

MANAGEMENT BULLETIN #243

Date: August 22, 2002

To: Owners/Agents of Section 8 Developments
Requesting only Annual Adjustment Factor
("AAF") Rent Increases (not Mod Rehabs)

From: Diane Smith, Asst. Director

CC: Asset Managers

Re: Updated Section 8 Rent Increase Procedures

On May 17, 2002, the Department of Housing & Urban Development ("HUD") issued updated rent increase procedures required for New Construction/Substantial Rehab Section 8 properties that are still receiving funding under their original Housing Assistance Payment ("HAP") contracts in Notice H2002-10. HUD Notice "H 2002-10", can be accessed through HUD's website at www.hudclips.org. Click on the left side of your screen at "2002 Housing Notices" under heading, "Shortcuts". Then, click on "Section 8 Project-Based Rent Adjustments Using the Annual Adjustment Factor ("AAF")", which is Reference # 5. The procedures are effective for those developments whose HAP contract dates fall after May 17, 2002.

The notice incorporates a review of the Section 8, AAF rent increase procedures owners must follow starting on page 3:

- ◆ When/how owner requests an AAF rent adjustment
- ◆ Effective date of rent adjustment
 - Submission within two month deadline
 - Late submission by owner
 - Submission past extended deadline
- ◆ When comparability applies
- ◆ When an Owner Must Submit a Rent Comparability Study
- ◆ How to Determine Comparability
- ◆ Adjusting the Rent Comparability Study ("RCS")
 - HUD allowing "updated RCS" (use Appendix 5)
 - Updated RCS allowed for 4 years after original RCS
 - Must be prepared by **certified appraiser**

The notice explains changes to the Rent Comparability Study ("RCS"), clarifies the timeline for timely and delinquent requests, defines initial difference, and offers updated forms to use. **HUD has made the Section 8 rent increase procedures mandatory as they "implement statutory requirements", and "they will not be waived" by HUD.** Consequently, please submit your worksheets using Appendix 1 if your gross rents exceed the existing housing Fair Market Rent ("FMR"), and Appendix 2 if they do not exceed existing FMRs. While page 6 explains the Appendix worksheet calculation for the Part I annual adjustment, page 10 of the Notice explains what an owner is required to submit for rent increase requests under Part I. The requirements continue on page 11 for Part II rent increase requests (those using Appendix 2). The worksheets are not significantly changed, nor is the overall process. HUD, however, is requiring that **all developments** whose original HAP contract is still in effect use these procedures and forms.

Should you have any questions regarding the updated procedures, please contact your Asset Manager.