

Automatic OCAF Rent Increase

HUD has streamlined the rent increase process for multi-year contracts that have been renewed under the Multifamily Assisted Housing Reform and Affordability Act (MAHRA) and are eligible to receive an Operating Cost Adjustment Factor (OCAF) rent increase. The new process is called the Automatic (Auto) OCAF Rent Increase process and became effective March 1, 2012.

The Auto OCAF Rent Increase process eliminates the requirement for Owners/Agents to calculate their own OCAF rent increase and submit an OCAF Worksheet and a cover letter to WHEDA. Contract renewals and certain contracts that are not eligible to receive an automatic OCAF annually will not be a part of this automated process. Contract Renewals for those properties are to be submitted to WHEDA as in the past. If your contract allows for Budget Based Rent Adjustments, you still have the option to submit a budget based request instead of an OCAF.

Auto OCAF Rent Increase Steps

- 1) WHEDA will continue to send a rent increase reminder letter 180 days prior to the contract anniversary date. In the event you intend to choose the OCAF rent adjustment, it is at this time Owners/Agents should begin processing the Utility Analysis (if applicable) and/or Rent Comparability Study (RCS) if applicable. **Auto OCAF Sample 180-day Letter** (see page 3 of this document), **Utility Allowance Analysis** (see page 4 of this document)
- 2) 150 days prior to the contract anniversary date, WHEDA will send you the iREMS generated letter advising of the property's:
 - a) New OCAF increased rents
 - b) New Exhibit A
 - c) Certification of debt service and Non Section 8 rent potential
 - d) An agreement to Increase Reserve for Replacement (If Applicable)

SAMPLE Auto OCAF Letter (see page 5 of this document)

- 3) Upon accepting the Auto OCAF rent increase, within ten (10) days, Owners/Agents will need to complete and sign three (3) form HUD – 92458 Rent Schedules and return to WHEDA with the signed certification letter. The form can be found at http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_20701.pdf

Note: If you are electing to submit a Budget-Based rent increase, please check the appropriate box on the certification letter and return to us. There has been no change to the requirements for a budget based rent increase.

- 4) Upon receipt WHEDA will review & sign the HUD-92458 Rent Schedules and return one (1) to you.

- 5) Once Owners/Agents receive the executed HUD-92458 Rent Schedule, the Gross Rent Change through TRACS may be completed.

IMPORTANT NOTE: For properties that receive utility allowances, a utility analysis must be performed annually and is due at the time of the annual rent increase. It is essential this analysis be performed at least 150 days prior to the property's contract anniversary date or when you return the Auto OCAF certification letter and rent schedules to WHEDA.

Auto OCAF Sample 180-day Letter

Date

Name

Property Name

Address

City State

Re: Rent Adjustment

Property Number

Dear Mr. :

According to our records, the anniversary of this Housing Assistance Payment Contract is **XXXX**. This letter is meant as a reminder that you *may* be entitled to a rent increase. Although this date may or may not coincide with the date of a possible increase (as is the case with many budget based increases) it is meant to remind you to begin preparation if you intend to request a rent increase.

For properties eligible for an OCAF Rent Increase, the process has changed. HUD has implemented an Auto OCAF Rent Increase Process that calculates the rent increase automatically. You will receive from WHEDA approximately **150 days** prior to XXXX; a letter advising you of your property's new OCAF increased rents, a new Exhibit A, and a request that you certify the accuracy of the debt service and non-section 8 rent potential (if applicable).

Please review the enclosed summary for details as there are updates to the OCAF submission requirements.

If you are eligible and elect to submit a Budget Based Rent Increase, Per 24 CFR 245, tenants must be given notice of your intent to request a rent increase. The tenants have 30 days to make comments. At the end of the 30 days, submit the Owner's Certification of Compliance with Tenant Comment Procedures and any tenant comments received. Refer to HUD Guidebook 4350.1, Chapter 7, Paragraph 7-7 for guidelines and Appendix II for the Certification. A sample tenant notice is enclosed for your use.

If your property has a utility allowance, you must submit a utility allowance analysis annually with a recommended utility allowance amount. A copy of the HUD Milwaukee Utility Allowance Analysis policy is enclosed for your convenience.

Please be reminded that if your property has a Rent Comparability Study (RCS), it is necessary to have the RCS updated every 5 years. You can refer to Section 9-16 of the Section 8 Renewal Guide for submission requirements.

If you have any questions, please contact Sharon Spengler at (608) 267-4516 or by email at sharon.spengler@wheda.com

Sincerely,

Lisa Avelleyra
Administrative Assistant
Multifamily Housing Group

Utility Allowance Analysis

Projects are required to perform an annual utility allowance analysis. The purpose of this memorandum is to define how a utility allowance analysis should be performed.

Owners/agents must submit with their analysis all documentation supporting their request for approval.

Step 1. Do not include in the analysis any unit that was occupied for less than 11 months.

Step 2. Obtain a statement from the utility company as to what the monthly budget billings would be for each unit for the next year if each tenant were on a budget plan.

Step 3. Add up the budget amounts and divide the total by the number of units to arrive at an average budget amount.

Step 4. Multiply the average budget amount determined in Step 3 by 75%. Remove from your list of budget amounts any amount less than the amount you just computed.

Step 5. Multiply the average budget amount determined in Step 3 by 125%. Remove from your list of budget amounts any amount more than the amount you just computed.

Step 6. Add the remaining budget amounts and divide the total by the remaining number of units in the sample to arrive at an FINAL AVERAGE BUDGET AMOUNT. Round this amount to the nearest whole dollar: this is the MONTHLY UTILITY ALLOWANCE.

Example:

- 14 unit project
- 2 units were vacant more than 1 month during the past year

Step 1. Eliminate units occupied for less than 11 months. Units 13 and 14 were occupied for less than 11 months.

The utility company provided the following budget amounts:

Step 2. Unit #1 \$32 Unit #5 \$22 Unit #9 \$31 Unit #13 Not used
Unit #2 \$38 Unit #6 \$28 Unit #10 \$34 Unit #14 Not used
Unit #3 \$51 Unit #7 \$26 Unit #11 \$38
Unit #4 \$27 Unit #8 \$30 Unit #12 \$27

Step 3. \$384 divided by 12 = \$32.00

Step 4. $\$32 \times .75 = \24.00 (Eliminate unit #5)

Step 5. $\$32 \times 1.25 = \40.00 (Eliminate unit #3)

Step 6. \$311 divided by 10 = \$31.10

The Monthly Utility Allowance would be \$31.00

NOTE: The above calculation needs to be completed on each unit type in the building (i.e.; 1 bedroom, 2 bedroom, etc.)

SAMPLE Auto OCAF Letter

U.S. Department of Housing and Urban Development
Wisconsin Housing & Economic Development Authority
201 West Washington Avenue, Suite 700
P.O. Box 1728
Madison, WI 53701-1728

PROPERTY NAME

Date Letter Sent

ATTN: PROPERTY AGENT NAME

PROPERTY MANAGEMENT ADDRESS

CITY, ST ZIP CODE

Subject: Automatic OCAF Rent Increase

PROPERTY NAME

PROPERTY NUMBER

Rent Comparability Study Expires: **DATE**

Dear Management Agent:

“Property Name” is in a multi-year Housing Assistance Payments Contract and, as such, is eligible for an automatic rent increase to become effective **“date of increase”**. The rent increase factor is **“OCAF Percentage”**. The debt service amount used in the calculation of new rents is **“debt service”**.

Should you elect this rent increase, the new rents for **“Property Name”** will be as indicated on the attached Exhibit A. Complete, execute, and return three (3) form HUD-92458 Rent Schedule Low Rent Housing to your HUD/PBCA within 10 days of receipt of this package.

Indicate below which rent increase option is to be applied in the upcoming contract year. Complete the Project information section that follows, and return this Notice and any attachments to your HUD/PBCA within 10 days of receipt of this package.

- ☐ I elect to receive the attached automatic rent increase.
- ☐ I elect to receive the attached automatic rent increase, and am submitting a Utility Analysis and recommendation for a change to the Utility Allowances. Supporting documentation is enclosed.
- ☐ I elect a zero budget-based rent adjustment in lieu of the OCAF adjustment and understand that this will result in renewed funding at current rents. I further understand that the OCAF adjustment for this year may not be recouped retroactively in the future. If applicable, I am submitting a Utility Analysis and recommendation for a change to the Utility Allowances. My signature on this letter certifies that I have reviewed the project’s income and expenses and they are at levels that will enable me to continue to provide decent, safe and sanitary housing.
- ☐ I request a Budget Based Rent Increase for the upcoming contract year. The required documentation for this rent increase is enclosed. If applicable, I am submitting a Utility Analysis and recommendation for a change to the Utility Allowances.

☐ Other: _____

I (We) hereby certify that the debt service amount of “*debt service*” and the non-section 8 rent potential amount of “*\$ amount*” are true, accurate and complete to the best of my (our) knowledge and belief.

Project Name: _____

Owner Name: _____

Owner Signature: _____ Date: _____

Should you have any questions, please contact our office.

Sincerely,

Contract Administrator

OMB Control #2502-0587
Exp. (10/31/2012)

Public reporting burden for this collection of information is estimated to average 1 hour. This includes the time for collecting, reviewing, and reporting the data. The information is being collected for purposes of determining rent adjustments and will be used for estimating new rents. Response to this request for information is required in order to receive the benefits to be derived. This agency may not collect this information, and you are not required to complete this form unless it displays a currently valid OMB control number. No confidentiality is assured.

Privacy Act Notice: The United States Department of Housing and Urban Development, Federal Housing Administration, is authorized to solicit the information requested in the form by virtue of Title 12, United States Code, Section 1701 et seq., and regulations promulgated thereunder at Title 12, Code of Federal Regulations. While no assurance of confidentiality is pledged to respondents, HUD generally discloses this data only in response to a Freedom of Information Act request.

EXHIBIT A

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

Section 8 Contract Number: PROPERTY NAME

FHA Project Number: FHA PROJECT #

Effective Date of the Rent Increase: DATE

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

Do not submit a Gross Rent Change through TRACS until the HUD-92458 Rent Schedule has been returned to you duly executed from your HUD/PBCA office.

- Note:
- (1) 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 the Renewal Contract.
 - (2) These rents are applicable with the Amend Rents Automatic OCAF for this effective Date.