



# Chapter 8.A

## Housing Quality Standards

February 28, 2025

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## Table of Contents

INTRODUCTION .....	1
<b>PART I: PHYSICAL STANDARDS.....</b>	<b>3</b>
8-I.A. GENERAL HUD REQUIREMENTS .....	3
8-I.B. ADDITIONAL LOCAL REQUIREMENTS .....	5
8-I.C. LIFE-THREATENING CONDITIONS [24 CFR 982.404(a); FR Notice 1/18/17].	8
8-I.D. OWNER AND FAMILY RESPONSIBILITIES [24 CFR 982.404].....	12
8-I.E. SPECIAL REQUIREMENTS FOR CHILDREN WITH ELEVATED BLOOD LEAD LEVEL [24 CFR 35.1225; FR Notice 1/13/17; Notice PIH 2017-13].....	15
8-I.F. VIOLATION OF HQS SPACE STANDARDS [24 CFR 982.401, 24 CFR 982.403].....	16
<b>PART II: THE INSPECTION PROCESS.....</b>	<b>17</b>
8-II.A. OVERVIEW [24 CFR 982.405].....	17
8-II.B. INITIAL HQS INSPECTION [24 CFR 982.405(a)].....	21
8-II.C. PERIODIC HQS INSPECTIONS.....	25
8-II.D. INTERIM INSPECTIONS [24 CFR 982.405(d)] .....	26
8-II.E. SUPERVISORY QUALITY CONTROL INSPECTIONS .....	27
8-II.F. INSPECTION RESULTS AND REINSPECTIONS FOR UNITS UNDER HAP CONTRACT.....	28
8-II.G. ENFORCING OWNER COMPLIANCE .....	34
8-II.H. ENFORCING FAMILY COMPLIANCE WITH HQS [24 CFR 982.404(b)] .....	38
<b>PART III: RENT REASONABLENESS [24 CFR 982.507] .....</b>	<b>40</b>

 **COMMERCE**

8-III.A. OVERVIEW ..... 40

8-III.B. WHEN RENT REASONABLENESS DETERMINATIONS ARE REQUIRED . 41

8-III.C. HOW COMPARABILITY IS ESTABLISHED ..... 43

8-III.D . PHA RENT REASONABLENESS METHODOLOGY ..... 45

# Chapter 8.A.

## HOUSING QUALITY STANDARDS AND RENT REASONABLENESS DETERMINATIONS

[24 CFR 982 Subpart I and 24 CFR 982.507]

### INTRODUCTION

Owners must maintain all units occupied by families receiving Housing Choice Voucher (HCV) assistance in accordance with housing quality standards. Units assisted under the program must comply with HUD's National Standards for the Physical Inspection of Real Estate (NSPIRE) regulations and standards no later than October 1, 2025. Until such time, the PHA may continue using the HQS inspection standards.

All units must pass an HQS inspection prior to the approval of a lease and at least once every 24 months during the term of the contract, and at other times as needed, to determine that the unit meets HQS. HUD also requires PHAs to determine that rents for units under the program are reasonable when compared to comparable unassisted units in the market area.

This chapter explains HUD and PHA requirements related to housing quality and rent reasonableness as follows:

Part I. Physical Standards. This part discusses the physical standards required of units occupied by HCV-assisted families and identifies decisions about the acceptability of the unit that may be made by the family based upon the family's preference. It also identifies life-threatening conditions that must be addressed on an expedited basis.

Part II. The Inspection Process. This part describes the types of inspections the PHA will make and the steps that will be taken when units do not meet HQS.

Part III. Rent Reasonableness Determinations. This part discusses the policies the PHA will use to make rent reasonableness determinations.

Special HQS requirements for homeownership, manufactured homes, and other special housing types are discussed in Chapter 15 to the extent that they apply in this jurisdiction.

## NSPIRE and HQS

Even once the HQS inspection standard has sunset, the regulations at 24 CFR Part 982 and 983 governing the HCV and PBV programs will continue to use the terms *HQS* and *housing quality standards* rather than *NSPIRE*. This is because the definition of *housing quality standards (HQS)* at 24 CFR 982.4 means the minimum quality standards developed by HUD in accordance with 24 CFR 5.703 for the HCV program, including any variations approved by HUD for the PHA. As such, the model policy uses the term *housing quality standards* whenever applicable regulations use this term. Except in the chapter describing HQS, the acronym *HQS* is not used in the model policy in order to avoid confusion between the umbrella term meaning housing standards and the specific inspection protocol. The model policy only uses the term *NSPIRE* when referring to specific NSPIRE standards.

# PART I: PHYSICAL STANDARDS

## 8-I.A. GENERAL HUD REQUIREMENTS

### HUD Performance and Acceptability Standards

HUD's performance and acceptability standards for HCV-assisted housing are provided in 24 CFR 982.401. 24 CFR part 983 applies to the Project Based Voucher program, but PBV adopts provisions from part 982, except for certain part 982 provisions that do not apply to PBV. Refer to 24 CFR 983.2 When the tenant-based voucher rule (24 CFR part 982) applies for more detail. These standards cover the following areas:

- Sanitary facilities
- Food preparation and refuse disposal
- Space and security
- Thermal environment
- Illumination and electricity
- Structure and materials
- Interior air quality
- Water supply
- Lead-based paint
- Access
- Site and neighborhood
- Sanitary condition
- Smoke detectors

A summary of HUD performance criteria is provided in Exhibit 8-1. Additional guidance on these requirements is found in the following HUD resources:

- Housing Choice Voucher Guidebook, Chapter 10.
- HUD Housing Inspection Manual for Section 8 Housing
- HUD Inspection Form, form HUD-52580 (3/01) and Inspection Checklist, form HUD52580A (9/00)
- HUD Form 6.0 Report of Visual Assessment Lead Based Paint
- HUD Notice 2003-31, Accessibility Notice: Section 504 of the Rehabilitation Act of 1973; the Americans with Disabilities Act of 1990; the Architectural Barriers Act of 1968 and the Fair Housing Act of 1988.

## NSPIRE Standards Applicable to HQS [HUD Letter 6/14/24]

Even if the PHA is still under the HQS inspection standard, the PHA must apply the following requirements under NSPIRE:

- The NSPIRE standards for carbon monoxide alarms are currently applicable even if the PHA has not yet transitioned to NSPIRE;
- PHAs are required to comply with the NSPIRE Smoke Alarm Standard prior to December 3, 2024; and
- The Visual Assessment Standard for Potential Lead-Based Paint Hazard in 24 CFR Part 35 Subparts M (tenant-based HCV) or H (PBV) apply.

## Tenant Preference Items

HUD requires the PHA to enforce minimum HQS but also recognizes that certain judgments about the acceptability of the unit are left to the family. For example, the PHA must ensure that the unit contains the required sanitary facilities, but the family decides whether the cosmetic appearance of the facilities is acceptable. Exhibit 8-2 summarizes those items that are considered tenant preferences.

## Modifications to Provide Accessibility

Under the Fair Housing Act of 1988 an owner must not refuse the request of a family that contains a person with a disability to make necessary and reasonable modifications to the unit. Such modifications are at the family's expense. The owner may require restoration of the unit to its original condition if the modification would interfere with the owner or next occupant's full enjoyment of the premises. The owner may not increase a customarily required security deposit. However, the landlord may negotiate a restoration agreement that requires the family to restore the unit and, if necessary to ensure the likelihood of restoration, may require the tenant to pay a reasonable amount into an interest bearing escrow account over a reasonable period of time. The interest in any such account accrues to the benefit of the tenant. The owner may also require reasonable assurances that the quality of the work will be acceptable and that any required building permits will be obtained. [24 CFR 100.203; Notice 2003-31].

Modifications to units to provide access for a person with a disability must meet all applicable HQS requirements and conform to the design, construction, or alteration of facilities contained in the UFAS and the ADA Accessibility Guidelines (ADAAG) [28 CFR 35.151(c) and Notice 2003-31] See Chapter 2 of this plan for additional information on reasonable accommodations for persons with disabilities.

### Commerce Policy

**Any owner that intends to negotiate a restoration agreement or require an escrow account must submit the agreement(s) to Commerce for review.**

## 8-I.B. ADDITIONAL LOCAL REQUIREMENTS

The PHA may impose variations to the HQS as long as the additional criteria are not likely to adversely affect the health or safety of participant families or severely restrict housing choices for families. HUD approval is required for variations to the HQS. HUD



approval is not required if the variations are clarifications of HUD's acceptability criteria or performance standards [24 CFR 982.401(a)(4)].

## Thermal Environment [HCV GB p.10-7]

The PHA must define a “healthy living environment” for the local climate. This may be done by establishing a temperature that the heating system must be capable of maintaining, that is appropriate for the local climate.

### Commerce Policy

**The heating system must be capable of maintaining an interior temperature of 65 degrees Fahrenheit between October 1 and May 1.**

## Clarifications of HUD Requirements

### Commerce Policy

**As permitted by HUD, Commerce has adopted the following specific requirements that clarify HUD standards.**

#### ***Walls***

**In areas where plaster or drywall is severely bulging, severely cracked, or otherwise severely damaged, it must be repaired or replaced.**

#### ***Windows***

**Window sashes must be reasonably weather tight and pose no hazards. Window screens must be in good condition (applies only if screens are present).**

***Doors***

All exterior doors must be weather-tight to avoid any air or water infiltration, be lockable, have no holes, have all trim intact, and have a threshold.

All interior doors must have no holes, have all trim intact, and be openable without the use of a key.

***Floors***

All wood floors must be sanded to a smooth surface and sealed. Any loose or warped boards must be resecured and made level. If they cannot be leveled, they must be replaced.

All floors must be in a finished state. Raw wood or unsealed concrete is not permitted.

***Sinks***

All sinks and commode water lines must have shut off valves, unless faucets are wall mounted.

All sinks must have functioning stoppers.

***Security***

If window security bars or security screens are present on emergency exit windows, they must be equipped with a quick release system. The owner is responsible for ensuring that the family is instructed on the use of the quick release system.

***Deteriorated Paint***

Peeling, flaking, and other deteriorating paint that may contribute to risk of lead-based paint exposure, especially in properties built prior to 1978.

## **8-I.C. LIFE-THREATENING CONDITIONS [24 CFR 982.404(a); FR Notice 1/18/17]**

HUD requires the PHA to define life-threatening conditions and to notify the owner or the family (whichever is responsible) of the corrections required. The responsible party must correct life-threatening conditions within 24 hours of PHA notification.

### **Commerce Policy**

**The following are considered life-threatening conditions:**

- **Any condition that jeopardizes the security of the unit, i.e. missing entry door or entry door is present but does not properly close and/or lock to provide security**
- **Major plumbing leak(s) or flooding, i.e., waterlogged ceiling or floor in imminent danger of failing or collapsing**
- **Natural or Liquid Propane gas or fuel oil leaks**
- **A fuel storage vessel, fluid line, valve, or connection that supplies fuel to a HVAC unit is leaking or a strong odor is detected with potential for explosion or fire or that results in a health risk if inhaled**

**Any electrical problem or condition that could result in shock or fire**

- **A light fixture is readily accessible, is not securely mounted to the ceiling or wall, and electrical connections or wires are exposed**
- **A light fixture is hanging by its wires**
- **A light fixture has a missing or broken bulb, and the open socket is readily accessible to the tenant during the day-to-day use of the unit**

- **A receptacle (outlet) or switch is missing or broken, and electrical connections or wires are exposed**
- **An open circuit breaker position is not appropriately blanked off in a panel board, main panel board, or other electrical box that contains circuit breakers or fuses**
- **A cover is missing from any electrical device box, panel box, switch gear box, control panel, etc., and there are exposed electrical connections**
- **Any nicks, abrasions, or fraying of the insulation that exposes conducting wire**
- **Exposed bare wires or electrical connections**
- **Any condition that results in openings in electrical panels or electrical control device enclosures**
- **Water leaking or ponding near any electrical device**
- **Any condition that poses a serious risk of electrocution or fire and poses an immediate life-threatening condition**

**The inspection date is on or between October 1 and May 1 and the permanently installed heating s is not working or permanently installed heating source is working and interior temperature is below 64 degrees .**

**Utilities not in service, including no running hot water**

**Conditions that present imminent and/or serious potential of physical injury**

**Obstacles that prevent safe entrance or exit from the unit**

- Any components that affect the function of the fire escape are missing or damaged
- Stored items or other barriers restrict or prevent the use of the fire escape in the event of an emergency
- The building's emergency exit is blocked or impeded, thus limiting the ability of occupants to exit in a fire or other emergency

**Absence of a functioning toilet in the unit**

**Inoperable or missing smoke detectors. Per PIH Notice 2024-26, all smoke detectors must be either hardwired or sealed, 10-year battery devices.**

**Missing or inoperable carbon monoxide detector**

**Missing, damaged, discharged, overcharged, or expired fire extinguisher (where required)**

**Gas/oil-fired water heater or heating, ventilation, or cooling system with missing, damaged, improper, or misaligned chimney venting**

- The chimney or venting system on a fuel-fired water heater is misaligned, negatively pitched, or damaged, which may cause improper or dangerous venting or gases
- A gas dryer vent is missing, damaged, or is visually determined to be inoperable, or the dryer exhaust is not vented to the outside
- A fuel-fired space heater is not properly vented or lacks available combustion air
  - Safety devices on a fuel-fired space heater are missing or damaged

- **The chimney or venting system on a fuel-fired heating, ventilation, or cooling system is misaligned, negatively pitched, or damaged, which may cause improper or dangerous venting of gas**
  - **Deteriorating paint as defined at 24 CFR 35.110 in a unit, any common areas serving the unit, grounds or building exterior, built before 1978 and that is considered to be “Target Housing” defined in the Toxic Substances Control Act (TSCA) as any housing constructed before 1978, except housing for the elderly or persons with disabilities or any 0-bedroom dwelling. However, target housing does include pre-1978 housing for the elderly or persons with disabilities or any 0-bedroom dwelling, if any child under age six resides or is expected to reside in such housing. If an owner fails to correct life-threatening conditions as required by Commerce, Commerce will enforce the HQS in accordance with HUD requirements. See 8-II-G.**
  - **If a family fails to correct a family-caused life-threatening condition as required by Commerce, Commerce will enforce the family obligations. See 8-II.H.**

**The owner will be required to repair an inoperable smoke detector with 24 hours. .**

## **8-I.D. OWNER AND FAMILY RESPONSIBILITIES [24 CFR 982.404]**

**The following is applicable to HAP contracts executed or renewed June 5, 2024, or earlier:**

### **Family Responsibilities**

The family is responsible for correcting the following HQS deficiencies:

- Tenant-paid utilities not in service
- Failure to provide or maintain appliances owned by the family
- Damage to the unit or premises caused by a household member or guest beyond ordinary wear and tear that results in a breach of the HQS. *Ordinary wear and tear* is defined as items which could not be charged against the tenant's security deposit under state law or court practice.

### **Owner Responsibilities**

The owner is responsible for all HQS violations not listed as a family responsibility above, even if the violation is caused by the family's living habits (e.g., vermin infestation). However, if the family's actions constitute a serious or repeated lease violation, the owner may take legal action to evict the family.

#### **Commerce Policy**

**Commerce upholds these standards, as stated above.**

**The following is applicable to HAP contracts executed or renewed June 6, 2024, or later:**

## Owner Obligation

The owner must maintain the unit in accordance with housing quality standards. A unit is not in compliance with housing quality standards if the PHA or other inspector authorized by the state or local government determines that the unit has housing quality standards deficiencies based upon an inspection, notifies the owner in writing of the deficiencies, and the deficiencies are not remedied within the appropriate time frame.

In the case of a housing quality standards deficiency that the PHA determines is caused by the tenant, any member of the household, or any guest or other person under the tenant's control (other than damage resulting from ordinary use), the PHA may waive the owner's responsibility to remedy the violation. The HAP to the owner may not be withheld or abated if the owner responsibility has been waived. However, if the family's actions constitute a serious or repeated lease violation, the owner may take legal action to evict the family. In addition, the PHA may terminate the family's assistance because of a housing quality standards breach (beyond damage resulting from ordinary use) caused by any member of the household, guest, or other person under the tenant's control.

### Commerce Policy

**The owner is responsible for all housing quality standard violations not listed as a family responsibility below, even if the violation is caused by the family's living habits. The tenant must take all necessary steps permissible under the lease and state and local law to remedy the deficiency. This may include paying the owner for the cost of the necessary repairs in accordance with the lease.**

**If the family's actions constitute a serious or repeated lease violation, the owner may take legal action to evict the family, at their sole discretion.**

**The owner will be required to repair an inoperable smoke detector unless Commerce determines that the family has intentionally disconnected (by**



removing batteries or other means). In this case, the family will be required to repair the smoke detector within 24 hours, proven by time-stamped photo evidence.

## Family Responsibilities

The family may be held responsible for a breach of housing quality standards caused by any of the following:

- Tenant-paid utilities not in service;
- Failure to provide or maintain appliances owned by the family; and
- Damage to the dwelling unit or premises caused by a household member or guest beyond ordinary wear and tear.

### Commerce Policy

**Damages beyond ordinary wear and tear will be considered to be damages which could be assessed against the security deposit under state law or in court practice. If tenant does not correct these deficiencies within the applicable time frame, Commerce will enforce family obligations.**

If the PHA has waived the owner's responsibility to remedy the violation as outlined under the owner obligations above, the following applies:

- If the housing quality standards breach caused by the family is life-threatening, the family must take all steps permissible under the lease and state and local law to ensure the deficiency is corrected within 24 hours of notification.
- For other family-caused deficiencies, the family must take all steps permissible under the lease and state and local law to ensure the deficiency is corrected within 30 calendar days of notification (or any PHA-approved extension).

If the family has caused a breach of the HQS, the PHA must take prompt and vigorous action to enforce the family obligations. The PHA may terminate assistance for the family in accordance with 24 CFR 982.552.

### **8-I.E. SPECIAL REQUIREMENTS FOR CHILDREN WITH ELEVATED BLOOD LEAD LEVEL [24 CFR 35.1225; FR Notice 1/13/17; Notice PIH 2017-13]**

If a PHA is notified by a public health department or other medical health care provider, or verifies information from a source other than a public health department or medical health care provider, that a child of less than six years of age, living in an HCV-assisted unit has been identified as having an elevated blood lead level, the PHA must complete an environmental investigation of the dwelling unit within 15 calendar days after being notified by a public health department or other medical health care provider. The environmental investigation must be completed in accordance with program requirements, and the result of the environmental investigation must be immediately provided to the owner of the dwelling unit. In cases where the public health department has already completed an evaluation of the unit, this information must be provided to the owner.

Within 30 days after receiving the environmental investigation report from the PHA, or the evaluation from the public health department, the owner is required to complete the reduction of identified lead-based paint hazards in accordance with the lead-based paint regulations [24 CFR 35.1325 and 35.1330; 40 CFR 745.227]. If the owner does not complete the “hazard reduction” as required, the dwelling unit is in violation of HQS and the PHA will take action in accordance with Section 8-II.G.

PHA reporting requirements, and data collection and record keeping responsibilities related to children with an elevated blood lead level are discussed in Chapter 16.

## **8-I.F. VIOLATION OF HQS SPACE STANDARDS [24 CFR 982.401, 24 CFR 982.403]**

A dwelling unit must:

- Provide adequate space and security for the family
- Have at least one bedroom or living/sleeping room for each two persons

A unit that does not meet these HQS space standards is defined as *overcrowded*.

A living room may be used as sleeping (bedroom) space, but no more than two persons may occupy the space [HCV GB p. 10-6]. A bedroom or living/sleeping room must have at least:

- One window
- Two electrical outlets in proper operating condition (permanent overhead or wall-mounted light fixtures may count as one of the required electrical outlets)

If the PHA determines that a unit is overcrowded because of an increase in family size or a change in family composition, the PHA must issue the family a new voucher, and the family and PHA must try to find an acceptable unit as soon as possible. If an acceptable unit is available for rental by the family, the PHA must terminate the HAP contract in accordance with its terms.

## PART II: THE INSPECTION PROCESS

### 8-II.A. OVERVIEW [24 CFR 982.405]

#### Types of Inspections

The PHA conducts the following types of inspections as needed. Each type of inspection is discussed in the paragraphs that follow.

- *Initial Inspections.* The PHA conducts initial inspections in response to a request from the family to approve a unit for participation in the HCV program.
- *Periodic Inspections.* HUD requires the PHA to inspect each unit under lease at least annually or biennially, depending on PHA policy, to confirm that the unit still meets HQS. The inspection may be conducted in conjunction with the family's annual reexamination but also may be conducted separately.
- *Interim Inspections.* A special inspection may be requested by the owner, the family, or a third party as a result of problems identified with a unit between annual inspections.
- *Supervisory Quality Control Inspections.* HUD requires that a sample of units be inspected by a supervisor or other qualified individual to evaluate the work of the inspector(s) and to ensure that inspections are performed in compliance with the HQS.

#### Inspection of PHA-Owned Units [24 CFR 982.352(b)]

The PHA must obtain the services of an independent entity to perform all HQS inspections in cases where an HCV family is receiving assistance in a PHA-owned unit as defined in 24 CFR 982.4. The independent entity must communicate the results of each inspection to the family and the PHA. The independent agency must be approved by HUD and may be the unit of general local government for the PHA jurisdiction

(unless the PHA is itself the unit of general local government or an agency of such government). The PHA must inform the family, both orally and in writing, that the family has the right to select any eligible unit available for lease. PHA-owned unit is freely selected by the family, without PHA pressure or steering.

For information on the inspection of PHA-owned units in the PBV program, see Chapters 17 and 18.

### **Inspection Costs [Notice PIH 2016-05; 24 CFR 5.705(h)]**

The PHA may not charge the family for unit inspections or reinspections [24 CFR 982.405(g)]. In the case of inspections of PHA-owned units, the PHA may compensate the independent agency from ongoing administrative fees (including fees credited to the administrative fee reserve) for inspections performed. The PHA and the independent agency may not charge the family any fee or charge for the inspection [24 CFR.982.352(b)].

The PHA may not charge the owner for the inspection of the unit prior to the initial term of the lease or for a first inspection during assisted occupancy of the unit. However, the PHA may charge a reasonable fee to owners for reinspections if an owner notifies the PHA that a repair has been made or the allotted time for repairs has elapsed and a reinspection reveals that any deficiency cited in the previous inspection that the owner is responsible for repairing, pursuant to 24 CFR 982.404(a), was not corrected. Fees may not be imposed for tenant-caused damages, for cases in which the inspector could not gain access to the unit, or for new deficiencies discovered during a reinspection.

The owner may not pass the cost of a reinspection fee to the family. Reinspection fees must be added to the PHA's administrative fee reserves and may only be used for activities related to the provision of tenant-based assistance.

#### **Commerce Policy**

**Commerce will not charge a fee for failed reinspections.**

## Remote Video Inspections (RVIs) [Notice PIH 2020-31]

As an alternative to some or all on-site inspections, the PHA may, but is not required to, perform HQS inspections from a remote location using video streaming technology and a proxy at the inspection site. Since there may be some circumstances in which the application of technology provides insufficient information or evidence to allow the PHA to make appropriate determinations about whether a condition violates HQS, Notice PIH 2020-31 requires that if a PHA chooses to implement RVIs, the PHA should have policies and procedures in place to address such limitations.

### Commerce Policy

**Commerce may conduct HQS inspections utilizing RVI for biennial inspections under the following circumstances:**

- **Inclement weather prohibits traveling to the unit for inspection prior to deadline,**
- **Household illness prevents inspection completion prior to deadline; and**
- **Reasonable accommodation for a person with disabilities.**

**Commerce will not utilize RVIs for initial inspections, but may utilize RVIs if initial inspections includes deficiencies rather than a second on-site inspection.**

## Notice and Scheduling

The family must allow the PHA to inspect the unit at reasonable times with reasonable notice [24 CFR 982.551(d)].

### Commerce Policy

**Both the family and the owner will be given reasonable notice of all inspections. Except in the case of a life-threatening emergency, reasonable notice is considered to be not less than 48 hours. Inspections may be scheduled between 8:00 a.m. and 7:00 p.m. Generally, inspections will be conducted on business days only. In the case of a life-threatening emergency, Commerce or the Field Agency will give as much notice as possible, given the nature of the emergency.**

## Owner and Family Inspection Attendance

HUD permits the PHA to set policy regarding family and owner presence at the time of inspection [HCV GB p. 10-27].

### Commerce Policy

**When a family occupies the unit at the time of inspection, an authorized adult (which could include property owner or owner's representative) must be present for the inspection. If there is no adult in the unit at the time of the inspection, the Field Agency will not conduct the inspection. The presence of the owner or the owner's representative is encouraged but is not required.**

**At initial inspection of a vacant unit, Commerce or the Field Agency will inspect the unit in the presence of the owner or owner's representative. The presence of a family representative is permitted but is not required.**

## **8-II.B. INITIAL HQS INSPECTION [24 CFR 982.405(a)]**

HUD regulations require that units assisted under the HCV program be inspected to determine that the units meet housing quality standards before the PHA approves assisted tenancy. However, PHAs have two options for bringing units under HAP contract (or, in the case of PBV, approving occupancy and the execution of a lease) more quickly. The PHA may but is not required to approve assisted tenancy and start HAP if the unit:

- Fails the initial inspection, but only if no life-threatening deficiencies are identified; and/or
- Passed an alternative inspection in the last 24 months.

If the PHA adopts the alternative inspection option in combination with the non-life-threatening deficiencies option, the PHA must follow family and owner notification requirements listed at 24 CFR 982.406(f). Otherwise, if neither of the above provisions are adopted, the PHA must determine that the unit the family selects meets NSPIRE standards prior to approving tenancy.

### **Approving Units with Non-Life-Threatening Deficiencies [FR Notice 1/18/17; Notice PIH 2017-20; FR Notice 5/7/24; and 24 CFR 982.405(j)]**

The PHA may approve assisted tenancy, execute a HAP contract, and begin paying HAP if a unit fails an initial inspection, but only if the deficiencies identified are non-life threatening. This is known as the “NLT option.” A PHA that implements the NLT option may apply the option to all of the PHA’s initial inspections or may limit it to certain units. If the NLT option is adopted, the PHA must follow requirements listed at 24 CFR 982.405(j) for family and owner notification.

The PHA’s administrative plan must specify the circumstances under which the PHA will exercise the NLT option, if any.



### Commerce Policy

**Commerce will not use the NLT option. All units must pass the initial inspection on or before the effective date of the HAP contract.**

Approving Units Using Alternative Inspections [FR Notice 1/18/17; Notice PIH 2017-20; FR Notice 5/7/24; and 24 CFR 982.406]

The PHA may approve assisted tenancy, execute a HAP contract, and begin paying HAP if a unit passed an alternative inspection (i.e., an inspection conducted for another housing program) conducted in the last 24 months provided the PHA is able to obtain the results of the alternative inspection, the property received a “pass” score (if applicable), and the inspection meets the requirements at 24 CFR 982.406(c) and (d). The PHA may implement the use of alternative inspections for both initial and periodic inspections or may limit the use of alternative inspections to either initial or periodic inspections. If alternative inspections are used, the PHA must follow requirements listed at 24 CFR 982.406(e)(2) for family and owner notification.

A PHA relying on alternative inspections must identify the alternative inspection method being used in the PHA’s administrative plan.

### Commerce Policy

**The unit must pass the initial inspection on or before the effective date of the HAP contract.**

**Commerce will not rely on alternative inspections and will conduct an initial inspection for each unit prior to executing a HAP contract with the owner.**

## Timing of Initial Inspections [24 CFR 982.305(b)(2)(i)]

Unless the PHA relies on alternative inspections, HUD requires PHAs with fewer than 1,250 budgeted units to complete the initial inspection, determine whether the unit satisfies HQS, and notify the owner and the family of the determination within 15 days of submission of the Request for Tenancy Approval (RTA). For PHAs with 1,250 or more budgeted units, to the extent practicable such inspection and determination must be completed within 15 days. The 15-day period is suspended for any period during which the unit is not available for inspection [982.305(b)(2)].

### Commerce Policy

**Commerce or the Field Agency will complete the initial inspection, determine whether the unit satisfies HQS, and notify the owner and the family of the determination within 15 calendar days of submission of the Request for Tenancy Approval (RTA).**

## Inspection Results and Reinspections

### Commerce Policy

**If any HQS violations are identified, the owner will be notified of the deficiencies and be given a time frame to correct them. If requested by the owner, the time frame for correcting the deficiencies may be extended by Commerce for good cause. Good cause may include, but is not limited to, illness, circumstances outside of the family's/landlord's/owner's control, inclement weather, or availability of licensed professional. Commerce or the Field Agency will reinspect the unit within 14 calendar days of the date the owner notifies the Field Agency that the required corrections have been made. On case by case basis, Commerce may accept RVI. The RTA will be cancelled if the unit does not pass initial inspection within 30 calendar days from the date of the initial inspection notification letter.**

**If the time period for correcting the deficiencies (or any Commerce-approved extension) has elapsed, or the unit fails HQS at the time of the reinspection, Commerce or the Field Agency will notify the owner and the family that the unit has been rejected and that the family must search for another unit. Commerce or the Field Agency may agree to conduct a second reinspection, for good cause, at the request of the family and owner.**

**Following a failed reinspection, the family may submit a new Request for Tenancy Approval after the owner has made repairs, if they are unable to locate another suitable unit.**

## Utilities

Generally, at initial lease-up the owner is responsible for demonstrating that all utilities are in working order including those utilities that the family will be responsible for paying.

### **Commerce Policy**

**Utility service must be available for testing at the time of the initial inspection.**

## Appliances [Form HUD-52580]

### **Commerce Policy**

**If the family is responsible for supplying the stove and/or refrigerator, Commerce will allow the stove and refrigerator to be placed in the unit after the unit has met all other HQS requirements. The required appliances must be in place before the HAP contract is executed by Commerce. Commerce**

will execute the HAP contract based upon a certification from the family that the appliances have been installed and are working. A confirmatory RVI inspection will be scheduled within 30 calendar days of HAP contract approval.

## **8-II.C. PERIODIC HQS INSPECTIONS [24 CFR 982.405(b) and Notice PIH 2016-05]**

### **Commerce Policy**

Each unit under HAP contract must be inspected biennially within 24 months of the last full HQS inspection. Commerce reserves the right to require annual or interim/special inspections of any unit or owner at any time.

Commerce will not rely on alternative inspection standards.

HQS inspections will be conducted annually (within 12 months from the last annual inspection date) on Moderate Rehabilitation units.

## **Scheduling the Inspection**

### **Commerce Policy**

Both the family and the owner will be given reasonable notice of all inspections. Except in the case of a life-threatening emergency, reasonable notice is considered to be not less than 48 hours. Inspections may be scheduled between 8:00 a.m. and 7:00 p.m. Generally, inspections will be conducted on business days only. In the case of a life-threatening

emergency, Commerce or the Field Agency will give as much notice as possible, given the nature of the emergency.

If an adult cannot be present or the landlord/owner cannot be present on the scheduled date, the family must request that the inspection be rescheduled. Commerce or the Field Agency and family will agree on a new inspection date that generally will take place within 7 calendar days of the originally scheduled date. The Field Agency may schedule an inspection more than 7 calendar days after the original date for good cause.

If the family misses the first scheduled appointment without requesting a new inspection date, Commerce or the Field Agency will automatically schedule a second inspection. If the family misses two scheduled inspections without Commerce or Field Agency approval, Commerce or the Field Agency will consider the family to have violated its obligation to make the unit available for inspection. This may result in termination of the family's assistance in accordance with Chapter 12.

## **8-II.D. INTERIM INSPECTIONS [24 CFR 982.405(d)]**

If a participant or government official notifies the PHA of a potential deficiency, the following applies:

- If the reported deficiency is life-threatening, the PHA must, within 24 hours of notification, both inspect the housing unit and notify the owner if the life-threatening deficiency is confirmed. The owner must then make the repairs within 24 hours of PHA notification.
- If the reported deficiency is non-life-threatening, the PHA must, within 15 days of notification, both inspect the unit and notify the owner if the deficiency is confirmed.

The owner must then make the repairs within 30 days of notification from the PHA or within any PHA-approved extension.

**Commerce Policy**

**During an interim inspection, Commerce or the Field Agency generally will inspect only those deficiencies that were reported. However, the inspector will record any additional HQS deficiencies that are observed and will require the responsible party to make the necessary repairs.**

**If the interim inspection has been scheduled or is due within 90 calendar days of the date the special interim inspection is scheduled, Commerce or the Field Agency may elect to conduct a full interim inspection.**

## **8-II.E. SUPERVISORY QUALITY CONTROL INSPECTIONS [24 CFR 982.405(b); 24 CFR 985.3(e); HCV GB, p. 10-32]**

HUD requires a PHA supervisor or other qualified person to conduct quality control inspections of a sample of units to ensure that each inspector is conducting accurate and complete inspections and that there is consistency in the application of the HQS.

The unit sample must include only units that have been inspected within the preceding three months. The selected sample should be drawn to represent a cross section of neighborhoods and the work of a cross section of inspectors.

**Commerce Policy**

**Commerce will conduct HQS quality control reviews for the applicable Field Agency jurisdictions to meet SEMAP requirements.**

## **8-II.F. INSPECTION RESULTS AND REINSPECTIONS FOR UNITS UNDER HAP CONTRACT**

**The following is applicable to HAP contracts executed or renewed June 5, 2024, or earlier:**

### **Notification of Corrective Actions**

The owner and the family will be notified in writing of the results of all inspections. When an inspection identifies HQS failures, the PHA will determine (1) whether or not the failure is a life-threatening condition and (2) whether the family or owner is responsible.

#### **Commerce Policy**

##### ***Life Threatening-***

**When life-threatening conditions are identified, Commerce or the Field Agency will immediately notify both parties by telephone, facsimile, or email. The notice will specify who is responsible for correcting the violation. The corrective actions must be taken within 24 hours of Commerce or the Field Agency's notice.**

**The notice of inspection results will inform the owner that if life-threatening conditions are not corrected within 24 hours, the owner's HAP will be abated in accordance with Commerce policy (see 8-II.G.).**

##### ***Non-life Threatening-***

**When failures that are not life-threatening are identified, Commerce or the Field Agency will send the owner and the family a written notification of the inspection results within 7 calendar days of the inspection. The written notice will specify who is responsible for correcting the violation, and the time frame within which the failure must be corrected. No more than 30**

calendar days from the date of notification will be allowed for the correction. If the non-life threatening deficiencies are not corrected within the specified time frame, the owner's HAP will be abated in accordance with Commerce policy (see 8-11.G.).

Commerce or the Field Agency may accept a signed self-certification from the owner and tenant that the repairs have been corrected for biennial and interim inspections only. Self-certifications are not acceptable for initial failed inspections. See section below on reinspections. The self-certification must be received indicating the date the corrections were made. Commerce or the Field Agency may require photo enforcement (time-stamped photos of the completed repairs) if further verification is needed to confirm that the repairs were completed.

In the case of family caused deficiencies, the notice will inform the family that if corrections are not made within the specified time frame (or any Commerce-approved extension, if applicable) the family's assistance will be terminated in accordance with Commerce policy (see Chapter 12).

**The following is applicable to HAP contracts executed or renewed June 6, 2024, or later:**

### Notification of Corrective Actions [24 CFR 982.404(d)(1)]

The owner must maintain the unit in accordance with housing quality standards. The unit is in noncompliance with housing quality standards if:

- The PHA or authorized inspector determines the unit has housing quality standards deficiencies based upon an inspection
- The PHA notified the owner in writing of the unit housing quality standards deficiencies; and



- The unit's housing quality standards deficiencies are not corrected within the required timeframes.

A PHA may suspend assistance payments for units that have deficiencies once the owner has been notified in writing of the deficiencies. The PHA's administrative plan must identify the conditions under which the PHA will withhold HAP. In this case, if the unit is brought into compliance during the applicable cure period, the PHA must resume assistance payments and provide payments to cover the time period for which the payments were withheld.

The PHA must abate the HAP, including amounts that had been withheld, if the owner fails to make the repairs within the applicable cure period. In this case, the PHA must notify the family and the owner that it is abating payments and, if the unit does not meet housing quality standards within 60 days (or a reasonable longer period established by the PHA), the PHA will terminate the HAP contract for the unit and the family will have to move to receive continued assistance. In this case, the PHA must issue the family its voucher to move at least 30 days prior to the termination of the HAP contract.

### Commerce Policy

**The owner and the family will be notified in writing of the results of all inspections. When an inspection identifies housing quality standards failures, Commerce or Field Agency will determine (1) whether or not the failure is a life-threatening condition and (2) whether the family or owner is responsible.**

**Commerce will not suspend assistance payments upon notification of the deficiencies to the owner but will withhold payments starting the 1<sup>st</sup> day of the month following the deadline if there is a failure to correct.**

**When life-threatening conditions are identified, Commerce will immediately notify both parties by telephone or email. The notice will specify who is responsible for correcting the violation. The corrective actions must be taken within 24 hours of Commerce's notice.**

**When failures that are not life-threatening are identified, Commerce will send the owner and the family a written notification of the inspection results within 7 business days of the inspection. The written notice will specify who is responsible for correcting the violation, and the time frame within which the failure must be corrected. Generally, not more than 30 days will be allowed for the correction.**

**If the owner is responsible for correcting the deficiency, the notice of inspection results will inform the owner that if life-threatening conditions are not corrected within 24 hours, and non-life-threatening conditions are not corrected within the specified time frame (or any Commerce-approved extension), the owner's HAP will be abated in accordance with Commerce policy (see 8-II.G.).**

**Likewise, if the family is responsible for correcting the deficiency, the notice will inform the family that if corrections are not made within the specified time frame (or any Commerce-approved extension, if applicable) the family's assistance will be terminated in accordance with Commerce policy (see Chapter 12).**

## Extensions

For conditions that are life-threatening, the PHA cannot grant an extension to the 24 hour corrective action period. For conditions that are not life-threatening, the PHA may grant an exception to the required time frames for correcting the violation, if the PHA determines that an extension is appropriate [24 CFR 982.404].

### **Commerce Policy**

**For non-life-threatening cases, Commerce may grant extensions in cases where they have determined that the owner has made a good faith effort to**

correct the deficiencies and is unable to for reasons beyond the owner's control. Reasons may include, but are not limited to:

- A repair cannot be completed because required parts or services are not available.
- A repair cannot be completed because of weather conditions.
- A reasonable accommodation is needed because the family includes a person with disabilities.

The length of the extension will be determined on a case-by-case basis, but will not exceed 60 calendar days, except in the case of delays caused by weather conditions or availability delays for either replacement parts or scheduling of a licensed professional to complete the repair.

In the case of weather conditions, extensions may be continued until the weather has improved sufficiently to make repairs possible. The necessary repairs must be made within 14 calendar days once the weather conditions have subsided. Evidence of good faith, including but not limited to documentation of scope of work and solicited vendors, may be required.

In the case of delayed availability of replacement parts or scheduling of a licensed professional to complete the repair, extensions may be continued until the parts or licensed professional is able to make repairs possible.

The owner must provide documentation of ordering replacement parts or/and scheduling licensed professional prior to the original deadline to Commerce. The necessary repairs must be made within 14 calendar days of once the parts are available or the professional is scheduled.

## Reinspections [24 CFR 982.405(i)]

When a PHA must verify correction of a deficiency, the PHA may use verification methods other than another on-site inspection. The PHA may establish different verification methods for initial and non-initial inspections or for different deficiencies. Upon either an inspection for initial occupancy or a reinspection, the PHA may accept photographic evidence or other reliable evidence from the owner to verify that a deficiency has been corrected.

### Commerce Policy

**Re-inspection is only required on initial failed inspections.**

**Commerce or the Field Agency will conduct a reinspection following the end of the specified timeframe, or any Commerce-approved extension. The family and owner will be given reasonable notice of the reinspection appointment.**

- **For initial inspections (prior to HAP Contract)**
  - **HAP Contract will not be approved until such deficiencies are corrected and verified;**
- **For interim inspections (requested by tenant or landlord/owner, or if evidence or complaint raised to Commerce or Field Agency)**
  - **If the deficiencies have not been corrected, Commerce or the Field Agency will send a notice of abatement of HAP to the owner, if the deficiency is the owner's responsibility to correct.**

**Commerce or the Field Agent will request verification of completed repairs to life-threatening deficiencies within 24 hours of notification. The Field Agent may conduct a re-inspection for annual inspections where life-**

threatening deficiencies are identified. If the deficiencies have not been corrected, Commerce will send a notice of abatement of HAP to the owner if the deficiency is the owner's responsibility to correct.

If the Field Agency is unable to gain entry to the unit in order to conduct the scheduled reinspection, the Field Agency will consider the family to have violated its obligation to make the unit available for inspection. This may result in termination of the family's assistance in accordance with Chapter 12.

## **8-II.G. ENFORCING OWNER COMPLIANCE**

If the owner fails to maintain the dwelling unit in accordance with HQS, the PHA must take prompt and vigorous action to enforce the owner obligations.

**The following is applicable to HAP contracts executed or renewed June 5, 2024, or earlier:**

### **HAP Abatement**

If an owner fails to correct HQS deficiencies by the time specified by the PHA, HUD requires the PHA to abate housing assistance payments no later than the first of the month following the specified correction period (including any approved extension) [24 CFR 985.3(f)]. No retroactive payments will be made to the owner for the period of time the rent was abated. Owner rents are not abated as a result of HQS failures that are the family's responsibility.

#### **Commerce Policy**

**Commerce will make all HAP abatements effective the first of the month following the expiration of Commerce specified correction period (including any extension). If the owner fails to make repairs within 60 days**

of notice of abatement, Commerce will terminate the HAP contract or remove the unit with uncorrected deficiencies from the HAP contract. The 60-day period may be extended by a reasonably longer period of time, as determined by Commerce in its sole discretion. .

In order for payments to be resumed, a landlord must provide written verification of completed repairs for non-life-threatening deficiencies. Commerce may, in its sole discretion, reinspect or ask for time-stamped photographs to verify that deficiencies have been corrected. Payment will resume effective on the day the owner certifies the deficiencies have been resolved (with corresponding evidence) or the day the unit passes reinspection.

During any abatement period the family continues to be responsible for its share of the rent. The owner must not seek payment from the family for abated amounts and may not use the abatement as cause for eviction.

## HAP Contract Termination

The PHA must decide how long any abatement period will continue before the HAP contract will be terminated. The PHA should not terminate the contract until the family finds another unit, provided the family does so in a reasonable time [HCV GB p. 10-29] and must give the owner reasonable notice of the termination. The PHA will issue a voucher to permit the family to move to another unit as described in Chapter 10.

### Commerce Policy

**If the owner completes corrections and notifies Commerce before the expiration of the HAP abatement period, Commerce may rescind the HAP termination notice in accordance with applicable regulations, guidelines and at Commerce's discretion as determined on a case-by-case basis.**

**Commerce will notify the owner and tenant in the abatement notice that the HAP contract will terminate at the end of the 60-calendar day abatement period if the unit is not repaired.**

**The following is applicable to HAP contracts executed or renewed June 6, 2024, or later:**

### **HAP Withholding [24 CFR 982.404(d)(1)]**

A PHA may withhold assistance payments for units that have housing quality standards deficiencies once the PHA has notified the owner in writing of the deficiencies. The PHA's administrative plan must identify the conditions under which the PHA will withhold HAP. In this case, if the unit is brought into compliance during the applicable cure period, the PHA resumes assistance payments and provides assistance payments to cover the time period for which the payments were withheld.

#### **Commerce Policy**

**Commerce will not withhold assistance payments upon notification to the owner of the deficiencies but will withhold payments starting the 1<sup>st</sup> day of the month following the deadline if there is failure to correct.**

### **HAP Abatement [24 CFR 982.404(d)(2)]**

The PHA must abate the HAP, including amounts that had been withheld, if the owner fails to make the repairs within the applicable cure period. In this case, the PHA must notify the family and the owner that it is abating payments and, if the unit does not meet housing quality standards within 60 days (or a reasonable longer period established by the PHA), the PHA will terminate the HAP contract for the unit and the family will have

to move to receive continued assistance. In this case, the PHA must issue the family its voucher to move at least 30 days prior to the termination of the HAP contract.

The owner may not terminate the tenancy of any family due to the withholding or abatement of assistance.

### **Commerce Policy**

**Commerce will review provided proof of correction as soon as is practicable. Commerce reserves the right to re-inspect or otherwise confirm the completion of work before it resumes payments. Payment will resume effective on the day Commerce determines the unit is compliant.**

During any abatement period the family continues to be responsible for its share of the rent.

For PHA policies on family moves when units are in abatement and termination of the HAP contract when a family moves due to deficiencies, see Section 10-I.B.

## **HAP Contract Termination**

The PHA must decide how long any abatement period will continue before the HAP contract will be terminated. The PHA should not terminate the contract until the family finds another unit, provided the family does so in a reasonable time [HCV GB p. 10-29] and must give the owner reasonable notice of the termination. The PHA will issue a voucher to permit the family to move to another unit as described in Chapter 10.

### **Commerce Policy**

**The maximum length of time that HAP may be abated is 60 days, unless extended by Commerce. However, if the owner completes corrections and notifies Commerce before the termination date of the HAP contract, Commerce may rescind the termination notice in consistent with Commerce policies in this Plan.**



**Reasonable notice of HAP contract termination by Commerce is 30 days. Commerce will issue a voucher to permit the eligible family to move to another unit as described in Chapter 10.**

**For Project Based Vouchers, pursuant to 24 CFR 983.208(d)(2)(iii), in situations where Commerce abates HAP for a PBV unit, Commerce will notify the family and the owner that it is abating payments and that if the unit with deficiencies does not meet HQS within 60 days after the determination for noncompliance (or a reasonably longer period Commerce may establish on a case-by-case basis based on extenuating circumstances such as delays due to inclement weather or lack of available certified contractors or construction materials), Commerce will either terminate the HAP contract or remove the unit with deficiencies from the HAP contract. Any family residing in a unit that does not comply with HQS due to a PBV owner's noncompliance will be required to move from the PBV unit, if the family wishes to receive continued assistance.**

## **8-II.H. ENFORCING FAMILY COMPLIANCE WITH HQS [24 CFR 982.404(b)]**

**The following is applicable to HAP contracts executed or renewed June 5, 2024, or earlier:**

Families are responsible for correcting any HQS violations listed in paragraph 8.I.D. If the family fails to correct a violation within the period allowed by the PHA (and any extensions), the PHA will terminate the family's assistance, according to the policies described in Chapter 12.

If the owner carries out a repair for which the family is responsible under the lease, the owner may bill the family for the cost of the repair.

**The following is applicable to HAP contracts executed or renewed June 6, 2024, or later:**

If the PHA waived the landlord responsibility for housing quality standards deficiencies that have been determined to have been caused by the tenant, any member of the household, or any guest or other person under the tenant's control (see section 8-I.D), the family is responsible for correcting any housing quality standards violations listed in paragraph 8.I.D. If the family fails to correct a violation within the period allowed by the PHA (and any extensions), the PHA will terminate the family's assistance, according to the policies described in Chapter 12.

If the owner carries out a repair for which the family is responsible under the lease, the owner may bill the family for the cost of the repair and may enter into a repayment agreement with the family.

# PART III: RENT REASONABLENESS [24 CFR 982.507]

## 8-III.A. OVERVIEW

Except in the case of certain LIHTC- and HOME-assisted units, no HAP contract can be approved until the PHA has determined that the rent for the unit is reasonable. The purpose of the rent reasonableness test is to ensure that a fair rent is paid for each unit rented under the HCV program.

HUD regulations define a reasonable rent as one that does not exceed the rent charged for comparable, unassisted units in the same market area. HUD also requires that owners not charge more for assisted units than for comparable units on the premises. This part explains the method used to determine whether a unit's rent is reasonable.

## PHA-Owned Units [24 CFR 982.352(b)]

In cases where an HCV family is receiving assistance in a PHA-owned unit, the PHA must obtain the services of an independent entity to determine rent reasonableness in accordance with program requirements, and to assist the family in negotiating the contract rent when the family requests assistance. A PHA-owned unit is defined as a unit that is owned by the PHA that administers the assistance under the consolidated ACC (including a unit owned by an entity substantially controlled by the PHA). The independent agency must communicate the results of the rent reasonableness determination to the family and the PHA. The independent agency must be approved by HUD, and may be the unit of general local government for the PHA jurisdiction (unless the PHA is itself the unit of general local government or an agency of such government)

## **8-III.B. WHEN RENT REASONABLENESS DETERMINATIONS ARE REQUIRED**

### Owner-Initiated Rent Determinations

The PHA must make a rent reasonableness determination at initial occupancy and whenever the owner requests a rent adjustment.

The owner and family first negotiate the rent for a unit. The PHA (or independent agency in the case of PHA-owned units) will assist the family with the negotiations upon request. At initial occupancy the PHA must determine whether the proposed rent is reasonable before a HAP Contract is signed. The owner must not change the rent during the initial lease term. Subsequent requests for rent adjustments must be consistent with the lease between the owner and the family. Rent increases will not be approved unless any failed items identified by the most recent HQS inspection have been corrected.

#### **Commerce Policy**

**After the initial occupancy period, the owner may request a rent adjustment in accordance with the owner's lease. For rent increases requests after initial lease-up, Commerce may request owners to provide information about the rents charged for other units on the premises, if the premises includes more than 4 units. In evaluating the proposed rents in comparison with other units on the premises, Commerce will consider the unit size and length of tenancy in the other units. Commerce will determine if a rent increase is reasonable based on various criteria, which includes, but is not limited to: age of unit, owner-provided explanation, frequency of requests, rent increase history, and condition of unit.**

**All requests for rent adjustments must be submitted to Commerce.**

**Commerce will conduct rent reasonableness and determine whether the**

requested increase is reasonable within 14 calendar days of receiving the request from the owner. The owner will be notified of the approval or denial in writing.

Landlords/owners must provide 60-days' written notice to their tenants on the HCV program of a rent adjustment. All rent adjustments will be effective the first of the month following 60 calendar days after Commerce's receipt of (a copy of the owner's 60 days notice to the tenant) the owner's request, after the tenants 60 days notice, or on the date specified by the owner, whichever is later.

## **PHA and HUD-Initiated Rent Reasonableness Determinations**

HUD requires the PHA to make a determination of rent reasonableness (even if the owner has not requested a change) if there is a 10 percent decrease in the fair market rent that goes into effect at least 60 days before the contract anniversary date. HUD also may direct the PHA to make a determination at any other time. The PHA may decide that a new determination of rent reasonableness is needed at any time.

### **Commerce Policy**

**In addition to the instances described above in regulation, Commerce will make a determination of rent reasonableness at any time after the initial occupancy period if: (1) Commerce determines that the initial rent reasonableness determination was in error or (2) Commerce determines that the information provided by the owner about the unit or other units on the same premises was incorrect.**

## LIHTC and HOME-Assisted Units [24 CFR 982.507(c)]

For units receiving low-income housing tax credits (LIHTCs) or units assisted under HUD's HOME Investment Partnerships (HOME) Program, a rent comparison with unassisted units is not required if the voucher rent does not exceed the rent for other LIHTC- or HOME-assisted units in the project that are not occupied by families with tenant-based assistance.

For LIHTCs, if the rent requested by the owner does exceed the LIHTC rents for non-voucher families, the PHA must perform a rent comparability study in accordance with program regulations. In such cases, , the rent shall not exceed the lesser of: (1) the reasonable rent as determined from the rent comparability study; or (2) the payment standard established by the PHA for the unit size involved.

### Commerce Policy

**Commerce will conduct rent comparison for units receiving low-income housing tax credits and units assisted under HUD's HOME Investment Partnerships Program with non-rent-restricted units in the same locality.**

## 8-III.C. HOW COMPARABILITY IS ESTABLISHED

### Factors to Consider

HUD requires PHAs to take into consideration the factors listed below when determining rent comparability. The PHA may use these factors to make upward or downward adjustments to the rents of comparison units when the units are not identical to the HCV-assisted unit.

- Location and age
- Unit size including the number of rooms and square footage of rooms

- The type of unit including construction type (e.g., single family, duplex, garden, low-rise, high-rise)
- The quality of the units including the quality of the original construction, maintenance and improvements made
- Amenities, services, and utilities included in the rent

## Units that Must Not Be Used as Comparables

Comparable units must represent unrestricted market rents. Therefore, units that receive some form of federal, state, or local assistance that imposes rent restrictions cannot be considered comparable units. These include units assisted by HUD through any of the following programs: Section 8 project-based assistance, Section 236 and Section 221(d)(3) Below Market Interest Rate (BMIR) projects, HOME or Community Development Block Grant (CDBG) program-assisted units in which the rents are subsidized; units subsidized through federal, state, or local tax credits; units subsidized by the Department of Agriculture rural housing programs, and units that are rent-controlled by local ordinance [Notice PIH 2002-22, Notice PIH 2005-20, and Notice PIH 2020-19].

**Note:** Notice PIH 2020-19, issued August 21, 2020, provides further guidance on the issue of what constitutes an assisted unit.

## Rents Charged for Other Units on the Premises

The Request for Tenancy Approval (HUD-52517) requires owners to provide information, on the form itself, about the rent charged for other unassisted comparable units on the premises if the premises include more than 4 units.

By accepting the PHA payment each month the owner certifies that the rent is not more than the rent charged for comparable unassisted units on the premises. If asked to do so, the owner must give the PHA information regarding rents charged for other units on the premises.

### Commerce Policy

Commerce will require owners to complete Request for Tenancy Approval form and verify most recently leased comparable rent for unassisted units in a premises for landlords/owners of projects with more than four units prior to completing a lease up.

## 8-III.D

### PHA RENT REASONABLENESS METHODOLOGY

#### How Market Data Is Collected

##### Commerce Policy

Commerce uses a third-party vendor (AffordableHousing.com) to collect and maintain data on market rents in Commerce's jurisdiction.

#### How Rents Are Determined

##### Commerce Policy

Rent for a proposed unit will be compared to the rent charged for comparable unassisted units in the general location. Comparable rents are equivalent when the adjusted rents are greater than or equal to the requested rent. Proposed units will be compared to the units within the same rent range. A minimum of two comparable units is required. Commerce will accept rent comparisons according to the following hierarchy:

- a. The first method to conduct a rent reasonableness comparison is through the rental comparison software AffordableHousing.com.



**AffordableHousing.com will determine if the rent of a unit is reasonable comparable to units in the state’s jurisdiction. AffordableHousing.com contains data on market location, unit type, size, quality, age of unit, amenities, housing services, maintenance and utilities provided under the lease.**

**b. If AffordableHousing.com is not producing two comparable units, completing an analysis of two (2) comparable units on a unit-by-unit basis by using other data sources is permitted. The certifier should select units that are as similar to the proposed unit as possible. Other acceptable data sources include but are not limited to:**

- Craigslist.org,**
- Facebook,**
- Zillow,**
- Realtor.com,**
- PadMapper.com, and**
- Phone verification.**

**c. In determining the reasonableness of rents for units assisted in the same complex that is not substantially assisted, Commerce may base its determination on the rents charged for the three comparable unassisted units in the same complex. Commerce will use the information provided by the owner in Section 12a of the Request for Tenancy Approval form to determine and document rental reasonableness for the unassisted units in the same apartment complex.**

**Commerce will notify the owner of the approved rent, based upon its analysis of comparable rents. If the owner disputes the proposed rent, they**

 **COMMERCE**

**may submit information about other comparable units in the market area. Commerce will confirm the accuracy of the information provided and consider this additional information when making rent determinations. The owner must submit any additional information within 10 calendar days of Commerce 's request for information or the owner's request to submit information.**

**EXHIBIT 8-1: OVERVIEW OF HUD HOUSING QUALITY STANDARDS**

Note: This document provides an overview of HQS. For more detailed information see the following documents:

- 24 CFR 982.401, Housing Quality Standards (HQS)
- Housing Choice Voucher Guidebook, Chapter 10.
- HUD Housing Inspection Manual for Section 8 Housing
- HUD Inspection Form, form HUD-52580 (3/01) and Inspection Checklist, form HUD-52580-A (9/00)

**Sanitary Facilities**

The dwelling unit must include sanitary facilities within the unit. □The sanitary facilities must be usable in privacy and must be in proper operating condition and adequate for personal cleanliness and disposal of human waste.

**Food Preparation and Refuse Disposal**

The dwelling unit must have space and equipment suitable for the family to store, prepare, and serve food in a sanitary manner.

**Space and Security**

The dwelling unit must provide adequate space and security for the family. This includes having at least one bedroom or living/sleeping room for each two persons.

**Thermal Environment**

The unit must have a safe system for heating the dwelling unit. Air conditioning is not required but if provided must be in proper operating condition. The dwelling unit must not contain unvented room heaters that burn gas, oil, or kerosene. Portable electric room heaters or kitchen stoves with built-in heating units are not acceptable as a primary source of heat for units located in climatic areas where permanent heat systems are required.

### **Illumination and Electricity**

Each room must have adequate natural or artificial illumination to permit normal indoor activities and to support the health and safety of occupants. The dwelling unit must have sufficient electrical sources so occupants can use essential electrical appliances. Minimum standards are set for different types of rooms. Once the minimum standards are met, the number, type and location of electrical sources are a matter of tenant preference.

### **Structure and Materials**

The dwelling unit must be structurally sound. Handrails are required when four or more steps (risers) are present, and protective railings are required when porches, balconies, and stoops are thirty inches or more off the ground. The elevator servicing the unit must be working [if there is one]. Manufactured homes must have proper tie-down devices capable of surviving wind loads common to the area.

### **Interior Air Quality**

The dwelling unit must be free of air pollutant levels that threaten the occupants' health. There must be adequate air circulation in the dwelling unit. Bathroom areas must have one openable window or other adequate ventilation. Any sleeping room must have at least one window. If a window was designed to be opened, it must be in proper working order.

### **Water Supply**

The dwelling unit must be served by an approved public or private water supply that is sanitary and free from contamination. Plumbing fixtures and pipes must be free of leaks and threats to health and safety.

### **Lead-Based Paint**

Lead-based paint requirements apply to dwelling units built prior to 1978 that are occupied or can be occupied by families with children under six years of age, excluding zero bedroom dwellings. Owners must:

- Disclose known lead-based paint hazards to prospective tenants before the lease is signed,
- provide all prospective families with "Protect Your Family from Lead in Your Home",
- Stabilize deteriorated painted surfaces and conduct hazard reduction activities within 30 days when identified by the PHA
- Notify tenants each time such an activity is performed
- Conduct all work in accordance with HUD safe practices
- As part of ongoing maintenance ask each family to report deteriorated paint
- Maintain covered housing without deteriorated paint if there is child under six in the family

For units occupied by elevated blood lead level (lead poisoned) children under six years of age, an environmental investigation must be conducted (paid for by the PHA). If lead hazards are identified during the environmental investigation, the owner must complete hazard reduction activities within 30 days.

See HCV GB p. 10-15 for a detailed description of these requirements. For additional information on lead-based paint requirements see 24 CFR 35, Subparts A, B, M, and R.

### **Access**

Use and maintenance of the unit must be possible without unauthorized use of other private properties. The building must provide an alternate means of exit in case of fire.

### **Site and Neighborhood**

The site and neighborhood must be reasonably free from disturbing noises and reverberations, excessive trash or vermin, or other dangers to the health, safety, and general welfare of the occupants.

### **Sanitary Condition**

The dwelling unit and its equipment must be in sanitary condition and free of vermin and rodent infestation. The unit must have adequate barriers to prevent infestation.

### **Smoke Detectors**

Smoke detectors must be installed in accordance with and meet the requirements of the National Fire Protection Association Standard (NFPA) 74 (or its successor standards). If the dwelling unit is occupied by any person with a hearing impairment, smoke detectors must have an appropriate alarm system as specified in NFPA 74 (or successor standards).

### **Hazards and Health/Safety**

The unit, interior and exterior common areas accessible to the family, the site, and the surrounding neighborhood must be free of hazards to the family's health and safety.

<p style="text-align: center;"><b>EXHIBIT 8-2: SUMMARY OF TENANT PREFERENCE AREAS RELATED TO HOUSING QUALITY</b></p>
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Note: This document provides an overview of unit and site characteristics and conditions for which the family determines acceptability. For more detailed information see the following documents:

- Housing Choice Voucher Guidebook, Chapter 10.
- HUD Housing Inspection Manual for Section 8 Housing
- HUD Inspection Form, form HUD-52580 (3/01) and Inspection Checklist, form HUD-52580-A (9/00)

Provided the minimum housing quality standards have been met, HUD permits the family to determine whether the unit is acceptable with regard to the following characteristics.

- *Sanitary Facilities.* The family may determine the adequacy of the cosmetic condition and quality of the sanitary facilities, including the size of the lavatory, tub, or shower; the location of the sanitary facilities within the unit; and the adequacy of the water heater.
- *Food Preparation and Refuse Disposal.* The family selects size and type of equipment it finds acceptable. When the family is responsible for supplying cooking appliances, the family may choose to use a microwave oven in place of a conventional oven, stove, or range. When the owner is responsible for providing cooking appliances, the owner may offer a microwave oven in place of an oven, stove, or range only if other subsidized and unsubsidized units on the premises are furnished with microwave ovens only. The adequacy of the amount and type of storage space, the cosmetic conditions of all equipment, and the size and location of the kitchen are all determined by the family.

- *Space and Security.* The family may determine the adequacy of room sizes and room locations. The family is also responsible for deciding the acceptability of the type of door and window locks.
- *Energy conservation items.* The family may determine whether the amount of insulation, presence of absence of storm doors and windows and other energy conservation items are acceptable.
- *Illumination and Electricity.* The family may determine whether the location and the number of outlets and fixtures (over and above those required to meet HQS standards) are acceptable or if the amount of electrical service is adequate for the use of appliances, computers, or stereo equipment.
- *Structure and Materials.* Families may determine whether minor defects, such as lack of or deteriorating paint, or worn flooring or carpeting will affect the livability of the unit.
- *Indoor Air.* Families may determine whether window and door screens, filters, fans, or other devices for proper ventilation are adequate to meet the family's needs. However, if screens are present they must be in good condition.
- *Sanitary Conditions.* The family determines whether the sanitary conditions in the unit, including minor infestations, are acceptable.
- *Neighborhood conditions.* Families may determine whether neighborhood conditions such as the presence of drug activity, commercial enterprises, and convenience to shopping will affect the livability of the unit.

Families have no discretion with respect to lead-based paint standards and smoke or carbon monoxide detectors.