

## **OPTION 2: CONTRACT RENEWALS FOR OTHER PROJECTS WITH CURRENT RENTS AT OR BELOW COMPARABLE MARKET RENTS**

### **Eligibility:**

- A. The contract rent at a property is at or below the current, comparable market rents. Comparable market rents are determined by the results of the Rent Comparability Study (RCS), adjusted annually by the published Operating Cost Adjustment Factor (OCAF).
- B. Owner is not applying for Mark-Up-to-Market.
- C. Owners of “exception projects” can request to renew their contract under Option 1, Option 2, or Option 4.

### **Submission Deadlines:**

Owners must submit the required documentation **to MHFA no later than 120 days prior** to the contract expiration date. No more than 180 days can lapse between the date that the appraiser has signed the letter to the owner signifying that the RCS is complete and the date that the owner submitted the RCS to MHFA. Reference *Chapter 4 and Chapter 9 of the Section 8 Renewal Guidebook* for further details.

If the submission is received late, the HAP payment will likely be delayed. Please make every effort to provide MHFA with a complete renewal submission in a timely manner. Early submissions are welcome.

### **Submission Requirements:**

- A. Initial Contract Renewal with a Rent Adjustment:** If the owner would like to request a rent adjustment they can apply for either a budget based rental adjustment or the OCAF. Please submit the following at least 120 days prior to the expiration date of the contract:
  - 1. Statement or cover letter describing how the Notice to Tenants was distributed
  - 2. A copy of the Notice to Tenants (this should be issued 30 days prior to the contract renewal submission to MFHA).
  - 3. Tenant comments and owner responses, if applicable
  - 4. *The Owner’s Certification as to Compliance with the Tenant Comment Procedures form* (The Owner’s Certification as to Compliance with the Tenant Comment Procedures cannot be executed before the notice has been posted for 30 days).

5. Contract renewal request form (Attachment 3A-2), pages 1, 2, 4, and 5; Attachment 3B, pages 1-3.
6. If applicable, an RCS prepared in accordance with Chapter 9 of Section 8 Renewal Policy Guidebook.
7. If applicable, budget-based rent increase documentation prepared in accordance with HUD Handbook 4350.1, Chapter 7 and Attachment 5 of Section 8 Renewal Policy Guidebook.
8. If applicable, Tenant Paid Utility Analysis
9. Copy of notice to tenants regarding owner's intention to renew the Section 8 Contract.

**If NO Rent Adjustment is Requested:** The owner can elect to renew their contract under Option 2 and not request an increase in rents. Please submit the following at least 120 days prior to the expiration date of the contract:

1. Contract renewal request form Attachment 3A-2, pages 1, 2, 4, 5, and/or 6 & 7 (depending if a new RCS is submitted).
2. If applicable, an RCS prepared in accordance with Chapter 9 of Section 8 Renewal Policy Guidebook.

**Short Term Renewal:** If at initial contract renewal, the owner of a 202, 515, 236 or 221 (d)(3) BMIR project may receive a short-term renewal to align the project's accounting cycle with the anniversary date of the Section 8 Contract or to align stages or contracts. Under the provisions of a short-term renewal, the owner can opt to renew the rents at the current level or request the OCAF, which is pro-rated based on the number of months for which the contract is renewed. The paperwork requirements are the same as noted above and are due no later than 120 days prior to the contract expiration date.

**B. Subsequent Contract Renewal with a Rent Adjustment:** If the owner would like to request a rent adjustment, they can apply for either a budget based rental adjustment or the OCAF. Please submit the following at least 120 days prior to the expiration date of the contract:

1. Statement or cover letter describing how the Notice to Tenants was distributed
2. A copy of the Notice to Tenants (this should be issued 30 days prior to submitting the renewal documents to MFHA).
3. Tenant comments and owner responses, if applicable

4. *The Owner's Certification as to Compliance with the Tenant Comment Procedures form* (The Owner's Certification as to Compliance with the Tenant Comment Procedures cannot be executed before the notice has been posted for 30 days).
5. Contract renewal request form Attachment 3A-2, pages 1, 2, 5 and/or 6 & 7 (depending if a new RCS is submitted); Attachment 3B, pages 1-3.
6. If the previously submitted RCS is five years old, a RCS prepared in accordance with Chapter 9 of Section 8 Renewal Policy Guidebook.
7. If applicable, budget based rent increase documentation prepared in accordance with HUD Handbook 4350.1, Chapter 7 and Attachment 5 of Section 8 Renewal Policy Guidebook.
8. If applicable, Tenant Paid Utility Analysis.
9. Copy of the owner's notice to tenants regarding their intentions to renew the HAP contract.

**If NO Rent Adjustment is Requested:** The owner can elect to renew their contract under Option 2 and not request an increase in rents. Please submit the following at least 120 days prior to the expiration date of the contract:

1. Contract renewal request form (Attachment 3A-2), pages 1, 2, 4, 5 and/or 6 & 7 (depending if a new RCS is submitted).
2. A cover letter stating that no increase is desired.
3. If the last RCS prepared is older than 5 years, a new RCS must be completed in accordance with Chapter 9 of Section 8 Renewal Policy Guidebook.

**Short Term Renewal:** If at subsequent contract renewal, the owner of a 202, 515, 236 or 221 (d)(3) BMIR project may receive a short-term renewal to align the project's accounting cycle with the anniversary date of the Section 8 Contract or to align stages or contracts. Under the provisions of a short-term renewal, the owner can opt to renew the rents at the current level or request the OCAF that is pro-rated based on the number of months for which the contract is renewed. The paperwork requirements are the same as noted above and are due no later than 120 days prior to the contract expiration date.

- C. **Multi-Year Funding Renewals with a Rent Adjustment:** If the owner selected to renew their contract under Option 2 for more than one year, each year at the contract's anniversary date they are eligible to request a rent adjustment. They can apply for

either a budget based rental adjustment or an OCAF. Please submit the following at least 120 days prior to the expiration date of the contract:

1. Statement or cover letter describing how the Notice to Tenants was distributed
2. A copy of the Notice to Tenants (this should be issued 30 days prior to submitting the renewal documents to MFHA).
3. Tenant comments and owner responses, if applicable
4. *The Owner's Certification as to Compliance with the Tenant Comment Procedures form* (The Owner's Certification as to Compliance with the Tenant Comment Procedures cannot be executed before the notice has been posted for 30 days).
5. Attachment 3B, pages 1 – 3
6. If applicable, Budget based rent increase documentation prepared in accordance with HUD Handbook 4350.1, Chapter 7 and Attachment 5 of Section 8 Renewal Policy Guidebook.
7. If the RCS is older than 5 years, a new RCS must be completed in accordance with Chapter 9 of the Section 8 renewal guidebook.
4. If applicable, Tenant Paid Utility Analysis.

**If NO Rent Adjustment is Requested:** The owner can elect to renew the funding portion of the multi-year contract and not request an increase in rents. Please submit the following at least 120 days prior to the expiration date of the contract:

1. Attachment 3B, pages 1 – 3
2. Cover letter stating that no increase is desired.
3. If the last RCS prepared is older than 5 years, a new RCS must be completed in accordance with Chapter 9 of Section 8 Renewal Policy Guidebook

***Please note: MHFA does not intend this to be an all-inclusive list of federal requirements. Please review the Section 8 Renewal Guidebook to gain a full understanding of all requirements***