

PROJECTS PREPARING A BUDGET-BASED RENT INCREASE

Guidance for preparing a budget-based rent increase may be found in HUD Handbook 4350.1,REV-1, Chapter 7. Projects that have not previously prepared or submitted a budget based increase should carefully follow these instructions. The basic components to be included are listed in paragraph 7-22.

Allowance for Owner Distribution For Profit Motivated Projects that Have Not Previously Submitted a Budget Based Rent Increase.

Projects falling under this blanket may factor in an allowance for owner return/distribution as follows:

- For **Section 515/8** projects (regardless of whether they are for the elderly or families), 8% of the initial Owner equity.
- For all other projects:
 - ⇒ for **Elderly**, 6% of the initial owner equity.
 - ⇒ for **Families**, 10% of the initial owner equity.

To determine initial owner equity, the owner(s) should refer to the original firm commitment from HUD (form HUD-92264). If the project was not insured, or the HUD-92264 is not available, the Owner(s) must certify as to the amount of the initial equity and provide supporting documentation.

For Section 515/8 projects:

$$\frac{\text{Initial Owner Equity}}{\text{Initial Owner Equity}} \times .08 = \frac{\text{Allowance for Owner Return/Distribution}}{\text{Allowance for Owner Return/Distribution}}$$

For Elderly Projects:

$$\frac{\text{Initial Owner Equity}}{\text{Initial Owner Equity}} \times .06 = \frac{\text{Allowance for Owner Return/Distribution}}{\text{Allowance for Owner Return/Distribution}}$$

For Family Projects:

$$\frac{\text{Initial Owner Equity}}{\text{Initial Owner Equity}} \times .10 = \frac{\text{Allowance for Owner Return/Distribution}}{\text{Allowance for Owner Return/Distribution}}$$

I hereby certify that this accurately reflects the initial Owner equity in the project as of the date the project initially entered into a Section 8 contract.

_____ Date

Owner(s) Signature

The allowance for Owner Return/Distribution should be factored into the Rent Computation Worksheet (Appendix 5, Chapter 7 of the 4350.1) in Box C, "Return/Net Income Reserve."

OMB Control #2502-0587
Exp. (04/30/2017)

"Public reporting burden for this collection of information is estimated to average 1.5 hours. This includes the time for collecting, reviewing, and reporting the data. The information is being collected for purposes of establishing a use agreement between the owner and HUD and will be used for that purpose. Response to this request for information is required in order to receive the benefits to be derived. This agency may not collect this information, and you are not required to complete this form unless it displays a currently valid OMB control number. No confidentiality is assured."