

Other Issues

Other Rent Increases

Section 16-1

- A. Budget-based rent increase requests. PM/CA's should consider a project's residual receipts account balance prior to approving budget-based rent increase requests. PM/CAs should be certain that some or all of the increase in expenses being requested in the budget can not be covered by existing surplus project funds.
- B. Rent increases for Sections 236 and 221(d)(3) BMIR Projects.
 - 1. These projects traditionally have used the budget-based method for all rent increases. Under MAHRA, Section 8 rents are renewed according to the option selected by the Owner. However, unassisted units continue to follow Chapter 7 of HUD Handbook 4350.1. Recent legislation gave the Department more flexibility in setting Section 236 rents. The Department's policy is that this flexibility will only be used for units with project-based Section 8 assistance.
 - 2. PM/CAs may approve a short-term renewal to permit Owners to bring into alignment the Section 8 contract renewal process and the submission of the annual budget-based rent increase.
- C. Rent adjustments.
 - 1. Normally all rent adjustment requests should be made on an annual basis. These requests should be submitted to PM/CA at least 120 days prior to contract anniversary date.
 - 2. The restriction on mid-year rent adjustments does not apply where an Owner requests to enter into Mark-Up-To-Market. See Section 3-2.E.

Effect of Prepayment on OAHF Eligibility

Section 16-2

In cases where the owner of a project that is eligible for debt-restructuring selects Option Three (debt-restructuring) but subsequently prepays the FHA-insured or HUD-held mortgage, the prepayment does not provide an opportunity for the owner to revise the renewal selection. While the project under such scenario is no longer subject to an FHA-insured or HUD-held mortgage and would ordinarily be eligible on this basis for renewal at exception rents (Option Four), eligibility for a Restructuring Plan is determined by the status of the project on the earlier of the termination or expiration date of the project-based assistance contract, which may include a contract renewed under section 524 of MAHRA, or the date of the owner's request for a Restructuring Plan. Any later prepayment of the FHA-insured or HUD-held mortgage does not provide the owner an opportunity to revise the renewal selection and will result in a reduction of rents to market.

Refinancing of FHA Insured Properties

Section 16-3

Effective with the publication date of this Guide, the Department requires the owner of an exception project to use:

- A. The debt service associated with the original insured mortgage when establishing the budget based rent. For example, a project that prepays the FHA-insured mortgage to become an exception project must use the debt service that was associated with the FHA-insured mortgage in computing the budget-based rent level for the required comparison to the current rent level plus OCAF to determine the renewal rent level. The Department believes that this policy is consistent with the intent of Congress to ensure that subsidized rent levels that are above comparable market rents are not higher than necessary to operate the project.
- B. The debt service associated with the current financing when computing the current rent level plus OCAF.

Note: Owners of exception projects with rents less than market are also eligible to renew under Option 1 or Option 2.

For Further Information

Section 16-4

A. Section 8 Renewal Help Desks have been established in each Hub and certain Program Centers to provide technical assistance to Project Owners, managers and contract administrators who have questions regarding the Section 8 contract renewal process.

B. A complete and up-to-date list of Section 8 Renewal Help Desk Officers is available on the Multifamily Business Page for Section 8 Expiring Contracts web page.

<http://www.hud.gov/officec/hsg/mfh/mfhsec8.cfm>