

## SUBSEQUENT CONTRACT RENEWALS

### Properties that have renewed their HAP contract since 1997

Subsequent Contract Renewal is any contract renewal that occurs after the contract has been initially renewed under The Multifamily Assisted Housing Reform and Affordability Act (MAHRA). Subsequent Contract Renewals are generally executed for 1 – 5 years. HUD may consider an owner's request for a longer contract on a case-by-case basis.

Things to consider when selecting the initial contract renewal also apply during the selection of the subsequent renewal.

- Under which option (1-5) did the property renew the last HAP contract?

In some cases, the option under which the property selects to renew initially will impact the choices they have for future renewals. For example, if a property initially renews under Option 2, at **no** time can they select to renew a later contract under Option 4. Contact your HAP Officer with questions and/or reference *Chapter 4, page 1, of the Section 8 Renewal Guidebook*.

- Are the rents equal to 110% of the FMR and less than 150% of the FMR?
- Did the property receive a REAC score of 60 or above with no uncorrected Exigent Health and Safety (EHS) violations?
- Is the property for profit or being sold to a non – profit?

If yes to the above three questions, maybe the property should consider Option 1-A, Mark up To Market. The property would need to justify their status by obtaining a Rent Comparability Study (RCS). Contact your HAP Officer with questions and/or reference Chapter 3 of the Section 8 Guidebook.

- Would the property qualify for discretionary approval for Mark up to Market because it serves either a *vulnerable population*, is located in an area with a low *vacancy rate*, or has a high degree of *community support*?

If you can answer yes to the above question(s), maybe the property should consider Option 1-B, Mark up to Market. The property would need to justify their status by obtaining a Rent Comparability Study (RCS). Contact your HAP Officer representative with questions and/or reference *Chapter 3 of the Section 8 Guidebook*.

- Are the property's current rents at or below the Current Market Rents?

If the property's current rents are at or below the Current Market Rents the property may consider Option 2. **Please note: to renew under option 2, the property must submit a Rent Comparability Study (RCS), which is good for 5 years.** Projects that are not subject to a HUD-held or insured mortgage or a project that has FHA mortgage insurance or is HUD-held with rents at or below comparable market rents are good candidates to renew under Option 2. Contact your HAP Officer with questions and/or reference *Chapter 4 of the Section 8 Renewal Guidebook*.

- Is the property FHA insured, HUD-held, or state financed? And are the property's rents above the comparable rents?

If yes to both questions, the property may want to consider Option 3, OHMAR. Contact your HAP Officer with questions and/or reference *Chapter 5 of the Section 8 Renewal Guidebook*.

- Does the property have an uninsured FHA loan, (i.e. 202, or 515/Rural Housing)?

If the property has an uninsured FHA loan such as a 202 or a 505 Rural Housing it may want to consider renewal under Option 4, Exempt from OHMAR. To be eligible for Option 4, the property must be considered an "exception project." Exception projects include: state or local government financing and/or mortgage insurance that is that is provided by a unit of state or local government; Projects currently financed under Section 202 of the Housing Act of 1959 or Section 515 of the Housing Act of 1949; SRO Mod Rehab. Please note: "Exception" projects can renew under either Option 2 or Option 4. The benefit of renewing under Option 4 is that a RCS is not required. For an owner of an FHA insured or HUD held project to be eligible under Option 4, they must complete a RCS. Contact your HAP Officer with questions and/or reference *Chapter 6 of the Section 8 Renewal Guidebook*.

- Did a 236 or 221 (d)(3) BMIR (*below market interest rate*) property pre-pay their loan early and as a result enter into long-term use agreement with HUD under previously completed portfolio demonstration or preservation?

If a 236 or 221 (d)(3) BMIR property pre-paid their loan early and as a result entered into long-term use agreement with HUD under previously completed portfolio demonstration or preservation, HUD agreed to certain items, which were outline in the Preservation Property's approved plan of action. For information on Option 5, reference Chapter 7 of the Section 8 Renewal Guidebook, or contact the HAP Officer with questions and/or reference *Chapter 7 of the Section 8 Renewal Guidebook*.

- Is the owner interested in discontinuing their participation in the Section 8 project based rental assistance program?

For issues relating to Option 6: Opting Out, consult *Chapter 8 of the Section 8 Renewal Guidebook* and contact your HAP Officer to discuss this issue in further detail.

**Paperwork Deadlines:** The subsequent contract renewal submission is due 120 days prior to the date that the contract expires for HAP contracts that have renewed since 1997. For example, if your contract expires June 30, your documents are due no later than February 28. MHFA will send the property up to four notices regarding their submission deadline.

**Late Submissions:** Submitting the subsequent contract renewal paperwork late will likely result in a delay in the HAP payment. Please make every effort to provide MHFA with a complete renewal submission in a timely manner. MHFA welcomes early submissions!

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