Special Attention of: Notice H 98-3 (HUD)
State Coordinators; Director of Housing; Director,
Multifamily Housing Division; Issued: 23 January 1998
Multifamily Asset Expires: 31 January 1999
Management and Development Branch Cross References:
Chiefs; Contract Administrators; Owners and Managers of Projects with
Expanding Section 8 Contracts

Subject: ANNUAL ADJUSTMENT FACTORS (AAF)

This notice announces the extension of statutory rent adjustment procedures for Section 8 projects that use the HUD-published Annual Adjustment Factors (AAF) for adjustment of the contract rent.

These procedures concern (1) the application of comparability to rent adjustment for Section 8 new construction and substantial rehabilitation projects; and (2) rent adjustment for non-turnover Section 8 units (for Section 8 new construction and substantial rehabilitation projects, loan management (LMSA) projects, property disposition (PD) projects, and renewal or extension projects). The procedures do not apply to rent adjustments for the Section 8 Moderate Rehabilitation Program or the Project-based Certificate (PBC) program.

The Section 8 rent adjustment requirements were originally enacted in the HUD appropriation for Fiscal Year 1995, and were subsequently extended through FY 1997 (amendments of 42 U.S.C. 1437f (c)(2)(A)). HUD issued a series of notices implementing the statutory adjustment requirements through FY 1997 (H 95-12, H 97-14). The Congress has enacted legislation that extends the Section 8 adjustment requirements beyond 1997, as permanent law. The HUD appropriation for FY 98 provides that the amendments of Section 1437f (c)(2)(A) are effective through FY 1998 (P.L. 10565, 111 Stat. 1344, 1364, approved October 27, 1997); Administrative Provisions Section 201(c)(1) and (c)(2)). The Balanced Budget Act of 1997 provides that these amendments are in effect through FY 1999 and thereafter (P.L. 105-33, Section 2003 and 2004, 111 Stat. 251, approved August 5, 1997).

HMMM: Distribution: W-3-1, R-1,R-2,R-3-1 (H) (RC) R-3-2,R-3-3,R-6,R-6-2,R-7, R-7-2,R-8

This Notice applies to Section 8 rent adjustments for HAP anniversary dates from October 1, 1997 until further notice by HUD.

Since the law is now permanent, HUD hereby extends indefinitely, until further notice, Housing Notice 97-14, which describes procedures for implementing statutory Section 8 adjustment requirements concerning comparability for Section 8 new construction and substantial rehabilitation projects, and requiring reduced adjustments for non turnover units.
Notice H-97-14 shall apply to the calculation of rent adjustments for Section 8 contract anniversaries on and after October 1, 1997 (as well as adjustments prior to that date). The adjustments for a HAP contract anniversary date shall be calculated using the AAF factors published in the Federal Register (Table 1 or Table 2) in effect at the HAP contract anniversary.

If you have any questions regarding this notice, please contact Peter Giaquinto at (202) 708-4162, or your desk officer in the Operations Division.

Nicolas P. Retsinas
Assistant Secretary for Housing-
Federal Housing Commissioner