

7420.3 REV-2  
CHG-17

Appendix 42

PROJECT-BASED CERTIFICATE PROGRAM  
QUESTIONS AND ANSWERS

Index

A-Eligible Properties  
B-Rehabilitation Amount  
C-Rents  
D-Relocation  
E-Other Federal Requirements  
F-Financing Including Use of 1937 Housing Act Funds  
G-Unit/Owner Selection  
H-Agreement to HAP Contract  
I-HAP Contract Term  
J-Occupancy Issues  
K-Management Issues  
L-Administrative Fee  
M-PHA Application to Implement a Project-Based Program  
N-15% Limit  
O-Funding  
P-Housing Quality Standards (HQS)  
Q-New Construction and Rehabilitation Program Differences  
R-HUD Review Responsibilities

Attachments:

Format for Exhibit D to the HAP Contract (Q+A G-6)

\* Revised or new

Page 19/91

7420.3 REV-2  
CHG-17

Appendix 42

A - Eligible Properties

A-1 Question: Are Section 23 projects eligible for conversion to the  
Section 8 Project-Based Certificate Program?

Answer: Former Section 23 and 10(c) leased housing projects are  
eligible for project-based assistance unless any of the  
following conditions exist. Ineligible Section 23 or 10(c)  
projects:

- Units currently under a Section 23 or 10(c) lease.  
(Such leases must be terminated prior to execution of a  
Section 8 Agreement.)
- Projects which do not meet the eligibility criteria of  
the regulations (see Section 882.721) including the

minimum \$1000 per unit rehabilitation requirement.  
Note: Units which recently received Section 23 subsidies should be standard, and therefore are ineligible.

- Units which will be rehabilitated, or have been rehabilitated in the past 5 years, with adjustments to basic annual contributions ("leased adjustments" or "Section 23 operating subsidies"), CIAP funds, or other assistance under U.S. Housing Act of 1937. It is noted that rehabilitation includes extraordinary maintenance and repairs to restore the units to their original condition, less normal wear and tear, upon termination of the lease.
- Projects which do not meet any other regulatory requirements for the Project-Based Certificate Program; including

projects owned or controlled by the PHA which is party to the Section 8 ACC (e.g., bond financed Section 23 projects);

projects located in areas which do not meet the site and neighborhood standards and other federal requirements in Section 882.713 of the regulations; and projects which cannot be rehabilitated without permanent displacement of tenants.

9/91

Page 2

7420.3 REV-2

CHG-17

Appendix 42

A-2 Question: Can non-residential buildings be converted to residential use (e.g., schools converted to apartments) under the Project-Based Certificate Program?

Answer: Yes, such non-residential buildings can be selected under the rehabilitation component.

A-3 Question: How are "large family" units defined for purposes of the \$1000 minimum rehabilitation requirement? (Eligible properties include properties requiring \$1000 per unit to convert or merge units to provide housing for large families.)

Answer: Three-bedroom or larger units.

A-4 Question: Is a unit under construction that has at least \$1000 of uncompleted work eligible for the Project-Based Certificate Program?

Answer:No. Section 882.709 specifies that housing for which the construction is begun before execution of the Agreement is ineligible. (There is no \$1000 minimum applicable to new construction.) Construction is started when the foundation work is begun.

A-5 Question: Can you rehabilitate or construct family units in highrise, elevator buildings?

Answer:No, unless HUD determines there is no practical alternative. HUD may make this determination for a PHA's Project-Based Certificate Program, in whole or in part, and need not review each project on a case-by-case basis.

Page 39/91

7420.3 REV-2  
CHG-17

Appendix 42

\*

A-6 Question: Is a unit being rehabilitated that has at least \$1,000 of eligible (per 24 CFR 882.710), uncompleted work eligible for the Project-Based Certificate Program?

Answer:Yes, unless the PHA or the HUD field office determine that the owner is dodging compliance with the Davis-Bacon wage rates and other labor standard requirements by completing the bulk of the rehabilitation work prior to Agreement, or is beginning new construction so the work will be classified as rehabilitation which is subject to less stringent site and neighborhood standards. PHA selection of projects for which the rehabilitation has started is inadvisable because the HUD field office had not yet approved the rents or completed the required environmental reviews. Also, providing assistance to a project where rehabilitation has commenced and the financing is in place without the need for project-based certificate subsidies does not meet the program goal of inducing rehabilitation of the substandard rental housing stock.

9/91

Page 4

7420.3 REV-2

CHG-17

Appendix 42

#### B - Rehabilitation Amount

B-1 Question: How do you define major building systems or components in

danger of failure?

Answer: The definition is contained in Section 2.a. of Appendix 34 to Handbook 7420.3 REV. Work which would qualify as repair or replacement of a major building system or component, for purposes of the definition, is restricted to the following:

- a. The complete electrical rewiring of a unit;
- b. The installation of new plumbing supply or waste pipes in a unit;
- c. The installation of new heating distribution system, including piping and ductwork, or the installation of a new boiler or furnace;
- d. The installation of a new roof; or
- e. Replacement or major repair of exterior structural elements which are essential to achieve a stable general condition with no threat of further deterioration (for example, removal and replacement of rotted materials, repointing of a large area of exterior walls to eliminate water seepage, major repair of unstable or deteriorated foundation walls, or painting wood which has never been painted, stained or treated).

The phrase "in danger of failure" is defined as likely to fail (i.e., need replacement or major repair) within two years after the initial inspection. By limiting the time period to two years, eligible units are restricted to those where a major system or component is clearly in need of replacement.

B-2 Question: How is the \$1000 per unit rehabilitation requirement determined?

Answer: The prorated cost of common improvements (e.g., roof, heating system) may be included in the costs for individual units, but averaging costs of rehabilitation to individual units in order to achieve the \$1000 per unit cost is not permitted. For example, if an owner proposes to rehabilitate three units for the respective costs of \$500, \$500, and \$2000, only the unit requiring \$2000 of rehabilitation may be included in the program.

Page 59/91

7420.3 REV-2  
CHG-17

Appendix 42

B-3 Question: A building contains 10 units, five of which will be assisted, and the total cost of common improvements is \$10,000. How much of this amount is attributable to each

assisted unit?

Answer:\$1,000. The cost of the common improvements must be divided by the total number of units in the building, whether assisted or not.

B-4 Question: Can replacement of ranges or refrigerators or work on the yard or grounds surrounding the unit be counted towards the \$1000 per unit minimum?

Answer:Only if current condition of the ranges, refrigerators, or grounds constitutes a violation of the HQS (Sections 882.109(b) and (k)(2)) or other standards as specified in the PHA's application and approved by HUD.

B-5 Question: Suppose the locality has a CDBG-funded rehabilitation grant program (other than the Rental Rehabilitation Program) to stimulate residential rehabilitation, and an owner is given a grant for a certain portion of the rehabilitation cost. How much of the rehabilitation cost can be counted for purposes of the \$1000 minimum?

Answer:All of the rehabilitation cost can be counted toward the \$1000 minimum, regardless of the amount of the grant.

B-6 Question: Do the regulations specify a maximum amount of rehabilitation?

Answer: No.

9/91

Page 6

7420.3 REV-2

CHG-17

Appendix 42

## C - Rents

C-1 Question: Are Section 8 project-based Certificate units subject to local rent control laws?

Answer:The Section 8 Program does not preempt local rent control laws. However, local laws may allow units subsidized under the Section 8 Program to be exempt from rent controls. PHAs in jurisdictions subject to rent controls should consult with local counsel to determine the applicability of rent controls to the project-based component of the Certificate Program.

\*

C-2 Question: How are initial contract rents established for non-insured units?

Answer: The Valuation staff of the HUD Field Office establishes the initial contract rents in accordance with Appendix 40 of Handbook 7420.3 REV.

\*

C-3 Question: How are initial contract rents established for insured and coinsured projects?

Answer: The Valuation staff of the HUD Field Office establishes the initial contract rents for both insured and coinsured projects in accordance with Appendix 41 of Handbook 7420.3 REV.

\*

C-4 Question: What are the exception rent policies for the Project-Based Certificate Program?

Answer: The exception rent policies for project-based Certificate units are summarized in Section 4 of Appendix 40 of Handbook 7420.3 REV. Note in particular that exception rents cannot be approved for a specific project (or the immediate neighborhood including a specific project) based solely on market comparables or high construction costs. In addition, HUD approved exception rents (for a specific neighborhood or the entire locality) pursuant to Section 882.714(b)(2)(ii) and (iii) may not be approved for units in a soft market.

Page 79/91

7420.3 REV-2  
CHG-17

Appendix 42

C-5 Question: What if Field Office Valuation staff or travel funds are insufficient to perform the on-site comparability analysis?

Answer: There is a possibility that the comparability analysis may be completed by a HUD contract appraiser. Field Offices should contact the Multifamily Technical Support Division for directions in this area.

9/91

Page 8

7420.3 REV-2

CHG-17

Appendix 42

#### D - Relocation

D-1 Question: Tenants cannot be permanently displaced from units to receive project-based subsidies. Is this requirement retroactive?

Answer: The permanent displacement requirement is applicable to displacement following submission of the owner's application to the PHA.

D-2 Question: Does the owner or the PHA issue temporary relocation notices to tenants?

Answer: The owner, unless the PHA opts to issue these notices.

D-3 Question: Is the owner or the PHA responsible for paying temporary relocation costs?

Answer: The owner is responsible for paying temporary relocation costs. However, the owner may be reimbursed using CD funds or PHA operating reserves (excess administrative fees), if such funds are available.

Page 99/91

7420.3 REV-2  
CHG-17

Appendix 42

#### E - Other Federal Requirements

E-1 Question: a. Who is responsible for ensuring that the owner or contractor pays Davis-Bacon wage rates for construction work on a project of nine or more units?

b. For the provision of the wage rates to the PHA?

Answer: a. The PHA is responsible, subject to HUD Field Office monitoring.

b. The HUD Field office will provide the wage rates to the PHA upon request.

E-2 Question: If an owner is using Community Development Block Grant (CDBG) funds to finance the rehabilitation or construction of his or her property, which program regulations would the owner be subject to in terms of selecting a contractor to do the work and determining the applicability of Davis-Bacon requirements?

Answer: The regulatory requirements for owner selection of a contractor are essentially the same for CDBG and project-based assistance. The CDBG grantee or the PHA may, however, impose additional requirements for owner selection of contractors as a matter of local discretion (e.g., a requirement for competitive bids). The owner is expected to comply with the more restrictive requirements. Likewise, the CDBG regulations which require the Davis-Bacon wage rates be paid on construction work for projects of eight or more units should be followed if CDBG funds are used.

E-3 Question: A 213 letter was obtained in connection with the PHA's application for Certificate funding. Must HUD send another 213 letter to city officials if a PHA wants to implement a Project-Based Certificate Program?

Answer:No, if the PHA is implementing a project-based rehabilitation component. Yes, if the PHA is implementing a new construction component. HUD must solicit 213 comments on general location (not housing type, unit sizes, on number of units) when the PHA initially selects a new construction project.

9/91

Page 10

7420.3 REV-2

CHG-17

Appendix 42

\*

E-4 Question: Are Part 52 intergovernmental reviews required for the Project-Based Certificate Program?

Answer:No, if the PHA is implementing a project-based rehabilitation component. Yes, if the PHA is implementing a new construction component and the State has adopted an intergovernmental review process. The PHA must solicit Part 52 comments each time the PHA selects a new construction Project.

E-5 Question: What are the environmental review requirements for the Project-Based Certificate Program?

Answer:HUD will complete the environmental reviews required by Part 50 for all projects selected by the PHA, for both the rehabilitation and new construction components, regardless of the size of the project.

\*

E-6 Question: How do the accessibility requirements of Section 504 of the Rehabilitation Act of 1973 apply to units that are rehabilitated or newly constructed under the project-based certificate program?

Answer: The applicable requirements are as follows:

(A) For new construction projects of at least 5 units:

(1) The project must be designed and constructed to be readily accessible to and usable by individuals with handicaps in accordance with the Uniform Federal Accessibility Standards (UFAS) for residential structures.



(2) A minimum of 5 percent of units in the project, but not less than 1 unit, must be made accessible for persons with mobility impairments.

(3) An additional minimum of 2 percent of the number of units in the project, but not less than 1 unit in the project, must be made accessible for persons with hearing or vision impairments.

(Note: Answer continued on next page)

Page 119/91

7420.3 REV-2  
CHG-17

Appendix 42

(B) For substantial rehabilitation projects (those projects with 15 or more units and alterations that cost 75 percent or more of replacement cost of the completed facility), the above new construction requirements are applicable.

(C) For rehabilitation projects of at least 5 units that do not meet the above definition of substantial rehabilitation:

(1) Single elements or spaces that are rehabilitated must, to the maximum extent feasible, be made readily accessible to and usable by persons with handicaps in accordance with the UFAS. Once five percent of the units in a project are readily accessible to and usable by individuals with mobility impairments, then no additional elements of units, or entire units, must be made accessible.

(2) If alterations to a combination of single elements and/or spaces of a unit amount to an alteration of the entire unit itself (e.g., bathroom, kitchen, and entryway are all altered), the entire unit must be made accessible to persons with handicaps in accordance with the UFAS. Once five percent of the units in a project are readily accessible to and usable by individuals with mobility impairments, then no additional elements of units, or entire units, must be made accessible.

(3) Alterations to common areas of buildings must be made accessible to and usable by individuals with handicaps to the maximum extent feasible.

(4) The phrase "to the maximum extent feasible" does not require owners to make a unit, common area, facility or element thereof accessible if it would impose undue financial and administrative burdens on the operation of the project.

(Note: Answer continued on next page)

7420.3 REV-2

CHG-17

Appendix 42

(D) Section 504 does not require that units in projects of less than 5 units be made accessible.

The above requirements are found at 24 CFR 8.22 and 8.23.

Note: The minimum number of units that must be made accessible refers to the percentage of all units in the project (total units under one Agreement or one owner application which are treated as a whole for processing purposes, whether or not located on a common site), not just those that are assisted under the project-based certificate program. In addition, HUD may prescribe a higher percentage or number of units be made accessible in some cases,

\*

E-7 Question: How do the design and construction requirements of Sections 6(a) and (b) and 15 of the Fair Housing Amendments Act of 1988 (24 CFR 100.205) apply to units that are rehabilitated or newly constructed under the project-based certificate program?

Answer: The Fair Housing Act accessibility requirements only apply to newly constructed units as follows:

(A) Covered multifamily dwellings (buildings consisting of 4 or more dwelling units if such buildings have one or more elevators; and ground floor dwelling units in other buildings consisting of 4 or more dwelling units) for first occupancy after March 13, 1991 shall be designed and constructed to have at least one building entrance on an accessible route unless it is impractical to do so because of the terrain or unusual characteristics of the site. The burden of establishing impracticality because of terrain or unusual site characteristics is on the person or persons who designed or constructed the housing facility.

(Note: Answer continued on next page)

Page 139/91

7420.3 REV-2

CHG-17

Appendix 42

(B) All covered multifamily dwellings for first occupancy after March 31, 1991 with a building entrance on an

accessible route shall be designed and constructed in such a manner that:

(1) The public and common use areas are readily accessible to and usable by handicapped persons;

(2) All the doors designed to allow passage into and within all premises are sufficiently wide to allow passage by handicapped persons in wheelchairs; and

(3) All premises within covered multifamily dwelling units contain the following features of adaptable design: (a) an accessible route into and through the dwelling unit; (b) light switches, electrical outlets, thermostats, and other environmental controls in accessible locations; (c) reinforcements in bathroom walls to allow later installation of grab bars around the toilet, tub, shower, stall and shower seat, where such facilities are provided; and (d) usable kitchens and bathrooms such that an individual in a wheelchair can maneuver about the space. Units that are in compliance with the appropriate requirements of ANSI A117.1-1986 satisfy the requirements of paragraph B(3).

(C) For purposes of these requirements, a covered multifamily dwelling shall be deemed to be designed and constructed for first occupancy on or before March 13, 1991 if they are occupied by that date or if the last building permit or renewal thereof for the covered multifamily dwelling is issued by a State, County or local government on or before June 15, 1990.

For further information and examples, see 24 CFR 100.205.

9/91

Page 14

7420.3 REV-2

CHG-17

Appendix 42

#### F - Financing Including Use of 1937 Housing Act Funds

F-1 Question: Are PHA operating reserves (excess administrative fees) considered 1937 Housing Act funds? Can PHAs use any Housing Voucher, Certificate or Moderate Rehabilitation operating reserves for Project-Based Certificate Program administrative expenses or for loans to owners to finance the rehabilitation or construction of properties?

Answer: Since PHA operating reserves are considered 1937 Housing Act funds, PHAs may use operating reserves for administrative expenses, but not for rehabilitation or construction costs.

F-2 Question: Are units which have been or will be rehabilitated under the Section 312 loan program eligible for project-based assistance?

Answer: Yes, since this program is not authorized by the 1937 Housing Act.

F-3 Question: Are the FHA mortgage insurance programs such as Section 221(d) or 223(f) considered 1937 Housing Act funds?

Answer: No. The FHA mortgage insurance programs are authorized under the National Housing Act, not the U.S. Housing Act.

F-4 Question: Are Community Development Block Grant funds considered 1937 Housing Act funds?

Answer: No.

Page 159/91

7420.3 REV-2  
CHG-17

Appendix 42

#### G - Unit/Owner Selection

G-1 Question: How is "owner" defined? Must an individual (or company) have title to the property in order to submit a proposal or is an option to purchase sufficient?

Answer: An option is sufficient at the time of the owner's application, but title to the property or other control of the property (such as a long-term lease) over the term of the HAP Contract is required before an Agreement can be executed.

G-2 Question: Does 100% of the units in a building have to be assisted?

Answer: No, partially assisted buildings are acceptable.

G-3 Question: May a PHA select units for project-based assistance if another building in the apartment complex or other units in the same building have been or will be rehabilitated under the Rental Rehabilitation Program?

Answer: The Rental Rehabilitation regulations (24 CFR 511) prohibit use of the Rental Rehabilitation Program in a project assisted or to be assisted under the Section 8 Project-Based Certificate Program. A project is defined as one or more contiguous buildings under common ownership with a common mortgage or financing arrangement. Therefore, the two programs cannot be combined in the same unit or building but, depending on the form of financing and ownership, separate buildings in an apartment complex not subject to a common financing arrangement could possibly be rehabilitated under each program.

G-4 Question: May a PHA select units for project-based assistance if another building in the apartment complex or other units in the same building are or will be rehabilitated under the Section 8 Moderate Rehabilitation Program?

Answer: The PHA may select a unit for project-based assistance if the Moderate Rehabilitation funds are not used for any rehabilitation within the specific units proposed for rehabilitation in the project-based component. It is noted that the rents established under each program will be different.

9/91

Page 16

7420.3 REV-2

CHG-17

Appendix 42

G-5 Question: May the PHA select a unit which was previously assisted under the Section 8 program?

Answer: The PHA may not select Section 8 New Construction, Substantial Rehabilitation, Property Disposition (other than as-is sales), or Moderate Rehabilitation units unless 5 years had passed since completion of the rehabilitation or construction and the New Construction, Substantial Rehabilitation, Property Disposition or Moderate Rehabilitation HAP Contract is terminated. Units assisted under the tenant-based Certificate, Housing Voucher and Loan Management set-aside programs may be assisted immediately after termination of the HAP Contracts if the units are otherwise eligible, meet the \$1000 minimum rehabilitation requirement, and the rehabilitation or construction of these units occurred without 1937 Housing Act assistance. A distinction is made between these two categories of Section 8 programs since the first category involves rehabilitation or construction with assistance under the 1937 Housing Act (see Section 882.711 of the regulations) and the second category does not.

G-6 Question: Can a unit be selected where the in-place family is too small for the unit and a suitable size unit is not available in the building or complex? If yes, what would be the contract rent level?

Answer: The PHA may bring the unit under Agreement or HAP Contract if the owner is willing to accept a contract rent for the unit size determined appropriate for the family in accordance with the PHA's occupancy standards stated in their administrative plan. For example, if according to the PHA's occupancy standards the family would have been eligible for a 2 bedroom Certificate but is living in a 3

bedroom unit, the owner would have to be willing to accept a 2 bedroom contract rent during the occupancy of that family. When the original family vacates the unit and the owner leases the unit to an eligible family of the appropriate size, the contract rent may be increased to reflect the actual size of the unit.

The contract rent reflecting the actual unit size will be shown in Exhibit A of the HAP Contract. An Exhibit D of the HAP Contract should be prepared to identify the underoccupied units, the size of the families occupying them, the unit sizes appropriate for these families and the reduced contract rents applicable to those unit sizes. Once the families identified in Exhibit D vacate the units, the rents shown in Exhibit A (plus any appropriate annual adjustments) will be in effect. A format for Exhibit D is provided as an attachment to this Appendix.

Page 179/91

7420.3 REV-2  
CHG-17

Appendix 42

G-7 Question: Does the 40 percent limitation on leasing of units in Federally subsidized rental projects apply to the project-based component of the Certificate Program?

Answer:No. Section 882.110(d) of the regulations, which states the 40 percent limitation, only applies to the tenant-based component of the Certificate Program and does not apply to project-based Certificates. Section 882.709, which in the project-based program is substituted for Section 882.110, contains no similar restriction.

G-8 Question: Can the PHA bring under Contract a unit where the family is overcrowded according to the PHA's occupancy standards?

Answer:Even though the family is overcrowded according to PHA occupancy standards, in order to prevent displacement the unit could be brought under Agreement and HAP Contract if it meets the requirement of 882.109(c)(2) and 882.209(i)(2) that the unit contain at least one living/sleeping room of appropriate size for each two persons. In such a case, the contract rent for the unit would be established based on the actual unit size. The PHA should consider, however, that if the family size should increase after the unit is under HAP Contract, it might be necessary for the family to move.

G-9 Question: What are the requirements for PHA selection of units?

Answer:The following requirements apply to the rehabilitation and new construction components of the Project-Based Certificate Program:

- PHAs must advertise in a newspaper of

general circulation locally. (Section 882.720(b)).

- The ad must be published after the later of ACC execution for the units or HUD authorization to implement a project-based program (applications in the pipeline prior to this time may not be selected).
- The ad must run once a week for 3 consecutive weeks and specify a minimum 30 day application deadline from the last publication date.
- Only applications submitted in response to the ad may be selected. Pipeline applications from a prior ad cannot be selected.
- The ad must be approved by the HUD field office.

(Note: Answer continued on next page)

9/91

Page 18

7420.3 REV-2

CHG-17

Appendix 42

- The PHA's selection policy must be included in the administrative plan approved by HUD and must include the following factors: site, design, previous participation of the principals in HUD-funded programs (2530 clearance), and project feasibility. (PHAs may add additional factors and determine the points to be assigned to each factor.)
- There is a mandatory owner application format.
- PHAs must certify that the units were selected in accordance with the HUD-approved selection policy.
- HUD may terminate the Section 8 contracts if the PHA did not select the units correctly.

G-10 Question: Does HUD encourage PHAs to provide a selection preference for units receiving tax credits?

Answer: No. Although PHAs may utilize project-based assistance in conjunction with tax credits, HUD is concerned that Owners do not receive excessive profits or subsidies by combining tax credits with HUD's subsidy programs. Notice H 90-17(HUD) dated 3/8/90 requires that HUD Headquarters review projects with tax credits.

Page 199/91

7420.3 REV-2

CHG-17

Appendix 42

G-11 Question: What can be done in a case where a unit being considered for selection for project-based assistance is occupied by a Certificate Holder not wishing to give up the Certificate?

Answer: Since the tenant cannot be displaced (See Section 882.712), the PHA cannot bring such a unit under Agreement and HAP Contract. In considering a proposal for a building with Certificate Holders in place, the PHA should plan to bring into the program only those units where the tenant agrees to move or to give up its Certificate and come under the project-based assistance contract. If after selection of the application and execution of the Agreement, the family changes its mind and decides not to relinquish the Certificate, the PHA would place the unit under the project-based HAP Contract, but would make no payments on the unit under the project-based HAP Contract until a new tenant moves to the unit or the family relinquishes its Certificate. (The PHA may provide a selection preference, utilizing its 10% discretionary pot, to tenants who gave up their Certificates but want to move with continued assistance during the term of the project-based HAP Contract.)

G-12 Question: Can the PHA ad for project-based Certificate owner applications be restricted to nonprofits? Can the PHA's selection policy provide a preference for applications from nonprofit owners?

Answer: No, in both instances. If the PHA has a tenant selection preference for special populations such as the homeless, the PHA could provide a unit selection preference for owners having direct experience, or capable of obtaining the necessary expertise, in meeting the needs of the targeted special population.

G-13 Question: Can a PHA restrict owner applications to predesignated buildings or construction sites?

Answer: No. Section 882.720 requires that site be a ranking factor used in selecting owner applications.

9/91

Page 20

7420.3 REV-2

CHG-17

Appendix 42

H - Agreement to HAP Contract

H-1 Question: What is the purpose of the Agreement?



Answer:The Agreement serves as a statement of intent by the PHA that it will, upon completion of rehabilitation or construction and occupancy by an eligible family, provide housing assistance payments over a specified period. In order to obtain financing, the owner may use the Agreement as a pledge or security for the rehabilitation loan. The Agreement includes, among other provisions, work items, dates for the beginning and completion of the work, and the amount of the rent to be paid to the owner after rehabilitation or construction.

H-2 Question: Will the PHA be held liable if a tenant receives physical injuries during the course of rehabilitation or construction and as a direct or indirect result of it?

Answer:No. The Agreement specifies that any claim for damages which may arise during the rehabilitation or construction process is not the responsibility of the PHA.

H-3 Question: Is a certificate of occupancy required at completion of the rehabilitation or construction even though the local government does not require one?

Answer:If a certificate of occupancy is not required by the local government, then it is not required for the Project-Based Certificate Program. Completion approvals or documents from the local government above or beyond those required by the locality are not required.

H-4 Question: Does the project-based Certificate component require that a contractor perform the rehabilitation or construction?

Answer:No, the regulations do not require that participating owners use contractors to perform the rehabilitation or construction. However, PHAs may elect to require use of contractors depending on the scope and complexity of the work to be accomplished.

Page 219/91

7420.3 REV-2  
CHG-17

Appendix 42

H-5 Question: Can the PHA perform some or all of the rehabilitation or construction work?

Answer:No. This is inappropriate since the PHA is the contract administrator on behalf of HUD and is responsible for monitoring and inspecting all work done under the program to assure that the work is being done in an acceptable manner.

H-6 Question: May a PHA execute an Agreement for units for which HUD has reserved funds but which are not yet under ACC?.

Answer: No.

9/91

Page 22

7420.3 REV-2

CHG-17

Appendix 42

#### I - HAP Contract Term

I-1 Question: What is the maximum HAP Contract term using a FY 1988 funding source (15 year ACC term) when the rehabilitation will take 6 months, and PHA owner application processing time is 3 months after the execution of the ACC for the FY 1988 funds?

Answer: 14 years, 3 months (15 years minus 6 months and minus 3 months).

I-2 Question: When does the PHA have to decide whether they will renew HAP Contracts for 10 years (2 additional 5 year terms up to a total of 15 years ), subject to available funds?

Answer: If the PHA checks the box to make Section 1.1(c) of the HAP Contract applicable, the PHA must extend the HAP Contract for 10 years (up to a 15 year maximum term), if future funds become available and the owner wants the HAP Contract renewed. However, if the PHA did not check the box to make Section 1.1(c) of the HAP Contract applicable, the PHA still retains the sole discretion to exercise renewal options at a later time. For example, the PHA could wait until the 4th year of a 5 year HAP Contract to make a renewal decision. Checking the box at Section 1.1(c) commits the PHA to a 10 year renewal (subject to fund availability) at the front end; however, not checking the box does not preclude the PHA from exercising that option at a later date.

I-3 Question: May a PHA execute HAP Contracts with a commitment to owners that it will renew the HAP Contracts for additional 1- to 4- year periods subject to availability of funds?

Answer: Yes. PHAs have the flexibility to renew HAP Contracts for any period, provided the cumulative HAP Contract term does not exceed 15 years.

I-4 Question: Assume a PHA received funds for 50 units in FY 1988, and the 15% limit applied to the PHA's entire Certificate Program is 65 units. What are the PHA options for HAP Contract terms if the PHA wishes to use the FY 1988 funds for project-based subsidies?

Answer: The PHA has a number of choices, as illustrated below. (The list is nonexclusive).

a.The PHA could enter into 1 or more HAP Contracts for up to 50 units for 15 year terms (less the rehabilitation period).

Page 239/91

7420.3 REV-2  
CHG-17

Appendix 42

b.The PHA could enter into 2 HAP Contracts for 25 units, each for 5 year terms (less the rehabilitation period). The 50 families would be issued tenant-based Certificates upon expiration of the 5 year term.

c.Depending on the availability of tenant-based Certificates from another funding source, the PHA may be able to project-base more than 50 total units from the FY 1988 funding. For example, the PHA could execute HAP Contracts for 35 units for 15 years (less the rehabilitation period). At the expiration of the 10 year contract, the PHA must issue tenant-based Certificates to the 15 families. If the PHA has another 15 tenant-based Certificates available from another funding source, it could then use the FY 1988 funding to enter into a HAP Contract for 15 more units for 5 years (less the rehabilitation period), thereby using the 50 units funded in FY 1988 to project-base 65 total units (the 15% limit). Note: The PHA cannot execute concurrent HAP Contracts from the FY 88 funding source for 65 units since that number of units exceeds the number (50 units) in the FY 1988 funding source.

I-5 Question: Can a PHA condition extension or renewal of the HAP Contract on factors such as whether the owner is serving the homeless?

Answer:No, such condition cannot be included in the HAP Contract. (The HUD-prescribed HAP Contract cannot be modified.) However, the PHA could make the owner's willingness to serve the homeless part of the renewal negotiation; in this case the PHA should not check the renewal box in Section 1.1(c) of the HAP Contract.

9/91

Page 24

7420.3 REV-2

CHG-17

Appendix 42

J-1 Question: Do eligible in-place tenants prior to the rehabilitation count against the PHA's 10% discretionary pot if they do not meet one of the three federal selection preferences?

Answer:No. Section 882.753(b) requires PHAs to assist such eligible tenants without requiring the families to be placed on the waiting list.

J-2 Question: Do families not meeting the federal selection preferences who are selected by the PHA from the waiting list or referred by owners to fill vacancies count against the PHA's 10% discretionary pot?

Answer:Yes, unless there are not families who qualify for the federal preferences on the PHA's waiting list. It is noted that a provision of the McKinney Act Amendments of 1988 allows HUD to increase the PHA's 10% discretionary pot to assist families living in Rental Rehabilitation projects or for other good cause.

J-3 Question: Do eligible in-place tenants prior to the rehabilitation who are lower-income but not very low income need to be counted as an exception under Section 813.105?

Answer:Yes. The PHA must assist these families. Exception authority should be requested from HUD, if necessary.

J-4 Question: Does HUD need to authorize (pursuant to Section 812.3) a PHA to assist income eligible in-place single persons?

Answer:Yes. The PHA must assist these persons and HUD will provide the authorization.

Page 259/91

7420.3 REV-2  
CHG-17

Appendix 42

\*

J-5 Question: May PHAs maintain separate waiting lists for specific projects, special populations such as the homeless or, in the case of a statewide programs, for different geographic areas?

Answer:No. Section 882.753(c) requires that the PHA use the tenant-based Certificate and Housing Voucher waiting list for the Project-Based Certificate Program. The PHA must maintain a single waiting list for the Certificate and Housing Voucher Programs, and cannot maintain separate waiting lists for project-based assistance. However, the PHA may establish a selection preference indicating that an established number of new or turnover Certificates will be used for special populations such as homeless or handicapped applicants, and applications from these populations may be

prioritized similar to the way the PHA categorizes applications for different unit sizes. Such selection preferences may not be limited to populations referred by or serviced by specific service agencies, nor to applicants or participants enrolled in a particular program (e.g., JOBs). The PHA's tenant selection policies may also require applicants to indicate whether they are unwilling to accept project-based unit offers in a particular project or area of the State so the PHA can skip these families when a nonacceptable vacancy occurs. (PHAs cannot provide a selection preference for applicants living in or who will move to a specific project or area of the State.)

9/91

Page 26

7420.3 REV-2

CHG-17

Appendix 42

#### K - Management Issues

K-1 Question: What happens if the owner wants to sell the housing unit(s) after execution of the HAP Contract?

Answer: An owner may sell a unit under HAP Contract with prior approval of the PHA if the new owner accepts the terms and conditions of the HAP Contract. The PHA's criteria for approval of a new owner will be those used for initial acceptance of any owner under the program. The owner must submit Form HUD 2530, Previous Participation, and the PHA must receive HUD approval prior to approving the new owner.

K-2 Question: Are there any sanctions HUD can impose on an owner who fails to abide by the terms of the HAP Contract?

Answer: HUD can exclude the owner from participation in HUD programs consistent with the Part 24 regulations for debarment, suspension and limited denial of participation. If considered appropriate, the PHA can also take legal action to enforce the terms of the HAP Contract and can terminate the HAP Contract for owner breach.

K-3 Question: Can the PHA pay the housing assistance payments directly to the lending institution which has made the rehabilitation or construction loan?

Answer: Yes, the housing assistance payments can be sent directly to the lending institution which made the loan, provided the following conditions are met: (a) the owner must request in writing that the payment be sent to the lender (in the owner's name) and the request should be retained in the PHA's files, (b) the PHA must send the entire housing assistance payment to the lending institution (the

arrangement between the lending institution and the owner can require the lender to make all payments or deposits required by the loan and remit the excess to the owner), (c) the designation of the lending institution as payee must in no way obligate the PHA to the lender, and (d) the arrangement must be in accordance with State and local law.

Page 279/91

7420.3 REV-2  
CHG-17

Appendix 42

K-4 Question: If an owner defaults on the rehabilitation or construction loan, is the PHA liable to the lending institution? Does pledging the HAP Contract as security for the loan affect the PHA's liability?

Answer: Since the PHA does not have a contractual relationship with the lending institution, the PHA is not liable to the lender if the owner defaults on the loan, whether or not the Agreement or HAP Contract has been pledged. In cases of a loan default when the owner has pledged the Agreement or HAP Contract, the lender will have no rights except as successor to the owner.

K-5 Question: Do all the forms applicable to the tenant-based component of the Certificate Program also apply to the project-based component?

Answer: Yes, with the exception of the Lease Addendum, Certificate and HAP Contract. New forms have been, or will be, issued as follows: HAP Contract, Agreement, Lease Addendum, Statement of Family Responsibility, and Report on Project-Based Component. In addition, the following forms are used for Davis-Bacon requirements under the project-based component: SF-308 Request for Determination and Response to Request, Publication WH-1321 Notice to Employees, WH-348 Statement of Compliance, and HUD-11 Record of Employee Interview.

K-6 Question: May a PHA charge owners application processing or inspection fee for the Section 8 Project-Based Certificate Program?

Answer: No. The PHA is not authorized to collect fees from owners (or tenants) to offset the expense of performing PHA administrative functions since an administrative fee is paid for this purpose.

K-7 Question: How long can Certificates be held (i.e., not originally issued) for future project-based use?

Answer: The maximum time that a PHA may hold new increments of units for future use in a project-based program is the time specified in the HUD approved leasing schedule (12 months or less). However, if the units are under Agreement but the

rehabilitation is not completed within the time specified in the leasing schedule, HUD may extend the leasing schedule.

9/91

Page 28

7420.3 REV-2

CHG-17

Appendix 42

K-8 Question: How long can Certificates be held (i.e., not reissued to eligible families) for future project-based use?

Answer: Twelve months. Tenant-based Certificates must be reissued to eligible families if the PHA is unable to execute an Agreement within 12 months from the date that the Certificate became available for reissuance (the date the Certificate expired for families searching for units or the date of termination of assistance for a participating family).

K-9 Question: May a PHA overissue Certificates (in accordance with Section 4-10 of Handbook 7420.7) to implement a Project-Based Certificate Program?

Answer: No, a PHA may only commit (by execution of an Agreement) project-based subsidies for units under ACC which are not under a HAP Contract or an outstanding Certificate. Project-based subsidies may only be committed from new increments of units for which Certificates have never been issued, or from turnover Certificates which have not been reissued to families. For example, assume a PHA has a 50 unit program consisting of 25 two bedroom and 25 three bedroom units. Based on PHA experience the PHA has overissued 5 three bedroom Certificates, which result in HAP Contracts for 51 units and 4 families searching for units. In this case, the PHA could not commit project-based subsidies for any two or three bedroom units until the total of the units under HAP Contract and Certificates issued to families searching for units falls below the number of units under ACC (50 units).

K-10 Question: At expiration or cancellation of the HAP Contract, are families with incomes over the very low income level eligible for continued Certificate assistance? (Section 882.753(e).)

Answer: Yes, these families are eligible for continued assistance if they are receiving assistance at the time of the ending of the HAP Contract. The income limit is used to determine eligibility of families only initially. Families receiving assistance when the HAP Contract ends are considered continuously assisted and therefore their income level is not used to determine eligibility for continued assistance.

7420.3 REV-2  
CHG-17

Appendix 42

K-11 Question: What provisions have been made for a family assisted under the Project-Based Certificate Program who wishes to move during the term of the HAP Contract?

Answer: The subsidy is tied to the unit rather than to the family, so if a family wishes to move, the vacated unit will be reoccupied by another family determined eligible and referred to the owner by the PHA. The family that moves is not guaranteed continued assistance but the PHA may give the family priority in any of the programs it administers, if consistent with PHA policy. However, if the family is forced to move through no fault of its own, the PHA will assist them in finding suitable, affordable housing.

K-12 Question: At expiration or cancellation of the HAP Contract, are families issued tenant-based Certificates?

Answer: Yes, unless there is insufficient funding (because the term of the ACC of the funding source used to project-base the units has expired) or if the PHA denies continued assistance to the family pursuant to 882.210. If the unit is vacant when the HAP Contract is terminated and the ACC term for the project-based funding source has not expired, the PHA may issue a Certificate to a family on the waiting list or enter into a new project-based HAP Contract.

K-13 Question: Are initial rent-up vacancy payments permissible under the Project-Based Certificate Program?

Answer: No. Section 882.105 applies to the project-based program since Subpart G does not identify this Certificate provision as being inapplicable.

K-14 Question: What are the Independent Group Residence (IGR) policies under the Project-Based Certificate Program?

Answer: Separate leases will be executed for each eligible individual or family. One HAP Contract will be executed for each IGR. One bedroom may be occupied by one or two resident assistants; other individuals not receiving Section 8 assistance may not live in the unit. The FMR is based on the unit size (e.g., a 4-bedroom FMR for a 4-bedroom unit). The gross rent will be prorated to each Section 8 recipient based on the total number of Section 8 recipients (e.g., if a 4-bedroom unit is occupied by 3 tenants and 1 resident assistant, each of the 3 Section 8 tenants will receive a housing assistance payment based on 1/3 of the gross rent). These policies are stated in Section 882.714(e).



7420.3 REV-2

CHG-17

Appendix 42

K-15 Question: Are tenants given utility allowances based on the PHA's Certificate Program utility allowances or the HUD-determined personal benefit expense used to determine initial contract rents?

Answer: The PHA's utility allowances are only used for tenants participating in the tenant-based component of the Certificate program. HUD will establish a personal benefit expense (the initial utility allowance) for each project-based unit. Adjustments to these initial, project-specific allowances will be done by the PHA in accordance with Section 882.214. (The PHA will impute the initial monthly consumption amount per utility by dividing the HUD personal benefit expense by the applicable utility rate. Adjustments due to rate increases or decreases would be calculated by the PHA by multiplying the imputed initial monthly consumption amount by the revised utility rate.)

Page 319/91

7420.3 REV-2

CHG-17

Appendix 42

#### L - Administrative Fee

L-1 Question: What are the administrative fees for the project-based Certificate component?

Answer: There are no additional fees for the project-based Certificate component. The PHA administrative fees are only those paid for the total Certificates (tenant-based or project-based) allocated to the PHA. If a PHA decides to use previously allocated Certificate funding to provide project-based assistance, additional preliminary fees will not be provided. The ongoing administrative fee is paid on the basis of units under HAP Contract as of the first day of each month.

L-2 Question: Does the PHA earn an administrative fee for units under a project-based Certificate HAP Contract which are occupied by Section 8 families receiving no assistance (e.g., families whose Total Tenant Payment exceeds the gross rent for the unit)?

Answer: Yes. The ongoing administrative fee is earned for units

where the family no longer needs assistance as long as the unit is under a HAP Contract. Since the PHA must still annually inspect the unit and reexamine family income to determine whether the tenant should be receiving assistance, the on-going administrative fee is earned even if tenants are not currently receiving assistance.

However, in accordance with 882.741 and 882.512, if at any time beginning six months after the effective date of the HAP Contract the owner fails to have at least 90 percent of the units leased or available for leasing by eligible families (because families initially eligible become ineligible), the PHA may, on at least 30 days notice, reduce the number of units covered by the HAP Contract so that potential assistance does not go unused. If the number of units under HAP Contract is reduced, the PHA will earn ongoing administrative fee only for those units remaining under HAP Contract.

L-3 Question: Does the PHA earn an administrative fee for vacant units under HAP Contract in the Project-Based Certificate Program?

Answer:Yes, ongoing administrative fee earned in the Section 8 Certificate Program is based on units under HAP Contract on the first day of the month. As long as the vacant unit is under HAP Contract, the PHA would earn ongoing administrative fees for that unit. The rationale for continued administrative fee payment for a vacant unit is that the PHA has responsibility for actively seeking to fill the vacancy as well as for annual inspections of the unit.

9/91

Page 32

7420.3 REV-2

CHG-17

Appendix 42

#### M - PHA Application to Implement A Project-Based Program

M-1 Question: Does the unit size distribution in the PHA's application to implement a Project-Based Certificate Program have to reflect the unit size distribution in the PHA's total program?

Answer:No. The unit size distribution has to be consistent with the funding source, but does not need to be proportional to the PHA's total program.

M-2 Question: If a PHA has a track record of poor contract administration, may the Field Office disapprove the PHA's application to implement a Project-Based Certificate Program?

Answer:No. The statute gives PHAs a right to implement a

project-based program in accordance with the statute and HUD requirements. The HUD review of the PHA application to implement a Project-Based Certificate Program is limited to the criteria listed in Section 882.703 and 883.704. However, nothing in the statute prohibits close HUD monitoring, and based on the findings of such monitoring the Field Office could require that certain PHA actions (e.g., unit selection, Agreement or HAP Contract execution) receive prior HUD approval to assure compliance with HUD requirements. Sanctions outlined in Section 5-10 of Handbook 7420.3 may also be appropriate for PHAs in violation of regulatory or contractual requirements.

M-3 Question: If a PHA is fully leased up, may the HUD Field Office approve an application to project-base Certificate units?

Answer:Yes. Even though a PHA cannot immediately implement a project-based program, the Field Office may approve a PHA application to attach assistance to units based on the PHA's expectation of turnover units resulting from future termination of participation by assisted families. In such cases, the PHA's application to implement a Project-Based Certificate Program will be based on projections which may or may not materialize. Amendments to the approved application with respect to the unit size distribution and funding source may have to be submitted to HUD for approval prior to any owner commitments.

Page 339/91

7420.3 REV-2  
CHG-17

Appendix 42

M-4 Question: May a PHA implement a project-based program with Housing Vouchers?

Answer: No. The Field Office must disapprove such a request.

9/91

Page 34

7420.3 REV-2

CHG-17

Appendix 42

N - 15% Limit

N-1 Question: What effect will future ACC expirations (e.g., the end of a 15 year term for units reserved in FY 1975) for increments of units have on the 15% limit?

Answer:There will be no effect if project-based contracts were

already executed pursuant to a HUD authorization to implement the project-based component. However, the 15% limit based on the reduced number of total Certificate units for the specified funding sources must be adhered to for any project-based units which were authorized by HUD but are not under Agreement or HAP Contract at the time the number of units in the ACC is reduced. (Since Certificate units are being replaced on a one-for-one basis, the total number of units under ACC will not be reduced. However, the PHA will need to submit a new application to implement project-based Certificate assistance for the new funding source since it will have a different ACC expiration date.)

N-2 Question: Can "Moderate Rehabilitation Certificates" created through the termination of a Section 8 Moderate Rehabilitation HAP Contract when the owner has violated the HAP Contract be brought into the Project-Based Certificate Program? Since these "Certificates" remain in the Moderate Rehabilitation ACC, can they be included in the Certificate Program base when calculating 15 percent of the PHA's Certificate Program to which assistance can be attached?

Answer: Only those Certificates funded originally as Section 8 Existing Certificates are eligible for inclusion in the Project-Based Certificate Program. Since Certificates created through termination of a Section 8 Moderate Rehabilitation HAP Contract (in accordance with 24 CFR 882.514(e)) were funded through the Moderate Rehabilitation Program and remain under the Moderate Rehabilitation ACC, they are not counted in the Certificate Program base used to calculate the maximum number of units to which a PHA may attach assistance. Likewise, no Project-Based Certificate Program HAP Contract can be executed in connection with the "Moderate Rehabilitation Certificates" since their funding source is the Section 8 Moderate Rehabilitation Program.

N-3 Question: When a unit redistribution is required in conjunction with a PHA's application to implement a Project-Based Certificate Program, and the redistribution results in a number of units either larger or smaller than the number originally in the PHA's Certificate Program, is the 15 percent calculated on the new base?

Page 359/91

7420.3 REV-2  
CHG-17

Appendix 42

Answer: Yes, the calculation to establish the number of units to which the PHA can attach contracts would be 15 percent of the total units in the PHA's program after the unit redistribution.

N-4 Question: When calculating the 15% limit, can you round up to the nearest whole number?

Answer:No, because rounding up would result in a number exceeding the 15% limit. For example, the 15% limit for a program of 545 units is 81 units, not 82 units.

N-5 Question: Can Section 8 Certificate units resulting from the conversion of Section 23 leased housing be included in the Certificate base when calculating the 15% limit?

Answer:Yes, provided the Certificate replacement units are under ACC. The funding source year for these units will be the federal fiscal year during which the Certificate units were reserved.

N-6 Question: Can Housing Vouchers be included in the Certificate base when calculating the 15% limit?

Answer: No.

N-7 Question: Can units reserved but not under ACC be used in calculating the 15% limit?

Answer:No, the 15% limit is based on the total number of Certificate units under ACC. However, HUD may authorize a project-based program equal to 15% of the total number of units reserved. In such a case, the PHA must not enter into Agreements for more than 15% of the total number of units under ACC.

9/91

Page 36

7420.3 REV-2

CHG-17

Appendix 42

#### O - Funding

O-1 Question: Is there a special funding pot for the Project-Based Certificate Program?

Answer:No new funds are being provided expressly for the Project-Based Certificate Program. Certificates used to provide project-based assistance will come from the PHA's regular Certificate allocations.

O-2 Question: May a Field Office provide a funding preference for PHA applications which indicate the intention to use approved funds for a project-based program?

Answer:No. The Field Office must follow the selection instructions included with the fund assignment or NOFA and contained in Chapter 3 of Handbook 7420.3. Since PHAs have a statutory right to elect not to project-base assistance, it would be

unfair to PHAs so electing if HUD gave a funding preference to PHAs who indicated they would project-base the funds.

O-3 Question: Does the PHA's funding application need to indicate whether the PHA will use the funds for tenant-based or project-based assistance?

Answer:No. The Certificate application does not include this information.

O-4 Question: If a PHA receives funding after indicating to HUD that receipt of new funding would be used for the Project-Based Certificate Program, is the PHA obligated to use that funding for project-based assistance?

Answer:No. Indications of interest by the PHA, owners, developers or lenders in the project-based component is not supposed to be considered by HUD in making funding decisions and the allocated funding is not contingent upon PHA implementing a project-based program. The decision to utilize Certificate funding as tenant-based or project-based assistance is solely the PHA's option.

Page 379/91

7420.3 REV-2  
CHG-17

Appendix 42

#### P - Housing Quality Standards (HQS)

P-1 Question: May a PHA use different HQS for its tenant-based and project-based Certificate programs?

Answer:No. If variations to the HQS acceptability criteria are approved by the Field Office, the variation must apply to the PHA's entire Certificate Program.

P-2 Question: What is the rationale for HQS being the construction standard instead of local codes or minimum property standards (MPS)?

Answer:Although HUD requires that the units meet HQS, upon completion of the rehabilitation or construction the owner will also need to certify that the units were constructed in accordance with applicable building or housing codes. In addition an inspecting architect's certification that the units were constructed in accordance with local codes must be submitted for noninsured new construction projects. The PHA's final inspection and acceptance of the units will be based on compliance with the HQS. Insured or coinsured rehabilitation or construction must also meet the MPS.

7420.3 REV-2

CHG-17

Appendix 42

Q - New Construction and Rehabilitation Differences

\*

Q-1 Question: Which regulatory requirements are different based on whether the project is newly constructed or rehabilitated?

Answer: The different requirements are as follows:

a.Site and Neighborhood Standards. The new construction requirements (882.708) are more stringent than the rehabilitation standards (882.109 and 882.404(b)).

b.An intergovernmental review, Fair Housing Act compliance review, design architect's certification (Section 882.725) and, for noninsured projects, an inspecting architect's certification (Section 882.733), are only required for new construction projects.

c.HUD staff review the following only for new construction projects: HAP consistency of the first new construction project (See Q&A E-3); and compliance with site and neighborhood standards.

Page 399/91

7420.3 REV-2

CHG-17

Appendix 42

R - HUD Review Responsibilities

\*

R-1 Question: What are the HUD review responsibilities for the Project-Based Certificate Program? How are the responsibilities divided between Housing Development and Housing Management?

Answer:For rehabilitation units, HUD staff have the following responsibilities:

1.Public Housing Division - approve the PHA's application to implement a Project-Based Certificate Program, approve PHA unit selection policies and advertisements for owner applications, review and monitor receipt of PHA unit selection certifications, and conduct on-site PHA management reviews.

2.Valuation Branch - establish initial contract rents and personal benefit expenses (tenant utility allowances), conduct (in conjunction with the Environmental Officer) environmental and historic preservation reviews in accordance with Part 50.

3.Multifamily Housing Representative (MHR) in conjunction with Mortgage Credit - provide 2530 clearance for owners and other principals.

4.Labor Relations Specialist - provide Davis-Bacon wage rates and monitoring.

5.Architectural, Engineering and Cost Branch - perform a cost containment review of housing design and amenities, and Section 504 and Fair Housing Act compliance reviews.

6.Fair Housing and Equal Opportunity staff - in conjunction with the Assisted Housing Management Branch, approve PHA unit selection policies and advertisements for owner applications.

Additional HUD responsibilities for insured and coinsured projects are detailed in Appendix 41 of Handbook 7420.3 REV.

9/91

Page 40

7420.3 REV-2

CHG-17

Appendix 42

For new construction units, HUD performs all the above listed actions for rehabilitation units plus:

1.MHR - in conjunction with the Economist, determine HAP consistency (general location) of the first new construction project (see Q&A E-3).

2.Fair Housing and Equal Opportunity staff - in conjunction with the Economist determine compliance with the site and neighborhood standards.

R-2 Question: What review criteria should be used for PHA unit selection policies?

Answer:PHA unit selection policies will be part of the Section 8 administrative plan approved by the HUD field office. HUD review will include (1) an analysis of whether the policy unduly restricts the location or physical characteristics of the buildings to be selected (e.g., PHAs cannot limit selection to a 57 unit building with 17 efficiencies and 40





to unit

size

specified in

Column 5)
