



HOUSING CHOICE VOUCHER

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CHAPTER 8

CHAPTER 8 NATIONAL STANDARDS FOR THE PHYSICAL INSPECTION OF REAL ESTATE (NSPIRE) 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 and meet HUD's National Standards for the Physical Inspection of Real Estate 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 NSPIRE 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 the PHA to determine those 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 the 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 complete 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.

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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), 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]

Modifications to Provide Accessibility

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.

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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 participant 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 participant.

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 and Notice 2003-31] See Chapter 2 of this plan for additional information on reasonable accommodations for persons with disabilities.

MSHDA Policy

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

MSHDA Policy

MSHDA has not requested any 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 describe those conditions which are considered life-threatening and must be corrected within 24 hours.

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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.
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.

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Inspectable Item	Deficiency
	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.
Heating, Ventilation, and Air Conditioning (HVAC)	The inspection date is on or between October 1 and March 31 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.

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Inspectable Item	Deficiency
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.
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.

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 normal wear and tear that results in an inspection deficiency. "Normal wear and tear" are defined as items which could not be charged against the participant's security deposit under state law or court practice.

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.

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MSHDA Policy

MSHDA will consider the family to have breached NSPIRE when:

- tenant-paid utilities were never placed in service.
- tenant-paid utilities are no longer in service.
- the family obtains tenant-paid utilities in an illegal manor.
- the family fails to maintain any appliances that the owner is not required to provide under the lease.
- any member of the household or guest damages the dwelling unit beyond normal wear and tear and for which the security deposit does not cover.

Owner Responsibilities

The owner must maintain the unit in accordance with housing quality standards regulations and standards. The owner is not responsible for a breach of housing quality standards the inspection 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).

MSHDA 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 (e.g., vermin infestation). However, if the family's actions constitute a serious or repeated lease violation, the owner may take legal action to evict the family.

The owner will be required to repair an inoperable smoke detector unless MSHDA 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.

If an owner fails to correct life-threatening conditions as required by the PHA, the PHA will enforce the inspection 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.

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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.

MSHDA Policy

The PHA will waive the owner's 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, to the extent the tenant can be held responsible for ensuring that the deficiencies are corrected: 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.

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.

MSHDA 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 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.

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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 the 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 schedule 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 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.

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MSHDA Policy

If a family member has been approved for an extra bedroom as a Reasonable Accommodation for medical equipment; separate sleeping room for the person with a disability; or a live-in aide, MSHDA will verify at each inspection whether or not the extra bedroom is being utilized as approved in the reasonable accommodation.

Examples of improper use of the extra bedroom include but are not limited to:

- size of equipment does not warrant an extra bedroom.
- no medical equipment present in the extra bedroom.
- bedroom not utilized as a bedroom for live in aide.
- bedroom not utilized as a bedroom for the person with a disability.

PART II: THE INSPECTION PROCESS

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

Types of Inspections

The PHA will conduct 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.
- *Biennial Inspections.* HUD requires the PHA to inspect each unit under lease at least biennially, 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/biennial inspections.
- *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 the 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.

Inspection Costs [Notice PIH 2016-05 and 24 CFR 5.705(h)]

The PHA may not charge the family for unit inspections or reinspection [24 CFR 982.405(g)].

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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 reinspection 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 re-inspection 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.

MSHDA Policy

MSHDA will not charge a fee for failed re-inspections.

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.

MSHDA Policy

MSHDA may opt to conduct any inspection using RVI in accordance with PIH Notice 2020-31.

Notice and Scheduling

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

MSHDA 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 72 hours. Inspections may be scheduled between 8:00 a.m. and 7:00 p.m. Generally, inspections will be conducted on business days only.

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].

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MSHDA Policy

When a family occupies the unit at the time of inspection, an authorized adult must be present for 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, MSHDA 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, while the PHA is required to conduct an inspection prior to approving assisted tenancy, 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:

- 1) Fails the initial inspection, but only if no life-threatening deficiencies are identified; and/or
- 2) The PHA has 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.

MSHDA Policy

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

MSHDA may elect to conduct Remote Virtual Inspections (RVI) on program units for Initial inspections to ensure program compliance. In doing so, MSHDA will follow the guidance outlined in PIH Notice 2020-31.

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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 and (d). The PHA may implement the use of alternative inspections for both initial and biennial inspections or may limit the use of alternative inspections to either initial or biennial 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 identify the alternative inspection method being used in the PHA’s administrative plan.

MSHDA Policy

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

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

Unless the PHA relies on alternative inspections, HUD requires PHAs with fewer than 1,250 budgeted units to complete the initial inspection, determine whether the unit satisfies 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.

MSHDA Policy

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

If a RFTA has been received for a unit and the unit is not ready for inspection within 15 calendar days, MSHDA will deny RFTA.

Inspection Results and Re-inspections

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.

MSHDA 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 MSHDA for good cause. MSHDA will re-inspect the unit within five business days of the date the owner notifies MSHDA that the required corrections have been made.

A HAP Contract may not be executed, and the family may not move into the unit until all deficiencies have been resolved, whether life-threatening or not.

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

Following a failed re-inspection, the family may submit a new Request for Tenancy Approval for the same unit (HUD 52517) after the owner has made repairs if they are unable to locate another suitable unit.

For initial inspections, when new deficiencies are identified during the re-inspection, a HAP Contract cannot be executed until all deficiencies have been repaired.

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.

MSHDA Policy

The owner must ensure all utilities are in working order, including those that the family will be responsible for paying, at the time the initial inspection is conducted. Once the unit passes the inspection, the tenant is responsible for transferring the tenant-supplied utilities in the tenant's name.

Appliances

MSHDA Policy

If the family is responsible for supplying the stove and/or refrigerator, MSHDA 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 MSHDA. MSHDA will execute the HAP contract based upon a certification from the family that the appliances have been installed and are working. A confirmatory inspection will be scheduled within 30 days of HAP contract approval.

The HA may execute a HAP contract based on a certification from the family that the appliances have been installed and working. The HA must document on a MSHDA 77 that the appliances were present and working during the confirmatory inspection.

If the appliances are not present and working during the confirmatory inspection, the inspector will fail the unit and issue the MSHDA 105 to the participant and owner.

If the deficiency is not corrected in the timeframe provided, the HA will proceed with program termination as outlined in Chapter 12.

8-II.C. ANNUAL AND BIENNIAL INSPECTIONS [24 CFR 982.405(b) and PIH 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.

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MSHDA Policy

Each unit under HAP contract must be inspected biennially within 730 days of the last full inspection. MSHDA reserves the right to require annual inspections of any unit or owner at any time.

MSHDA may elect to conduct Remote Virtual Inspections (RVI) on program units for Initial inspections to ensure program compliance. In doing so, MSHDA will follow the guidance outlined in PIH Notice 2020-31.

Scheduling the Inspection

MSHDA Policy

If an adult cannot be present on the scheduled date, the family should request that MSHDA reschedule the inspection. MSHDA and family will agree on a new inspection date that generally should take place within 14 calendar days of the originally scheduled date. MSHDA may schedule an inspection more than 14 calendar days after the original date for good cause.

If the family misses the first scheduled appointment without requesting a new inspection date, MSHDA will automatically schedule a second inspection.

If the family misses two scheduled inspections without MSHDA approval, MSHDA will consider the family to have violated its obligation to make the unit available for inspection. This may result in termination of the family's assistance in accordance with Chapter 12.

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

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

- If the reported deficiency is life-threatening, the PHA must, within 24 hours of notification, both inspect the housing unit and notify the owner if the life-threatening deficiency is confirmed. The owner must then make the repairs within 24 hours of PHA notification.
- If the reported deficiency is non-life-threatening, the PHA must, within 15 days of notification, both inspect the unit and notify the owner if the deficiency is confirmed. The owner must then make the repairs within 30 days of notification from the PHA or within any PHA-approved extension.

MSHDA Policy

During an interim inspection, MSHDA 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 annual/biennial inspection has been scheduled or is due within 90 days of the date the special interim inspection is scheduled, MSHDA may elect to conduct a full inspection.

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MSHDA may elect to conduct Remote Virtual Inspections (RVI) on program units for Special inspections to ensure program compliance. In doing so, MSHDA will follow the guidance outlined in PIH Notice 2020-31.

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 (1) each type of inspection (initial, annual, biennial, and special), (2) inspections completed by each inspector, and (3) units from a cross section of neighborhoods.

8-II.F. INSPECTION RESULTS AND RE-INSPECTIONS 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 assisted under a 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-inspected using this new HUD 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.

MSHDA Policy

When life-threatening deficiencies are identified, MSHDA 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 MSHDA's notice.

When failures that are severe or moderate are identified, MSHDA 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 the date of the failed inspection will be allowed for the correction. If low deficiencies are identified, these deficiencies will only be noted for informational purposes.

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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 MSHDA-approved extension), the owner's HAP will be abated in accordance with MSHDA 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 MSHDA-approved extension, if applicable) the family's assistance will be terminated in accordance with MSHDA 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 withhold 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.

MSHDA 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, MSHDA will determine (1) whether or not the failure is a life-threatening condition and (2) whether the family or owner is responsible.

The PHA will not withhold assistance payments upon notification of the deficiencies to the owner.

When life-threatening conditions are identified, MSHDA 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 the MSHDA's notice.

When failures that are not life-threatening are identified, MSHDA will send the owner and the family a written notification of the inspection results within five business days of the inspection.

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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 MSHDA -approved extension), the owner's HAP will be abated in accordance with PHA 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 MSHDA -approved extension, if applicable) the family's assistance will be terminated in accordance with PHA 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.

MSHDA Policy

Extensions will be granted in cases where MSHDA has 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. 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 15 calendar days once the weather conditions have subsided. (**NOTE:** Generally, for winter delays, repairs must be completed no later than June 15th.)

Re-inspections [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.

MSHDA Policy

MSHDA will conduct a re-inspection by the end of the corrective period, or any MSHDA approved extension. The family and owner will be given reasonable notice of the re-inspection appointment.

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If the deficiencies have not been corrected by the time of the re-inspection, MSHDA 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 MSHDA policies. If MSHDA is unable to gain entry to the unit in order to conduct the scheduled re-inspection, MSHDA will allow the re-inspection to be rescheduled once.

After that MSHDA will consider the family to have violated its obligation to make the unit available for re-inspection. This may result in termination of the family's assistance in accordance with Chapter 12.

MSHDA may accept photos provided by the landlord prior to the repair deadline to confirm deficiencies have been corrected; however, MSHDA has the sole discretion to determine whether the photos are acceptable for verification of corrected deficiency. Photos from the owner to verify deficiencies have been corrected is not allowed for Initial Inspections, PBV units or 24-hour life-threatening fails.

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 MSHDA, HUD requires MSHDA 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.

MSHDA Policy

MSHDA will make all HAP abatements effective the first of the month following the expiration of MSHDA specified correction period (including any extension).

MSHDA will inspect abated units within five business days of the owner's notification that the work has been completed. Payment will resume effective on the day the unit passes inspection.

MSHDA reserves the right to immediately terminate the HAP contract and issue the participant a voucher to move if the unit is uninhabitable.

In order to move with continued assistance during the abatement period, the participant must provide to both MSHDA and the owner either:

- A signed Mutual Lease Termination (MSHDA 96) if they are in their initial lease term; or
- Written 30-day notice if currently under a month-to-month lease and must be in Good Standing.

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

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.

MSHDA Policy

MSHDA will not withhold assistance payments upon notification to the owner of the deficiencies.

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.

MSHDA Policy

MSHDA will make all HAP abatements effective the first of the month following the expiration of the MSHDA -specified correction period (including any extension).

MSHDA will inspect abated units within five business days of the owner's notification that the work has been completed. Payment will resume effective on the day the unit passes inspection.

During any abatement period the family continues to date or be responsible for its share of the full 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.

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MSHDA Policy

The maximum length of time that HAP may be abated is 60 days. However, if the owner completes corrections and notifies the PHA before the termination date of the HAP contract, MSHDA may rescind the termination notice if (1) the family still resides in the unit and wishes to remain in the unit and (2) the unit passes inspection.

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

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 MSHDA (and any extensions), MSHDA 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(c)]

8-III.A. OVERVIEW

Except in the case of certain LIHTC- and HOME-assisted units, no HAP contract can be approved until MSHDA 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).

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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).

MSHDA Policy

MSHDA does not have MSHDA-Owned units.

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

Owner-Initiated Rent Determinations

MSHDA 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. MSHDA (or independent agency in the case of PHA-owned units) will assist the family with the negotiations upon request. At initial occupancy MSHDA 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.

MSHDA 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, MSHDA may request owners to provide information about the rents charged for other units on the premises, if the premises include more than 4 units. In evaluating the proposed rents in comparison to other units on the premises MSHDA will consider unit size and length of tenancy in the other units.

MSHDA will determine whether the requested increase is reasonable within 10 business days of receiving the request from the owner. The owner will be notified of the determination in writing.

All rent adjustments will be effective the first of the month following 60 days after MSHDA's receipt of the owner's request or on the date specified by the owner, whichever is later.

MSHDA- and HUD-Initiated Rent Reasonableness Determinations

HUD requires MSHDA 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 MSHDA to make a determination at any other time. MSHDA may decide that a new determination of rent reasonableness is needed at any time.

MSHDA Policy

Effective July 1, 2017, MSHDA will make a determination of rent reasonableness when there is a 10 percent or more decrease in the Fair Market Rent.

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Prior to this date, MSHDA will make a determination of rent reasonableness based on a 5 percent or more decrease in the Fair Market Rent as previously required by HUD.

In addition to the instances described above, MSHDA will make a determination of rent reasonableness at any time after the initial occupancy period if: (1) MSHDA determines that the initial rent reasonableness determination was in error or (2) MSHDA 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]

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.

8-III.C. HOW COMPARABILITY IS ESTABLISHED

Factors to Consider

HUD requires MSHDA to take into consideration the factors listed below when determining rent comparability. MSHDA 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.

MSHDA Policy

MSHDA will use Go Section 8 to determine Rent Reasonableness.

The selected comparable will display relevant information about each property, such as the requested and adjusted rents, the number of bedrooms and bathrooms, the housing type, square footage, year built, and distance from the subject unit. It also indicates the percentages of similarity and credibility to the subject property. The ideal comparable will have a high level of both similarity and credibility. In some cases, particularly in areas where there are few rental units, it may be hard to identify units that match location, building type, and the number of bedrooms.

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In these cases, an expanded review of the database may be required to locate units that (1) have the same number of bedrooms and building type, but cover a broader geographic range, or (2) have the same number of bedrooms and are in the same geographic location but are in other types of buildings.

Exhibit 8-8 details how comparability is established for MSHDA.

MSHDA Policy

Units in converted properties (a property undergoing a conversion action that triggers eligibility for a Tenant Protection Vouchers (TPV) as described below) are considered assisted if the owner chooses to continue charging below market rents by offering lower rents or other rent concessions to impacted families who do not receive a voucher.

To be considered assisted, the owner must provide written notification to the PHA, including a list of the covered families, by unit number; a description and duration of the lower rent or concession; and any additional information that the PHA deems necessary to determine applicability of the policy to the property.

Upon verification of the information submitted by the owner, the PHA must exclude such units from rent reasonableness determinations until notified by the owner that either a covered family has moved from the unit, or the rent paid by the family is no longer below market or subject to a rent concession, at which point the unit is no longer excluded from the rent reasonableness determination.

Converted properties include properties undergoing any of the following conversion actions:

- Housing conversion actions that occur in the Multifamily Housing Portfolios and include an owner decision to opt-out of or not renew a Section 8 project-based contract (opt-out); a prepayment of the mortgage or voluntary termination of the mortgage insurance of a preservation eligible property (preservation prepayments); a HUD enforcement action against an owner that involves termination or non-renewal of a Section 8 project-based housing assistance payments; or a HUD property disposition activity;
- Any of the conversion actions covered by Notice PIH 2019-01/H 2019-02, or successor notices, for which the property has received an award of set-aside TPVs; and
- A public housing conversion action including demolitions and/or dispositions approved under Section 18 of the 1937 Act (including demolitions authorized under de minimis authority of such Act); required conversions approved under Section 33 of the 1937 Act; voluntary conversions approved under Section 22 of the 1937 Act; and removals initiated under an awarded Choice Neighborhood Initiative and/or HOPE VI grant.

The unit must be occupied by a family who was residing in the unit on the following date (as applicable) and did not receive a TPV as a result of the conversion action:

- The date of the eligibility event of the housing conversion action;

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- The later of: (a) the date that the TPV funding application is submitted to HUD by the PHA or (b) the date of the triggering event, for set-aside TPV actions; or
- The date of PIH approval of the Public Housing Conversion or the Choice Neighborhood Initiative award date.
- Other units for which an owner voluntarily charges rent that are below market to some or all tenants are not considered assisted units. PHAs should consider these units when determining rent reasonableness.

In some rental markets it is common practice for certain employees of the property management company (e.g., a resident manager) to reside in the property rent-free or at a significantly reduced rent as part of their employment compensation.

Under such limited circumstances, the rent for these units does not represent the rent that is charged or would be charged for a comparable unassisted unit and the PHA must not take them into account in making rent reasonableness determinations.

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 includes 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. MSHDA RENT REASONABLENESS METHODOLOGY

How Market Data Is Collected

MSHDA Policy

MSHDA will primarily utilize Go Section 8 which will collect and maintain data on market rents in MSHDA's jurisdiction. Data sources include internet websites, newspapers, realtors, market surveys, inquiries of owners and other available sources. The data will be maintained by bedroom size and market areas. Market areas may be defined by zip codes.

The data will be updated on an ongoing basis and rent information that is more than 12 months old will be archived in Go Section 8. Market Rent Data greater than 12 months old will not be used for eligibility but may be used for reference.

How Rents Are Determined

MSHDA Policy

1. The rent for a unit proposed for HCV assistance will be compared to the rent charged for comparable unassisted units in the same market area. MSHDA will develop a range of prices for comparable units by bedroom size within defined market areas.

Units proposed for HCV assistance will be compared to the units within this rent range. Because units may be similar, but not exactly like the unit proposed for HCV assistance, MSHDA may make adjustments to the range of prices to account for these differences. The adjustment must reflect the local market.

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Not all differences in units require adjustments (e.g., the presence or absence of a garbage disposal may not affect the rent in some market areas).

MSHDA uses a unit-to-unit comparison, by which the rent for a unit proposed for HCV assistance is directly compared to the rents for one or more unassisted units selected as comparable within the same market area. Geocoded maps will be used to identify the non-assisted units in closest proximity to the subject unit and unit data information will be used to select the most similar units.

In comparing rents, MSHDA must determine whether the rent to the owner is a reasonable rent in comparison to rent for other comparable unassisted units. In comparing rents, MSHDA must consider:

- Location, quality, size, unit type, and age of the contract unit, and
 - Amenities, housing services, maintenance, and utilities the owner must provide under the lease.
2. Where comparable units differ from the unit proposed for HCV assistance, MSHDA will determine whether those differences impact rent. Where they do, MSHDA will adjust the rental value of the comparable units, up or down, based on the market value of these factors.

The rent for the unit proposed for HCV assistance will be compared to the adjusted rents for the comparable units, enabling a fair, accurate, market-based determination of rent reasonableness.

Adjustments may vary by unit type (e.g., a second bathroom may be more valuable in a three-bedroom unit than in a two-bedroom). The adjustment must reflect the rental value of the difference not its construction costs (e.g., it might cost \$20,000 to put on a new roof, but the new roof might not make any difference in what a tenant would be willing to pay because rental units are presumed to have functioning roofs). When a comparable project offers rent concessions (e.g., first month rent-free, or reduced rent) reported monthly rents will be adjusted accordingly.

For example, if a comparable project reports rents of \$1,000/month, but new tenants receive the first month's rent free, the actual rent for the unit would be calculated as follows: $\$1,000 \times 11 \text{ months} = \$11,000 / 12 \text{ months} = \text{actual monthly rent of } \488 .

MSHDA will notify the owner of the rent MSHDA can approve based upon its analysis of rents for comparable units.

The owner may dispute the rent reasonableness data within 5 business days of MSHDA's notification. The owner may submit information about other comparable units in the market area. The owner must submit any additional information within 2 business days of MSHDA's request for information or the owner's request to submit information. MSHDA 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 five business days of MSHDA's request for information or the owner's request to submit information.

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EXHIBIT 8-1: AFFIRMATIVE HABITABILITY REQUIREMENTS

1. Affirmative Habitability Requirements: Inside

- a. Must include at least 1 battery-operated or hard-wired smoke detector, in proper working condition, on each level of the property.
- b. Must meet or exceed the carbon monoxide detection standards set by the Secretary through *Federal Register* notification.
- c. Any outlet installed within 6 feet of a water source must be GFCI protected.
- d. Must have a guardrail when there is an elevated walking surface with a drop off of 30 inches or greater measured vertically.
- e. Must have permanently mounted light fixtures in any kitchens and each bathroom.
- f. May not contain unvented space heaters that burn gas, oil, or kerosene.

Affirmative Habitability Requirements: Outside

- g. Any outlet installed within 6 feet of a water source must be GFCI-protected.
- h. Must have a guardrail when there is an elevated walking surface with a drop off of 30 inches or greater measured vertically.

2. Affirmative Habitability Requirements: Unit

- a. 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.
- b. 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.

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

- a. On each level of the unit AND
- b. Inside each bedroom or sleeping area AND
- c. With 21 feet of any door to a bedroom measured along a path of travel AND
- d. 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.

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- i. If the unit is occupied by a hearing-impaired person, the smoke detectors must have an alarm system designed for hearing-impaired persons.
4. Must have a living room and a kitchen area with a sink, cooking appliance, refrigerator, food preparation area and food storage area.
5. Must have two working outlets or one working outlet and one permanent light fixture within all habitable rooms.
6. Must have a permanently mounted light fixture in each bathroom and in the kitchen.
 - a. Outlets within 6 feet of water source must be GFCI-protected.
7. Must have permanently installed heating source.
 - a. No units may contain unvented space heaters that burn gas, oil, or kerosene.
8. Must have a guard rail when there is an elevated walking surface with a drop off of 30 inches or greater measured vertically.
9. Must have at least one bedroom or living/sleeping room for each two persons.