U.S. Department of Housing and Urban Development

Office of Affordable Housing Preservation

Project-based Section 8

HOUSING ASSISTANCE PAYMENTS

FULL MARK-TO-MARKET RENEWAL CONTRACT

OMB Control #2502-0587

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PREPARATION OF CONTRACT

Reference numbers in this form refer to notes at the end of the contract text. These endnotes are instructions for preparation of the Full Mark-To-Market Renewal Contract. The instructions are not part of the Renewal Contract

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U.S. Department of Housing and Urban Development
Office of Housing

Project-based Section 8

HOUSING ASSISTANCE PAYMENTS

FULL MARK-TO-MARKET RENEWAL CONTRACT[1]

1 CONTRACT INFORMATION[2]

PROJECT

Section 8 Project Number: _____

Section 8 Project Number of Expiring Contract: _____

FHA Project Number (if applicable): _____

Project Name: _____

Project Description[3]

_____

TYPE OF RENEWAL

☐ Check this box for a project renewed under Section 515(a) of MAHRA

PARTIES TO RENEWAL CONTRACT

Name of Contract Administrator[4]

_____

Address of Contract Administrator

_____

Name of Owner[5]

_____

Address of Owner

_____

2 TERM AND FUNDING OF RENEWAL CONTRACT

a The Renewal Contract begins on _____[6] and shall run for a period of _____[7] years.

b Execution of the Renewal Contract by the Contract Administrator is an obligation by HUD of $ _____,[8] an amount sufficient to provide housing assistance payments for approximately _____[9] months of the first annual increment of Renewal Contract term.

c HUD will provide additional funding for the remainder of the first annual increment and for subsequent annual increments, including for any remainder of such subsequent annual increments, subject to the availability of sufficient appropriations. When such appropriations are available, HUD will obligate additional funding and provide the Owner written notification of (i) the amount of such additional funding, and (ii) the approximate period of time within the Renewal Contract term to which it will be applied.

3 DEFINITIONS

ACC. Annual contributions contract.

Anniversary. The annual recurrence of the date of the first day of the term of the Renewal Contract.

Contract units. The units in the Project which are identified in Exhibit A by size and applicable contract rents.

Contract rent. The total monthly rent to owner for a contract unit, including the tenant rent (the portion of rent to owner paid by the assisted family).

HAP contract. A housing assistance payments contract between the Contract Administrator and the Owner.

HUD. The United States Department of Housing and Urban Development.

HUD requirements. The Restructuring Commitment, HUD regulations and other requirements, including amendments to the Restructuring Commitment and changes in HUD regulations and other requirements during the term of the Renewal Contract.

MAHRA. The Multifamily Assisted Housing Reform and Affordability Act of 1997 (Title V of Public Law No.105-65, October 27, 1997, 111 Stat. 1384), as amended.

OCAF. An operating cost adjustment factor established by HUD.

PHA. Public housing agency (as defined and qualified in accordance with the United States Housing Act of 1937. 42 U.S.C. 1437 et seq.).

Project. The housing designated in section 1 of the Renewal Contract.

Restructuring Commitment. That certain executed Restructuring Commitment previously entered into by Owner and Contract Administrator in connection with the Owner's participation in the Mark-to-Market Program.

Section 8. Section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f).

Renewal Contract. This contract, including applicable provisions of the Expiring Contract (as determined in accordance with section 5 of the Renewal Contract).

4 RENEWAL CONTRACT

a Parties

(1) The Renewal Contract is a housing assistance payments contract ("HAP Contract") between the Contract Administrator and the Owner of the Project (see section 1).

(2) If HUD is the Contract Administrator, HUD may assign the Renewal Contract to a public housing agency ("PHA") for the purpose of PHA administration of the Renewal Contract, as Contract Administrator, in accordance with the Renewal Contract (during the term of the annual contributions contract ("ACC") between HUD and the PHA). Notwithstanding such assignment, HUD shall remain a party to the provisions of the Renewal Contract that specify HUD's role pursuant to the Renewal Contract, including such provisions of section 10 (HUD requirements), section 11 (statutory changes during term) and section 12 (PHA default), of the Renewal Contract.

b Statutory authority

The Renewal Contract is entered pursuant to section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f), and section 515(a) of the MAHRA.

c Expiring Contract

Previously, the Contract Administrator and the Owner had entered into a HAP Contract ("expiring contract") to make Section 8 housing assistance payments to the Owner for eligible families living in the Project. The term of the expiring contract will expire or terminate prior to the beginning of the term of the Renewal Contract.

d Purpose of Renewal Contract

(1) The purpose of the Renewal Contract is to renew the expiring contract for an additional term. During the term of the Renewal Contract, the Contract Administrator shall make housing assistance payments to the Owner in accordance with the provisions of the Renewal Contract.

(2) Housing assistance payments shall only be paid to the Owner for contract units occupied by eligible families leasing decent, safe and sanitary units from the Owner in accordance with statutory requirements, and with all HUD regulations and other requirements. If the Contract Administrator determines that the Owner has failed to maintain one or more contract units in decent, safe and sanitary condition, and has abated housing assistance payments to the owner for such units, the Contract Administrator may use amounts otherwise payable to the Owner pursuant to the Renewal Contract for the purpose of relocating or rehousing assisted residents in other housing.

e Contract units

The Renewal Contract applies to the Contract units.

5 EXPIRING CONTRACT – PROVISIONS RENEWED

a Except as specifically modified by the Renewal Contract, all provisions of the Expiring Contract are renewed (to the extent such provisions are consistent with statutory requirements in effect at the beginning of the Renewal Contract term).

b Any and all provisions of the Expiring Contract concerning any of the following subjects are not renewed, and shall not be applicable during the renewal term:

(1) Identification of contract units by size and applicable contract rents;

(2) The amount of the monthly contract rents;

(3) Contract rent adjustments; and

(4) Project account (sometimes called “HAP reserve” or “project reserve”) as previously established and maintained by HUD pursuant to former Section 8(c)(6) of the United States Housing Act of 1937 (currently Section 8(c)(5) of the Act, 42 U.S.C. 1437f(c)(5)). Section 8(c)(5) does not apply to the Renewal Contract, or to payment of housing assistance payments during the Renewal Contract term.

c The Renewal Contract includes those provisions of the Expiring Contract that are renewed in accordance with this section 5.

6 CONTRACT RENT

a Initial contract rents

At the beginning of the Renewal Contract term, and until contract rents for units in the Project are adjusted in accordance with section 6b, the contract rent for each bedroom size (number of bedrooms) shall be the initial contract rent amount listed in Exhibit A, which is attached to and, by this reference, is hereby made a part of the Renewal Contract.

b Contract rent adjustments

(1) OCAF

During the term of the Renewal Contract the Contract Administrator shall annually, on the anniversary of the Renewal Contract, adjust the amounts of the monthly contract rents in accordance with HUD requirements by using an OCAF.

(2) Procedure for rent adjustments during renewal term

(a) To adjust contract rents during the term of the Renewal Contract, the Contract Administrator shall give the Owner

notice with a revised Exhibit A that specifies the adjusted contract rent amounts.

(b) The revised Exhibit A shall specify the adjusted contract rent amount for each bedroom size as determined by the Contract Administrator in accordance with this section. The adjustment notice by the Contract Administrator to the Owner shall specify when the adjustment of contract rent is effective.

(c) If this box is checked ☐, the initial contract rent, as stated in Exhibit A, constitutes an exception rent based on the actual and projected costs of operating the Project, as provided under section 514(g)(3) of MAHRA. Actual market rents are:

____ bedroom: _____
____ bedroom: _____
____ bedroom: _____
____ bedroom: _____
____ bedroom: _____
____ bedroom: _____
____ bedroom: _____
____ bedroom: _____
____ bedroom: _____

Should the Project anytime during the term of the Renewal Contract receive other government assistance, including but not limited to any loan, grant, credit, tax benefit, or any other form of direct or indirect assistance such as tax credits under Federal, State or local law, the Owner shall provide HUD with written notice, no more than 30 days following receipt of notification from the governmental authority issuing the assistance that such assistance has been or will be awarded. The written notice will identify the type and amount of the assistance awarded, the government entity providing such assistance, and the date of the award. HUD will review the underwriting projections resulting from the receipt of other government assistance, and if HUD determines that Project operating expenses, debt service, and/or required replacement reserve contributions will decrease as a

result of the Project's receipt of other government assistance, HUD may adjust the contract rents downward to the greatest of the following:

- Actual market rents as noted above, adjusted upwards using the appropriate OCAF adjustment factor, compounded annually from the origination date of the renewal contract, per HUD guidelines;

- Revised exception rent after applying the other government assistance, which is determined to decrease operating expenses, debt service, and/or required replacement reserve contribution; and

- Market rents that reflect improvements to the Project (as improved rents) resulting from the application of the additional government assistance, not to exceed the contract rent then in effect. The owner must submit to HUD a rent comparability study (RCS) prepared (at the owner's expense) in accordance with HUD requirements. HUD will have sole discretion to review and adjust the rents provided in the RCS to eliminate upward adjustments attributable to improvements that exceed the M2M Program's non-luxury standard. The rent comparability study must be submitted to HUD along with the notification of the award of the other governmental assistance.

If the additional government assistance is provided in conjunction with a transaction requiring prior HUD approval, such as, an assumption/subordination of Mark-to-Market debt, a TPA, or the approval of a new FHA insured first mortgage, the owner must notify the HUD official approving that transaction of the requirements of this Section. No additional notification of HUD or the Section 8 Contract Administrator staff will be required.

If new secured debt and/or tax credit equity is involved, the owner shall submit pro-forma estimates of the operating expenses, debt service, and replacement reserves that will be required after the application of the additional government assistance. These estimates will be reviewed by HUD in its process of determining a possible contract rent adjustment.

(d) Notice of rent adjustment by the Contract Administrator to the Owner shall automatically constitute an amendment of the Renewal Contract.

(3) No other adjustments

Except for contract rent adjustments in accordance with this section, there shall not be any other adjustments of the contract rents during the term of the Renewal Contract. Special adjustments shall not be granted.

7 OWNER WARRANTIES

a The Owner warrants that it has the legal right to execute the Renewal Contract and to lease dwelling units covered by the contract.

b The Owner warrants that the rental units to be leased by the Owner under the Renewal Contract are in decent, safe and sanitary condition (as defined and determined in accordance with HUD regulations and procedures), and shall be maintained in such condition during the term of the Renewal Contract.

8 OWNER TERMINATION NOTICE

a Before termination of the Renewal Contract, the Owner shall provide written notice to the Contract Administrator and each assisted family in accordance with HUD requirements.

b If the Owner fails to provide such notice in accordance with the law and HUD requirements, the Owner may not increase the tenant rent payment for any assisted family until such time as the Owner has provided such notice for the required period.

9 PHYSICAL CONDITION AND FINANCIAL REPORTING REQUIREMENTS

a The Owner shall comply with HUD's Physical Condition Standards and Inspection Requirements of 24 CFR part 5, subpart G, including any changes in the regulations and related Directives. In addition, the Owner shall comply with HUD's Physical Condition Standards of Multifamily Properties of 24 CFR part 200, subpart P, including any changes in the regulation and related Directives. This obligation shall apply both during the current term of the HAP contract and during each successive renewal term.

b The Owner shall comply with HUD's Uniform Financial Reporting Standards of 24 CFR, part 5, subpart H, including any changes in the regulation and related Directives. This obligation shall apply during the current term of the HAP contract and for each successive renewal term.

c This section 9 of the Renewal Contract shall not be construed to limit the requirements referred to in section 10 of the Renewal Contract.

10 HUD REQUIREMENTS

The Renewal Contract shall be construed and administered in accordance with all statutory requirements, the Restructuring Commitment, and with all HUD regulations and other requirements, including changes in HUD regulations and other requirements during the term of the Renewal Contract. However, any changes in HUD requirements that are inconsistent with the provisions of the Renewal Contract, including the provisions of section 6 (contract rent), shall not be applicable.

11 STATUTORY CHANGES DURING TERM

If any statutory change during the term of the Renewal Contract is inconsistent with section 6 of the Renewal Contract, and if HUD determines, and so notifies the Contract Administrator and the Owner, that the Contract Administrator is unable to carry out the provisions of section 6 because of such statutory change, then the Contract Administrator or the Owner may terminate the Renewal Contract upon notice to the other party.

12 PHA DEFAULT

a This section 12 of the Renewal Contract applies if the Contract Administrator is a PHA acting as Contract Administrator pursuant to an annual contributions contract ("ACC") between the PHA and HUD. This includes a case where HUD has assigned the Renewal Contract to a PHA Contract Administrator, for the purpose of PHA administration of the Renewal Contract.

b If HUD determines that the PHA has committed a material and substantial breach of the PHA's obligation, as Contract Administrator, to make housing assistance payments to the Owner in accordance with the provisions of the Renewal Contract, and that the Owner is not in default of its obligations under the Renewal Contract, HUD shall take any action HUD determines necessary for the continuation of housing assistance payments to the Owner in accordance with the Renewal Contract.

13 EXCLUSION OF THIRD-PARTY RIGHTS

a The Contract Administrator does not assume any responsibility for injury to, or any liability to, any person injured as a result of the Owner's action or failure to act in connection with the Contract Administrator's implementation of the Renewal Contract, or as a result of any other action or failure to act by the Owner.

b The Owner is not the agent of the Contract Administrator or HUD, and the Renewal Contract does not create or affect any relationship between the Contract Administrator or HUD and any lender to the Owner or any suppliers, employees, contractors or subcontractors used by the Owner in connection with implementation of the Renewal Contract.

c If the Contract Administrator is a PHA acting as Contract Administrator pursuant to an annual contributions contract ("ACC") between the PHA and HUD, the Contract Administrator is not the agent of HUD, and the Renewal Contract does not create any relationship between HUD and any suppliers, employees, contractors or subcontractors used by the Contract Administrator to carry out functions or responsibilities in connection with contract administration under the ACC.

14 WRITTEN NOTICES

a Any notice by the Contract Administrator or the Owner to the other party pursuant to the Renewal Contract shall be given in writing.

b A party shall give notice at the other party's address specified in section 1 of the Renewal Contract, or at such other address as the other party has designated by a contract notice. A party gives a notice to the other party by taking steps reasonably required to deliver the notice in ordinary course of business. A party receives notice when the notice is duly delivered at the party's designated address.

SIGNATURES

Contract administrator (HUD or PHA)

Name of Contract Administrator

_____

By: _____
Signature of authorized representative

_____

Name and official title

Date _____

U.S. Department of Housing and Urban Development

By: _____
Signature of authorized representative

_____

Name and official title

Date _____

Owner
Name of Owner

_____

By: _____
Signature of authorized representative

_____

Name and title

Date _____

EXHIBIT A

IDENTIFICATION OF UNITS ("CONTRACT UNITS") BY SIZE AND APPLICABLE CONTRACT RENTS

Section 8 Contract Number: _____
FHA Project Number (if applicable): _____
Effective Date of the Rent Increase (if applicable): _____

Number of Contract Units	Number of Bedrooms	Contract Rent	Utility Allowance	Gross Rent
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
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_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

NOTE: This Exhibit will be amended by Contract Administrator notice to the Owner to specify adjusted contract rent amounts as determined by the Contract Administrator in accordance with section 6b of the Renewal Contract.

INSTRUCTIONS FOR PREPARATION OF RENEWAL CONTRACT

The following instructions are not part of the Renewal Contract.

Endnote numbers are keyed to references in the text of the Renewal Contract.

[1] This form of Renewal Contract must be used for initial and subsequent renewals of an expiring Section 8 project-based HAP contract in accordance with HUD requirements and Section 515(a) of MAHRA.

This form may **not** be used for: Interim Mark-To-Market Renewals; Watch List Renewals; Basic Renewals; Mark-Up-To-Market Renewals; nor Portfolio Reengineering Demonstration or Preservation Renewals.

Section 2 of the Renewal Contract specifies the contract term.

[2] To prepare the Renewal Contract for execution by the parties, fill out all contract information in section 1 and section 2.

[3] Enter a description of the housing that will be covered by the Renewal Contract. The description must clearly identify the Project by providing the Project's name, street address, city, county, state and zip code, block and lot number (if known), and any other information necessary to clearly designate the covered Project.

If necessary, attach an exhibit with a site plan, legal description or other descriptive information. Enter a reference to the attached exhibit.

[4] Enter the name of the Contract Administrator that executes the Renewal Contract. If HUD is the Contract Administrator, enter "United States of America – Department of Housing and Urban Development (HUD)". If the Contract Administrator is a public housing agency ("PHA"), enter the full legal name of the PHA.

[5] Enter the full legal name of the Owner. For example: "ABC Corporation, Inc., a Maryland corporation."

[6] The Renewal Contract must be entered before expiration of the Expiring Contract. Enter the date of the first day after expiration of the term of the Expiring Contract.

[7] Enter a whole number of years.

[8] Enter the amount of funding obligated.

[9] Enter a whole number of months.