

THE PROJECT BASED VOUCHER PROGRAM

A MANUAL FOR OWNERS

HOUSING AUTHORITY OF BALTIMORE CITY

The Housing Authority of Baltimore City (HABC) has created this manual solely to provide information about the Project Based Voucher Program. The information in this manual does not constitute legal, regulatory, financial or other professional advice. Readers are responsible for researching and obtaining advice regarding compliance with applicable laws and regulations of the U.S. Department of Housing and Urban Development for the project based voucher program. Additionally, the information and statements contained in this manual do not create any warranty by or obligation on the part of HABC.

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INTRODUCTION

The Housing Authority of Baltimore City (HABC) is pleased to provide Project Based Housing Choice vouchers as operating subsidy for affordable housing. We have prepared this guidebook to provide:

- (1) A broad overview of the program
- (2) Instructions about various procedures
- (3) Samples of the forms and documents used in the program

We hope that the guidebook answers many of your questions. However, with respect to the questions it does not answer, please call us at:

For Questions Regarding Project Based Contracts:

The Housing Authority of Baltimore City
417 E. Fayette Street, 3rd Floor
Baltimore, MD 21202
ATTENTION: Ms. Alexis Johns
(410) 396-5846

For Questions Regarding Leasing and Recertification:

The Housing Authority of Baltimore City
1225 West Pratt Street
Baltimore, MD 21223
ATTENTION: Mr. Norman Young
(443) 984-2240

OVERVIEW OF THE PROGRAM

1. **What is the Project Based Voucher Program?**

The Project Based Voucher program is a component of HABC's Housing Choice Voucher Program, the Federal government's primary program for providing rental assistance to low income and very low income families. The Program allows low and very low income families, which often include persons with disabilities and the elderly, to live in decent, safe and sanitary housing. Through the Project Based Voucher Program, HABC attaches rental assistance to specific housing units. Project Based contracts are awarded to owners and developers of properties through a competitive process.

2. **How Does the Program Work?**

In order to participate, owners enter into a Housing Assistance Payments (HAP) contract with HABC for specified units, for a specified term, at specified rent levels. (See **Attachment 1** for HAP Contract for New Construction and Rehabilitation, Parts 1 & 2; See **Attachment 2** for HAP Contract for Existing Housing, Parts 1 & 2.) Under the terms of the HAP contract, tenants who live in units with Project Based Voucher assistance generally pay 30% of their monthly adjusted income, which is based on the current payment standards for rent and utilities of a rental unit that is the appropriate size for their households. HABC pays the difference between tenant payment and the total rent to the owner. Owners contact HABC for referrals from HABC's Project Based waiting list to fill vacant Project Based units. The owner screens the applicants referred by HABC using the same criteria applied to applicants for unassisted units.

3. **How Does the Project Based Program Differ from the Tenant Based Program?**

The majority of the vouchers issued through the Housing Choice Voucher Program are tenant based, which means that HABC issues the vouchers to eligible families and the family selects a unit of its choice. If the family moves out of the unit or becomes ineligible, the contract with the owner ends and the family can move with continued assistance to another unit.

In the Project Based Program, the voucher is tied to the unit. If the family moves from the unit, the contract with the owner continues and the voucher assistance stays with the unit.

4. What are the Benefits of the Program?

Timely payments – Each month, owners receive HABC’s portion of the rent. These housing assistance payments arrive at the same time each month. The payments provide a dependable source of income for participating owners.

Flexibility and stability – If the tenant’s income unexpectedly drops, HABC can reduce the tenant’s portion of the rent and increase HABC’s portion. This flexibility helps assisted tenants maintain stable tenancies. In addition, because the rent will continue to be paid despite the tenant’s reduced income, the owner will not be faced with filing an eviction action due to failure to pay rent.

Inspections help maintain property value – HABC’s housing inspectors help owners identify and fix problems with units. By ensuring that units are kept in good condition, the program improves tenants’ quality of life and helps owners protect their investments.

Referrals for vacant units – HABC maintains a waiting list of applicants for Project Based units. When a Project Based unit becomes vacant, owners contact HABC for referrals. HABC refers applicants to the owners based on the date and time of their applications.

Vacancy payments – HABC may make up to two months of the vacancy payments when a Project Based unit becomes vacant.

CONTRACTING FOR PROJECT BASED ASSISTANCE

The Project Based Program has a standard application and contracting process. The steps are:

1. HABC issues a request for proposals (RFP) from owners of existing units (units that need less than \$1,000 per unit of rehabilitation) and from developers of new construction units or units needing substantial rehab (units that need \$1,000 or more per unit of rehabilitation). The RFP is posted on the Baltimore Housing web site. Owners and developers may also be eligible to receive Project Based Vouchers through competitive processes for State and Federal funds (e.g. competitive processes to receive HOME funds and Low Income Housing Tax Credits).
2. Owners of existing units and developers of new construction and substantial rehab units apply for project based assistance in response to the RFP or as part of the State or Federal competitive process referenced above.
3. Units should be located in decent neighborhoods. To ensure this, HABC determines whether the location of the units meets HUD site and neighborhood standards. Considered in making this determination are:
 - a. Whether the poverty rate in the census tract exceeds 20% and if it does;
 - b. Whether there are neighborhood amenities such as employment opportunities, public transportation, parks and recreational facilities, medical facilities, and/or supermarkets, drug stores and other stores located within a mile of the proposed property;
 - c. Whether the concentration of assisted housing in the census tract has decreased or will decrease as a result of the demolition of public housing units;
 - d. Whether there has been a reduction the poverty rate in the census tract during the past 5 years;
 - e. Whether there has been public or private investment in the census tract that has resulted in the deconcentration of poverty and expansion of housing and economic opportunities;
 - f. Whether the census tract will be undergoing significant revitalization;
 - g. Whether the project is in a community:
 - i. that has undergone a planning process within the last 5 years;
 - ii. that is designated competitive, stable, emerging or transitional;
 - iii. that is a designated revitalization area, urban renewal area or PUD;

- iv. that is subject to a Baltimore City Planning Department Master Plan;
 - v. that is a HUD designated HUD Enterprise Zone, Economic community or Renewal Community;
 - vi. that is in a Small Area Plan, Area Master Plan, a Strategic Neighborhood Action Plan or a Healthy Neighborhood Plan.
- 4. If the units are new construction or will cost more than \$1,000 to rehabilitate, HABC and the owner will execute an Agreement to enter into a Housing Assistance Payments contract (AHAP). (See **Attachment 3** for a sample AHAP.) The AHAP stipulates the conditions under which the owner agrees to construct/rehabilitate the units to be subsidized and under which HABC agrees to subsidize the units upon satisfactory completion of construction.
- 5. Developers/owners of units that will receive project based voucher assistance must comply with the following:
 - a. **U.S. Department of Housing & Urban Development (HUD) Regulations Governing the Use of Project Based Voucher Subsidy.** These regulations are located at 24 CFR Part 983. Among other things, the regulations address federal requirements that apply to recipients of Project Based Vouchers. These requirements include compliance with the laws that prohibit discrimination in housing and, in new construction and substantial rehabilitation projects, require creating accessible units, providing training and employment opportunities for low income residents of the community (Section 3 of the Housing & Urban Development Act of 1968) and paying prevailing wages (Davis-Bacon Act). HABC strongly recommends that applicants review the current regulations and/or discuss them with legal counsel.
 - b. **Lead-Based Paint Regulations**
Property owners with rental properties constructed prior to 1950 must register with the Maryland Department of the Environment Rental Property Lead Poisoning Prevention Program. Information about this program can be found at www.mde.state.md.us/programs/LandPrograms/LeadCoordination/rentalOwners/index.asp

The federal regulations related to Lead Paint can be found at: <http://www.hud.gov/offices.lead>

c. Housing Quality Standards

Housing Quality Standards (HQS) ensure that assisted units are decent, safe and sanitary. Prior to move-in and periodically during occupancy by HABC applicants, HABC inspects rental units to ensure that these units are and will remain decent, safe and sanitary. Failure of a unit to meet HQS will prevent HABC from entering into a HAP contract with the property owner. If the inspector finds items that must be fixed before the unit is approved for the program, the owner will be given thirty (30) days to fix the items and the unit will be inspected again. (See **Attachment 4** for the Inspection Checklist.)

HABC will suspend payments for any units that are already occupied but that fail inspection twice. Any tenants in such a unit will be authorized to move to an HQS compliant unit.

Inspections are scheduled and both the landlord and tenant are notified of the inspection date by mail. Failure by the inspector to gain entry to the unit will be considered a failed inspection. Owners must have an adult 18 years of age or older present for the inspection, but owner participation is not required. If an adult 18 years of age or older is not present for the inspection, it will constitute a failed "no-entry" inspection.

The following is a list of common reasons why units fail HQS inspections:

- Gas or oil furnaces are not operating at the time of the initial inspection.
- Smoke detectors and carbon dioxide detectors are not located near sleeping areas, on all levels or in a common laundry room.
- Junction boxes are open, exposing wires and wirenuts.
- Outlets or light switch cover plates are broken or missing.
- Hot water tanks do not have a pressure relief valve and/or discharge line.
- Window panes are broken.
- Range burner pans are missing.
- Staircases with four or more stairs do not have a railing.
- Deteriorated paint is present on the interior or exterior of buildings.

6. Rents may not exceed the payment standards established by HABC.

HABC must conduct an analysis of the proposed rent and utility costs and therefore requires owners to submit the current rent roll and information regarding any income or rent restrictions.

In conducting the reasonable rent analysis, HABC must determine that the rents requested for any project based unit do not exceed either (a) what the owner receives in rent from an unassisted tenant in the private market, or (b) neighborhood rents for comparable units. We make this determination using a nationally recognized web based program that considers unit size, location and amenities, utilities and rents for similar unassisted units in the same community.

7. After a building passes its HQS inspection, HABC will mail the HAP contract, with the appropriate exhibits and the HAP contract amendment to the owner. The HAP contract describes how HABC will make subsidy payments to the owner on behalf of tenants living in assisted units. Contracts are generally five (5) to fifteen (15) years in length. All contracts are subject to availability of adequate funds.

Contracts are not signed with each new tenancy. Owners negotiate contracts with HABC only when they start participating in the Project Based Program. Each time a new lease is signed, however, the owner will have to sign a lease and Tenancy Addendum with the tenant.

8. The owner must complete, sign and return these documents to HABC at:

The Housing Authority of Baltimore City
417 E. Fayette Street, 3rd Floor
Baltimore, MD 21202
ATTENTION: Ms. Alexis Johns

HABC will review the documents to ensure that they are complete and correct.

LEASING A UNIT

1. Referrals Applicants Who Are Not Non-elderly Persons with Disabilities

To fill a vacant unit that has not been set aside for non-elderly persons with disabilities, owners contact HABC for referrals from HABC's project based waiting list. HABC prescreens applicants to ensure they are eligible to receive Project Based Voucher assistance and pass HABC's criminal background check. HABC will send a prescreened list of applicants that are prioritized based on the date and time of the applications.

2. Referrals of Non-elderly Persons with Disabilities

Owners who have created units for Non-elderly Persons with Disabilities ("NEDs") contact HABC's contractor, the Innovative Housing Institute ("IHI") for referrals. HABC refers NEDs from HABC's Project Based waiting list, who have been prescreened by HABC, to IHI. IHI takes the referred NEDs on tours of Project Based units that are available for lease-up and assists with the lease-up process. IHI also provides post move follow-up for six months to assist NEDs in their transition to their new homes.

3. Owner Screens Referrals

The owner then screens the applicants in priority order, applying the same screening criteria used to screen applicants for unassisted units.

The owner must complete a Disposition of Referral for each applicant, which indicates whether the owner selected the applicant and whether the applicant accepted the unit, and forward this information to HABC to fill the vacant unit/s. (See **Attachment 5** for Disposition of Referral form.) The owner also advises HABC of the applicants that the owner has rejected and provides the reasons why.

4. Tenant and Owner Sign a Lease and Tenancy Addendum

After the owner has selected a tenant, HABC has approved the tenant for the Project Based program, and the unit has passed inspection, HABC will forward to the owner a Rent Confirmation form authorizing the move. The owner must then execute a lease with the prospective tenant and a Lease Addendum, which is a HUD-mandated form that must be signed by both parties and attached to the standard lease. (See **Attachment 6** for the Lease Addendum.) Owners must use the same lease for assisted tenants that they use for any non-assisted tenants. The owner and the tenant should keep copies of the signed lease and

Lease Addendum and send a copy of both to HABC's Housing Choice Office. HABC accepts these forms by mail or in person at 1225 W. Pratt Street, Baltimore, MD 21223, Attention: Site Based Department; by fax at (410) 244-5843; or by email at anglen.miller-ford@habc.org.

The initial term of the lease is generally 12 months.

5. **Occupancy Standards**

Units with project-based assistance are subject to occupancy standards. That means there are a minimum and a maximum number of people who can live in each unit, depending on unit size. The table below provides the current occupancy standards:

Voucher/Unit Size	Minimum Number of Persons	Maximum Number of Persons
0 Bedroom	1	1
1 Bedroom	1	2
2 Bedrooms	2	4
3 Bedrooms	3	6
4 Bedrooms	4	8
5 Bedrooms	5	10
6 Bedrooms	6	12

RENT PAYMENTS

1. Total Tenant Payment

The tenant generally pays between 30% of the tenant's monthly adjusted income for rent and utilities of a rental unit that is the appropriate size for his/her household. "Monthly adjusted income" is the household's gross income minus certain HUD-mandated deductions and allowances.

2. Housing Assistance Payment Paid by HABC

HABC pays the housing assistance payment, which is the difference between rent identified in the HAP contract and total tenant payment. If the tenant pays for utilities separately from the rent, HABC will reduce the total tenant payment by a utility allowance, which is the amount the tenant can expect to spend on utilities.

If the total tenant payment is greater than the utility allowance for the tenant paid utilities, the tenant pays the utilities and also pays a portion of the rent to the owner. If the total tenant payment is less than the utility allowance, HABC will pay the entire contract rent to the owner and also issue a check to the tenant to reimburse some of the cost of the tenant paid utilities.

3. Rent Increases

The owner may request a rent increase for each unit that is in a passing HQS status at the time of the contract renewal at least 60 days before any change in the amount of the rent is to go into effect. Any requested change in rent will be subject to rent reasonableness requirements and the current HUD annual adjustment factor. Any approved increase will become effective on the anniversary date of the HAP contract.

The owner must have complied with all of the requirements of the HAP contract, including meeting HQS, in order for a rent increase to be approved. No more than one rent increase will be granted in a 12 month period.

The notice of rent change does not affect the automatic renewal of the lease and does not require a new lease, contract or executed amendment.

4. Payment Schedule

Upon receipt of the executed lease and Lease Addendum, the first payment from HABC to the owner should arrive within 15 to 30 days. All subsequent payments

will be paid to the owner on the first working day of each month. Payments are deposited electronically in the owner's designated bank account. The tenant pays his or her share directly to the owner on the date agreed to in the lease. Owners are responsible for collecting the tenant's portion of the rent.

5. **Vacancy Loss**

- a. If an assisted family moves out of a contract unit, HABC may provide vacancy payments to the owner for the vacancy period extending from the beginning of the first calendar month after the move-out month for a period not exceeding two full months following the move-out month.
- b. The vacancy payment to the owner for each month of the maximum two-month period will be determined by HABC, and cannot exceed the monthly rent to the owner under the assisted lease, minus any portion of the rental payments received by the owner (including amounts available from the tenant's security deposit). Any vacancy payment may only cover the period the unit remains vacant.
- c. HABC may make vacancy payments to the owner if:
 - i. The owner gives HABC prompt, written notice certifying that the family has vacated the unit and the date when the family moved out (to the best of the owner's knowledge and belief);
 - ii. The owner certifies that the vacancy is not the fault of the owner and that the unit was vacant during the period for which payment is claimed;
 - iii. The owner certifies that it has taken every reasonable action to minimize the likelihood and length of vacancy; and
 - iv. The owner provides any additional information required and requested by HABC to verify that the owner is entitled to the vacancy payment.
- d. The owner must submit a request for vacancy payments to HABC using the Special Claims for Regular Vacancies form (HUD Form 52671-C) and Special Claims Schedule (HUD Form 52670-A Part 2) and must provide any information or substantiation required by HABC to determine the amount of any vacancy payments. (See **Attachment 7** for HUD Form 52671-C and **Attachment 8** for HUD Form 52670-A Part 2.)

TERMINATION OF ASSISTANCE

1. Termination by the Owner

If the owner evicts the tenant or does not renew the tenant's lease, the tenant's assistance is terminated and HABC stops sending housing assistance payments to the owner. The owner may evict a tenant who violates the lease. Any eviction must be done in accordance with the lease and state and local laws. Owners must send copies of any eviction notices to HABC at the same time they are sent to the tenant. If the owner decides not to renew the lease, the owner must send a copy of the non-renewal letter to HABC and the reasons for the non-renewal. In addition, owners are required to submit a notice to vacate form. (See **Attachment 9** for sample Notice of Vacant Unit form.) Please note that occupants of project based voucher units are protected by the Violence Against Women Act (VAWA). Information about VAWA is in HABC's Administrative Plan (see link below). HABC will refer applicants from its Project Based waiting list so that the owner may fill the unit.

2. Termination by HABC

a. Terminating the HAP Contract with the Owner

HABC may terminate the HAP contract and stop making housing assistance payments to the owner if the owner breaches the contract (including failing to maintain the property at HQS levels), or if HABC does not have adequate funds available, or in other circumstances identified in the HAP contract.

b. Terminating Assistance to the Tenant

HABC may terminate assistance to the tenant when the tenant's income increases to the point that the assistance is not needed or because the tenant does not fulfill the Program's obligations. For example, HABC will terminate assistance to the tenant if:

- The household owes rent or other amounts to HABC or another public housing authority and fails to stay current on a payment plan;
- It is discovered that the household falsified income information;
- It is discovered that the household provided inaccurate information regarding the household composition;
- The household fails to recertify;
- Any household member engages in actual physical abuse or threatens abusive or violent behavior toward a resident, member of the public or HABC personnel;

- Any household member engages in drug-related criminal activity or violence against persons or property, or is subject to a sex offender registration requirement;
- A member of the household seriously disturbs neighbors or destroys property, which is documented by the owner, neighbors and police reports;
- Any household member commits fraud, bribery or any other corrupt or criminal act;
- The household violates any other Program rules; or
- The household otherwise fails to maintain lease obligations.

3. Termination Procedure

HABC will provide written notification to the owner and the tenant of a decision to terminate the HAP contract rental assistance.

HABC ADMINISTRATIVE PLAN

HABC's Administrative Plan details the policies and procedures for the Housing Choice Voucher Program. The Administrative Plan is available at http://static.baltimorehousing.org/pdf/vol2_fy2010.pdf.