Project-Based Section 8 Housing Assistance Payments Addendum to Renewal Contract under Option One or Option Two for Capital Repairs and/or Acquisition: Post-Rehabilitation Rents at Closing

This form is used in the renewal of Section 8 Housing Assistance Payments contracts as authorized by the Multifamily Assisted Housing Reform and Affordability Act of 1987 (MAHRA), 42 U.S.C. § 1437f note. The public reporting burden for completing this form is estimated to average 30 minutes per response, including the time for reviewing instructions, searching existing data sources, and gathering and maintaining the data needed. The information collected is required to obtain benefits. HUD may disclose certain information to Federal, State, or local agencies when relevant to civil, criminal, or regulatory investigations and prosecutions. Information collected will not otherwise be disclosed or released outside of HUD, except as required and permitted by law. HUD may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

The Renewal Contract as amended by this Addendum includes the following Exhibits that are checked:

☐ Exhibit A1: Identification of Units (Contract Units) by Size and Applicable Contract Rents Before Capital Repairs and/or Acquisition ("Pre-Rehabilitation Rents");

☐ Exhibit A2: Identification of Units (Contract Units) by Size and Applicable Contract Rents After Capital Repairs and/or Acquisition ("Post-Rehabilitation Rents");

☐ Exhibit C: Reserved

☐ Additional Exhibits: (Specify any additional Exhibits if applicable)

1. **Refinancing.** The Owner certifies that (a) the Project is being refinanced (i) with low-income housing tax credits, (ii) pursuant to a program that requires that full debt service commence at closing; and (b) the program referenced in the preceding clause is listed in Chapter 15 of the Section 8 Renewal Guide as having been approved by HUD as a program that is eligible for Capital Repairs with Post-Rehabilitation Rents at Closing.

2. **Post-Rehabilitation Rents at Closing.** Except as otherwise provided in this Addendum, the Contract Rents shall be the Post-Rehabilitation Rents as provided in Exhibit A2. The Post-Rehabilitation Rents are based on the capital repairs to the Project's dwelling units, which the Owner agrees to make in accordance with the Owner's proposal, specifically that portion captioned Scope of Work (the "Scope of Work"). Such repairs shall be referred to in this Addendum as the "Capital Repairs." The Post-Rehabilitation Rents shall be effective on the date on which the Renewal Contract begins, as provided in section 2a of the Renewal Contract (referred to in this Addendum as "the effective date of the Renewal Contract").

3. **Pre-Rehabilitation Rents.** The Pre-Rehabilitation rents shall be as provided in Exhibit A1. The Owner agrees that the Pre-Rehabilitation Rents shall be the Contract Rents, as provided in this Addendum, in the event that the Capital Repairs are not commenced or completed within the time frames set forth in sections 5 and 6, respectively, of this Addendum.

4. **Compliance with Applicable State and Federal Requirements.** The Owner hereby certifies that the Capital Repairs are permissible under the applicable State or local zoning and housing codes, ordinances or regulations as modified by any waivers obtained from the appropriate officials. The Owner further agrees to repair and substantially rehabilitate the Project to meet all applicable local standards, including as applicable the following:

a. State and local building codes, ordinances and regulations;

b. Standards set forth in the Project Capital Needs Assessment;

c. Economic Opportunities at 24 CFR Part 75;

d. Disability Accessibility Guidelines at 24 CFR Part 41;

e. Section 504 of the Rehabilitation Act of 1973;

f. Lead-Based Paint Requirements at 24 CFR Part 35;

g. Equal Employment Opportunity Regulations (for contracts in excess of $10,000) at 41 CFR Chapter 60;

h. Any conditions imposed by HUD on rehabilitation pursuant to regulations at 24 CFR Part 50 and 51; and

i. The relocation plan or statement prepared pursuant to any HUD requirements or the Uniform Acquisition Policies Act of 1970.

5. **Date for Commencement of Capital Repairs.** The Date for Commencement of the Capital Repairs shall not be more than 30 calendar days from the effective date of the Renewal Contract, provided, however, that upon request of the Owner, HUD may, in its sole discretion, extend the Date for Commencement of Capital Repairs to the extent reasonably necessary due to force majeure events, including fire, flood, earthquake, hurricane, or other natural disaster. If the Capital Repairs are commenced more than 30 calendar days from the effective date of the Renewal Contract, the Contract Administrator will offset future section 8 housing assistance payments by the difference between the Exhibit A2 rents and the Exhibit A1 rents for the entirety of the "commencement penalty period," as defined below. The reduction in rents effectuated by the offset(s) shall be retroactive to the effective date of the Renewal Contract and shall continue until the first day of the calendar month following the month in which the Capital Repairs are commenced (the "commencement penalty period").

6. **Date for Completion of Capital Repairs.** The Date for Completion of the Capital Repairs shall not be more than 365 calendar days from the Date for Commencement of Capital Repairs, provided, however, that upon request of the Owner, HUD may, in its sole discretion, extend the Date for Completion of Capital Repairs to the extent reasonably necessary due to force majeure events, including fire, flood, earthquake, hurricane, or other natural disaster. Upon Completion of the Capital Repairs, the Owner shall submit evidence to HUD of such completion, as defined in section 9 of this Addendum as "Completion Evidence". If the Owner submits such Completion Evidence more than 365 days from the Date for Commencement of Capital Repairs (or after such other date, as established by HUD, pursuant to this section), the Contract Administrator will offset future section 8 housing assistance payments by the difference between the Exhibit A2 rents and the Exhibit A1 rents for the entirety of the "completion penalty period," as defined below. The reduction in rents effectuated by the offset(s) shall be retroactive to the effective date of the Renewal Contract and shall continue until the first day of the calendar month following the month in which HUD accepts the Capital Repairs as provided in section 9.b. of this Addendum (the "completion penalty period").

7. **Flood Insurance.** Provided that the Project is located in an area that has been identified by the Federal Emergency Management Agency as an area having special flood hazards, and provided further that if the sale of flood insurance has been made available under the National Flood Insurance Program, the Owner agrees that the Project will be covered, during the life of the Project, by flood insurance in an amount at least equal to its development or Project cost (less estimated land cost) or to the limit of coverage made available with respect to the particular type of property under the National Flood Insurance Act of 1968, whichever is less. In the event that the foregoing two conditions are satisfied, the Owner further agrees that it will advise any prospective purchaser or transferee of the property in writing of the continuing statutory requirement to maintain such flood insurance during the life of the property.

8. **Review and Inspection.** The Owner or an architect employed or engaged by the Owner must inspect the Capital Repairs for acceptable completion. The inspection must be sufficient to enable the inspector to report that he/she has inspected the observable elements and features of the Capital Repairs (for both assisted and unassisted units) in accordance with professional standards of care and judgment and that, on the basis of the inspection, the Capital Repairs have been completed in accordance with the Scope of the Work and this Addendum, and that there were no observable conditions inconsistent with the Completion Evidence, as defined in section 9 of this Addendum. The results of the inspection must be evidenced by a written report (the "Report"). HUD may, within 30 calendar days of receiving the Report, perform an inspection of its own prior to accepting the Capital Repairs to determine whether there are any defects or deficiencies in the Capital Repairs subject to the Report that preclude or materially affect occupancy.

9. **Capital Repair Completion and Acceptance by HUD.** The Owner will notify HUD of completion of the Capital Repairs by submitting to HUD (i) a certificate of occupancy and other local approvals necessary for occupancy (the "CO"); and (ii) a certification by the Owner or Owner's architect that there are no defects or deficiencies in the Capital Repairs except for (a) ordinary punch list items, and/or (b) items of delayed completion that are minor in nature or that are incomplete because of weather conditions and that do not preclude or materially affect occupancy (the "Certification"). The CO and the Certification shall be referred to collectively as the "Completion Evidence." The Owner agrees that its submission of the Completion Evidence is a certification as to compliance with the applicable State and Federal requirements stated in section 4 of this Addendum.

    a. If, after review of the Completion Evidence and any inspection of the Capital Repairs pursuant to section 8 of this Addendum, HUD determines that the Capital Repairs have been completed according to this Addendum, HUD shall accept the Capital Repairs.

    b. If HUD accepts the Capital Repairs, the Owner will be notified in writing of this decision. If there are punch list items that do not preclude or materially affect occupancy, and if all other requirements of this Addendum have been met, the Capital Repairs shall still be accepted.

        i. If HUD has not notified the Owner in writing of any corrective actions that must be taken as a condition of acceptance of the Capital Repairs, pursuant to section 9.c.i of this Addendum, or that the Capital Repairs cannot be

accepted, pursuant to section 9.c.ii of this Addendum, within 45 business days of receipt of the Completion Evidence, the Capital Repairs shall be deemed to be accepted under this section for purposes of section 6 of this Addendum only. The foregoing in no way affects HUD's ability to make a determination that Contract Rents must be adjusted as a condition of acceptance of the Capital Repairs pursuant to section 9.c.ii. of this Addendum.

c. If defects or deficiencies exist, other than punch list items, HUD will determine whether and, if so, the extent to which the defects or deficiencies are correctable and the corrective actions necessary to permit acceptance of the Capital Repairs. In addition, HUD will determine whether and, if so, the extent to which the Contract Rents should be reduced as a condition of acceptance.

   i. If HUD determines that corrective actions are necessary to permit acceptance of the Capital Repairs, HUD will notify the Owner of such determination and the corrective actions necessary for acceptance of the Capital Repairs in writing. If the Owner fails to correct such defects or deficiencies, HUD shall not accept the Capital Repairs.

   ii. If HUD determines that the Contract Rents must be adjusted as a condition of acceptance of the Capital Repairs, HUD shall require the Contract Administrator to reevaluate and revise the comparable market rents based on the actual work completed. If the Contract Rents as provided in Exhibit A2 exceed the reevaluated comparable market rents, the Contract Administrator will offset future section 8 housing assistance payments by the difference between the Exhibit A2 rents and the reevaluated comparable market rents. In the case of a rent reduction, future Section 8 payments will be reduced to offset the difference between the rents provided in Exhibit A2 and the Contract Rents as reevaluated under this paragraph from the effective date of the Renewal Contract. HUD will provide written notification to the Owner of this determination, the reason for the determination, and the resulting rents.

   iii. If HUD determines that the Capital Repairs cannot be accepted, the owner will be notified of this decision in writing.

10. **Projects Subject to an FHA-Insured or HUD-Held Loan.** In the case of a project subject to an FHA-Insured or HUD-held loan, the provisions of the applicable mortgage insurance program in place at the time that the Capital Repairs commence shall also apply. In the event of a conflict between this Addendum and the applicable mortgage insurance program provisions, the mortgage insurance provisions shall govern.

11. **Cost Certification for Owners Renewing under Option Two.** In the case of a Renewal Contract issued under Option Two of the Section 8 Renewal Guide, the Owner will, upon completion of the Capital Repairs, submit to HUD a simplified form of cost certification establishing that the costs support the increase in Contract Rents as provided by Exhibit A2. This requirement shall apply regardless of whether the Project is HUD-insured. Except as provided below, the form to be used for the cost certification is Form HUD-92330 ("Mortgagor's Certificate of Actual Cost"). If a cost plus construction contract was used or if

an identity of interest exists between the Owner and the general contractor, the form to be used is Form HUD-92330-A (“Contractor’s Certificate of Actual Cost”). An accountant's opinion is not needed. If HUD accepts the Capital Repairs, HUD will determine in accordance with applicable requirements whether, and the extent to which, the certified costs support an increase in Contract Rents. If HUD determines that the certified costs do not support an increase in Contract Rents, the Owner must submit a new budget reflecting the approved costs, as determined by HUD, and HUD shall direct the Contract Administrator to reduce the Contract Rents accordingly. In the case of a Contract Rent reduction under this section, the Contract Administrator will also reduce future section 8 housing assistance payments to offset the difference between the rents provided in Exhibit A2 and the Contract Rent amount determined by HUD pursuant to this section from the effective date of the Renewal Contract.

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SIGNATURES

Contract Administrator (CA)

_____

Name of Contract Administrator (print or type)

By:

_____

Signature of authorized representative

_____

Name and official title (print or type)

_____

Date (mm/dd/yyyy)

U.S. Department of Housing and Urban Development (HUD)

By:

_____

Signature of authorized representative

_____

Name and official title (print or type)

_____

Date (mm/dd/yyyy)

Owner

_____

Name of Owner (print or type)

By:

_____

Signature of authorized representative

_____

Name and title (print or type)

_____

Date (mm/dd/yyyy)

EXHIBIT A1

IDENTIFICATION OF UNITS ("CONTRACT UNITS")
BY SIZE AND APPLICABLE CONTRACT RENTS BEFORE CAPITAL
REPAIRS AND/OR ACQUISITION ("PRE-REHABILITATION RENTS")

Section 8 Contract Number: _____

FHA Project Number (if applicable): _____

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

NOTE: 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 provision of the Renewal Contract governing the adjustment of Contract Rents.

Comments: _____

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EXHIBIT A2

IDENTIFICATION OF UNITS ("CONTRACT UNITS")
BY SIZE AND APPLICABLE CONTRACT RENTS AFTER CAPITAL
REPAIRS AND/OR ACQUISITION ("POST-REHABILITATION RENTS")

Section 8 Contract Number: _____

FHA Project Number (if applicable): _____

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

NOTE: 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 provision of the Renewal Contract governing the adjustment of Contract Rents.

Comments: _____

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