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Appendix 44

SECTION 8 MODERATE REHABILITATION PROGRAM REVISED REGULATIONS

REGULATORY REFERENCE		SUBJECT	EFFECTIVE DATE/ IMPLEMENTATION
REVISED SECTION	ORIGINAL SECTION	PROGRAM PURPOSE/ OBJECTIVES	
882.401(a) 882.501(b)	882.401(a) 882.503 (a)(9)	- Program purpose is to upgrade substandard housing and provide rental subsidies. Deletes requirement that PHAs indicate in their applications local program objectives (deconcentration of assisted housing, prevention of displacement, neighborhood revitalizational).	Approved PHA applications and Administrative Plans may be amended by letter to change or delete local program objectives and related certifications.
NA	882.503 (a)(9)(i)	- Deletes requirement that PHAs with a local objective of deconcentration of assisted housing certify they will use special site selection criteria.	Same as above. The site and neighborhood requirements contained in Section 882.404 remain unchanged.

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PROGRAM PURPOSE/
OBJECTIVES

Single Room Occupancy (SRO) Housing

882.401(c) NA
(6)

- SROs are eligible if the Field Office determines there is a significant market demand for SRO units and the PHA and local government approve of using the Moderate Rehabilitation Program for SROs.

SROs are now an eligible type of housing. Field Office should obtain signed statements from the Chief Executive Officer and the PHA approving use of Moderate Rehabilitation Program for SROs. PHA justification of market demand and Field Office review and determination should be based on:

- (1) the number of income-eligible elderly, handicapped or displaced single persons currently unassisted by other housing programs who could be expected to lease a Moderate Rehabilitation SRO unit under a one year lease if offered one (in lieu of waiting for an efficiency or one-bedroom unit);
- (2) the prior market record of rehabilitated and unrehabilitated SROs in the area; and
- (3) analysis of the location of the

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SRO in terms of its attractiveness to potential residents. The demand analysis should be done on the basis of eligible persons, but note the provision in 24 CFR Part 812.3 that Field Offices may authorize occupancy of income eligible single persons who are not elderly, displaced, or disabled not to exceed 15% of the total assisted units in a PHA's jurisdiction (excluding the number of Existing Housing units since this program is addressed separately in 24 CFR Part 812).

882.402

NA

- Defines SRO as "a unit for occupancy by a single eligible individual capable of independent living which does not contain food preparation and/or sanitary facilities in accordance with Section 882.109, and is located within a multifamily structure consisting of more than 12 units". This definition distinguishes SROs from congregate housing and Independent Group Residences.

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882.404(c) NA - Adds SRO Housing Quality Standard (HQS) Performance Requirement. The HQS apply to SROs except those sections on bathrooms, kitchens, space and security. Local code standards for SROs are applicable for bathrooms, kitchens, space and security. In the absence of such local SRO code standards, one bathroom must be provided for every six occupants per floor and each dwelling unit must be at least 110 square feet. Each SRO unit shall have only one occupant. Exterior windows which are accessible and exterior doors to the unit must be lockable.

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882.408(a) NA - SRO Fair Market Rents If PHA has HUD-approved
and (b) (FMRs) are 75% of the 0-bedroom exception
0-bedroom FMR. If rents, SRO exception
PHA has HUD-approved rents are automatic and
exception rents for do not need further HUD
Moderate approval. SRO contract
Rehabilitation rent cannot exceed SRO
0-bedrooms, SRO FMR or exception rent

exception rent is 75% of the 0-bedroom exception rent. and cannot include costs of furniture, linen, maid service, food, etc. (Any

such

services must be for

882.403(d) NA	- Requires minimum 1	voluntary purchase by the
882.513	year SRO lease term.	tenants.) SRO base rent
882.514	Vacancies will be	cannot exceed 83% of SRO
	filled by eligible	FMR or exception rent.
	individuals on the	PHA may have a separate
	PHA's waiting list.	SRO waiting list.

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Relocation

882.406(b) and (b)	882.407(a)	- Regulatory relocation policies have been substantially simplified. Focus has shifted to adequate services and payments for tenants permanently displaced. (Prior policy allowed displacement only if suitable units in the building or complex would not be available.)	To implement new relocation policies, PHA Administrative Plan (relocation strategy) must be amended and approved by the Field Office. Generally, revised policies are applicable to units placed under Agreement after 9/28/82. (If tenant notices in conformance with the original regulation have been
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issued, owners must

fulfill their

obligations under

notices.) PHAs
 approve owner
 proposals which will
 permanent
 displacement of
 tenants if the tenants
 given appropriate
 notice and advice, an
 opportunity to relocate
 "suitable"
 replacement housing,
 receive
 reimbursement for
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882.406(b) NA	- Clarifies that relocation requirements do not apply to tenants who lease a unit after the owner participate	For this purpose, "good cause" does not expiration of the term or termination solely because the intends to

Program
units,
etc.

has submitted a
proposal to the PHA

in the Moderate
Rehabilitation

if the owner provided
notice of the

and wants vacant
different tenants,

impending relocation
or displacement prior
to occupancy. Also,
these requirements do
not apply to tenants
whose tenancy is
terminated for
good cause.

NA 882.407 - Deletes requirement Families who are not
(b)(3), that a written notice required to move from the
(c), and of right to continue property (building or
(e) in occupancy must be complex) are not entitled
given to tenants who to any relocation
are not required to payments or services.
move from the property However, PHAs should
(building or complex). adopt policies requiring

owners to notify tenants
pending rehabilitation of
further, may require and,
owners to assist tenants
moving between units in
within the property
(moving costs cannot be
amortized through the
contract rents).

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882.406(b) (1)	882.407 (b)(3), (d), (e) and (f)	<p>- Permanent Displacement: Suitable replacement housing is defined as affordable (rent within 30% of gross income), decent, safe and sanitary housing in a location which is generally no less desirable than the location of the unit to be rehabilitated. For lower-income families, the obligation to provide suitable, affordable replacement housing is met if the family is offered a subsidized housing unit or, if the PHA determines that unsubsidized housing is more appropriate, a lump sum payment covering the difference between 30% of the family's gross income and the monthly housing cost of a suitable unit for a 4-year period. Reasonable moving expenses</p> <p>Tenants cannot be permanently displaced unless (1) PHA has HUD-approved relocation strategy, (2) tenants receive adequate, advance written notice and appropriate advisory services, (3) tenants are given a reasonable choice of opportunities to relocate to suitable replacement housing, and (4) tenants receive reimbursement for reasonable moving expenses. The revised regulation removes the requirement for tenant notice issuance within 30 days after owner selection, and also eliminates the detailed description of the contents of the notice.</p>
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include fixed payment of

\$300 and a \$200

up to

dislocation allowance or actual, reasonable transportation, storage related costs. The should determine that contents and issuance of the tenant notices are adequate. owner (or the PHA) should issue the notice. PHA must incorporate above policies in relocation strategy.

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<p>882.406(b) (2)</p>	<p>882.407 (b)(3), (c), (e) and (f)</p>	<p>- Temporary Relocation: Tenants cannot be temporarily relocated from the property (building or complex) unless (1) tenants receive adequate, advance written notice and appropriate advisory services, (2) suitable temporary housing is available, (3) the temporary relocation period does not exceed 12 months (previously 6 months), and (4) tenants will receive reimbursement for reasonable out-of-pocket expenses incurred in connection with the temporary relocation, including moving costs to and from temporary housing and increases in monthly housing costs.</p>	<p>Suitable temporary relocation housing must be decent, safe and sanitary housing. Moving costs to and from temporary housing and tenant reimbursement for reasonable increases in monthly housing costs are still required. The PHA should determine that the content and issuance date of the tenant notices are adequate. The owner (or the PHA) should issue the notice. The PHA must incorporate the above policies in its relocation strategy. The old policies concerning one move, the maximum temporary relocation period, and location of suitable temporary relocation housing will be deleted from the revised Agreement form.</p>
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The requirement that tenants not move more than once and that the relocation unit be in a location generally no less desirable have been deleted. Also, the detailed description of what the tenant notice must contain and when it must be issued have been eliminated.

882.406(b)	882.407(g)	- Owner still responsible for payment of costs associated with temporary relocation; costs for temporary relocation of eligible tenants can be amortized through the contract rents. Relocation costs associated with permanent displacement or with temporary relocation of ineligible tenants cannot be amortized through the contract	If applicable, assurance of a relocation funding source for permanently displaced tenants will continue to be required in the PHA's application.
(3)	882.503(a)	(11)	

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rents and must be funded from a source other than HUD-assisted housing programs (e.g., the local government or the owner).

Contract Rents
(SRO rents previously discussed)

NA	882.409(b) - Deletes PHA authority to approve 10% exception rents for handicapped and 4-bedroom and larger units. (Field Offices still can approve 10% exception rents based on market conditions.)	PHAs may no longer approve handicapped or large unit exception rents at Agreement execution unless the units were selected by the PHA for approval at such exception rents (Section 882.504(d))
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to the issuance of this handbook change.

prior date

882.408(c) (2)(ii)	882.409(c) (2) - The imputed interest rate used to calculate debt service for owner financed (non-borrowed funds) rehabilitation costs is the FHA multifamily interest rate (the 1/2% addition to that interest rate has been deleted).	Applicable to units not under Agreement as of 9/28/82. PHAs may, however, delay implementation of this rate until the issuance date of revised rent formats.
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882.408(c) (2)	882.409(c) (1) - The average rent approach has been simplified to allow the current rent charged to be used as the Base Rent, instead of the rent collected over the last 18 months. Field Offices may approve rehabilitation loan terms shorter than 15 years if the the rehabilitation costs exceed \$15,000.	Will not be effective until issuance of revised rent calculation handbook instructions and rent formats. Will apply to units not under Agreement as of that date.
882.408(d) revised handbook revised of Agreement Agreement forms.	882.409(d) - Allows contract rents included in the Agreement to be increased when actual rehabilitation costs increase due to unforeseen factors beyond the owner's control. Also, the allowable reasons for gross rents to exceed the FMRs after rehabilitation has begun have been expanded and PHAs may approve gross rents up to 10% above the FMRs under specified conditions. Field Office approval is still necessary for gross rents	Will not be effective until issuance of rent calculation instructions and Agreement. Owners units under will have option to execute revised and HAP Contract

between 10% and 20%
above the FMRs.

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REVISED SECTION 882.410(a) (1)	ORIGINAL SECTION NA - Revises annual adjustment policy to recognize changes in debt service for purchase or rehabilitation loans which are subject to a variable rate or are otherwise renegotiable. Annual adjustments are generally limited to the base rent multiplied by the published annual adjustment factor (AAF) applicable to the base rent. In cases of variable rate or renegotiable financing, annual adjustments may not exceed the amount computed by multiplying the contract rent by the AAF.	Effective upon issuance of handbook instructions. After issuance of handbook procedures, contract rents for units under HAP Contract may be calculated, where applicable, in accordance with new procedures.

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Rehabilitation Monitoring Subcontracts		
NA	882.401(b) - Deletes requirement that a PHA without rehabilitation expertise cannot hire staff unless it is unable to subcontract with a public or private entity.	Approved PHA applications and Administrative Plans may be amended by letter to effect a change. The approved financial forms may also need revision. PHA must still demonstrate ability to provide rehabilitation
	882.503(a) (7)	
technical assistance.		
Rehabilitation and Leasing Schedules		
882.502	882.505(c) - Requirement simplified to state that all units in any project must be under HAP Contract within 24 months of ACC execution unless the schedule is extended by HUD.	Extensions of approved schedules require approval.
HUD		
Owner Proposals (Deletion of additional site selection factors for PHAs with a deconcentration goal previously discussed)		
882.503(b)	882.506(b) - Revises content of owner proposals; deletes owner certification that no tenant has been forced	Implementation of the changes may require amended Plan and owner format.
an		
Administrative		
proposal		

to move in the last
year.

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NA	882.507(a) - Deletes requirement that a PHA must inspect all properties not rejected in the initial screening and provide owners with a written list of deficiencies.	Same as above.
NA	882.507(g) - Deletes requirement that the PHA provide owners with a list of contractors.	Same as above.
882.504(i) and are not rate	882.507(i) - Deletes requirement that PHAs assist owners in preparing financing applications. Requires PHAs to approve the financing terms.	PHAs must determine that the interest rate terms of financing reasonable and do exceed the financing and terms available in the locality.
NA	882.508(a) - Deletes owner certification that unassisted units comply with HQS.	When revised Agreement form is issued, owners of units under Agreement will have the option to execute a revised form.

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882.507(d)	882.510(d) - Deletes the 10-day deadline for the PHA to review the owner's evidence of completion and inspect the unit(s).	Old policy will be deleted from the revised Agreement form. Administrative Plan revision may be necessary. PHA should

perform these functions promptly. still

NA	882.511(c) - Deletes requirement that owner must indicate in writing whether the owner concurs or disagrees with the PHA about the owner's rights to claim initial vacancy payments.	Administrative Plan revision may be necessary. When Agreement form is owners of units Agreement will have option to execute a revised form which deletes old policy.
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Termination of Tenancy

882.511(b)	882.514(b) - Expands grounds for terminating tenancy:	Owners with units under Agreement or HAP
Contract	(1) Serious or repeated lease violations (prior policy was serious violations or repeated minor violations which disrupt	will have option of executing revised Contracts. of the lease term
HAP		
Expiration		
does		

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		livability, adversely affect health or safety of any person, interfere with tenant use of property or with management, or which adversely affect project finances); (2) violation of Federal, State, or local law (prior policy referred to State landlord and tenant acts); or (3) other good cause.	not constitute "good cause" and be the sole basis for tenancy termination.
NA	882.514(b) (2)	- Deletes requirement that tenant conduct may be deemed other good cause only if the tenant was given prior notice that such conduct would be good cause for termination.	
882.511(c) (2) and (d)	882.514(c)	- All evictions must be carried out through the judicial process (i.e., if the tenant won't vacate the unit, the owner must initiate court action). Owners are no longer prohibited	

from using grounds in
judicial eviction actions
which are different than
those stated in the
termination notice.

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NA	882.514(c) - Deletes any PHA involvement in evictions or terminations; i.e.; deletes requirement for the owner to furnish a copy of the termination notice to the PHA, and for the PHA to determine that the termination is in accordance with required procedures. (No administrative oversight is required since evictions are subject to the judicial process.)	PHA no longer required to review the procedures. the owner should the PHA of pending vacancies.

notification

However,

advise

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882.511(c)	882.514(c)	- Owners must give at least 5 working days notice for terminations based on nonpayment of rent. However, a notice issued pursuant to State or local law (or in accordance with common practice in the locality) which contains requirements of 882.511(c)(2) may be substituted for or run concurrently with the five-day notice. The date of a termination of tenancy based on violation of the lease terms or Federal, State or local law must be in accordance with State and local law (prior policy was in accord with the lease and State law). Requires 30 days notice for terminations based on good cause (deletes provision that termination for other good cause may only be at the end of the lease term).
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882.511(c)	NA	- Termination of tenancy notices must be either delivered or sent first class (return receipt requested).
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Family Participation		
882.513	882.516	- Deletes the PHAs may implement the requirement that the Moderate Rehabilitation waiting list must be made up of applicants for the PHA's Section 8 Existing Housing Program. Deletes requirement that the Public Notice state that applicants for other housing programs must reapply for the Moderate Rehabilitation Program.
policies and (if now for Rehabilitation may in		PHAs may implement the revised family participation by amending the EOHP Administrative Plan necessary). PHA may use waiting lists other subsidized programs, or may establish a separate Moderate waiting list. PHAs establish new tenant selection policies their Administrative Plans.

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882.514(c) NA - Permits owner to select eligible tenants not on the PHA's waiting list if the PHA is unable to refer interested applicants to the owner within 30 days of the vacancy notification. The owner will refer these families to the PHA to determine eligibility.

Applicable as of 9/28/82 for all owners. The EOHP Administrative Plan need to be amended.

882.515 882.518 - Requires annual reexaminations for all families, including the elderly. (Previously, elderly families could be placed on a 2-year schedule.) PHAs must amend their Administrative Plans to assure that all families receiving assistance will be subject to reexamination within the 12 month period beginning 90 days after the receipt

this issuance, and annually thereafter. example, if the PHA receives this issuance April 15, 1983, all elderly reexaminations occur between July 1983 and July 15, 1984). A copy of the amendment to the Administrative Plan be sent to the HUD Office after it is adopted by the PHA. HUD approval of this change

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NA	882.517 (d) - Deletes list of voluntary PHA actions for continued participation of families who wish to move. Deletes mandatory list of replacement housing resources for families forced to move (Section 882.509 still requires that PHAs assist families in locating suitable replacement housing).	PHAs may continue policies outlined in 5/4/79 regulations, including the provision that a family who wishes to move may receive a Section 8 Existing Certificate unless it vacated its unit in violation of the lease and caused the PHA to pay vacancy payments or reimburse the owner for unpaid rent or tenant damages. If a PHA wants
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change its policies, may need to amend Administrative Plan.

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882.514(b) 882.517(b)

- Deletes provision that
tenant selection
preferences for
neighborhood residents
may only be established
for residents of targeted
neighborhoods who are
being directly displaced
by HUD programs.

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