

- H. Prepare a renewal contract using the Preservation Renewal Contract for the appropriate term. The rent adjustment method provided in the approved plan of action should be used for adjusting contract rents.

Section 7-9

Preservation Updates

A. Shallow Rent Subsidy.

1. The Fiscal Year 1995 appropriations act enacted September 28, 1994 contained modifications to the Low-Income Housing Preservation and Homeownership Act (LIHPRHA). All LIHPRHA Plans of Action approved on or after September 28, 1994 and through September 30, 1995 would have to meet the Shallow Rent Subsidy requirements set forth in the law. This includes LIHPRHA properties that received final approval prior to September 28, 1994, but for which a use agreement was not executed until after that date.
2. HUD issued two Notices dealing with processing Shallow Rental Subsidy for LIHPRHA properties. The first Notice, H95-26, was issued March 30, 1995. The second Notice, H95-54, was issued on June 15, 1995, and among other things cancelled and replaced the first Notice. Both Notices stated in the background discussion that the Shallow Rent Subsidy requirements were a result of FY 1995 appropriations act that would be in effect until September 30, 1995. The second Notice goes on to state that the rent modifications will remain in effect for the life of the Use Agreement, unless modified by law.
3. The law did in fact change, in that the 1995 Appropriations Act language establishing the Shallow Rent Subsidy was not made permanent. Therefore, the Shallow Rent Subsidy is no longer applicable.

B. Budget-Based Rent Increase.

1. Instruction for processing a budget-based rent increase for LIHPRHA projects is found in Chapter 11 of HUD Handbook 4350.6.
2. Section 11-7C.3. states: “if non-operating costs increase or decrease, e.g., a loan secured by the project is repaid; the budget will be adjusted for the change.” Therefore, HUD will recognize new debt in a budget-based rent increase request.