

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**24 CFR Parts 582 and 882**

[Docket No. FR-3929-F-03]

RIN 2506-AB75

Office of the Assistant Secretary for Community Planning and Development; Section 8 Moderate Rehabilitation Single Room Occupancy Program for Homeless Individuals; Final Rule

AGENCY: Office of the Assistant Secretary for Community Planning and Development, HUD.

ACTION: Final rule.

SUMMARY: This rule represents the final rulemaking for three interim rules implementing the Section 8 Moderate Rehabilitation Single Room Occupancy Program for Homeless Individuals. The interim rules clarified program definitions and requirements, conformed the regulations with statutory and other changes, and simplified the application selection and tenant outreach processes by conforming them with the processes used in other HUD-administered competitive McKinney Act programs. This final rule adopts the interim rules as final and includes a discussion of the public comments received on the interim rules. This final rule also further streamlines the regulations by eliminating provisions that are redundant of statutes or are otherwise unnecessary, in accordance with the President's regulatory reform initiatives.

EFFECTIVE DATE: October 11, 1996.

FOR FURTHER INFORMATION CONTACT: Maggie H. Taylor, Director, Office of Special Needs Assistance Programs, Department of Housing and Urban Development, 451 Seventh Street, SW., Washington, DC 20410; (202) 708-4300 (this number is not toll-free). Hearing- or speech-impaired persons may access this number via TTY by calling the Federal Information Relay Service at (800) 877-8339.

SUPPLEMENTARY INFORMATION:**I. Background**

The purpose of the Section 8 Moderate Rehabilitation Single Room Occupancy (SRO) Program for Homeless Individuals is to provide rental assistance to homeless individuals in rehabilitated SRO housing. Under this program HUD awards assistance through a national competition that focuses on filling gaps identified in locally-developed continuum of care

systems for assisting persons who are homeless. The program is authorized by title IV of the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. 11301 et seq.) (the McKinney Act). HUD published its first final rule for the program in the Federal Register on November 7, 1989 (54 FR 46832).

Since that time, HUD has amended these regulations through three interim rules. Regulations that HUD publishes in interim rules become effective like final rules—30 days after publication in the Federal Register. Unlike final rules, however, interim rules invite the public to comment on their provisions.

The purpose of today's final rule is to adopt as final the provisions of the SRO regulations that were the product of the three interim rules. The preamble of this final rule summarizes the public comments HUD received on each of the three interim rules and provides HUD's responses to the comments as appropriate. This final rule also improves the SRO regulations by clarifying and further streamlining the provisions, as described below.

II. March 15, 1993 Interim Rule

HUD published an interim rule amending the SRO regulations on March 15, 1993 (58 FR 13828). The March 15, 1993 interim rule adopted a standardized funding award process for competitively awarded assistance under the McKinney Act. This process consisted of two stages under which HUD would, after conditionally selecting applicants, require those applicants to submit additional technical information, such as project rent calculations (see § 882.805 (c) and (d) of the interim rule).

The March 15, 1993 interim rule also conformed the SRO program with other McKinney Act programs by removing the provisions requiring that units be leased to homeless individuals referred from a housing authority (HA) waiting list. Instead, the interim rule provided flexibility to HAs and owners by allowing them to engage in outreach efforts to bring homeless individuals into the program, and it provided that vacant units be rented directly to homeless individuals located through these outreach efforts (see § 882.808).

Additionally, the March 15, 1993 interim rule amended the SRO regulations to reflect a statutory amendment permitting an HA to contract with itself to receive SRO assistance for a project that it owns. The rule provided that HA-owners are subject to the same requirements that apply to other owners in the program, and that HUD must approve the base and contract rent calculations for these

projects prior to execution of the agreement to enter into a housing assistance payments (HAP) contract and prior to the execution of the HAP contract (see § 882.803(e)).

The March 15, 1993 interim rule also amended §§ 882.802 and 882.805(f)(6) to reflect section 127 of the Department of Housing and Urban Development Reform Act of 1989 (Pub. L. 101-235; approved December 15, 1989), which raised the minimum amount of rehabilitation necessary to qualify a unit for assistance under the program to \$3,000 per unit, and which limited the size of projects to no more than 100 assisted units.

Lastly, the interim rule clarified the definition of "*Single Room Occupancy (SRO) housing*" in § 882.802, the requirements for using SRO assistance in conjunction with the rehabilitation of efficiency units in the program, and HUD's right to require recipients of assistance to maintain any records and make any reports that HUD requires (see § 882.808(p)).

Summary of Public Comments

The deadline for submitting public comments on the March 15, 1993 interim rule was May 14, 1993. By that date, HUD received comments from three organizations. After considering these comments, which are described below, HUD decided not to make any changes based on these comments in this final rule.

Two-Stage Application Process

All three commenters supported the new two-stage application process (see § 882.805(c) and (d) of the interim rule). As HUD stated in the preamble to the interim rule, under the new process, applicants submitting proposals that were not conditionally selected for funding would not have to incur the costs of addressing technical issues, such as securing financial commitments from other sources, only to have HUD reject their applications.

HUD Response: The two-stage application process has been in effect for three years, and HUD believes the process has been successful in reducing the burden on applicants and in providing conditionally selected applicants with the opportunity to receive ongoing HUD assistance in meeting the technical submission requirements.

Conformance with Other McKinney Act Programs

The commenters supported the provisions of the March 15, 1993 interim rule that conformed the SRO program with the other McKinney Act

programs. The commenters especially supported the interim rule's requirement that HAs or owners engage in outreach efforts to bring homeless individuals into the program, rather than using HA waiting lists (see § 882.808). One commenter noted that the new outreach process would be a more efficient process for locating homeless individuals.

HUD Response: As indicated in the preamble to the interim rule, private nonprofit organizations, HAs, and project owners had expressed to HUD that the HA waiting list was an impractical method of locating homeless individuals for participation in the program, given the transient nature of many of these individuals. HUD is pleased that commenters supported the increased flexibility that the rule provided to them.

Records and Reports

The commenters supported the interim rule's requirement in § 882.808(p) that each recipient of assistance under this program maintain any records and make any reports that HUD may require.

HUD Response: HUD has used this authority to implement annual progress reporting requirements in the SRO program similar to those used in other HUD-administered McKinney Act programs. The goal of these reports is to provide recipients the opportunity to demonstrate the progress they are making in areas such as increasing the skills and income of program participants.

Private Nonprofit Organizations as Direct Applicants

The preamble to the March 15, 1993 interim rule noted that section 1405 of the Housing and Community Development Act of 1992 (42 U.S.C. 11399) amended the SRO program, providing in part that private nonprofit organizations could apply directly for SRO assistance. Although the interim rule did not change the regulations to reflect this amendment, one commenter questioned whether HUD would scrutinize these nonprofit organizations as thoroughly as it scrutinizes housing authorities. This commenter also expressed concern that HUD was leading these organizations to believe they could apply for public housing administration or Section 8 program administration funds.

HUD Response: HUD has used the ability of the applicant to develop and operate a project as a rating criterion for applications. Under this criterion, HUD subjects HAs and private nonprofit applicants to the same scrutiny.

Additionally, the statutory provision allowing private nonprofit organizations to apply for assistance, and HUD's subsequent implementation of this provision (see the discussion of the February 14, 1996 interim rule, below), clearly only apply to the SRO program.

Definition of "Single Room Occupancy (SRO) Housing"

All of the commenters supported the March 15, 1993 interim rule's revision of the definition of "*Single room occupancy (SRO) housing*" in § 882.802 to include units with or without food preparation or sanitary facilities. One commenter suggested that HUD expand the program to include units that could accommodate more than one person, since families are now a large proportion of the homeless population.

HUD Response: According to section 441 of the McKinney Act, HUD may only provide assistance for SRO units occupied by single homeless individuals. The legislative history of section 441 of the McKinney Act, which HUD recounts in the first final rule for the SRO program published in the Federal Register on November 7, 1989 (54 FR 46828), clearly indicates that Congress intended that assistance under this program only be used for single homeless individuals, and not multiperson families.

While there is no statutory authority to provide assistance to homeless families under the SRO program, these families can receive assistance under other McKinney Act programs, including the Supportive Housing program (24 CFR part 583) and the Shelter Plus Care program (24 CFR part 582).

Efficiency Units

The March 15, 1993 interim rule amended § 882.805(g)(4) to clarify that SRO program assistance may be used for efficiency units, but the gross rent for these units will be no higher than for SRO units. One commenter recommended that HUD amend the paragraph even further to provide that contract rents should include service-related hard costs, such as those related to the creation of office and meeting space. The commenter also suggested HUD include in this paragraph a list of reasonable service-related hard costs that could be included in contract rents.

HUD Response: HUD has described in detail the provisions on eligible and ineligible costs in the technical assistance book on the SRO program that HUD issues each year. HUD believes that repeating these detailed provisions in the regulations would unnecessarily complicate the

regulations, and that such repetition would be inconsistent with the President's regulatory reform initiatives (described below in this preamble, under the heading "Regulatory Reform").

On a substantive level, the technical assistance book indicates that rehabilitation of space that will be used to provide supportive services to program participants is an eligible program cost. The costs of providing the supportive services, however, is not an eligible cost.

III. May 10, 1994 Interim Rule

HUD published an interim rule on May 10, 1994 (59 FR 24252) that amended the SRO program application and funding award provisions by removing some of the descriptive information and providing that this information will appear in the annual notices of funding availability (NOFAs). The interim rule also amended the regulations to clarify when Comprehensive Housing Affordability Strategy (CHAS) certifications must be made. The deadline for public comments on the May 10, 1994 interim rule was July 11, 1994. HUD has not received any comments on the rule. Today's rule will adopt as final these amendments to the SRO program regulations, as well as similar amendments to the Shelter Plus Care program in § 582.200 that also were included in the May 10, 1994 interim rule. (The May 10, 1994 interim rule also amended the Supportive Housing program in § 583.200; this portion of the interim was adopted as final in a rule published on July 19, 1994 (59 FR 36886)). However, while this rule adopts these amendments as final, it also streamlines the regulations as part of the President's regulatory reform initiatives. This streamlining is described below, in the "Regulatory Reform" section of this preamble.

IV. February 14, 1996 Interim Rule

HUD published a third interim rule amending the SRO regulations on February 14, 1996 (61 FR 5850). The February 14, 1996 interim rule eliminated most of the remaining provisions on the required use of HA waiting lists, in conformance with the March 15, 1993 interim rule, described above. The February 14, 1996 interim rule also clarified the role of HAs in helping to identify homeless individuals during the outreach process (§ 882.808(a)(1)).

The February 14, 1996 interim rule also conformed the regulations with section 1405 of the Housing and Community Development Act of 1992,

which amended the Stewart B. McKinney Homeless Assistance Act. This statutory amendment included a requirement for the participation of homeless individuals in considering and making policies and decisions regarding rehabilitation of structures receiving assistance under the SRO program, and for the involvement of homeless individuals in the rehabilitation and operation of these structures. The interim rule included this requirement in § 882.808(q).

The statutory amendment also provided that private nonprofit organizations can apply directly for SRO assistance. Prior to this amendment, HAs were the only eligible applicants under the program. To implement this change, the interim rule added definitions of "Applicant" and "Private nonprofit organization" in § 882.802.

The February 14, 1996 interim rule also conformed the program regulations with the environmental review procedures in 24 CFR part 58. The Multifamily Housing Property Disposition Reform Act of 1994 (Pub. L. 103-233; approved April 11, 1994) made these procedures applicable to the SRO program, and HUD published implementing regulations in the Federal Register on March 13, 1995 (60 FR 13518). Under part 58, HAs (including HAs that administer programs for nonprofit applicants) must obtain an agreement with the responsible entity designated under part 58 for the performance of environmental reviews.

Additionally, the interim rule revised the provision on project eligibility in § 882.803(a)(2) to provide that housing is ineligible for assistance under this program if it is receiving Federal funding for rental assistance or operating costs under other HUD programs. Under this revised standard, there is no restriction on the use of other Federal funding for acquisition and rehabilitation costs. HUD has successfully used this clearer, less restrictive standard in its Shelter Plus Care program.

The February 14, 1996 interim rule also eliminated an obsolete date reference in the provision for determining the maximum amount of rehabilitation allowable in the program (§ 882.805(g)(1)(ii)(A) of the interim rule) so that more recent data can be used.

Finally, the interim rule corrected an error in a final rule on relocation and displacement requirements published in the Federal Register on June 6, 1994 (59 FR 29326). The June 6, 1994 rule, which conformed HUD's regulations with the requirements of the Uniform Relocation Assistance and Real Property

Acquisition Policies Act of 1970, and its implementing regulations in 49 CFR part 24, added § 882.810 and intended to remove much of § 882.803(d). However, the most recent codification of part 882 (April 1, 1995) included all of § 882.803(d). Therefore, in order to correct the error, the February 14, 1996 interim rule removed much of § 882.803(d).

Summary of Public Comments

The deadline for submitting public comments on the February 14, 1996 interim rule was April 15, 1996. By that date, HUD received comments from two organizations. After considering these comments, which are described below, HUD has decided not to make any changes to the interim rule.

Start-Up Costs

A commenter that administers this program for units owned by a nonprofit organization remarked that start-up costs can be an obstacle, primarily because filling all the units is difficult when the individuals to be served by the program are transient. The commenter stated that until a project reaches 100 percent occupancy, the owners have to rely on the maximum allowable rents for the occupied units, plus 80 percent of the contract rent for vacant units. The commenter maintained that this is insufficient to cover start-up costs, and that HUD should provide another way for nonprofit organizations to survive early cash flow problems.

HUD Response: Under § 882.808(f), if a unit that has been rehabilitated in accordance with HUD requirements is not leased within 15 days of the effective date of the HAP contract, owners may receive housing assistance payments in the amount of 80 percent of the contract rent for the unit for a vacancy period not exceeding 60 days from the effective date of the HAP contract. Maintaining this 60-day provision is reasonable. The SRO program is designed to serve homeless individuals, many of whom are living on the streets and in shelters. These individuals need the permanent housing the SRO program provides as quickly as possible. The current regulations provide assistance to owners who need a reasonable period of time to lease the SRO units, while simultaneously creating an incentive to lease the units at the earliest possible date.

Elimination of Waiting Lists

Another commenter remarked on the February 14, 1996 interim rule's removal of most of the remaining provisions for waiting lists, requiring

instead that HAs or owners engage in outreach efforts. This commenter requested additional guidance for situations in which the outreach efforts fail to produce eligible individuals. This commenter also worries that discarding waiting lists could have a disparate impact on the young, the aged, or the disabled.

HUD Response: The SRO regulations (§ 882.808(a)(2)) require that if the outreach procedures the HA or owner intends to use are unlikely to reach persons of any particular age, physical or mental handicap, race, color, religion, sex, or national origin, the HA or owner must establish additional procedures that will ensure such persons are made aware of the availability of the program. Additionally, § 882.808(a)(1) requires owners to notify HAs when they conduct the outreach effort, so that the HA may provide referrals of homeless individuals (including referrals from any waiting list maintained by the HA). These provisions ensure that all individuals, including those individuals listed by the commenter, are treated equally in the program. Lastly, additional guidance on the tenant outreach process is contained in the SRO technical assistance book.

This final rule also removes one last reference to the procedures for establishing waiting lists, which was included in the contents of the Administrative Plan (§ 882.805(b)(1)(ii)).

Participation of Homeless Individuals

Although the February 14, 1996 interim rule required that private nonprofit applicants include at least one homeless individual or formerly homeless individual in their decisions regarding the rehabilitation of the SRO housing, one commenter remarked that the rule still reflects an underrepresentation of homeless individuals in the decisionmaking process, especially since HAs are exempt from even this minimal requirement. The commenter expressed concern about HAs or other entities that focus on the interests of suburbia or business, rather than those of homeless individuals.

This commenter applauded the involvement of homeless individuals in the rehabilitation efforts and in providing services to the occupants, and requested HUD to encourage any such employment initiative by HAs, especially within the SRO facility.

HUD Response: Section 1405 of the Housing and Community Development Act of 1992 provides that each approved applicant that is not an HA must provide for the participation of not less than one homeless individual or

formerly homeless individual on its board of directors or other equivalent policymaking entity to the extent that such entity considers and makes policies and decisions regarding the rehabilitation of any SRO housing. Thus, the statute specifically exempts HAs from this requirement.

HUD shares the commenter's view that homeless individuals should be involved in the SRO decisionmaking process. Thus, the 1996 Continuum of Care application (which covers assistance under the SRO, Shelter Plus Care, and Supportive Housing programs) requires that applicants describe how they will involve homeless participants in project decisionmaking and operations. Additionally, the application requires that an applicant describe the involvement of homeless and formerly homeless individuals in the development of a jurisdiction's continuum of care strategy (see Fiscal Year 1996 Continuum of Care NOFA, published on March 15, 1996 (61 FR 10866)).

Private Nonprofit Organizations as Eligible Applicants

One commenter applauded the eligibility of private nonprofit organizations as applicants under the SRO program. The commenter explained that nonprofit organizations may be better equipped in some areas to serve the homeless population, because they are community-based and may have stronger neighborhood support.

HUD Response: HUD agrees that providing for private nonprofit applicants in the SRO program enhances the critical role these organizations play in developing a continuum of care strategy for assisting homeless individuals and in implementing that strategy.

V. Regulatory Reform

In response to Executive Order 12866 and President Clinton's memorandum of March 4, 1995 to all Federal departments and agencies on the subject of regulatory reinvention, HUD has reviewed all its regulations to determine whether certain regulations can be eliminated, streamlined, or consolidated with other regulations. While the interim rules described above were successful in eliminating many obsolete provisions, and in updating and significantly streamlining certain requirements, HUD determined that the SRO regulations can be further streamlined.

This final rule, in addition to adopting the previous interim rules as

final, further streamlines and clarifies the SRO regulations as follows:

(a) It streamlines the definition of "*Homeless individual*" in § 882.802. This definition simply repeated the language contained in section 103 of the McKinney Act. This rule also revises the definition of "*Statement of family responsibility*", by changing the term "family" to "individual." Since HUD can only serve eligible individuals under this program, using the term "individual" will help eliminate confusion.

(b) It removes the definition of "*Supportive services*," which largely consisted of a listing of items that may be considered supportive services. HUD can more appropriately provide such guidance in the SRO technical assistance book.

(c) It eliminates § 882.803(b)(5). This provision is repetitive of the definition of "*Single room occupancy (SRO) housing*" in § 882.802—a unit for occupancy by one person, which need not but may contain food preparation or sanitary facilities, or both.

(d) It revises and updates § 882.804 regarding other Federal requirements. Part of this section repeats information already provided in 24 CFR part 5. This rule will provide a cross-reference to part 5, and it will also refer to the Americans with Disabilities Act, compliance with which is required under the SRO program.

(e) It removes information from § 882.805 regarding the application requirements and criteria for rating applications, which HUD will more appropriately provide in the annual NOFA.

(f) It removes the obsolete reference in § 882.805(b) to the requirement of submitting an Equal Opportunity Housing Plan. In July 1995, HUD merged the contents of this plan into the Administrative Plan, which is also listed in § 882.805(b). Therefore, while HAs must still submit the contents of an Equal Opportunity Housing Plan as part of the Administrative Plan, it is inaccurate for the regulations to list it as a separate requirement.

(g) It consolidates the lengthy description of displacement and relocation requirements in § 882.810. These requirements are nearly identical to those in § 882.406. Since it is unnecessary to duplicate these requirements within the same part of the Code of Federal Regulations, this rule amends § 882.406 so that it also applies to the SRO program. This rule then removes the provisions of § 882.810 and replaces them with a reference to § 882.406. In this streamlining of §§ 882.406 and 882.810,

HUD is not making any substantive changes to the requirements, but is merely eliminating unnecessary provisions.

As part of HUD's regulatory reform efforts, HUD consolidated some of the requirements in § 882.102 (which contains definitions for the Section 8 Certificate and Moderate Rehabilitation programs) and the provisions in 24 CFR part 812 (which contained the definition of "Family" and the restrictions on assistance to noncitizens) into 24 CFR part 5. Part 5 now contains most of HUD's general program requirements. HUD also consolidated the requirements in 24 CFR part 12 regarding accountability in the provision of HUD assistance into 24 CFR part 4. This final rule updates the references to all these requirements in the SRO regulations.

VI. Other Matters

Environmental Impact

This rule does not in itself have an environmental impact. This rule merely adopts effective interim regulations as final and amends existing regulations by streamlining provisions; it does not alter the environmental effect of the regulations being amended. At the time of development of regulations in part 882, subpart H, and for each of the three interim rules discussed above, Findings of No Significant Impact with respect to the environment were made in accordance with HUD regulations in 24 CFR part 50 and section 102(2)(C) of the National Environmental Policy Act of 1969 (42 U.S.C. 4332). The findings remain applicable to this rule, and are available for public inspection between 7:30 a.m. and 5:30 p.m. weekdays in the Office of the Rules Docket Clerk, Office of General Counsel, Room 10276, Department of Housing and Urban Development, 451 Seventh Street, SW., Washington, DC.

Executive Order 12606, The Family

The General Counsel, as the designated official under Executive Order 12606, *The Family*, has determined that this rule does not have potential for significant impact on family formation, maintenance, and general well-being. This rule merely adopts effective interim regulations as final and eliminates unnecessary provisions, and does not change the substance of the program's regulations. Therefore, this rule is not subject to review under the order.

Executive Order 12612, Federalism

The General Counsel, as the Designated Official under section 6(a) of Executive Order 12612, *Federalism*, has

determined that the policies in this rule will not have substantial direct effects on States or their political subdivisions, or the relationship between the Federal Government and the States, or on the distribution of power and responsibilities among the various levels of government. This rule is limited to adopting effective interim regulations as final and eliminating unnecessary provisions. Therefore, the rule is not subject to review under the order.

Regulatory Flexibility Act

The Secretary, in accordance with the Regulatory Flexibility Act (5 U.S.C. 605(b)), has reviewed this rule before publication and by approving it certifies that it does not have a significant economic impact on a substantial number of small entities. Specifically, the rule is limited to adopting effective interim regulations as final and eliminating unnecessary provisions.

List of Subjects

24 CFR Part 582

Homeless, Rent subsidies, Reporting and recordkeeping requirements, Supportive housing programs—housing and community development, Supportive services.

24 CFR Part 882

Grant programs—housing and community development, Homeless, Lead poisoning, Manufactured homes, Rent subsidies, Reporting and recordkeeping requirements.

Accordingly, for the reasons stated in the preamble, the interim rule amending 24 CFR part 882, which was published at 58 FR 13828 on March 15, 1993; the interim rule amending 24 CFR parts 582 and 882, which was published at 59 FR 24252 on May 10, 1994; and the interim rule amending 24 CFR part 882, which was published at 61 FR 5850 on February 14, 1996; are adopted as final rules, with the following changes:

PART 882—SECTION 8 CERTIFICATE AND MODERATE REHABILITATION PROGRAMS

1. The authority citation for 24 CFR part 882 continues to read as follows:

Authority: 42 U.S.C. 1437f and 3535(d).

2. Section 882.406 is revised to read as follows:

§ 882.406 Displacement, relocation, and acquisition.

(a) *Minimizing displacement.* (1) Consistent with the other goals and objectives of this part, owners must assure that they have taken all

reasonable steps to minimize the displacement of persons (households, businesses, nonprofit organizations, and farms) as a result of a project assisted under this part. To the extent feasible, residential tenants must be provided a reasonable opportunity to lease and occupy a suitable, decent, safe, sanitary, and affordable dwelling unit in the project upon its completion.

(2) Whenever a building/complex is rehabilitated, and some but not all of the rehabilitated units will be assisted upon completion of the rehabilitation, the relocation requirements described in this section apply to the occupants of each rehabilitated unit, whether or not Section 8 assistance will be provided for the unit.

(b) *Temporary relocation.* The following policies cover residential tenants who will not be required to move permanently but who must relocate temporarily for the project. Such tenants must be provided:

(1) Reimbursement for all reasonable out-of-pocket expenses incurred in connection with the temporary relocation;

(2) Appropriate advisory services, including reasonable advance written notice of:

(i) The date and approximate duration of the temporary relocation;

(ii) The location of the suitable, decent, safe, and sanitary dwelling to be made available for the temporary period;

(iii) The terms and conditions under which the tenant may lease and occupy a suitable, decent, safe, and sanitary dwelling in the project upon completion; and

(iv) The assistance required under paragraph (b)(1) of this section.

(c) *Relocation assistance for displaced persons.* A “displaced person” (defined in paragraph (g) of this section) must be provided relocation assistance at the levels described in, and in accordance with the requirements of, the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (URA) (42 U.S.C. 4601–4655) and implementing regulations in 49 CFR part 24. A displaced person must be advised of his or her rights under the Fair Housing Act (42 U.S.C. 3601–19) and, if the comparable replacement dwelling used to establish the amount of the replacement housing payment to be provided to a minority is located in an area of minority concentration, such person also must be given, if possible, referrals to comparable and suitable, decent, safe, and sanitary replacement dwellings not located in such areas.

(d) *Real property acquisition requirements.* The acquisition of real

property for a project is subject to the URA and the requirements described in 49 CFR part 24, subpart B.

(e) *Appeals.* A person who disagrees with the HA’s determination concerning whether the person qualifies as a displaced person, or the amount of relocation assistance for which the person is eligible, may file a written appeal of that determination with the HA. A person who is dissatisfied with the HA’s determination on his or her appeal may submit a written request for review of that determination to the HUD field office.

(f) *Responsibility of HA.* (1) The HA must certify (i.e., provide assurance of compliance as required by 49 CFR part 24) that it will comply with the URA, the regulations in 49 CFR part 24, and the requirements of this section, and must ensure such compliance notwithstanding any third party’s contractual obligation to the HA to comply with these provisions.

(2) The cost of required relocation assistance is an eligible project cost in the same manner and to the same extent as other project costs. Such costs may be paid for with local public funds or funds available from other sources. The cost of HA advisory services for temporary relocation of tenants to be assisted under the program also may be paid from preliminary administrative funds.

(3) The HA must maintain records in sufficient detail to demonstrate compliance with the provisions of this section. The HA must maintain data on the racial, ethnic, gender, and disability status of displaced persons.

(g) *Definition of displaced person.* (1) For purposes of this section, the term *displaced person* means a person (household, business, nonprofit organization, or farm) that moves from real property, or moves personal property from real property, permanently, as a direct result of acquisition, rehabilitation, or demolition for a project assisted under this part. The term *displaced person* includes, but may not be limited to:

(i) A person who moves permanently from the real property after receiving notice requiring such move, if the move occurs on or after the date the owner submits to the HA the owner proposal that is later approved;

(ii) A person, including a person who moves from the property before the date the owner submits the proposal to the HA, if the HA or HUD determines that the displacement resulted directly from acquisition, rehabilitation, or demolition for the assisted project; or

(iii) A tenant-occupant of a dwelling unit who moves from the building/complex

permanently after the execution of the Agreement between the owner and the HA (or, for projects assisted under subpart H of this part, after the "initiation of negotiations" (see paragraph (h) of this section)), if the move occurs before the tenant is provided a written notice offering him or her the opportunity to lease and occupy a suitable, decent, safe, and sanitary dwelling in the same building/complex, under reasonable terms and conditions, upon its completion. Such reasonable terms and conditions must include a monthly rent and estimated average monthly utility costs that do not exceed the greater of:

(A) The tenant's monthly rent before the execution of the agreement and estimated average monthly utility costs; or

(B) Thirty percent of gross household income.

(C) For projects assisted under subpart H of this part, the amount cannot exceed the greater of the tenant's monthly rent before the "initiation of negotiations" and estimated average monthly utility costs; or (if the tenant is low-income) the total tenant payment, as determined under 24 CFR 813.107, or (if the tenant is not low-income) 30 percent of gross household income; or

(iv) A tenant-occupant of a dwelling, who is required to relocate temporarily, but does not return to the building/complex, if either:

(A) The tenant is not offered payment for all reasonable out-of-pocket expenses incurred in connection with the temporary relocation; or

(B) Other conditions of the temporary relocation are not reasonable; or

(v) A tenant-occupant of a dwelling who moves from the building/complex permanently after he or she has been required to move to another dwelling unit in the building/complex, if either:

(A) The tenant is not offered reimbursement for all reasonable out-of-pocket expenses incurred in connection with the move; or

(B) Other conditions of the move are not reasonable.

(2) Notwithstanding the provisions of paragraph (g)(1) of this section, a person does not qualify as a displaced person (and is not eligible for relocation assistance under the URA or this section), if:

(i) The person has been evicted for serious or repeated violation of the terms and conditions of the lease or occupancy agreement, violation of applicable Federal, State, or local law, or other good cause, and the HA determines that the eviction was not undertaken for the purpose of evading

the obligation to provide relocation assistance;

(ii) The person moved into the property after the submission of the preliminary proposal (or application, if there is no preliminary proposal), and before signing a lease and commencing occupancy, received written notice of the project and its possible impact on the person (e.g., the person may be displaced, temporarily relocated, or suffer a rent increase) and the fact that the person would not qualify as a displaced person (or for any assistance provided under this section) as a result of the project;

(iii) The person is ineligible under 49 CFR 24.2(g)(2); or

(iv) HUD determines that the person was not displaced as a direct result of acquisition, rehabilitation, or demolition for the project.

(3) The HA may request, at any time, HUD's determination of whether a displacement is or would be covered by this section.

(h) *Definition of initiation of negotiations.* For purposes of determining the formula for computing the replacement housing assistance to be provided to a residential tenant displaced as a direct result of private-owner rehabilitation or demolition of the real property, the term *initiation of negotiations* means the execution of the Agreement between the owner and the HA.

(Approved by Office of Management and Budget under OMB control number 2506-0121).

3. Subpart H is revised to read as follows:

Subpart H—Section 8 Moderate Rehabilitation Single Room Occupancy Program for Homeless Individuals

Sec.

882.801 Purpose.

882.802 Definitions.

882.803 Project eligibility and other requirements.

882.804 Other Federal requirements.

882.805 HA application process, ACC execution, and pre-rehabilitation activities.

882.806 Agreement to enter into housing assistance payments.

882.807 Housing assistance payments contract.

882.808 Management.

882.809 Waivers.

882.810 Displacement, relocation, and acquisition.

Subpart H—Section 8 Moderate Rehabilitation Single Room Occupancy Program for Homeless Individuals

§ 882.801 Purpose.

The purpose of the Section 8 Moderate Rehabilitation Program for

Single Room Occupancy (SRO) Dwellings for Homeless Individuals is to provide rental assistance for homeless individuals in rehabilitated SRO housing. The Section 8 assistance is in the form of rental assistance payments. These payments equal the rent for the unit, including utilities, minus the portion of the rent payable by the tenant under the U.S. Housing Act of 1937 (42 U.S.C. 1437 et seq.).

§ 882.802 Definitions.

In addition to the definitions set forth in 24 CFR part 5 and § 882.102 (except for the definition of "*Single Room Occupancy (SRO) Housing*" therein) the following will apply:

Agreement to enter into housing assistance payments contract (Agreement). A written agreement between the owner and the HA that, upon satisfactory completion of the rehabilitation in accordance with requirements specified in the Agreement, the HA will enter into a housing assistance payments contract with the owner.

Applicant. A public housing agency or Indian housing authority (collectively referred to as HAs), or a private nonprofit organization that applies for assistance under this program. HUD will require private nonprofit applicants to subcontract with public housing agencies to administer their rental assistance.

Eligible individual (individual). An individual who, taking into account the supportive services available to the individual, is capable of independent living and is authorized for admission to assisted housing under subparts D and E of 24 CFR part 5, and 24 CFR part 813.

Homeless individual. An individual as described in section 103 of the McKinney Act (42 U.S.C. 11302).

McKinney Act. The Stewart B. McKinney Homeless Assistance Act (42 U.S.C. 11301 et seq.).

Moderate rehabilitation.

Rehabilitation involving a minimum expenditure of \$3,000 for a unit, including its prorated share of work to be accomplished on common areas or systems, to upgrade to decent, safe, and sanitary condition to comply with the Housing Quality Standards or other standards approved by HUD, from a condition below those standards (improvements being of a modest nature and other than routine maintenance).

Private nonprofit organization. An organization, no part of the net earnings of which inures to the benefit of any member, founder, contributor, or individual. The organization must:

(1) Have a voluntary board;

(2) Have a functioning accounting system that is operated in accordance with generally accepted accounting principles, or designate an entity that will maintain a functioning accounting system for the organization in accordance with generally accepted accounting principles; and

(3) Practice nondiscrimination in the provision of assistance.

Single room occupancy (SRO) housing. A unit for occupancy by one person, which need not but may contain food preparation, sanitary facilities, or both.

Statement of individual responsibility. An agreement, in the form prescribed by HUD, between the HA and an individual to be assisted under the program, stating the obligations and responsibilities of the two parties.

§ 882.803 Project eligibility and other requirements.

(a) **Eligible and ineligible properties.**

(1) Except as otherwise provided in paragraph (a) of this section, housing suitable for moderate rehabilitation is eligible for inclusion under this program. Existing structures of various types may be appropriate for this program, including single family houses and multifamily structures.

(2) Housing is not eligible for assistance under this program if it is receiving Federal funding for rental assistance or operating costs under other HUD programs.

(3) Nursing homes and related facilities such as intermediate care or board and care homes; units within the grounds of penal, reformatory, medical, mental, and similar public or private institutions; and facilities providing continual psychiatric, medical, or nursing services are not eligible for assistance under this program.

(4) No Section 8 assistance may be provided with respect to any unit occupied by an owner.

(5) Housing located in the Coastal Barrier Resources System designated under the Coastal Barriers Resources Act is not eligible.

(6) Single-sex facilities are allowable under this program, provided that the HA determines that because of the physical limitations or configuration of the facility, considerations of personal privacy require that the facility (or parts of the facility) be available only to members of a single sex.

(b) **Housing quality standards.** Section 882.404 (including its incorporation by reference of § 882.109) applies to this program, except as follows:

(1) The housing quality standards in §§ 882.109(i) and 882.404(c) concerning lead-based paint do not apply to this

program, since these SRO units will not house children.

(2) In addition to the performance requirements contained in § 882.109(p) concerning SRO units, a sprinkler system that protects all major spaces, hard wired smoke detectors, and such other fire and safety improvements as State or local law may require must be installed in each building. The term "major spaces" means hallways, large common areas, and other areas specified in local fire, building, or safety codes.

(3) Section 882.109(q), concerning shared housing, does not apply to this program.

(4) Section 882.404(b), concerning site and neighborhood standards, does not apply to this program, except that § 882.404(b) (1) and (2) applies. In addition, the site must be accessible to social, recreational, educational, commercial, and health facilities, and other appropriate municipal facilities and services.

(c) **Financing.** Section 882.405 applies to this program.

(d) **Relocation.** Section 882.406 applies to a project assisted under this program.

(e) **HA-owned housing.** (1) A unit that is owned by the HA that administers the assistance under the ACC (including a unit owned by an entity substantially controlled by the HA) may only be assisted if:

(i) The unit is not ineligible under § 882.803(a); and

(ii) HUD approves the base and contract rent calculations prior to execution of the Agreement and prior to execution of the HAP contract.

(2) The HA as owner is subject to the same program requirements that apply to other owners in the program.

§ 882.804 Other Federal requirements.

(a) Participation in this program requires compliance with the Federal requirements set forth in 24 CFR 5.105, and with the Americans with Disabilities Act (42 U.S.C. 12101 et seq.).

(b) For agreements covering nine or more assisted units, the following requirements for labor standards apply:

(1) Not less than the wages prevailing in the locality, as determined by the Secretary of Labor under the Davis-Bacon Act (40 U.S.C. 276a through 276a-5), must be paid to all laborers and mechanics employed in the development of the project, other than volunteers under the conditions set out in 24 CFR part 70;

(2) The employment of laborers and mechanics is subject to the provisions of the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333); and

(3) HAs, owners, contractors, and subcontractors must comply with all related rules, regulations, and requirements.

(c) The environmental review requirements of 24 CFR part 58, implementing the National Environmental Policy Act and related environmental laws and authorities, apply to this program.

§ 882.805 HA application process, ACC execution, and pre-rehabilitation activities.

(a) **Review.** When funds are made available for assistance, HUD will publish a notice of funding availability (NOFA) in the Federal Register in accordance with the requirements of 24 CFR part 4. HUD will review and screen applications in accordance with the guidelines, rating criteria, and procedures published in the NOFA.

(b) **ACC Execution.** (1) Before execution of the annual contributions contract (ACC), the HA must submit to the appropriate HUD field office the following:

(i) Estimates of Required Annual Contributions, Forms HUD-52672 and HUD-52673;

(ii) Administrative Plan, which should include:

(A) Procedures for tenant outreach;

(B) A policy governing temporary relocation; and

(C) A mechanism to monitor the provision of supportive services.

(iii) Proposed Schedule of Allowances for Tenant-Furnished Utilities and Other Services, Form HUD-52667, with a justification of the amounts proposed;

(iv) If applicable, proposed variations to the acceptability criteria of the Housing Quality Standards (see § 882.803(b)); and

(v) The fire and building code applicable to each structure.

(2) After HUD has approved the HA's application, the review and comment requirements of 24 CFR part 791 have been complied with, and the HA has submitted (and HUD has approved) the items required by paragraph (b)(1) of this section, HUD and the HA must execute the ACC in the form prescribed by HUD. The initial term of the ACC must be 11 years. This term allows one year to rehabilitate the units and place them under a 10-year HAP contract. The ACC must give HUD the option to renew the ACC for an additional 10 years.

(3) Section 882.403(a) (Maximum Total ACC Commitments) applies to this program.

(4) Section 882.403(b) (Project account) applies to this program.

(c) **Project development.** Before execution of the Agreement, the HA must:

(1)(i) Inspect the structure to determine the specific work items that need to be accomplished to bring the units to be assisted up to the Housing Quality Standards (see § 882.803(b)) or other standards approved by HUD;

(ii) Conduct a feasibility analysis, and determine whether cost-effective energy conserving improvements can be added;

(iii) Ensure that the owner prepares the work write-ups and cost estimates required by § 882.504(f); and

(iv) Determine initial base rents and contract rents;

(2) Assure that the owner has selected a contractor in accordance with § 882.504(g);

(3) After the financing and a contractor are obtained, determine whether the costs can be covered by initial contract rents, computed in accordance with paragraph (d) of this section; and, if a structure contains more than 50 units to be assisted, submit the base rent and contract rent calculations to the appropriate HUD field office for review and approval in sufficient time for execution of the Agreement in a timely manner;

(4) Obtain firm commitments to provide necessary supportive services;

(5) Obtain firm commitments for other resources to be provided;

(6) Determine that the \$3,000 minimum amount of work requirement and other requirements in § 882.504(c)(2) and (3) are met;

(7) Determine eligibility of current tenants, and select the units to be assisted, in accordance with § 882.504(e);

(8) Comply with the financing requirements in § 882.504(i);

(9) Assure compliance with all other applicable requirements of this subpart; and

(10) In the event that the HA determines that any structure proposed in its application is infeasible, or the HA proposes to select a different structure for any other reason, the HA must submit information for the proposed alternative structure to HUD for review and approval. HUD will rate the proposed structure in accordance with procedures in the applicable notice of funding availability. The HA may not proceed with processing for the proposed structure or execute an Agreement until HUD notifies the HA that HUD has approved the proposed alternative structure and that all requirements have been met.

(d) *Initial contract rents.* Section 882.408 (Initial contract rents), including the establishment of fair market rents for SRO units at 75 percent of the O-bedroom Moderate

Rehabilitation Fair Market Rent, applies to this program, except as follows:

(1)(i) In determining the monthly cost of a rehabilitation loan, in accordance with § 882.408(c)(2), a loan term of a least 10 years (instead of 15 years) may be used. The exception in § 882.408(c)(2)(iii) for using the actual loan term if the total amount of the rehabilitation is less than \$15,000 continues to apply. In addition, the cost of the rehabilitation that may be included for the purpose of calculating the amount of the initial contract rent for any unit must not exceed the lower of:

(A) The projected cost of rehabilitation; or

(B) The per unit cost limitation that is established by Federal Register notice, plus the cost of the fire and safety improvements required by § 882.803(b)(2). HUD may, however, increase the limitation in paragraph (d)(1)(i)(B) of this section by an amount HUD determines is reasonable and necessary to accommodate special local conditions, including high construction costs or stringent fire or building codes. HUD will publish future cost limitation changes in the Federal Register in the Notice of Funding Availability issued each year.

(ii) If the Federal Housing Administration (FHA) believes that high construction costs warrant an increase in the per unit cost limitation in paragraph (d)(1)(i)(B) of this section, the HA must demonstrate to HUD's satisfaction that a higher average per unit amount is necessary to conduct this program, and that every appropriate step has been taken to contain the amount of the rehabilitation within the published per unit cost limitation established at that time, plus the cost of the required fire and safety improvements. These higher amounts will be determined as follows:

(A) HUD may approve a higher per unit amount up to, but not to exceed, an amount computed by multiplying the HUD-approved High Cost Percentage for Base Cities (used for computing FHA high cost area adjustments) for the area, by the current published cost limitation plus the cost of the required fire and safety improvements.

(B) HUD may, on a structure-by-structure basis, increase the level approved in paragraph (d)(1)(i) of this section to up to an amount computed by multiplying 2.4 by the current published cost limitation plus the cost of the required fire and safety improvements.

(2) In approving changes to initial contract rents during rehabilitation in accordance with § 882.408(d), the

revised initial contract rents may not reflect an average per unit rehabilitation cost that exceeds the limitation specified in paragraph (d)(1) of this section.

(3) If the structure contains four or fewer SRO units, the Fair Market Rent for that size structure (the Fair Market Rent for a 1-, 2-, 3-, or 4-bedroom unit, as applicable) must be used to determine the Fair Market Rent limitation instead of using the separate Fair Market Rent for each SRO unit. To determine the Fair Market Rent limitation for each SRO unit, the Fair Market Rent for the structure must be apportioned equally to each SRO unit.

(4) Contract rents must not include the costs of providing supportive services, transportation, furniture, or other nonhousing costs, as determined by HUD. SRO program assistance may be used for efficiency units selected for rehabilitation under this program, but the gross rent (contract rent plus any Utility Allowance) for these units will be no higher than for SRO units (i.e., 75 percent of the 0-bedroom Moderate Rehabilitation Fair Market Rent).

(Approved by the Office of Management and Budget under control number 2506-0131)

§ 882.806 Agreement to enter into housing assistance payments.

(a) *Rehabilitation period.* (1) *Agreement.* Before the owner begins any rehabilitation, the HA must enter into an Agreement with the owner in the form prescribed by HUD.

(2) *Timely performance of work.* Section 882.506(a) applies to this program. In addition, the Agreement must provide that the work must be completed and the contract executed within 12 months of execution of the ACC. HUD may reduce the number of units or the amount of the annual contribution commitment if, in HUD's determination, the HA fails to demonstrate a good faith effort to adhere to this schedule or if other reasons justify reducing the number of units.

(3) *Inspections.* Section 882.506(b) applies to this program.

(4) *Changes.* Section 882.506(c)(1) applies to this program. Contract rents may not be increased except in accordance with §§ 882.408(d) and 882.805(d)(2).

(b) *Completion of rehabilitation.* (1) *Notification of completion.* Section 882.507(a) applies to this program.

(2) *Evidence of completion.* Section 882.507(b) applies to this program, except that § 882.507(b)(2)(iv), concerning lead-based paint requirements, does not apply.

(3) *Actual cost and rehabilitation loan certifications.* Section 882.507(c) applies

to this program, except that contract rents must be established in accordance with § 882.805(d).

(4) *Review and inspections.* Section 882.507(d) applies to this program.

(5) *Acceptance.* Section 882.507(e) applies to this program.

(Approved by the Office of Management and Budget under control number 2502-0367)

§ 882.807 Housing assistance payments contract.

(a) *Time of execution of contract.* Section 882.508(a) applies to this program.

(b) *Term of contract.* The contract for any unit rehabilitated in accordance with this program must be for a term of 10 years. The contract must give the HA the option to renew the contract for an additional 10 years.

(c) *Changes in contract rents from agreement.* The contract rents may be higher or lower than those specified in the Agreement, in accordance with § 882.805(d).

(d) *Unleased units.* Section 882.508(c) applies to this program.

(e) *Contract rents at end of rehabilitation loan term.* For a contract in which the initial contract rent was based upon a loan term shorter than 10 years, the contract must provide for reduction of the contract rent effective with the rent for the month following the end of the term of the rehabilitation loan. The amount of the reduction will be the monthly cost of amortization of the rehabilitation loan. This reduction should result in a new contract rent equal to the base rent plus all subsequent adjustments.

(Approved by the Office of Management and Budget under control number 2502-0367)

§ 882.808 Management.

(a) *Outreach to homeless individuals and appropriate organizations.* (1) The HA or the owner must undertake outreach efforts to homeless individuals so that they may be brought into the program. The outreach effort should include notification to emergency shelter providers and other organizations that could provide referrals of homeless individuals. If the owner conducts the outreach effort, the owner must notify the HA so that it may provide referrals of homeless individuals.

(2) *Additional outreach concerns.* If the procedures that the HA or owner intends to use to publicize the availability of this program are unlikely to reach persons of any particular race, color, religion, sex, age, national origin, or mental or physical disability who may qualify for admission to the program, the HA or owner must

establish additional procedures that will ensure that such persons are made aware of the availability of the program. The HA or owner must also adopt and implement procedures to ensure that interested persons can obtain information concerning the existence and location of services and facilities that are accessible to persons with disabilities.

(3) *First priority for homeless individuals.* Homeless individuals must have the first priority for occupancy of housing rehabilitated under this program.

(b) *Individual participation.* (1) *Initial determination of individual eligibility.* Section 882.514(a) applies to this program.

(2) *Owner selection of individuals.* The owner must rent all vacant units under contract to homeless individuals located through HA or owner outreach efforts and determined by the HA to be eligible. The owner is responsible for tenant selection and may refuse any individual, provided the owner does not unlawfully discriminate. If the owner rejects an individual, and the individual believes that the owner's rejection was the result of unlawful discrimination, the individual may request the assistance of the HA in resolving the issue and may also file a complaint with HUD's Office of Fair Housing and Equal Opportunity in accordance with 24 CFR 103.25. If the individual requests the assistance of the HA, and if the HA cannot resolve the complaint promptly, the HA should advise the individual that he or she may file a complaint with HUD, and provide the individual with the address of the nearest HUD Office of Fair Housing and Equal Opportunity.

(3) *Briefing of individuals.* Section 882.514(d) applies to this program, except that § 882.514(d)(1)(vi) does not apply.

(4) *Continued participation of individual when contract is terminated.* Section 882.514(e) applies to this program, except that the HA may issue a Housing Voucher instead of a Certificate.

(5) *Individuals determined by the HA to be ineligible.* Section 882.514(f) applies to this program. In addition, individuals are not precluded from exercising other rights if they believe they have been discriminated against on the basis of age.

(c) *Lease.* (1) *Contents of lease.* Section 882.504(j) applies to this program. In addition, the lease must limit occupancy to one eligible individual.

(2) *Term of lease.* Section 882.403(d) applies to this program.

(d) *Security and utility deposits.*

Section 882.112 applies to this program.

(e) *Rent adjustments.* Section 882.410 applies to this program.

(f) *Payments for vacancies.* Section 882.411 applies to this program.

(g) *Subcontracting of owner services.*

Section 882.412 applies to this program.

(h) *Responsibility of the individual.*

Section 882.413 applies to this program.

(i) *Reexamination of individual income.* (1) *Regular reexaminations.*

The HA must reexamine the income of all individuals at least once every 12 months. After consultation with the individual and upon verification of the information, the HA must make appropriate adjustments in the Total Tenant Payment in accordance with 24 CFR part 813, and verify that only one individual is occupying the unit. The HA must adjust Tenant Rent and the Housing Assistance Payment to reflect any change in Total Tenant Payment. At each regular reexamination, the HA must follow the requirements of 24 CFR part 5, subpart E concerning verification of immigration status of any new family member.

(2) *Interim reexaminations.* The individual must supply such certification, release, information, or documentation as the HA or HUD determines to be necessary, including submissions required for interim reexaminations of individual income and determinations as to whether only one person is occupying the unit. In addition, the second and third sentences of § 882.515(b) apply. At any interim reexamination when there is a new family member, the HA must follow the requirements of 24 CFR part 5, subpart E concerning obtaining and processing evidence of citizenship or eligible immigration status of the new family member.

(3) *Continuation of Housing Assistance Payments.* Section 882.515(c) applies to this program.

(j) *Overcrowded units.* If the HA determines that anyone other than, or in addition to, the eligible individual is occupying an SRO unit assisted under this program, the HA must take all necessary action, as soon as reasonably feasible, to ensure that the unit is occupied by only one eligible individual.

(k) *Adjustment of utility allowance.* Section 882.510 applies to this program.

(l) *Termination of tenancy.* Section 882.511 applies to this program. For provisions requiring termination of assistance when the HA determines that a family member is not a U.S. citizen or does not have eligible immigration status, see 24 CFR part 5, subpart E for provisions concerning certain assistance

for mixed families (families whose members include those with eligible immigration status, and those without eligible immigration status) in lieu of termination of assistance, or for provisions concerning deferral of termination of assistance.

(m) *Reduction of number of units covered by contract.* Section 882.512 applies to this program.

(n) *Maintenance, operation, and inspections.* Section 882.516 applies to this program.

(o) *HUD review of contract compliance.* Section 882.217 applies to this program.

(p) *Records and reports.* Each recipient of assistance under this subpart must keep any records and make any reports that HUD may require within the timeframe required.

(q) *Participation of homeless individuals.* (1) Each approved

applicant receiving assistance under this program, except HAs, must provide for the participation of not less than one homeless individual or formerly homeless individual on the board of directors or other equivalent policymaking entity of such applicant, to the extent that the entity considers and makes policies and decisions regarding the rehabilitation of any housing with assistance under this subpart. This requirement is waived if the applicant is unable to meet this requirement and presents a plan that HUD approves to consult with homeless or formerly homeless individuals in considering and making such policies and decisions.

(2) To the maximum extent practicable, each approved applicant must involve homeless individuals and families, through employment,

volunteer services, or otherwise, in rehabilitating and operating facilities assisted under this subpart, and in providing services for occupants of such facilities.

(Approved by the Office of Management and Budget under control number 2506-0131)

§ 882.809 Waivers.

Section 5.405(b) of this title does not apply to this program.

§ 882.810 Displacement, relocation, and acquisition.

Section 882.406 applies to this program.

Dated: September 3, 1996.

Andrew M. Cuomo,

Assistant Secretary for Community Planning and Development.

[FR Doc. 96-23166 Filed 9-10-96; 8:45 am]

BILLING CODE 4210-29-P