

# Leasing Costs and Requirements

Leasing



Assistance provided to the unit

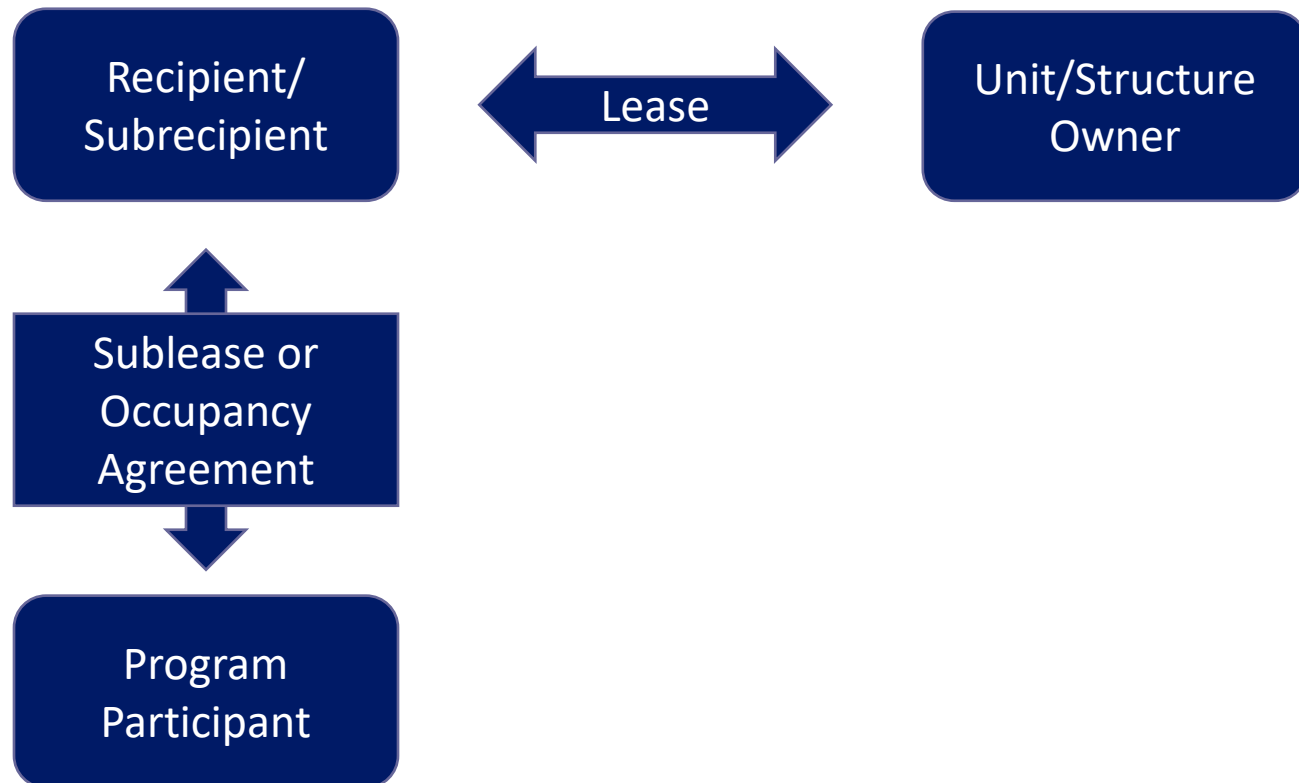
Rental Assistance



Assistance provided to the person

# Lease Agreements

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# Occupancy Charges

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- Must treat all program participants the same
- Process for determining amount of charge must follow Section 578.77 of CoC Program interim rule
- Occupancy charges collected from program participants are considered program income
  - Funds must be retained by recipient/subrecipient, committed to project, and used to cover any eligible CoC Program costs.

**Recipients using leasing funds are not required to charge program participants rent**

# Occupancy Charges

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- May choose to impose occupancy charge equal to no more than highest of:
  - 30 percent of the family's monthly adjusted income;
  - 10 percent of the family's monthly gross income; or
  - The portion of the family's welfare assistance, if any, that is designated for paying rent
- Income must be calculated according to 24 CFR 5.609 and 24 CFR 5.611(a)

**Recipients using leasing funds are not required to charge program participants rent**



# Rental Assistance Costs and Requirements

# Different Models of Rent Assistance

Tenant

Tenant-based (TBRA)

Sponsor

Sponsor-based (SBRA)

Project

Project-based (PBRA)

## Tenant Based Rental Assistance (TBRA)

- Rental assistance follows the program participant
- Program participants locate housing of their choice
- If program participants move, they can take rental assistance to a new unit
- May require program participants to live in a certain structure or area for the first year of the program, but ONLY if it is necessary for service coordination



Project Based  
Rental  
Assistance  
(PBRA)

- Rental assistance stays with the unit
- Recipient contracts with building owner, who leases subsidized units to program participants
- If program participant moves out, unit is rented to another eligible program participant.

## Sponsor Based Rental Assistance (SBRA)

- Rental assistance stays with the units owned or managed by the project sponsor
- Recipient contracts with Sponsor who locates and rents housing units.
- Sponsor subleases the units to program participants.
- If the program participant moves out of the unit, the sponsor can then sublease it to the next eligible program participant.
- Rental assistance can be maintained if the program participant moves to another unit owned or contracted by the sponsor.

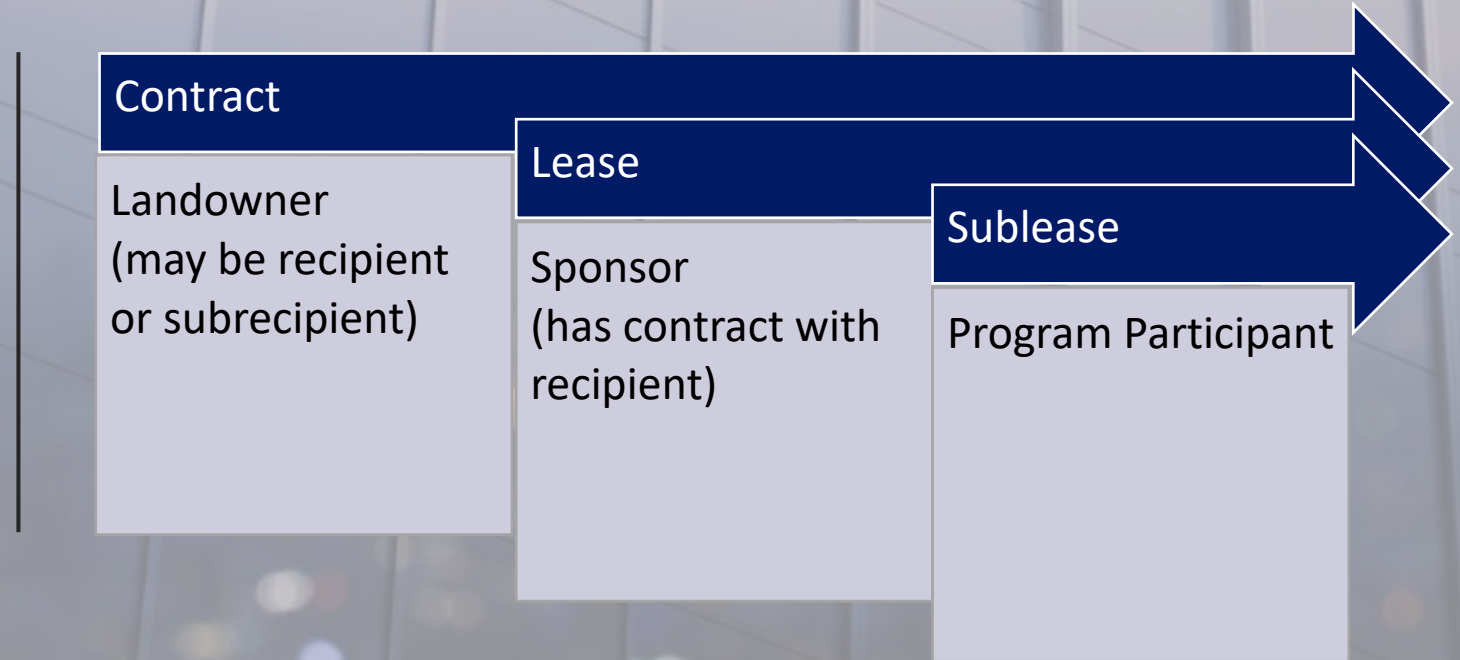
# Tenant-based and project-based rental assistance

## Lease Arrangements



# Sponsor Based Rental Assistance

## Lease Arrangements





## Examples of Lease Agreements

- [Leasing and Rental Assistance Summaries of Lease and Sublease Examples](#)
- [Leasing Projects - Example of Lease and Sublease Agreement](#)
- [Rental Assistance Projects - Example of Three Party Lease Agreement](#)
- [Sample HAP Contract](#)
- [Summary of Lease Occupancy Agreement Requirements](#)

# Rent

- Must treat all program participants the same
- Process for determining amount of charge must follow Section 578.77 of CoC Program interim rule
- Program participant rent is NOT considered program income

**Recipients with rental assistance funds are required to charge program participants rent**

# Rent

- May choose to impose rent that is the highest of:
  - 30 percent of the family's monthly adjusted income;
  - 10 percent of the family's monthly gross income; or
  - The portion of the family's welfare assistance, if any, that is designated for paying rent
- Income must be calculated according to 24 CFR 5.609 and 24 CFR 5.611(a)


**Recipients with rental assistance funds are required to charge program participants rent**

# Rent: Rapid Rehousing

- Must treat all program participants the same
- Process for determining amount of charge must follow CoC Written Standards
- Program participant rent is NOT considered program income

**Rapid re-housing projects are NOT required to charge program participants rent**





# Geographic Mobility Amendment

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- Allows persons receiving TBRA to choose housing outside of the CoC's geographic area.
- Persons can move and retain assistance as long as recipient continues to meet certain requirements.
- CoC Program Interim Rule Amendment to § 578.51(c): Increasing Mobility Options for Homeless Individuals and Families With Tenant-Based Rental Assistance
- Increasing Mobility Options for Homeless Households Assisted with TBRA Webinar



# Other Program Requirements and Grant Administration

- Rent paid must be reasonable in relation to rents being charged in the area for comparable space.
- Rent paid may not exceed rents currently being charged by the same owner for comparable unassisted space.
- Ensures program participants are paying the same rents as other non-program participants.
- Must have written policies & procedures for documenting comparable rents

<https://files.hudexchange.info/resources/documents/CoC-Rent-Reasonableness-and-FMR.pdf>



# Rent Reasonableness

- Unit rents can exceed FMR but must meet Rent Reasonableness

Relationship between **FMR** and Rent Reasonableness  
(Scenarios)

	1- Bedroom Housing Unit	2- Bedroom Housing Unit	3- Bedroom Housing Unit
Reasonable Rent	\$600	\$1,050	\$1,450
Fair Market Rent	\$575	\$1,100	\$1,450
Maximum Allowable Contract Rent	\$600	\$1,050	\$1,450



Rental Assistance  
Rent Limits

- Unit rents cannot exceed Rent Reasonableness
- Although CoC Program leasing funds cannot pay above the FMR for a unit, recipients and subrecipients can use non-CoC Program funds to pay for housing costs above the FMR

<b>Relationship between FMR and Rent Reasonableness (Scenarios)</b>			
	<b>1- Bedroom Housing Unit</b>	<b>2- Bedroom Housing Unit</b>	<b>3- Bedroom Housing Unit</b>
Reasonable Rent	\$600	\$1,050	\$1,450
Fair Market Rent	\$575	\$1,100	\$1,450
Allowable Rent Payment with grant funds	\$575	\$1,050	\$1,450



**Leasing Rent  
Limits for Units**



# CoC Utility Notice

# Purpose of Notice

- Notice clarifies HUD's expectation that recipients/subrecipients will consider reasonable monthly utility costs when calculating rent contributions or occupancy charges for program participants who are responsible for paying their own utilities.
- For the purpose of this notice, "utilities" exclude telephone but include gas, oil, electric, sewage, water, and trash removal.



## Notice Applies to:

- CoC Program-funded programs *where some or all of the utility costs are the responsibility of the program participant*
- The calculation established in the Notice applies to program participants residing in:
  - Transitional Housing (TH)
  - Permanent Supportive Housing (PSH)





## Paying Utility Costs in TH and PSH:

To determine tenant rent contribution, occupancy charge, or utility reimbursement:

- (1) Calculate the Program Participant's Rent Contribution or Maximum Occupancy Charge (24 CFR 578.77);
- (2) Subtract Amount of Local Utility Allowance;  
and
- (3) Determine the Rent Contribution, Occupancy Charge, or Utility Reimbursement Amount.

**Step1 - Step 2 = Step 3**



## Paying Utility Costs in RRH:

- **REMEMBER!** The rent contribution calculation at 24 CFR 578.77 does not apply to RRH projects
- RRH projects must follow the CoC's written standards for determining the amount or percentage of rental assistance that can be provided
- The recipient must take into account any utilities paid for by the program participant and reimburse any amounts that exceed the program participant's share of the rent

# Paying Utility Reimbursements

- **Program participant must be reimbursed for difference when:**
  - Local utility allowance exceeds required or maximum rent/occupancy charge
- **Reimbursement for overpayment can be made:**
  - To program participant
  - To utility company\*

\*Recipient/subrecipient must have program participant's permission and notify participant in writing of amount paid to utility company (to allow participant to pay any outstanding amounts).





# Maintaining Records

- **Recipient must retain records regarding:**
  - Utility schedules used to determine utility allowance
  - Occupancy charge policy (if applicable)
- **Program participants files must include:**
  - Annual income calculation per 24 CFR 578.103(a)(6)
  - Documentation of rent contribution, occupancy charge, or utility reimbursement and how amount was determined
  - Evidence of utility reimbursement when applicable (including written permission to pay utility company directly when applicable)



**KEEP  
CALM  
AND  
FOLLOW  
THESE TIPS**

- Local Public Housing Agencies can provide information about Local Utility Allowances
- All program participant contributions and occupancy charges are still calculated per 24 CFR 578.77
- View examples of reimbursement calculations on pages 6-9 of the utility notice
- Submit any questions on the subject to the CoC Program AAQ at <https://www.hudexchange.info/program-support/my-question/>

# Use Requirement

- For projects with acquisition, rehab, or new construction costs, project must continue to serve individuals or families experiencing homelessness within the HUD-funded structures for 15 years
- If this is not feasible, the recipient must repay HUD the previously awarded funds, plus any HUD assessed penalties
  - Repayment amount reduced 20% for each year after 10 years
  - There are some exceptions – see 578.81(e)

# Lead Based Paint Requirement

24 CFR 982.401

Rehabilitation Requirements:  
24 CFR Part 35  
Subparts A, B, J,  
and R

Project or Sponsor Based  
Rental Assistance:  
24 CFR Part 35  
Subparts A, B, H,  
and R

Acquisition,  
Leasing, Services,  
or Operating  
Costs:  
24 CFR Part 35  
Subparts A, B, K,  
and R

<https://www.youtube.com/watch?v=uSJAL5M4X3o&feature=youtu.be>

# Assessment for Applicability of Lead Safe Housing Rule

- Review for exemption from lead requirements
  - Building built after 1978
  - Building was tested, no lead and the LL has documentation
  - Building has been abated and LL has documentation
  - No child under six will occupy the unit or visit on the regular



# Housing Quality Standards and Property Standards

- All housing units must meet HQS
- Each unit must be physically inspected
- Owner has 30 days to correct any deficiencies
- Inspect units at least annually
- HQS inspectors do not need to be certified
- Properties must also meet state and local codes

## Environmental Review

- ALL new and renewal projects receiving Federal funds (including all CoC Program activities) require an environmental review
- Environmental reviews must be conducted BEFORE funds are committed
- Activities under the CoC Program require environmental reviews by a Responsible Entity (RE) under 24 CFR 58

## Environmental Review Responsible Entity

- Under Part 58, only a Unit of General Local Government may act as a Responsible Entity and conduct environmental reviews
- Nonprofit recipients should work with state and local government to coordinate the environmental review process
- In very limited circumstances, HUD may perform environmental reviews for CoC projects pursuant to 24 CFR 50 if (1) a nonprofit is the recipient and (2) no responsible entity can be found

# Environmental Review

- Tenant-based rental assistance and *leasing* projects are not subject to Section 58.5
- Sponsor-based and project-based rental assistance and project-based leasing are classified as categorically excluded subject to 24 CFR 58.5 (CEST) and require a higher level of review than tenant-based rental assistance – called a “limited scope”
- Environmental Review Flow Chart can be found at <https://www.hudexchange.info/resources/documents/CoC-Program-Environmental-Review-Flow-Chart.pdf>



# Environmental Review Resources

- [Environmental Review Flow Chart](#)
- [Frequently Asked Questions](#)
- [How to Prepare ER for CoC Rental or Leasing Projects without Any Associated Repairs...](#)