



Special Attention of:
Public Housing Office Directors; Public Housing
Agencies Administering Section 8 Programs

Notice PIH 2003-12 (HA)

Issued: May 16, 2003

Expires: May 31, 2004

Cross References:

Subject: **Determination of Rent Reasonableness – Revision of Request for Tenancy Approval, Form HUD-52517**

- 1. Purpose.** This Notice applies to the Housing Choice Voucher Program. The Notice transmits a revised Request for Tenancy Approval (RFTA), Form HUD-52517 (03/2003) and provides guidance to public housing agencies (PHAs) and HUD field office staff on the use of the form to obtain information on rents charged by the owner for comparable unassisted units in the same apartment complex. This notice also clarifies requirements for determining comparable rents relative to determining rent reasonableness.
- 2. Effective Date.** This Notice is effective upon publication.
- 3. Rent Reasonableness Determination for Units Assisted in the Same Complex.** The voucher program regulation at 24 CFR 982.507 requires the PHA to certify that the rent charged to the housing choice voucher tenant is not more than the rent charged for other unassisted comparable units. Section 982.507(c) states that the owner must give the PHA information requested by the PHA on rents charged by the owner for other units in the premises or elsewhere.

The RFTA, Form HUD-52517 (03/2003) was revised to add information from owners of multifamily properties on the rents charged for three (3) recent rentals of comparable unassisted units in the same complex. The owner supplies this information in Section 12a of the revised RFTA. PHAs can use the information provided in Section 12a of the form to determine and document rent reasonableness for comparable unassisted units in the same apartment complex.

In determining the reasonableness of rents for units located in a multifamily project that is not substantially assisted, the PHA may base its determination on the rents charged for the three comparable unassisted units identified by the owner on the RFTA. In such cases, the PHA does not have to obtain additional rent comparables in other multifamily housing in the area.

4. **Clarification of 24 CFR 982.507(b)**. There has been some confusion regarding the interpretation of 24 CFR 982.507(b) of the voucher program regulation. According to Section 982.507(b):

“Comparability. The PHA must determine whether the rent to owner is a reasonable rent in comparison to rent for other comparable unassisted units. To make this determination, the PHA must consider: (1) The location, quality, size, unit type, and age of the contract unit; and (2) Any amenities, housing services, maintenance and utilities to be provided by the owner in accordance with the lease.”

Specifically, that PHAs are under the impression that they have to routinely consider and justify rent reasonableness individually for each of the nine criteria listed in Section 982.507(b) to “fully comply” with the regulation. HUD realizes that, in the wake of the Section Eight Management Assessment Program (SEMAP) implementation, commercial trainers have stressed the need for PHAs to consider all nine factors stated in the regulation, causing PHAs to expend excessive administrative resources for rent reasonableness determinations. **This notice serves to clarify the misconception. HUD never intended that PHAs must consider each of the nine criteria to determine rent reasonableness of each assisted unit in order to “fully comply” with the regulation.** The preamble to Subpart K, Rent and Housing Assistance Payment, in the April 30, 1998, Federal Register provides that “determination of rent reasonableness for Section 8 tenant-based assistance does not call for a special or unusual valuation in accordance with detailed procedures prescribed by HUD.” The Rule “contains [only] a brief and simple statement of the basic standards to be applied by a PHA in determining rent reasonableness for the Section 8 tenant-based programs.” The Rule acknowledges, “PHAs have extensive experience in determining rent reasonableness” and instructed, “each PHA should use appropriate and practical procedures for determining rental values in the local market.”

In any determination about the reasonableness of rent for a particular unit, a prospective tenant should consider factors such as location, quality, size, type, age, amenities, housing services, maintenance and utilities to be supplied by the owner. Since program inception, the criteria were meant to assist PHAs in developing a common sense approach to valuing a unit. It remains important to note that the Department places a high priority on accurate rent reasonableness determinations and requires that such determinations be performed in a documented, reasonable, and consistent manner. In any determination about the reasonableness of the rent for a particular unit, a renter (and whoever is conducting the comparability determination) implicitly or explicitly considers the nine comparability criteria specified in HUD’s regulations. It is not, however, necessary or cost-effective to try to quantifiably document or separately evaluate each of these criteria. To the extent possible, rent comparability should be based on rents paid for similar units in the same general location that are also generally similar in terms of the overall quality of housing services provided. Any procedures or documentation used should reflect this approach.

5. **Future Guidance**. The Department will, in the future, provide additional guidance to simplify and clarify rent reasonableness requirements for PHAs.

The information collection requirements contained in this notice have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and assigned OMB control number 2577-0169. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

/s/
Michael Liu, Assistant Secretary for
Public and Indian Housing

Attachment (Form HUD-52517, available at www.hudclips.org)