

Exhibit 6-1

Rent Reasonableness

Rent Reasonableness is an essential component of the voucher leasing process. It ensures that rents for AHFC voucher clients do not exceed rents for unassisted, private rental units.

6-1.1 CRITERIA

AHFC must determine if the rent to a landlord is a reasonable in comparison to rent for other unassisted units. To make this determination, staff must consider:

1. The location, quality, size, unit type, and age of the contract unit; and
2. Any amenities, housing services, maintenance, and utilities provided by the landlord in accordance with the lease.

6-1.1.A When to Apply Rent Reasonableness

Rent comparability is based on rents paid for similar units in the same general location that are also generally similar in terms of overall quality of housing services provided.

Rent Reasonableness is Required

1. Before signing a Housing Assistance Payments (HAP) Contract at a move-in
2. Before any increase in rent to an landlord is approved
3. If the Fair Market Rent decreased by five percent (5%) sixty (60) days before the Annual Anniversary
4. If directed by HUD
5. When determined necessary on a case by case basis

6-1.1.B Landlord Certification

Each time a landlord cashes a HAP check, the landlord is certifying that the rent for the assisted unit is not more than the rent charged for comparable unassisted units in the premises.

6-1.1.C Staff Certification

To document that the rent for a unit is reasonable, staff will use the *Rent Reasonableness Certification*. Staff will document all characteristics, services, and amenities of the unit that contribute to an appropriate rent.

Staff can choose to establish rent reasonableness using the *Request for Tenancy Approval* or the *Unassisted Unit Comparability Survey*. Each is discussed below.

6-1.1.D Unit Comparability Database

Information used to compare assisted and unassisted rents must not be more than twelve (12) months older than the date of the *Request for Tenancy Approval*. To gather information to build the database, AHFC staff will:

1. Complete an *Unassisted Unit Comparability Survey* at each move-in inspection if the landlord has similar units rented to families that do not receive rental assistance.
2. Consult newspapers, realtors, or professional associations to gather additional forms.
3. Search *Alaska Housing Locator* (www.alaskahousinglocator.com), Craig's List, or other web sources to locate units uncommon in local housing stock, such as zero or four bedroom units.

6-1.2 LANDLORD REQUEST REQUIREMENTS

During the initial term of the lease, the landlord may not request an increase in the rent (HAP Contract, Part A, Section 6). Once the initial term has completed, the landlord may request an increase to the contract rent at any time. The rent to landlord may at no time exceed the reasonable rent for the contract unit (HAP Contract, Part B, Section 6).

1. The landlord's request must be in writing with at least 60 days' advance notice to the family with a copy sent to AHFC (HAP Contract, Part B, Section 15d).
2. Staff must determine if the requested rent amount is reasonable using the *Unassisted Unit Comparability* (form V731).
 - a. Staff will issue the *Rent Increase Request Decision* (form V720) to inform the landlord of AHFC's decision.
 - b. If a change in the rent portion occurs, staff will also issue the *Rent Change Notice* to the family and the *Rent Change Notice Landlord* at least 30 days prior to any change in the rent portions.
 - c. If it is not approved, the *Rent Increase Request Decision* provides an option to tell the landlord why the request was not approved.

6-1.3 GUIDANCE AND DOCUMENTATION

Staff must document the file to prove that the rent is reasonable. There are two acceptable methods:

1. Conduct unassisted unit surveys using form V731 to document the condition of the contract unit; **OR**
2. Verify information found on the *Request for Tenancy Approval*.

6-1.3.A The *Request for Tenancy Approval* - Three Comparables Required

The *Request for Tenancy Approval* (form HUD-52517) may be used to verify reasonable rent when the property to be inspected meets the following criteria:

1. There are more than four (4) units in the “complex.” The “complex” may include more than one apartment building on the same property or on an adjacent lot.
2. The landlord supplies comparable rent charged for three (3) unassisted units in the same complex listed in Section 12a on page two.
3. The families living in the three units identified by the landlord on the RFTA are not receiving Housing Choice Voucher assistance.
4. Fewer than 70 percent of the families in the units at the complex are currently receiving rental assistance.

If three similar units are listed with rents at or above the requested unit, staff will complete *Rent Reasonableness Certification* (form V761). Under the certification at the bottom of the form, staff will select the checkbox with the *Request for Tenancy Approval* units. Staff will follow these steps to document the RFTA.

Document the RFTA

1. Prior to the inspection, staff will verify the number of assisted families living at the address by looking at the most recent check paid to the landlord to see how many HCV clients live at the address of the property.
2. At the inspection, staff will verify the number of units in the complex and make note on the Inspection Checklist in the empty box next to “Number of Sleeping Rooms.”
3. Identify what Housing Type the rental unit is located in; i.e., “Duplex or Two Family,” “Low Rise or Town House,” etc.
4. Mark “Other” at the bottom of the Housing Type list and notate how the complex meets the “multifamily” definition; i.e., “one six-plex,” “three tri-plexes,” etc.

Compare the *Rent Reasonableness Certification*, the information on the RFTA, and the information from the inspection. If staff determines the above conditions are met and

the rent is reasonable, sign the *Rent Reasonableness Certification* to certify the rent is reasonable. No further comparable data is necessary for the file.

6-1.3.B Unassisted Unit Comparability Surveys – Two Comparables Required

If a complex does not meet the conditions to use the *Request for Tenancy Approval* as described above, staff must find two comparables in the same area. Staff will compare the contract unit's rent and amenities to similar units rented by families who do not receive rental assistance.

Document the File

1. Compare the *Unassisted Unit Comparability Survey* conducted at the inspection to another *Unassisted Unit Comparability Survey* for units in the same area of the same size with similar features (or select two *Unassisted Unit Comparability Surveys*) if the landlord did not have a similar, unassisted unit).
2. Compare the surveys to the *Rent Reasonableness Certification* form for the contract unit to verify the amenities, location, quality, unit type, and services available.
3. If the unassisted units remain comparable with the requested unit, staff will complete and sign the *Rent Reasonableness Certification* form.

6-1.3.C Requested Unit Rent is Higher than Unassisted Units

If the requested unit rent is higher than comparable, unassisted units, staff must provide a justification for approving the unit at a higher rent.

1. If the requested unit's rent exceeds but is within five (5) percent of the comparable unassisted unit's rent, staff must document the reasons justifying the higher rent on the *Rent Reasonableness Certification* at the bottom of the form (two lines provided). If more space is needed, the justification can be continued on the back of the form.
2. If the requested unit's rent is more than five (5) percent greater than the comparable unit's rent and staff feels the higher rent is justified, staff must document the reasons justifying the higher rent and submit the *Rent Reasonableness Certification* to the Supervisor for approval.
3. The Supervisor can indicate his/her approval by initialing next to the AHFC Representative's signature or sending an e-mail to staff. The e-mail will be filed with the *Rent Reasonableness Certification*.

6-1.3.D No Comparable Unassisted Units

If no comparables are available, staff must document the reasons for approving the unit on the *Rent Reasonableness Certification*. The rent reasonableness factors listed on the form will aid staff in determining if the unit is reasonable based on the existing rental market.

Staff may attach supplementary information that describes the local rental market such as newspaper ads, rental market information, or web site listings to help support a rental request. HUD guidance also suggests expanding the geographic area to include additional rental units if the local area is sparse.

6-1.4 AGE OF COMPARABLE DATA

All comparable information must not be older than 12 months at the time of rent reasonableness certification. This includes supplementary information that may be used to support a reasonable rent request in a market without adequate comparables.

6-1.5 LOW INCOME HOUSING TAX CREDIT (LIHTC) UNITS

This program provides federal tax incentives to for-profit or non-profit organizations to develop affordable rental housing for low- and very low-income households. Awards are made under a competitive process. Eligible activities include new construction, acquisition, and rehabilitation projects.

If the complex is an LIHTC property, staff will verify that "Tax Credit" is checked in Section 10 of the *Request for Tenancy Approval*.

1. If the rent charged is the approved tax credit rent, no further documentation is required for rent reasonableness.
2. If the landlord wishes to charge more than the approved tax credit rent, the procedure for an Unassisted Unit Comparability above will be followed. Comparable units cannot be located in the complex or other LIHTC units.

6-1.6 HOME-ASSISTED UNITS

Under HOME, funding is available to develop new affordable rental housing through new construction, rehabilitation, or acquisition and rehabilitation. HOME funds are typically grant funds, but may also be loaned to project sponsors.

If the complex is a HOME-funded property, verify that “Home” is checked in Section 10 of the *Request for Tenancy Approval*. Complexes assisted with HOME funds may have three different rent levels:

- Market rent
- **Low** HOME rent – rent that does not exceed 30 percent of a family’s gross monthly income for a family that is at 50 percent of area median income
- **High** HOME rent – rent that does not exceed 30 percent of a family’s adjusted monthly income for a family that is at 65 percent of area median income

In order to qualify for continued HOME funding, landlords must have a certain percentage of tenants at the Low HOME rent. Once that threshold has been met, landlords may increase rent to a High HOME rent. Landlords may also have market rent units in the same complex.

When determining rent reasonableness for a voucher client wanting to lease in a HOME-funded complex, staff will:

1. Use units being charged market rent as comparables.
2. Compare the rent requested by the landlord to the High HOME rent. In no case may the rent for the voucher unit exceed the High HOME rent, even if the voucher unit is a market unit.

Example: HOME-Funded Complex

1. A voucher client wishes to lease a market rent unit in a HOME-funded complex.
2. The Payment Standard is \$800 for a one-bedroom unit.
3. The Low HOME rent is \$600 for a one-bedroom unit.
4. The High HOME rent is \$700 for a one-bedroom unit.
5. The *Request for Tenancy Approval* requests a rent of \$725, which is determined to be rent reasonable.
6. The unit cannot be approved because the requested rent of \$725 exceeds the High HOME rent of \$700.

Forms

HUD-52517 Request for Tenancy Approval
HUD-52580 Inspection Checklist
V720 Rent Increase Request Decision
V722 Rent Change Notice Landlord
V731 Unassisted Unit Comparability

V732 Rent Change Notice
V761 Rent Reasonableness Certification

Administrative Desk Manual
None