PROCEDURES FOR SECTION 8 MODERATE REHABILITATION
CONTRACT RENT CALCULATIONS AND ESTABLISHMENT OF BASE RENTS
*
1. General

Public Housing Agencies (PHAs) administering the Section 8 Moderate Rehabilitation Program establish rents for the units to be assisted. The PHA must first establish an estimated Contract Rent to evaluate the initial, feasibility of the owner's proposal. If the proposal appears feasible, the PHA must then calculate a proposed Contract Rent, using more accurate data on rehabilitation costs and financing terms, to be included in the Agreement. Based on actual rehabilitation costs and financing terms, the PHA may have to recalculate the Contract Rents to be included in the Housing Assistance Payments (HAP) Contract.

The regulations specify a rent calculation which involves a two-part process. First, a Base Rent will be established, for each unit to be assisted, using the rent or cost approach. The monthly amount necessary to amortize an actual or imputed rehabilitation loan for the work to be accomplished under the program is then added to the Base Rent to obtain the Contract Rent. In its most basic form this process can be illustrated as follows:

\[
\text{Base Rent} + \text{Monthly Rehabilitation Debt Service} = \text{Initial Contract Rent}
\]

Unless specifically authorized otherwise by a HUD Field Office (see Chapter 10), the Base Rent and Contract Rent calculations for proposals of 50 or more assisted units must receive HUD Field Office concurrence prior to PHA execution of the Agreement and HAP Contract. The rents for projects of 49 units or less do not require HUD approval, but are subject to review during on-site HUD monitoring visits.

If an owner's proposal involves HUD multifamily mortgage insurance (e.g., Section 223(f) or 221(d)(4)), the rents will be determined by the HUD Field Office in accordance with Appendix 33.

2. Establishing a Base Rent.

The Base Rent represents the costs for owning, managing and maintaining the unit, and cannot exceed the Existing Housing FMR less any allowances for tenant-paid utilities. The Base Rent cap (i.e., Existing Housing FMR ceiling) is imposed to ensure that the higher

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rents possible under the Moderate Rehabilitation Program (20 percent higher than Section 8 Existing Housing) are used to reimburse owners for rehabilitation costs, not other owner expenses. Also, annual rent adjustments for Moderate Rehabilitation units will be determined by applying the applicable Annual Adjustment Factor (AAF) to the Base Rent, not the Contract Rent, if the rehabilitation debt service is a fixed amount and therefore not subject to inflation.

The PHA may calculate Base Rents by either the Rent Approach or the Cost Approach. It is left to the PHA's discretion to determine which method will be used. The Rent Approach is simpler to use and justify, and may be the preferable method in cases where there is no property debt service or the mortgage transactions are very complicated and difficult to substantiate. However, the Rent Approach may not work if the units have been vacant for a sustained period, and it may not provide a sufficient rent for the owner to adequately manage and maintain the units after rehabilitation.

A brief summary of the Rent Approach and Cost Approach to calculating Base Rents follows. Detailed instructions are contained in the rent calculation formats.

A. Rent Approach. The rent at the time of the owner's submission of the proposal generally will be the Base Rent. The PHA may increase the preproposal rents under certain conditions, and decrease the preproposal rents if there is reason to believe that the owner recently raised the rents above market only in order to maximize the Moderate Rehabilitation Program benefits.

B. Cost Approach. The PHA will calculate a Base Rent using the estimated costs to own, manage, and maintain the rehabilitated unit. Annual expenses for property debt service, insurance, taxes, utilities, management, and maintenance, projected to the date of HAP Contract execution, are included, as well as a reserve for replacement and an adequate return on the owner's investment. The estimated annual rent derived through this process is adjusted by an Occupancy Factor between 95% and 100% to allow for vacancy and collection losses, and is then divided by 12 to obtain the monthly Base Rent.


The Monthly Rehabilitation Debt Service, which includes the monthly cost of repaying any loan for eligible rehabilitation work and providing the owner a return on cash expenditures for eligible
work, is added to the Base Rent to obtain the Contract Rent. In order to calculate Monthly Rehabilitation Debt Service, the PHA must be familiar with the following program features:

- Eligible and ineligible rehabilitation costs
- Amortizing rehabilitation costs self-financed by owner
- How limitations on loan terms can affect monthly rehabilitation debt service calculations

The PHA must first establish a total rehabilitation cost which should include all rehabilitation costs for eligible work items. Appendix 34 prescribes the rehabilitation costs eligible for amortization through the rents. This total rehabilitation cost should reflect only costs that the owner has to pay; the amount of any rehabilitation grants should be subtracted.

Secondly, the PHA must determine how much of the total eligible rehabilitation cost will be financed and how much will be paid for by the owner with nonborrowed funds. For the amount to be financed, the PHA must establish a monthly principal and interest payment for the repayment of the loan(s). In determining this figure, the PHA should use the actual or estimated interest rate that the owner will obtain; an estimate may be used for preliminary feasibility but the actual rate must be used when establishing the Contract Rents after rehabilitation has been completed. The PHA must use a loan term of no less than 15 years (regardless of whether the anticipated or actual loan term will be less than 15 years) unless the total rehabilitation cost is less than $15,000, or the HUD Field Office has approved a shorter loan term (see Chapter 10). In these cases, the monthly payment will be established using the term of the loan that the owner will actually (or is expected to) receive.

For the amount of the rehabilitation cost not to be financed but to be paid by the owner out of his/her own nonborrowed funds (cash, check, credit card, etc.), the PHA must establish a monthly payment for principal and interest on an imputed loan for that amount at a 10% interest rate for a 15-year term. This amount plus the monthly payment for rehabilitation loan(s) equals the total Monthly Rehabilitation Debt Service to be added to the total Base Rents.


The first step of the feasibility analysis involves totalling the monthly payments on all of the actual and imputed loans calculated by the PHA (Monthly Rehabilitation Debt Service) and adding this figure to the Base Rents to establish the Contract Rents. The
*Contract Rents cannot exceed the Moderate Rehabilitation FMRs less any allowances for tenant-paid utilities.

After eliminating clearly infeasible proposals through initial screening, the PHA will conduct a preliminary feasibility analysis (using the rent calculation formats) for proposals selected for further processing. This analysis may need to be completed several times as increasingly more reliable data concerning costs and financing becomes available.

Once the Base Rent has been established, the amount of rehabilitation has been determined, a firm contractor price has been agreed upon, eligibility of current tenants has been determined, and financing obtained, the final feasibility analysis is completed using the same procedures followed for the preliminary feasibility analysis. A determination of final feasibility means that the Project "works" when firm figures for all elements of the initial Contract Rent are known. The rent calculated during the final feasibility analysis is entered into the Agreement.

If at final feasibility, either the proposed Base Rent or the proposed initial Contract Rent (or both) exceed the maximums allowed, the PHA and the owner have two options:

(1) The project may be determined infeasible and eliminated from consideration; or

(2) The PHA and the owner may explore ways to reduce the rent. A reduction in rent can be accomplished by reducing the scope of rehabilitation, limiting the owner's return on investment, obtaining an agreement that the owner will make cash expenditures which will not be considered in the rent calculations, or obtaining more favorable financing terms for the project.

PHAs should use extreme caution in re-working a feasibility analysis to make a proposal work. The purpose of the feasibility analysis is to assure that the project will work in reality and not just on paper. Considerable time and money for both the PHA and the owner will be wasted if a project originally selected based on an unrealistic feasibility analysis has to be eliminated later in processing. In addition, a project determined feasible, and placed under HAP Contract based upon unrealistic estimates of expenses, may experience serious management and financial problems throughout the life of the HAP Contract.

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5. Using Rent Calculation Formats.

The procedures for developing Base Rents and Contract Rents are incorporated into the rent calculation formats which follow. Exhibit 1 is to be used for single family units and Exhibit 2 is for multifamily units.

These optional formats are provided to simplify and standardize the process for making rent calculations. PHAs are not required to use the attached formats for calculating rents; however, PHAs should adopt these or similar formats so that the program will be administered uniformly and with appropriate documentation. If a PHA proposes using a process that is different from that represented on the attached formats, the PHA must submit its proposed alternative to the HUD Field Office prior to its use. The Field Office will review the proposed alternative to ensure that it is consistent with the procedures specified in this Appendix.

EXHIBIT 1 (Page 1 of 2)

Owner Proposal Number: ______________________
Agr./HAP Contract Number: ___________________

CALCULATION OF BASE RENTS AND CONTRACT RENTS FOR SINGLE FAMILY UNITS

Owner Name: ___________________ Property Address: ______________________
Purpose of Calculation: [ ] Proposal Feasibility [ ] Agreement Rents
[ ] HAP Contract Rents [ ] Other:________

Reviewer: ___________________________ (Name of staff person) (date)

Approval: ___________________________ (Name of supervisor) (date)

1. MONTHLY BASE RENT - RENT APPROACH
   1. Current Rent $_________ /mo.

II. MONTHLY BASE RENT - COST APPROACH
   2. Property Debt Service $_________ /yr.
   3. Utilities Paid by Owner (included in rent) $_________ /yr.
4. Insurance $_________/yr.

5. Taxes $_________/yr.


7. Reserve for Replacement $_________/yr.
   (Based on attached calculation or 10% of sum of Lines 4 through 6 $ ______________)

8. Return on Investment $_________/yr.
   (Up to 10% of (a) purchase price $__________ + capital expenditures $__________ - outstanding indebtedness $__________ = $__________ or
   (b) appraised as-is value $__________ - outstanding indebtedness $__________ = $________________)

9. Annual Base Rent (Add Lines 2 through 8) $_________/yr.

10. Occupancy Factor between .95 and 1.00 _______________

11. Annual Base Rent Adjusted for Vacancy and Collection Losses (Line 9/Line 10) $_________/yr.

12. Monthly Base Rent (Line 11/12 months) $_________/mo.

III. MONTHLY BASE RENT AGREEMENT/HAP CONTRACT

13. Base Rent from Line 1 or Line 12 $_________/mo.

   THE BASE RENT ON LINE 13 CANNOT EXCEED THE EXISTING HOUSING FMR OF $ _______ LESS APPLICABLE UTILITY ALLOWANCE OF $ ___________ = $ _____________ FOR THE PROPERTY TO BE FEASIBLE.

IV. MONTHLY REHAB DEBT SERVICE

14. Total Eligible Rehab Costs $__________
   (Total eligible construction costs $ _______ + other eligible rehab costs $_______ - rehab grants $__________)

15. Rehab Loan Debt Service $_______/mo.
   ($_______ rehab loan @ ___% for ___ years)

16. Imputed Debt Service for Owner Cash Expenditures $_______/mo.
   ($_______ rehab cost @ 10% for 15 years)
17. Total Rehab Debt Service (Line 15 and Line 16) $_________/mo.

V. MONTHLY CONTRACT RENT – AGREEMENT/HAP CONTRACT

18. Contract Rent (Line 13, Base Rent, and Line 17, Monthly Rehab Debt Service) $_________/mo.

THE CONTRACT RENT ON LINE 18 CANNOT EXCEED THE MOD REHAB FMR OF $__________ less applicable utility allowance of $__________ = $__________ for the property to be feasible.

___________________________________________________________________________

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___________________________________________________________________________

* Instructions for Exhibit 1: Calculation of Base Rents and Contract Rents for Single Family Units

General Instructions:

In using this format, all amounts of 50 cents or greater should be rounded to the next higher dollar amount, e.g., $149.50 should be rounded to $150. Amounts of 49 cents and less should be rounded to the next lower dollar amount.

I. MONTHLY BASE RENT – RENT APPROACH

Line 1: Current Rent. Enter the monthly rent of the unit prior to submission of the owner's proposal or a lower amount determined reasonable by the PHA. The PHA should require the owner to submit sufficient rent collection documentation so a determination can be made that the preproposal rent accurately reflects the market value of the unit and that the owner did not recently increase the rents for purposes of participating in the Section 8 Mod Rehab Program.

If the owner has not increased the rent in the year prior to proposal submission, or if the time between proposal submission and estimated HAP Contract execution is expected to exceed the time during which comparable units would have a rent increase, the PHA may adjust the preproposal rent by applying the applicable published AAF. This adjustment should only be made if the unit's condition, location, demand, etc., indicates that a rent increase would have occurred in the private market based on the rents being charged for comparable units.

Note 1: If the owner will not furnish the same utilities at the time of execution of the HAP Contract as was previously furnished, the PHA should adjust the rent amount entered on Line 1 by adding or deleting the cost of utilities in question. The HUD-approved Schedule of Allowance for Utilities (Form HUD-52667) should be used for this purpose.
Supporting Documentation: Several months' rent receipts, copy of current lease, prior year tax return, PHA justification for adjusting the current rent by the AAP, etc.

II. MONTHLY BASE RENT - COST APPROACH The figures on Lines 2-6 should be for the year preceding proposal submission based on actual costs, projected to reflect costs at the time of HAP Contract execution. All figures should be annual amounts for all units in the property.

* Line 2 - Property Debt Service. Enter the annual principal and interest (P & I) payments for loans related to the purchase and improvement of the property at the date of proposal submittal. If a new purchase or refinancing and the loan also covers rehab, enter proration of P & I at time of HAP Contract execution (see Notes 3 and 4).

Note 1: Exclude escrows for real estate taxes, water and sewer, insurance, etc. Also exclude debt service on any loan or refinancing used by the owner to obtain cash for a non-property related purpose (such as business investments or medical expenses) or to cover property operating expenses.

Note 2: Recent short term notes (loans with less than a 15-year term associated with a new purchase or which were taken out in the last 3 years) must be amortized over a 15-year term at the actual interest rate. The imputed debt service should be included on Line 2.

Note 3: If the owner is obtaining a loan(s) which covers both the acquisition and rehab of the property (new purchase), the PHA must prorate the costs of property debt service and rehab debt service. For example: acquisition cost of $50,000 and rehab cost of $20,000 combined into one loan of $70,000 at 13 percent interest for 15 years with P & I amount of $886/month or $10,632/year. Since the $50,000 acquisition cost represents 71.43 percent of the loan, the prorated P & I amount to be entered on Line 2 is $7,596/year (71.43% of $10,632). If in the above example, $5,000 of the new mortgage represents owner "cash-out" or ineligible rehab costs, the loan amount would be considered as $65,000 and the debt service on the $50,000 acquisition cost would be 76.92 percent of the P & I for a $65,000 15-year loan at 13 percent (76.92 percent of $882/month = $678/month or $8,136/year).

Note 4: If the owner is refinancing the property to include rehab costs, the PHA must prorate the costs of property debt service and rehab debt service, excluding owner "cashouts," as indicated above in Note 3. In determining the portion of the P & I attributable to
property debt service, use the new loan interest rate and term for the outstanding purchase debt at the time of refinancing. For example: Outstanding principal balance of $30,000 ($40,000 original purchase price) and rehab cost of $20,000 combined into one loan of $70,000 at 13 percent interest for 15 years. In this example, the owner is taking out $20,000 cash (new loan of $70,000 less sum of $30,000 principle balance and $20,000 rehab costs). Therefore, the property debt service would be based on the P & I amount for a $30,000 loan at 13 percent interest for 15 years.

**Note 5:** If an identity of interest sales transaction has occurred after December 1979, the debt service based on the last arms-length purchase transaction and/or loans must be used; i.e., sales between relatives, business partners and other parties with an identity of interest cannot be recognized and the debt service prior to such a transaction must be used. Any exceptions to this policy must be approved in writing by the HUD Field Office. (PHAs may use the existing property debt service, regardless of whether an identity of interest existed between the seller and purchaser, for sales transactions occurring prior to January 1980.)

**Note 6:** In cases involving variable and adjustable rate loans, the P & I on Line 2 will reflect the interest rate in effect on the date of HAP Contract execution. Interest rate changes during the loan term will be covered to some extent through annual adjustments (see Chapter 10).

Supporting Documentation: Copy of statement from financial institution indicating current monthly P & I payment, copy of mortgage or other loan instrument showing the debt is related to purchase of property, documentation of how loan amounts were used for property improvements or purchase, copy of settlement sheet, certification that property purchase was not an identity of interest transaction, etc.

**Line 3 - Utilities Paid by Owner.** Enter an amount for all utilities (heating, cooking, hot water, electricity, and water and sewer) to be paid by the owner based on the HUD-approved Schedule of Allowances for Utilities and Other Services (Form HUD-52667), or based on another appropriate amount justified by the owner and approved by the PHA.

**Note 1:** Only include the utilities which the owner will furnish at the time of HAP Contract execution. Do not include an allowance for ranges or refrigerators or trash collection since these costs will be included as management and maintenance expenses.

**Note 2:** The utility allowances schedule incorporates an amount for common
area utilities.

Note 3: Verify any anticipated rate increases with utility suppliers and calculate new allowances, if necessary, based on rate increases and HUD-approved consumption data. Do not recalculate based on anticipated rate increases unless the increased rates have received all necessary local or State approvals and will be in effect prior to the date of HAP Contract execution.

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Note 4: Should the owner disagree with the utility allowance figure, documentation of actual costs may be submitted to the PHA. The PHA may approve a higher figure but should take into account any energy conserving improvements included in the rehab.

Supporting Documentation (if HUD-approved utility allowances not used):
Past year utility bills, prior year tax return, record of calls to verify rate increases, etc.

Line 4 - Insurance. Enter reasonable amount based on owner documentation of current insurance (fire and extended coverage, etc.) costs and estimates of any increased costs. Owner estimates may be based on the projected value or replacement cost of the property (excluding land) after completion of rehab. The PHA should verify these estimates with the insurance carrier.

Note 1: In advance, determine allowable insurance coverage, including hazards and liabilities insured against, deductible amounts, and other insurance features affecting costs. Allowed costs of coverage should include that normally carried on rental property in the area.

Note 2: Request uninsured owners to purchase insurance and include an amount for insurance for such owners based on assumption that the property will be insured at normal insurance levels in the area.

Supporting Documentation: Copy of owner's current insurance bills, record of any phone calls with insurance carrier, prior year tax return.

Line 5 - Taxes. Enter reasonable amount for taxes (real estate and personal property) based on owner documentation of current taxes, estimates of any increases based on property improvements after rehab, and the likely date of reassessment.

Note 1: In advance, obtain basic information from tax assessors about tax policies in the locality (e.g., schedule and procedures for reassessments, possible tax abatement for rehabilitated property...
Supporting Documentation: Current tax statements or notices of assessment, and record of any phone calls to verify reassessments.

Line 6 - Management and Routine Maintenance. Enter an amount based on the HUD-approved fee for management and routine maintenance, or another appropriate amount justified by the owner and approved by the PHA. The owner can submit documentation of actual management and maintenance costs when in disagreement with standard fees. It is noted that the rehab will probably accomplish some deferred maintenance work items and may reduce the costs of routine maintenance.

Note 1: Additional guidance on this subject is contained in Section IV of Appendix 18-2. The PHA should consider whether the owner is providing trash collection, ranges, and refrigerators.

Supporting Documentation (if HUD-approved fee not used): Bills, cancelled checks, receipts, prior year tax return, etc.

Line 7 - Reserve for Replacement. Enter either 10 percent of the sum of the costs on Lines 4, 5 and 6 (insurance, taxes, management and maintenance) or a reasonable annual amount ("reserve based on need") to be used as a reserve for replacement based on an analysis of items which will need major repair or replacement during the 15-year HAP Contract term (attach calculations). This reserve amount needs to be sufficient to enable the owner to replace or incur major repair expenses for unit equipment and major building systems and components over the term of the Contract. To calculate a reserve based on need, project for a 15-year period, reasonable costs of repairs and replacements to building equipment and systems based on their actual condition, age, and normal life expectancy and a factor for inflation. Divide the costs by 15 (years) to determine the annual reserve amount.

Note 1: Owner submits list of items needing major repairs or replacement after rehab and estimated costs (capital expenditures such as hot water heaters, heating equipment, ranges and refrigerators, etc.).

Note 2: General information on the average life of major building systems and equipment and current repair and replacement costs can be obtained from local suppliers and contractors. PHA will determine if and how a reserve based on need will take into account any anticipated cost increases.

Note 3: A reserve based on need is recommended when major building systems and components are not being repaired or replaced as part
of the rehab, and based on age are likely to need repair or replacement during the term of the HAP Contract.

Supporting Documentation (if reserve is based on needs analysis): List of items and estimated costs, and annual amount determinations.

* Line 8 - Return on Investment (Owner Profit). Enter either up to 10 percent of the owner's actual cash equity in the property at the time of proposal submission, or up to 10 percent of the equity based on the appraised as-is value before rehab.

Actual cash equity is calculated as follows: Add the purchase price of the property and the cost of capital expenditures made to improve the property. Subtract the outstanding indebtedness from this sum, and then multiply the remaining amount by a percentage factor not to exceed .10.

Equity based on the appraised as-is value is calculated as follows: Subtract the outstanding indebtedness from the appraised as-is value of the property, and then multiply the remaining amount by a percentage factor not to exceed .10.

Note 1: The PHA has total discretion in deciding which of the two above described methods will be used. PHAs may wish to make use of the appraisal method to determine owner investment for properties which were inherited, or purchased at very low prices, or where the calculated Contract Rents are extremely low.

Note 2: If a prolonged period has elapsed between proposal submission and Agreement execution, the PHA may calculate actual cash equity based on owner expenditures up to the date of Agreement execution (in lieu of proposal submission). See also Note 7 regarding new purchases and refinancing for an additional exception.

Note 3: When using the actual cash equity approach, include capital expenditures incurred between the time of property purchase and submittal of the owner's proposal. A capital expenditure as defined by the Internal Revenue Service is an investment of capital made to acquire property having a useful life of more than one year, to increase the value of property, or to prolong its life. (Adding a bathroom, new plumbing or wiring, and driveway paving are examples of capital expenditures. Repainting, fixing gutters or floors, replacing broken windows, and mending leaks are repairs, not capital expenditures.) In the case of inherited property, inheritance taxes paid by the inheritor of the property are counted as a purchase expense; however, the cash equity should not include any imputed amount
for the value of the property itself under this approach.

Note 4: The as-is appraised value must be determined from a written appraisal of the value of the property in its as-is condition before rehab, and must be made by a qualified appraiser.

* The cost of the appraisal must be paid for by the owner and is eligible for amortization through the rents as a rehab financing cost (if within the maximum amount specified in Appendix 34). The PHA is responsible for selecting the appraiser and securing the appraisal (within a cost range acceptable to the owner) in order to prevent any owner influence over the appraisal results. It is noted that the proposed Section 8 subsidies should not be considered in the determination of value, and the appraisal should be based only on residential rental use.

Note 5: The outstanding indebtedness amount should include all loans on the property used in calculating the debt service amount on Line 1, and is the outstanding balance at the time of the owner's proposal submission.

Note 6: Return is calculated at a percentage determined appropriate by the PHA, up to 10 percent. No return on investment should be included for nonprofit owners.

Note 7: If an owner is purchasing the property (new purchase), cash equity will equal the cash downpayment plus cash paid at settlement for items such as legal fees and points (costs not included as rehab financing fees on Line 14), but excluding the advance payment of operating expenses such as taxes, utilities, and insurance. (The PHA may also use this method for "old" purchases.) In refinancing cases, the original purchase price plus applicable closing costs (not included on Line 14) for refinancing will be used to determine the purchase price, and the outstanding debt prior to the refinancing will be subtracted from this amount to determine cash equity. If an identity of interest sales transaction has occurred after December 1979, the last arms-length purchase price will be used as the purchase price. (Any exceptions to the identity of interest policy must be approved in writing by the HUD Field Office.)

Supporting Documentation:

Purchase Price: Contract of Sale, Deed of Trust, statement from the lender holding the first mortgage, settlement sheet or other documentation of purchase price and owner cash paid toward purchase and settlement and transfer expenses. (Note: Advance payment of property taxes or other operating expenses at settlement is not
counted in the purchase price.)

- Outstanding Indebtedness: Deed of Trust and loan amortization information from the lending institution holding the first mortgage.

- Capital Expenditures: Income tax returns, liens on the property made for the purpose of improvements, or other appropriate written documentation. (Note: Any property repairs or improvements which were treated as operating expenses for income tax purposes are not counted as capital expenditures.)

- Inheritance Taxes Paid by the Inheritor: Copy of the inheritance tax form stating amount of taxes paid.

  - Appraised As-Is Value: Copy of the appraisal.

Line 9 - Annual Base Rent. Enter the sum of Lines 2, 3, 4, 5, 6, 7 and 8.

Line 10 - Occupancy Factor. Enter an amount between .95 and 1.00 to adjust the Base Rent for vacancy and collection losses. The PHA may determine that up to a 5 percent vacancy loss is appropriate, based on the estimated demand for the assisted housing after rehab and the program provision of reimbursement for vacancy loss.


Note 1: Since dividing, Line 11 will usually be a larger amount than Line 9.

Line 12 - Monthly Base Rent. Divide Line 11 by 12 to determine the monthly amount.

III. MONTHLY BASE RENT - AGREEMENT/HAP CONTRACT

Line 13 - Base Rent. Enter the Base Rent from Line 1 or Line 12. The PHA has complete discretion in determining whether to use the rent approach or the cost approach.

The financial feasibility test must be completed. If the amount on Line 13 exceeds the Existing Housing FMR minus applicable allowances for tenant-paid utilities, the proposal is infeasible and cannot be approved unless the owner agrees to accept a lower Base Rent (i.e., the maximum Base Rent allowable) and a lower return on investment. In such cases, the PHA must determine that there will be sufficient cash resources to ensure adequate management and maintenance during the
term of the HAP Contract.

Note 1: Use the FMR and utility allowances in effect on the date of Agreement execution.

Note 2: If an exception rent has been approved by HUD based on market data for both the Section 8 Existing Housing and Mod Rehab Programs, use the Existing exception rent as the Base Rent cap. If exception rent only applies to Mod Rehab, determine the percentage of increase the Mod Rehab exception rent bears to the Mod Rehab FMR, and then apply this same percentage to the Existing FMR to calculate the Base Rent cap.

IV. MONTHLY REHAB DEBT SERVICE

Line 14 - Total Eligible Rehab Costs. Enter the total eligible rehab costs which is determined as follows. Calculate the total of:

1. All eligible construction costs. Ineligible items (e.g., cleaning and janitorial services and luxury items such as microwave ovens) must be excluded.

2. Temporary relocation costs which include tenant reimbursement for moving costs to and from temporary housing and reasonable increases in monthly housing costs.

3. Any allowable financing and rehab related fees.

Then subtract from this total any rehab and temporary relocation costs which will be covered by a grant (for example, a Community Development Agency grant).

Enter the total eligible construction costs, relocation costs rehab and financing fees, and grant amounts, if any, in the appropriate blanks.

Note 1: Exclude the costs of optional improvements or maintenance-related work (even if required by the PHA). Appendix 34 provides clarification of the rehab costs and financing fees eligible for amortization through the rents. For new purchases and refinancings, do not count financing fees twice (see Line 8).

Supporting Documentation: Approved work writeup and cost estimate, copy of rehab loan documents including settlement sheet, bills and receipts for rehab fees, rehab contract, competitive bids, cancelled checks, etc.

Line 15 - Rehab Loan Debt Service. Enter the amount of the rehab loan(s), interest rate and term, and monthly P & I in accordance with
the following:

(1) Enter the amount of total eligible rehab costs (Line 14) to be financed through loans of any type. Exclude any amount of the loan(s) which covers ineligible items or costs.

(2) Enter the actual interest rate of the loan(s).

(3) Enter at least a 15 year loan term unless the total eligible rehab costs (Line 14) is less than $15,000 or the HUD Field Office has approved a shorter term in accordance with Chapter 10. (Enter the actual term in such cases.)

(4) Enter the actual or imputed monthly P & I payment for the rehab loan(s).

Note 1: When an owner has more than one loan, the debt service for each loan is calculated separately and then combined to determine the total monthly debt service. The term used for each individual loan is based on the amount of total eligible rehabilitation costs (i.e., whether total costs exceed $15,000), not each individual loan.

Note 2: The PHA is responsible for determining that the financing interest rates and terms are reasonable.

Note 3: In cases involving variable or adjustable rate loans, the P & I on Line 15 will reflect the interest rate in effect on the date of HAP Contract execution. Interest rate changes during the loan term will be covered to some extent through annual adjustments (see Chapter 10).

Note 4: The PHA may use a loan term longer than 15 years (e.g., 30 years if a 30-year loan is obtained).

Note 5: If a new purchase or refinancing is involved, see Notes 3 and 4 for Line 2.

Note 6: The amount on Line 15 must be entered in Section 1.1(c)(2) of the HAP Contract if a loan term shorter than 15 years was used.

Supporting Documentation: Copy of rehab loan documents.

Line 16 - Imputed Debt Service for Owner Cash Expenditures. Enter the amount of total eligible rehab costs (Line 14) to be paid for with owner cash (including checks or credit cards). Then compute the monthly amount required to repay this theoretical loan at 10% interest.
over a 15-year term.

* Line 17 - Total Rehab Debt Service. Enter sum of Lines 15 and 16.

Note 1: The sum of the rehab loan on Line 15 and the owner paid rehab costs on Line 16 should equal the total rehab costs on Line 14.

V. MONTHLY CONTRACT RENT

Line 18 Contract Rent. Enter sum of Lines 13 and 17.

The financial feasibility test must be completed. If the amount on Line 18 exceeds the Mod Rehab FMR (or HUD-approved Mod Rehab exception rent) minus applicable allowances for tenant-paid utilities, the proposal is infeasible and cannot be approved unless the owner agrees to accept a lower Contract Rent (i.e., the maximum Contract Rent). In such cases, the PHA must determine that the units will meet HQS and there will be sufficient cash resources to ensure adequate management and maintenance during the term of the HAP Contract.

Note 1: Use the Mod Rehab FMR and utility allowances in effect on the date of Agreement execution.

EXHIBIT 2 (Page 1 of 5)

Owner Proposal Number: ________________________
Agr./HAP Contract Number: _____________________

CALCULATION OF BASE RENTS AND CONTRACT RENTS FOR MULTIFAMILY UNITS

Owner Name: _______________________ Property Address: _____________________

Total Number of Units in Property: ______ Number of Assisted Units: ______
(____ 0 BR, ____1 BR, ____2 BR, ____3 BR, ____4 BR, ____5 BR, ____6 BR)

Purpose of Calculation: [ ] Proposal Feasibility [ ] Agreement Rents
[ ] HAP Contract Rents [ ] Other:__________
1. MONTHLY BASE RENT - RENT APPROACH

1. Current Rent
   0 BR  1 BR  2 BR  3 BR  4 BR  5 BR  6 BR
   (If applicable, also complete Section VI.)

II. MONTHLY BASE RENT - COST APPROACH

   (Use figures for all units in property, assisted and unassisted.)

2. Property Debt Service $________ /yr.
3. Utilities Paid by Owner (included in rent) $________ /yr.
4. Insurance $________ /yr.
5. Taxes $________ /yr.
7. Reserve for Replacement $________ /yr.
   (Based on attached calculation or 10% of sum of Lines 4 through 6 $________)

EXHIBIT 2 (Page 2 of 5)

8. Return on Investment $________ /yr.
   (Up to 10% of (a) purchase price $________ +
    capital expenditures $________ - outstanding indebtedness $________ = $________ or
   (b) appraised as-is value $________ - outstanding indebtedness $________ = $______)

9. Total Property Annual Base Rent
   (Add Lines 2 through 8) $________ /yr.

10. Occupancy Factor between .95 and 1.00
    ____________

11. Total Property Annual Base Rent Adjusted for Vacancy and Collection Losses

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12. Total Property Monthly Base Rent
(Line 11 / 12 months) $________ /mo.

13. Base Rent for Assisted Units
in Properties with Only One
Unit Size (Line 12 / Total
Number of Units)

<table>
<thead>
<tr>
<th>Unit Size</th>
<th>0 BR</th>
<th>1 BR</th>
<th>2 BR</th>
<th>3 BR</th>
<th>4 BR</th>
<th>5 BR</th>
<th>6 BR</th>
</tr>
</thead>
<tbody>
<tr>
<td>$________</td>
<td>$________</td>
<td>$________</td>
<td>$________</td>
<td>$________</td>
<td>$________</td>
<td>$________</td>
<td></td>
</tr>
</tbody>
</table>

(If more than one unit size, complete Section VI.)

III. MONTHLY BASE RENT - AGREEMENT/HAP CONTRACT

14. Base Rent from (check only one block):

[ ] Line 1,
[ ] Line 13, or
[ ] Line 23,
Section VI

BASE RENTS ON LINE 14 CANNOT EXCEED THE EXISTING HOUSING FMRs LESS APPLICABLE UTILITY ALLOWANCES:

<table>
<thead>
<tr>
<th>Unit Size</th>
<th>0 BR</th>
<th>1 BR</th>
<th>2 BR</th>
<th>3 BR</th>
<th>4 BR</th>
<th>5 BR</th>
<th>6 BR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing FMRs</td>
<td>$________</td>
<td>$________</td>
<td>$________</td>
<td>$________</td>
<td>$________</td>
<td>$________</td>
<td></td>
</tr>
<tr>
<td>Utility Allowances</td>
<td>$________</td>
<td>$________</td>
<td>$________</td>
<td>$________</td>
<td>$________</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maximum Base Rents (Line a - Line b)</td>
<td>$________</td>
<td>$________</td>
<td>$________</td>
<td>$________</td>
<td>$________</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

IV. MONTHLY REHAB DEBT SERVICE

15. Total Eligible Rehab Costs
(Total eligible construction costs $________) $________
+ other eligible rehab costs $______________
- rehab grants $______________)

16. Rehab Loan Debt Service $________/mo. ($________ rehab loan @ ___% for ___ years)

17. Imputed Debt Service for Owner Cash Expenditures $________/mo. ($________ rehab cost @ 10%
for 15 years)

18. Total Rehab Debt Service (Line 16 and Line 17) $________/mo.

19. Average Rehab Debt Service per Unit (Line 18 $________/mo.
total number of units to be assisted)

V. MONTHLY CONTRACT RENT - AGREEMENT/HAP CONTRACT

20. Contract Rent (check only one block): 0 BR 1 BR 2 BR 3 BR 4 BR 5 BR 6 BR

[ ] Base Rent plus Monthly Rehab Debt Service
(Line 14 and 19), or

[ ] by Allocation Formula, Line 26, Section VII (e.g., if more than one
unit size)

CONTRACT RENTS ON LINE 20 CANNOT EXCEED THE MOD REHAB FMRs LESS
APPLICABLE UTILITY ALLOWANCES:

0 BR 1 BR 2 BR 3 BR 4 BR 5 BR 6 BR

a. Mod Rehab FMRs $ $ $ $ $ $ $

b. Utility Allowances $ $ $ $ $ $ $

c. Maximum Contract Rents (Line a - Line b) $ $ $ $ $ $ $

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## VI. BASE RENTS BY ALLOCATION FORMULA

<table>
<thead>
<tr>
<th>(a) Base Rents (Line 1, Current Rent)</th>
<th>(b) No. of Units in Property</th>
<th>(c) Total Base Rents (Sec. III)</th>
<th>(d) Maximum Base Rents</th>
<th>(e) No. of Units in Property</th>
<th>(f) Total Base Rents</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 BR</td>
<td></td>
<td>$______ x _______ = $_____</td>
<td>$______ x ______ = $_____</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 BR</td>
<td></td>
<td>$______ x _______ = $_____</td>
<td>$______ x ______ = $_____</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 BR</td>
<td></td>
<td>$______ x _______ = $_____</td>
<td>$______ x ______ = $_____</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 BR</td>
<td></td>
<td>$______ x _______ = $_____</td>
<td>$______ x ______ = $_____</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 BR</td>
<td></td>
<td>$______ x _______ = $_____</td>
<td>$______ x ______ = $_____</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 BR</td>
<td></td>
<td>$______ x _______ = $_____</td>
<td>$______ x ______ = $_____</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 BR</td>
<td></td>
<td>$______ x _______ = $_____</td>
<td>$______ x ______ = $_____</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Rent Approach: TOTAL column (c) $______  TOTAL $__________

Cost Approach: Line 12 $______

22. Allocation Ratio (Total Column 21(c) or Line 12 / Total Column 21(f))

_______

## VII. CONTRACT RENTS BY ALLOCATION FORMULA

<table>
<thead>
<tr>
<th>(g) Total No of Base Rents to be Assisted Rent</th>
<th>(h) Total Units</th>
<th>(i) Total Debt</th>
<th>(j) Total Contract Rents</th>
<th>(k) Total Maximum</th>
<th>(l) No of Total Contract Rents to be Assisted Rents (Line 14)</th>
<th>(m) Total Contract Rents (Line 18)</th>
<th>(n) Total Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 BR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 BR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 BR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 BR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 BR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 BR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 BR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

TOTAL $______+$_____/mo. = $______  TOTAL $______
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25. Allocation Ratio (Column 24(k) / Total Column 24(n))


<table>
<thead>
<tr>
<th></th>
<th>0 BR</th>
<th>1 BR</th>
<th>2 BR</th>
<th>3 BR</th>
<th>4 BR</th>
<th>5 BR</th>
<th>6 BR</th>
</tr>
</thead>
<tbody>
<tr>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
</tbody>
</table>

VIII. REHAB LOAN DEBT SERVICE BY ALLOCATION FORMULA

27. (o) Total Maximum Loan P & I (Line 16) (p) Maximum Contract Rents (Column (n)) (q) Allocation Ratio (r) Contract Rents Amount by Unit Size (s) Rehab

<table>
<thead>
<tr>
<th>BR</th>
<th>Allocation Ratio</th>
<th>Contract Rents</th>
<th>Unit Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>$_________</td>
<td>$_________</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>$_________</td>
<td>$_________</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>$_________</td>
<td>$_________</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>$_________</td>
<td>$_________</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>$_________</td>
<td>$_________</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>$_________</td>
<td>$_________</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>$_________</td>
<td>$_________</td>
<td></td>
</tr>
</tbody>
</table>

$_________ / $_________ = _______

---

Instructions for Exhibit 2: Calculation of Base Rents and Contract Rents for Multifamily Units

* General Instructions:

In using this format, all amounts of 50 cents or greater should be rounded up to the next higher dollar amount, e.g., $149.50 should be rounded to $150. Amounts of 49 cents or less should be rounded to the next lower dollar amount.

Instructions for the single family unit rent calculations which are also applicable to multifamily units will not be repeated. Instead, the single family unit instructions will be incorporated by reference.
Sections VI, VII and VIII provide allocation formulas which will only be used in the following cases:

Section VI.  Base Rents by Allocation Formula

-If Base Rents are calculated using the Rent Approach and current rents exceed the Existing Housing FMRs less applicable utility allowances in some (but not all) unit sizes.

-If Base Rents are calculated using the Cost Approach and the property has more than one unit size.

Section VII.  Contract Rents by Allocation Formula

-If Contract Rents (sum of Base Rents and monthly Rehab Debt Service) exceed the Moderate Rehabilitation FMRs less applicable utility allowances in some (but not all) unit sizes.

Section VIII.  Rehab Loan Debt Service by Allocation Formula

-If a rehab loan term shorter than 15 years is used to calculate the rehab debt service on Line 16 and the property has more than one unit size.

The purpose of the allocation ratios in Sections VI and VII is to prorate the Base Rents or Contract Rents to each unit size so that these rents will bear an appropriate relationship to the applicable FMRs. For example, if the rent for a one-bedroom unit exceeds the one-bedroom FMR but the rent for a two-bedroom unit is less than the two-bedroom FMR, the allocation formula may reallocate these rents, so that both are below the applicable FMRs. The purpose of the allocation ratio in Section VIII is to obtain the rehab debt service amount by unit size which is entered in Section 1.1(c)(2) of the HAP Contract.

* 

I.   MONTHLY BASE RENT - RENT APPROACH

Line 1 - Current Rent.  See instructions for Line 1 of Exhibit 1.

Note 1:  If the rents shown on Line 1 exceed the Existing Housing FMRs less applicable utility allowances in some (but not all) unit sizes, complete Section VI.

Note 2:  If a unit size has more than one rent (due to location, other amenities, or local rent controls), the PHA should determine which rent to use based on the rents charged for the units to be assisted, or the PHA should compute an average rent for that unit.
II. MONTHLY BASE RENT - COST APPROACH

All figures in this section should be based on actual annual costs for the total number of units in the property (both assisted and non-assisted), and figures on Lines 2-6 should be projected to reflect costs at the time of HAP Contract execution. (If rehab is to be completed in stages, use the date of HAP Contract execution for stage 1.)

Lines 2-12. See instructions for Lines 2-12 of Exhibit 1. Include costs for unassisted units, if any.

Line 13 - Base Rent for Assisted Units in Properties with Only One Unit Size. If the property has only one unit size (e.g., all three-bedroom units), divide Line 12 by the total number of units (assisted and unassisted) and enter amount on Line 13.

Note 1: If the property has more than one unit size, do not enter any amounts on Line 13 and complete Section VI.

III. MONTHLY BASE RENT - AGREEMENT/HAP CONTRACT

Line 14 - Base Rent. Enter the Base Rents from either Line 1 (current rents, no allocation necessary), Line 13 (cost approach Base Rents if property has only one unit size), or Line 23 (Base Rents by allocation formula). The PHA has discretion in determining whether to use the rent approach or the cost approach.

The financial feasibility test must be completed. If the amount on Line 14 exceeds the Existing Housing FMR (or HUD-approved exception rent) minus applicable allowances for tenant-paid utilities, the proposal is infeasible and cannot be approved

* unless the owner agrees to accept a lower Base Rent (i.e., the maximum Base Rent allowable) and a lower return on investment. In such cases, the PHA must determine that there will be sufficient cash resources to ensure adequate management and maintenance during the term of the HAP Contract.

Note 1: If an exception rent has been approved by HUD based on market data for both the Section 8 Existing Housing and Mod Rehab Programs, use the the Existing exception rent as the Base Rent cap. If exception rents only apply to Mod Rehab, determine the percentage of increase the Mod Rehab exception rents bear to the Mod Rehab FMRs, and then apply this same percentage to the
Existing FMRs to calculate the Base Rent caps.

Note 2: Use the FMR and utility allowances in effect on the date of Agreement execution.

IV. MONTHLY REHAB DEBT SERVICE


Note 1: In determining eligible construction costs, the cost of any work on unassisted units must be excluded. Also, the cost of any work on common elements or systems must be prorated between assisted and unassisted units. Costs must be prorated on a per-unit basis. For example, if five units are to be assisted in a 10-unit building, 50% of the costs for improvements to common areas or systems would be included as eligible rehab costs.

Lines 16 and 17. See instructions for Lines 15 and 16 of Exhibit 1.

Line 18 - Total Rehab Debt Service. Enter sum of Lines 16 and 17.

Line 19 - Average Rehab Debt Service per Unit. Divide Line 18 by the total number of units to be assisted. (Exclude any unassisted units.)

V. MONTHLY CONTRACT RENT

Line 20 - Contract Rent. Enter either the sum of Lines 14 and 19 or the rents on Line 26 (Contract Rents by allocation formula).

Note 1: If the sum of Lines 14 and 19 will exceed the Mod Rehab FMRs less applicable utility allowances in some (but not all) unit sizes, complete Section VII.

* The financial feasibility test must be completed. If the amount on Line 20 exceeds the Mod Rehab FMR (or HUD-approved Mod Rehab exception rent) minus applicable allowances for tenant-paid utilities, the proposal is infeasible and cannot be approved unless the owner agrees to accept a lower Contract Rent (i.e., the maximum Contract Rent). In such cases, the PHA must determine that the units will meet HQS and there will be sufficient cash resources to ensure adequate management and maintenance during the term of the HAP Contract.

Note 2: Use the Mod Rehab FMR and utility allowances in effect on the date of Agreement execution.
VI. BASE RENTS BY ALLOCATION FORMULA

Line 21 - Column (a). Enter the current rents from Line 1.

Line 21 - Column (b). Enter the total number of units, by unit size, in the property (include unassisted units, if any).

Line 21 - Column (c). Multiply Column (a) by Column (b) and enter the sum of these amounts as the total current rents.

Note 1: If the Base Rents were calculated using the Cost Approach, do not complete Column (a), Column (b), or Column (c). Instead, enter the amount on Line 12 at the bottom of Column (c).

Line 21 - Column (d). Enter the Maximum Base Rents on Line (c) of the feasibility calculation in Section III.

Line 21 - Column (e). Enter the numbers used in Column (b).

Line 21 - Column (f). Multiply Column (d) by Column (e) and enter the sum of these amounts.

Line 22 - Allocation Ratio. Divide total of Column (c) (or Line 12 if using the Cost Approach) by the total of Column (f).

Note 1: Use at least a three-digit number (e.g., .897). If the allocation ratio is greater than 1, the Maximum Base Rents shown in Column (d) must be entered on Line 23 and there is no need to complete the next multiplication step.

Line 23 - Base Rents by Allocation Formula. Multiply Line 22 by the amounts in Column (d). These Base Rents will also be entered on Line 14.

*  

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*  

VII. CONTRACT RENTS BY ALLOCATION FORMULA

Line 24 - Column (g). Enter the Base Rents from Line 14.

Line 24 - Column (h). Enter the number of units, by unit size, to be assisted (exclude unassisted units, if any).

Line 24 - Column (i). Multiply Column (g) by Column (h) and enter the sum of these amounts.

Line 24 - Column (j). Enter the Total Monthly Rehab Debt Service from Line 18.
Line 24 - Column (k). Enter the sum of the total of Column (i) and Column (j).

Line 24 - Column (l). Enter the per unit Maximum Contract Rents from Line (c) of the feasibility calculation in Section V.

Line 24 - Column (m). Enter the numbers used in Column (h).

Line 24 - Column (n). Multiply Column (l) by Column (m) and enter the sum of these amounts.

Line 25 - Allocation Ratio. Divide Column (k) by the total of Column (n).

Note 1: Use at least a three-digit number (e.g., .897). If the allocation ratio is greater than 1, the Maximum Contract Rents shown in Column (l) must be entered on Line 26 and there is no need to complete the next multiplication step.

Line 26 - Contract Rents by Allocation Formula. Multiply Line 25 by the amounts in Column (l). These Contract Rents will also be entered on Line 20.

VIII. REHAB LOAN DEBT SERVICE BY ALLOCATION FORMULA

Line 27 - Column (o). Enter the Monthly Rehab Debt Service amount from Line 16.

Line 27 - Column (p). Enter the total of Column (n).

Line 27 - Column (q). Divide Column (o) by Column (p) to obtain allocation ratio.

Note 1: Use at least a three-digit number (e.g., .897).

* Line 27 - Column (r). Enter the per unit Maximum Contract Rents from Column (l).

Line 27 - Column (s). Multiply the allocation ratio in Column (q) by the amounts in Column (r).

Note 1: Only complete this section if the rehab loan term used on Line 16 is less than 15 years and the property has more than one unit size.

Note 2: If the property has only one unit size (e.g., all three bedrooms), compute monthly rehab loan debt service by dividing
Line 16 by the total number of assisted units.

Note 3: The monthly rehab loan debt service amounts need to be entered in Section 1.1(c)(2) of the HAP Contract.

*