(H) Use of HUD Inventory

A Category A participant will be required to use at least 50 percent of its Section 8 set-aside in connection with HUD-owned properties or properties with mortgages held by HUD unless the Department determines that requirements of section 6(b) of the Act will otherwise be met and approves an exception.

In the case of HUD-owned properties, the number of units required to be assisted will be determined in the disposition plan in accordance with statutory requirements. The pension fund will provide assistance from its set-aside for one-half the number of units to be assisted as determined in the disposition plan; HUD will provide the other one-half from its property disposition set-aside.

A Category B participant may, but will not be required to, use any of its set-aside for HUD-owned properties or properties with mortgages held by HUD.

(I) Section 8 Project-Specific Contract Award

(i) Category A Participants. A Category A participant will have 120 days from the date of its selection to participate in the demonstration to submit project-specific proposals utilizing 75 percent of the total amount of its Section 8 set-aside under this NOFA. It will have 10 months from the date of selection to commit (*i.e.*, close on construction financing) its Section 8 set-aside to specific projects.

A Category A participant will have 180 days and 12 months, respectively, to submit project-specific proposals and to close on construction financing for the remaining 25 percent of its Section 8 set-aside.

(ii) Category B Participants. A Category B participant must submit project-specific proposals sufficient to use 50 percent of its Section 8 set-aside under this NOFA within 6 months from the date of selection to participate in the demonstration. It will have 10 months from the date of selection to reach closing of construction financing.

A Category B participant will have 12 months and 16 months, respectively, to submit project-specific proposals and to close on construction financing for the remaining 50 percent of its Section 8 set-aside.

(iii) Uncommitted Set-asides. Any amount of set-asides not committed to specific projects by the end of the time periods indicated above, or any extensions of these time periods granted by HUD, may be withdrawn by HUD and reallocated to other pension funds based on the performance of the

receiving pension fund in utilizing its previous allocation(s) or to pension funds not previously selected by HUD due to the lack of available budget authority.

(J) Receipt and Processing of Project-Specific Proposals

Project-specific proposals must include the information and certifications identified in HUD Notice 95–2 and be submitted in the format specified therein.

After receipt of a project-specific proposal, HUD will, in accordance with HUD Notice 95–2, obtain and issue appropriate Davis-Bacon wage rate determinations and perform certain HUD-retained reviews for compliance with:

- —Site acceptability criteria for this demonstration;
- —Environmental requirements, except that HUD may accept and adopt an environmental review conducted by a CDBG or HOME grantee in accordance with 24 CFR part 58;
- Affirmative Fair Housing Marketing requirements;
- Previous participation of project principals in HUD programs; and
 Subsidy layering guidelines, unless the Housing Credit Agency has agreed to perform subsidy layering reviews for projects receiving Low Income Housing Tax Credits or some form of HUD assistance.

Upon completion of the HUD reviews, HUD will notify the pension fund whether or not the proposal is acceptable and of the steps requisite to execution of the HAP Agreement.

(K) Post Approval Processing

The HAP Agreement may not be executed nor may construction or substantial rehabilitation begin until the certifications required by HUD Notice 95–2 are submitted to and found acceptable by HUD.

(L) Contract Administration

The statute calls for assistance to be provided through "a contract entered into by the Secretary and the owner." It is the Department's intent to enter into a HUD/Private Owner HAP Agreement and Contract. HUD will then enter into a contract with an HFA or PHA that has jurisdiction over the geographic area in which the project is located. For a fee, the HFA or PHA will carry out certain administrative or ministerial functions that otherwise would be the responsibility of HUD as the Section 8 Contract Administrator. Any administrative fee payable to the HFA or PHA will not exceed 5 percent of the published 2 bedroom Fair Market Rent

for Existing Housing for the area and will be payable out of the Section 8 contract and budget authority reserved for each project.

(M) Project Construction and Completion

Project construction, completion and cost certification requirements are contained in HUD Notice 95–2. HUD may perform field reviews if necessary to substantiate compliance with program requirements.

(N) HUD-Private Owner HAP Contract

If the pension fund and owner are in compliance with HUD Notice 95-2, HUD will execute a HUD/Private Owner HAP Contract with the owner. The contract will contain provisions relative to: (1) The terms of the contract which may be not less than 5 nor more than 15 years; (2) the responsibilities of the owner for project management and maintenance; (3) a prohibition on the use of other Federal programs so long as the contract is in effect; (4) a limitation on assistance for the project to the housing assistance payments available under the Contract; (5) the requirement that in the event the project is refinanced to lower the interest rate and/or debt service payment, HUD may reduce the Contract rents; and (6) the right for HUD to terminate the Contract for cause if the owner fails to perform in accordance with the provisions of the Contract.

II. Other Matters

(A) Environmental Impact

A Finding of No Significant Impact with respect to the environment was made in accordance with HUD regulations at 24 CFR part 50, which implement section 102(2)(C) of the National Environmental Policy Act of 1969, at the time of development of the NOFA published on April 26, 1994 (59 FR 21826). The Finding remains applicable to this NOFA and is available for public inspection during regular business hours in the Office of General Counsel, the Rules Docket Clerk room 10276, 451 Seventh Street, SW, Washington, DC 20410.

(B) Federalism Impact

The General Counsel, as the Designated Official under section 6(a) of Executive Order 12612, *Federalism*, has determined that this NOFA does not have substantial, direct effect on the States, on their political subdivisions, or on the relationship between the Federal government and the States, or on the distribution of power or responsibilities among the various levels of government, because this NOFA would not