



**Atlanta Corporate Office**

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**Budget-Based Rent Adjustment Checklist**

**Cover Letter** that briefly does all of the following:

- Summarizes the reasons why a rent increase is needed.
- States the percentage amount of the rent increase, the amount of the projected new contract rent and utility allowances (if applicable) requested and the date the increase will be effective.
- Describes the project's current physical condition and any improvements that have been budgeted for. The letter may refer to the reasons stated in the Notice to Tenants (as applicable)
- Identifies any proposed change in operating expenses, including staffing and major capital improvements or charges and the reasons for the change (s).

**Completed Budget Worksheet** (must be current Form **HUD 92457-A**)

- Most recent audited financial information in the left column (must match the most recent Audited Financial Statements contained in the HUD iREMS database).
- For any property not insured by HUD, the owner must submit a copy of the most recent fiscal year financial statement.
- Year to date actual expenses must be in the middle column notated as to number of months represented. Data represented should be between 3 and 11 months of current year. Providing a greater number of months of operating costs will result in a more accurate budget projection.
- The requested budget year goes in the right column.
- Form must be signed and dated by an owner authorized signer.

**Explanations and Supporting Documentation:**

- Explanations of increases over 5% of current amount annualized (actual costs) or \$500 over last year's audited amount require an explanation.
- New revenues or expenses not included in the prior year's budget or financial statements require an explanation and supporting documentation.
- Expenses where costs represent a new contract should be supported with a copy of that contract.

**Examples of supporting documentation include:**

- Current (past 12 months of data) copies of contracts, invoices, bills or estimates obtained.
- Dated notice of an increase received from a utility company, insurance provider etc.
- Analysis and backup documentation of how the projected expenses were estimated.

**Provide an itemized list for the following categories** budgeted for regardless of whether or not the owner is requesting an increase:

- 6390 Misc. Administration Expenses
- 6590 Misc. Operating and Maintenance Expenses
- 6790 Misc. Taxes, Licenses, Permits and Insurance
- 6890 Misc. Financial Expenses

For example, if a total of \$1,000 is being budgeted for line 6390, the expense must be itemized such as \$600 for postage, \$300 for stationery, and \$100 for copying expenses. If 6390 includes Neighborhood Network expenses, then a copy of the HUD approved Neighborhood Network Business Plan must be provided.

**Provide documentation to support the following categories** budgeted for regardless of whether or not the owner is requesting an increase:

- 6520 Contracts
- 6720 Property and Liability Insurance – Accord Sheet
- 6900 used for Service Coordinator (SC) Expenses
  - This information will be verified with the local HUD office

**Provide Payroll Analysis** -Employee name, title, hours worked, salary (current and projected), payroll taxes, workmen’s comp cost and benefits to support the following accounts, regardless of the amount requested:

- 6310 Office Salaries
- 6330 Manager/Superintendent Salaries
- 6510 Payroll (Maintenance)
- 6530 Security Payroll Contract

**Debt Service Verification** - Copy of the latest mortgage statement or amortization schedule as documentation for the Total Annual Project Debt Service. Debt Service Calculation is Principal, Interest and MIP (if applicable) for the property.

**Copy of Notice to Tenants (if applicable)**

- Where applicable, a copy of the Notice to Tenants annotated to show where and how the Notice was distributed (e.g., posted, mailed, hand carried).
- Notice must show reason(s) for the requested increase,
- Notice must advise residents of their right to contact HUD within 30 days.
- **Reference 4350.3 Paragraphs 7-5 through 11.**
- **Notice to residents must follow the exact format listed in HUD Handbook 4350.1, Chapter 7 Appendix 1.**

**Owner Certification that the property provided proper notice to the tenants (CFR 245)**

- Per the 4350.1 Chapter 7, Appendix 2, this document refers to the Notice to Tenants and

the owner certifies it provided proper notice. The owner also certifies that it provided the full 30 day comment period.

- The Owner Certification must be dated at least 30 days *after* the Notice to Tenants.
- An executed copy of the Owner's Certification Regarding Purchasing Practices and Reasonableness of Expenses** (Appendix 3 of 4350.1 (pg 7-66))
- A status report on the project's implementation of its current Energy Conservation Plan** (Applicable to Section 236 or BMIR properties only)
- This may be a narrative report that references the existing plan
  - (or page 2 of HUD form 9614)
  - **Reference 4350.1 Chapter 12**
- Appendix 6 Reserve for Replacement Certification** - request for a change in the **Reserve for Replacement (R4R)**, or painting reserve, if applicable, if such a change is contemplated as part of the rent increase request. (Chapter 7, page 7-84 Appendix 6 of 4350.1)
- If the owner wishes to change the reserve deposit, the request should include a reserve replacement analysis projecting the short and long-term capital improvement needs of the property.
  - Any change in a reserve deposit must be approved by HUD.
  - Owner written request/certification to adjust (increase or decrease) reserve deposit (HUD 4350.1 Chapter 7, Appendix 6.
- Utility Allowance Analysis** (for Projects with UA). 4350.1 Paragraph 7-24
- Identify the type of utilities covered by the utility allowance and submit supporting documentation from each utility provider.
  - Submit sample data and an analysis of the data from each unit type to determine if an increase is necessary.
  - The data should cover the previous 12 months for each unit considered in the analysis.
  - Owner's recommendation as to recommended new utility allowance amount, if a change is reflected.

Note: A complete package for a budget based rent adjustment for properties funded by rural Development (RD) would consist of only the budget and approval letter from the appropriate RD offices.