

## CHAPTER 1. PROGRAM DESCRIPTION

## 1-1. PURPOSE OF THE SINGLE ROOM OCCUPANCY PROGRAM.

The Section 221(d) Single Room Occupancy (SRO) procedures are designed to expand the availability of affordable housing, thereby, helping to prevent homelessness. The SRO program will provide mortgage insurance for new construction and for proposals involving substantial rehabilitation of existing buildings.

## 1-2. DESCRIPTION OF AN SRO.

- A. A HUD-insured SRO project must contain five or more units. Units may contain kitchen or bathroom facilities but the provision of these facilities within the units is not required. Sanitary facilities and kitchen facilities may be shared among tenants.
- B. Units can be designed to allow for more than one occupant, but the maximum number of occupants that may reside within a unit cannot exceed the number of occupants permitted by local occupancy requirements, i.e., appropriate State and local codes and compliance with the Fair Housing Act.
- C. Tenants will be required to execute a lease of not less than 30 days. Collections need not be on a monthly basis but can be no more frequent than weekly.

1-3. LEGISLATIVE AUTHORITY. Regulations appear in 24 CFR 221.565. Mortgage insurance for SRO development is authorized by Section 221(d) of the National Housing Act, pursuant to Section 223(g) of the National Housing Act. Section 221(d) authorizes HUD to insure mortgages for new construction or substantial rehabilitation of low and moderate income housing. Section 223(g) provides, ". . . the Secretary may, at his discretion, insure a mortgage covering a multifamily housing project including units which are not self contained."

## 1-4. LOCAL PARTICIPATION.

- A. Needs Assessment. HUD recognizes that the local government, as opposed to the Federal Government, is best suited to assess how, within the local jurisdiction, an SRO program can best serve the interests of those who are living in substandard

homelessness. Local jurisdictions will arrive at varying decisions in regard to such matters as what income groups need most to be served, etc. Because HUD recognizes that local conditions may vary, provision has been made for the local government to take an active role in the implementation of the SRO program.

B. Financial Assistance.

1. State and Local Government Assistance. HUD expects that project financial feasibility in many areas will depend upon some type of assistance from State and local government. This assistance may be in the form of tax abatement, tax-exempt financing, tax credits or secondary financing, or may take other forms (e.g., loans, grants, etc.). Instructions in Chapter 4 of this Handbook or other HUD instructional material address how each form of assistance shall be taken into account when calculating a project's maximum mortgage.
2. HUD Subsidies. The insured SRO program is designed to be an unsubsidized mortgage insurance program. The following requirements apply to the SRO insured program:
  - a. Federally-funded, project-based HUD subsidies, including Section 8 Moderate Rehabilitation and project-based certificates, cannot be used in conjunction with insured SRO projects.
  - b. Tenant based rental assistance, such as Section 8 certificates and vouchers, may be used in an SRO insured project.

- C. Certification. To ensure local government involvement in the SRO process, HUD requires that the initial application be accompanied by a certification from the local government indicating that it is familiar with the application, a documented need exists within the community for the project, it will ensure its best efforts to provide the municipal and support services required for long-term success of the project, and in cases involving displacement or relocation of existing tenants, the sponsor/developer has prepared a relocation plan acceptable to the local government. The specifics of the certification requirements are covered in Chapter 3 of this Handbook.

- 1-5. SPECIAL EXHIBITS REQUIRED. The insured SRO program has many important characteristic differences from the typical residential Section 221(d) projects insured by HUD. Due to

the unique nature of SRO housing, special application exhibits are required. These exhibits are described in Chapter 3 - Application Processing.