

COVER SHEET

OWNER'S CHECKLIST FOR USE AT CONTRACT EXPIRATION FISCAL YEAR 1999

Directions: This format should be used by all Owners of projects with Section 8 contracts expiring in Fiscal Year 1999. At least 90 days before contract expiration for Options 1, 2 and 4 and at least 120 days before contract expiration for Option 3, provide this checklist to the Director of the Multifamily Program Center or Hub with jurisdiction over the project, along with the applicable worksheet and the required documentation specified below. If you need additional space, please add additional pages.

Project Name _____ Project

Location _____

Total Section 8 Units in Project _____ Total Units in
Project _____

FHA Project No. _____ Section 8 Project
No.(s) _____

Complete the following, being sure to include all contracts and stages on the project, regardless of when they are expiring:

Contract Number	Number of Units in Contract/Stage	Expiration Date

I hereby select the following option: Check 1, 2, 3 or 4 below and also provide the corresponding worksheet(s):

☐ **Option 1 - Request a Contract Renewal without Restructuring**

If requesting a contract renewal and there are other stages or contracts on this project expiring in FY 1999,

would you like to have these stages or contracts combined into one contract? ☐ Yes, please combine

☐ No, don't combine ☐ Not Applicable

PLEASE KEEP IN MIND THAT THIS COMBINATION WILL INVOLVE EARLY TERMINATIONS ON THE STAGES OR CONTRACTS EXPIRING LATER IN THE FISCAL YEAR. CONTRACTS EXPIRING AFTER FY 1999 WILL NOT BE INCLUDED AT THIS TIME.

☐ **Option 2 - Request a Restructuring of the Mortgage and Contract Renewal**

☐ **Option 3 - Opt-out of the Section 8 Program**

☐ **Option 4 - Emergency Initiative**

If requesting a contract renewal and there are other stages or contracts on this project expiring in FY 1999,

would you like to have these stages or contracts combined into one contract? ☐ Yes, please combine

☐ No, don't combine

☐ Not Applicable

PLEASE KEEP IN MIND THAT THIS COMBINATION WILL INVOLVE EARLY TERMINATIONS ON THE STAGES OR CONTRACTS EXPIRING LATER IN THE FISCAL YEAR. CONTRACTS EXPIRING AFTER FY 1999 are not eligible for the emergency initiative.

WORKSHEET FOR OPTION 1

Requesting a Contract Renewal without Restructuring

Contracts can be renewed under two methods: **Method 1**, under section 524(a)(1) of MAHRA or **Method 2**, under section 524(a)(2) of MAHRA. Check the Method under which you want your contract renewed. Method 2 contract renewal is available only on the types of projects identified and eligible under that method; whereas, the Owner of any type of project may request renewal under Method 1.

Complete this section only if you are requesting a renewal under Method 1:

I hereby request a renewal of my contract under the provisions of 524(a)(1) of MAHRA and am attaching a **rent comparability study** prepared in accordance with Attachment 6 of HUD Notice H 99-08. The following chart reflects the results of the study and compares them to *all* the Section 8 units in my project.

IMPORTANT: *This information is for all the Section 8 units in the project. When entering information please distinguish between similar units with different rents and/or similar units with different contracts. For example, there are 3 Section 8 contracts and they all have 1 BR units, each with a different rent. Enter this information as 1BR-a, 1BR-b, 1BR-c, etc.*

Comparison of Section 8 Rent Potential with Comparable Market Rent Potential

(A)	(B)	(C)	(D)	(E)	(F)
UNIT TYPE AND CONTRACT	# OF UNITS	CURRENT MONTHLY CONTRACT RENTS	COMPARABLE MONTHLY RENTS (HUD 92273)	CURRENT ANNUAL RENT POTENTIAL (B x C x 12)	COMPARABLE ANNUAL RENT POTENTIAL (B x D x 12)

Add Totals of Column E and Column F:

Owners should check either one of the following statements:

- _____ a. Based on the rent comparability study, the current contract rent potential of the project is **greater than** the market rent potential of the comparable market rents. I would like a contract renewal at rents that do not exceed the comparable market rents, without restructuring the mortgage in the Mark-to-Market program.

As required for this Option, in addition to the rent comparability study, I/we am/are submitting:

_____ Last fiscal year's audited financial statement for the project; **and**

_____ Owner evaluation of the physical condition of the project.

- _____ b. Based on the rent comparability study, the current contract rent potential of the project is **less than or equal to** the market rent potential of the comparable rents. I understand that the renewal rents will be set at the current rent level, unless I complete the following and submit the required documentation to receive a budget-based rent increase:

_____ **A rent increase is necessary to support the reasonable and necessary expenses of the project AND if the rent increase is approved, the project rents will not exceed the comparable market rent. Therefore, I am submitting the documentation for a budget-based rent increase in accordance with HUD Handbook 4350.1, Chapter 7 and Attachment 8 of HUD Notice 98-34. The attached budget reflects the projected costs for the 12 months covered by the renewal contract.**

I/We hereby certify:

_____ neither I, nor any of my affiliates, are **suspended or debarred.** **OR**

_____ I, or my affiliates, **am/are suspended or debarred and are requesting a contract renewal subject to HUD approval.**

Warning:

If you knowingly make a false statement on this form, you may be subject to civil penalties under Section 1001 of Title 18 of the United States Code. In addition, any person who knowingly and materially violates any required disclosure of information, including intentional non-disclosure, is subject to civil money penalty not to exceed \$10,000 for each violation.

I/We certify that this information is true and complete.

Owner's Name _____

Owner's signature: _____ **Date** _____

Owner's Name _____

Owner's signature: _____ **Date** _____

Complete this section only if you are requesting a renewal under Method 2:

This method can only be used for projects eligible under 524(a)(2). If your project is not eligible in one of the categories in (A) through (E) below, contract renewal must be done under Method 1 above.

_____ I/We received a 120 day short-term renewal under 514(c) and have completed a rent comparability study in accordance with Attachment 6 (copy attached).

I hereby request a renewal of my contract under the provisions of 524(a)(2) of MAHRA because my project is eligible in the category that I checked:

_____ (A) projects for which the primary financing or mortgage insurance was provided by a unit of State government or a unit of general local government (or an agency or instrumentality of either) and is not insured under the National Housing Act;

_____ (B) projects for which the primary financing was provided by a unit of State government or a unit of general local government (or an agency or instrumentality of either) and the financing involves mortgage insurance under the National Housing Act, such that the implementation of a mortgage restructuring and rental assistance sufficiency plan under this Act is in conflict with applicable law or agreements governing such financing; (examples are 11b projects that were insured)

_____ (C) projects financed under section 202 of the Housing Act of 1959 or section 515 of the Housing Act of 1949; (includes 202/8, 202, 515/8 - does not include 811's)

_____ (D) projects that have an expiring contract under Section 8 of the United States Housing Act of 1937 pursuant to section 441 of the Stewart B. McKinney Homeless Assistance Act; (SRO Mod Rehab) and

_____ (E) projects that do not qualify as eligible multifamily housing projects pursuant to section 512(2) of MAHRA. (examples of projects that qualify under this category would be (1) a project that is not insured or (2) a project that has FHA mortgage insurance with rents **under comparable market rents**. In order for an Owner of an insured project to claim eligibility under this provision, they must obtain a rent comparability study)

I am submitting the following required documentation, because I understand that my contract will be renewed at rents that are the **lesser of (i)** existing rents adjusted by an OCAF **or (ii)** a level that provides income sufficient to support a budget-based rent and is approved by HUD. I am submitting a budget and rent schedule in accordance with HUD Handbook 4350.1, Chapter 7, as well as the additional guidance included in Attachment 8 AND

an OCAF adjusted rent determined in accordance with Steps 1-5 below:

IMPORTANT: Enter information for all revenue producing (Section 8, Market, etc.) units in the project. When entering information please distinguish between similar units with different rents. For example, there are 3 contracts that have 1 BR units, each with a different rent. Enter this information as 1BR-a, 1 BR-b, 1BR-c, etc. Also, distinguish the unassisted units.

NOTE: Figures are annual not monthly.

STEP 1: Calculate Current Annual Contract Rent Potential for ENTIRE Project

(A)	(B)	(C)	(D)
UNIT TYPE AND CONTRACT	# OF UNITS	CURRENT MONTHLY CONTRACT RENTS	CURRENT ANNUAL RENT POTENTIAL (C x B x 12)

(E) Yearly Contract Rent Potential of the project
(total of column D):

STEP 2: Calculate OCAF Adjusted Annual Contract Rent Potential

(F)	TOTAL PROJECT DEBT SERVICE (ANNUAL)	
(G)	CRP ATTRIBUTABLE TO OPERATIONS (E-F)	
(H)	1 + PUBLISHED OCAF (ATTACHMENT 9) ¹	
(I)	OCAF INCREASE (G x H)	
(J)	ADJUSTED CRP (I + F)	
(K)	INCREASE FACTOR (J ÷ E)	

¹If OCAF is 2.3% calculate as 1.0230

Take out four (4) decimal places and round up from .00005

STEP 3: Calculate Annual Adjusted Contract Rent Potential for FY99 Expiring Section 8 contracts

ONLY As above, distinguish between similar units with different rents. For example, there are 3 contracts that have 1 BR units, each with a different rent. Enter this information as 1BR-a, 1BR-b, 1BR-c, etc.

(A)	(B)	(C)	(L)	(M)
UNIT TYPE AND CONTRACT	# OF UNITS	CURRENT MONTHLY CONTRACT RENTS	OCAF ADJUSTED RENT (C x K)	ADJUSTED ANNUAL RENT POTENTIAL (L x B x 12)

NOTE: To simplify calculations, the OCAF percentage increase is calculated on the entire project basis. The result is equal to the increase as calculated for expiring contracts only.

(N) Annual Rent Potential of the Expiring Contracts:
(total of column M):

STEP 4: Calculate Annual Contract Rent Potential for Remaining Units

Enter all of the units from Step 1 LESS the units in the expiring Section 8 contracts that will be renewed this year (Step 3).

(A)	(B)	(C)	(O)
UNIT TYPE AND CONTRACT	# OF UNITS	CURRENT MONTHLY CONTRACT RENTS	CURRENT ANNUAL CONTRACT RENT POTENTIAL (C x B x 12)

(P) Annual Rent Potential of the Remaining Units
(total of column O):

STEP 5:

(Q) Enter the total of (N + P). This is the total OCAF adjusted rent potential:

(R) Enter the Annual Contract Rent Potential from the budget-based rent determination reflected in the attached budget

If a project has more than one Section 8 contract being renewed during the fiscal year, the Owner may elect to combine the contracts into a single contract. If there are units of the same bedroom type in the combined contracts they should be combined into one rent level that will set the rent at an average that yields that same adjusted rent potential.

EXAMPLE: Total rent for combined contracts ÷ total # units = Average (# of units X rent = total rent)

I/We hereby certify:

that neither I nor any of my affiliates are **debarred or suspended**.

Warning:

If you knowingly make a false statement on this form, you may be subject to civil penalties under Section 1001 of Title 18 of the United States Code. In addition, any person who knowingly and materially violates any required disclosure of information, including intentional non-disclosure, is subject to civil money penalty not to exceed \$10,000 for each violation.

I/We certify that this information is true and complete.

Owner's Name _____

Owner's signature: _____ **Date:** _____

Owner's Name _____

Owner's signature: _____ **Date:** _____

WORKSHEET FOR OPTION 2

Requesting a Restructuring of the Mortgage and Contract Renewal

I/We hereby elect to participate in the Mark-to-Market program and am/are requesting a renewal of the Section 8 contract(s) shown on the attached cover sheet.

I/We hereby certify that:

the project rents exceed comparable market rents AND

_____ neither I, nor any of my affiliates, are suspended or debarred. OR

_____ I, or my affiliates, am/are suspended or debarred and are proposing to sell the project as part of the restructuring transaction.

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I/We certify that this information is true and complete.

Owner's Name _____

Owner's signature: _____ **Date** _____

Owner's Name _____

Owner's signature: _____ **Date** _____

WORKSHEET FOR OPTION 3 Opting-out of the Section 8 Program

I/We elect to opt-out of the Section 8 program.

Section 8 Contract Number: _____

I/We understand that notification of this opt-out is required to be given to the Department of Housing and Urban Development 120 days prior to the expiration of the contract.

I/We hereby certify:

that the **Notification of Section 8 Contract Expiration/ Termination** required by Section 8(c)(9) of the United States Housing Act of 1937 was provided to the tenants of the subject project on

Check the applicable statement:

_____ this satisfies the 180-day notification requirement because my/our notice was given on or prior to *October 20, 1998*.

_____ this satisfies the one-year notification requirement because my/our notice was given after *October 20, 1998* or:

_____ I am willing to execute a short-term renewal in order to fulfill the entire one-year notification requirement,

_____ I am willing to renew my contract for one year in order to fulfill the notification requirement.

_____ I am willing to reconsider my decision to opt-out and am interested in the potential "Pilot Marking-Up Emergency Initiative" that the Department is considering.

Warning:

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I/We certify that this information is true and complete.

Owner's Name _____

Owner's signature: _____ Date _____

Owner's Name _____

Owner's signature: _____ Date _____

WORKSHEET FOR OPTION 4

Requesting a Contract Renewal Under The FY 99 Emergency Initiative

I hereby request a renewal of my contract under the provisions of 524(a)(1) of MAHRA and the Fiscal Year 1999 Emergency Initiative. I am attaching a **rent comparability study** prepared in accordance with Section VIII of this notice and a completed Initial Eligibility Worksheet for Section 8 units in contracts eligible under the Emergency Initiative only.

Owners should check the following statements:

_____ Based on the rent comparability study and the attached Initial Eligibility Worksheet, comparable market rents are at or above 110% of the Fair Market Rents (FMR's) as published in the Federal Register on October 1, 1998.

_____ I agree to enter a 3 month short-term renewal at current rents.

I/We hereby certify:

_____ neither I, nor any of my affiliates, are **suspended or debarred**. **OR**

_____ I, or my affiliates, **am/are suspended or debarred and are requesting a contract renewal subject to HUD approval.**

Warning:

If you knowingly make a false statement on this form, you may be subject to civil penalties under Section 1001 of Title 18 of the United States Code. In addition, any person who knowingly and materially violates any required disclosure of information, including intentional non-disclosure, is subject to civil money penalty not to exceed \$10,000 for each violation.

I/We certify that this information is true and complete.

Owner's Name _____

Owner's signature: _____ **Date** _____

Owner's Name _____

Owner's signature: _____ **Date** _____

Implementation of the Emergency Initiative Through Questions and Answers

I. HUD AND THE OWNER ARE READY TO RENEW THE CONTRACT.

Q1. What should the Hub or Program Center Office do where HUD has completed its review and finds a project is eligible for the mark-up to market emergency initiative?

A1. *Immediately contact the owner and give an overview of the mark-up to market emergency initiative.*

If the owner is interested, it should submit a revised Owner's Checklist For Use at Contract Expiration, Attachment 4.

Offer the owner a 3 month short term renewal at current rent upon receipt of the owner's written expression of interest.

Order a comparability study to be prepared from an approved contract appraiser. Use this study to establish eligibility for the emergency initiative.

Determine the new rent levels and make an offer to the owner. The owner will either accept or reject the offer.

If the owner is not interested in the emergency initiative, renew its contract for one year using either a 524(a)(1) or (a)(2) contract.