
CHAPTER 10. PROJECT MANAGEMENT PRIOR TO FINAL
ENDORSEMENT, AND TENANT ELIGIBILITY

- 10-1. GENERAL. The management of rental housing for lower income families requires certain skills and services beyond those required for a middle or upper income development.
- a. Management and Related Human Services. In addition to provision of standard services, it is important that there be a realistic plan for providing the socially-oriented management and related human services needed in low and moderate income housing projects. The success of the Section 236 program is greatly influenced by the attitudes and responsiveness of residents and the quality of management provided. This is particularly true in older, somewhat deteriorating neighborhoods. The field offices must be satisfied that a Section 236 project will be provided with this type of management. Please refer to References (12) and (18) of the Foreword.
 - b. The Sponsor may also arrange for provision of various types of economic or social assistance through programs funded by the Departments of HUD, HEW, USDA, and other private and public organizations.
 - c. Field Office Directors are authorized to establish supplemental management funds for individual subsidized housing projects. Such funds may be in amounts up to \$100 per unit and are for use in the development and implementation of certain supplemental management services to be performed during the construction and initial rent-up periods. These include occupancy counseling, assistance in developing residents' organizations, development programs to help meet tenants' social and economic needs, and related activities. Procedures for requesting establishment of supplemental management funds are outlined in Reference (24) of the Foreword. All management records will be subject to periodic HUD-FHA review.
- 10-2. PRE-OCCUPANCY CONFERENCE. A pre-occupancy conference must be held by the field office with each project mortgagor and management agent. The conference should be scheduled when the construction of the project has advanced sufficiently that the rental campaign is imminent. At this conference, the Field Office Director is to provide the mortgagor and management agent with the family income limits applicable to the particular project and reiterate the provisions and purposes of Section 236 admission eligibility requirements.

- a. FHA Form 3144 (Maximum Income and Occupancy Requirements, see Appendix 26) must be read and discussed and completed copies supplied to the mortgagor. Two executed copies must be returned to the Field Office Director. These executed copies of the form are prerequisites to the issuance of permission to occupy. The field office will retain one copy of FHA Form 3144 and forward the other copy to the Director, Subsidized Housing Programs (Attn: Docket Clerk).
 - b. In Reviewing Additional Responsibilities of Management, subjects of discussion should include:
 - (1) Model Form of Lease. The provisions of the model form of lease and the Regulatory Agreement should be explained.
 - (2) Secondary Income. Consideration of the income of working wives or minors, pensions, interest, and other sources, should be reviewed.
 - (3) Verification. Procedures for verifying income should be carefully detailed.
 - (4) Excess Collections. Procedures for remitting excess collections to HUD-FHA must be reviewed.
 - (5) Occupancy limitations.
 - c. Pre-occupancy Conferences are to be followed, three to four months after permission is given for occupancy to commence, by spot checks by the field office to ensure that project management understands its obligations and responsibilities and is carrying them out in accordance with instructions.
- 10-3. AFFIRMATIVE MARKETING POLICY. It is the policy of the Department to administer HUD-FHA housing programs affirmatively to attempt to ensure that individuals with similar income levels in the same housing market area have a similar range of housing choices available to them regardless of race, color, religion, or national origin. Each Section 236 sponsor must pursue affirmative fair housing marketing policies when seeking eligible occupants.

- (1) Carry out an affirmative program to attract applicants of all races. This program will typically involve publicizing the availability of housing opportunities, including advertising in minority media if available in the area from which the the market potential will be drawn. All advertising shall include either the HUD-approved Equal Opportunity logo or slogan. All advertising depicting persons shall depict persons of majority and minority races.
 - (2) Maintain a nondiscriminatory hiring policy, recruiting from both minority and majority races for staff to engage in the sale or rental of properties.
 - (3) Instruct its employees and agents concerning the policy of nondiscrimination and fair housing.
 - (4) Specifically inform local housing authorities and relocation agencies of the development of Section 236 projects and data pertinent thereto.
 - (5) Contact eligible buyers or tenants brought to the attention of the sponsor by the field office.
 - (6) Prominently display in the rental or sales office of the project, and include in any printed material used in connection with sales or rentals, information concerning its fair housing policy.
- b. Each Sponsor Shall Provide, on HUD Form 935.2 (see Appendix 27) supplied by HUD-FHA, information indicating its affirmative fair housing marketing plan to comply with the requirements set forth above. Sponsors failing to comply with the above requirements become liable to sanctions established by statute and regulation.
- c. Upon Request, the Director of each field office shall provide a list of all projects or subdivisions covered by these requirements on which commitments have been issued during the past 30 days. This list will be provided monthly to each entity which has earlier requested it.

10-4. UNIT OCCUPANCY. The mortgagor or appointed project manager is responsible for ensuring that each selected eligible tenant is assigned a unit of appropriate size, based on the number of persons in the household, their relationships and sexes. Care should be taken not to assign a family a larger unit than is

needed.

a. The following ratios are recommended:

Number of Bedrooms	Number of Persons	
	Minimum	Maximum
0	1	2
1	1*	2
2	2	4
3	4	6
4	6	8

*Only if no efficiencies are available.

b. Although these recommended limitations will provide for average families without over-crowding, the mortgagor must recognize that different needs do exist. For example, a four-person family may need only two bedrooms if both children are of the same sex but may need three bedrooms if there is one boy and one girl. Variances in the recommended schedule may be approved by Field Office Directors. For a further discussion of the responsibilities of project management, please consult Reference (12) of the Foreword.

10-5. REQUIREMENTS FOR TENANT ELIGIBILITY.

- a. Admission to Occupancy in Section 236 projects by tenants who will receive the benefit of the subsidy is limited to those who meet the specified income limits for the locality and who are within at least one of the following categories:
- (1) A family of two or more persons related by blood, marriage or operation of law, who occupy the same dwelling unit;
 - (2) A single person at least 62 years of age;

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- (3) A single person less than 62 years of age, provided that occupancy by this category of tenants is limited to 10% of the dwelling units in the project; two or more single unrelated persons may occupy a unit but the incomes of all such individuals who would reside in a unit must be added together in determining eligibility and rental payment. It should be noted that college students who meet the established criteria are eligible for receipt of Section 236 benefits. However, although the needs of

such students are meritorious in certain cases and should be served, Section 236 is not intended to serve as a primary resource for provision of college housing.

(4) A handicapped person with a physical impairment which:

- (a) Is expected to be of long-term or indefinite duration;
- (b) Substantially impedes the individual's ability to live independently; and
- (c) Is of such a nature that his ability to live independently could be improved by more suitable housing conditions.

b. Occupancy by Single Handicapped or Elderly Persons is not to be included in the 10% limitation of single persons referred to in paragraph 10-5.a.(3) above.

c. Section 236 Tenants who receive the additional benefit of rent supplement assistance must meet the rent supplement eligibility criteria and fill out the rent supplement tenant eligibility application form (FHA Form 2501, see Appendix 28) in addition to filling out FHA Form 3131, Appendix 29.

10-6. PREFERENCE FOR OCCUPANCY. There are neither maximum nor minimum limits concerning the number of units which may be rented to families or persons willing and able to pay market rate rentals. However, the Regulatory Agreement stipulates that preference shall be given to those families who are displacees from an urban renewal area, or as a result of governmental action, or as a result of a natural disaster (as determined by the President), and to those families whose incomes are within the lowest practicable limits for obtaining rental units in a Section 236 project. This requirement should be emphasized to all prospective Section 236 mortgagors prior to their application for participation in the program. Displacees have preference for occupancy whether they are to be assisted or unassisted; however, preference among displacees shall be given to those eligible for assistance.

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a. The Requirement that Preference for Occupancy be Shown those families whose incomes are within the "lowest practicable limits" should not be construed to mean that all applicants with the lowest incomes must be admitted. The sponsor's rental policy should be directed toward achieving a desirable level of economic integration in the project as well as making the most effective use of subsidy funds.

- b. Eligibility for Occupancy may not be restricted on grounds of the number of children in the family, except in projects designed primarily for the elderly.
 - c. Preference for Occupancy may be Accorded to Military Households in certain projects developed primarily for use by military personnel.
 - d. The Subject of Income Limits is covered more fully in paragraph 5-16.
- 10-7. ADJUSTMENT OF GROSS INCOME. For purposes of eligibility determinations, adjusted annual family income shall be the total amount of current or expected gross annual income, whichever is greater, less a 5% deduction for social security, withholding and similar payroll deductions, and less \$300 per minor family member living with the family. Further, the earnings of minor family members (excluding the spouse of the tenant) are not included in the calculation of gross income. Unusual or temporary income which will be discontinued, income of a secondary wage earner which is expected to end, unemployment compensation which does not occur regularly, or other income which will be discontinued, is not to be included in gross income for purposes of eligibility determinations.
- a. The \$300 deduction for minor family members may not be made for children not yet born.
 - b. Special effort must be made to ascertain whether there are secondary wage earners in families applying for assistance. When it is apparent that a secondary wage earner has only recently stopped working, that person must agree to sign a statement indicating that if he or she returns to work the family will recertify its income and accept any subsequent adjustment in rental charge.