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**Subject:** RHIIP Listserv #311 - Revised Section 8 Renewal Policy Guide Posted for Public Comment  
**Date:** Friday, February 28, 2014 5:18:39 PM

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## RHIIP Listserv Posting #311

February 28, 2014

Welcome to the MULTIFAMILY HOUSING RENTAL HOUSING INTEGRITY IMPROVEMENT PROJECT (RHIIP) LISTSERV that brings you up-to-date RHIIP related publications, news, information and occupancy tips in an effort to help reduce errors in rent determinations and subsidy calculations.

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### Revised Section 8 Renewal Policy Guide Posted for Public Comment

On February 28, 2014 the Department posted the draft revised Section 8 Renewal Policy Guide for public comment. The Section 8 Renewal Policy Guide is HUD's comprehensive guidance for renewing expiring Section 8 contracts. As part of these revisions and as described in the SUPPLEMENTAL INFORMATION section of this listserv, HUD is also advising the public that Section 9-23 of the Section 8 Renewal Policy Guide describes HUD's proposed revision to address when rents in a Rent Comparability Study (RCS) exceed 110 percent of the median gross rent by zip code.

The draft Guide can be found at [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/mfh/mfhsec8](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/mfhsec8) under the section "What's New". Those interested in making comments should submit those comments by April 30, 2014 and can send them electronically to [Section8RenewalGuide@hud.gov](mailto:Section8RenewalGuide@hud.gov) or via mail to the Department of Housing and Urban Development, Attention: Section 8 Renewal Guide, 451 7th Street, SW., Room 6134, Washington, DC 20410 -0500. Comments must specifically identify the section number, page, and paragraph number to which they refer.

#### **SUPPLEMENTAL INFORMATION**

With the enactment of the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA)( 42 U.S.C. 1437f note), Congress authorized the renewal of expiring contracts for project-based rental assistance issued under Section 8 of the United States Housing Act of 1937. MAHRA requires that, to the extent possible, renewal rents be comparable to unsubsidized rents in the area where the project is located. To this end, MAHRA further provides HUD with broad authority to prescribe the method for determining comparable market rent by comparison with rents charged for properties that are comparable as to neighborhood, type of location, access, street appeal, age, property size, apartment mix, physical configuration, property and unit amenities, utilities, and other relevant characteristics. Following the enactment of MAHRA, HUD published the Section 8 Renewal Policy Guide, Chapter Nine of which requires the preparation of a RCS as the method for determining comparability. Chapter Nine of the Section 8 Renewal Policy Guide also provides instructions on how a RCS is to be prepared and reviewed.

Research by the Department has shown that market rent estimates, as determined by an owner's RCS, are often higher than market rent estimates, as determined by a RCS secured by the Department. In May 2012, the Department issued new guidance to require appraisers to provide additional justification if the gross rent potential in the RCS exceeded

110 percent of the Fair Market Rent (FMR) in rural areas or the Small Area Fair Market Rent (SAFMR) in urban areas. The Department's industry partners provided significant feedback regarding this new guidance, citing policy and technical concerns. In light of these considerations, the Department suspended implementation of the guidance in order to more thoroughly consider how best to address the Department's concerns regarding rent levels reflected in owner's RCSs.

After further consideration, including consultation with HUD's Office of Policy Development, and Research (PD&R), the Department proposes to implement a revised benchmark against which owner RCS rents can be assessed. As a preliminary matter, the Department believes the most reliable benchmark is a market-based, rather than a FMR-based, measure. Further, HUD believes that the most comprehensive market-based benchmark would be median gross rents, as determined and as published by the United States Census Bureau or some other comparable source. HUD considers these rents comprehensive because they are available for every zip code within the United States. The new guidance would require a comparison of the rents in the RCS to a market-based benchmark (i.e., median rent estimates published by the United States Census Bureau or other comparable source), should RCS rents exceed 110 percent of the median rents for the zip code area. Should this be the case, HUD will order a third party RCS and undertake a comparison of the RCSs.

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You can view the RHIP Tips Archives, under "Listserv-Multifamily RHIP Tips" at <http://www.hud.gov/offices/hsg/mfh/rhiip/mfhrhiip.cfm>

Please encourage others to sign-up for the Listserv, so they too can receive current RHIP related information from HUD <http://www.hud.gov/subscribe/maillinglist.cfm>

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