codes and ordinances, and zoning requirements.

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[60 FR 34717, July 3, 1995, as amended at 60 FR 45661, Sept. 1, 1995]

Subpart C—Agreement and New Construction or Rehabilitation Period

§ 983.101 Agreement to enter into HAP contract, and contract rents in Agreement.

(a) *Agreement.* The HA must enter into an Agreement with the owner in the form prescribed by HUD for assistance provided under this part 983. The Agreement must be executed before the start of any new construction or rehabilitation. Under the Agreement, the owner agrees to construct the units in accordance with the HA-approved working drawings and specifications or to rehabilitate the units in accordance with the HA-approved work write-ups.

(b) *Contract rents in Agreement.* The Agreement must list the initial contract rents that will apply to the units after they are constructed or rehabilitated. The amounts of the contract rents that are listed in the Agreement or, if applicable, as lowered under § 983.103(c), must be the initial contract rents upon execution of the HAP contract. These initial contract rents may only be increased if:

(1) The project is financed with a HUD insured or coinsured multifamily mortgage;

(2) The initial contract rents listed in the Agreement were based on the amount determined by HUD to be necessary to amortize the insured or coinsured mortgage; and

(3) The HUD field office approves a cost increase prior to closing. In such a case, the HUD field office may redetermine the initial contract rents in accordance with § 983.202 except that the field office may use the comparable rents originally used in processing the insured or coinsured mortgage in lieu of the amount determined in accordance with § 983.202.

[60 FR 34717, July 3, 1995, as amended at 63 FR 23871, Apr. 30, 1998]

§ 983.102 Owner selection of contractor.

The owner is responsible for selecting a competent contractor to undertake the new construction or rehabilitation work under the Agreement. The owner may not award contracts to, otherwise engage the services of, or fund any contractor or subcontractor, to perform such work, that fails to provide a certification that neither it nor its principals is presently debarred, suspended, or placed in ineligibility status under 24 CFR part 24, or is on the list of ineligible contractors or subcontractors established and maintained by the Comptroller General under 29 CFR part 5. The HA must promote opportunities for minority contractors to participate in the program.

§ 983.103 New construction or rehabilitation period.

(a) *Timely performance of work.* After the Agreement has been executed, the owner must promptly proceed with the construction or rehabilitation work as provided in the Agreement. In the event the work is not so commenced, diligently continued, or completed, the HA may terminate the Agreement or take other appropriate action.

(b) *Inspections.* The HA must inspect during construction or rehabilitation to ensure that work is proceeding on schedule and is being accomplished in accordance with the terms of the Agreement. The inspection must be carried out to ensure that the work meets the types of materials specified in the work write-ups or working drawings and specifications, and meets typical levels of workmanship in the area.

(c) *Changes.* The owner must obtain prior HA approval for any changes from the work specified in the Agreement that would alter the design or the quality of the required new construction or rehabilitation. The HA may disapprove any changes requested by the owner. HA approval of changes may be conditioned on establishing lower initial contract rents in the amount determined by the HA (or the HUD field office for HA owned units or projects financed with a HUD insured or coinsured multifamily mortgage). If the owner makes any changes without prior HA approval, the HA may lower

the initial contract rents in the amount determined by the HA (or the HUD field office for HA owned units or projects financed with a HUD insured or coinsured multifamily mortgage), and may require the owner to remedy any deficiencies, prior to, and as a condition for, acceptance of the units. Initial contract rents, however, must not be increased because of any change from the work specified in the Agreement as originally executed. When a HUD insured or a HUD coinsured multifamily mortgage is used to finance new construction or rehabilitation of the units to which assistance is to be attached under this part 983, the HUD field office may lower the initial contract rents to reflect any reduction in the amount necessary to amortize the insured or coinsured mortgage.

(d) *Notification of vacancies.* At least 60 days before the scheduled completion of the new construction or rehabilitation, the owner must notify the HA of any units expected to be vacant on the anticipated effective date of the HAP contract. The HA must refer to the owner appropriate-sized families from the HA waiting list. When the HAP contract is executed, the owner must notify the HA which units are vacant. (See also § 983.253).

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[60 FR 34717, July 3, 1995, as amended at 60 FR 45661, Sept. 1, 1995; 63 FR 23871, Apr. 30, 1998]

§ 983.104 New construction or rehabilitation completion.

(a) Notification of completion. The owner must notify the HA when the work is completed and submit to the HA the evidence of completion described in paragraph (b) of this section.

(b) *Evidence of completion.* To demonstrate completion of the work the owner must furnish the HA with:

(1) A certificate of occupancy or other official approvals as required by the locality.

(2) A certification by the owner that:

(i) The work has been completed in accordance with the requirements of the Agreement;

(ii) There are no defects or deficiencies in the work except for items of delayed completion which are minor or which are incomplete because of weather conditions and, in any case, do not preclude or affect occupancy;

(iii) The unit(s) has been constructed or rehabilitated in accordance with the applicable zoning, building, housing and other codes, ordinances or regulations, as modified by any waivers obtained from the appropriate officials;

(iv) Units are in compliance with the lead-based paint requirements in part 35, subparts A, B, H, and R of this title; and

(v) The owner has complied with any applicable labor standards requirements in the Agreement.

(3) For projects where a HUD field office construction inspection is not required during construction, a certification from the inspecting architect stating that the units have been constructed in accordance with the certified working drawings and specifications, housing quality standards, local codes and ordinances, and zoning requirements.

(c) *Review and inspections.* The HA must review the evidence of completion for compliance with paragraph (b) of this section. The HA also must inspect the unit(s) to be assisted to determine that the unit(s) has been completed in accordance with the Agreement, including meeting the housing quality standards or other standards approved by the HUD field office for the program. If the inspection discloses defects or deficiencies, the inspector must report these in detail.

(d) *Acceptance.* (1) If the HA determines from the review and inspection that the unit(s) has been completed in accordance with the Agreement, the HA must accept the unit(s).

(2) If there are any items of delayed completion that are minor items or that are incomplete because of weather conditions, and in any case that do not preclude or affect occupancy, and all other requirements of the Agreement have been met, the HA may accept the unit(s). The HA must require the owner to deposit in escrow with the HA funds in an amount the HA determines to be sufficient to ensure completion of the delayed items. The HA and owner must also execute a written agreement, specifying the schedule for completion of these items. If the items are not