

Chapter 8.B

NSPIRE

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Chapter 8.B.

NATIONAL STANDARDS FOR THE PHYSICAL INSPECTION OF REAL ESTATE AND RENT REASONABLENESS DETERMINATIONS

[24 CFR 5 Subpart G and Notice PIH 2024-26]

INTRODUCTION

Owners must maintain all units occupied by families receiving Housing Choice Voucher (HCV) and Project Based Voucher (PBV) 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. The inspection performance standards and procedures for conducting NSPIRE inspections must be included in the administrative plan [Notice PIH 2024-26].

All units must pass an inspection prior to the approval of a lease (with some exceptions) and at least once every 24 months (or 36 months for small rural PHAs) during the term of the HAP contract, and at other times as needed, to determine that the unit meets housing quality standards. 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.

Provided they meet certain requirements, HUD permits PHAs to establish some additional local requirements in their administrative plans. The use of the term *NSPIRE standards* in this plan refers to the combination of both HUD and PHA-established requirements. However, state and local codes, compliance is not part of the determination of whether a unit passes the NSPIRE standards.

This chapter explains HUD and PHA requirements related to physical inspections and rent reasonableness as follows:

Part I. Physical Standards. This part discusses NSPIRE standards required of units occupied by HCV and PBV-assisted families. It also identifies affirmative habitability requirements for all units and life-threatening conditions that must be corrected in 24 hours.

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 NSPIRE standards.

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

Special requirements for homeownership, manufactured homes, and other special housing types are discussed in Chapter 15 to the extent that they apply in this jurisdiction. Special requirements for the PBV and RAD PBV programs (if applicable) are discussed in Chapters 17 and 18, respectively.

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: NSPIRE STANDARDS

NSPIRE standards are published on HUD's NSPIRE website as well as in the NSPIRE Final Rule [FR Notice 5/1//2023].

8-I.A. INSPECTABLE AREAS [24 CFR 5.703(a)(1) and 24 CFR 5.705(a)(2)]

NSPIRE defines the inspectable areas for inspection under the standards as inside, outside and unit. However, the inspection requirement for the HCV and PBV programs only applies to units occupied or to be occupied by HCV or PBV participants and common areas and exterior areas which either service or are associated with such units.

8-I.B. AFFIRMATIVE HABITABILITY REQUIREMENTS [24 CFR 5.703(b), (c), and (d)]

NSPIRE provides for minimum, or affirmative, habitability requirements for each area (unit, inside, outside). These areas must meet these requirements for habitability, which are listed in Exhibit 8-1.

The inside, outside and unit must be free of health and safety hazards that pose a danger to residents. Types of health and safety concerns include, but are not limited to carbon monoxide, electrical hazards, extreme temperature, flammable materials or other fire hazards, garbage and debris, handrail hazards, infestation, lead-based paint, mold, and structural soundness [24 CFR 5.703(e)].

The NSPIRE Smoke Alarm Standard does not require that smoke alarms have a sealed battery; however, upon the effective date of the Public and Federally Assisted Housing Fire Safety Act of 2022 on December 29, 2024, sealed batteries *will* be required.

8-I.C. MODIFICATIONS TO PROVIDE ACCESSIBILITY [24 CFR 100.203; Notice 2003-31; and Notice PIH 2014-02]

Under the Fair Housing Act of 1988 an owner must make reasonable accommodations in rules, policies, practices, or services if necessary for a person with disabilities to use the housing and must not refuse the request of a family that contains a person with a disability to make necessary and reasonable modifications to the unit if such modification is necessary to afford the person with a disability full enjoyment of the premises. Such modifications are at the family's expense. The owner may, where it is reasonable to do so, require restoration of the unit to its original condition (reasonable wear and tear excepted) 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 NSPIRE 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.D. ADDITIONAL LOCAL REQUIREMENTS [24 CFR 5.705(a)(3) and Notice PIH 2024-26]

The PHA may impose variations to the NSPIRE standards 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 NSPIRE standards and approved variations must be added to the administrative plan.

HUD may approve inspection criteria variations if the variations apply standards in local housing codes or other codes adopted by the PHA or because of local climatic or geographic conditions. Acceptability criteria variations may only be approved by HUD if such variations either meet or exceed the performance requirements or significantly expand affordable housing opportunities for families assisted under the program.

Commerce Policy

Commerce maintains that heat must be provided between October 1 and May 1. Commerce has not requested any other HUD-approved variations to NSPIRE standards.

8-I.E. LIFE-THREATENING DEFICIENCIES [Notice PIH 2024-26]

HUD previously required the PHA to define life-threatening conditions in the administrative plan. The NSPIRE standards now describe those conditions which are considered life-threatening and must be corrected within 24 hours.

The following are a list of life-threatening deficiencies under NSPIRE:

| Inspectable Item | Deficiency |
|-----------------------------------|---|
| Call-for-Aid System | System is blocked, or pull cord is higher than 6 inches off the floor. |
| | System does not function properly |
| Carbon Monoxide Alarm | Carbon monoxide alarm is missing, not installed, or not installed in a proper location. |
| | Carbon monoxide alarm is obstructed. |
| | Carbon monoxide alarm does not produce an audio or visual alarm when tested. |
| Chimney | A visually accessible chimney, flue, or firebox connected to a fireplace or wood-burning appliance is incomplete or damaged such that it may not safely contain fire and convey smoke and combustion gases to the exterior. |
| | Chimney exhibits signs of structural failure. |
| Clothes Dryer Exhaust Ventilation | Electric dryer transition duct is detached or missing. |
| | Gas dryer transition duct is detached or missing. |
| | Electric dryer exhaust ventilation system has restricted airflow. |
| | Dryer transition duct is constructed of unsuitable material. |
| | Gas dryer exhaust ventilation system has restricted airflow. |
| Door – Entry | Entry door is missing. |
| Door – Fire Labeled | Fire labeled door is missing. |

| Inspectable Item | Deficiency |
|--|--|
| Egress | Obstructed means of egress. |
| | Sleeping room is located on the third floor or below and has an obstructed rescue opening. |
| | Fire escape is obstructed. |
| Electrical – Conductor, Outlet, and Switch | Outlet or switch is damaged. |
| | Exposed electrical conductor. |
| | Water is currently in contact with an electrical conductor. |
| Electrical – Service Panel | The overcurrent protection device is damaged. |
| Exit Sign | Exit sign is damaged, missing, obstructed, or not adequately illuminated. |
| Fire Escape | Fire escape component is damaged or missing. |
| Fire Extinguisher | Fire extinguisher pressure gauge reads over or under-charged. |
| | Fire extinguisher service tag is missing, illegible, or expired. |
| | Fire extinguisher is damaged or missing. |
| Flammable and Combustible Items | Flammable or combustible item is on or within 3 feet of an appliance that provides heat for thermal comfort or a fuel-burning water heater; OR Improperly stored chemicals. |
| Guardrail | Guardrail is missing or not installed. |
| | Guardrail is not functionally adequate. |

| Inspectable Item | Deficiency |
|---|--|
| Heating, Ventilation, and Air Conditioning (HVAC) | The inspection date is on or between October 1 and May 1 and the permanently installed heating source is not working or the permanently installed heating source is working and the interior temperature is below 64 degrees Fahrenheit. |
| | Unvented space heater that burns gas, oil, or kerosene is present. |
| | Combustion chamber cover or gas shutoff valve is missing from a fuel burning heating appliance. |
| | Fuel burning heating system or device exhaust vent is misaligned, blocked, disconnected, improperly connected, damaged, or missing. |
| Leak – Gas or Oil | Natural gas, propane, or oil leak. |
| Mold-like Substance | Presence of mold-like substance at extremely high levels is observed visually. |
| Smoke Alarm | Smoke alarm is not installed where required. |
| | Smoke alarm is obstructed. |
| | Smoke alarm does not produce an audio or visual alarm when tested. |

| Inspectable Item | Deficiency |
|--------------------|---|
| Sprinkler Assembly | Sprinkler head assembly is encased or obstructed by an item or object that is within 18 inches of the sprinkler head. |
| | Sprinkler assembly component is damaged, inoperable, or missing and it is detrimental to performance. |
| | Sprinkler assembly has evidence of corrosion. |
| | Sprinkler assembly has evidence of foreign material that is detrimental to performance. |
| Structural System | Structural system exhibits signs of serious failure. |
| Toilet | Only 1 toilet was installed, and it is missing. |
| Water Heater | Chimney or flue piping is blocked, misaligned, or missing. |
| | Gas shutoff valve is damaged, missing, or not installed. |

However, PHAs may add additional deficiencies which the PHA considers life-threatening provided they are described in the administrative plan.

Commerce Policy

In addition to those listed under the NSPIRE standards, the following are considered life-threatening conditions:

- **Utilities not in service, including no running hot water**
- **Any condition that jeopardizes the security of the unit, i.e. 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**
- **Any condition that poses a serious risk of electrocution or fire and poses an immediate life-threatening condition**

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

8-I.F. 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 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.

If a family fails to correct a family-caused life-threatening condition as required by the PHA, the PHA will enforce the family obligations. See 8-II.H.

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.

Owner Responsibilities

The owner must maintain the unit in accordance with housing quality standards. The owner is not responsible for a breach of housing quality standards that is not caused by the owner, and for which the family is responsible (as provided in 24 CFR 982.404(b) and 982.551(c)).

Commerce Policy

Commerce upholds the standards as provided in 24 CFR 982.404(b) and 982.551(c).

If an owner fails to correct life-threatening conditions as required by the PHA, the PHA will enforce the housing quality standards in accordance with HUD requirements. See 8-II-G.

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 violations not listed as a family responsibility above, 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 it (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.

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 housing quality standards, 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.G. LEAD-BASED PAINT

PHAs and owners must comply with the requirements and timelines in 24 CFR Part 35 Subpart M—Tenant-Based Rental Assistance and Subpart H—Project-Based Assistance. PHAs and owners are reminded that any deteriorated paint in target housing, or other lead-based paint hazard identified through a lead-based paint risk

assessment or lead-based paint inspection is considered a violation of NSPIRE standards.

For the HCV program, Subpart M applies to units where a child under age six resides or is expected to reside, common areas that service that unit, and exterior painted surfaces associated with that unit or common areas. For project-based programs, Subpart H applies to assisted units and common areas of the property regardless of whether a child under age six resides or is expected to reside in the unit. NSPIRE does not alter any of the lead-based paint requirements in Part 35 for these programs.

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 NSPIRE 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.H. VIOLATION OF SPACE STANDARDS [24 CFR 5.703(d)(5)]

Units assisted under the HCV or PBV programs must have at least one bedroom or living/sleeping room for each two persons. 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]. Each habitable room must have two working outlets or one working outlet and a permanent light. HUD defines a *habitable room* as a room in a building for living, sleeping, eating, or cooking, but excluding bathrooms, toilet rooms, closets, hallways, storage or utility spaces, and similar areas [FR Notice 5/11/23].

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

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 (or triennially for small rural PHAs as defined in 24 CFR 982.305(b)(2)), depending on PHA policy, to confirm that the unit still meets housing quality standards.
- *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.

Commerce Policy

Commerce uses interim and special inspections interchangeably in this chapter.

- *Supervisory 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 housing quality standards.

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

The PHA must obtain the services of an independent entity to perform all 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.

Commerce Policy

Commerce does not have any PHA-owned units.

Inspection Costs [Notice PIH 2016-05 and 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)(1)(v)(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 NSPIRE 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 NSPIRE standards, 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.

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

Commerce Policy

Commerce may 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 housing quality standards, 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.

Commerce Policy

Commerce will complete the initial inspection, determine whether the unit satisfies NSPIRE standards, and notify the owner and the family of the determination within 15 days of submission of the Request for Tenancy Approval (RTA).

Inspection Results and Reinspections

For new units proposed for the HCV program, life-threatening deficiencies must be resolved before the HAP contract is executed and the family moves into the unit.

Commerce Policy

If any deficiencies 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. 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

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 NSPIRE 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 days of HAP contract approval.

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

HUD requires the PHA to inspect each unit under HAP contract at least biennially (or triennially for small rural PHAs), to confirm that the unit still meets NSPIRE standards. The inspection may be conducted in conjunction with the family's annual reexamination but also may be conducted separately.

Commerce Policy

Each unit under HAP contract must be inspected biennially within 24 months of the last full 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 authorized adult (which could include the owner or owner's representative), cannot be present for the scheduled inspection date, the

family must notify Commerce. Commerce and the family will agree on a new inspection date that generally should take place within 7 business days of the originally scheduled date. Commerce may schedule an inspection more than 7 business days after the original date for good cause.

If the family misses the first scheduled appointment without requesting a new inspection date, Commerce will automatically schedule a second inspection. If the family misses two scheduled inspections without Commerce approval, Commerce 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 family 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 generally will inspect only those deficiencies that were reported. However, the inspector will

record any additional deficiencies that are observed and will require the responsible party to make the necessary repairs.

If the periodic inspection has been scheduled or is due within 90 days of the date the interim inspection is scheduled Commerce may elect to conduct a full 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 NSPIRE standards.

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

Correction Timeframes

Each deficiency is identified in the NSPIRE standards as either life-threatening, severe, moderate, or low.

For units under HAP contract, life-threatening deficiencies must be corrected within 24 hours after notice has been provided. All other non-life-threatening deficiencies (severe and moderate) must be corrected within 30 days (or a PHA-approved extension) after notice has been provided. If low deficiencies are present in a unit, these deficiencies result in a pass and would only be noted by the inspector for informational purposes.

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 deficiencies, 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 deficiencies 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.

Non-life Threatening-

When failures that are severe or moderate are identified, Commerce will send the owner and the family a written notification of the inspection results within five 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 from date of notification will be allowed for the correction. If low deficiencies are identified, these deficiencies will only be noted for informational purposes.

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, 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. 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.

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 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 1st 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 seven 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 life-threatening deficiencies, the PHA cannot grant an extension to the 24-hour corrective action period. For conditions that are severe or moderate, the PHA may grant an exception to the required time frames for correcting the violation, if the PHA determines that an extension is appropriate.

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.

Commerce Policy

Reinspection is only required on initial failed inspections.

The family and owner will be given reasonable notice of the reinspection appointment. If the deficiencies have not been corrected by the time of the reinspection, Commerce will send a notice of abatement to the owner, or in the case of family caused violations, a notice of termination to the family, in accordance with PHA policies. If Commerce is unable to gain entry to the unit in order to conduct the scheduled reinspection, Commerce 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.

Commerce accepts self-certified repairs in the form of time-stamped photo evidence or documentation of repairs. Commerce may elect to use other methods of reinspection in addition to self-certification.

8-II.G. ENFORCING OWNER COMPLIANCE

If the owner fails to maintain the dwelling unit in accordance with NSPIRE standards, 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 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 deficiencies 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 1st day of the month following the deadline if there is a 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.

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. 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 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 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 [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 deficiencies 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).

Commerce Policy

Commerce does not own any PHA-owned units.

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 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 increase 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 to other units on the premises Commerce will consider 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 determination 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, 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.

8-III.D PHA RENT REASONABLENESS METHODOLOGY

How Market Data Is Collected

Commerce Policy

Commerce uses a third-party vendor (AffordableHousing.com or equivalent) 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 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: AFFIRMATIVE HABITABILITY REQUIREMENTS

Affirmative Habitability Requirements: Inside

Must include at least 1 battery-operated or hard-wired smoke detector, in proper working condition, on each level of the property.

Must meet or exceed the carbon monoxide detection standards set by the Secretary through *Federal Register* notification.

Any outlet installed within 6 feet of a water source must be GFCI protected.

Must have a guardrail when there is an elevated walking surface with a drop off of 30 inches or greater measured vertically.

Must have permanently mounted light fixtures in any kitchens and each bathroom.

May not contain unvented space heaters that burn gas, oil or kerosene.

Affirmative Habitability Requirements: Outside

Any outlet installed within 6 feet of a water source must be GFCI-protected.

Must have a guardrail when there is an elevated walking surface with a drop off of 30 inches or greater measured vertically.

Affirmative Habitability Requirements: Unit

Must have hot and cold running water in the bathroom and kitchen, including an adequate source of safe drinking water in the bathroom and kitchen.

Must include its own bathroom or sanitary facility that is in proper operating condition and usable in privacy. It must contain a sink, a bathtub or shower, and an interior flushable toilet.

Must have at least one battery-operated or hard-wired smoke detector, in proper working condition, in the following locations:

- On each level of the unit AND
- Inside each bedroom or sleeping area AND
- With 21 feet of any door to a bedroom measured along a path of travel AND
- Where a smoke detector is installed outside a bedroom is separated from an adjacent living area by a door, a smoke detector must also be installed in the living area side of the door.

If the unit is occupied by a hearing-impaired person, the smoke detectors must have an alarm system designed for hearing-impaired persons.

Must have a living room and a kitchen area with a sink, cooking appliance, refrigerator, food preparation area and food storage area.

Must have two working outlets or one working outlet and one permanent light fixture within all habitable rooms.

Must have a permanently mounted light fixture in each bathroom and in the kitchen.

Outlets within 6 feet of water source must be GFCI-protected.

Must have permanently installed heating source.

No units may contain unvented space heaters that burn gas, oil or kerosene.

Must have a guard rail when there is an elevated walking surface with a drop off of 30 inches or greater measured vertically.

Must have at least one bedroom or living/sleeping room for each two persons.