

Projects Preparing A Budget-Based Rent Increase

Guidance for preparing a budget-based rent increase may be found in Chapter 7 of HUD Handbook 4350.1, REV-1. 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 Chapter 7, 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 category 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:
 - ⇒ **Elderly**, 6% of the initial owner equity.
 - ⇒ **Families**, 10% of the initial owner equity.

To determine initial owner equity, the owner(s) should refer to the Maximum Insurable Mortgage Form (FHA 2580/HUD 92580). If the project was not insured or the HUD 92580 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:

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

For Elderly Projects:

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

For Family Projects:

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

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."