PBV Rent Calculation

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AND ASSOCIATES, INC.

Experience — Leadership — Collaboration

Chapter 6
Subsidy and Tenant Rent
Calculation

Learning Outcomes

- **Calculate TTP**
- **Determine the role of the utility allowance and when families would receive a URP**
- **Describe regulations governing minimum rent**

Learning Outcomes

- Calculate gross rent
- Calculate HAP and tenant rent
- Calculate prorated rent for mixed families

Section 1

Total Tenant Payment

- **TTP is highest of**
  - 30% monthly adjusted income
  - 10% total monthly income
  - The welfare rent (if applicable)
  - Minimum rent

Example 1

- **Annual income** $2000
- **4 children x $480** <u>1920</u>
- **Adjusted income** $ 80
- **Annual income divided by 12 = $167**
- **Adjusted income divided by 12 = $7**

Example 1

- **10% of $167 = $17**
- **30% of $7 = $2**
- **Minimum rent $0**
- **Welfare rent N/A**
- **TTP is ??????**

Example 2

- **A family's total annual income is $15,780**
  - **15,780/12 = $1,315**
  - **$1,315 x 10% = $132**
- **A family's adjusted income is $11,388**
  - **$11,288/12 = $949**
  - **$949 x 30% = $285**
- **Minimum rent at the PHA is $35**
- **TTP: $285**

Example 2

9. Total Tenant Payment (TTP)

9a. Total monthly income: 8a ÷ 12	$ 1,315	9a.
9c. TTP if based on annual income: 9a X 0.10	$ 132	9c.
9d. Adjusted monthly income: 8y ÷ 12	$ 949	9d.
9e. Percentage of adjusted monthly income	$ 30	9e.
9f. TTP if based on adjusted annual income: (9d X 9e) ÷ 100	$ 285	9f.
9g. Welfare rent per month (if none, put 0)	$ 0	9g.
9h. Minimum rent (if waived, put 0)	$ 35	9h.
9i. Enhanced Voucher minimum rent	$	9i.
9j. TTP, highest of lines 9c, 9f, 9g, 9h, or 9i	$ 285	9j.
9k. Most recent TTP	$	9k.
9m. Qualify for minimum rent hardship exemption? (Y or N)	$ N	9m.

RAD PBV
Rent Phase-Ins

- **If, purely as a result of the conversion, amount tenant pays for rent and utilities (TTP) increases by the greater of 10% or $25, rent increase must be phased-in over 3 or 5 years**
  - **PHA establishes length of phase-in in admin plan and notify affected residents in writing**
  - **Applies to non-RAD PBV units in the project**
- **Example in your book**

Minimum Rent

Minimum Rents

- PHAs must establish minimum rents between $0 and $50
- Minimum rent actually refers to a minimum TTP
- If minimum rent is any amount other than $0, the PHA must adopt minimum rent hardship exemption policies

Financial Hardship Situations

- Lost eligibility/awaiting determination for federal, state, or local assistance program
- Would be evicted as result of requirement
- Family income decrease because of changed circumstances (unemployed)
- Death in family
- Other circumstances as determined by PHA or HUD

Minimum Rent Process

- PHA notifies family if TTP = minimum rent
- Family requests exemption
- PHA suspends payment beginning of next month
    - Family not required to pay minimum rent during period
    - PHA may request reasonable documentation of hardship

Minimum Rent Process

- **PHA must promptly determine**
  - **If hardship exists**
  - **Whether temporary or long term**
    - **As defined in PHA policy**

Minimum Rent Process

- **If PHA determines no hardship under statute, minimum rent is imposed retroactively**

Minimum Rent Process

- **If PHA determines the hardship is temporary, no minimum rent during 90-day suspension period**
  - **Minimum rent imposed retroactively**
  - **Reasonable repayment agreement offered**

Minimum Rent Process

- **If PHA determines hardship of long-term duration exists, minimum rent is *exempted* retroactively to date of family's request for exemption**
- **Exemption continues until hardship no longer exists**
  - **Family does *not* reimburse**

PHA Procedures

- **PHA must notify families:**
  - **Of right to request hardship exemption**
  - **Hardship exemptions are subject to PHA's informal hearing procedures**

Example

- **Family meets exemption criteria**
- **30% of AMI $45** ⬅
- **10% of MI $27**
- **PHA's min rent $~~X~~0**

Example

- **The Diamond family has requested and qualified for a minimum rent hardship exemption**
- **The family has the following information:**
  - **Total annual income $900**
  - **Adjusted income $50**
  - **PHA's minimum rent $50**

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Example

9. Total Tenant Payment (TTP)

9a.	Total monthly income: 8a ÷ 12	$ 75	9a.
9c.	TTP if based on annual income: 9a X 0.10	$ 8	9c.
9d.	Adjusted monthly income: 8y ÷ 12	$ 5	9d.
9e.	Percentage of adjusted monthly income	$ 30	9e.
9f.	TTP if based on adjusted annual income: (9d X 9e) ÷ 100	$ 2	9f.
9g.	Welfare rent per month (if none, put 0)	$ 0	9g.
9h.	Minimum rent (if waived, put 0)	$ 0	9h.
9i.	Enhanced Voucher minimum rent	$ 0	9i.
9j.	TTP, highest of lines 9c, 9f, 9g, 9h, or 9i	$ 8	9j.
9k.	Most recent TTP	$	9k.
9m.	Qualify for minimum rent hardship exemption? (Y or N)	$ Y	9m.

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Section 2

Utility Allowances

- PHA must maintain allowance for all tenant-paid utilities
- HAP contract lays out utility responsibilities
  - May vary by unit size and type
- Unlike in HCV, utility responsibilities do not change based on individual tenancy
- May only be changed by a formal contract amendment

Utility Allowance Standard PBV

- For standard PBV, PHA MUST use the HCV utility allowance for all PBV units

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Utility Allowance RAD PBV

- For RAD PBV, public housing UA typically used at closing
- After conversion, PHA use HCV UA or may site-specific UAs
- New UAs are effective for in-place families at recertification

Utility Reimbursement Payment

- **Amount by which HAP exceeds the contract rent to owner**
  - **PHA may pay to the family or directly to the utility supplier on behalf of the family**

Example

- **Contract rent (11k)**　　　　　　**$500**
- **Total HAP (11r)**　　　　　　　　**$510**
- **HAP to owner (11t)**　　　　　　**$500**
- **Utility reimbursement (11k – 11r)　$10**

Utility Reimbursement

- **May pay utility reimbursements monthly**
- **Or PHA policy may allow for URPs of $15 or less per month to be paid once per calendar year quarter instead**
  - **Either prospectively or retroactively**
  - **Amounts in excess of $15 per month must be paid monthly**

Tax Credit Units

- **If the unit also has LIHTCs**
  - **Tenant rent is calculated the same way**
  - **PBV utility allowance is used to calculate tenant rent**

Utility Allowance Changes

- **Revisions to UA per PHA policy**
- **PHA must use current UA at reexam**
  - **Most PHAs typically apply new UA at the first annual reexam after the effective date of the new schedule**

Section 3

Differences from HCV

- Payment standards are not used
- Subsidy standards not used to calculate maximum subsidy
- Affordability test does not apply
- Family and owner do not negotiate rent
- Contract rent adjustments align with the anniversary date of the HAP contract

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Definitions

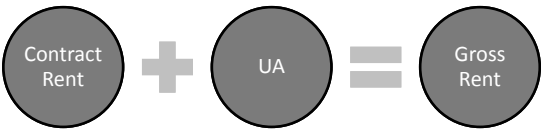- *Contract rent to owner* = total monthly rent payable to the owner under the lease for the unit

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Definitions

- *Gross rent* = the sum of the rent to owner plus any utility allowance

Contract Rent + UA = Gross Rent

Definitions

- *Housing assistance payment* (HAP) = the monthly assistance payment paid by the PHA to the owner

Gross Rent − TTP = HAP

Definitions

- Tenant rent= the portion of rent to owner paid by the family as determined by the PHA

Contract Rent − HAP = Tenant Rent

Example

- Contract Rent $800
- Utility Allowance $40
- TTP $220

Example

11. Section 8: Project-Based Vouchers

11b. Is family now moving to this unit? (Y or N)		11b.
11d. Reserved		11d.
11e. Reserved		11e.
11f. Reserved		11f.
11g. Housing type [ ] Group Home (prorate gross rent) [ ] SRO: 1 room occupied by 1 person		11g.
11h. Owner name		11h.
11i. Owner TIN/SSN		11i.
11j. HAP Contract ID Number		11j.
11k. Contract rent to owner (if unit has other subsidy, put subsidized rent)	$ 800	11k.
11l. Security deposit paid by the PHA on behalf of family, if any	$	11l.
11m. Utility allowance, if any	$ 40	11m.
11n. Gross rent of unit: 11k + 11m	$ 840	11n.
11q. TTP: copy from 9j	$ 220	11q.
Rent Calculation (if prorated rent, skip to 11aa)		
11r. Total HAP: 11n minus 11q. If 11q is larger, put 0	$ 620	11r.
11s. Tenant rent: 11k minus 1r	If positive or 0, put tenant rent $ 1800	11s.
	If negative, credit tenant $	11s.
11t. HAP to owner: lower of 11k or 11r	$	11t.

Example

- **Contract Rent**   **$950**
- **Utility Allowance**   **$50**
- **TTP**   **$49**

Example

11. Section 8: Project-Based Vouchers

11b. Is family now moving to this unit? (Y or N)		11b.
11d. Reserved		11d.
11e. Reserved		11e.
11f. Reserved		11f.
11g. Housing type [ ] Group Home (prorate gross rent) [ ] SRO: 1 room occupied by 1 person		11g.
11h. Owner name		11h.
11i. Owner TIN/SSN		11i.
11j. HAP Contract ID Number		11j.
11k. Contract rent to owner (if unit has other subsidy, put subsidized rent)	$ 950	11k.
11l. Security deposit paid by the PHA on behalf of family, if any	$	11l.
11m. Utility allowance, if any	$ 50	11m.
11n. Gross rent of unit: 11k + 11m	$ 1000	11n.
11q. TTP: copy from 9j	$ 49	11q.
Rent Calculation (if prorated rent, skip to 11aa)		
11r. Total HAP: 11n minus 11q. If 11q is larger, put 0	$ 951	11r.
11s. Tenant rent: 11k minus 1r	If positive or 0, put tenant rent $	11s.
	If negative, credit tenant $ 1	11s.
11t. HAP to owner: lower of 11k or 11r	$	11t.

Tenant Rent Changes

- **PHA must notify both owner and family of changes in tenant rent**
  - **Effective on the date stated in the notice from the PHA**
    - **PHA policy states when increases and decreases in tenant rent are effective**

Contract Rent Changes

- **Initial rent to owner listed on HAP contract**
  - **Initial rent in PBV set in accordance with regulations at 24 CFR 983.301 – 983.305**
  - **Initial rent in RAD PBV set in accordance with Notice PIH 2012-32 (REV-2 or REV-3) or PIH 2019-23, as applicable**

Contract Rent Changes

- **Contract rent may only be adjusted at the annual anniversary date of HAP contract**
  - **No special adjustments allowed**
  - **Changes in contract rent apply to all PBV units in the development**

Contract Rent Changes
Standard PBV

- Owner must request a rent increase at the annual anniversary date of HAP contract
  - PHA policy lays out how the owner makes the request
  - PHA gives the owner written notice of new rent amount

Contract Rent Changes
RAD PBV

- Rents adjusted annually at anniversary of HAP contract by applying HUD's OCAF
  - Operating cost adjustment factor
  - Subject to funding and rent reasonableness

Contract Rent Changes

- Regulations do not discuss notice to the family of contract rent changes that do not affect tenant rent
  - PHA may, but is not required to, notify the family

Mixed Families

- Families with both eligible citizens/non-citizens and ineligible non-citizens
- Rent is calculated as usual
  - Count all income, assets, and deductions for ineligible member with exception of the EID
- Family will have their HAP prorated

Example

- The Fulton consists of Henry and Tai Fulton, both of whom are eligible non-citizens
- Based on the family's income, the PHA pays $254 in HAP for the family

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Example

- Tai's brother, Tom, is approved to move into the unit
- He is an ineligible noncitizen so the family's rent must be prorated
- Tom has no income or assets and does not qualify for any deductions
- The family's HAP will be prorated because Tom lives in the unit

Example

Prorated Rent Calculation

11aa. Normal total HAP: 11n minus 11q		$ 254	11aa.
11ae. Total number eligible		2	11ae.
11af. Total number in family		3	11af.
11ag. Proration percentage: 11ae ÷ 11af		.67	11ag.
11ah. Prorated total HAP: 11aa X 11ag		$ 171	11ah.
11ai. Mixed family TTP: 11n minus 11ah		$	11ai.
11aj. Utility allowance: copy from 11m		$	11aj.
11ak. Mixed family tenant rent: 11ai minus 11aj	If positive or 0, put tenant rent	$	11ak.
	If negative, credit tenant	$	11ak.
11an. Prorated HAP to owner: 11k minus 11ak (if 11ak is negative, put 11k)		$	11an.

Additional Payments and Services (not HAP)

- **The PHA will now pay $171 in HAP**

End of Day 3