

How to Request Rental and Operating Subsidy Increases

Ensure Your Supportive Housing Project Has Sufficient Operating Funds for Expenses.

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Rental and operating subsidies are critically important funding resources in supportive housing developments for people with extremely low incomes. Subsidies keep rents affordable while ensuring that the property owner has enough income to maintain and manage the property during the lifetime of the development. Subsidies ensure that tenants are less rent burdened by reducing their rent to no more than 30% of their income and that the building has sufficient revenue for operations.

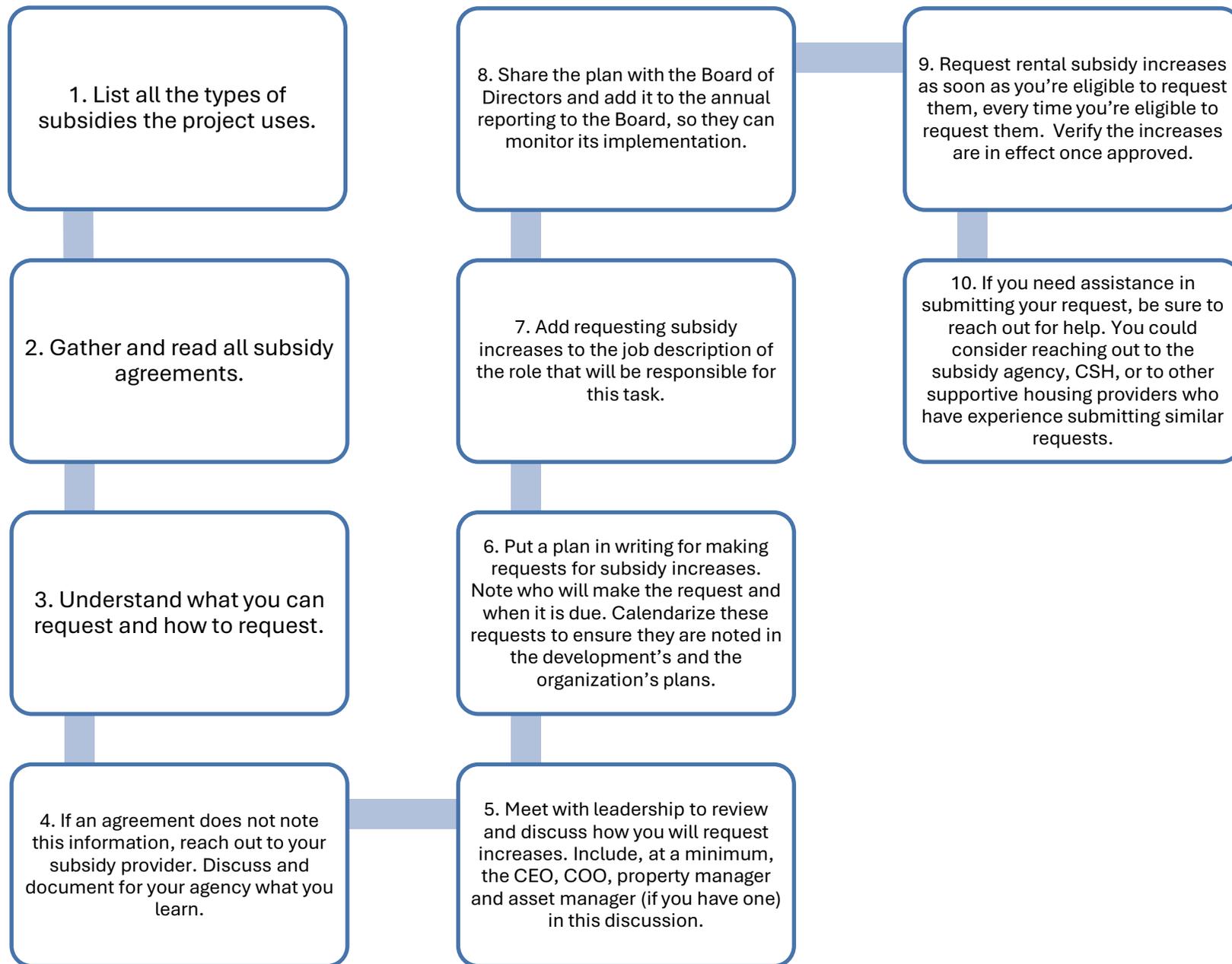
As operating expenses increase, the revenue for the building must keep pace to cover these costs. Often these increases are not provided automatically and the owner or its agent must request them. Supportive housing providers should have a practice and policy to request increases annually or as eligible. Receiving subsidy increases when eligible provides more revenue to pay for maintenance and repairs, and ensures the building has funds to safely and stably house residents. This guide helps you understand how to implement this practice and resources for program specific rules.

It is essential that property owners request rental or operating subsidy increases every time it is possible. To ensure that owners do this on a regular basis, it is imperative to create a plan, schedule, and implement accordingly. If the owner misses the request window for an increase, properties may not be eligible to make up the difference in the next subsidy increase request. With escalating operating expenses, regular subsidy increase requests are a proven tool for ensuring your development remains in good financial health.

There are two types of funding that may subsidize operations: rental subsidies and operating subsidies. Rental subsidies pay the difference between 30% of a tenant's income and a reasonably determined market rate on a per-unit basis. By contrast, operating subsidies pay only the difference between all tenant rents in a building and the cost of operating the building.

Subsidies come from a variety of sources that could include local, state, and federal resources. When resources come from federal funding sources they are typically administered by local entities (Public Housing Agencies (PHAs), Housing Finance Agencies, city, or county housing departments, etc.). The terms, policies, and procedures for the development's rental subsidy will be stated in a contract or agreement with the local administering entity. Some subsidies may be referred to as vouchers, such as Housing Choice Vouchers, which follow the tenant wherever they live, and Project Based Vouchers (PBV), which are attached to specific buildings and are administered by PHAs. Each rental subsidy source and type has different regulations and processes for requesting a subsidy increase.

10 Steps to Requesting a Subsidy Increase



Matrix of Commonly Used Housing Subsidies and How to Request Increases

This is a general guide to get you started and does not replace the guidance in your actual subsidy agreements.

Source	Housing & Urban Development (HUD) Housing Choice Voucher Project Based & Tenant Based Vouchers (Public Housing Agencies)	Housing & Urban Development (HUD) Continuum of Care (CoC) Housing Opportunities for Persons with AIDS (HOPWA)	State and Local Administered Subsidy
Subsidy Type	<p>Public Housing Agencies (PHAs) often administer local tenant-based Housing Choice Voucher (HCV) programs. They have an option to convert a portion of these tenant-based HCVs to Project Based Vouchers (PBVs), so that they can be attached to a specific housing development. Generally, a PHA can project-base up to twenty percent (20%) of its authorized voucher units. PHAs can project-base a greater percentage if they intend to attach PBVs to supportive housing and other housing that serves special populations.</p> <p>Examples include Veterans Affairs Supportive Housing (VASH), Section 811 Supportive Housing for the Disabled Programs (Section 811), Family Unification Program* (FUP), and Foster Youth to Independence* (FYI), Emergency Housing Vouchers (EHV). *PHAs administer the FUP/FYI special purpose vouchers in collaboration with Continuum of Care (CoC) and Public Child Welfare Agencies (PCWAs).</p>	<p>Continuum of Care (CoC) and Housing Opportunities for Persons with AIDS (HOPWA) are rental assistance funds administered by HUD in collaboration with local entities such as the CoC or local health departments.</p> <p>CoC program rental assistance funds can be tenant-based, project-based, or sponsor-based.</p> <p>HOPWA rental assistance can be tenant-based or project-based assistance.</p>	<p>State and local subsidy programs are created from diverse funding sources. Most state and local tenant-based and project-based rental assistance is funded from general revenue funding allocated by state or local governments on a recurring basis through appropriations, or annual (or biennial) budgets.¹</p>

¹ [State and Local Investments in Rental Housing \(nlihc.org\)](http://nlihc.org)

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Background	<p>Review the Administrative Plan for the local PHA to understand the current payment standard, which is based on the Fair Market Rent (FMR) or Small Area Fair Market Rent (SAFMR). The PHA establishes the payment standard between 90%-110% of the FMR or SAFMR. To help combat rising rents, PHAs can request to adjust their payment standards higher than 110% of FMR and SAFMR. Additionally, HUD can issue waivers to increase payment standards more easily.</p>	<p>Continuum of Care Rental Assistance Program utilizes two standards for setting rent: Fair Market Rent (FMR) and rent reasonableness. The initial grant amount for rental assistance is calculated by multiplying the unit count by the FMR of each unit on the date the application is submitted to HUD, by the term of the grant. Recipients or subrecipients can pay rents up to the rent reasonable amount, which may be higher than FMR.</p>	<p>HOPWA grantees generally use HUD’s published Fair Market Rent (FMR) as a guide in setting the rent standard as specified in 24 CFR 574.320 (a)(2). Grantees may also use the local HCV payment standard between 90% - 110% of FMR pending the local PHA’s Administrative Plan, which is considered a “community-wide exception rent.” Whichever method is used, the rent standard will be identified in the project sponsor agreement. The rent standard will be reviewed annually by the grantee.</p> <p>Grantees should have written policies and procedures in place to detail the policy and procedure for implementing rent standard adjustments.</p>	<p>Each state and local subsidy resource will vary in terms of requirements in setting the initial rental assistance amount or adherence to rent standards.</p>

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Subsidy Increase Process	<ol style="list-style-type: none"> 1. Review the project’s Housing Assistance Payment (HAP) contract for the HAP effective date. Annual rent increases go into effect on the anniversary of the HAP effective date. 2. Confirm the owner follows all requirements of the HAP contract, including compliance with the Housing Quality Standards (HQS) prior to requesting a subsidy increase. 3. Submit the rent increase request in writing to the PHA at least sixty days in advance of the HAP effective date to allow for sufficient review time and in compliance with the PHA’s policy for rent increases. 4. Whenever there is a change in rent, the PHA will provide written notice to the owner specifying the amount of the new rent. The PHA notice of the rent change constitutes an amendment of the rent to the owner specified in the HAP contract. 	<ol style="list-style-type: none"> 1. Because the award amount is based on FMR, during the duration of the rental assistance award, there may be funds remaining which can be used to cover rent increases, as long as the unit rent still meets rent reasonableness standards. 2. When the initial contract term has expired, the project will request renewal funding through the current NOFO. At the time of beginning the annual CoC Program Competition, review HUD’s Grant Inventory Worksheet. Additionally, contact your local CoC to understand their review process and written policies and procedures for additional renewal guidance. 	<ol style="list-style-type: none"> 1. Review the project sponsor agreement and understand the method used for determining the rent standard and authority to authorize rent increases. Project sponsors need to work with grantees to implement rent increases. 2. Grantees can increase the amount of the established rent standard by 10% for up to 20% of the units assisted by the grantee. Project sponsors may be granted authority to approve such an increase. 3. Grantee policies and procedures will specify the timing for changes to the rent standards and how/when those changes impact residents and owner/landlord requested rent increases. 	<ol style="list-style-type: none"> 1. Review the subsidy contract to understand the contract term, renewal requirements, and annual rent increase process. 2. Connect with the administering agency annually to ensure compliance with all program requirements. 3. Submit the subsidy increase request in writing to the administering agency and in compliance with the agency’s policy for rent increases. 4. Confirm the subsidy contract has been amended as needed to reflect the subsidy increase.

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Resources	HowToSeekHigherPaymentStandards.pdf (nhlp.org).	CoC Program CoC Rent Reasonableness and Fair Market Rent Reasonableness Checklist Continuum of Care Program: Rental Assistance Slides (hudexchange.info)	Final HOPWA Rent Standard Notice 6-29 Clarification of Rent Standard Requirement for HOPWA Program	Will vary depending on state and local administering agency.	