published in the **Federal Register** at a later date.

Project-based Section 8 assistance under the program will be provided pursuant to a contract entered into by the Secretary and the owner of the eligible housing that: (1) Provides assistance for a term which, taking into account the financing and other factors relating to the specific project proposal, is not less than 60 and not greater than 180 months; and (2) provides for contract rents to be determined by the Secretary.

The Section 8 Fair Market Rent Schedule for this demonstration is 120 percent of the Existing Housing Fair Market Rent Schedule most recently published in the Federal Register. Initial gross rents (contract rents plus allowance for tenant paid utilities) for any new construction project, and any substantial rehabilitation project with per unit rehabilitation costs of \$5000 or more, may not exceed the Fair Market Rents applicable to this demonstration. Initial gross rents for any substantial rehabilitation project with per unit rehabilitation costs of less than \$5000 may not exceed 100 percent of the published Existing Housing Fair Market Rent Schedule.

Contract rents also must be reasonable on the basis of comparison with rents for unsubsidized units of similar age, design and location which include comparable amenities and services.

HUD's single and multifamily mortgage insurance programs, the risk sharing programs under Section 542 of the Housing and Community Development Act of 1992, and Veterans Administration and Farmers Home Administration loan and loan guarantee programs are not available for housing developed or assisted under this demonstration program. A pension fund must provide permanent financing for projects for which project-specific proposals are submitted to HUD or for which assistance is provided under this demonstration; however, the pension fund may not have an ownership interest in such projects. The Secretary may establish such other standards regarding financing and securitization of project mortgages as the Secretary deems appropriate.

Finally, the Department has determined that section 3 of the Housing and Urban Development Act of 1968 and the regulations at 24 CFR part 135 (see June 30, 1994 Interim Rule, 59 FR 33866) are applicable to funding awards made under this NOFA. The purpose of section 3 is to ensure the training and employment of residents and business concerns for economic opportunities generated by certain HUD

financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, be directed to low- and very-low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low- and very-low-income persons.

(B) Allocation Amounts and Number of Units To Be Assisted

From the amounts of Section 8 assistance made available in VA, HUD-**Independent Agencies Appropriations** Act for FY 1995 (Pub. L. 103-327, 108 Stat. 2299, approved September 28, 1994) the Department has set aside approximately \$334,891,000 in budget authority for this demonstration program, of which up to \$251,168,250 is being made available through this NOFA. The number and type of units that can be assisted will depend upon the level of gross rents (i.e., contract rents plus allowance for tenant paid utilities), the contract administration fee and the term of contract for specific projects.

Budget authority will be distributed under this NOFA in the following manner:

Category A Applicants

Approximately \$167,445,500 of Section 8 budget authority is being made available under this NOFA for Category A participants. At least 50 percent of this amount must be used for HUD-owned properties or properties with HUD-held mortgages.

A Category A applicant must identify and document in its application the presence of a pipeline of projects for which project-specific proposals sufficient to use the total amount of the set-aside requested by it can be submitted to HUD within the timeframes specified in section I(i) of this NOFA. This identification and documentation also must substantiate the applicant's ability to meet the requirement that at least 50 percent of any set-aside awarded to the fund must be used for HUD-owned properties or properties with HUD-held mortgages. The maximum amount that may initially be awarded to any one applicant may not exceed \$167,445,500 or the amount sufficient to fund the pipeline identified and documented in its application for participation, whichever is less. The information required to support such identification and documentation is contained in HUD Notice 95-2.

Category B Applicants

Approximately \$83,722,750 of Section 8 budget is being made available under this NOFA for Category B participants. A Category B participant is not required to demonstrate the presence of the type of pipeline described above but must be able to submit project specific proposals within the time frames specified in Section I(ii) of this NOFA.

A category B participant may receive an initial set-aside of not more than \$10 million. A Category B participant may use the entire amount of any set-aside awarded to it for non-HUD properties (although HUD-owned properties or properties with mortgages held by HUD are eligible).

(C) Eligible Applicants

Each applicant for participation in this program must demonstrate to the satisfaction of the Department that: (1) It is a trust, fund, plan or other program established or maintained by an employer or other person for the purpose of providing income or benefits to employees after the termination of employment or deferring income by employees until the termination of employment; (2) it is an entity that serves as an investment advisor to or engages principally in the investment of the funds of such a trust, fund, plan, or other program; or (3) it is a partnership or organization established to invest pension funds in affordable multifamily housing.

Each applicant must demonstrate to the satisfaction of HUD that the trust, fund, plan or other program which it administers, invests or to which it serves as an advisor is fully capitalized at the time the application for participation in the demonstration is submitted and that capitalization is not contingent upon or in any way delayed by pending approval of the application. If the applicant administers, invests or serves as an advisor to one or more trust, fund, plan or other program, each such trust, fund, plan or program must be identified in the application together with documentation as to full capitalization of each.

Each applicant must demonstrate its ability and intent to provide permanent financing in connection with projects to be developed under this demonstration.

Each applicant must also demonstrate the availability of adequate staff capacity to perform the functions required under this demonstration or its ability to contract for or to enter into a partnership to obtain such services, in which case the applicant will still be responsible for overall program administration and decisions.