



Rental Assistance Demonstration

Overview of Rent Setting for Second Component Conversions (Mod Rehab/Rent Supp/RAP)





MOD REHAB CONVERSIONS: INITIAL RENTS



PBV	PBRA
<p>Lesser of:</p> <ul style="list-style-type: none">- An amount determined by the PHA, not to exceed 110 % of the applicable fair market rent, less Utility Allowance- The reasonable rent- The rent requested by the owner	<p>Lesser of:</p> <ul style="list-style-type: none">- Current contract rents- 120% of FMR, less Utility Allowance
<p><i>When reconfiguring the property (e.g. converting SRO units into efficiencies):</i></p>	
<ul style="list-style-type: none">- Use the applicable FMR (e.g. Efficiency FMR) in determining rent	<ul style="list-style-type: none">- Contract rents will increase by a share of the foregone subsidy, not to exceed 120% of the applicable FMR



MOD REHAB EXAMPLE #1

40 SRO Units;

- **Current Contract Rent = \$620, \$0 Utility Allowance;
SRO FMR = \$550**

Convert Without Reconfiguration	PBV	PBRA
Lesser of Test	110% of FMR = \$605	120% of FMR = \$660
	Rent reasonableness = \$650	Current rent = \$620
Initial Rents	\$605	\$620



MOD REHAB EXAMPLE #2

40 SRO Units;

- Current Contract Rent = \$620, \$0 Utility Allowance;
SRO FMR = **\$600**

Convert Without Reconfiguration	PBV	PBRA
Lesser of Test	110% of FMR = \$660	120% of FMR = \$720
	Rent reasonableness = \$650	Current rent = \$620
Initial Rents	\$650	\$620





MOD REHAB EXAMPLE #3

40 SRO Units **Reconfigured to 20 Efficiency Units**

- **Current Contract Rent = \$620, \$0 Utility Allowance;
(Average HAP subsidy = \$400)**

Efficiency FMR = \$650

Convert Without Reconfiguration	PBV	PBRA
Lesser of Test	110% of FMR = \$715	120% of FMR = \$780
	Rent reasonableness = \$700	Current rent + “Foregone” Subsidy = \$620 + 400 = \$1,020
Initial Rents	\$700	\$780



RS/RAP CONVERSIONS: INITIAL RENTS



PBV

Lesser of:

- An amount determined by the PHA, not to exceed 110 percent of the applicable fair market rent, less Utility Allowance
- The reasonable rent
- The rent requested by the owner

PBRA

Lesser of:

- Market Rent (determined by RCS)
- 110% of FMR, less Utility Allowance



RS/RAP EXAMPLE #1

FMR = \$600



Convert Without Reconfiguration	PBV	PBRA
Lesser of Test	110% of FMR = \$660	110% of FMR = \$660
	Rent reasonableness = \$620	Market Rent = \$620
Initial Rents	\$620	\$620



RS/RAP EXAMPLE #2

FMR = \$500

Convert Without Reconfiguration	PBV	PBRA
Lesser of Test	110% of FMR = \$550	110% of FMR = \$550
	Rent reasonableness = \$620	Market Rent = \$620
Initial Rents	\$550	\$550

