

CHAPTER 13

SECTION 8 RESOURCES

13-1 BACKGROUND ON THE RELATIONSHIP BETWEEN THE RENTAL REHABILITATION PROGRAM AND THE SECTION 8 PROGRAM. The relationship between the RRP and Section 8 has evolved over time and continues to evolve. Under the RRP, a one-time front end subsidy is provided to the owner to assist in financing the rehabilitation and housing vouchers or certificates are provided to eligible tenants who are or would otherwise be displaced. Notwithstanding the changes in the relationship between the two programs, housing vouchers and certificates remain the primary resource for grantees to assist tenants who are or would otherwise be displaced by the Rental Rehabilitation Program. In this regard, Section 8(u) of the United States Housing Act of 1937 requires that:

- A. Certificates or housing vouchers shall be made available for families who are required to move out of their units because of physical rehabilitation activities or because of overcrowding;
- B. At the discretion of the PHA, certificates or housing vouchers may be made available for families who would have to pay more than 30 percent of adjusted income for rent after rehabilitation whether they choose to remain in or move from the project; and
- C. HUD shall allocate certificates or housing vouchers to ensure that sufficient resources are available to address the physical or economic displacement or potential economic displacement of rental rehabilitation tenants.

Grantees should be aware that, in any individual Fiscal Year, the Congress may provide further specific legislation on how housing vouchers and/or certificates may be used to assist tenants in Rental Rehabilitation projects. Should this occur, specific instructions will be provided to grantees and their cooperating PHAs for that year.

13-2 ALLOCATION OF SECTION 8 RESOURCES. Annually, Field Offices will be required to determine the individual needs of grantees for Section 8 resources. This is accomplished by a yearly Field Office assessment of all RRP projects in the pipeline to determine how many housing vouchers or certificates will be needed for in-place tenants who will require assistance for the next calendar year. The assessment includes information provided by

grantees on Pre-Rehabilitation reports for projects which the Field Office believes will be completed during the year and the Field Office's best estimate as to how many additional units the grantee may commit and complete during the year. This information along with an estimate of the PHA's turnover will be used to determine the minimum allocation of housing vouchers or certificates to be made available to the PHA. Grantees, of course, are responsible for advising the PHA in a timely manner when housing vouchers or certificates will be needed. (See Paragraph 13-5 below on the Memorandum of Understanding between the grantee and the PHA for further information in this regard.)

13-3 HOW SECTION 8 MAY BE USED. Housing vouchers and certificates are the major tools to assist tenants who are actually displaced and to prevent displacement caused by rehabilitation under the RRP. Under 24 CFR 511.14 it is the grantee's responsibility to provide assistance to all eligible tenants who are displaced or who will experience a rent increase after rehabilitation to an amount greater than 30 percent of adjusted income and thus may become displaced. Therefore, grantees should assess the projected tenant assistance needs in a project before a commitment is made to that project. The following rules affecting housing vouchers and certificates need to be understood by all program participants:

A. Eligibility. Housing vouchers may be used for all families whose family incomes are 50 percent or below the area median income and for tenants whose income is below 80 percent who are physically displaced by RRP activities. Housing vouchers may not be used for tenants in the 51-80 percent of income group who are rent burdened. Certificates, however, may be used for tenants whose family income is below 80 percent of the area median whether they are physically displaced or rent burdened. Housing vouchers and certificates may be used for families residing in projects to be rehabilitated with rental rehabilitation grants whether they choose to remain in the project or move.

1. Single, non-elderly, non-handicapped. Under 24 CFR 812, PHAs are limited in their ability to provide Section 8 rental assistance to single, non-elderly, non-handicapped persons. RRP projects, however, may have one or more such persons already living in units to be rehabilitated who will require rental assistance if they are to afford the after-rehabilitation

rents. Certificates or housing vouchers may be issued to otherwise eligible single, non-elderly, non-handicapped persons already living in RRP projects under 24 CFR 812.3(b)(1)(i). Grantees anticipating projects with this class of person already in residence should check in advance with their PHA and/or the Housing Management Division in the HUD Field office if additional guidance is needed. In such cases, however, grantees must be aware that PHAs have certain limitations on how many certificates/housing vouchers they may issue to single, non-elderly, non-handicapped persons.

- B. Preferences. PHAs must comply with 24 CFR 882 and 887 in establishing preferences for Section 8 assistance. These rules require each PHA to follow the three Federal preferences in providing Section 8 assistance. An applicant qualifies for a Federal preference if:
1. The applicant has been involuntarily displaced;
 2. The applicant is living in substandard housing, or;
 3. The applicant is paying more than 50 percent of family income for rent.
- C. Local PHA Discretion. The regulations at 24 CFR 882 and 887 further specify that 90 percent of a PHA's resources must be used for tenants that hold one of the Federal preferences. The remaining 10 percent may be used by the PHA's discretion to establish a preference. Such a local preference may include the RRP families that do not qualify for a Federal preference. RRP tenants that do not qualify for a Federal preference but who receive Section 8 assistance must be covered by use of the PHA's discretionary authority. A PHA may, however, request an increase in its 10 percent discretion if it is necessary in order to assist RRP tenants. PHAs may make a request for such an increase to the appropriate HUD Field Office which will forward that request to the Assistant Secretary for Housing - Federal Housing Commissioner for approval.

It should be noted that tenants who hold a Federal preference may be prioritized according to local preferences. For example, rental rehabilitation tenants who would be rent burdened greater than

50 percent of income as a result of rental rehabilitation activities may be given higher priority than non-RRP tenants that are over 50 percent rent burdened. RRP tenants who would be rent burdened between 30 and 50 percent of income could also receive assistance as a result of a local preference. Grantees should negotiate such issues with their PHAs as part of the Memorandum of Understanding (See Paragraph 13-5 below).

13-4 RESPONSIBILITIES. Using Section 8 resources in conjunction with the Rental Rehabilitation Program presents some unique demands for all parties involved. It requires a high level of cooperation and coordination to ensure that a limited amount of resources are used efficiently and that the objectives of the program are met. To accomplish this, an agreement should be reached in which all parties agree on their respective responsibilities. The Memorandum of Understanding is the most effective mechanism to ensure cooperation between the PHA and the grantee. (The MOU is discussed in more detail in Paragraph 13-5 below.) The following, however, are the minimum responsibilities of each party under the RRP:

A. Grantee.

1. Under 511.14(a)(4), each grantee shall adopt a written tenant assistance policy (TAP) concerning displacement, relocation assistance, and other assistance to tenants who reside in projects to be rehabilitated. (See Chapter 12 of this Handbook for additional information on TAP requirements.)
2. Each grantee should regularly provide to the PHA a list of all projects committed and a schedule of anticipated completion dates along with known information on the tenants living in the units.
3. Each grantee shall ensure that in-place tenants are notified soon after an application for assistance is received from an owner of the proposed rehabilitation, the anticipated after-rehabilitation rents, and the effect the proposed rehabilitation may have on them. Tenants are also to be provided a copy of the grantee's TAP at this time.
4. Each grantee shall ensure that the Pre-Rehabilitation and Project Completion Reports have accurate and complete tenant data and that the data is updated when vacant units are filled

for the first time after the rehabilitation is completed.

5. Each grantee will provide the PHA with a copy of the Project Completion Report, form HUD-40014-B so that the PHA may know what information is required under Subparagraph B.4 below on initial tenants occupying RRP units who are also receiving Section 8 assistance.

B. Public Housing Agency

1. Each PHA shall assure that housing vouchers and certificates are made available for RRP families that are physically displaced by RRP activities and shall apprise the grantees of the PHA's policy for assisting families with an excessive rent burden.
2. After the rehabilitation is completed, the PHA will conduct its normal HQS inspection if the unit is to be occupied by a Section 8 tenant.
3. Each PHA shall inform the grantee of its selection procedures and the extent to which it uses its 10 percent discretionary authority for RRP families and whether or not it will use a local preference to rank RRP families with a preference above other families qualifying for a preference.
4. Each PHA shall provide data to the RRP grantee for initial tenants in the project receiving Section 8 assistance for purposes of the Project Completion Report and tenant records.
5. Each PHA shall provide information on available RRP units in their briefing packets to families receiving a housing voucher or certificate (See 24 CFR 882 and 887.)

- C. Communication Between Both Parties. Because national and local priorities may shift, it is imperative that the PHA and the grantee maintain open lines of communication and respond to mutual needs. The above tasks need to be addressed to ensure a workable program. The best vehicle for assuring that these tasks will be accomplished in an orderly and consistent manner is the Memorandum of Understanding which is discussed in more detail in the paragraph below.

13-5 MEMORANDUM OF UNDERSTANDING. The regulations at 24 CFR 511, Subpart E, require that "if and when required" under 24 CFR 511.20(b)(11), the grantee and each participating PHA execute a Memorandum of Understanding (MOU) for each year's grant setting forth the responsibilities of each party and the procedures to be followed with respect to cooperation, coordination and communication concerning the use of housing vouchers and certificates with rental rehabilitation grant amounts in accordance with HUD requirements. Where a State is distributing rental rehabilitation grant amounts to State recipients, the MOU shall be executed by the State recipient and the appropriate PHA.

- A. Program Description Requirements. The regulations at 24 CFR 511.20(b)(11) require that a MOU signed by the grantee and the appropriate PHA shall be submitted, whenever possible, with the Program Description. If the PHA is not known or has not yet agreed to a MOU, the grantee must include with its Program Description a statement describing its timetable for executing a MOU with a PHA in accordance with 24 CFR 511.40 prior to commitment of grant amounts to specific projects. If a grantee is unable to execute a MOU with the most likely PHA, another PHA which is able under State law to operate within the grantee's jurisdiction may be considered "appropriate" if that PHA is willing to execute and comply with a MOU. If the grantee or State recipient is not able to execute a MOU with an appropriate PHA prior to committing RRP funds to a project, the grantee must describe how it will meet the affordability and relocation requirements of the RRP without the use of Section 8 resources.

- B. Requirements of the MOU. The MOU is to set forth the agreements between the two agencies responsible for administering the rental rehabilitation and Section 8 subsidies and shall address issues relating to:
 - 1. Organizational structures of the two agencies.
 - 2. Schedule of regular meetings.
 - 3. The extent to which the PHA will provide assistance under the Section 8 housing voucher and certificate programs to lower income families residing in projects to be rehabilitated with rental rehabilitation grant amounts;

4. The grantee's submission to the PHA of its schedule(s) of projects committed and anticipated completion dates;
5. Responsibility for property inspections;
6. Availability of and timing for issuance of Section 8 housing vouchers and/or certificates;
7. Responsibility for tenant interviews;
8. The PHA's agreement to use its discretion to assist tenants living in RRP projects who do not qualify for a Federal preference or other statutory priority as may be passed by the Congress for any specific fiscal year;
9. The provision of information by the PHA for grantee reports to HUD;
10. The means by which the PHA will refer prospective tenants to vacant RRP units. NOTE: The Section 8 regulations at 24 CFR 882 and 887 require that information on RRP projects be included in the briefing packet for tenants. There may, however, be additional means by which the PHA can assist the grantee and owners of RRP projects in marketing vacant units to tenants on the Section 8 waiting list;
11. Joint arrangements for both agencies to participate in program design, marketing and cross-training efforts.