

PROJECTS PREPARING A BUDGET-BASED RENT INCREASE

Guidance for preparing a budget-based rent increase may be found in HUD Handbook 4350.1,REV-1, Chapter 7. Projects that have not previously prepared or submitted a budget based increase should carefully follow these instructions. The basic components to be included are listed in paragraph 7-22.

Allowance for Owner Distribution For Profit Motivated Projects that Have Not Previously Submitted a Budget Based Rent Increase.

Projects falling under this blanket may factor in an allowance for owner return/distribution as follows:

- For **Section 515/8** projects (regardless of whether they are for the elderly or families), 8% of the initial Owner equity.
- For all other projects:
 - ⇒ for **Elderly**, 6% of the initial owner equity.
 - ⇒ for **Families**, 10% of the initial owner equity.

To determine initial owner equity, the owner(s) should refer to the original firm commitment from HUD (form HUD-92264). If the project was not insured, or the HUD-92264 is not available, the Owner(s) must certify as to the amount of the initial equity and provide supporting documentation.

For Section 515/8 projects:

$$\frac{\text{Initial Owner Equity}}{\text{Initial Owner Equity}} \times .08 = \frac{\text{Allowance for Owner Return/Distribution}}{\text{Allowance for Owner Return/Distribution}}$$

For Elderly Projects:

$$\frac{\text{Initial Owner Equity}}{\text{Initial Owner Equity}} \times .06 = \frac{\text{Allowance for Owner Return/Distribution}}{\text{Allowance for Owner Return/Distribution}}$$

For Family Projects:

$$\frac{\text{Initial Owner Equity}}{\text{Initial Owner Equity}} \times .10 = \frac{\text{Allowance for Owner Return/Distribution}}{\text{Allowance for Owner Return/Distribution}}$$

I hereby certify that this accurately reflects the initial Owner equity in the project as of the date the project initially entered into a Section 8 contract.

Owner(s) Signature

Date

The allowance for Owner Return/Distribution should be factored into the Rent Computation Worksheet (Appendix 5, Chapter 7 of the 4350.1) in Box C, "Return/Net Income Reserve."