

OPTION 4: REQUEST FOR RENEWAL FOR PROJECTS EXEMPTED FROM OAHP (formerly known as OMHAR)

Eligibility:

Projects must be considered an “exception project” exempt from debt restructuring pursuant to 514 (b) of MAHRA or not an “eligible multifamily housing project” as defined in section 512 (2) of MAHRA. Some examples of projects that are “exception projects” include those that are currently financed under Section 202 or Section 515, and SRO Mod Rehab.

Properties in which state or local government provided the primary financing or mortgage insurance are also considered “exception projects.”

Section 512 (2) of MAHRA: These are projects that do not qualify as eligible multifamily housing projects under Section 512(2) of MAHRA:

A project that is not subject to HUD-Held or insured mortgage;

A project that has FHA mortgage insurance or is HUD-held with rents at or below comparable market rents.

For FHA-insured or HUD-Held projects to be eligible for Option 4b, the Owner must obtain an RCS.

Contract Terms:

Properties usually elect to renew the contract for 1 – 5 years. Contracts can be renewed for a longer duration, pending approval from HUD.

Short Term Renewal:

At initial or 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. The paperwork requirements are the same as what is required for a longer, more permanent renewal and are due no later than 120 days prior to the contract expiration date.

Rent Adjustments:

The owner must provide the tenant’s notice of all proposed rent increases. The Notice to Tenants must be posted 30 days prior to submitting the renewal information to MHFA. The contract rents at the property’s Initial and

Subsequent Contract Renewals are determined by awarding the lesser of the OCAF or budget based rent adjustment.

Submission Requirements:

A. Initial and Subsequent Contract Renewals: Please submit the following at least 120 days prior to the expiration date of the contract:

1. A copy of the Notice to Tenants (this should be issued 30 days prior to the contract renewal submission to MHFA).
2. Statement or cover letter describing how the Notice to Tenants was distributed.
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. Budget-based rent increase documentation prepared in accordance with HUD Handbook 4350.1, Chapter 7 or an approved Rural Development budget with Attachment 5 of the Section 8 Renewal Policy Guidebook.
8. If applicable, Tenant Paid Utility Analysis

B. For Multi-Year Funding Renewals, the property can request that the rent can be adjusted by **either** the OCAF rent adjustment or the budget-based rent adjustment. If the owner has selected to renew their contract under Option 4 for more than one year, each year at the contract anniversary date, until the contract expires, the owner is eligible to request either rent adjustment method. If the property is requesting a budget-based rent adjustment, they still need to submit the OCAF worksheet along with the funding renewal documents. Please submit the following no later than 120 days prior to the expiration date of the contract:

1. A copy of the Notice to Tenants (this should be issued 30 days prior to submitting the renewal documents to MFHA).
2. Statement or cover letter describing how the Notice to Tenants was distributed
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). Attachment 3B, pages 1-3
5. If applicable, the budget-based rent increase documentation prepared in accordance with HUD Handbook 4350.1, Chapter 7 and Attachment 5 of Section 8 Renewal Policy Guidebook
6. If applicable, Tenant Paid Utility Analysis

IF NO Rent Adjustment is Requested: The owner can elect to renew their funding under Option 4 and not request an increase in rents. Note that this is not an option for contract renewals.

Please submit the following at least 120 days prior to the expiration date of the contract:

1. Cover letter explaining that no increase is intended
2. Attachment 3B, pages 1-3

What's The Difference Between Option 4 & Option 2?

Option 2 requires the property to submit a Rent Comparability Study (RCS) every 5 years, starting at the initial renewal term. The rents approved under Option 2 can never exceed the comparability results.

Option 4, initial and subsequent renewals require the property to submit both the OCAF rent adjustment and the budget-based rent adjustment, prepared in accordance to the *HUD Handbook, Chapter 7*. The rents at the initial and subsequent renewals are to be adjusted by **LESSER** of the OCAF or the budget.

Option 2 contract renewals allow the property to select to request either the OCAF or the budget based rent adjustment.

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.