Notice PIH 97-57 (HA)

Subject: Section 8 Certificate and Moderate Rehabilitation Programs - Rent Adjustments

BACKGROUND: The United States Housing Act (USHA) of 1937 requires that assistance contracts signed by owners participating in the Department of Housing and Urban Development's (HUD) Section 8 housing assistance payments (HAP) programs provide for annual adjustments in the maximum monthly rentals for units covered by the contract. HAP contracts provide that rents shall be adjusted by applying the annual adjustment factor (AAF) published by HUD in the Federal Register. However, the method used for establishing the AAFs is determined by HUD.


Procedures outlined in this Notice describe the method HAs shall use in applying the contractual comparability limitation in FY 98 to units in Section 8 moderate rehabilitation (Mod Rehab) projects and units assisted under the Section 8 rental certificate program.

EFFECTIVE DATE: Procedures described in this notice apply to HAP Contracts with anniversary dates that fall after the date of its issuance through September 30, 1998.
APPLICABILITY: Programs covered by this notice are the regular Section 8 Mod Rehab program, the Section 8 Mod Rehab single room occupancy (SRO) program, the Section 8 project-based certificate program, and the Section 8 tenant-based certificate program. This notice does not apply to the rental voucher program since annual rent adjustments are negotiated between the owner and the family.

PURPOSE: This notice states procedures housing agencies, including Indian housing authorities (HAs) will follow for:

(a) Applying comparability (rent reasonableness) in adjusting base rents for Mod Rehab properties where the current gross rents (contract rent plus utility allowance) exceed the published existing housing fair market rents (FMRs) for the area.

(b) Application of AAFs for turnover and non-turnover units for the regular Mod Rehab program and the Mod Rehab SRO program.

(c) Application of AAFs for the rental certificate programs (tenant-based and project-based).

For clarity, this notice is divided into two parts:

• Part A states procedures for the Section 8 regular Mod Rehab program and the Mod Rehab SRO program.

• Part B states procedures for the Section 8 tenant-based and project-based certificate programs.

PART A: MODERATE REHABILITATION PROGRAMS

(1) Fiscal Year 1998
For Mod Rehab rent adjustments in FY 1998, Section 8(c)(2)(A) of the United States Housing Act of 1937 provides that:

"Except for assistance under the certificate program, for any unit occupied by the same family at the time of the last annual rental adjustment, where the assistance contract provides for the adjustment of the maximum monthly rent by applying an annual adjustment factor and where the rent for a unit is otherwise eligible for an adjustment based on the full amount of the factor, 0.01 shall be subtracted from the amount of the factor, except that the factor shall not be reduced to less than 1.0."

"
Comparability
For FY 1998, HUD will enforce the contractual and regulatory comparability requirements for Mod Rehab projects (see 24 CFR Section 882.410 and provision 1.6(a)(3) of the Mod Rehab HAP contract). For Mod Rehab adjustments in FY 1998, Section 8(c)(2)(A) of the United States Housing Act of 1937 provides that:

"... where the maximum monthly rent, for a unit in a .... moderate rehabilitation project, to be adjusted using an annual adjustment factor exceeds the fair market rental for an existing dwelling unit in the market area, the Secretary shall adjust the rent only to the extent that [it is] demonstrate[d] that the adjusted rent would not exceed the rent for an unassisted unit of similar quality, type, and age in the same market area, as determined by the Secretary."

(2) Comparability Requirements
In order to conform with the law, HAs must determine comparability (rent reasonableness) for Mod Rehab units if the pre-adjusted contract rent (plus any utility allowance) is more than the published Section 8 existing housing FMR (see situation 2 below). (The terms comparability and rent reasonableness are used interchangeably throughout this notice).

Procedures
The contract rent for each unit under the Section 8 Mod Rehab program, tenant-based certificate program and project-based certificate program must be reasonable in relation to rents currently being charged for comparable units in the private unassisted market, and not in excess of rents currently being charged by the owner for comparable unassisted units. The HA must have an overall knowledge of the rental market within its jurisdiction and data on the rents being charged for specific units. In order to assess rent reasonableness, the HA will have to conduct either telephone, site visits after telephoning, or more extensive market surveys of available rental units. The survey must include the information listed below on the comparable unit being surveyed to serve as the basis for comparison. In the case of apartment complexes, only one unit of each size and type needs to be examined for survey purposes.

(a) **Location** of the unit within the community, including whether the unit is located in a transitional neighborhood where rentals may be higher or lower than usual, and the availability and accessibility of public transportation to schools, stores and medical facilities.

(b) **Unit Size**, including number of bedrooms, bathrooms, and square feet of living space.

(c) **Unit Type**, such as garden apartment, elevator building, townhouse, single family house.

(d) **Quality** - the extent to which the unit meets or exceeds the Housing Quality
Standards or variations proposed by the HA and approved by HUD.

(e) Accessibility to persons with disabilities

(f) Amenities, including air conditioning, carpeting, dishwasher, washer/dryer connections, garbage disposal, location of the unit within the building, etc.

(g) Facilities, including availability of playgrounds, storage, parking, etc.

(h) Management and Maintenance Services provided such as frequency of unit and grounds upkeep, availability of on-site resident manager and services, etc.

(i) Date unit was available for occupancy after construction or substantial rehabilitation.

(j) Gross Rent amount (including utilities and appliances) charged by owner, or amount charged by owner plus estimated utility allowance for tenant paid utilities and appliances (i.e. range and refrigerator).

In addition, for purposes of determining rent reasonableness, HAs should consider the following:

(a) Market rent information obtained from the city, real estate agents, or banks.

(b) Rents for other units in the area which are receiving Section 8 assistance.

(c) Rental information obtained from classified advertisements in newspapers.

(3) Adjustment Procedures
Worksheets are attached to this notice to assist in calculating annual rent adjustments for the regular Mod Rehab program. (See Attachments A and B).

Step 1. When an owner submits a revised schedule of contract rents, in accordance with 24 CFR Section 882.410(a), the HA must determine whether the pre-adjusted gross rent exceeds the FMR.

Situation 1. (See Illustration 1 below) If the pre-adjusted gross rent (contract rent plus utility allowance) is less than or equal to the published FMR for that area, comparability does not apply, and the base rents shall be adjusted by the appropriate AAF. To determine whether AAF Table 1 or Table 2 should be used, the HA must follow the procedures in Step 2 below.

Situation 2. If the pre-adjusted gross rent (contract rent plus utility allowance) exceeds the published FMR for that area, the HA must determine comparability in accordance with
the procedures set out above.

In determining comparability, the HA must allow for any difference which may have existed with respect to the initial contract rent. The initial difference is any amount by which the initial contract rent exceeds the comparable rent at the time the unit went under HAP contract.

In many cases, however, HAs never established the initial difference. The Mod Rehab rent formula is based on a cost approach and therefore in many instances HAs did not perform an initial comparability analysis. For the purpose of determining the Mod Rehab adjustments in FY 98, the Department will assume an initial difference between initial contract rents and comparable unassisted rents.

For those HAP contracts where an initial difference was never established, the Department has created a substitute method to allow for the initial difference. Where an HA did not establish an initial difference, the initial difference shall be equal to 10% of the initial contract rent (see Illustration 2 - Situation 2 - Scenario 2 and Illustration 3 Situation 3 - Scenario 2 below) unless an owner can document that the initial difference was greater.

In all cases, the HA applies the applicable Table 1 AAF to the pre-adjusted base rent to determine whether the adjusted contract rent for the unit is comparable to the rent for comparable unassisted units. If the adjusted contract rent is greater than or equal to the comparable rent plus any initial difference which may exist (adjusted comparable rent), then the rent is not comparable and the HA must set the contract rent at the pre-adjusted level or the adjusted comparable rent, whichever is greater. (See Illustration 2 below)

NOTE: Under no condition will rents be decreased as a result of a comparability analysis under the Mod Rehab program.

Situation 3. (See Illustration 3 below) If the results of the comparability analysis indicate that the Table 1 adjusted contract rent is comparable to rents charged for other unassisted units in the area of similar age, quality and type, (i.e., less than the comparable rent) the base rent shall be adjusted by the appropriate AAF. To determine whether AAF Table 1 or Table 2 should be used, the HA must follow the procedures outlined in Step 2.

**Step 2 Determine which AAF Table will be utilized.**
This step only applies if the pre-adjusted gross rent is less than or equal to the published FMR for the area in which the unit is located or where the results of a comparability analysis indicate that the table 1 adjusted contract rent is less than the rents charged for other comparable unassisted units.

a. If a new family is residing in the unit since the last HAP contract anniversary date, i.e. there has been a turnover, the base rent shall be adjusted by using Table 1.

b. If the same family is occupying the unit since the last HAP contract anniversary date,
i.e. no turnover has occurred, the base rent shall be adjusted by using Table 2.

In order to maintain the single rent structure for each unit size in the Mod Rehab program, after the adjusted base rent for each particular unit size is derived by applying the applicable factor, a total base rent potential (TBRP) for that specific unit size will be calculated. The TBRP is the sum of the adjusted base rent amounts including both turnover and non-turnover units. The TBRP is then divided by the number of units for that specific unit size to derive the new base rent for the particular unit size. The portion of the rent attributable to the rehabilitation debt service is then added to the new base rent to derive the new contract rent (see Illustrations 1 and 3 below).

The following examples are for illustrative purposes only. Consult the latest publication on contract rent AAFs in the Federal Register for the appropriate AAFs.

**Illustration 1 - Situation 1 - Pre-adjusted Gross Rent does not exceed FMR**

Pre-Adjusted Gross Rent = $455 ($405 contract rent/$50 utility allowance)
Published FMR = $500

Because the Pre-Adjusted Gross Rent ($455) is less than the published FMR ($500), comparability does not apply.

**Determine which AAF Table will be utilized**

**Turnover Unit** - use Table 1 AAF
Pre-Adjusted Base Rent = $300
Rehab Debt Service = $105
Pre-Adjusted Contract Rent = $405
Table 1 AAF = 1.015
Pre-Adjusted Base Rent ($300) x Table 1 AAF (1.015) = $305
New Contract Rent = $305 (adjusted base rent) + $105 (rehab debt service) = $410

**Non-Turnover Unit** - use Table 2 AAF
Pre-Adjusted Base Rent = $300
Rehab Debt Service = $105
Pre-Adjusted Contract Rent = $405
Table 2 AAF = 1.005
Pre-Adjusted Base Rent = ($300) x Table 2 AAF (1.005) = $302
New Contract Rent = $302 (adjusted base rent) + $105 (rehab debt service) = $407

Assuming the units in the above example are two bedroom units, and there are ten units, five of which are turnover units and five of which are non-turnover units, the TBRP would be (5 x $305) + (5 x $302) = $3,035. Divide the TBRP by total number of units $3,035 ÷ 10 = $304 (represents new adjusted base rent for two bedroom units). $304 + $105 = $409 (new Contract...
Illustration 2 - Situation 2 - Rents Determined Unreasonable

Scenario 1 - Initial Difference established at HAP execution

Pre-Adjusted Gross Rent = $525  ($500 contract rent/$25 utility allowance)  
Published FMR = $495
Pre-Adjusted Gross Rent is greater than the published FMR; thus comparability must be determined.

Comparable Rent = $477
Initial Difference = $25
Adjusted Comparable Rent = ($477 + $25) = $502

Pre-Adjusted Base Rent = $325
Rehab Debt Service = $175
Pre-Adjusted Contract Rent = ($325 + $175) = $500

Table 1 AAF = 1.015
Table 1 Adjusted Base Rent = (1.015 x 325) = $330
Table 1 Adjusted Contract Rent = $330 (adjusted base rent) + $175 (debt service) = $505

Table 1 adjusted contract rent ($505) exceeds the adjusted comparable rent ($502), therefore the table 1 adjusted contract rent is not reasonable compared to similar unassisted units. The new adjusted contract rent is set at the greater of the pre-adjusted contract rent level or the adjusted comparable rent. In this case, the adjusted comparable rent ($502) is greater than the pre-adjusted contract rent ($500), thus the contract rent is set at the adjusted comparable rent of ($502).  **NOTE:** To determine the dollar amount of the adjustment, the HA must take the difference between the pre-adjusted contract rent ($500) and the adjusted comparable rent ($502). The adjustment must then be added to the base rent (see below).

Adjusted comparable rent ($502) - pre-adjusted contract rent ($500) = $2
Pre-adjusted base rent ($325) + ($2) = $327 + debt service ($175) = $502 (new contract rent).

Scenario 2 - Initial Difference Determined by Substitute Method

Pre-Adjusted Gross Rent = $475  ($455 contract rent/$20 utility allowance)
Published FMR = $455
Pre-Adjusted Gross Rent is greater than the published FMR; thus comparability must be determined.
**Determine Initial Difference**
Initial contract rent = $320
10% of initial Contract Rent = $32
Comparable rent = $428
Initial difference = $32
Adjusted comparable rent = ($428 + $32) = $460

Pre-Adjusted Base Rent = $345
Rehab Debt Service = $110
Pre-Adjusted Contract Rent = ($345 + $110) = $455

Table 1 AAF = 1.030
Table 1 Adjusted Base rent = (1.030 x 345) = $355
Table 1 Adjusted Contract Rent = $355 (adjusted base rent) + $110 (debt service) = $465

Table 1 adjusted contract rent ($465) exceeds the adjusted comparable rent ($460), therefore the table 1 adjusted contract rent is not reasonable. The new contract rent is set at the greater of the pre-adjusted contract rent or the adjusted comparable rent. In this case, the adjusted comparable rent ($460) is greater than the pre-adjusted contract rent ($455), thus the contract rent is set at the adjusted comparable rent of ($460). **NOTE:** To determine the dollar amount of the adjustment, the HA must take the difference between the pre-adjusted contract rent ($455) and the adjusted comparable rent ($460). The adjustment must then be added to the base rent (see below).

Adjusted comparable rent ($460) - pre-adjusted contract rent ($455) = $5
Pre-adjusted base rent ($345) + ($5) = $350 + debt service ($110) = $460 (new contract rent for all units).
Illustration 3 - Situation 3 - Rents Not Reduced by Comparability

Scenario 1 - Initial Difference established at HAP execution

Pre-Adjusted Gross Rent = $500 ($465 contract rent/$35 utility allowance)
Published FMR = $475
Pre-Adjusted Gross Rent is greater than the published FMR; thus comparability must be determined.

Comparable Rent = $450
Initial Difference = $40
Adjusted Comparable Rent = ($450 + $40) = $490

Pre-Adjusted Base Rent = $315
Rehab Debt Service = $150
Pre-Adjusted Contract Rent = ($315 + $150) = $465

Table 1 AAF = 1.015
Table 1 Adjusted Base rent = (1.015 x $315 )= $320
Table 1 Adjusted Contract Rent = $320 (adjusted base rent) + $150 (debt service) = $470

Compare Table 1 adjusted contract rent ($470) to adjusted comparable rent ($490). The table 1 adjusted contract rent ($470) is less than the adjusted comparable rent ($490); thus the table 1 adjusted contract rent is comparable to rents charged for similar unassisted comparable units. The base rent shall be adjusted by the appropriate factor.

Determine which AAF Table will be utilized

Turnover Unit - use Table 1 AAF
Pre-Adjusted Base Rent = $315
Rehab Debt Service = $150
Pre-Adjusted Contract Rent = $465
Table 1 AAF = 1.015
Pre-Adjusted Base Rent ($315) x Table 1 AAF (1.015) = $320
New Contract Rent for turnover units = ($320 + $150) = $470

Non-Turnover Unit - use Table 2 AAF
Pre-Adjusted Base Rent = $315
Debt Service = $150
Pre-Adjusted Contract Rent = $465
Table 2 AAF = 1.005
Pre-Adjusted Base Rent ($315) x Table 2 AAF (1.005) = $317
New Contract Rent = ($317 + $150) = $467
Assuming the units in the above example are two bedroom units, and there are forty units twelve of which are turnover units and twenty-eight of which are non-turnover units, the TBRP would be 
\[(12 \times 320) + (28 \times 317) = 12,716.\] Divide the TBRP by total number of units 
\[12,716 \div 40 = 318\] (represents new adjusted base rent for two bedroom units). 
\[318 + 150 \text{ (debt service)} = 468\] (new contract rent for all units).

**Scenario 2 - Initial Difference Determined by Substitute Method**

Pre-Adjusted Gross Rent = $400  ($385 contract Rent/$15 utility allowance) 
Published FMR = $375 
Pre-Adjusted Gross Rent is greater than the published FMR; thus comparability must be determined.

**Determine Initial Difference**

Initial Contract Rent = $300 
10% of initial Contract Rent = $30

Comparable Rent = $370 
Initial Difference = $30

Adjusted Comparable Rent = ($370 + 30) = $400

Pre-Adjusted Base Rent = $310 
Debt Service = $75 
Pre-Adjusted Contract Rent = ($310 + $75) = $385

Table 1 AAF = 1.015 
Table 1 Adjusted Base Rent = (1.015 x 310)= $315 
Table 1 Adjusted Contract Rent = $315 (adjusted base rent) + $75 (debt service) = $390

Compare table 1 adjusted contract rent ($390) to adjusted comparable rent ($400). The table 1 adjusted contract rent ($390) is less than the adjusted comparable rent ($400); thus the table 1 adjusted contract rent is comparable to rents charged for unassisted comparable units. The base rent shall be adjusted by the applicable full factor.

**Determine which AAF Table will be utilized**

**Turnover Unit** - use Table 1 AAF

Pre-Adjusted Base Rent = $310 
Debt Service = $75 
Pre-Adjusted Contract Rent = $385 
Table 1 AAF = 1.015 
Pre-Adjusted Base Rent ($310) x Table 1 AAF (1.015) = $315 
New Contract Rent for turnover units = ($315 + $75) = $390
**Non-Turnover Unit** - use Table 2 AAF

Pre-Adjusted Base Rent = $310
Debt Service = $75
Pre-Adjusted Contract Rent = $385
Table 2 AAF = 1.005
Pre-Adjusted Base Rent ($310) x Table 2 AAF (1.005) = $312
New Contract Rent = ($312 + $75) = $387

Assuming the units in the above example are one bedroom units and there are thirteen units five of which are turnover units and eight of which are non-turnover units, the TBRP would be (5 x $315) + (8 x $312) = $4071. Divide the TBRP by total number of units $4,071 ÷ 13 = $313 (represents new adjusted base rent for one bedroom units). $313 + $75 (debt service) = $388 (new contract rent for all units).

**Part B - PROJECT AND TENANT-BASED CERTIFICATE PROGRAMS**

Upon submission of a request by an owner to the HA for an annual adjustment, the HA will adjust the contract rent by the applicable Table 2 AAF and determine comparability in accordance with procedures outlined on pages 4 and 5 above.

If the contract rent, adjusted by the applicable Table 2 AAF, is greater than the rent being charged for a comparable unassisted unit, the rent shall be set at the comparable level. However, the contract rent shall not be reduced below the contract rent on the effective date of the HAP contract.

**Illustration 1**

Initial Contract Rent = $275
Pre-Adjusted Contract Rent = $300
Table 2 AAF = 1.015
Contract Rent Adjusted by Table 2 AAF = $305
Comparable unassisted Rent = $273

Compare Table 2 adjusted contract rent ($305) to comparable rent ($273). The adjusted contract rent is greater than the comparable rent; thus the rent shall be set at the greater of the initial contract rent or the comparable rent.

New Contract Rent = $275

**Illustration 2**

Initial Contract Rent = $485
Pre-Adjusted Contract Rent = $565
Table 2 AAF = 1.011
Contract Rent Adjusted by Table 2 AAF = $571  
Comparable unassisted Rent = $575 

Compare Table 2 adjusted contract rent ($571) to comparable rent ($575). The adjusted contract rent is less than the comparable rent; thus the rent shall be set at the adjusted contract rent.

New Contract Rent = $571 

**HA OWNED UNITS**

For units owned by a HA which administers the annual contributions contract for units funded under the Mod Rehab, project-based rental certificate or tenant-based rental certificate programs, the State or Area Office which has jurisdiction over the HA must approve all contract rent adjustments in advance.

/s/  
Kevin Emanuel Marchman,  
Acting Assistant Secretary  
for Public and Indian Housing
### Numbers Needed for Calculations for Mod Rehab Rent Adjustments for each Bedroom Size

<table>
<thead>
<tr>
<th>Bedroom Size</th>
<th>Number of Units</th>
<th>Number of Turnover units</th>
<th>Number of Non-Turnover units</th>
<th>Fair Market Rent</th>
<th>Pre-Adjusted Base Rent</th>
<th>Utility Allowance</th>
<th>Debt Service</th>
<th>Pre-Adjusted Contract Rent</th>
<th>Gross Rent</th>
<th>Comparable Rent</th>
<th>Initial Difference</th>
<th>or .10 of Initial Contract Rent</th>
<th>Applicable Table 1 Factor 1</th>
<th>Applicable Table 2 Factor 1</th>
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</table>

**Note:**
- Initial Difference = $ or .10 of Initial Contract Rent
- Applicable Table 1 Factor 1
- Applicable Table 2 Factor 1
Mod Rehab Worksheets

Step 1

Bedroom Size_______

Pre-Adjusted Gross Rent: $__________

Published Fair Market Rent: $__________

If pre-adjusted gross rent is less than the published FMR, go to step 2.

If the pre-adjusted gross rent is greater then the published FMR, go to step B.
Step 2

Turnover Unit - use Table 1 AAF

Pre-Adjusted Base Rent: $__________ x Table 1 AAF 1._____ = New Base Rent $__________

Debt Service:$__________

New Base Rent $__________ + Debt Service $__________ = New Contract Rent $__________

Non-Turnover Unit - use Table 2 AAF

Pre-Adjusted Base Rent: $__________ x Table 2 AAF 1._____ = New Base Rent $__________

Debt Service:$__________

New Base Rent $__________ + Debt Service $__________ = New Contract Rent $__________

*** Go to Total Base Rent Potential Worksheet
Step B

Bedroom Size_______

If initial difference was established at HAP execution go to step B1. If initial difference was not established at HAP execution, go to step B2

Step B1

Initial Difference: $__________

Comparable Rent: $__________

Pre-Adjusted Base Rent: $__________

Debt Service: $__________

Pre-adjusted Contract Rent: $__________

Pre-Adjusted Base Rent: $__________ x Table 1 AAF 1.____ = $_______ Adjusted Base Rent

+ Debt Service $__________ = Adjusted Contract Rent $__________

Comparable Rent $__________ + Initial Difference $__________ = Adjusted Comparable Rent $__________

Compare Adjusted Contract Rent to Adjusted Comparable Rent. Which is greater? Check the appropriate box below.

☐ Adjusted Contract Rent (go to step C)

☐ Adjusted Comparable Rent (go to step 2)

(If Adjusted Contract Rent and Adjusted Comparable Rent are equal, go to step 2).
Step B2

Bedroom Size

Initial HAP Contract Amount: $__________ x .10 = $__________ (Initial Difference by substitute method)

Comparable Rent: $__________

Pre-Adjusted Base Rent: $__________

Debt Service: $__________

Pre-Adjusted Contract Rent: $__________

Pre-Adjusted Base Rent: $__________ x Table 1 AAF 1._____ = $_______ Adjusted Base Rent + Debt Service $__________ = Adjusted Contract Rent $__________

Comparable Rent $__________ + Initial Difference $__________ = Adjusted Comparable Rent $__________

Compare Adjusted Contract Rent to Adjusted Comparable Rent. Which is greater? check the appropriate box

☐ Adjusted Contract Rent (go to step C)

☐ Adjusted Comparable Rent (go to step 2)

(If Adjusted Contract Rent and Adjusted Comparable Rent are equal, go to step 2).
Step C

Pre-Adjusted Contract Rent: $__________

Adjusted Comparable Rent: $__________
(from Step B)

Compare Pre-Adjusted Contract Rent to Adjusted Comparable Rent. Which is greater? Check the appropriate box below.

☐ Pre-Adjusted Contract Rent (go to step C1)

☐ Adjusted Comparable Rent (go to step C2)

Step C1

Pre-Adjusted Contract Rent: $__________ (DO NOT GO ANY FURTHER - THE AMOUNT HERE IS THE NEW CONTRACT RENT FOR ALL ______ BEDROOM UNITS)

Step C2

Adjusted Comparable Rent: $__________ (-) Pre-Adjusted Contract Rent $__________ = $__________ (amount of rent increase)

Pre-Adjusted Base Rent $__________ + Amount of rent increase $__________ = $__________ (New Base Rent) + Debt Service $__________ = $__________ (New Contract Rent) (DO NOT GO ANY FURTHER - THE AMOUNT HERE IS THE NEW CONTRACT RENT FOR ALL ______ BEDROOM UNITS)
Bedroom Size_______

**Total Base Rent Potential Worksheet**

Insert bedroom size. Insert number of units for bedroom size indicated. Complete one worksheet for each bedroom size.

<table>
<thead>
<tr>
<th>Bedroom Size_______</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

\[ \text{Total Number of _____ Bedroom Units _______} \]

Number of Turnover Units _______ (for bedroom size indicated only)

Number of Non-Turnover Units _______ (for bedroom size indicated only)

\[ \text{Number of Turnover Units (_____ x New Base Rent for Turnover Units (from Step 2)} \]
\[ \text{= __________) + number of Non-Turnover Units (_____ x New Base Rent for Non-Turnover Units (from Step 2)} \]
\[ \text{= __________) = $_________ TBRP} \]

\[ \text{TBRP $_________ ÷ Total number of Units _______ = $_________ (New Base Rent for all Units)} \]

New Base Rent for all _____ Bedroom Units $_________ + Debt Service $_________ = New contract rent $_________ for _____ Bedroom units
Illustration

Bestown Housing Authority is located in the state of Sunset. Bestown HA administer one section 8 moderate rehabilitation contract with 113 units. The unit breakdown is as follows: (28) one bedroom units; (74) two bedroom units; and (11) three bedroom units.

After a review of tenant files, the Bestown HA determined the number of units that have experienced turnover since the last HAP anniversary date and those that have not as follows:

<table>
<thead>
<tr>
<th>Turnover Units</th>
<th>Non-Turnover Units</th>
<th>The initial differences at HAP execution are as follows:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Bedroom</td>
<td>1 Bedroom</td>
<td>$40</td>
</tr>
<tr>
<td>2 Bedroom</td>
<td>2 Bedroom</td>
<td>$60</td>
</tr>
<tr>
<td>3 Bedroom</td>
<td>3 Bedroom</td>
<td>$65</td>
</tr>
</tbody>
</table>

Bestown HA is located in a Metropolitan FMR area. The FMRs for each unit size are as follows:

- 1 Bedroom: $687
- 2 Bedroom: $828
- 3 Bedroom: $1043

The pre-adjusted rents for each size bedroom are as follows:

<table>
<thead>
<tr>
<th>Base Rent</th>
<th>Debt Service</th>
<th>Contract Rent</th>
<th>Utility Allowance</th>
<th>Gross Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Bedroom</td>
<td>$604</td>
<td>$105</td>
<td>$709</td>
<td>$20</td>
</tr>
<tr>
<td>2 Bedroom</td>
<td>$820</td>
<td>$145</td>
<td>$965</td>
<td>$35</td>
</tr>
<tr>
<td>3 Bedroom</td>
<td>$1027</td>
<td>$160</td>
<td>$1187</td>
<td>$40</td>
</tr>
</tbody>
</table>

The Bestown HA conducted a comparability analysis and found the following to be the comparable rent for each unit size:

- 1 Bedroom: $725
- 2 Bedroom: $875
- 3 Bedroom: $1125

The Table 1 AAF for the area is 1.025. The Table 2 AAF for the Area is 1.015.