



Snohomish County, WA

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Human Services

*Office of Community and Homeless Services*

# **Rent Reasonableness Policies and Procedures**

October 2017

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## I. Determining and Documenting Rent Reasonableness

Determining and documenting rent reasonableness is required for projects that provide assistance to scattered-site housing units to ensure that rents being paid are reasonable in relation to rents being charged for comparable unassisted units. Under the Continuum of Care (CoC) and Emergency Solutions Grants (ESG) Programs, rent reasonableness determinations must be made for all housing units assisted with leasing or rental assistance funds.

Rent reasonableness must be documented prior to executing the lease for an assisted unit and at least annually thereafter. Recipients must document the proposed unit's rent reasonableness using the Rent Reasonableness Certification form; this completed form must be maintained in each participant file to demonstrate that the proposed unit is rent reasonable.

### a. Methodology

To demonstrate that the assisted unit is rent reasonable, recipients must compare the proposed unit's rent to the rent of at least **three (3)** comparable unassisted units in the area *and* must also compare the proposed unit's rent to rents currently being charged by the same owner for comparable unassisted units. Methodologies for demonstrating rent reasonableness include:

1. Obtaining data on three (3) comparable unassisted units in the area by:
  - a. Utilizing the Dupre + Scott Rent Reasonableness Survey (to be considered reliable, the Survey must indicate that at least three (3) buildings were surveyed) (refer to the [Utilizing the Dupre + Scott Rent Reasonableness Survey](#) section below for further guidance); **or**
  - b. When the Survey is considered unreliable, completing a Supplemental Analysis of three (3) comparable units on a unit-by-unit basis by using other data sources (refer to the [Completing a Supplemental Analysis](#) section below for further guidance).

**AND**

2. Obtaining data on rents charged by the same owner for comparable unassisted units by:
  - a. Obtaining documentation from the property owner/manager on rents charged for comparable unassisted units (refer to the [Owner's Rent Charged for Comparable Unassisted Units](#) section below for further guidance).

### b. Documentation Requirements

The following documentation is required to determine rent reasonableness and must be maintained in the participant file:

- Rent Reasonableness Certification form; and
- As applicable, Rent Reasonableness Certification – Supplemental Analysis form used to compare rents on a unit-by-unit basis.

Agencies must maintain a copy of the Dupre + Scott Rent Reasonableness Survey in the event of an audit.

### c. Strategy for Addressing Special Cases

There may be instances where the above methodology and process is not sufficient to establish rent reasonableness for a particular unit.

For example, staff may find in rural areas that there are only one (1) or two (2) comparable units instead of the three (3) units required for reliability.

Recipients may use alternative methods to determine and document rent reasonableness in the following circumstance:

- In rural areas where it may be difficult to find three (3) comparable units.
- In assessing units with an accessibility feature that the tenant requires due to a disability where it may be difficult to find three (3) comparable units.

#### **d. Staffing**

The responsibility of determining and documenting rent reasonableness should be assigned to program staff in the following order of preference:

1. Staff conducting the housing inspection will be responsible for determining and documenting rent reasonableness.
2. The case manager will be responsible for determining and documenting rent reasonableness.

#### **e. Determining Appropriate Comparable Units**

Each and every certification of rent reasonableness must consider the following:

- *Location*: It is important that, not only are the properties close in proximity, but that they have similar access to services such as bus lines, grocery stores, etc. and are within the same school boundaries where possible.
- *Unit Size and Square Footage*
- *Building Type*: Single Family, Duplex, Town House, Low-Rise, High-Rise, etc.
- *Quality and Condition of the Unit*: Quality of floor coverings, cabinets, appliances, windows and doors as well as how well the unit has been maintained may make units more or less desirable and may affect the amount of rent the unit commands.
- *Accessibility*
- *Amenities/Facilities*:  
The following amenities/facilities may have an effect on the amount of rent the unit commands assuming that it is in good repair and desirable within the market:
  - Garbage Disposal
  - Dishwasher
  - Washer/Dryer in Unit
  - Patio/Balcony/Deck
  - Fenced Yard
  - Playground
  - Covered/Garage Parking
  - Off-Street Parking
  - Storage Outside of Unit
  - Laundry Facilities
  - Club House
  - Pool
  - Fireplace
- *Age of the Unit and Year of Renovation*
- *Utilities*

## f. Data Sources

Data used must be current. Acceptable data sources used in determining rent reasonableness include the following:

- Dupre + Scott Rent Reasonableness Survey;
- Newspaper ads (including internet versions of newspaper ads);
- Classified Ads;
- Weekly or monthly neighborhood or shopper newspapers that have rental listings;
- “For Rent” signs in windows or on lawns;
- Real estate agents; and
- Property management companies that handle rental property; and
- Rental Listing websites including:
  - [www.apartmentguide.com](http://www.apartmentguide.com)
  - [www.apartments.com](http://www.apartments.com)
  - [www.forrentmag.com](http://www.forrentmag.com)
  - [www.move.com/apartment/main.aspx](http://www.move.com/apartment/main.aspx)
  - <http://www.housingsearchnw.org>

### **Data Sources in Rural Areas**

While there may be fewer rental units in rural areas than in urban and suburban areas, it is possible to find comparable rents for different unit types located in these areas.

- U.S. Department of Agriculture (USDA)’s Rural Development Agency: one source of rental housing data for rural areas may be the USDA’s Rural Development Agency. USDA provides direct and guaranteed loans for single and multi-family housing development in rural areas as well as for farm laborers. Contact information for Rural Development State and Local Offices or USDA Service Centers is available at [http://www.rurdev.usda.gov/recd\\_map.html](http://www.rurdev.usda.gov/recd_map.html). Each Rural Development Office, if it has a Rural Housing component, should have information on the types of rental housing available in various communities throughout the state, as well as unit sizes and rents.
- Real estate agents: another potential source of comparable rent data are real estate agents. Local real estate agents are not only knowledgeable about real estate prices but often are a source of information on rental housing in the area. They may be able to extrapolate rent comparables based on the general cost of housing in the area. To find real estate agents active in particular communities, certifiers can consult the National Association of Realtors on the web at <http://www.realtor.org/>. For demographic information on the housing stock, market trends, etc., certifiers should access <http://www.realtor.org/research>.

## g. Special Note Regarding Fair Market Rent

Fair Market Rent (FMR) and rent reasonableness are separate and distinct. The gross rent (rent plus the cost of tenant-paid utilities) for units receiving ESG-rental assistance and CoC-leasing funds may not exceed the HUD Determined FMR. Therefore, the proposed gross rent for these units must be both rent reasonable and at or below the FMR. In addition, if the reasonable rent for the unit is less than the FMR, then the allowable gross rent may not exceed the reasonable rent. The gross rent for units receiving CoC-rental assistance funds may exceed FMR, as long as the unit is rent reasonable. For CoC and ESG Recipients, refer to the CoC-ESG Local Standards for further detail.

## II. Utilizing the Dupre + Scott Rent Reasonableness Survey

### a. Dupre + Scott Rent Reasonableness Survey

The Dupre + Scott Rent Reasonableness Survey is updated annually every spring. The Survey is a helpful way to understand the overall rental market of an area and can be a good starting point for certifying rent reasonableness. The certifier must follow these steps in utilizing the Survey:

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| 1. Identify the area the proposed unit is located in according to the “Snohomish County Areas for Data Presentation” section of the Survey.  | <i>For the April 2017 Rent Reasonableness Survey, refer to Page v.</i>   |
| 2. Navigate to the applicable pages that list the data for the identified area.  | <i>Refer to the top left of the page, which specifies the area (e.g., Area: 1-East Sno County, Area: 2-Edmonds, etc.).</i>   |
| 3. Identify the applicable unit size based on the number of bedrooms in the proposed unit.   | <i>Refer to the table headings, which list the unit sizes (e.g., Studio Units, One Bedroom Units, etc.).</i>   |
| 4. Identify the applicable building type based on the total number of units contained within the building where the proposed unit is located. Building information may be obtained by going on-site or remotely through the Snohomish County Assessor webpage, located here: <a href="https://snohomishcountywa.gov/2934/Assessor">https://snohomishcountywa.gov/2934/Assessor</a>                           | <i>Refer to the left-most column, “<b>Bldg Type</b>,” within the applicable unit size table:</i><br><ul style="list-style-type: none"> <li>- 1 Unit: single family home,</li> <li>- 2 – 3: duplex and triplex,</li> <li>- 4 – 19: building with four (4) to 19 units,</li> <li>- 20+ Lo: low-rise building (one (1) or two (2) stories) with 20 or more units, and</li> <li>- 20+ Hi: high-rise building (three (3) or more stories) with 20 or more units.</li> </ul> |
| 5. Identify the average rent for comparable units. Generally, as long as the certifier determines that this information is reliable (i.e., at least three (3) buildings were surveyed), the average rent for comparable units is what is compared to the proposed unit’s rent; however, refer to the <b>Important Factors</b> section below for additional details regarding other important considerations. | <i>Refer to the right-most column, “<b>Avg Rent</b>,” in the row corresponding to the applicable building type.</i>  |

### b. Important Factors

The following are important Factors to consider when utilizing the Survey:

- **Data Reliability:** To be considered reliable, the Survey must indicate that at least three (3) buildings were surveyed. Some areas and unit sizes have very limited data. This may be because the area has few rental units, such as Area 8: Goldbar/Sultan. Or, it may be that the unit type is not common, such as a one bedroom unit in a one unit building.

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| Each building type within each unit size table lists the number of buildings that were surveyed. If less than three (3) buildings were surveyed, further analysis is required to | <i>Refer to the second-to-the left column, “<b>No Bldgs</b>,” in the row corresponding to the applicable building type within the applicable</i> |
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| document rent reasonableness; this analysis must be documented on the Rent Reasonableness Certification – Supplemental Analysis form. Refer to the <a href="#">Completing a Supplemental Analysis</a> section below for additional details. | <i>unit size table to determine the number of buildings that were surveyed.</i> |
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- **Gross Rent (Rent plus Tenant-Paid Utilities):** To compare the proposed unit’s rent to the average rent for comparable units, gross rent must be compared to gross rent. Gross rent is the rent plus the cost of all tenant-paid utilities, except telephone, cable or satellite television service, and internet service. For the purposes of determining gross rent, tenant-paid utilities may include gas, electric, water, sewer, and garbage.

Where rent (per the lease) does not include utilities, a utility allowance for tenant-paid utilities is added to the contract rent to determine the gross rent. This generally means that the proposed unit’s rent *plus a utility allowance for actual tenant-paid utilities* is compared to the average rent for comparable units *plus a utility allowance for tenant-paid utilities*. For the purposes of calculating the utility allowance for *common* tenant-paid utilities, it is acceptable to use the utility allowance for the proposed unit’s *actual* tenant-paid utilities.

| <b>Exception</b>   |   |
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| An exception to the general guidance above is where the Rent Reasonableness Survey indicates that the majority of the buildings surveyed had owner-paid utilities.   |   |
| The Rent Reasonableness Survey includes information on the percentage of the buildings surveyed where heat or water/sewer/garbage are paid by the owner; if the percentage of owner-paid utilities is greater than 50 percent (50%), a utility allowance for the owner-paid utility may not be added to the contract rent to determine the gross rent. Instead, the average rent for comparable units (without adding a utility allowance for owner-paid utilities) is compared to the proposed unit’s rent <i>plus a utility allowance for actual tenant-paid utilities</i> . | <i>Refer to the two columns, “Owner Heat” and “Owner W/S/G,” in the row corresponding to the applicable building type within the applicable unit size table to determine the percentage of buildings surveyed that included owner-paid heat, water, sewer, and garbage.</i> |

- **Building Type Definitions:** it is important to note that the Dupre + Scott building type definitions differ from the definitions under the [Housing Quality Standards \(HQS\) and the utility allowance schedule](#). For the purposes of verifying rent reasonableness, the building type, for example, may be considered a high-rise, but for HQS and utility allowance, it may be considered a low-rise. The building type for HQS and utility allowance must match, but may be different than the building type defined by the Rent Reasonableness Survey.

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| <p>Building information for the proposed unit may be obtained by going on-site or remotely through the Snohomish County Assessor webpage, located here: <a href="https://snohomishcountywa.gov/2934/Assessor">https://snohomishcountywa.gov/2934/Assessor</a>. This building information is then used to identify the applicable building type per the Dupre + Scott Rent Reasonableness Survey, the HQS form, and utility allowance schedule.</p> | <p><i>Rent Reasonableness Survey: refer to the left-most column, “Bldg Type,” within the applicable unit size table:</i></p> <ul style="list-style-type: none"> <li>- 1 Unit: single family home,</li> <li>- 2 – 3: duplex and triplex,</li> <li>- 4 – 19: building with four (4) to 19 units,</li> <li>- 20+ Lo: low-rise building (one (1) or two (2) stories) with 20 or more units, and</li> <li>- 20+ Hi: high-rise building (three (3) or more stories) with 20 or more units.</li> </ul> <p><i>HQS: refer to the first page of the Inspection Form; the box at the bottom right of the page lists the “Housing Type.”</i></p> <p><i>Utility Allowance: refer to the utility allowance schedule for the applicable building type. The Housing Authority of Snohomish County (HASCO) posts a different utility allowance schedule for each of the following building types:</i></p> <ul style="list-style-type: none"> <li>- Single Family and Mobile Home</li> <li>- High Rise (five (5) or more stories)</li> <li>- Duplex, Townhouse, Triplex, Garden, and Low Rise (up to four (4) stories)</li> </ul> |
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- **Use of “ALL UNITS” and “TOTAL” Average Rent:** When utilizing the Dupre + Scott Rent Reasonableness Survey, the proposed unit must be compared to comparable units, considering the features listed under [Determining Appropriate Comparable Units](#), such as location and unit size. Data from the “ALL UNITS” table should generally *not* be used, as this represents average data across various unit sizes and is not specific enough to be considered “comparable.” Likewise, data from the “TOTAL” row should generally *not* be used, as this represents data across various building types and is not specific enough to be considered “comparable.”

### III. Completing a Supplemental Analysis

Where the Rent Reasonableness Survey is unreliable, a Supplemental Analysis must be completed. The Supplemental Analysis is completed by analyzing three (3) comparable units on a unit-by-unit basis by using other data sources; refer to the [Data Sources](#) section above for a list of acceptable data sources. Data used must be current.

In completing the Supplemental Analysis, the certifier must consider the features listed in [Determining Appropriate Comparable Units](#) above to ensure that the proposed unit is “comparable” to the three (3) units reviewed. For the purposes of a Supplemental Analysis, it is important to note that rent reasonableness does not always mean that the proposed unit’s rent is less than the rents of the three (3) comparable units. Instead, the certifier should select units that are as similar to the proposed unit as possible, but there may be a justifiable reason that the proposed unit’s rent is higher than the rent(s) of



one (1) or more of the comparable units (e.g., the proposed unit may be the only one-bedroom ADA-accessible unit in the area, etc.). Any justifiable reason must be clearly documented on the Rent Reasonableness Certification – Supplemental Analysis form.

In addition to completing the Rent Reasonableness Certification – Supplemental Analysis form, backup documentation (e.g., copies of advertisements of units for rent, etc.) for the three (3) comparable units must be maintained in the participant file.

#### **IV. Owner's Rent Charged for Comparable Unassisted Units**

In addition to certifying that the proposed unit's rent is reasonable in relation to at least three (3) comparable unassisted units, Recipients must also certify that the proposed unit's rent is reasonable in relation to rents currently being charged by the same owner for comparable unassisted units. This ensures that the same owner/property manager does not charge more for assisted units than unassisted units.

If the owner is currently leasing other comparable unassisted units, this may be completed by obtaining written verification signed by the property owner/manager that the rent for the proposed unit is the same as or lower than the rents for other comparable unassisted units leased by the same owner.

If the owner is *not* currently leasing other comparable unassisted units (e.g., the proposed unit is the only one-bedroom unit leased by the same owner), this may be completed by obtaining written verification signed by the property/owner manager that the rent for the proposed unit is the same as or lower than the rent previously charged for the proposed unit.

If the rent for the proposed unit is greater than the rents charged by the same owner for comparable unassisted units, the owner must provide reasonable justification for the unit to be considered rent reasonable (e.g., the proposed unit is the only ADA-accessible one-bedroom unit leased by the owner or the proposed unit was recently renovated, etc.).