

Operating Procedure: Rent Reasonableness

Effective Date: October 1, 2025

Agency: Deep East Texas Council of Governments (DETCOG) Housing Authority

Program: Housing Choice Voucher Program (HCVP)

1. Purpose

To outline the process for determining rent reasonableness, implementing payment standards, and applying utility allowances in compliance with HUD regulations.

2. Rent Reasonableness Determination

2.1 General Policy

DETCOG must ensure that all contract rents for assisted units are reasonable compared to similar unassisted units in the private market. This includes consideration of the unit's location, size, type, age, amenities, and utilities included in the rent.

2.2 Software Tool

DETCOG will use AffordableHousing.com to conduct rent reasonableness assessments for both new and existing units. The system compares units based on a close geographic radius and excludes rent-controlled units when possible. This system also ensures the use of comparable units in location, size, type, age, amenities, and utilities included in the rent.

3. New Contracts

3.1 Request for Tenancy Approval (RFTA) Submission

For all RFTA packets submitted on or after **October 1, 2025**, the following process will be used:

- The landlord must complete and submit a RFTA packet, including the new **Features and Amenities** form. This form collects details such as unit location, size, type, age, amenities, and utilities included in the rent.
- Upon receipt of a completed RFTA, **DETCOG will first determine if the tenant qualifies for the selected unit and if the initial rent burden is within acceptable limits.**

- If qualified, DETCOG will **schedule and conduct an inspection** of the unit.
- **The inspection must pass** before a rent reasonableness determination is conducted.
- Following a passed inspection, DETCOG will use **AffordableHousing.com** to select comparable units and to assess whether the proposed contract rent is reasonable based on comparable unassisted units in the market.

3.2 Determination Outcome

- If the contract rent is **not reasonable**, DETCOG will notify the landlord via the portal and provide the owner with the **maximum reasonable rent**.
- The landlord must reduce the proposed rent to meet the reasonable rent threshold before leasing can proceed.
- If the rent is **reasonable**, DETCOG will proceed with finalizing the lease and HAP contract.

3.3 Request For Tenancy Approval Packet

The Request For Tenancy Approval Packet (RFTA) includes the required “Features and Amenities” form. All other timelines and documentation requirements remain unchanged.

4. Existing Contracts

4.1 Current Rents

Existing contract rents will remain unchanged until the owner requests a rent increase.

4.2 Rent Increase Requests

Landlords may request increases through the Landlord Portal (Finance tab) if:

- The tenant has lived in the unit for at least 12 months.
- The unit has a current passed inspection (within the last 24 months).
- If the requested rent exceeds the maximum reasonable rent, the contract rent will be reduced.
- Rent changes take effect on the later of: (1) the 1st of the month following 60 days after request receipt and tenant notification, or (2) the date specified by the owner.

Landlords must notify tenants 60 days prior to proposed increases. DETCOG will provide written notice of the adjusted rent 30 days before implementation. Tenants must acknowledge the increase. If a tenant refuses, DETCOG will process the change and note the refusal.

5. Rent Increases and Decreases

5.1 Guidelines

- The new rent is the lesser of the requested rent or the maximum reasonable rent determined.
- Tenants cannot be charged more than the approved contract rent.
- DETCOG will provide documentation supporting any rent decrease.

Example:

Current Rent: \$1,000

Requested Rent: \$1,200

Rent Reasonableness Max: \$1,129

Approved New Rent: \$1,129

6. Appeals

Landlords may submit comparable units for review if they disagree with the rent reasonableness determination. DETCOG will submit these to AffordableHousing.com for validation. Appeal procedures are outlined in denial letters.

7. Utility Allowances

7.1 Study and Updates

A utility allowance (UA) study was conducted and implemented December 1, 2024. The UA is based on local consumption and utility costs and is publicly available on the DETCOG website (Landlord tab).

7.2 Application of UA

- UA is determined by who pays which utilities (tenant vs. owner).
- UA varies by bedroom size and utility type (electric, gas, water, etc.).

- If the owner pays all utilities, this is factored into the approved rent.
 - Sub-metered water is treated as a tenant-paid utility and included in UA.
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8. Payment Standards

8.1 FY2025 Rates

- The FY2025 Payment Standard is set at **110% of HUD's Fair Market Rent (FMR)**, or applicable **Small Area Fair Market Rent (SAFMR)** where required, for all bedroom sizes.
 - Payment standards determine the **maximum subsidy** DETCOG may pay, **not the unit's value** or rent cap.
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9. Tenant Affordability & Rent Burden

- DETCOG assesses estimated rent burden at the time of RFTA submission.
 - If the unit is rent reasonable but unaffordable for the tenant, DETCOG may contact the landlord to discuss a lower rent.
 - Changes in tenant income may affect the tenant's portion of rent but does not change the approved contract rent.
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10. Lease Agreements

- A new lease is not required annually unless the owner or tenant requests one.
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11. Inspection Requirements

- A passed inspection within the last 24 months is required to request a rent increase.
 - If an inspection was missed due to inspector or tenant no-show, an inspection will be scheduled, and the unit must pass inspection before the owner's request for an increase can be approved. The PHA will conduct the inspection within 5 business days from the date the request for increase is received.
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12. System Access and Market Research

- Landlords will not have direct access to DETCOG's internal rent reasonableness tool.
 - Landlords are encouraged to use public tools on AffordableHousing.com for estimates.
 - DETCOG does not pre-screen units for potential rent levels before they are leased.
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13. Training and Support

- DETCOG offers landlord training sessions and briefings. Schedules will be posted on the DETCOG website.
- For questions or issues (including lease violations or move requests), contact DETCOG at **936-238-7771**.