyzing adjustments that are reasonably close.

e.3. Triggers for Second Review for Non-Appraiser Reviewers. In cases where an RCS includes line-item adjustments that are identified as triggers under Appendix 9-5-4, and if the substantive reviewer is a non-appraiser HUD ~~staff~~employee, HUD requires that a second reviewer also review and sign-off on the specific

trigger items. The second reviewer must meet the minimum qualification requirements (as described under Section 9-15.-A.) and is required to provide input on the appropriateness and reasonableness of only the specific line item that triggered a second review, as opposed to the entire RCS. If the first and second reviewers do not reach consensus, then the trigger item will be reviewed by an RCS review appraiser, whose opinion will prevail as to what revisions, if applicable, need to be made to the RCS. Please note that seeking a second reviewer's input is not a requirement if the first or second substantive reviewer is an RCS review appraiser (state-certified).

~~d.4.~~ Issues/Certification Memo. Once the substantive reviewer has completed the detailed screening and ~~rent grid analysis~~Rent Comparability Grid, the substantive reviewer must also complete a certification (Appendix 9-5-5). If the substantive reviewer has questions or needs additional clarification, they can use the sample provided in Appendix 9-5-6 for preparing an issues memo for the ~~owner~~Owner and/or RCS appraiser.

~~C.D.~~ Field Visits. While most RCS reviews usually ~~only~~ require a desk review only, substantive reviewers may recommend a field review if they believe a site visit is needed to ~~accurately~~ assess the RCS. If required, all field reviews must be conducted by an RCS review appraiser. A substantive reviewer must consider recommending a field visit when:

1. The desk review raises major questions;
2. The substantive reviewer is largely unfamiliar with the market area, the subject project or the comparables; or
3. The substantive reviewer is considering challenging adjustments for condition, appeal, neighborhood, or other factors that can change quickly.

Note: If not acting as the review appraiser, HUD staff may review the RCS and communicate concerns to the review appraiser. However, the review appraiser makes the final determination of market rents.

9-17 COMMUNICATING RESULTS OF HUD/CA REVIEWS

The HUD/CA must convey the results of ~~their~~the substantive review of the owner's RCS to the owner within 30 calendar days after receiving a complete RCS package from the ~~owner~~Owner.

- A. Approval: If the HUD/ CA substantive reviewer agrees with the RCS appraiser's market rent conclusions, they must document that agreement on the reviewer's certification (Appendix 9-5-5) and notify the ~~Account Executive~~AE that the market rents in the RCS are acceptable for use in further processing of the renewal.
- B. Questions and/or Clarifications: If aspects of the RCS are unclear or ~~unconvincing~~unsupported, the HUD/CA substantive reviewer must ask the RCS appraiser for additional information or explanation, if the ~~owner's~~Owner's cover letter permits the HUD/CA reviewer to reach the RCS appraiser directly. If the issues ~~are minor~~have a minimal effect on valuation and the HUD/CA expect~~reviewer expects~~ easy resolution, the

substantive reviewer may call the RCS appraiser. If concerns are many, more significant, or complicated, the HUD/CA reviewer must send the RCS appraiser an email-/fax/hard copy of a letter stating the concerns highlighted in the Reviewer's Issues Memo (sample provided in Appendix 9-5-6) and give the RCS appraiser up to 10 calendar days to respond. (The HUD/CA reviewer must copy the ~~owner contact~~Owner on any written correspondence.) The RCS appraiser must send the requested information to the HUD/CA reviewer and copy the ~~owner~~Owner.

Within 10 calendar days after final information was due from the ~~owner~~Owner or RCS appraiser, the HUD/CA reviewer must either: 1) accept the study and proceed as described in Section 9-17-A, above; or 2) draft a decision letter to the ~~owner~~Owner.

C. ~~Decision Letter~~. If the RCS appraiser's response does not resolve the substantive reviewer's concerns, the substantive reviewer will draft a decision letter challenging the RCS. If the substantive reviewer is a non-appraiser, an RCS review appraiser must also be engaged to review the subject's RCS prior to issuance of such a letter. If the RCS review appraiser also concludes that the rejection is warranted, then the substantive reviewer may issue the decision letter that either, ~~a)~~ tells the ~~owner~~Owner the study must be redone and resubmitted; or ~~b)~~ challenges the study's rent conclusions and suggests an alternate rent. Any alternate rents must be developed by a RCS review appraiser and be consistent with this Chapter's procedures and USPAP. The decision letter must tell the owner how the RCS review appraiser arrived at the suggested market rent. The decision letter must also:

1. be signed by the Regional Office Director or designee;
2. clearly state the reasons the RCS is challenged or that alternate rents are offered;
3. list the ~~owner's~~Owner's options; and
4. provide a firm deadline for the ~~owner~~Owner to respond.

D. ~~Owner's Response~~. The ~~owner~~Owner has 10 calendar days after the date of ~~decision letter~~the Decision Letter to advise HUD in writing if he/she chooses of their choice to (i) accept HUD's alternate rents, (ii) ~~resubmits~~submit a new study, or (iii) appeal HUD's decision.

If the ~~owner~~Owner chooses to appeal or resubmit ~~an~~their RCS, HUD/-CA may, upon the Owner's request, prepare a short-term renewal at the then-current rents; to allow time for processing the appeal. Any rent increases because of the appeal, will be retroactive: to the date of execution of the short-term renewal contract. Submission of a new study restarts the processing timeline. If the ~~owner~~Owner chooses to appeal, the ~~owner~~Owner may not submit a new or revised study, and must follow the process outlined under Section 9-18, below.

9-18 OWNER APPEALS

If the owner chooses toAn Owner may appeal HUD's decision letter, the owner must follow by following the steps provided below. There-The Owner may not make changes to an RCS

following the issuance of a decision letter, as the purpose of an appeal is ~~no appeal process to~~ provide support for the conclusions reached in the original study. The HUD-commissioned ~~RCS~~, RCS is not appealable following the process set out in this section, but an owner may bring factual discrepancies or errors to HUD's attention for possible correction as described under Section 9–14.F. All appeals of HUD's decision letter, when eligible, are reviewed and decided by HUD staff at the appropriate Regional Center, ~~as opposed to~~ rather than HUD headquarters. The appeal process is as follows:

A. First Level Appeal.

- 1.A. Owner prepares written statement. Subsequent to submitting the ~~owner's~~ Owner's letter indicating an appeal of HUD's decision, ~~owner~~ the Owner must ~~prepare and~~ submit a written statement of his/her reasons for appeal and any data that supports his/her objections. This written statement must be delivered via email to the Regional Center or Satellite Office Asset Management Division Director within 20 calendar days after the date of HUD/CA's initial decision ~~letter (or 10 calendar days after the date of owner's response)~~ as provided by Section 9–17 above.
- 2.B. Owner may request meeting. In addition to ~~the providing a~~ written statement, the ~~owner~~ Owner may ~~also~~ request a meeting, or a conference call with the RCS review appraiser. If such a request is made, a meeting or a conference call must be held within 15 calendar days of the date of the ~~owner's~~ Owner's appeal. The ~~owner~~ Owner, the RCS appraiser, the RCS review appraiser, and the Regional Center or Satellite Office Asset Management Division Director/designee must participate. The Regional Center or Satellite Office Asset Management Division Director and RCS review appraiser ~~should~~ must consider if a field visit is needed to ~~accurately~~ process the appeal as discussed in Section 9–16–16–C, above. In some instances, the Regional Center or Satellite Office Asset Management Division Director and RCS review appraiser may ask for additional information from the ~~owner~~ Owner and the RCS appraiser. This information must be submitted by the ~~owner~~ Owner within 10 calendar days after the date of the meeting or conference call.
- 3.C. HUD reviews Owner's request. The RCS review appraiser and the Regional Center or Satellite Office Asset Management Division Director will review the ~~owner's~~ Owner's appeal ~~in conjunction with, including~~ any supplemental information submitted by the ~~owner~~ Owner, and issue a letter reporting the results of the review within 15 calendar days after the latest of: the date the ~~owner~~ Owner submitted the basis for the first appeal; the date of any meeting/conference call conducted per ~~Paragraph A.2; paragraph B.;~~ or the date by which ~~owner~~ the Owner submits additional information requested by HUD per ~~Paragraph A.2; paragraph B.~~ HUD's letter in response to the owner's first appeal must be signed by the Regional Center or Satellite Office Asset Management Division Director, and it may accept the RCS with supplemental information submitted by the ~~owner~~ Owner, reject ~~owner's~~ the Owner's first appeal and require resubmission of a new RCS study, or propose HUD's alternate rents for the project.

The ~~owner~~ Owner may either accept HUD's decision or ~~submit a second appeal~~ withdraw the renewal request.

2. B. Second Level Appeal.

~~5.D.~~ . If the owner chooses to pursue a second level appeal, the owner must submit a written statement of his/her reasons for a second appeal and any data that supports his/her objections to the Regional Center or Satellite Office Asset Management Division Director's decision letter in response to the owner's first appeal. The submission must be received within 15 calendar days after the date of the Regional Center or Satellite Office Asset Management Division Director's decision letter on the first appeal, and must be addressed to the Regional Center Office Director and must copy the Regional Center or Satellite Office Asset Management Division Director. The owner may also request a short-term renewal at current rents if the contract has expired or if expiration is imminent.

1. The Regional Center Director will determine if the appeal has potential merit and, if so, issue a short-term renewal at then-current rents, to allow time to process the appeal. Any rent increases as a result of the second appeal will be made retroactively.

~~6.2.~~ The Regional Center or Satellite Office Director may contact the owner, the RCS appraiser, or the Regional Center or Satellite Office Asset Management Division Director and/or the RCS review appraiser for clarification or additional information.

~~7.3.~~ 3. The Regional Center Director must issue a decision letter to the owner within 15 calendar days after the date of the owner's second appeal. The letter must clearly state the basis for HUD's decision.

9-19 IMPOSING SANCTIONS ON APPRAISERS

If, after the substantive review and communication, discussion, or appeal pursuant to Section 9-17 or 9-18, a CA or Regional Director still concludes that the RCS appraiser's work is seriously deficient, the CA/Regional Director ~~should~~may consider:

- A. Reporting material deficiencies in the appraiser's work product to the state's real estate appraisal regulatory authority; and
- ~~B.~~ Imposing or recommending imposition of HUD's administrative sanctions (~~Limited Denial of Participation (LDP)~~,₂ suspension,₁ or debarment).

PUBLIC COMMENT VERSION: Chapter 9: Rent Comparability Studies

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~~Appendix 9-1~~

~~Guidance for RCS Appraisers~~

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~~9-1-3: Required Content for Rent Comparability Study~~

~~9-1-4: Comparable Project Profile~~

~~9-1-5: RCS Appraiser's Certification~~

~~9-1-6: Sample for RCS Appraiser's Transmittal Letter~~

~~9-1-7: Special Exceptions under Mandatory Rent Threshold~~

Appendix 9-1-1

[Link to HUD Form 92273-S8](#)

[Rent Grid \(HUD 92273-S8\)](#)

Instructions for Completing the HUD Form 92273-S8

Rent Grid:

RCS appraisers must use the Rent [Comparability](#) Grid (HUD 92273-S8) for preparing an RCS to estimate “market” rents for the subject project. A Rent [Comparability](#) Grid provides a tool for documenting the characteristics of the subject and the comparables, and the adjustments made for differences between a comparable and the subject. The Rent [Comparability](#) Grid is comprised of seven parts, and this Appendix includes “line-by-line instructions” for populating each data column under the forty-six line items on the Rent [Comparability](#) Grid.

RCS appraisers must review and comply with the guidance provided in Sections 9-8 through [9439-13](#) of Chapter Nine, and the instructions provided below before preparing a Rent [Comparability](#) Grid.

~~A.~~ A. General Instructions

~~B.~~ Instructions for HUD’s Excel Based Rent Grid

~~C.~~ Line by Line Instructions

A. GENERAL INSTRUCTIONS

1. Prepare a separate Rent [Comparability](#) Grid for each *primary* Section 8-unit type. The RCS appraiser should review Section 9-9. A for guidance on classifying unit types as primary or secondary. For any secondary unit types, RCS appraisers need not complete a separate rent [comparability](#) grid.
2. Complete all lines of the Rent [Comparability](#) Grid. The RCS appraiser must show all comparables for one unit type on one Rent [Comparability](#) Grid. The RCS appraiser must enter the comparable’s name and address at the top of each column, fill in all lines of the Grid’s data columns, even if no adjustment is made on a line. The RCS appraiser must use the specific letter codes listed in line items 8 and 9 under Section C of this Appendix. If a project has other characteristics that would affect the rent that the project could command in the subject’s market area, then the RCS appraiser may use blank lines (Lines 22 and 23) to capture these other characteristics.
3. Make adjustments to comparable’s rents. Not all of the characteristics will affect rents. Local market conditions will dictate if, when and how much of an impact each characteristic will have upon rent. The RCS appraiser is required to make adjustments only for differences in characteristics that would affect the amount of rent that prospective tenants in the subject’s market area are willing to pay. The RCS appraiser must display all adjustments in dollar amounts. The RCS appraiser may leave adjustment entries blank (not zero) if local tenants would not pay for the difference shown on that line.
4. Provide narrative explanations. The RCS appraiser must attach a narrative explaining *why* each adjustment was made and *how* the dollar value of the adjustment was

derived for all adjustments exceeding a *nominal amount* (as defined in Section 9-12.C.2).

a.—The RCS appraiser must prepare a separate set of explanations for each Grid. If an

Appendix 9-1-2

a. explanation applies to more than one comparable, the RCS appraiser may refer back to that explanation rather than repeating it each time. For example, the location adjustment for Comparable Y was estimated for the same reason and in the same way as for Comparable X.

b. ~~b.~~ The RCS appraiser must include the following two additional narrative explanations, if applicable, for the estimated market rent (Line 46 of the instructions): 1) how the market rent was derived from the comparables' adjusted rents; and 2) how a primary unit type's market rent was adjusted to derive a market rent for a secondary unit type.

5. ~~5.~~ Pay attention to special issues. The following are some of the issues and errors that are commonly noted by substantive reviewers. RCS appraisers must pay special attention to the guidance in this Appendix when making adjustments for these line items. The issues listed below are not in any order of occurrence or importance.

Line Item	Topic	Common RCS Review Issues
#1	Rent Restricted	RCS shows dollar adjustment made for the fact that a rent is restricted.
#4	Occupancy percent	RCS shows adjustment made for occupancy differential due to factors other than the project's rent level.
#8-9	Condition/Street Appeal/Neighborhood	RCS shows large dollar adjustments for Lines 8 and 9, which makes the reviewer question if the respective comparable is similar enough. Also, RCS appraiser uses rating levels such as "G+" or "G- ", as opposed to complying with the five-point scale provided in this Appendix .
#10	Comparables from outside the subject's	RCS shows adjustment for comparables in a different market area, when market evidence indicates that the
#10	Comparables from outside the subject's market area	RCS shows adjustment for comparables in a different market area, when market evidence indicates that the difference in rent levels is not significant between the two market areas.
#13	Unit Interior Square	RCS shows unit size adjustments for size differences of
#13	Unit Interior Square Feet	RCS shows unit size adjustments for size differences of less than 10 square feet. Or, RCS shows adjustments for unit size differences without a corresponding narrative supporting the methodology used for deriving the adjustment amount.
#29	Non-Shelter Services	The total net adjustments for these line items exceeds

#29-31	<u>Non-Shelter Services</u>	The total net adjustments for these line items exceeds the larger of \$50 or 5 percent of the comparable's unadjusted rent, without supporting market-based evidence regarding the value of these services.
#33-	<u>Utilities</u>	The RCS shows an adjustment amount for these line
#33-39	<u>Utilities</u>	The RCS shows an adjustment amount for these line items that exceeds the respective published housing authority allowance for that category.

B. INSTRUCTIONS FOR HUD'S EXCEL-BASED RENT GRID

B. Instructions for HUD's Excel-Based Rent Comparability Grid

Before using HUD's Excel based Rent Comparability Grid, which can be downloaded at the link provided under Appendix 9-1-1, RCS appraisers must review the following instructions.

6. ~~1.~~ Worksheet is protected and locked. Formulas in the worksheet cannot be altered. If the RCS appraiser tries to enter data in a formula cell, the RCS appraiser will receive an error message stating that the cells are locked and cannot be changed.
7. ~~2.~~ Scrolling and entering data in the Worksheet. The RCS appraiser may use the tab key to move horizontally within the print area of the worksheet. This will allow the RCS appraiser to skip locked formula cells and stop only at cells designed to receive data. As the RCS appraiser enters adjustments, Excel will automatically compute counts, sums or percentages on the form.

 - a. The Tab Key will navigate as described only if the Excel settings are configured to: 1) not check the Transition Navigation Keys box; and 2) check the "Microsoft Excel Menus" button. The RCS appraiser may go to Tools-Options-Transition Tab to check settings.
 - b. As the RCS appraiser scrolls horizontally to the right, columns will shift left and be hidden behind Column C's row labels. This keeps line labels next to the data cells, making it easier to accurately load data. To view the hidden columns, the RCS appraiser may scroll back to the left. Similarly, rows will move up and disappear under the column headings as the RCS appraiser scrolls down. To bring the rows back into view, the RCS appraiser may scroll up.
8. ~~3.~~ Creating a New Grid. The "Create New Grid" button allows the RCS appraiser to simultaneously add a new unit type worksheet, label the tab at the bottom of the worksheet, and fill in the Unit Type box at the top of the worksheet. The RCS appraiser may enter different names/ labels for the tab and the unit type box on top.

If the "Create New Grid" button is used, the resulting worksheet will contain all the data that was on the worksheet containing the button. The RCS appraiser may edit any data

that is not appropriate for the new unit type. For example, the RCS appraiser could:

- a. Load just the project names and other identifying header data that will apply to most unit types and then use the "Create New Grid" button to create a worksheet for each unit type. The RCS appraiser could then load amenity and adjustment entries either individually on each sheet, by copying specific cells from one worksheet to another, or by clicking the control key and selecting multiple worksheets. When the control key option is used, data is entered simultaneously in the same cell location on all the selected worksheets.

- b. Fully complete one unit type worksheet, use the “Create New Grid” button to add another worksheet, and edit the resulting worksheet to change data that is not appropriate for the new unit type. The RCS appraiser must not forget to check any copied data.

~~appropriate for the new unit type. The RCS appraiser must not forget to check any copied data.~~

9. ~~4.~~ **Sign and Date the Form.** After completing the Rent [Comparability](#) Grid, the RCS appraiser must sign and date the form. The RCS appraiser must also indicate whether the Grid was prepared in Excel (with the computer running the calculations using HUD’s formulas). If the RCS appraiser used another approach (such as manual entry of data, which is discouraged by HUD), the RCS appraiser must note that on the bottom of the grid or at the end of narrative comments.

C. LINE BY LINE INSTRUCTIONS FOR PREPARING A RENT GRID

C. Line-by-Line Instructions for Preparing a Rent Comparability Grid

The guidance below provides line by line instructions to RCS appraisers for completing a Rent [Comparability](#) Grid. This guidance is organized by the seven parts (A through G) of a Rent [Comparability](#) Grid, covering forty-six line items.

Part A: Rents Charged (lines 1 through 5)

Before the rents for comparable units can be adjusted for differences from the subject, they must be adjusted for conditions at the comparable project itself. This section makes adjustments that are primarily internal to each individual comparable and produces an effective rent. Subsequent sections adjust each comparable’s effective rent by comparing the comparable to the subject project.

Line 1. \$ Last Rent/Restricted? In the “data” column, the RCS appraiser must enter the rent at which this unit type was last leased. This must be a rent that was actually paid; the RCS

appraiser must not enter an asking rent which has not yet been achieved. In the adjustments column, the RCS appraiser must enter “Y” if the unit is rent restricted and “N” if it is not. Rent restricted units include those that are subject to rent control, rent stabilization or other restrictions on the unit rent. (e.g., LIHTC, HOME, HOPE VI, and 236/BMIR/Rural Development Section 515 units). The RCS appraiser must identify the specific reason for a yes answer in the narrative explanation of adjustments. Using a comparable from an affordable/restricted project should be only a “last resort,” as adjustments that would need to be made to line items 2 through 39 for a restricted comparable are inherently subjective. However, rent restricted units could be used as comparables when they reasonably represent market rents. [Units in market areas with rent control may reasonably represent a market if they were leased recently, and should not be excluded solely on the basis of the rent control.](#) Using a comparable from other categories of project types, such as independent or assisted living facilities or master-planned retirement communities, for an age-restricted Section 8 project, may be difficult to justify because tenants at those types of projects choose them over conventional apartment projects due to the non-shelter services offered at such facilities. In particular, a comparable property that offers a daily meal or meals included in the monthly rent poses specific challenges with regard to determining appropriate rent adjustments.

Line 2. Date Last Leased. In the data column, the RCS appraiser must enter the date (month/ year) that unit type was most recently leased. This should be the date the most recent lease for the rent on Line 1 became effective. The RCS appraiser should make an adjustment here only if

the rental market has changed significantly between the date on this line and the date of the RCS appraiser's analysis. Adjustments here should be infrequent, as the RCS appraiser should be using only recent lease transactions to begin with. This adjustment may be needed when the comparable is at full occupancy and has had no turnover for an extended period. If market conditions have not changed, the RCS appraiser should not adjust even if considerable time has elapsed since Line 1's rent became effective.

Line 3. Rent Concessions. The RCS appraiser should evaluate if the comparable is offering initial rent or renewal concessions. The RCS appraiser must enter "Y" or "N", and may enter a negative adjustment to reflect the value of the concession, as appropriate. The RCS appraiser must prorate the concession over the lease period. For example, the RCS appraiser would make a (\$33) adjustment for one month free on a 12-month lease (requiring 11 monthly rent payments), at \$400 /month. If the free month is instead offered as an add-on before or after 12 months of payments, the adjustment in this example would be less (\$31).

Line 4. Occupancy percent for Unit Type. The RCS appraiser must consider only the unit type represented by the comparable. The RCS appraiser should enter the approximate percent of units in that type that are occupied as of the data collection date. The RCS appraiser must not enter occupancy for all unit types at the comparable. If the comparable's occupancy rate for the unit type under consideration is not typical of the comparable's market, the RCS appraiser must determine if the occupancy differential is due to the rent being set too high/ too low, or due to other factors.

1.10. If the occupancy gap is due to factors other than Line 1's rent level (e.g. condition or location), the RCS appraiser must not make an adjustment. The RCS appraiser should adjust only if the occupancy gap is clearly due to the rent level used on Line 1. If the comparable's occupancy for the unit type being studied is significantly lower than the typical occupancy rate for that unit type, the RCS appraiser should adjust negatively to indicate that the rent is too high. If the comparable's occupancy for the unit type being studied is significantly higher than the typical occupancy rate for that unit type, the RCS appraiser should make a positive adjustment.

2.11. If the property manager/other contact for a comparable is unwilling or unable to provide occupancy rates by unit type, the RCS appraiser should report overall occupancy for the comparable and note in the explanation for Line Item #4 that the occupancy rate is project-wide. If only overall occupancy is reported, an occupancy adjustment may be made only if the unit mix is such that the RCS appraiser can still conclude that the occupancy for the unit type is significantly different than market occupancy levels for that unit type. *Example:* If a project has 99 percent occupancy and 100 units (50 one-bedrooms, 50 two-bedrooms), it could still be concluded that the two-bedroom units being studied are at least 98 percent occupied. The RCS appraiser must explain how he/she arrived at that conclusion.

3. The occupancy adjustment is subjective, and thus it is not expected to be frequently used. Often, unusually low occupancy may have other explanations. For example, a low occupancy project may still be in initial absorption, or may be re-absorbing after a renovation or other unusual event. Conversely, an unusually high occupancy rate may be due to factors such as a high proportion of long-term tenants at below-market rates or the

12. presence of Section 8 voucher tenants, even if new rental transactions there are being done at market rates. The use of an occupancy adjustment should thus be reserved for the specific situation where management is marketing units consistently at unusually low or high rental rates over a sustained period of time as a matter of policy, with measurable impacts on project occupancy.

Line 5. Effective Rent and Rent/-Sq. Ft. The RCS appraiser must enter the sum of lines 2, 3, and 4. This yields an effective rent after age of the lease, occupancy, and rental concessions are taken into account. Excel based Rent Comparability Grids will automatically calculate the total rent. After the RCS appraiser enters the unit size in Part C, the form will also display the effective rent per square foot.

Part B. Design, Location, Condition (lines 6 through 10)

This section allows for comparison of the comparable to the subject in terms of design, materials, condition, location, and appeal. The total adjustments in this section should not exceed the value a typical tenant would place on these characteristics in the aggregate.

Line 6. Structure/ Stories. The RCS appraiser must enter the type of structure using recognized codes such as “E” for Elevator, “G” for Garden, “WU” for other walk-up, and “T” for townhouse. The RCS appraiser can select other categories as dictated by market conditions, but must explain the significance of other categories and codes, if different from the recognized codes. For example, in some markets, renters in low-rise buildings may value apartments with private exterior entrances over a shared entry/or shared stairway, even if the units are stacked. In such cases, the RCS appraiser must identify the categories and codes used in the adjustments. Codes such as “WU-Pvt” (private entrance) or “WU-Shrd” (shared entrance) could be used.

The RCS appraiser must follow the letters with a slant bar and the number of stories. For example, the RCS appraiser should enter “WU/3” for a three-story walk-up. The RCS appraiser should try to select comparables that have the same structure type as the subject. If the comparables have a different configuration than the subject, adjustment may be warranted based on market preferences. For instance, the RCS appraiser may make an adjustment for configuration differences such as townhome versus a stacked unit. The RCS appraiser must explain the basis for any adjustment exceeding the larger of \$10 or 2 percent of the comparable’s unadjusted rent.

Line 7. Year built/Year renovated. The RCS appraiser must enter the year the project was built. If it has been renovated, the RCS appraiser should follow with a slant bar and the year the project was renovated. For example, 1939/70 would indicate that the project was built in 1939 and renovated in 1970. The RCS appraiser must make adjustments on this line if the effective age (the age indicated by the utility, quality of the structure, and major equipment) affects rental value. The RCS appraiser must consider if basic structures and major equipment have been replaced and whether baths and kitchens have been renovated. Typically, the RCS appraiser should not make any adjustments for age differences of just a few years. When the RCS appraiser chooses to make an adjustment, the amount for each year of age difference should typically be less than \$5 per year or 1 percent of the unadjusted rent. Alternatively, the RCS

appraiser could make one adjustment for multiples of a fixed number of years of age difference. For *example*, each multiple of three years of age difference between the subject and the comparable would be assigned a certain dollar amount of adjustment.

Line 8. Condition/Street Appeal. It is mandatory for the RCS appraiser to rate the subject and each comparable per a five-point scale: Excellent, Good, Average, Fair, or Poor. *No other classifications are acceptable.* For the subject, and every comparable, the RCS appraiser must enter “E” for excellent, “G” for good, “A” for average, “F” for fair, or “P” for poor. If the design of the building or the street appeal of the project would affect the rents it can command, the RCS appraiser must adjust appropriately. The RCS appraiser should consider the overall appearance of the project, such as whether the grounds are clean, whether the landscaping is well

maintained, and whether or not the paint and siding are in good condition. Other considerations would be whether the architecture of the buildings and layout of the site are appealing (open space, shrubbery, etc.). In summary, the RCS appraiser must evaluate whether the comparable’s condition/street appeal could cause tenants to pay more or less than they would pay at the subject.

An adjustment of more than the larger of \$20 or 4 percent of unadjusted rent for each level of rating difference would require that the RCS appraiser provide specific explanation in the narrative to support the amount of adjustment. *Example:* a positive adjustment for an “Average” rated comparable versus an “Excellent” rated subject, should not exceed \$40, or 8 percent of the unadjusted comparable rent, whichever is larger.

Due to the potential for overlap between adjustment parameters, if the RCS appraiser has made an adjustment on Line 7 for Year Built/Renovated for a comparable, the RCS appraiser must explain if the adjustment exceeds \$15 or 3 percent of unadjusted rent, whichever is larger, for each level of rating difference for Line 8 for that same comparable.

Note: Take care not to duplicate adjustments made on line 7. Adjustments made on lines 7 and 8 should not add to more than the adjustment that would be made if the project characteristics referenced on Lines 7 and 8 were considered as a single adjustment.

Line 9. Neighborhood. The RCS appraiser must rate the subject and each comparable according to a five-point scale: Excellent, Good, Average, Fair, or Poor. No other classifications are acceptable. For the subject, and every comparable, the RCS appraiser must enter “E” for excellent, “G” for good, “A” for average, “F” for fair, or “P” for poor. The entry should reflect the market’s reaction to location features that affect rental values. For example, neighborhood desirability; nuisances such as street noise; nearby land uses; crime volume; and access (time/distance) to schools, transportation, shopping, recreation, and medical and employment centers. The Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA) specifically requires that neighborhood (including risk of crime), location and access be considered.

An adjustment of more than \$20 or 4 percent of unadjusted rent, whichever is larger, for each level of rating difference would require that the RCS appraiser provide specific explanation in the narrative to support the amount of adjustment. For *Exampleexample*, a

positive adjustment for an “Average” rated comparable versus an “Excellent” rated subject, should not exceed \$40, or 8 percent of the unadjusted comparable rate, whichever is larger.

The RCS appraiser must note that HUD FHEO guidelines prohibit negative adjustments based solely on the racial, ethnic, religious mix of projects or their surrounding areas or other discriminatory criteria. RCS appraiser's adjustments must be based on objective, quantifiable factors.

Line 10. Same Market? Miles to Subject? The RCS appraiser must enter "Y" or "N", depending on whether the comparable is in the same market area as the subject. The RCS appraiser must follow the entry with a slant bar, and the distance between the comparable and the subject in miles. If the comparable is in a different market area, the RCS appraiser must collect quantitative data to compare the rent levels in the two market areas. The RCS appraiser must adjust for any significant difference in rental costs between the two market areas and explain how he/she computed the adjustment. If the comparable is in a different market area and the RCS appraiser chooses to not adjust it for the different market location, the RCS appraiser must explain *why*.

Part C. Unit Equipment/Amenities (lines 11 through 23)

This section details specifics about the unit and its equipment and amenities. The RCS appraiser should use the blank line to add unit amenities or equipment that aren't listed but significantly affect the rent a tenant would pay. Total adjustments made for this Part should not exceed the value a typical tenant would place on all unit amenities.

Line 11. # Bedrooms. The RCS appraiser must enter the number of bedrooms in the unit. The RCS appraiser can use "0" for efficiencies. If a comparable and the subject have a different number of bedrooms, the RCS appraiser must explain in the narrative why he/she selected a comparable of a different bedroom type.

Line 12. # Baths. The RCS appraiser must enter the number of bathrooms in the unit. The RCS appraiser may use decimals to represent partial baths. *Example:* The RCS appraiser may enter 1.5 to indicate one full bath and one bath with a toilet and sink, but no tub or shower stall.

Line 13. Unit Interior Sq. Ft. The RCS appraiser must enter the rentable interior square footage of the unit. The RCS appraiser should not include balconies, mechanical areas or other nonliving spaces, unless the comparable unit size measurements include those areas and it is not possible to adjust the comparables. The RCS appraiser must explain: a) how the square footage of the subject was derived and how it corresponds to the square footage of the comparables; and b) the method used to determine the size adjustment. The method used to determine the size adjustment must be market-based, the ideal being a property in that market that offers similar plans with regard to number of bedrooms and bathrooms, but differing with regard to square footage. Given the lack of precision and standardization in the way that unit sizes are measured, RCS appraisers should not adjust for size differences of less than 10 square feet. *Example: For example,* a difference of 50 square feet in the case of a 500 square feet one-bedroom might be worth a different amount to prospective tenants than a 50 square feet difference in the case of an 800-square foot, two-bedroom unit.

Note: Even for size differences exceeding 10 square feet, the RCS appraiser should adjust only if, and to the extent, the subject's market values a size difference. Some markets may

not value small size differences and a difference in size may not increase the market value of a larger unit to the same degree that it might for a smaller unit.

Line 14. Balcony/Patio. The RCS appraiser should consider if the unit has a balcony or a patio, and enter “Y” or “N”, as appropriate. While an adjustment greater than a nominal amount may be justified in certain markets (e.g., resort area, warm climate), the RCS appraiser must explain the basis for any adjustment that exceeds \$10 or 2 percent of unadjusted rent of the comparable, whichever is larger.

Line 15. AC: Central/Wall. The RCS appraiser should use this line item to reflect the type of cooling equipment in the unit, using “C” for central, “W” for wall unit, or “N” for none. The RCS appraiser is required to adjust only for the value of having AC equipment and for differences in the type of equipment (wall, central, etc.). The RCS appraiser should not adjust for the cost of running the air conditioner, which should be captured under Line 34 below. Adjustment for type of AC will typically be nominal (not exceeding \$10 or 2 percent of unadjusted rent, whichever is larger). The RCS appraiser must explain the basis for dollar amount chosen that exceeds the nominal amount, in the underlying narrative, and whether the RCS appraiser utilized a paired comp analysis or interviewed knowledgeable sources.

Line 16. Range /Refrigerator. The RCS appraiser must enter “R” for range, “F” for refrigerator, or “RF” if the unit has both appliances. If neither is present, the RCS appraiser must enter “N”. It is not uncommon in some markets for tenants to need to provide their own refrigerator; the corresponding adjustment should not exceed the monthly cost of a rental.

Line 17. Microwave/ Dishwasher. The RCS appraiser must enter “M” for microwave, “D” for dishwasher, or “MD” if the unit has both appliances. If neither is present, the RCS appraiser must enter “N”. The adjustments here should be nominal, typically not exceeding the higher of \$10 or 2 percent of the unadjusted rent, for each item.

Line 18. Washer/Dryer. If there is a washer/dryer hookup in the unit but the owner supplies neither appliance, the RCS appraiser must enter “HU.” If the appliances are provided in the unit, the RCS appraiser must enter “W” for washer, “D” for dryer or “WD” for both. If there is a common laundry area in the project, the RCS appraiser must enter “L”. If the project offers no laundry facilities, hookup, or appliances in the unit, the RCS appraiser must enter “N”. The adjustment for a unit where the owner provides hookups, but not the washer-dryer machines, should not exceed the monthly cost of the machine rental.

Line 19. Floor Coverings. The RCS appraiser must indicate the predominant floor covering in the unit, using “V” for vinyl, “W” for wood, “WC” for wood composite product, and “C” for carpet. The RCS appraiser is required to only adjust for type of floor covering if there is market evidence, based on the experience of property managers and leasing agents, that one type of floor covering is more valued in the project’s market than other types.

Line 20. Window Coverings. If the unit is rented with window treatments, the RCS appraiser must enter “B” for blinds or “S” for shades or “D” for drapes. If the unit is rented without window coverings of any kind, the RCS appraiser must enter “N” for none. RCS appraisers are required to only adjust for type of owner-provided window covering, if there is market evidence,

based on the experience of property managers and leasing agents, that one type of window covering is more valued in the project's market than other types.

Line 21. Cable/Satellite/Internet. The RCS appraiser must enter "C" for cable TV, "S" for satellite TV, and "I" for Internet access. If the project/subject property has more than one of these amenities, the RCS appraiser must enter all of the corresponding letters. For example, "CSI" ~~would indicate~~indicates a project that offers all three of these amenities. The RCS appraiser ~~should~~must consider whether the project merely offers infrastructure (i.e., broadband) to access ~~to~~ the service/amenities or whether it offers the service/amenities itself as part of the rent. If only ~~access~~infrastructure is offered, then the RCS appraiser must adjust based on the market value attributable to the availability of ~~the service~~that infrastructure. If the service/amenity is included in the base rent provided to the tenant without an additional fee, the RCS appraiser should reflect the value of both access to and provision of the service. ~~If the owner provides access to the service but tenant pays the monthly cost of said service, the amount of adjustment should not exceed the published monthly fees. The RCS appraiser should insert the additional cost to the tenant after the letter code/amenity. Any valuation for the respective service. Example 1: The property provides no-cost provision of cable TV and /satellite/internet: "CI/\$0". Example 2: The property provides no-cost cable TV, but must be based on actual comparable data from the surrounding market area (comparable properties that provide internet at a charge of \$40: "C/\$0, I/\$40". Example 3: The property provides both cable TV and internet, as a bundle, for an additional cost/access to tenants without any additional fees) rather than post-market adjustments. Similar data speed and means of \$50: "CI/\$50".~~access (wireless, hard-wired) must be used to identify comparable market services.

Line 22. Special Features. The RCS appraiser should use this line to adjust for items that are valued in the project's market, based on the experience of property managers and leasing agents, but not listed above. For example, views, fireplaces, vaulted ceiling, partial ceramic tile flooring (in entryway, kitchen, or bath). The RCS appraiser must enter "VW" for view, "F" for fireplace, "VC" for vaulted ceiling, or "CT" for ceramic tile. If the unit has safety bars, ramps, or other features to improve access for elderly or persons with disabilities, the RCS appraiser should enter "A".

Lines 23. Blank line. The RCS appraiser should use this line to add a unit amenity that is not listed but significantly affects the rent a tenant would pay. The RCS appraiser must describe the amenity on the line provided and make dollar adjustments as appropriate.

Part D. Site Equipment/Amenities (lines 24 through 32)

This section details specifics about the project and its amenities. The RCS appraiser should use the blank line #32 to add site amenities that are not listed but affect the rent a tenant would pay. Total adjustments in this Part should not exceed the total value a typical tenant would place on all amenities in this Part.

Line 24. Parking (\$ Fee). The RCS appraiser must enter "L" for lot parking, "G" for garage, and "CP" for covered parking, followed by a slant bar and the amount of the additional charge, if any, the tenant pays for the service. Properties that offer choices for type of parking such as lot parking or garages, will show a code and dollar amount for each type of parking offered. If there is no charge, the RCS appraiser should enter "0".

Next, the RCS appraiser must adjust for the magnitude of the difference between the parking ratio at each comparable versus the subject property. The impact of parking charges on the average base rental rate for living units at the respective property depends on the percentage of total tenant households that have parking available; the parking fee at a property that has only

one space for each ten apartments has much less impact on average rents than a property that has nine spaces for each ten apartments. The RCS appraiser should create a weighting factor by dividing the smaller parking ratio into the larger ratio. That figure should show the magnitude of the difference in parking availability between each comparable and the subject, so if the comparable has a ratio of 0.40 ratio of spaces to living units, and the subject property has a ratio of 0.80, the weight factor would be 50 percent.

Finally, the RCS appraiser must weigh the extra value of one type of parking over another. If it is determined that covered parking is worth \$20 more to tenants in this market than open lot parking, that cost must be weighted for the parking ratio at that respective property; if that property has 7 spaces for every ten living units, the weighted value of covered parking there is \$14 (note that the weighting factor to the type of parking is based on the parking ratio at that property only).

A graphic presentation of parking adjustments, using a chart or table, will typically be helpful if more than just a few simple adjustments are being made.

Example: The subject property charges \$25 for monthly parking and has twice as many

apartments as parking spaces, thus indicating a 0.50 parking ratio. The only parking offered is in an open lot. Comparable A charges \$40 for monthly parking and has three apartments for every two parking spaces, indicating a 0.67 parking ratio. Comparable A likewise offers only open parking spaces. The weighting for parking availability between the subject property and Comparable A is $0.50/0.67$, or 75 percent. The net adjustment for Comparable A is $0.75 \times \$15$, or \$11; the adjustment is positive because the parking rate at the subject property is cheaper. Comparable B charges \$60 for monthly parking but has four apartments for every parking space, indicating a 0.25 parking ratio. The weight between the subject property and Comparable B is $0.25/0.50$, or 50 percent. The net adjustment for Comparable B is $0.50 \times \$35$, or \$18. The adjustment is once again positive because the parking rate at the subject property is cheaper. But an additional adjustment is needed for Comparable B because all the parking is covered, compared to only open lot parking at the subject property. The RCS appraiser also identified another apartment complex nearby that offers both open lot parking and covered parking. The difference in cost is \$15, which would be the incremental value of covered parking. The RCS appraiser further adjusts the \$15 by applying the 0.25 parking ratio, resulting in a “net” value of \$4 for covered parking. Therefore, the final adjustment for Comparable B parking is \$14 (or \$18 less \$4).

Line 25. Extra Storage. The RCS appraiser must enter “Y” or “N” indicating whether tenants are provided with additional storage space. This may include extremely large or functional closets or outside storage. Before adjusting for any storage inside the unit, the RCS appraiser must ensure that any adjustment for unit size did not already capture that value. Also, when adjusting for this line item, RCS appraisers must distinguish between availability of storage versus cost of storage. An adjustment based on cost rather than availability would be the case where the subject project offers ancillary storage for no charge while the comparables charge for a similar sized storage unit. The RCS appraiser should indicate the cost of storage by inserting the cost after the letter code. For example, a

comparable that offers storage lockers for a \$20 fee can be represented by “Y/\$20, versus a comparable that offers free storage can be represented by “Y/\$0”.

Example: If the subject offers no ancillary storage while Comparable A offers storage units at market rents, then Comparable A needs to be adjusted downwards if tenants value the convenience of on-site storage.

Line 26. Security. The RCS appraiser must enter “Y” or “N”, and must describe and evaluate the subject’s security features, such as locked exterior doors with intercom, on-site security guards, secured site access, and exterior/corridor lighting. Only those features that tenants value and thus impact rent must be compared to the comparables and appropriately adjusted.

Line 27. Clubhouse/Meeting Rooms/Dining Rooms. The RCS appraiser must enter “C” for clubhouse, “MR” for meeting rooms, and “DR” for dining room. If the project has none, the RCS appraiser should enter “N”.

Line 28. Pool/Recreation Areas. The RCS appraiser must enter “P” for pool, “E” for exercise rooms, or “R” for other recreation facilities such as playgrounds, volleyball or basketball courts. The RCS appraiser must be sure to describe the type of recreation facilities in the underlying narrative description of adjustments. If any adjustment amount here exceeds the higher of \$10 or 2 percent of unadjusted rent of the comparable, which is possible in some resort or warm climate markets, the RCS appraiser must explain the basis for all adjustments made under this line item.

Important Note for Lines 29, 30, 31, and 32: Appraisers must assess the value of all non-shelter services ~~offered, that are regularly~~ and reliably available to tenants at the property, and should note whether the services are ~~paid by the project, the tenant~~ reliably available or ~~other sources~~ incidental. More specifically, the RCS appraisers must note the following:

- ~~1. Even services offered for a charge may have value if the market values the availability.~~
- ~~2. Generally, services included in the rent or funded from sources other than tenant charges should be more valuable than services offered to residents for an extra charge. Accordingly, if one comparable offers a local shuttle bus service as part of concierge services, but charges residents for each use, while the subject project offers the same service without cost to the tenants, an appropriate upward adjustment to the comparable would be the average amount paid monthly per tenant to the property for the shuttle service (for those comparables that do not offer the service at all, an even larger total adjustment would be indicated, as the total adjustments would include the cost of the service, plus the value of having the service available to begin with). It should be stressed that the cost borne by any property owner to provide a non-shelter service, no matter what the source of funding, has no bearing on the amount of adjustment, or whether an adjustment needs to be made.~~
13. The primary determining factors of the value of a service at a property are the attractiveness of the service to potential renters like those to whom the property is being marketed, and whether those services are reliably available to tenants. The cost to the owner of providing a service has no bearing on its effect on the valuation of the property.

14. Services can be valued in two tiers depending on whether they are reliably available to tenants or whether they are incidental. Services that are reliably available are valued most highly, and an RCS should reflect the full value of provision of these services. Incidental services receive a reduced valuation, equivalent to the value of the convenience/availability of the service taking into account whether tenants must pay a fee to use the service.

Example: A comparable does not offer a shuttle service to tenants, while the subject property does provide this service.

- a. If the subject property provides the shuttle as a reliably available service, the comparable should be adjusted upward by the amount that tenants would pay to use such a shuttle service at comparable properties, on average.
- b. If the subject property provides the shuttle as an incidental service for free by partnering with a nonprofit, the comparable should be adjusted upward by an amount equal to the convenience value of a local community organization that provides the service free of charge.
- c. If the subject property provides the shuttle as in incidental service and charges a fee, the comparable should be adjusted upward by an amount equal to the convenience value of a local organization that provides a shuttle service at the same cost as that charged by the property.

3.15. RCS appraisers must explain the basis and rationale for any adjustments made under Lines 29, 30, 31 and 32. This explanation should include evidence- and experience-based reasoning for arriving at a given adjustment amount. If the total net adjustments for Lines 29, 30, 31 and 32, exceeds the larger of \$50 or 5 percent of the comparable's unadjusted rent, the RCS appraiser must also support the overall adjustment with market-based evidence regarding the value of these services.

4. In some cases, non-shelter services may be provided out of a single common area facility. A single space used to provide more than one service has no bearing on whether an

16. adjustment is warranted or not; the consideration is exclusively based on the value of each respective service to residents.
17. The lack of a fee at the subject property that is prohibited other HUD regulation or guidance (such as an Application Fee) is not a service, and thus may not form the basis for a rent adjustment.
18. If a service forms the basis for a valuation in an RCS, but that service is also funded by a grant from HUD, that grant may be reduced by an amount equal to the gross amount by which the service increases the RCS rent conclusion.

Line 29. Business Center/Neighborhood Network. If the project has a business center offering office services such as copying and faxing, the RCS appraiser must enter “BC.” If the project has a HUD sponsored Neighborhood Network, the RCS appraiser must enter “NNW”, or “N” for neither. RCS appraisers must review the “Important Note” above pertaining to Lines 29, 30, 31 and 32.

Line 30. Service Coordination. The RCS appraiser must identify if the project has a service coordinator who helps residents access social services, health care or resources for meeting other needs, and enter “Y” or “N” on this line item accordingly. RCS appraisers must review the “Important Note” above pertaining to Lines 29, 30, 31 and 32.

Line 31. Non-Shelter Services. The RCS appraiser must enter “M” for meals, “T” for transportation, “EC” for emergency call systems, “H” for housekeeping, and “L” for laundry service, “ED” for educational classes, “AS” for after school care, “SP” for summer programs, “O” for other, or “N” for none. The RCS appraiser must record and fully describe (in the accompanying narrative explanations) any other services provided ~~forat~~ for ~~the elderly or persons with disabilities property~~. RCS appraisers must review the “Important Note” above pertaining to Lines 29, 30, 31 and 32.

Lines 32. Neighborhood Networks (non-HUD). The RCS appraiser should populate this line to capture features such as Neighborhood Networks-type programs or other types of social support programs provided by sources other than HUD. RCS appraisers must review the “Important Note” above pertaining to Lines 29, 30, 31 and 32.

Part E. Utilities (lines 33 through 39)

Lines 33 through 39. Since tenants make housing choices based upon total shelter cost (rent + utilities), estimated outlays for utilities reduce, dollar for dollar, the amount a prospective tenant is willing to pay for rent. If a utility is included in the subject’s rent, but not in the rent of the comparable (or vice versa), the RCS appraiser must estimate the rental value of that utility and adjust accordingly. For projects with typical utility costs, the ‘rental value’ is probably close to what prospective tenants would expect to pay. However, for projects with unusually low utility costs, prospective tenants initially may overestimate utility costs, putting rental value slightly above actual cost. For projects with unusually high utility costs, the reverse may be true. Prospective tenants initially may underestimate utility outlays, causing rental value to be less than utility costs they incur following move-in.

For lines 33 through 39, the RCS appraiser must enter “Y” if the service is included in the rent and “N” if it is not. The RCS appraiser must follow the Y or N entry with a slant bar and the energy source for the utility addressed on that line. If the project does not have a utility listed here, the RCS appraiser may leave the space blank. “Other Electric” on line 37 includes the cost of electricity for things not listed separately on the form (e.g., lights and outlets).

When making adjustments on lines 33 through 39, the RCS appraiser must consider if a utility is:

- 1.19. excluded from the comparable rent but included in the subject rent, the RCS appraiser must enter a positive adjustment that reflects the amount prospective tenants would reasonably expect to pay for that utility at the comparable.
- 2.20. included in the comparable rent but not the subject rent, the RCS appraiser must enter a negative adjustment that reflects what prospective tenants would reasonably expect to pay for that utility at the subject. Since tenants make housing choices based upon total shelter cost (i.e., rent + utilities), estimated outlays for utilities reduce the amount a prospective tenant is willing to pay for rent.
- 3.21. included in the rent at both the subject and the comparable, a prospective tenant would probably perceive these as equal choices even if the energy sources (gas, electric, or oil) differ, and no adjustment would usually be needed by the RCS appraiser. However, if the RCS appraiser has evidence that the type of utility affects tenant preferences and rents, then the RCS appraiser may consider adjustments for tenant preferences. Example: Tenants may prefer gas over electric heat in severely cold locations. Such adjustments, when applicable, should not exceed a nominal amount of \$10 or 2 percent of unadjusted rent of the comparable, whichever is larger; the RCS appraiser needs to explain any adjustment exceeding that nominal amount.

The RCS appraisers may use any reasonable method to value expected utility outlays, but must identify the method used and explain how the dollar adjustment was derived. Some data sources commonly used to value utility adjustments are listed below.

- 1.22. Regional Utility allowances published by independent public agencies. When using this source as the basis of adjustment in any utility item, RCS appraisers must be mindful that such published allowances typically represent the very high end of a reasonable range for each respective utility item.
- 2.23. Data gathered from utility providers.
- 3.24. Data gathered from tenants and landlords.
- 4.25. A HUD/CA approved utility allowance if the type of service and building attributes considered in developing the utility allowance are similar to the comparable being adjusted.

Part F. Adjustments Recap (lines 40 through 43)

This section calculates both the number and dollar value of adjustments, both before and after utility adjustments. HUD's Excel form automatically calculates these items.

Line 40. Number of Adjustments B through D. Excel calculates the total number of positive and, separately, negative adjustments made to each comparable for items in Parts B through D.

Line 41. Sum of Adjustments B through D. Excel calculates the total dollar amount of positive and, separately, negative adjustments made to each comparable for items in Parts B through D.

Line 42. Sum of Utility Adjustments. Excel calculates the total dollar amount of positive and, separately, negative adjustments made to each comparable for the utility items in Part E of the form.

Line 43 Net/Gross Adjustments B to E. Excel calculates the net adjustments, which is the addition of the four entries (positive and negative) on Lines 41 and 42. This line also shows the gross adjustments, which is obtained by adding the positive entries on Lines 41 and 42 to the absolute value of the negative entries on those lines.

Part G. Adjusted Rents (lines 44 through 45)

HUD's Excel form automatically calculates these items, except for Line 46. RCS appraisers do not need to compute entries for Lines 44 and 45 manually.

Line 44. Adjusted Rent. Excel computes this line by adding the net adjustments (Line 43) to the Effective Rent (Line 5) to derive an adjusted rent for each comparable.

Line 45. Adjusted Rent/Last Rent. Excel computes this line by dividing the Adjusted Rent (Line 44) by the Last Rent (Line 1) and expresses the answer as a percent. This shows the impact of all adjustments made for all Parts of the form. The totals in Part F do not include the adjustments in Part A.

Line 46. Estimated Market Rent. In this line, the RCS appraisers will determine, using their professional judgment, the point in the range of adjusted rents that best represents the rent a knowledgeable tenant would most probably pay for that unit type at the subject. HUD's Excel form will divide that rent by the square footage shown for the subject in Part C to compute estimated market rent per square foot. When entering the estimated market rent, the RCS appraiser must explain the points listed below. The RCS appraiser is required to present these explanations immediately after his/her comments on Item 46. RCSs without these explanations will be rejected by the substantive reviewer.

1. How the estimated market rent was derived from comparables' adjusted rents. The RCS appraiser must explain how the estimated market rent was derived and why it was derived that way. He/she must note which comparables were given the most weight and why, including which attributes of those respective comparables resulted in their being weighted more or less than others. If the estimated market rent is set at the high or low end of the adjusted rents' range, the RCS appraiser must explain why. Example: TheFor example, the narrative may note that a comparable located within the same master-planned community deserves proportionately more weight than another comparable which is only slightly farther from the subject, but is in a different school district. Alternatively, the RCS appraiser may support his/her estimation by stating that comparable A that may not be as close in distance as other four comparables, was given a higher weight than others because leasing agents have observed that prospective tenants often consider both projects (subject and comparable A) "family-friendly" due to on-site day-care facilities and similar services.

2. How the estimated market rent was derived for a secondary unit type. When a

subject has primary and secondary units, the RCS appraisers may start with the market rent for a primary type and adjust for the minor difference(s) between the secondary type and related primary type. RCS appraisers must explain why adjustments were made and how they were made in deriving rents for a secondary unit type.

Appendix 9-1-32

Required Contents for Rent Comparability Study

[View Sample RCS](#)

A. A. Transmittal Letter signed by the RCS appraiser. The RCS appraiser must address the Transmittal Letter to the project owner, and the letter must be dated as of the date it is submitted along with the RCS to the owner. A sample transmittal letter is included under Appendix 9-1-6. This letter must include the following five components:

1. RCS appraiser's name, company name, address, telephone, fax number (optional), and email address.
2. Project name, FHA/other project number of the Section 8 project.
3. Table of estimated market rent for each unit type included in the study. The RCS appraiser should use table format shown below. In last column, the RCS appraiser should enter “Y” for yes if a Rent [Comparability](#) Grid was prepared for that unit type, or enter “N” for No, if a grid was not prepared for secondary unit types, but instead the RCS appraiser adjusted the primary type’s estimated rent. [If the study reflects both pre-repair and post-repair rent conclusions, two tables should be provided reflecting each scenario.](#)

			Estimated Market		
Unit Type	# Units	Size (Sq. Ft)	Rent	\$/ Sq. Ft	Prepared Grid?
					(Y/N)
	Total				

4. A statement that market rents were defined and estimated in accordance with Sections [999-9](#) through 9-13 of this Chapter and the RCS report was prepared in accordance with Sections 9-8 through 9-14 of this Chapter.

~~5.~~ ~~5.~~ An acknowledgment of how his/her report will be used. Suggested language: “I understand that HUD/the Section 8 Contract Administrator (CA) and the project owner will use my estimate of market rents to determine: 1) the owner’s options for renewing the project’s Section 8 contracts; and 2) the maximum rents allowed under any renewal contract.”

~~D.~~ ~~B.~~ Scope of Work. The RCS appraiser must acknowledge that all work was done in accordance with the requirements set forth in this notice, and provide a narrative describing:

~~1.6.~~ Dates, number and types of inspections, and how unit sizes were verified.

~~2.7.~~ How rent, condition and amenity data were collected and verified. The RCS appraiser should also note all interviews completed, records reviewed, and internet sites used. The RCS appraiser should indicate the period during which data was collected.

~~3.8.~~ Any data that was unobtainable or estimated and all efforts to obtain that data.

~~4.9.~~ Any assistance from assistant RCS appraisers.

~~E.~~ ~~C.~~ Description of Subject Project. The RCS appraiser must address the items listed under this section by creating a chart or table like the template shown below. If the units being renewed are located on scattered sites and those sites differ significantly on condition, services, street appeal or other factors listed below, the RCS appraiser must need to create a separate chart for each site:

~~1.10.~~ Project name and address (street, city, county, cross streets) and neighborhood name if applicable).

~~2.11.~~ Site characteristics and improvements: number of buildings and their design (construction material, structure type), number of units; topography and density; and access to site.

~~3.12.~~ Unit mix for all units in the project, not just the Section 8 units. The RCS appraiser should use the table format below, and ensure that he/she includes all revenue-producing units in the project & group them by major unit types (e.g., # bedrooms/# baths). The RCS appraisers should review Section 9-10 for a definition of rent restricted units.

Unit Type	# Units	Interior Size (SF)	# Project-Based Sec 8 units	# Other Rent Restricted Units	# Units Not Rent Restricted
	Total		Total	Total	Total

- 4.13. Condition: age of project, state of repair, any recent/ planned rehab or refurbishing.
 - 5.14. Schedule of charges collected in addition to rent.
 - 6.15. 3 to 5 labeled, color photos of exterior and interior. The RCS appraiser must review Section 9-9 regarding requirements on photos, and insert the photos at the end of the RCS or in the body of RCS’s description of the subject.)
 - 7.16. Population or occupancy group targeted for this project (e.g., elderly), if any.
 - 8.17. Summary of unit design and amenities.
 - 9.18. Summary of project service/ site amenities: parking, recreational facilities, community areas, security, service coordination, neighborhood networks, transportation, meal services, social or educational activities, emergency call systems, laundry or housekeeping, and any other amenities for elderly or disabled.
 - 10.19. Name and phone number of contact person. This would include the information for the individual who the RCS appraiser verified or collected information on the subject project.
- D.F.** Owner’s Scope of Repairs. As required under Section 9-9. D, the RCS appraiser must review the complete list of repairs to the subject project, and if needed prepare a separate set of HUD Form 92273-~~S8 rent grids~~ S8 Rent Comparability Grids to differentiate between pre-repair and post-repair conditions.
- E.G.** Definition of the Subject’s Market Area. The RCS appraiser must identify the geographic area from which the subject would normally draw its applicants, or the area where competitive alternative apartment buildings are located.

- F.H.** Description of Neighborhood. Under this section, the RCS appraiser should provide a discussion of the project's location noting factors that would impact market rent level, as required under Section 9-9 of this Chapter.
- G.** Narrative Describing Selection of Comparables. The RCS appraiser must provide an overall assessment of the availability of comparables and the quality of the comparables selected and state why the comparables used were selected, as required under Sections 9-10 and 9-11 of this Chapter. The RCS appraiser must document the search process in
- I.** accordance with the Section 9-10.C requirements. If insufficient comparables or dissimilar comparables are utilized, the RCS appraiser must explain why in the narrative, and outline what research was performed to determine that more similar comparables were not available. If the comparables chosen have an identity-of-interest with the owner, management agent of the subject project, the RCS appraiser must identify those and explain why such a comparable was selected.
- H.J.** Locator Map for Subject and Comparables. The RCS appraiser must include a locator map identifying the subject project and each comparable. He/she must also clearly mark major roadways and natural or man-made barriers (e.g., rivers, freeways, railways, etc.) on the map.
- I.K.** Rent Comparability Grid HUD-92273-S8 (~~Appendix 9-1-1~~). The RCS appraiser must complete one grid for each primary unit type using instructions in Appendix 9-1-2 and guidance in Section 9-9 through 9-13 of this Chapter.
- J.L.** Explanation of Adjustments & Market Rent Conclusions. As required under Sections 9-9 through 9-13 and the line-by-line instructions in Appendix 9-1-2, the RCS appraiser must provide a narrative for each adjustment.
- K.M.** Comparable Project Profiles. The RCS appraiser must provide a one-page, table/grid profile of each comparable project used in the RCS. The RCS appraiser must profile each project only once, regardless of the number of unit types for which the project was used. The Sample RCS under Appendix 9-2-2 provides a sample profile that RCS appraisers may use, or they can create their own table/grid formats. The RCS appraisers must include at least the following items in their comparable project profiles:
- 1-20.** Project name and address (street, city, county, cross streets) and neighborhood name.
 - 2-21.** Name and phone number of contact person with whom the RCS appraiser verified or collected information on the project and the date of verification.
 - 3-22.** A color photo (at least 3" by 5") of the project's exterior. (Interior photos may be included if available, but they are not required).
 - 4-23.** A rent and unit mix table. Showing all units in the project and grouped by major unit types (e.g., # bedrooms/# baths). The RCS appraiser must indicate which unit types are used as comparables in the RCS.

Unit Type	No. of Units	Used as Comp in RCS? (Y/N)	Average Rent	Interior Size (SF)	Any Rent Restrictions? (Y/N)
	Total				

5.24. Total number of units at the project and project-wide occupancy.

6.25. List of any charges tenants pay in addition to rent.

7.26. Description of any rent, income, and use restrictions or tenant rent subsidies (Section 8, certificates, vouchers, state/local payments on behalf of residents) in effect at the project. The RCS appraiser must provide this information even if the units covered by the restriction/subsidy were not the units studied in the RCS.

L.N. RCS Appraiser’s Certification (Appendix 9-1-5). The RCS appraiser must fill in the blanks and sign and date the Certification. When entering names, the RCS appraiser must also give title (e.g., Sharon Jones, Assistant RCS Appraiser). The RCS appraiser may enter “none” in items 8 and 10 if there is nothing to disclose.

M.O. Copy of any Temporary License the RCS appraiser is relying upon for this RCS. Any temporary license relied upon must be issued by the state where the project is located.

Appendix 9-1-43

Comparable Project Profile

Project Name

Address

City/Town, State, Zip Code

Management Agent:

County:

Contact: Neighborhood:

Contact's Phone

Place Photo Below:

Unit Type	No. of Units	Used as Comp in RCS? _(Y/N)	Average Rent	Interior Size _(SF)	Any Rent Restrictions? _(Y/N)

Total Units: ____

Project Occupancy: ____ percent

Charges in Addition to Rent:

18 Subsidies and Restrictions at Project:

19

20 Other Comments:

21 Date Information Verified: ____ / ____ / ____

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Appendix 9-1-54

RCS Appraiser Certification

Project Name: -FHA Project No

By my/our signature below, I/We certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I/We have no present or prospective financial interest in the above project, its ownership or management agent entity, or the principals of those entities. I/We am/are not an employee of those principals or entities and I/We have no business or close personal/family interest with those parties that commonly would be perceived to create bias or a conflict of interest. I/We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment unless listed here:
4. I/We have no bias with respect to the project that is the subject of this report or to the ownership or management parties involved with this assignment.
5. My/Our engagement in and compensation for this assignment were and are not contingent upon the reporting of a predetermined rent or direction in rent. My/Our fee is my/our only compensation for this rent study assignment. There are no other side agreements or considerations.
6. My/Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice and all applicable HUD procedures for performing Rent Comparability Studies for Section 8 contracts.
7. _____ inspected the interior and exterior of the subject project.
8. _____ inspected the exteriors of the projects used as comparables in this report.
- ~~8.~~ No one provided significant professional assistance to the person signing this report
9. except the persons listed here: _____. If anyone is listed here, his/her contribution is identified in the Scope of Work section of this report.
- ~~9.~~10. I/We am/are a certified general appraiser, licensed and in good standing with the state appraiser regulatory agency where the subject project is located and I meet all of the appraiser qualifications required in HUD's rent comparability procedures.
- ~~10.~~11. I/We am/are not debarred or suspended from doing business with the Federal Government. I also am not under a Limited Denial of Participation (LDP) imposed by the HUD Multifamily Regional

Center or Program Center having jurisdiction over the [Section 8 project. Any LDPs in effect now or in the past three years were imposed by the following HUD offices.](#)

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~~Section 8 project. Any LDPs in effect now or in the past three years were imposed by undersigned, certify under penalty of perjury that the following HUD offices. _____~~

12. ~~Warning: If you knowingly make~~ information provided above is true and correct.
~~WARNING: Anyone who knowingly submits a false claim or makes a false statement on this form, you may be~~ subject to ~~criminal and/or~~ civil penalties ~~under Section 1001 of Title 18 of the United States Code. In addition, any person who knowingly and materially violates any required disclosure of information, including intentional non-disclosure, is subject to~~ confinement for up to 5 years, fines, and civil ~~money penalty not to exceed \$10,000.00 for each violation.~~ and administrative penalties. (18 U.S.C. §§ 287, 1001, 1010, 1012; 31 U.S.C. §3729, 3802).

Appraiser's Name: _____ Signature: _____ Date: _____

Permanent License No: _____ Issuing State: _____ Expires: _____

Did you prepare the RCS under a temporary license? _____

If so, attach a copy of the temporary license.

Appendix 9-1-65

Sample for RCS Appraiser's Transmittal Letter

[Date]

[Name & Address of Appraisal Firm]

[Phone, fax and email contact info for Appraiser]

[Owner's Name & Address]

Re: **Rent Comparability Study/[Project Name]**

Section 8 Contract Number: FHA No.

Dear [Mr./Ms. Owner]:

Attached is the Rent Comparability Study (RCS) you requested for [Project Name].

The purpose of the study was to estimate the market rents for units that will be assisted under the renewed Section 8 contract. Market rent is the rent that a knowledgeable tenant would most probably pay for the Section 8 units as of the date of this report, if the tenants were not receiving rental subsidies and rents were not restricted by HUD or other government agencies. The following table lists the market rent I concluded for each Section 8-unit type.

			Estimated Market		
Unit Type	# of Units	Size (Sq. Ft)	Rent	\$ per Sq. Ft	Prepared Grid? (Y/N)
Total					

The RCS was prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) and the requirements in Chapter Nine of HUD's Section 8 Renewal Guide. Market Rents were defined and estimated in accordance with the guidance in Sections 9-8 through 9-13 and Appendix 9-1-2 of Chapter Nine of HUD's Section 8 Renewal Guide, and the RCS report was prepared in accordance with the guidance in Chapter Nine. I understand that HUD/the Section 8 Contract Administrator (CA) and the project owner will use my estimate of market rents to determine: 1) the owner's options for renewing the project's Section 8 contracts; and 2) the maximum rents allowed under any renewal contract.

Additionally, as required by Section 9-14 of the Chapter Nine guidance, I compared the Project's mediangross renewal rent with HUD's threshold, ~~and concluded that the Project's median rent is below the threshold,~~ as shown ~~in the table~~ below.:

Mandatory Market Rent Threshold Test

# of Bedrooms (For Section 8 Units)	# of Units	<u>Cumulative # of UnitsRCS Rents</u>	<u>Gross RentRCS Rents</u>
<u>Total Gross Comparable Rent</u>			

<u># of Bedrooms (For Section 8 Units)</u>	<u># of Units</u>	<u>SAFMR Rents</u>	<u>Gross Rent</u>
		<u>Total Gross SAFMR Rent</u>	
		<u>150% of Total Gross SAFMR Rent</u>	

Comparable gross rents are [greater than/less than] 150 percent of SAFMR rents. Therefore, the property [does/does not] exceed the mandatory market rent threshold.

Should you have any questions or require more information, please contact me directly at the phone number or e-mail address listed above.

Sincerely,

[RCS Appraiser Name]

ST Certified General Appraiser # _____

Appendix 9-2-1-7

Special Exceptions under Mandatory Rent Threshold

Special Case #1: When median market rent in a zip code equals or exceeds \$2,000, the Census Bureau does not report the actual market rent value. Instead, the Bureau assigns such zip codes a value of '\$2,000+'. If a Subject Project belongs to such a zip code where the Median Gross Rent is estimated at '\$2,000+', HUD will review if the owner's comparable gross rent potential:

- A. Is less than 140 percent of \$2,000 (or \$2,800), then no further action is required and the final comparable market rent is determined by the owner's RCS; or
- B. Is greater than or equal to 140 percent of \$2,000 (or \$2,800), but less than 105 percent of the current HAP contract rent for the subject project, then the final comparable market rent is determined by the owner's RCS; or
- C. Is greater than or equal to 140 percent of \$2,000 (or \$2,800), and greater than or equal to 105 percent of the current HAP contract rent for the subject project, then a HUD-commissioned RCS would be required.

The examples below illustrate the two-stage assessment process described above. As illustrated, a new HUD-commissioned RCS will be required if owner's comparable gross rent potential exceeds \$2,800 and it also exceeds 105 percent of the current HAP rents.

For Zip Codes with ACS-based Median Market Rent of \$2,000+

	Example 1	Example 2	Example 3
RCS Rent submitted by owner ACS-based Median Market Rent for Zip Code	\$2,800 \$2,000+	\$3,000 \$2,000+	\$3,000 \$2,000+
TEST 1: Does RCS Rent Exceed 140 percent of \$2,000 (or \$2,800) comment	Is \$2,800 > \$2,800?	Is \$3,000 > \$2,800?	Is \$3,000 > \$2,800?
Results of Test 1 If "NO", RCS Rent prevails. If "YES", subjected to Test 2	NO	YES	YES
Current HAP Rent for the Project		\$2,900	\$2,800
105 percent of Current HAP Rent for the Project		\$3,045	\$2,940
TEST 2: Does RCS Rent Exceed 105 percent of Current HAP Rent?		Is \$3,000 > \$3,045?	Is \$3,000 > \$2,940?
Results of Test 2 If "NO", RCS Rent prevails. If "YES", HUD RCS required		NO RCS Rent Prevails	YES HUD RCS Required

~~Special Case #2: When the Median Gross Rent Estimate is unavailable for a certain zip code, the U.S. Census Bureau reports the value as 'missing' or 'blank'. This may occur for zip codes that belong to national parks, resort areas, or in some rural areas so sparsely populated that there is an insufficient number of rental units available for the Census Bureau to compute and report a Median Gross Rent estimate.~~

~~If the Subject Project belongs to such a zip code, HUD will compare the owner's gross potential rent with the current HAP contract rents. More specifically, if the owner's comparable gross potential rent:~~

- ~~A. is less than 105 percent of the current HAP contract rents, then no further action is required and the final comparable market rent is determined by the owner's RCS; or~~
- ~~B. is greater than or equal to 105 percent of the current HAP contract rents, then a HUD-commissioned RCS would be required.~~

~~Appendix 9-2~~

~~Guidance for Owners~~

~~9-2-1: Template for Sample Owner's Cover Letter &
Owner's Checklist 9-2-2: Link to Sample RCS~~

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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 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 9-1-2.
 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:
 7. [Provide a name, email and phone number for a point of contact at the agent/Owner's office]
 - 7.8. 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]
- ~~I certify that the above is all true.~~
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

| 1

|



Appendix 9-2-12

Sample Owner's Checklist for RCS Submission

Owner's Materials

~~Eli~~ Signed Cover Letter

~~Eli~~ Signed Owner's Checklist

~~Eli~~ Scope of Repair

RCS Materials

~~Eli~~ RCS Appraiser's Transmittal Letter

~~Eli~~ Scope of Work

~~Eli~~ Description of Subject Project (including color photographs)

~~Eli~~ Identification of the Subject's Market Area

~~Eli~~ Description of Neighborhood

~~Eli~~ Narrative Describing Selection of Comparables

~~Eli~~ Locator Map for Subject and Comparables

~~Eli~~ Rent Comparability Grid for Each Primary Unit type

~~Eli~~ Narrative Explaining Adjustments and Market Rent Conclusions (one set of explanations for each Rent Grid)

~~Eli~~ Comparable Project Profiles (each including a color photo)

~~Eli~~ RCS Appraiser's Certification

~~Eli~~ Copy of RCS Appraiser's License (only if relying upon a temporary license)

Mandatory Market Rent Threshold Materials

~~□ Distribution Computation of RCS Rents and Subject the Project's median rent gross rents and the SAFMR gross rents~~

~~Eli Comparison of Project's median rent gross rents to the Median Gross Rent SAFMR gross rents~~

Owner's Signature & Date

[Link to Sample RCS](#)

[Sample RCS](#)

Request to Renew Using FMRs as Market Ceiling

USE HUD FORM 9630

~~Request to Renew Using Non-Section 8 Units in the Section 8 Project
as a Market Rent Ceiling~~

~~USE HUD FORM 9629~~

~~Appendix 9-5~~

~~Guidance to Reviewers~~

~~9-5-1: Link to Initial Screening Checklist~~

~~9-5-2: Link to Detailed Screening Checklist~~

~~9-5-3: Link to Rent Grid Analysis Checklist (to be used with Notes in 9-5-4)~~

~~9-5-4: Notes to for Rent Grid Analysis and~~

Triggers for ~~Second~~Secondary Review

~~9-5-5: Link to Certification of Substantive Reviewer~~

~~9-5-6: Sample of Issues Memo from Substantive Reviewer~~

[Link to Initial Screening Checklist](#)

[Initial Screening Checklist](#)

[Link to Detailed Screening Checklist](#)

[Detailed Screening Checklist](#)

~~[Link to Rent Grid Analysis Checklist](#)~~

~~[Rent Grid Analysis Checklist](#)~~

Notes for Rent Grid Analysis and Triggers for Second Review

Introduction: All substantive reviewers must use the notes provided below when completing the Rent Grid Analysis checklist ([Excel based version](#)). The following notes provide line-by-line guidance to substantive reviewers for identifying areas that may warrant a closer evaluation, or in some cases trigger a mandatory second review, as provided in Section 9-16 if the substantive reviewer is a non-appraiser HUD staff. The second reviewer would assess the appropriateness and reasonableness of the specific line item that triggered a second review, as opposed to the entire RCS. The minimum qualifications for performing a substantive review and/or a second review are provided in Section 9-15. A.2 (“Substantive Review”). If the first and second reviewers do not reach consensus, then the trigger item will be reviewed by an RCS review appraiser, whose opinion will prevail as to what revisions, if applicable, need to be made to the RCS. Seeking a second reviewer’s input is not a requirement if the rent grid analysis review is being performed by an RCS review appraiser.

Line 1: \$ Last Rent/-Restricted. Using a comparable from an affordable/restricted project should only be a “last resort”. Adjustments that would need to be made to a restricted comparable are inherently subjective. Likewise, using a comparable from other categories of project types, such as independent or assisted living facilities or master-planned retirement communities, for an age-restricted Section 8 project, may be difficult to justify because tenants at those types of projects choose them over conventional apartment projects due to the non-shelter services offered at such facilities-, [and because non-shelter services offered in a Section 8-assisted project are valued differently](#). In particular, a comparable property that offers a daily meal or meals included in the monthly rent poses specific challenges with regard to determining appropriate rent adjustments. Accordingly, use of rent-restricted projects will trigger a second review. Using a rental comparable that offers one or more daily meals included in the monthly rent, whether that comparable is an independent or assisted living facility, or a master-planned retirement community, will also trigger a second review (the trigger will not apply if the RCS appraiser has used units that do not include daily food service in the rent, even if that comparable provides the option of taking daily food service; the trigger will only apply if paying for daily food service is mandatory at that comparable).

Line 2: Date Last Leased. Adjustments on this line item should be rare since the RCS appraiser should only be using recent lease transactions to begin with. Accordingly, an adjustment on this line exceeding \$15 or 3 percent of the comparable’s unadjusted rent, whichever is larger, would be unusual, and thus the substantive reviewer needs to carefully review the RCS appraiser’s explanation for that adjustment exceeding the threshold amount.

Line 3: Rent Concessions. Concession adjustments should be based on a simple mathematical formula for calculating effective rent (i.e., the total rent paid over the lease term divided by total months of occupancy, including rent-free periods). Difference between nominal rent and effective rent is then entered as the amount of the negative adjustment to the comparable. Use of an amount other than that indicated by the formula above should trigger a second review.

Line 4: Occupancy Rate. This line item is rarely adjusted. Should be only used if the RCS appraiser is confident that the comparable project consistently runs at unusually high or low

occupancy rate because the asking rent is either too low or too high, respectively (See Appendix 9-1-2 under Line by Line instructions). Accordingly, an adjustment on this line exceeding \$15 or 3 percent of the comparable's unadjusted rent, whichever is larger, would be unusual, and thus the substantive reviewer needs to carefully review the appraiser's explanation for that adjustment exceeding the threshold amount.

Line 6: Structure/Stories. Adjustment on this line item can be based on a variety of factors, such as walk-up versus elevator, or stacked flat versus townhome configuration. The appraiser should try to select comparables that have the same structure type as the subject project. Scale of adjustments should typically be modest. An adjustment on this line exceeding \$15 or 3 percent of comparable's unadjusted rent, whichever is larger, would be unusual, and thus the substantive reviewer needs to carefully review the RCS appraiser's explanation for that adjustment exceeding the threshold amount.

Line 7: Year Built/Yr. Renovated. This adjustment is inherently subjective and needs to be accompanied by a clear, comprehensive explanation by the RCS appraiser. Typically, adjustments should not be made at all for age differences of just a few years. An ideal approach is to adjust in multiples of a fixed number of years of age difference. For example, each multiple of three years of age difference between the subject and the comparable would be assigned a certain dollar amount of adjustment. An adjustment on this line exceeding \$5 or 1 percent of comparable's unadjusted rent, whichever is larger, for each year of age difference should be a trigger to for a second review.

Line 8: Condition/Street Appeal. This adjustment is often subjective and needs to be accompanied by a clear, comprehensive explanation by the RCS appraiser. Based on the mandatory five levels of ratings (Excellent, Good, Average, Fair and Poor), an adjustment of more than \$20 or 4 percent of comparable's unadjusted rent, whichever is larger, for each level of rating difference triggers a second review. For example, a positive adjustment for an "Average" rated comparable versus an "Excellent" rated subject, should not exceed \$40. Due to the potential for overlap between adjustment parameters, if the RCS appraiser has made an adjustment also on Line 7 for Year Built/Renovated, the trigger for a second review is \$15 or 3 percent of comparable's unadjusted rent, whichever is larger, for each level of rating difference for Line 8.

Line 9: Neighborhood. This adjustment is inherently subjective and needs to be accompanied by a clear, comprehensive explanation by the RCS appraiser. Based on the mandatory five levels of ratings (Excellent, Good, Average, Fair and Poor), an adjustment of more than \$20 or 4 percent of comparable's unadjusted rent, whichever is larger, for each level of rating difference triggers a second review. For example, a positive adjustment for an "Average" rated comparable versus an "Excellent" rated subject, should not exceed \$40 or 8 percent of comparable's unadjusted rent, whichever is larger.

Line 10. Same Market. Using a comparable from a different market should be rarely used, as adjustments that would need to be made to a comparable in a different market are inherently subjective. Accordingly, an adjustment on this line item should typically not exceed \$15, whether it is to account for a different market or for distance to the subject project. For adjustments exceeding \$15 or 3 percent of comparable's unadjusted rent, whichever is larger, the

substantive reviewer needs to carefully review the RCS appraiser's explanation for that adjustment exceeding the threshold amount.

Lines 11-13: Number Bedrooms/Bathrooms/Unit Interior Square Feet. The appraiser should be able to justify adjustments with specific market data, such as paired comparable analysis. A trigger for a second review would be if the RCS appraiser adjusts for a size difference less than 10 square feet. The RCS appraiser should be using comparables with units as close as possible in size to the subject units, so very large adjustments based on large differences in unit size are likewise discouraged. Total net adjustments for line items 11 through 13 exceeding \$100 or 20 percent of comparable's unadjusted rent, whichever is larger, would suggest that the comparable may not be suitable, and thus for an adjustment exceeding that threshold amount, the reviewer needs to carefully review the appraiser's explanation.

Line 14: Balcony/Patio. Adjustment for this line should typically be nominal, generally not exceeding \$10 (but for some special cases such as resort areas, warm climates, adjustments may be slightly higher). RCS appraiser must describe the basis for any dollar amount of adjustment that exceeds \$10 or 2 percent of comparable's unadjusted rent, whichever is larger.

Line 15: AC/~~central vs. wall~~.Central/Wall. While adjustment for type of AC will rarely exceed \$10 or \$15, adjustment for lack of AC may be more substantial in some markets. RCS appraiser must describe the basis for any dollar amount of adjustment that exceeds \$10, or 2 percent of comparable's unadjusted rent, whichever is larger.

Line 16: Range/Refrigerator. It is not unusual in some markets for owners to not provide a refrigerator. The amount of adjustment should typically not exceed the monthly cost of equipment rental.

Line 17: Microwave/Dishwasher. The substantive reviewer needs to carefully review the RCS appraiser's explanation for an adjustment on this line exceeding a total of \$20 or 4 percent of comparable's unadjusted rent, whichever is larger.

Line 18: Washer/Dryer. If the unit includes hookups but the equipment is not provided by the owner, the amount of adjustment should typically not exceed the monthly cost of equipment rental.

Line 19: Floor Coverings. As floor coverings typically vary little within a given market (e.g., carpet, except vinyl in kitchens and baths), an adjustment on this line should rarely exceed \$10 to \$15, if made at all. For adjustment amount exceeding \$10 or 2 percent of comparable's unadjusted rent, whichever is larger, the RCS appraiser must discuss and provide market evidence. Adjustments for specialty coverings (e.g., ceramic tile in some areas of the living unit) should be in Line 22 ("Special Features") rather than in this line item.

Line 20: Window Coverings. While it is common to adjust for owner-provided vs. tenant-provided window coverings, any adjustment at all for type of window covering is unusual, and thus would only be acceptable if RCS appraiser provides market evidence for adjustments exceeding \$10 or 2 percent of comparable's unadjusted rent, whichever is larger.

Line 21: Cable/Satellite/Internet. If the owner provides connection but the tenant pays the monthly service fee, the amount of adjustment should not exceed the published monthly fees.

Line 22: Special Features. If the RCS adjusts more than \$10 or 2 percent of comparable's unadjusted rent, whichever is larger, for any individual item, market evidence must be cited in the RCS.

Lines 23. Blank line. [The RCS appraiser should use this line to add a unit amenity that is not listed but significantly affects the rent a tenant would pay. The RCS appraiser must describe the amenity on the line provided and make dollar adjustments as appropriate.](#)

Line 24: Parking. As described in Appendix 9-1-2 (Line-by-Line Instructions), there are three distinct types of adjustment may be included in this line. These are (a) availability of parking, (b) cost of parking, and (c) type of parking facility. Explanation provided in the RCS should be sufficiently clear for the substantive reviewer to follow just how the adjustments made fit into these respective categories. A chart is suggested if more than just a few simple adjustments are made.

Line 25: Extra Storage. As described in Appendix 9-1-2 (Line-by-Line Instructions), RCS appraiser must distinguish between adjustments for availability of storage versus cost of storage. The substantive reviewer needs to carefully review the RCS appraiser's explanation for a total adjustment on this line exceeding \$20 or 4 percent of comparable's unadjusted rent, whichever is larger.

Line 26: Security. The substantive reviewer needs to carefully review the RCS appraiser's explanation for an adjustment on this line exceeding \$15.

Line 27: Clubhouse/Meeting Rooms. The substantive reviewer needs to carefully review the appraiser's explanation for an adjustment on this line exceeding \$10.

Line 28: Pool/Recreation Areas. While generally nominal, adjustment on this line could be \$15 or more in some markets. RCS appraiser must provide market evidence to justify adjustments exceeding \$10 or 2 percent of the comparable's unadjusted rent, whichever is larger.

Lines 29-31: Business Center/Service Coordination/Non-shelter Services. RCS Appraiser should explain any adjustment within these categories. Since it is rare for a project to offer more than a few distinct categories of non-shelter services, total net adjustments to any comparable for these line items exceeding \$50 or 5 percent of the comparable's unadjusted rent, whichever is larger, should be a trigger for a second review.

Lines 33-39: Utilities. To account for owner-paid versus tenant-paid items, the RCS appraiser should explain the criteria used. Typically, published housing authority utility allowances will represent an upper limit for any category. Use of adjustment amount for any utility category that exceeds the respective published allowance would be a trigger for a second review. The RCS appraiser may also choose to adjust for tenant preferences, when applicable, for type of utility (e.g., gas cooking versus electric, gas heat versus electric), but those adjustments will typically be small (see discussion in Appendix 9-1-2).

Line 46: Estimated Market Rent. As described in Section 9-13 and Appendix 9-1-2, the RCS must note which comparables were weighted over others for purposes of evaluating the adjusted rents, and also the reasons why those comparable were weighted over others.

[Appendix 9-5-5: Link to Certification of Substantive Reviewer](#)

Appendix 9-5-53-2

[Link to Certification of Substantive Reviewer](#)

[Certification of Substantive Reviewer](#)

Sample ~~for~~ Issues Memo from Substantive Reviewer

[Name of Regional Director at HUD (or equivalent)]

[Address of HUD/CA]

Name of Subject Project:
Section 8 Contract Number:

I have performed a Substantive Review of the Rent Comparability Study (RCS) of the aforementioned project. Based on my review, I have identified the following issues that need to be addressed by the RCS appraiser and/or Owner.

1. Type issue #1 here.....
2. Type issue #2 here.....
3. Type issue #3 here.....
4. Type issue #4 here.....

I am requesting for the RCS appraiser and/or Owner to provide additional information or explanations on the items noted above within 10 calendar days of date of HUD's/CA's request, as per HUD guidelines in Chapter Nine of the Section 8 Renewal Guide.

Please do not hesitate to contact me if you have questions concerning my findings.

[Insert substantive reviewer's name]

[Address, email and phone number]

Appendix 9-4

Special Project Types

If the RCS appraiser uses comparables from project categories that would not typically be suitable for use as comparables for multifamily rental housing, as outlined under Section 910. C.4, the RCS appraiser must consult the guidance provided below.

- 1.A. **Cooperative Project (Co-Op):** A Co-Op is a multi-unit project in which those who own the project actually own shares in the ownership of the overall project as a whole. For the purposes of an RCS, the fact that the project is a co-op doesn't significantly affect the market rental rate of the subject and/or the comparable project. Depending on the market evaluation that is performed by the RCS appraiser, an adjustment may be justified for the ownership being a co-op but most likely it will have no effect on the concluded market rental rate.
- 2.B. **Elderly/Special Needs:** An elderly or special needs project is different from traditional market rate projects because these projects typically include services offered at no extra cost to the tenant. The mix of these services will vary widely among projects in each market as well as between different markets. Upon identification of an age-restricted or Special Needs project, the RCS appraiser should determine what extra services are provided (if any and how they are funded) and during the comparable selection process attempt to identify projects that offer similar services with the same restrictions as well as being in the defined market area. The preference in selection would be to go outside the market area and find comparable projects offering the same or similar services, rather than locating projects within the defined market areas but offering different services. If the Elderly/Special Needs project doesn't offer any services above and beyond a normal market rate project, then no adjustments would be required and the comparable selection could utilize traditional market rate projects for comparison. However, an adjustment would most likely be required due to the restriction of the tenant pool as compared to a traditional market rate project.
- 3.C. **Student Housing:** Included as a Special Project due primarily to the growth of these projects, and the "by the bed" rental structure that they often offer. There are two types of projects that fall under the Student Housing category; (1) traditional apartment projects that are rented by the unit, but are restricted to students and (2) "by the bed" projects.
- D. The first project type is one that is similar in operations and rentals to the traditional apartment project, and specifically similar to an elderly or age-restricted project. The tenant rents a studio or larger unit, containing a kitchen, bath, and sleeping quarters.

The second project type is one that has become very popular over the last 10-20 years and that is a project that rents beds, rather than apartment units. Accordingly, there will be two or more tenants sharing a living unit. This concept is similar to a college dorm concept mixed with a traditional apartment project. Commonly, these projects will also offer services that cater to students and student-living and will be located on and very close to campus. As an RCS will in all cases involve estimating market rents for self-contained living units rather than bed rentals within shared apartment units, this second project type cannot under any circumstance be used as a rental comparable for the RCS.

4. Congregate-Care Projects: Included as a Special Project Type due to the amount of extended services available, and the “by the bed” rental structure that they sometimes offer. There are several types of projects that fall under Congregate-Care Housing but all offer some level of home health care services to either the elderly or persons with special needs. The different types could include (1) Assisted-living facilities, (2) senior citizen housing, or

1 E. (3) other age-restricted retirement communities. Congregate-care housing typically
2 offers enhanced healthcare services for the elderly, whereas the typical elderly housing
3 projects offer only limited services with no specific healthcare applications.

4 For some care facilities, residents lease a bed rather than a private unit. Typically, that
5 kind of facility will offer skilled nursing, and will require payment on a daily rather than
6 monthly basis. The RCS appraiser will not encounter this type of facility for purposes of
7 estimating rent for a Section 8 project. Accordingly, there is no reason to use projects
8 rented on a daily rather than monthly basis as rental comparables. As an RCS will, in all
9 cases, involve estimating market rents for self-contained living units rented on a monthly
10 basis, rather than daily bed rentals, this project type cannot under any circumstance be
11 used as a rental comparable for the RCS.

12 F. ~~5. After-Rehabilitation:~~ Included as a Special Property Type due to the hypothetical
13 assumption that the proposed renovation has been completed. This requires a dual review
14 of the subject project in its “as is” state, and a “projected” review as though all units and
15 common areas that will be renovated have already been renovated, in accordance with the
16 specifications provided in the renovation scope of work. This then requires the RCS
17 appraiser to include comparables similar to the subject project in its post-renovation
18 condition.

19 The RCS appraiser should review what if, any repairs are proposed for the subject
20 project. Proposed changes to the subject project other than routine repairs for deferred
21 maintenance may need to be reflected in Form 92273-S8 adjustments to rental
22 comparables. Examples of adjustments that may need to be reflected in the RCS
23 appraiser’s Form 92273-S8 analysis would include changes in utility configuration, such
24 as installing separate living unit meters that effectively convert an owner-paid utility
25 service to a tenant-paid basis. Another example of possible adjustments would be
26 additions or reductions in the scope of non-shelter services, such as would occur if
27 management were proposing to eliminate an on-site day care facility or other amenity.
28 Even if no specific change is proposed to utility configuration, available amenities, or
29 available non-shelter services, the subject project’s overall condition and appeal may be
30 enhanced by the proposed scope of work. Accordingly, the RCS appraiser needs to
31 consider how adjustments for line items 7 and 8 of the form 92273-S8 (Year built/Yr.
32 Renovated and Condition/Street Appeal) will be affected.

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Appendix 9-5

Forms Used in Preparation and Review of an RCS — Rent Comparability Study

<u>Form</u>	<u>HUD Form No.</u>	<u>Link</u>
Initial Checklist	N/A	[to be populated]
Substantive Checklist	N/A	[to be populated]
Rent Comparability Grid	HUD 92273-S8	[to be populated]
Rent Comparability Grid Instructions	HUD 92273-S8I	[to be populated]
Request to Renew Using SAFMR as Market Ceiling	HUD 9630	[to be populated]
Request to Renew Using Non-Section 8 Units in the Section 8 Project as a Market Rent Ceiling	HUD 9629	[to be populated]
Rent Grid Analysis Checklist	N/A	[to be populated]
Worksheets for Mark-up-to-Market (Option 1)	N/A	[to be populated]

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