1. **Contract Renewal Request Form and OCAF Worksheet**. The Renewal Worksheet documents the Owner's option selection and the OCAF-adjusted rent potential.

2. **Budget**. A budget and rent schedule must be completed in accordance with the requirements of HUD Handbook 4350.1, Chapter 7, or the RHS approved budget, and Attachment 5. *Notwithstanding the instructions in the Handbook, owners must use current debt service when submitting a budget-based rent increase request.*

3. **RCS**. For an FHA-insured or HUD-held project that is requesting renewal (as described in Section A.4. above), a RCS must demonstrate that the project's current rents are at or below comparable market rents.

4. If the primary financing or mortgage insurance is provided by a State government or a unit of general local government, and the financing involves mortgage insurance under the National Housing Act:

   a.. Copies of the original financing documents and,
   b. The underlying statutory authority which the Owner believes conflicts with a mark-to-market restructuring plan, and
   c. Counsel's opinion as to the conflict.

B. <u>Rent Determination</u>. Based on the documentation submitted by the Owner, the initial renewal rents shall be set at the lesser of:

1. **Current Rents X OCAF**. The current rent potential of the expiring Section 8 contract(s) adjusted by the published OCAF; or

2. **Budget**. The rent level required to meet operating expenses based on the format required by HUD Handbook 4350.1, Chapter 7 and Attachment 5**,** and submitted with the request for renewal. *Notwithstanding the instructions in the Handbook, owners must use current debt service when submitting a budget-based rent increase request.*

   If the project had a budget approved by HUD less than one year before processing the initial renewal, a copy of that budget may be submitted in lieu of a new budget, unless the Owner refinanced the project.

RENT ADJUSTMENTS FOR MULTIYEAR CONTRACTS

Section 6-3

Except for contract subject to the Automatic OCAF process (AutoOCAF), for multiyear contracts, at least 120 days before the anniversary date of the contract, the owner should submit:

A. OCAF Worksheet, Attachment 3; or

B. A budget-based rent *adjustment* request. *If requesting a budget-based rent adjustment, the rent level required to meet operating expenses based on the format required by HUD Handbook 4350.1, Chapter 7 and Attachment 5, must be submitted with the request. *Notwithstanding the instructions in the Handbook, owners must use current debt service if an owner requests a budget-based rent adjustment. If requesting a budget-based rent adjustment:*

   *1. The Owner must submit or have submitted within the preceding 5 years a RCS prepared following the instructions found in Chapter Nine of the Section 8 Renewal Guide.

   Previously submitted RCS's are valid for 5 years and will be adjusted annually by OCAF.*

   2. If the RCS demonstrates that the current rents are above comparable market rents, the request for a budget-based rent adjustment will be denied (except any request for a $0 budget-based rent adjustment) and Owner will only receive an OCAF rent adjustment.

   3.   If the proposed rents as adjusted on the basis of a budget, do not exceed comparable market rents as established by the RCS, the Owner may, at HUD's discretion, receive a budget-based rent increase, not to exceed comparable market rents.

   4. This requirement applies to those budget-based adjustment requests submitted 150 days following the effective date of these page changes.

SUBSEQUENT RENEWALS

Section 6-4

A. The "lesser of" test is required at subsequent renewal. (24 CFR §402.5(b)).

B. Owner Submission. At least 120 days before expiration of the Section 8 contract, the Owner should submit:

1. The Contract Renewal Request Form and OCAF Worksheet; and

2. A budget prepared in accordance with HUD Handbook 4350.1, Chapter 7. *Notwithstanding the instructions in the Handbook, owners must use current debt service when submitting a budget-based rent increase request.*

PROCESSING INSTRUCTIONS

Section 6-5

A. <u>PM/CA Review</u>. The PM/CA should complete his/her review within 45 calendar days or whatever period is required to allow sufficient time for processing the contract renewal.

B. The PM/CA checks to see:

1. That the owner requested to renew under Option Four, *Renewal of Contract for Projects Exempted From OAHP;*

2. If the Owner is eligible to renew the section 8 project-based contract under Option Four;

3. That the Owner submitted all the required documentation. For example:

    a. Contract Renewal Request Form and OCAF Worksheet;

    b. A Rent Comparability Study, if applicable, prepared in accordance with Chapter Nine of this Guide;

    c. A budget-based rent adjustment, prepared in accordance with Chapter 7 of HUD Handbook 4350.1. *Notwithstanding the instructions in the Handbook, owners must use current debt service when submitting a budget-based rent increase request.*

4. If the Owner specified on the Cover Sheet of the Contract Renewal Request Form whether they wanted any multiple stages or contracts combined at this time. See instructions provided in Chapter Two of this Guide.

C. Review the Owner's certification regarding suspension or debarment on the worksheet. If the Owner checked that they are not suspended or debarred, verify that information by using the www.epls.gov.

D. If it is determined that the Owner is suspended or debarred, HUD will permit the Owner to renew the Section 8 contract if the project(s) in question were not the cause of the administrative actions against the Owner.

E. Log the Owner's request as indicated on Contract Renewal Request Form and any other relevant information in the iREMS system.

F. Prepare a 524(b) contract renewal.

1. Renewals shall be at the lesser of the current rents adjusted by OCAF or the budget-based rent level.

2. Rent Adjustments during term of multiyear contracts shall be by:

a. Application of OCAF, or

b. Application of budget-based method.