
CHAPTER 5
COMMENCEMENT OF PROJECT MANAGEMENT
AND GENERAL OCCUPANCY REQUIREMENTS

- 5-1 Introduction. This chapter provides policies and procedures which apply to the initial phases of project management.
- 5-2 Payment of Expenses Incurred Prior to Acquisition.
- A. HUD generally does not pay for expenses incurred prior to HUD acquisition, since:
1. All of the project's previous liens, encumbrances and contracts (except for those entered into by HUD as MIP) are nullified by the HUD foreclosure action; and
 2. Non-foreclosure acquisition is completed only with clear title.
- B. However, payment of some expenses incurred by the previous owner may be made if:
- * 1. It is necessary to maintain the availability of vital services, deemed necessary to avoid a disruption of essential services to the residents, e.g., utilities, to the project; or
2. There are other equitable, compelling reasons for payment, e.g., repair or administrative contracted services that are necessary to maintain viability are in process at the time of foreclosure and the contractors have not received final payment from the previous owner.

Since HUD is not contractually obligated to pay such expenses, approval for such payments must be obtained, in writing, from the RHD. *

- 5-3 Contents of Project Files. The DHM must assure that a filing system is maintained including, at a minimum, the following:
- A. Approved Management Plan;
 - B. Approved Operating Budget;
 - C. PMS Reports and other information included in the

PM's monthly report and invoice;

- D. Correspondence;
- E. Repair Survey(s) and Comprehensive Repair Plan, including inspections, progress reports and updates;
- F. Purchase Orders;
- G. Contracts; and
- M. Foreclosure and Disposition documentation.

5-4 Changing the Project Name. To assist in the management and disposition process, consideration should be given to changing the name of the project if the original name is associated with undesirable conditions.

5-5 Initial Notification and Implementation of HUD Management. The DHM must assure that:

- A. Within one business day of assumption of responsibility for a HUD-owned or MIP project:
 - 1. The project status is changed in PMS to either MIP or HUD-owned.

Note: This assumes that a project has already been entered (initialized) in PMS PIPELINE because the mortgage has been recommended for foreclosure. If HUD assumes MIP status on a project whose mortgage has not yet been recommended for foreclosure because of litigation or some other valid reason, the project must be initialized in PMS in accordance with the procedures in the PMS User Manual.
 - 2. A copy of the face page of an executed copy of the Management Contract, or work (or task) order assigning the project to a PM in the case of an indefinite quantity contract, along with the payment terms (Section B) must be forwarded to the PMS Service Center.
 - B. Within five business days of taking possession of either a HUD-owned or MIP project:
 - 1. All local taxing authorities and utility companies must be notified, in a manner
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prescribed by HUD, that HUD is owner or MIP of the project;

2. A proper address must be provided to all such authorities and companies for mailing all billings relating to the project; and,
- C. For occupied projects, within five business days of assignment of the project to the PM, the PM must:
1. Provide written notification to the residents of the following:
 - a. HUD has become owner or MIP of the project;
 - b. HUD's management policies, such as lease execution, income certification, if applicable, etc.;
 - c. The name of the PM, the telephone number and emergency telephone numbers;
 - d. That all payments for rent are to be made in the form of a check or money order made payable to the Department of Housing and Urban Development.
 2. Obtain and execute all available tax exemption certifications and thereby obtain all available tax exemptions.

Certifications should be obtained in accordance with the PMS User Manual.
- D. For occupied projects, within 10 calendar days of the later of the effective date of the PM's Contract or assignment of a project under a PM's Contract, or as otherwise directed by the Contracting Officer, the PM must purchase and deliver to each assigned project computer equipment meeting the minimum specifications contained in the PMS User Manual.
- E. Within 30 calendar days of the later of the effective date of the Contract or assignment of a project, the GTR/GTM must obtain from the PM, or other HUD contractor and/or PM subcontractor, a concise inspection report on all units and common areas, noting conditions affecting the health or safety of the residents, if any, and requiring prompt

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correction.

- F. For occupied projects, within 60 calendar days of the later of the effective date of the PM Contract or the date of assignment of a project, the Contracting Officer and GTR/GTM obtains from the PM two copies of the proposed Management Plan.

5-6 Project Sign. Within 60 calendar days, each occupied project must have a sign or signs placed in conspicuous and strategic locations within the project boundaries to provide easy identification of the project and the location of the project office. The project name and rental office telephone number(s) should be emphasized.

5-7 Project Employee Identification. The GTR/GTM must assure that each on-site PM employee is issued and, while on the job, wears a badge, hat and/or shirt that can be recognized by residents and identifies that employee as being a member of the PMs' staff.

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5-8 Project Employee Travel and Training. The GTR/GTM must assure that all travel and training costs for project employees are born by the PM, except in the following circumstances:

- A. PMS Training. Travel and lodging expenses incurred resulting from PMS Training will be paid by the PM and reimbursed by HUD through the reimbursement procedures established in the PMS User Manual. The amount of travel funds reimbursed shall be limited to the government rates specified in HUD Travel Handbook 2300.2, REV 3, and processed in accordance with the reimbursement procedures established in the PMS User Manual; and
- B. Travel for On-Site Employees. HUD will reimburse the PM for mileage incurred by project employees when a privately owned vehicle is used to perform project related services. Reimbursement will be at the current government rate paid for mileage as provided by HUD Travel Handbook 2300.2 REV 3, and processed in accordance with the reimbursement procedures established in the PMS User Manual. Reimbursement will be on a monthly basis to the PM only, not individual employees. *

5-9 Project Insurance. Unless otherwise directed by the

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Director, OMHPPD, liability and hazard insurance should not be purchased for a HUD-owned or MIP project. If insurance is prepaid when HUD assumes management responsibility of a project, coverage should be continued only until expiration of the pre-paid period.

5-10 Security Deposit Accounts. Security Deposits must be collected and administered for all occupied rental housing projects.

- A. Upon assignment of a project to the PM, the GTR/GTM must assure that the PM establishes a Security Deposit Account in a federally insured financial institution. Unless inconsistent with state or local laws, the account must be interest-bearing and funded initially with monies obtained from the owner by HUD and turned over to the PM.

Most financial institutions require an Employer Identification Number on security deposit accounts to report interest earnings. Since security deposits are held in trust for the residents and the interest earned is not to the benefit of the PM, the HUD Identification Number, obtainable from PMS, may be used.

- B. Unless inconsistent with state or local law, security deposits shall be set between a minimum of \$50 and a maximum of one month's net rent.

For residents who had not paid a security deposit prior to HUD's assumption of the project's management, a minimum of \$50 or an amount equal to the security deposit required for new residents must be collected within 60 days of assignment of a project to the PM.

- C. The GTR/GTM must assure that the PM, within 30 calendar days after assignment of a project:
1. Reviews all existing resident files;
 2. Determines the status and amounts of security deposits;

3. Notifies each resident of the status of the Security Deposit Account obtained by HUD; and
4. States the policy for refund in the case of a

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partially funded account.

* See also Chapter 6. *

- 5-11 Documenting the Move-In Condition. To properly document the condition of a unit at the time a person/family moves into a unit, the GTR/GTM must assure that the PM inspects the unit with the new resident, completes a Unit Inspection Report (or move-in form), and documents each resident's file. See APPENDIX 5-1. *

Upon assignment of a project to the PM, every occupied unit should be inspected and an updated move-in form completed, signed by the resident, and placed in the resident's file.

5-12 Project Budget.

- A. PMS automatically establishes an interim budget for each project to cover the first 60 days of project operation.

After the 60 day period, without a GTR/GTM approved budget PMS is not authorized to make any expenditures, other than for taxes and utilities.

- B. The GTR/GTM must assure that the PM prepares and enters into PMS a recommended budget for project expenses within 60 days of assignment of a project to the PM. The budget must:
1. Be based on the approved Management Plan and the project's approved Repair Plan;
 2. Coincide with the Federal fiscal year;
 3. Have line item expenses, except for nursing homes/hospitals whose budget may only contain a total for each summary expense category;
 4. Be developed in accordance with the PMS User Manual; and

5. Be approved by the GTR/GTM and the DHM.

* See also Chapter 6. *

5-13 Review of Existing Contracts. All existing contracts must be reviewed, and if appropriate, continued until new

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contracts can be awarded by HUD or subcontracted by the PM.

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5-14 Tenant Rent Owed Before HUD Takes Possession of a Project. Upon HUD possession, the GTR/GTM shall ensure that the PM conducts a review to determine if and when the last rent collection was made and if any tenants have outstanding rent balances.

- A. If the owner/previous owner's records and files upon review are deemed by the GTR/GTM to be sufficient and reliable, then back rent owed by tenants should be established as a beginning balance in PMS in accordance with the PMS User Manual.
- B. If the owner/previous owner's records and files upon review are deemed by the GTR/GTM to be insufficient and unreliable, then verification of rental payment must be obtained from the tenants. If possible, tenants should be asked to provide proof of rent payment such as a bank statement, or a receipt. If no proof can be provided a written statement should be entered into the tenant's file. The written statement should document that the owner/previous owner's records were unreliable and that the tenant verifies that his/her rent was paid and no outstanding balance exists. *

5-15 Authorization for Employees.

- A. The Authorization for Project Operations form contained in the PMS User Manual specifies the maximum number of administrative and maintenance employees that the PM may hire by specific job classification and wage rate.

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Wage rates for service employees must be established using the minimum wage rate obtained from the Department of Labor (DOL), in accordance with the Service Contract Act (SCA). The GTR/GTM must assure

that authorization requests for wages above the minimum Department of Labor (DOL) rates are justified. *

Project employees with supervisory responsibilities, such as resident or on-site manager, are not covered by the SCA. For those employees, wage rates must be determined by the GTR/GTM by comparing job

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description and responsibilities with similar ones for the local area to arrive at a fair, competitive rate of pay to be authorized.

- B. Service Contract Act (SCA) Wage Rates. The Service Contract Act requires that service contracts over \$2,500 contain mandatory FAR clauses regarding minimum wages and fringe benefits, unless exempt under FAR 22.1003-3 & -4. A service contract is defined as one whose principal purpose is to furnish services to HUD through the use of service employees. A service employee is defined as anyone engaged in the performance of a service contract, other than those employed in an executive, administrative, or professional capacity, as defined in 29 CFR 541. Based on the types of employees and services involved, PM contracts are subject to the Service Contract Act.

- * 1. SCA wage determinations are required when 5 or more project employees will be authorized per PM contract, and must be made a part of the PM contract with respect to salaries and fringe benefits for employees. When requesting wage determinations under the SCA, COs must use the job classification numbers and titles contained in the Directory of Occupations issued by DOL which come the closest to the positions being authorized when completing Attachment A of Standard Form 98. *

To assist in this process, the most common job classifications are pre-printed on the PMS payroll authorization form.

The GTR/GTM and the CO must review the authorization to assure that at least the minimum wage rates and fringe benefits have been indicated on the PMS payroll authorization form.

If less than the minimum wage rate obtained from DOL had been indicated on the authorization, a revised authorization must be provided to the PM and PMS, and such higher wages must be made retroactive to the date of the original authorization. The SCA wage rates are minimum rates and if the term of the contract is more than 1 year, the minimum monetary wages and fringe benefits required to be paid or furnished shall be subject to adjustment after 1 year and *

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- * not less often than once every 2 years under wage determinations issued by the Department of Labor's Wage and Hour Division. SCA wage rates must be reviewed prior to exercising an option to extend, any contract extension or change in scope of contract. Once option years on a contract are exercised SCA wage rates must be reviewed each option year. *
2. If less than five project employees will be authorized, HUD must either establish the rates in accordance with B.1. above or determine the wage rate to be paid by comparing the job classification and responsibilities with similar ones for the local area to arrive at a fair, competitive wage rate to be authorized. This rate must equal or exceed the general minimum wage rate published by DOL.
 3. All service employees must be paid no less frequently than semi-monthly.
 4. The provisions of the Fair Labor Standards Act and the Service Contract Act of 1965, which set forth certain minimum or prevailing wage and maximum hour requirements, shall apply.
- C. The GTR/GTM must obtain from the PM, and approve, written job descriptions of authorized staff.
- D. The GTR/GTM must authorize the PM to hire personnel to work exclusively in connection with on-site project duties.

An employee's time may be charged to more than one project, provided time spent performing duties in connection with each project is documented, charged

to the appropriate project, and in accordance with project authorizations.

- E. Maintenance and repair employees. Maintenance employees must be classified by position such as maintenance man, maintenance/painter, handyman, gardener, yardman, custodian, etc. (See B.1. above).

Authorization or approval may be extended for project employees for repair classifications such as carpenter, painter, plasterer, plumber, and other artisans and laborers provided that the PM contract

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contains the proper provisions and the classification is contained in the Service Contract Act Directory of Occupations. Although these repair classifications are for construction related services, these PM employees are not subject to Davis-Bacon Act wage rate requirements, in accordance with FAR 22.402 (b) (2) (i), "Non-construction contracts involving some construction work."

- F. Day-to-day maintenance and upkeep, defined as normal routine maintenance to offset continuing wear and tear, make units ready for occupancy, and to keep the property and its appurtenances in decent, safe and sanitary condition, and to provide necessary resident services and facilities - as opposed to improvements - must be performed by the project maintenance staff.
 - G. Watchman and security guard service is a necessity at some projects. If a contract for such services is not obtainable at a reasonable cost, a project employee classification for unarmed watchmen or security guards, as part of the on-site project staff, may be authorized. See Chapter 5. *
 - H. HUD must not supervise or authorize employees that perform off-site PM duties, e.g., bookkeepers and clerks, as distinguished from project employee staff, e.g., on-site managers and maintenance personnel.
- * Although the GTR/GTM must authorize the hiring of all on-site employees, HUD must not supervise any contractor employees, including those on-site. *

NOTE: The PM cannot assume the duties of the on-site manager and receive both the management fee and a

salary.

I. The CO must assure that:

1. Appropriate wage rates and fringe benefits are obtained from DOL and included in the contract awarded to the PM;
- * 2. If the term of the contract is more than 1 year, the minimum monetary wages and fringe benefits required to be paid or furnished shall be subject to adjustment after 1 year and not less often than once every 2 years under wage determination issued by the Department of *

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* Labor's Wage and Hour Division. SCA wages rates must be reviewed prior to exercising an option to extend, any contract extension or change in scope of contract. Once option years on a contract are exercised SCA wage rates must be reviewed each option year. *

J. The GTR/GTM must assure that:

1. The employee authorization is sufficient to carry out the overall administrative and maintenance workload, including peak loads and employee absences;
2. The authorization includes enough employees so they can work at scheduled times under normal conditions. There should be no occasions, other than unforeseen emergencies, when employees would have to work more than forty (40) hours in any week;
3. The authorization provides for maximum staff at the maximum wage rates with the understanding that the PM limits staff and salaries based on information gained from periodic reviews of the actual needs of the project. By providing for the maximum number of employees and the maximum authorized wage rates in the authorization, the staff may be decreased or increased within the limits of the authorization without the necessity for amending the authorization;
4. Project employees are used exclusively for

project-related duties. If the PM wishes to use an employee for other than project specific duties, compensation for such work shall not be a project expense.

K. Paid holidays, vacations and sick leave shall be provided to project employees as stated in the wage determination from DOL.

* L. Paid holidays, vacations and sick leave for other than service employees, i.e., executive, administrative or professional employees as defined in 29 CFR 541, the following shall be provided: *

1. Paid holidays

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- a. New Years Day, January 1
 - b. Martin Luther King Day, January
 - c. Presidents' Day, February
 - d. Memorial Day, May
 - e. Independence Day, July
 - f. Labor Day, September
 - g. Columbus Day, October
 - h. Veteran's Day, November
 - i. Thanksgiving Day, November
 - j. Christmas Day, December
- Additional holidays may be approved by the RHD, if set forth in the Service Contract Act, or in a previously approved labor management agreement made part of the PM contract.

2. Vacations are earned as follows:

- a. One week or 40 hours after 6 months of continuous employment; plus
- b. One additional week or 40 hours after 12 months of continuous employment;
- c. Employees may accrue no more than 2 weeks or 80 hours vacation time in a 12-month period;
- d. Employees may not carry forward into the next year more than 80 hours of earned vacation time;

- e. If the employee has not taken all of the vacation time due when HUD ceases project management, the PM must determine payment due for unused vacation and, with GTR approval, submit an invoice to PMS for payment.
 - f. If local custom provides for vacation time in excess of the above, the DHM, with the RHD's concurrence, may approve accelerated acquisition of vacation time and a higher maximum accrual by employees.
3. Sick leave. Sick leave is earned at the rate of one day per month. Sick leave may be carried over from year to year; however, project employees will not be paid for unused sick

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leave.

4. Payroll must be paid by the PM, who must then invoice PMS for reimbursement pursuant to the PMS User Manual.

Advance payrolls must not be authorized.

Any unusual payroll expenses, such as overtime or severance pay, which would cause the payroll to exceed the authorization in PMS, must be approved in writing by the GTR, with a copy to the PMS service center; however, in an emergency, oral approval may be provided and followed up in writing. The employee payroll authorization does not have to be amended for such actions; however, a copy of the GTR's approval must be included with the invoice for reimbursement to PMS.

- M. Nursing Home and Hospital Employees. The instructions contained in this Handbook concerning the operation of an MIP or owned project are generally applicable to nursing homes and hospitals. Nursing Homes and hospitals are, however, subject to special rulings under the Fair Labor Standards Act which provide for different minimum wages, and provide that employees shall receive time and one-half pay for all hours worked in excess of 48 hours during a workweek. In addition, bona fide executive,

administrative and professional employees may be exempt from the minimum wage and overtime requirements of the Fair Labor Standards Act if they meet certain tests established for such exemption. When notified of the anticipated acquisition or MIP status of a nursing home or hospital, the DHM must call the nearest DOL Wage, Hour and Public Contract Division to obtain the most current rulings, and confirm the information in writing.

- N. Collective Bargaining Agreements. Contracts entered into by the PM with employees or their labor representatives may only obligate HUD as provided in the DOL wage determination. Unless provided in the wage determination, project funds may not be spent for contributions to welfare, pension or training funds which should have been made by a property owner prior to HUD's ownership or MIP.

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* Exception: For HUD-owned and MIP projects, payments may be made to discharged employees for severance or accrued vacation pay, provided the termination was not the fault of the employee (e.g. a layoff), provided that a collective bargaining agreement existed before the termination, that such payment is required by the agreement and such expenditures are provided for in the project budget. *

5-16 Authorization of Rental Rates and Services.

- A. Upon HUD possession and until new rates are set, when appropriate, rental rates shall continue at the levels set before HUD took possession.
- B. Within 30 calendar days of HUD acquisition or possession of a project, the GTR/GTM must provide the PM with maximum residential rental rates for all occupied rental housing projects. Rental rates must be implemented in accordance with the Section of the National Housing Act under which the project's mortgage was insured or direct loan guaranteed. *
- C. For MIP projects and for projects acquired by HUD on or after September 19, 1988, the rents shall be set in accordance with the rent setting requirements that applied before MIP or acquisition.
- D. For projects acquired before September 19, 1988,

eligible residents in formerly subsidized projects will pay the lesser of the resident rent payable under 24 CFR 813, "Definition of Income, Income Limits, Rent and Reexamination of Family Income for the Section 8 Housing Assistance Payment Programs and Related Programs" or the comparable rent as defined below. All other residents shall be charged rent in accordance with the maximum comparable rents as defined below.

The maximum comparable rental rates must take into consideration the rates obtainable for comparable rental housing accommodations in the area, and must be uniform within the project to the degree possible depending on unit size, location, condition and amenities provided. A Form HUD-92273, Rental Rates by Comparison, may be used for this purpose.

- E. Rents can be lowered if the DHM determines that a lower rent is necessary or desirable to:

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- 1. Maintain the existing economic mix in the project;
 - 2. Prevent undesirable turnover; or
 - 3. Increase occupancy.
- F. Leases must reflect a unit's maximum rent, not a rent based upon an abatement, discount, reduction, etc.
 - G. If HUD chooses to abate rent in recognition of physical deficiencies in a unit or project, rent can be abated, in whole or in part, for the period of the deficiency. See APPENDIX 5-2, Addendum for Rental Abatement. *
- 1. Abatements must be attributed, in writing, to specific deficiencies. If the abatement amount is based upon more than one deficiency, the dollar amount attributable to each deficiency should be stated.
 - 3. When rent is abated for this reason, the GTR/GTM must assure that, during the abatement period the resident is advised by the PM of the Steps being taken to correct the deficiencies.

H. For subsidized or formerly subsidized projects that are occupied, within 30 days after assignment of a project to the PM, the GTR/GTM must assure that a review is made of the existing resident files to determine when the last income verification took place. If the income verification was conducted within 4 months of HUD acquisition a new verification is not required for that year. If the resident file does not contain documentation of an income verification, within that 4 month period, the GTR/GTM must assure that the PM issues an income verification notice to the residents. The notice must state that income information showing eligibility must be obtained from the resident on a Form HUD-50059.

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1. Form HUD-50059a, e, or k Worksheets should be used as required and in accordance with Handbook 4350.3, "Occupancy Requirements of Subsidized Multifamily Housing Programs", Chg-1, Appendix 2.

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2. For HUD-owned projects, Worksheet Form HUD-50059k should be used, modified as follows:

- a. For projects acquired before September 19, 1988, the worksheet dated 10/84 must be used as printed.
- b. For projects acquired on or after September 19, 1988, line C-1.a. of the above worksheet raises the tenant's share of rent to 30 percent of income, and reads:

"The Tenant is NOW paying a rent based upon the HUD-owned (290) rules AND will begin to receive Section 8

_____ x .30	= \$ _____
B12 of THIS	C1

Worksheet

(if B12 is blank, use A2.)

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3. If a resident does not certify income as required by this paragraph, the resident must pay the market rent as determined under this section.

- I. When HUD has taken possession of a project and if a resident or applicant is eligible for rental

assistance, but the project is unsubsidized with no available assisted units, the market rate rent will have to be paid unless a Rental Certificate or Voucher is presented. PMs should be encouraged to refer such residents/applicants to the local Housing Authority for application for a Section 8 Certificate or Voucher. *

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5-17 Utility Allowance. A utility allowance is HUD's or the Contract Administrator's estimate of the average monthly utility bills (except telephone) for an energy-conscious household. This estimate considers only utilities paid directly by the tenant. If all utilities are included in the rent, there is no utility allowance. Utility allowances vary by unit type and are listed on the project's rent schedule or HAP contract.

Utility allowances must be established in accordance with 24 CFR 813.102. The GTR/GTM should review the allowances annually and adjust them if appropriate.

Utility reimbursement must be in accordance with 24 CFR *

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* 813.108. Procedures for reimbursement for the amount by which the utility allowance exceeds the total tenant payment are contained in the PMS User Manual. *

5-18 Leasing. The GTR/GTM must assure that the PM attempts to rent all residential units and commercial space pursuant to the requirements of the program under which the mortgage was originally insured and in compliance with the approved Management Plan for each individual project. Once a lease has been executed refer to the PMS User Manual on how to establish the lease in PMS. *

* A. All residential leases must be executed using the MFPD Model Lease, APPENDIX 5-2 and in accordance with the approved project Management Plan. *

B. In cases of Federal or State nonjudicial foreclosures, the DHM must obtain an opinion from Field Counsel as to whether a foreclosure action has automatically terminated resident leases.

* C. All residents will be required to execute new leases using the MFPD Model Lease upon automatic termination at foreclosure, or, when the Multifamily Mortgage Foreclosure Act is employed, after lease expiration

or one year, whichever is shorter. *

- D. Using the MFPD Model Lease, dwelling units must be leased for residential use only by lessee or lessee's family, with identification of all permanent occupants, including social security numbers.
- E. Residential leases must be for a term not less than 30 days or more than twelve months.
- F. Rental due dates.
 - 1. All residential rentals must be paid in advance and are due on the first day of each month. Rental payments may be accepted up to the fifth day of the month without the addition of a late payment penalty. Assessment of late payment penalties shall be in accordance with paragraph G of this section.
 - 2. All residential rentals scheduled under a workout agreement must be paid in advance and are due on the first day of each month. Workout rental payments may be accepted up to the fifth

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day of the month without the addition of another late payment penalty. Assessment of late payment penalties shall be in accordance with paragraph G of this section.

- G. Late fees. The GTR/GTM shall assure that the late fee stated in the MFPD Model Lease is implemented by the PM.
 - 1. The GTR/GTM must assure that if the PM does not receive the full amount of a resident's net rent or rent due under a workout agreement by the end of the 5th day of the month, on the 6th business day of the month the PM shall add a late fee charge in the amount of \$10. However, if the 5th day of the month falls on a Saturday, Sunday or legal holiday, payment must be received by the next business day or the late fee charge will be assessed. If the PM does not receive the full amount of the net rent by the end of the 10th business day of the month, on the 11th business day of the month the PM shall add an additional late fee charge in the amount of \$10.

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2. If late fees exceeding those stated in the Model Lease are mandated by local law, or are customary in the local market area, the GTR/GTM may direct the PM to implement those locally mandated or customary late fees. In this case, late fee amounts stated in the MFPD Model Lease must be changed to match the alternate, local late fee.

* M. Commercial space shall be leased using the MFPD Model Commercial Lease, APPENDIX 5-3. *

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5-19 Occupancy Standards.

A. All MIP and HUD-owned project units that were governed by the occupancy guidelines and resident selection criteria set forth in HUD Handbook 4350.3 prior to HUD possession shall continue to be governed by the occupancy standards in that Handbook, except that priority application for residency will be given to families displaced from other HUD-owned rental housing projects after receiving a Notice of Displacement. Resident selection criteria must be reviewed and approved by the GTR/GTM. *

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* B. In addition, occupancy standards and resident selection criteria for all HUD-owned and MIP projects must be maintained in accordance with Fair Housing and Equal Opportunity regulations and reasonable state and local housing codes. The PM must establish and maintain resident selection criteria in accordance with the above regulations and codes. *

5-20 Project Security. In meeting statutory requirements to keep projects decent, safe and sanitary, the DHM must determine the need and extent of, and implement, security measures to maintain safe housing for the residents and safe work areas for contractors and subcontractors.

A. Security measures must be included in the Initial and Comprehensive Surveys and Plans.

B. Based on individual project needs, security measures can range from periodic visits from a PM employee, to a complex system of regulated access doors, closed circuit cameras, unarmed guards and, in the extreme,

armed guard services.

In special cases, armed guards may be used; however, their use must be limited to the maximum extent possible and must receive prior approval from the RHD. The employment of armed guards is a temporary, last resort to be used only until the project can be secured.

If there is a need for armed guards, they must be obtained only under contract with a contractor who provides and maintains sufficient liability insurance.

- C. Security survey and recommendations. If security is a concern at a project, the services of a security expert should be procured, generally using a fixed-price contract, or subcontract if performed by the PM or the A. The security expert should survey and analyze the project to identify security concerns and recommend security systems and programs to alleviate those concerns. The survey and recommendations should include, at a minimum:
1. Inclusion of resident Neighborhood Watch groups, if appropriate;
 2. A review of the project's:

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- a. Interior area, e.g., visibility of elevators and hallways, integrity of unit doors, etc.;
 - b. Exterior envelope, e.g., visibility of and access through exterior doors, windows, roof, etc.; and
 - c. Surrounding area, e.g., visibility of and access to parking areas and project grounds, locations close to the project which attract loiterers;
3. The possibility of differing levels of security enforcement within each of the above areas;
 4. To the maximum extent possible, reliance on electro-mechanical security systems which minimize the number of security guards required;

5. Physical protection for unarmed security guards to minimize the number of armed guards required;
 6. Local law enforcement agency participation, if available
 7. A cost estimate for complete implementation;
 8. An estimated time frame for complete implementation from the date of contract award.
 9. A survey of the residents' security concerns and opinions.
 10. If contracted out:
 - a. A delivery date within 30 days of contract or subcontract award.
 - b. The requirement that the recommendations are a deliverable item which will belong to HUD upon delivery.
- D. Implementation. Beyond the concern for safety of the residents, major repairs and/or rent-up of a project cannot be performed unless the project is secure.

Security measures must be completed promptly unless sale or foreclosure (for MIP projects) is imminent; that is:

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if all security measures cannot be completed before closing, the DHM shall assure that as much of the total security system as is reasonably possible is completed during HUD possession. The remainder of the installation of security measures shall be described in the foreclosure or sale documents as a required repair.

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5-21 Project-Based Housing Assistance Payment (HAP) Contracts Billing Procedures for HUD-Owned Projects.

- A. For projects with project-based Section 8, HAP Contracts must not be canceled. The RAD must be instructed not to "recapture" Contract and Budget authority remaining under the HAP Contract.
- B. For projects where HUD is HAP Contract Administrator,

the DHM, or designee, must within five days of HUD taking ownership of the project, notify the RAD in writing that HUD has taken possession of the project. APPENDIX 5-4 is a sample format for this notification.

- C. The GTR/GTM for the PM contract must assure that the PM:
1. Does not voucher the RAD for project-based Section 8 payments.
 2. Continues to voucher for Section 8 payments on behalf of Section 8 Rental Certificate and/or Rental Voucher holders from the Public Housing Authority that is the contract administrator. *