

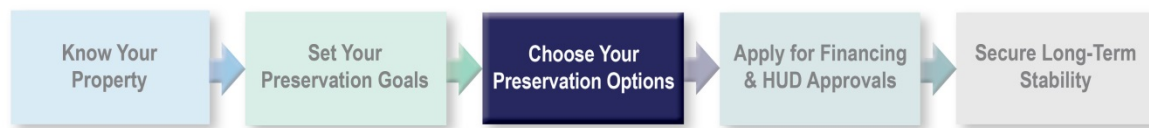


Understanding How to Maximize Your Section 8 Contract

**HUD Office of Multifamily Housing Programs
Preservation Clinics**

CHOOSE YOUR PRESERVATION OPTIONS

3



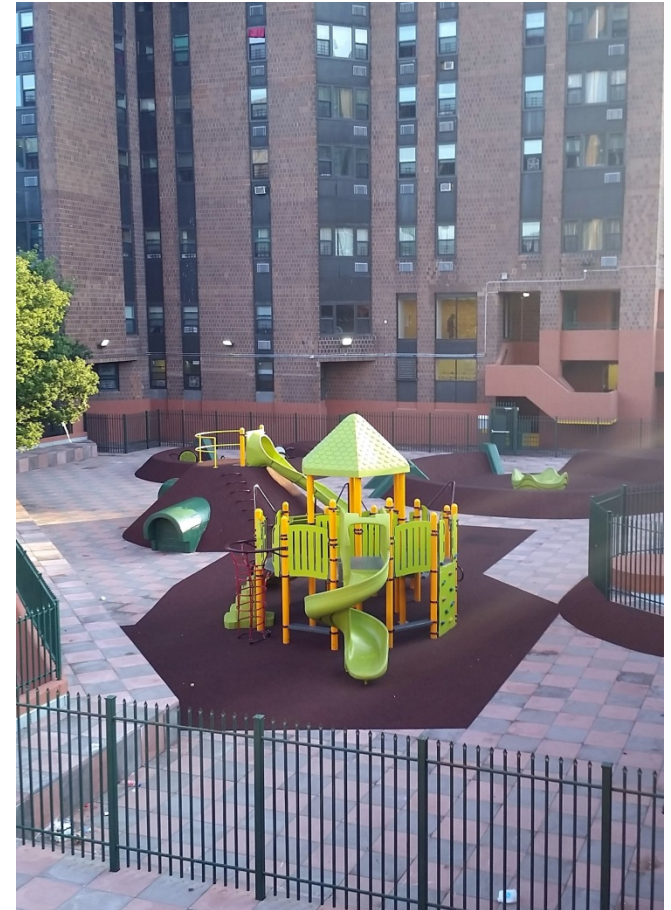
What are my Preservation Options?

The preservation options we will discuss are:

- **Long term renewals**
- **Mark-up-to-Market**
- **Mark-up-to-Budget**

Section 8 Renewal Policy:

http://portal.hud.gov/hudportal/documents/huddoc?id=Section8_Renewal_Guide.pdf



Section 236 Property in NY, NY

SECTION 8 CONTRACT LONG TERM RENEWALS

Q: Why consider a long-term renewal of your Section 8 Contract?

A: To attract lenders and investors, to lock in the subsidy for the longest period possible, and to reduce future paperwork.

Early Terminations

- Who is eligible?
- What is needed?
 - Preservation Agreement
 - Approvals



How to Apply

Submit to Contract Administrator for approval:

- Renewal forms ([form HUD-9624](#))
- Rent adjustment request
 - Budget-based
 - Rent Comparability Study (RCS)

NOTE: If rent adjustment is greater than 5%, HUD Account Executive (AE) will have to approve as well.

Determining Market Rents

140% Test

- Compare median RCS rent to HUD figure (see http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/mfhsec8)
- RCS rents greater than 140% - HUD will do a 3rd party RCS.
 - Rents will be set at lower of:
 - Owner's RCS
 - 105% of HUD's 3rd party RCS
- RCS rents less than 140%, rents will be set at owner's RCS rents

SECTION 8 CONTRACT CHAPTER 15 “PRESERVATION” TRANSACTIONS

Q: Why “mark-up” your Section 8 rents?

A: Marking up the rents allows the owner to increase the NOI, which can leverage more capital for repairs and for preservation.

Chapter 15 Overview

Program Types

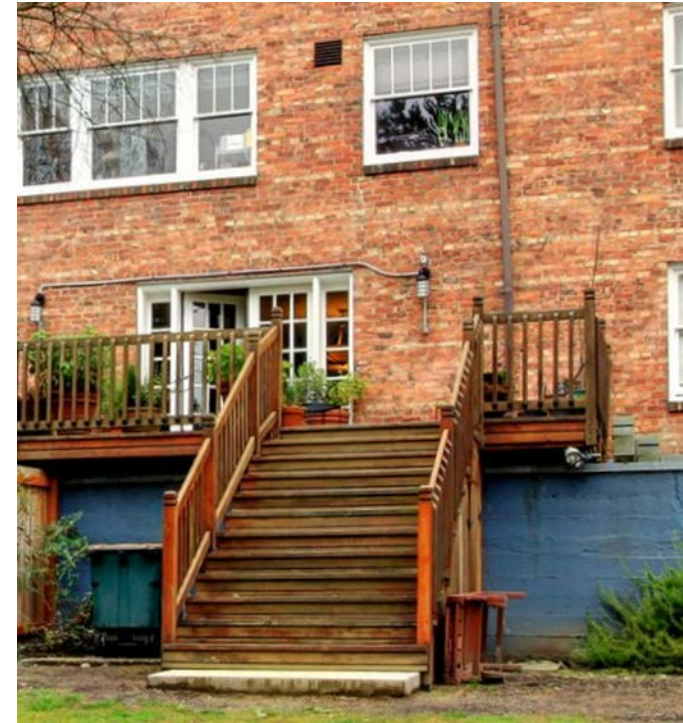
- Capital Repairs
- Transfer Program
- Blended Transaction

Rent Increase Types

- Mark Up to Market (MU2M)
- Mark Up to Budget (MUTB)

Chapter 15 Requirements

- 20 year HAP contract
- Preservation Agreement (if applicable)
- 20 year Use Agreement
- Must combine contracts (see portal.hud.gov/hudportal/documents/huddoc?id=Sec8_Housing_Assis_Pay_Cnt.pdf)



Ch. 15 Requirements (cont'd)

- RCS with “as is” and after rehabilitation market rents
- Project capital needs assessment
- Sources and uses statement
- A detailed description of the proposed transaction

CAPITAL REPAIRS PROGRAM

Q: Why consider the Capital Repairs Program?

A: The Capital Repairs Program is meant to cover the costs of:

1. Modest repairs and recapitalization of the reserve.
2. Substantial rehab.

Capital Repairs Program Requirements

- Environmental review
- Physical accessibility review
- Relocation plan
- Not “Troubled”
- Current on debt service and replacement reserve

TRANSFER PROGRAM

Q: Why apply for the Transfer Program?

A: The Transfer Program can facilitate a transfer of ownership without rehab.

Transfer Program Requirements

- Purchaser requirements:
 - Have experience
 - Be in compliance with non-discrimination and equal opportunity requirements
 - Be in good standing with HUD
- REAC greater than 60

CHOOSING A CONTRACT RENEWAL OPTION

As with the program type, different renewal options have different submission and eligibility requirements.

Owner Eligibility

Owner Type	Eligible for MU2M?	Eligible for MUTB?
Nonprofit Owner	Maybe	Yes
For-Profit / Limited Dividend Owner	Yes	Yes
For-Profit / Limited Dividend Purchaser	No	Yes
For-Profit Purchaser	Yes	No

Option 1

MARK-UP-TO-MARKET

Q: Why choose the Mark-Up-To-Market renewal option?

A: Owners can benefit from access to increased distributions.
It is an effective tool to recapitalize and preserve properties as affordable housing.
Owners are not required to submit budgets to justify rents.

General MU2M Eligibility

- Aggregate rents less than RCS rents
- Satisfactory rating on last MOR
- REAC score 60 or greater
- FASS findings closed or plan in place

General MU2M Eligibility (Cont'd)

Ownership type

- Profit-motivated
- Housing Authority - Public body corporate and politic
- LP with non-profit partners
- LLC with non-profit manager
- Nonprofit that qualifies under Option 1B

MU2M Eligibility

OPTION 1A – Entitlement

Must meet all requirements

- ✓ RCS rents at or above 100% of FMR
- ✓ No use restrictions
- ✓ No mod rehab assistance contract
- ✓ No history of receiving voucher assistance after contract has been terminated.

OPTION 1B – Discretionary

Must meet ONE requirement

- ✓ Vulnerable Population
- ✓ Vacancy Rates of 3% or less
- ✓ Community Support
- ✓ Requires HUD approval

Note: Option 1A rents are capped at 150% of FMR.

MU2M Submission Requirements

- Contract Renewal Request Forms, (form HUD-9624)
- If renewing under Option 1B, documentation of qualifications for discretionary eligibility.
- RCS



Option 2

MARK-UP-TO-BUDGET

This option does not have additional eligibility requirements except that current rents have to be at or below the as-is RCS rents.

MUTB Submission Requirements

Contract Renewal Request Forms

Prepare budget-based rent increase request

- Documentation of new debt service and reserve
- Debt service coverage is allowed but limited to 1.2
- Vacancy loss and certain tax credit fees are allowed

NOTE: Rents must be justified by the budget.

Tips for Successful Contract Renewals

- ✓ Complete and accurate submission
- ✓ Timely submission
- ✓ Communication with HUD and Contract Administrator

QUESTIONS?

