

## Three County CoC Rent Reasonableness Policy

### **Rent Reasonableness Review**

A uniform approach to rent reasonableness across the community reduces barriers to housing for program participants. Providers that are contracted by The Three County CoC must either adopt the below policy, or provide their own rent reasonableness policy for the CoC's approval.

Other providers are encouraged to adopt this policy as well by incorporating it into their existing agency specific policies and procedures.

### **Rent Reasonableness Standard**

The rent reasonableness standard is designed to ensure that program rents being paid are reasonable in relation to rents being charged for comparable unassisted units in the same market. In addition, rent reasonableness is determined for CoC funded projects, as required by HUD.

In order to determine whether a unit meets this standard, a review must be conducted and several factors considered and documented to ensure compliance. Rent reasonableness determinations must be documented and placed in the participant's file prior to executing the lease for an assisted unit and anytime unit rent is increased thereafter.

### **Documenting Rent Reasonableness**

At minimum, no less than three comparable units will be used to complete the rent reasonableness review. It is important to ensure that the comparison being used is up-to-date as comparable rents change over time due to market fluctuations. The comparable rents can be checked by using a market study of rents charged for units of different sizes in different locations or by reviewing advertisements for comparable rental units. If advertisements for rental units will be used, the unit listings must be printed and attached to the form that outlines the comparison of the units including, but not limited to information regarding the rent, size, location, amenities, quality, etc. For reference, please see the sample Rent Reasonable Checklist and Certification on the CoC website – and guide below.

Another acceptable method of documentation is written verification signed by the property owner or management company confirming that they have similar market rate units that are currently rented at comparable rates.

The rent reasonableness calculation should be for **gross rent** and take the entire housing cost, including utilities, into account-even if the utilities are paid by the tenant. Utility costs may include gas, electric, water, sewer, and trash. However, telephone, cable and internet service should be excluded. Other fees, such as those accrued through the failure to pay per the lease, should also be excluded. Once the comparable units are found and an analysis has been

completed, **only unit rents that are no more than 10% above the average of the three comparable rents will be considered rent reasonable. Any costs above this threshold cannot be paid for with CoC funds or used as match.**

Helpful links:

- HUD Guidebook to Rent Reasonableness  
[https://www.hud.gov/sites/dfiles/PIH/documents/HCV\\_Guidebook\\_Rent\\_Reasonableness.pdf](https://www.hud.gov/sites/dfiles/PIH/documents/HCV_Guidebook_Rent_Reasonableness.pdf)
- CoC Rent Reasonableness and the FMR  
<https://files.hudexchange.info/resources/documents/CoC-Rent-Reasonableness-and-FMR.pdf>
- ESG Rent Reasonableness and the FMR  
<https://www.hudexchange.info/resource/3070/esg-rent-reasonableness-and-fmr/>
- Fair Market Rent Documentation System  
<https://www.huduser.gov/portal/datasets/fmr.html>

*see below for the Rent Reasonableness checklist and user guide*

## **RENT REASONABLENESS CHECKLIST AND**

# CERTIFICATION

## User Guide

<https://files.hudexchange.info/resources/documents/RentReasonableChecklist.pdf>

- **Proposed Unit** – the unit that the program participant would like to rent
- **Comparable #1 - #3** – three units that are comparable to the proposed unit. For each comparable unit, attach the printout of the unit listing
- Fill in the following information for the proposed and comparable units
  - **Address**
  - **Number of bedrooms**
  - **Square feet / Age** (this would be the age of the unit in years)
  - **Type of Unit** – for the purposes of the utility allowance
    - Low Rise / High Rise – apartments that are attached to one another (side by side and vertically) in a complex or building
    - Semi-Detached – homes that share a wall side by side such as a townhouse
    - Single Family Home / Manufactured Home – completely detached from any other unit or dwelling
  - **Housing Condition**
    - Good – it is well maintained, things are up to date, in good working order and in good condition despite the age of the unit.
    - Fair – it is the expected condition for its age (i.e. building is 80 years old, the unit features are outdated), things are in working order with minor repairs noted.
    - Poor – things are not in working order, inadequate sanitation, structural hazards and other issues (i.e. exposed wiring, infestation, inadequate ventilation, etc). Major repairs noted.
  - **Additional information on amenities within the unit, on-site and neighborhood.** Include information such:
    - Unit amenities – washer/dryer, furnishings, new appliances, balcony, etc.
    - Location accessibility – easily accessible via public transportation
    - On-site amenities – parking, laundry, pool, fitness center, clubhouse, etc.
    - Neighborhood amenities – parks, community centers, library and/or grocery store within walking distance
    - Accessible unit – check the box on whether the unit is accessible
  - **Utility type and included?**
    - Select the type of utilities are in the unit – Gas, Electric or Propane.
    - Check whether the utilities are provided – if the utilities are not provided entirely by the landlord, then check “No”
  - **Unit rent** – the amount of rent that landlord is charging for the unit
  - **Estimated utility allowance** – the estimated amount of utilities that the program participant would be responsible for paying. Please refer to the Utility Allowance Schedule published each year by the Housing Authority
  - **Gross rent** – the total of the unit rent and the estimated utility allowance
- **Section A – Proposed Rent**

- Fill in the information on the proposed unit that the program participant would like to rent
- Fill in the FMR for the proposed unit size
- Check whether the specific program allows for rent reasonable units at or above FMR. If unsure, please review your program contract and/or seek guidance from the contract monitor before the program participant signs the lease on the unit.
- **Section B – Comparable Units**
  - Add up the gross rents for all three of the comparable units and divide by 3 for the average gross rent.
- **Section C – Rent Reasonableness Certification**
  - Proposed unit gross rent (Section A) **must be within** \$100 of the average gross rent of the comparable units (Section B).
    - If this is true, please sign the form to certify this unit is rent reasonable
    - If this is not true, do not proceed with this unit as it is NOT rent reasonable