

ALASKA LEGISLATURE COMMITTEE FILES 1985-1986 86/2

4088 SJUD SB 341 (FILE 1) 968

COMMERCE AND ECONOMIC DEVELOPMENT

Register 80, January 1982

3AAC 95.225
3AAC 95.255

3AAC 95.225. FORM OF PROTEST. A protest under 3AAC 95.215 must be in writing and must set out or contain the following:

- (1) the name of the party making the protest;
- (2) the identity of the solicitation or contract being protested;
- (3) the date the party making the protest first knew of the facts giving rise to the protest;
- (4) the basis and nature of the protest;
- (5) the facts supporting the protest and other relevant information;
- (6) copies of all documents, affidavits, correspondence, and other materials relevant to the protest; and
- (7) a statement of the relief requested. (Eff. 11/26/81, Register 80)

3AAC 95.235. TIME FOR FILING. A protest under 3AAC 95.215 must be filed with the executive director at ASHA's central office within the earlier of

- (1) two business days after the party making the protest knew or should have known of the facts giving rise to the protest; or
- (2) two business days after the party making the protest receives a notice of tentative award. (Eff. 11/26/81, Register 80)

3AAC 95.245. STAY OF PROCUREMENT. If a protest has been filed in accordance with 3AAC 95.215--3AAC 95.235 before contract award, ASHA will not make a contract award unless the executive director determines in writing that

- (1) the items to be procured are urgently required;
- (2) delivery or performance will be unduly delayed by failure to make award promptly; or
- (3) a prompt award will be otherwise in the best interest of ASHA. (Eff. 11/26/81, Register 80)

3AAC 95.255. DECISION. (a) The executive director will issue a written decision on a protest which has been filed in accordance with 3AAC 95.215--3AAC 95.255. The decision will state the reasons for the action taken. The decision will be based on

COMMERCE AND ECONOMIC DEVELOPMENT

Register 80, January 1982

3AAC 95.275
3AAC 95.275

(1) the information and materials submitted to the executive director by the party making the protest under AAC 95.225; and

(2) the information and materials available to ASHA staff.

(b) A copy of the decision under this section will be mailed or otherwise furnished to the party making the protest.

(c) The decision under this section is the final action that will be taken by ASHA on the protest. (Eff. 11/26/81, Register 80)

ARTICLE 4.
MISCELLANEOUS

Section
265. Federal Assistance
275. Definitions

3AAC 95.265. FEDERAL ASSISTANCE. If federal funds or other federal assistance are involved in any procurement by ASHA, this chapter will govern except to the extent that it is superseded by federal regulations or provisions. (Eff. 11/26/81, Register 80)

3AAC 95.275. DEFINITIONS. Unless the context indicates otherwise, in 3AAC 95.010--3AAC 95.265

(1) "ASHA" means the Alaska State Housing Authority;

(2) "ASHA's central office" means the executive offices of the Alaska State Housing Authority located in Anchorage, Alaska;

(3) "executive director" means the executive director of the Alaska State Housing Authority;

(4) "governmental entity" means a department, office, agency, commissioner, board, bureau, administration, division, authority or other organizational unit of a branch of federal, state, county, borough, municipal or other local government and specifically includes public corporate authorities, the University of Alaska, school districts, and Regional Housing Authorities;

(5) "HUD" means the United States Department of Housing and Urban Development. (Eff. 11/26/81, Register 80)

| Method of Payment | First Installment (a) | Second Installment (b) | Third Installment (c) | Total (d) |
|--|--------------------------|---------------------------|--------------------------|--------------|
| 32. Total Estimated Additional Funds Required to End of Requested Quarter by Installment (Line 31 plus any overpayment or minus any underpayment on Line 30 divided into three installments) | | | | |
| 33. Less Any Overpayment or Plus Any Underpayment from Line 30. | | | | |
| 34. Requested Installment Payments (Sum of Lines 32 and 33) | | | | |

* [I Certify that (1) housing assistance payments have been or will be made only in accordance with Housing Assistance Payments Contracts or Housing Voucher Contracts in the form prescribed by HUD and in accordance with HUD regulations and requirements; (2) units have been inspected by the PHA in accordance with HUD regulations and requirements; and (3) this requisition for annual contributions has been examined by me and to the best of my knowledge and belief is true, correct and complete.]

| | |
|-------------------------------|---|
| Name of Public Housing Agency | Signature and Title of Authorized Official (and Date) |
| | |

Signature and Title of Authorized HUD Approving Official (and Date)

| Regional Accounting Division Use Only | Month Payment Is For | Amount Paid | Amount Offset | Date Certified for Payment | Certified by: (Initials) |
|--|----------------------|-------------|---------------|----------------------------|--------------------------|
| Signature of Person Prevalidating Requisition (and Date) | | | | | |
| | | | | | |
| | | | | | |
| Total ▶ | | | | | |

Requisition for Partial Payment of Annual Contributions

U.S. Department of Housing and Urban Development
Section 8 and Section 23
Housing Assistance Payments Program



Note: See instructions in appropriate program handbooks

OMB No. 2502-0348 (exp. 10/31/36)

| | | | | |
|---|-------------------------------|-------------------------------|--|-----------------------|
| 1. Program Type (Mark one) <input type="checkbox"/> Section 23 <input type="checkbox"/> Section 8 | 2. Date of Requisition | 3. For Quarter Ending: | 4. No. of Months in 1st FY | 5. Project No. |
| 6. Public Housing Agency (Name and Address) | | | 7. Depository Bank (Name and Address) | |
| 8. PHA Annual Contributions Contract No. | | | 9. Depository Bank Account No. | |

10. Housing Program Type (Mark one)
 (a) New Construction
 (b) Substantial Rehabilitation
 (c) Moderate Rehabilitation
 (d) Existing Housing Certificates
 (e) Housing Vouchers

11. PHA Fiscal Year Ending Date (Mark one box and complete year)
 (a) March 31,
 (b) June 30,
 (c) September 30,
 (d) December 31,
 19:

| | | | | |
|---|---|--|---|---|
| 12. Number of Units Under Lease to Eligible Families as of Date of Requisition | 13. Average Monthly Housing Assistance Payment Per Units as of Date of Requisition | 14. Estimated Number of Units to be Under Lease at End of Requested Quarter | 15. Unit Months Under Lease Year to Date | 16. Average Monthly Housing Assistance Payment Per Unit Year to Date |
|---|---|--|---|---|

| | Estimate of Required Annual Contributions (a) | Total Cost Incurred and Fees Earned Year to Date (b) MM DD YY | Estimated Addition Cost and Fees Earned to End of Requested Quarter (c) | Cumulative Funds Required (d) |
|---|---|--|---|-------------------------------|
| | | | | |
| 17. Preliminary Administrative and General Expense | | | | |
| 18. Carry Over of Preliminary Administrative and General Expense Approved in Previous Fiscal Year | | | | |
| 19. Preliminary Non-Expendable Equipment Expense | | | | |
| 20. Carry Over of Preliminary Non-Expendable Equipment Expense Approved in Previous Fiscal Year | | | | |
| 21. Estimated Housing Assistance Payments (Account 4715) | | | | |
| 22. Estimated Ongoing Administrative Fee | | | | |
| 23. Estimated Hard-to-House Fee (Existing Housing Certificates and Housing Vouchers Only) | | | | |
| 24. Total Independent Public Accountant Audit Costs (Section 8 Only) | | | | |
| 25. Total Allowance Approved for Security and Utility Deposits (Section 23 Only) | | | | |
| Amount of Requisition | | | | |
| 26. Total Costs Incurred to Date (Sum of Lines 17 through 25) | | | | |
| 27. Total Funds Required to End of Requested Quarter (Sum of Lines 17 through 25) | | | | |
| 28. Payments Received to Date | | | | |
| 29. Payments Previously Approved for Fiscal Year to Date | | | | |
| 30. Over or Underpayment to Date (Difference of Line 28 and Line 26. Do not use brackets) | | | | |
| 31. Partial Payment Requirement During Requested Quarter (Line 27 minus Line 29) | | | | |
| | | | | |

(OVER)

David George

DBA Assoc
Bala Process

The definition of "Alaska bidder" continues to follow standards that are not effective if it is the intent to promote and foster resident hire and businesses of Alaska. A stronger definition, which in our opinion would pass scrutiny, might be:

- 1) holds a current Alaska business license;
- 2) submits a bid or a response to a request for proposals for goods, services, or construction under the name appearing on the person's or firm's current Alaska business license;
- 3) has maintained a place of business within the state staffed by the bidder or a direct employee of the bidder for a period of six months immediately preceding the date of the bid;
- 4) is incorporated as a domestic corporation of Alaska, or is a sole proprietorship or partnership whose principal(s) are bonafide residents of Alaska;
- 5) derives at least 50 percent of income within the state of Alaska;
- 6) If a joint venture, is composed entirely of ventures that qualify under (1)-(5) of this subsection.

Please note that these provisions should also apply to request for proposals which was omitted in the current draft of the bill.

The purpose of the proposed act might also contain a provision for Alaska bidders.

(6.1) foster and promote resident hire and Alaska businesses providing goods and services to the state;

① HB 50 - 1090 - 2 components [5% AK 5% small business - fed law]

- ② perception of fairness / opportunity to participate
- means of evaluating RFPs
 - tighten up language
 - for evaluation

15.4 The limit of \$5,000 per aggregate dollar amount that defines a small procurement is low for many cases of professional services contracting. That amount has been in place for several years now. If for no other reason than inflation, it should be raised to \$6,000. However, for reasons of mere practicality and efficiency, an amount of \$10,000 would be more realistic.

Item (b) delineates that professional services contracts of up to \$25,000 may be awarded under regulations adopted by the commissioner and that not more than \$25,000 in contracts per person (firm) may be awarded by an agency within a 12 month period.

still discussing The 12 month period would be better stated as "state fiscal year" (July 1-June 30). More importantly, however, the dollar limit per agency, per year just doesn't fit many contractual situations where a firm, within a fiscal year, performs many bonafide separate and different services for a department or agency which exceed the limit in total.

We would recommend that item b(2) be removed in its entirety. Item (d) would appear to provide the protection the state is seeking, along with the fact that a departmental commissioner must also sign the contract.

The use of the RFP process in the selection of consultants for professional services contracts, such as data processing systems analysis and programming, is, by and large, an expensive, time consuming exercise in presenting an appearance of propriety to the selection process. There are many reasons for this.

- a) The description of services desired is often so vague that it is difficult or impossible for a vendor to respond or for any reasonable evaluation criteria to be established by the state.
- b) Evaluation factors are usually so vague or generic that the evaluation process can be biased for almost any reason so long as a "reasonable basis" can be stated for that evaluation. A "reasonable basis" can always be found. In other words, evaluation criteria is rarely objective, it is almost always subjective.
- c) In some cases, a demonstrated and specific knowledge and experience level is not merely needed, it is imperative. When that occurs, a restricted RFP process can be used or a "sole source" award granted. However, in the many cases where generic experience, such as "systems analysis and programming on state data center compatible computer systems and software" is needed, the evaluation of the quality and depth of that experience becomes highly subjective.

That subjectivity is then entrusted to an evaluation team for assignment of points. However, in most cases the team members are hardly qualified to make such an evaluation and fall back on the "glossy" resumes' or other material included in a vendors proposal. Occasionally, a single team member who is qualified makes the evaluation for the team at large. Whoever took that team member to lunch last, or perhaps uses even potentially more dangerous forms of persuasion, may then prevail.

- d) The single specific objective evaluation criteria is cost. But it has been absolutely amazing the low weighting factor that is assigned to it and also the lack of any intelligent means by which a point assignment is given to cost. As an example: Cost has a 25% weighting factor. 10 points are assigned to cost. There are 4 proposals and three have responsive costs. One is eliminated because it is an obvious "low-ball" offering.

Vendor 'A' proposes \$85,000
Vendor 'B' proposes \$57,000
Vendor 'C' proposes \$72,000

A typical state evaluation might give vendor 'B'-10 points; 'C'-9 points; and, 'A'-8 points. A more fair evaluation would be to mathematically give vendor 'B'-10 points; 'C'-7.9 points; and, 'A'-6.7 points.

e) As stated in item a, above, the description of services desired must be more specific in RFPs. If it is not, then several things result:

1. A vendor doesn't know what the state wants and the proposal becomes a costly guess.
2. A vendor may easily have proposed at a significantly lower cost if the factors were known. This could make a sizable cost savings to the state and certainly be more fair to vendors in general.
3. Evaluation of cost cannot be made objectively. It is forced to be made on a subjective and relative basis.

SR 241 could be stronger and more specific regarding Request for Proposal procurements. Suggested wording might be:

a)must contain the date by which the proposal must be received, and must contain a specific description of the supplies, construction services, or professional services to be provided under contract,.....

b) A request for proposals must contain that information necessary for an offeror to submit a proposal, and upon which an objective evaluation of proposals may be made.

c) A request for proposals must contain references to any information or material that cannot be reasonably included with the request. No agency shall withhold from review by a prospective offeror any information or material not of a proprietary or confidential nature, regardless of whether referenced in the request for proposal.

d) A request for proposals must contain the factors and their relative importance by which proposals received will be evaluated. Such factors must be realistically objective and based on the specific description of supplies, construction services, or professional services included in the request for proposals. Price shall be not less than 40 percent of total evaluation criteria and be evaluated as follows:

1. The price must be judged as realistic and not a deliberate attempt at undercutting.
2. The responsible and responsive low price offeror shall receive the maximum price evaluation point assignment.
3. All other responsible and responsive offerors shall receive a mathematically proportionate price evaluation point assignment by dividing the low price by the offerors price and multiplying the result by the maximum price evaluation point assignment.

*max
approp.
for regulations*

ALASKA STATE HOUSING AUTHORITY
ANALYSIS OF STATE V. OTHER FUNDING

| <u>ASHA FISCAL YEAR ENDING 3-31</u> | <u>DCRA CONSTRUCTION FUNDING</u> | <u>CONSTRUCTION EXPENDITURES</u> | <u>HOUSING MANAGEMENT EXPENDITURES</u> | <u>TOTAL ASHA EXPENDITURES</u> |
|---|--|--------------------------------------|--|------------------------------------|
| 1985 | \$ 850,000 | \$ 5,744,000 | \$15,434,000 | \$21,178,000 |
| 1984 | 4,950,000 | 4,300,000 | 12,330,000 | 16,630,000 |
| 1983 | 2,630,000 | 3,200,000 | 10,990,000 | 14,190,000 |
| 1982 | 50,000 | 294,000 | 11,515,000 | 11,809,000 |
| 1981 | 50,000 | -0- | 6,796,000 | 6,796,000 |
| | <u>8,530,000</u> | <u>13,538,000</u> | <u>\$57,065,000</u> | 70,603,000 |
| DCRA Construction Grants Approved but not yet received: | <u>10,743,462</u> | | Subsidies receivable under current HUD contracts: | \$ <u>59,650,000</u> |
| Total DCRA Funds | <u>\$19,273,462</u> | | Total anticipated funds | <u>\$ 130,253,000</u> |

Note: Construction expenditures exceed DCRA grants because HUD partially funds construction, and ASHA General Fund has donated toward construction costs.

| NUMBER | LOCATION | PROJECT NAME | 0 | 1 | 2 | 3 | 4 | 5 | UNITS |
|--------|------------|------------------|---|-----|-----|-----|-------|--------|-------|
| 1-1 | Fairbanks | Birch Park | 0 | 7 | 40 | 24 | 4 | 0 | 75 |
| 1-2 | Juneau | Cedar Park | 0 | 4 | 28 | 14 | 4 | 0 | 50 |
| 1-3 | Anchorage | Willow Park | 0 | 14 | 84 | 44 | 8 | 0 | 150 |
| 1-5 | Sitka | Paxton Manor | 0 | 4 | 6 | 10 | 4 | 0 | 24 |
| 1-6 | Anchorage | Loussac Manor | 0 | 0 | 10 | 42 | 8 | 2 | 62 |
| 1-7 | Petersburg | Vista View | 0 | 0 | 4 | 6 | 2 | 0 | 12 |
| 1-8 | Juneau | Cedar Park Annex | 0 | 6 | 0 | 12 | 7 | 0 | 25 |
| 1-9 | Ketchikan | Schoenbar Park | 0 | 8 | 2 | 12 | 2 | 0 | 24 |
| 1-10 | Kodiak | Pacific Terrace | 0 | 8 | 14 | 12 | 6 | 0 | 40 |
| 1-11 | Anchorage | Fairmount | 9 | 32 | 8 | 20 | 12 | 7 | 88 |
| 1-12 | Valdez | Valdez Arms | 0 | 2 | 4 | 6 | 2 | 0 | 14 |
| 1-13 | Wrangell | Etolin Heights | 0 | 4 | 4 | 12 | 0 | 0 | 20 |
| 1-16 | Cordova | Eyak Manor | 0 | 0 | 4 | 12 | 0 | 0 | 16 |
| 1-18 | Bethel | Bethel Heights | 0 | 0 | 117 | 0 | 0 | 1 shop | 118 |
| 1-19 | Nome | Beringvue | 0 | 0 | 8 | 24 | 0 | 1 shop | 33 |
| 1-30 | Fairbanks | Spruce Park | 0 | 20 | 18 | 30 | 8 | 4 | 80 |
| 1-32 | Juneau | Geneva Woods | 0 | 0 | 3 | 14 | 6 | 2 | 25 |
| 1-33 | Ketchikan | Sea View Terrace | 0 | 50 | 0 | 0 | 0 | 0 | 50 |
| 1-40 | Juneau | Mt. View Apts. | 0 | 42 | 0 | 0 | 0 | 0 | 42 |
| 1-41 | Anchorage | Park View Manor | 0 | 0 | 32 | 18 | 0 | 0 | 50 |
| 1-42 | Anchorage | Acquisition | 0 | 0 | 80 | 19 | 0 | 0 | 99 |
| 1-43 | Juneau | Mt. View Annex | 0 | 20 | 0 | 0 | 0 | 0 | 20 |
| 1-44 | Wasilla | Williwa Manor | 0 | 18 | 0 | 0 | 0 | 0 | 18 |
| 1-45 | Sitka | Elderly Housing | 0 | 20 | 0 | 0 | 0 | 0 | 20 |
| 1-46 | Fairbanks | Scuthall Manor | 0 | 40 | 0 | 0 | 0 | 0 | 40 |
| | | | 9 | 299 | 466 | 331 | 73(2) | 15 | 1195 |

PROJECTS UNDER TURNKEY III

| | | | | | | | | | |
|------|--------|--|---|---|----|----|---|---|----|
| M818 | Bethel | | 0 | 0 | 38 | 0 | 0 | 0 | 38 |
| M819 | Nome | | 0 | 0 | 2 | 12 | 0 | 0 | 14 |
| | | | 0 | 0 | 40 | 12 | 0 | 0 | 52 |

UNDER PLANNING

| | | | | | | | | | |
|------|-----------|------------------|---|-----|---|---|---|---|-----|
| 1-47 | Anchorage | Chugach View I | 0 | 120 | 0 | 0 | 0 | 0 | 120 |
| 1-48 | Wasilla | Wasilla Phase II | 0 | 14 | 0 | 0 | 0 | 0 | 14 |
| | | | 0 | 134 | 0 | 0 | 0 | 0 | 134 |

PROJECTS UNDER SECTION 8 MANAGEMENT

| | | | | | | | | | |
|---------------|-----------|----------------|---|-----|----|---|---|---|-----|
| AK06-E102-002 | Anchorage | Chugach View | 0 | 120 | 0 | 0 | 0 | 0 | 120 |
| 011 | Anchorage | Ptarmigan Park | 0 | 0 | 10 | 7 | 0 | 0 | 17 |
| 008 | Cordova | Sunset View | 0 | 22 | 0 | 0 | 0 | 0 | 22 |
| 005 | Fairbanks | Golden Towers | 0 | 96 | 0 | 0 | 0 | 0 | 96 |
| 010 | Seward | Glacier View | 0 | 30 | 0 | 0 | 0 | 0 | 30 |
| | | | 0 | 268 | 10 | 7 | 0 | 0 | 285 |

| | | | | | | | | | |
|----------|----------|-------------------|---|---|----|---|---|---|----|
| M000-008 | Wrangell | Addtl. Assistance | 0 | 0 | 24 | 8 | 0 | 0 | 32 |
|----------|----------|-------------------|---|---|----|---|---|---|----|

| | | | | | | | | | |
|--------|----------------|----------|----|-----|-----|-----|----|---|------|
| Sec. 8 | Anchorage | Existing | 14 | 166 | 482 | 303 | 44 | 0 | 1009 |
| Sec. 8 | Fairbanks | Existing | 21 | 12 | 66 | 26 | 5 | 0 | 130 |
| Sec. 8 | Juneau | Existing | 0 | 30 | 20 | 11 | 1 | 0 | 62 |
| Sec. 8 | Kenai/Soldotna | Existing | 10 | 46 | 122 | 51 | 7 | 0 | 236 |
| Sec. 8 | Ketchikan | Existing | 2 | 3 | 8 | 7 | 7 | 2 | 29 |
| Sec. 8 | Mat-Su | Existing | 5 | 15 | 42 | 13 | 0 | 0 | 75 |
| | | | 52 | 242 | 720 | 400 | 63 | 2 | 1541 |

| | | | | | | | | | |
|--------|-----------|--------------|--|--|--|--|--|--|------|
| Sec. 8 | Anchorage | Rental Rehab | | | | | | | 20 |
| | | | | | | | | | 1561 |

VOUCHERS

| | | | | | | | | | |
|--------|-----------|--------------|--|--|--|--|--|--|----|
| Sec. 8 | Anchorage | Rental Rehab | | | | | | | 19 |
|--------|-----------|--------------|--|--|--|--|--|--|----|

PENDING PROGRAMS

| | | | | | | | | | |
|--------|-----------|-------------------------------|--|--|--|--|--|--|----|
| Sec. 8 | Anchorage | Certificates | | | | | | | 8 |
| Sec. 8 | Anchorage | Formula Allocation Voucher | | | | | | | 20 |
| Sec. 8 | Anchorage | Rental Rehabilitation Voucher | | | | | | | 12 |

MEMORANDUM

State of Alaska

TO: Hon. Dick Lyon
Commissioner
Department of Commerce & Economic
Development

DATE: May 3, 1983

FILE NO: 366-576-83

TELEPHONE NO: 465-3600

FROM: Norman C. Gorsuch
Attorney General

SUBJECT: University of Alaska
banking authority

By: Jonathan B. Rubini
Assistant Attorney General

You have asked whether the University of Alaska enjoys the requisite authority to issue revenue bonds to finance the construction of student housing.

The university is established as a corporate entity under art. VII, sec. 2 of the Alaska Constitution, but remains subject to executive and legislative control. See University of Alaska v. National Aircraft Leasing, Ltd., 536 P.2d 121 (Alaska 1975). See also 1977 Att'y Gen. Op. No. 9 (Feb. 28). The powers of the university are set forth in AS 14.40.040, which provides:

GENERAL POWERS OF THE UNIVERSITY. There is created and established a corporation to be called the University of Alaska. It may in that name

- (1) sue and be sued;
- (2) receive and hold real and personal property;
- (3) contract and be contracted with;
- (4) adopt, use and later a corporate seal;
- (5) do and have done all matters necessary for the purpose of any function set forth in this chapter.

Paragraph (5) recognizes that the university has those implied or incidental powers necessary to accomplish the purposes for which the university was formed. See Am. Jur. 2d. Colleges and Universities, § 5 (1976). We think it doubtful that a court would construe AS 14.40.040(5) to authorize the university to issue bonds. See 1963 Inf. Att'y Gen. Op. (April 11). That the proposed financing plan includes a moral obligation of the state (the university's covenant to seek an appropriation were rental rates insufficient to satisfy debt service obligations) further

Hon. Dick Lyon
366-576-83

May 3, 1983
Page 2

buttresses our conclusion that explicit legislative authorization is required. We add, in this regard, that in the two preceding instances where the university issued revenue bonds, specific legislative authorization was obtained. E.g., Ch. 93, SLA 1974.

In sum, we suggest that the university seek explicit legislative authorization before issuing revenue bonds to finance the construction of student housing.

JBR/jb

cc: Kevin Bruce
Special Assistant
Office of the Governor

Burt Wagon
Executive Director
AIDA



U.S. Department of Housing and Urban Development
PUBLIC AND INDIAN HOUSING

Special Attention of: Public Housing Agencies; **Transmittal** Handbook No.: 7585.1 REV-2
Indian Housing Authorities; Regional Administrators; Directors, Offices of Regional Public Housing; Field Office Managers; Housing Management Division Directors; Chiefs, Assisted Housing Management Branches; Directors, Offices of Indian Programs
issued: December 31, 1984
CHG-1

1. This Transmits

Chapter 3 of the Public Housing Comprehensive Improvement Assistance Program Handbook 7485.1 REV-2, dated December 31, 1984.

2. Explanation of Material Transmitted:

- a. Requirement for a viability review on each project being considered for funding in a fiscal year, excluding emergency modernization.
- b. Requirement that the Preliminary Application cover a rolling five years, rather than a fixed five-year period, with annual updates.
- c. Requirement for PHA certification with the Preliminary Application that if a project is proposed for special purpose modernization, the project has only energy needs; or where a project has non-energy needs as well, the PHA agrees that if the project is approved for special purpose modernization, its next funding request for the project will be for comprehensive modernization.
- d. Requirement that projects, excluding emergency modernization, be ranked on the basis of cost benefits, including both a cost benefit ratio and improved habitability.
- e. Provision that the second or subsequent stage of comprehensive modernization is not subject to cost benefit ranking.



f. Clarification that the State notification requirements under Executive Order 12372 do not apply to Indian Housing Authorities.

3. Filing Instructions:

Remove:

Handbook 7485.1 REV-2
Pages i and ii, dated 12/83
Chapter 3, dated 12/83

Insert:

Handbook 7485.1 REV-2, CHG-1
Page i, dated 12/84
Page ii, dated 12/83
Chapter 3, dated 12/84

for Thomas Sherman
Assistant Secretary for Public and
Indian Housing

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CHAPTER 3. APPLICATION DEVELOPMENT AND SUBMISSION

- 3-1. INTRODUCTION. This Chapter sets forth the application process and provides instructions to both PHAs and Regional and Field Offices on the Preliminary Application, the Joint Review and the Final Application. Also see Appendix 4 for a flow chart on application processing. A Sample Modernization Processing Control Log for Field Office use is attached as Appendix 5.
- 3-2. FUND ASSIGNMENT. On the basis of an assignment plan approved by the Under Secretary, the Assistant Secretary for Public and Indian Housing assigns modernization funds to the Regional Offices on Form HUD-185, Regional Fund and Contract Authority Assignment, for sub-assignment to the Field Offices on Form HUD-185.1, Regional Fund and Contract Authority Subassignment. Regional Offices shall subassign funds to the Field Offices no later than after the final funding decisions. Assigned and subassigned modernization funds are designated by specific amounts of contract, loan and budget authority. The Field Office is responsible for controlling the obligation of contract, loan and budget authority to ensure that none of the three amounts is exceeded. See paragraphs 4-3 and 4-4.
- 3-3. NOTIFICATION OF MODERNIZATION FUND AVAILABILITY. When modernization funds become available, the Department shall notify in writing all PHAs as to the amount of available modernization funds, the requirements and time frame for submission of the Preliminary Application, and other pertinent information.
- 3-4. INFORMAL CONSULTATION. Before preparation of the Preliminary Application, the PHA should contact the Field Office to discuss its modernization needs and obtain information on HUD policies and procedures. See paragraph 3-12d for up-front funding of planning costs for financially distressed PHAs.
- 3-5. PHA SUBMISSION OF PRELIMINARY APPLICATION.
- a. Content. The Preliminary Application includes the following:
- (1) Form HUD-52824, Preliminary Application, which contains the five-year funding request plan as defined in paragraph 1-3h and the certifications at the bottom of the form, including those on tenant/homebuyer and

local official consultation. The five years covered by the plan shall be a rolling five years, i.e., if submitted in Federal Fiscal Year (FFY) 1985, covering FFYs 1985-1989, and annually updated in subsequent FFYs. Complete instructions for preparation of the form are contained in Appendix 6. The PHA shall separately identify emergency needs.

- (2) Brief explanation of the priority order of the projects for which modernization funding is requested in the current FFY.
- (3) Brief explanation of how the proposed modernization will impact upon the conditions which result in projects receiving preferential consideration under Groups 1 and 2 (see paragraph 3-6d).
- (4) If a project is proposed for special purpose modernization, certification that the project has only energy needs; or where the project has non-energy needs as well, the PHA agrees that if the project is approved for special purpose modernization, its next funding request for the project will be for comprehensive modernization.

b. Preparation.

- (1) Consultation with Tenants/Homebuyers. The PHA shall consult with tenants/homebuyers regarding its intent to submit a Preliminary Application.
- (2) Consultation with Local Officials. The PHA shall consult with appropriate local officials regarding whether the proposed comprehensive or special purpose modernization is financially feasible and will result in long-term physical and social viability at the project. Where such a determination cannot be made, the PHA shall consider alternatives to improvements of all existing units, such as changes in project density, basic design, unit distribution, or household type (elderly/non-elderly), as well as demolition or disposition under 24 CFR Part 970. The PHA shall include the selected alternatives in the Preliminary Application. The PHA also shall request comment on how the proposed modernization of the

projects may be coordinated with any local plans for neighborhood revitalization and expenditure of funds, such as Community Development Block Grant (CDBG) funds.

- c. Submission. Within the established time frame, the PHA shall submit to the Field Office, Attention: Chief, Assisted Housing Management (AHM) Branch, the Preliminary Application in an original and three copies (or any lesser number of copies as specified by the Field Office). The PHA also shall send a copy of the Preliminary Application to the appropriate local officials.

3-6. HUD REVIEW AND ACTION ON PRELIMINARY APPLICATION.

- a. Field Office Eligibility Review. After the Preliminary Application has been logged in, the Housing Management Officer (HMO) shall check the application for all required information before routing it to the Maintenance Engineer and other AHM staff, as appropriate. Field Office eligibility review shall determine if the applications meet all the following basic eligibility requirements.
- (1) PHA Modernization Capability. The PHA has at least minimal modernization capability to carry out its proposed modernization. The Field Office shall consider the PHA's modernization pipeline of previously approved, but unobligated funds and whether the PHA can administer any additional funds.
 - (2) Project Viability. The project can be modernized within a reasonable time and at a reasonable cost and, after modernization (and any other publicly or privately assisted improvements), will be physically and socially viable for continued operation as public housing, for at least the 20-year period of annual contribution payments. This review is not applicable where only emergency modernization is proposed. See subparagraph b.
 - (3) Work Item Eligibility and Need. Based on the general description of the major work items in the Preliminary Application and the Field Office's knowledge of the project's conditions, the work items appear to be eligible and needed.

b. Project Viability Review. The Field Office shall conduct a viability review on each project being considered for funding in the current FFY. The Field Office shall maintain files on this review for subsequent reporting through the Regional Office to Headquarters. The viability review consists of Steps 1 and 2 conducted during Preliminary Application review and Step 3 conducted during the Joint Review.

- (1) Step 1. Determine whether any of the following gross indicators are present for the project:
- (a) Vacancies of 15 percent or more of the units available for occupancy in a project;
 - (b) Estimated modernization costs for physical improvements for any project exceeding 40 percent of the total published prototype cost limit for construction of similar units in the area; or
 - (c) Serious locational or structural conditions which indicate that the long-term viability of the project is questionable.

NOTE: If none of these gross indicators are present, the viability review is complete; continue preliminary processing and do not proceed to Step 2. If any of these gross indicators are present, proceed to Step 2.

- (2) Step 2. To assess the extent and severity of the project's problems identified in Step 1, examine and rate the magnitude of the following problems as "severe," "moderate," "mild," or "none":
- (a) Major problems as to physical condition, as indicated by such factors as unit uninhabitability, density, faulty construction, inappropriateness of design for current use, structural deficiencies and major physical site flaws (e.g., erosion, flooding);
 - (b) Major problems as to location (neighborhood), as indicated by such factors as concentration of assisted housing, physical deterioration of

neighborhood, industrial or commercial development which jeopardizes the suitability of the site for residential use, and adverse environmental condition (e.g., air pollution); and

- (c) Other factors that tend to show that the project is unsuitable for housing purposes, such as tenant dissatisfaction as evidenced by vacant units (high number, long duration) or a high incidence of transfer requests, lack of marketability, crime and vandalism, or other specifically identified conditions.

NOTE: If there are severe problems in one or more of the three areas described above, or moderate problems in two or more of these areas, continue the viability review and proceed to step 3. Otherwise, the viability review is complete; continue preliminary processing and do not proceed to Step 3.

- (3) Step 3. Step 3 of this review is an in-depth analysis in which pertinent information may not be readily available at the Field Office. Therefore, the Field Office may carry out this step during the Joint Review. The Field Office shall consider the following factors and determine whether:

- (a) The problems identified in Step 2 will be overcome by the proposed modernization and other efforts in the neighborhood;
- (b) The proposed modernization will correct those physical deficiencies of the project that currently render it obsolete as to physical condition;
- (c) After the proposed modernization, the project will be suitable for operation as public housing, in accordance with applicable program standards, for a period of at least 20 years;
- (d) The proposal is a financially feasible program of modernization, as defined in paragraph 1-3f;

- (e) There is a demonstrated willingness and ability on the part of the PHA and local government to correct any management or operational problems necessary to ensure the long-term viability of the project;
- (f) If the project received substantial modernization funding in the past which has failed to resolve problems at the project, this proposal will overcome the factors that led to the failure of the previous modernization efforts; and
- (g) There is a realistic potential for the elimination or modification of neighborhood or environmental conditions that jeopardize the long-term viability of the project or for the alteration of the project to cope effectively with such conditions. (Federal, State, local or private actions or commitment of funds that have been specifically committed for such neighborhood improvements will be considered in evaluating this factor.)

NOTE: See paragraphs 3-14, b, c, d and e and 3-15 for further processing instructions.

- c. Determination of Eligibility. After the eligibility review, the Field Office shall determine which projects are eligible for batching under subparagraph d. The AHM Branch shall not batch or recommend for Joint Review any application which is ineligible under subparagraphs a(1) and (3).
- d. Field Office Batching. The Field Office shall batch the eligible projects into three groups. A PHA proposing all types of modernization may have projects included in each group. For batching purposes, the Field Office may extract emergency work items from comprehensive modernization proposals.
 - (1) Group 1. Projects having emergency conditions that pose an immediate threat (i.e., must be corrected within one year of funding approval) to tenant health or safety and proposed for assistance under emergency or home-ownership modernization;

- (2) Group 2. Projects (a) having conditions which threaten tenant health or safety or having a significant number (10 percent or more) of vacant or substandard units, and (b) located at PHAs which have demonstrated a capability of carrying out the proposed modernization activities, and proposed for assistance under comprehensive, homeownership or special purpose modernization. Preferences or priorities may be established within Group 2 in a given FFY due to special factors such as appropriations legislation; and
- (3) Group 3. Other projects not meeting the criteria in subparagraphs d(1) and (2) and proposed for assistance under comprehensive, homeownership or special purpose modernization.

e. State Notification.

- (1) Under paragraph 1-7, where the State has established a review process and has selected the CIAP to review, the Field Office shall provide the State with an opportunity to comment on all Preliminary Applications proposing comprehensive modernization and determined to be eligible under subparagraph c and meeting the threshold levels of 50 or more units in urban areas or 25 or more units in nonurban areas. Preliminary Applications proposing emergency, special purpose or homeownership modernization and from Indian Housing Authorities are excluded from the State notification requirements.
- (2) The Field Office shall prepare one Standard Form (SF) 424, Federal Assistance, Section I only, for each covered Preliminary Application. The Field Office shall batch and forward copies of the covered Preliminary Applications and SF 424's to the State single point of contact (SPOC) for review. The comment period begins on the day after the Preliminary Applications are mailed. The comment period is 60 days, plus an additional 5 days for mailing for a total of 65 days.
- (3) The Field Office shall submit the State comments, if any, to the Regional Office with its preliminary funding recommendations under paragraph 3-14c. Following Regional Office preliminary funding decisions under paragraph 3-14d, in response to an official State process recommendation (comments submitted by a State, but not

as an official State process recommendation, need not be addressed), the Regional Office must either:

- (a) Accept the recommendation;
 - (b) Reach a mutually agreeable solution with the parties preparing the recommendation; or
 - (c) Provide the State SPOC with a written explanation for not accepting the recommendation or reaching a mutually agreeable solution, i.e., nonaccommodation. If there is a nonaccommodation, including not funding PHAs/projects prioritized by the State, the Regional Office shall require the Field Office to wait 15 days after sending an explanation of the nonaccommodation to the State SPOC before requesting any Final Applications from PHAs.
- f. Field Office Technical Review. After batching, the Field Office shall review each eligible project within Groups 2 and 3 on the following factors. If the fiscal audit is overdue and initiation of the audit is within the PHA's control, the Field Office shall suspend further processing until the PHA has initiated the audit.
- (1) Extent and urgency of need;
 - (2) Extent to which both physical and management needs are effectively addressed;
 - (3) Prospects for long-term physical and social viability after modernization, as evidenced by Steps 1 and 2 of the viability review (see subparagraph b);
 - (4) Financial feasibility of proposed modernization (see paragraph 2-1e);
 - (5) Reasonableness of estimated costs;
 - (6) Degree of cost benefits (see paragraph 3-14a);
 - (7) PHA's management capability, as defined in paragraph 1-3;

- (8) PHA's modernization capability, as defined in paragraph 1-3; and
- (9) Local government and tenant/homebuyer support for proposed modernization.
- g. FH&EO Review. During technical review, the AHM Branch shall transmit a listing of PHAs submitting Preliminary Applications to the Fair Housing and Equal Opportunity (FH&EO) Division. The AHM Branch shall request that the FH&EO Division provide information on any PHA listed with respect to outstanding findings of nonconformance with civil rights and equal opportunity requirements or apparent noncompliance with civil rights laws, actions necessary to obtain conformance and/or compliance, and other pertinent information, if any. Where appropriate, the FH&EO Division shall return the listing to the AHM Branch with a "no comment" noted.
- h. Field Office Recommendations. After technical review, the Field Office shall prepare its recommendations for Joint Review. The Field Office shall prepare three lists, one for each group of eligible projects, and a fourth list of projects in the second or subsequent stage of a two- or multi-stage comprehensive modernization. For each project in Group 1, the Field Office shall prepare a brief narrative justifying the emergency work items. For each project in Groups 2 and 3, the Field Office shall prepare a brief narrative justifying each project's inclusion in the group. The Field Office shall list the projects within Groups 2 and 3 in priority order. For projects in the second or subsequent stage of comprehensive modernization, the Field Office shall prepare a brief narrative on the implementation status of previously approved stages and a recommendation regarding current year funding. The Field Office also shall identify any PHAs identified by FH&EO as being in nonconformance or noncompliance and projects required to complete Step 3 of the viability review, including the results of Steps 1 and 2 for such projects. The Field Office shall forward to the Regional Office the four lists and related narratives.

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- i. Regional Office Selections. The Regional Office shall review the lists and related narratives submitted by all Field Offices under its jurisdiction and select PHAs/projects and types of modernization for Joint Review. In making its selections, the Regional Office shall give preference to projects in Groups 1 and 2, as well as to projects in the second or subsequent stage of comprehensive modernization where there has been satisfactory progress on previously approved stages. The Regional Office shall notify in writing the Field Offices of its selections and give appropriate guidance on projects required to complete Step 3 of the viability review.
- j. Funding Targets. Although the Regional Office is responsible for funding decisions, the Regional Office may establish funding targets for Field Offices based on its knowledge of the needs and conditions within the Region. Where established, these targets may increase or decrease throughout processing as the Regional Office makes the preliminary and final funding decisions.
- k. Letter to PHA. After the Regional Office selections for Joint Review, the HMD shall prepare a letter to the PHA for the signature of the Field Office Manager, advising whether the PHA will be considered for funding in the current FFY, as follows:
- (1) Where the PHA will be considered for funding in the current FFY, the letter shall: confirm the date of the Joint Review, if already scheduled, indicate an intent to schedule the Joint Review as soon as possible, or state that the requirement for the Joint Review is being waived under paragraph 3-7; state which project(s) for which type(s) of modernization will be reviewed and request that the PHA contact the Field Office if the PHA disagrees with the defined scope of the Joint Review; outline required PHA activities to prepare for the Joint Review; indicate whether the project(s) is subject to Step 3 of the viability review; and list outstanding monitoring findings or issues which must be resolved if the PHA is subsequently invited to submit a Final Application.

- (2) Where the PHA will not be considered for funding in the current FFY, the letter shall state the reasons, such as the relatively low priority of its physical improvement needs. Where the reason is lack of management or modernization capability, the letter shall state the specific deficiencies and what actions the PHA will have to take or what level of management or modernization capability the PHA will have to achieve by a specified time to be considered for funding in a subsequent FFY. In addition to these reasons, if a project had questionable viability and failed Steps 1 and 2 of the viability review, the Field Office shall alert the PHA to the fact that if the same application is submitted and selected in the future for a Joint Review, it will be subjected to Step 3 of the viability review. The Field Office may informally discuss the preliminary viability review findings with the PHA in order to suggest constructive alternatives for future Preliminary Application submissions.

3-7. SCHEDULING AND WAIVER OF JOINT REVIEWS.

- a. Scheduling. The Modernization Coordinator is responsible for coordinating the scheduling of the Joint Reviews and for notifying the FH&EO Division and the Community Planning and Development (CPD) Division of the general time frame of the Joint Review period. The HMO shall check with the Modernization Coordinator before contacting the PHA about a tentative date or establishing a firm date for the Joint Review.
- b. Waiver. The Regional Office may waive the requirement for a Joint Review only where special purpose, emergency or home-ownership modernization is involved if the Field Office has current knowledge of the specialized need(s) and proposed physical improvement(s). The Regional Office may not waive the requirement for a Joint Review where comprehensive modernization, including the second or subsequent stage, is involved.

3-8. PHA PREPARATION FOR JOINT REVIEW. The PHA shall prepare for the Joint Review by taking the following actions:

- a. Reach agreement with the Field Office on the specific project(s) to be covered during the Joint Review.

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- b. Consult with tenants/homebuyers as required in Chapter 5.
- c. Complete a detailed comprehensive assessment of the total physical and management improvement needs of the project(s) for which the PHA is requesting comprehensive modernization and of the specialized needs of the project(s) for which the PHA is requesting special purpose, emergency or home-ownership modernization in the current FFY, as follows:
- (1) Form HUD-52821, Project Profile, providing pertinent management information on each project for which comprehensive modernization is requested in the current FFY. This form is not required for projects proposed for special purpose, emergency or homeownership modernization. A sample Form HUD-52821 is attached as Appendix 9. The form provides instructions on which items may be omitted for a project where the PHA has 100 or less units in management. The Project Profile assists the PHA in assessing and analyzing its management operations at each project, identifying management problems, and formulating the management improvements which require identification on Form HUD-52825, Comprehensive Assessment/Program Budget.
 - (2) Part II of Form HUD-52825, Comprehensive Assessment/Program Budget. Complete instructions for preparation of the form are contained in Appendix 10. For projects to be comprehensively modernized, the comprehensive assessment includes both physical and management needs assessment, as follows:
 - (a) Physical Needs Assessment. This includes an identification of the project's current physical condition and the physical improvements necessary to meet the mandatory standards, set forth in the Public Housing Modernization Standards Handbook 7485.2 RFV-1. The PHA that lacks the in-house capability to perform the assessment should contact the Field Office. In such cases, the Field Office may advise the PHA, unless approved for planning funds, to hire an outside architect/engineer, subject to reimbursement only if the comprehensive modernization is approved, or that the Field Office will perform the assessment for the PHA during the Joint Review. The Field Office may encourage small PHAs to group together for hiring outside assistance.

(b) Management Needs Assessment. This includes an identification of all current management improvement needs, as assessed against the management areas set forth in paragraph 2-2b. Many management deficiencies require little or no additional funds to correct. Regardless of whether modernization funds are required for correction, the PHA shall include any management items identified on the Project Profile or by the PHA as problems or for which the PHA is requesting funding for correction. For designated Financially Troubled PHAs, management improvement needs shall be consistent with those identified in their Financial Workout Plans.

- d. Conduct an energy audit on each project proposed for comprehensive, special purpose or homeownership modernization. Guidelines for identifying cost-effective energy conservation measures and for conducting energy audits are set forth in the HUD Workbook (HUD-PDR-700(3)). If an acceptable energy audit is not conducted, the Field Office shall not recommend the project for further processing.
- e. Review the other points to be covered during the Joint Review as set forth in paragraph 3-11.

3-9. FIELD OFFICE PREPARATION FOR JOINT REVIEW.

- a. Notification to FH&EO and CPD. When the Joint Review has been firmly scheduled, the HMO shall notify the FH&EO and CPD Divisions of the proposed date and invite their participation. If the FH&EO and CPD Divisions are unable to participate in the Joint Review, they may inform the AHM staff in writing of their specific concerns.
- b. AHM Branch Participation. Where any comprehensive modernization is proposed, the HMO and the Maintenance Engineer shall represent the Field Office on the Joint Review. Based upon PHA size and prior knowledge of PHA management problems, other AHM staff, as appropriate, shall participate. In all cases, the HMO shall serve as the team leader of the Field Office representatives.

- c. Review of Files. In preparing for the Joint Review, the Field Office representatives shall review the PHA's file(s), with special attention to open findings from the latest fiscal audit, management review, occupancy audit, engineering survey and utilities review. Field Office representatives should be thoroughly familiar with the status of all previously approved modernization programs and the overall operation of the PHA.
- d. Confirmation with PHA. Before the Joint Review, the HMO shall check with the PHA to confirm that the PHA is ready for the Joint Review, i.e., has taken all of the actions required in paragraph 3-8. If the PHA is not ready, the HMO shall cancel the Joint Review and provide a revised date by which time the PHA must be ready.

3-10. PURPOSE, CONDUCT AND DURATION OF JOINT REVIEW.

- a. Purpose. The purpose of the on-site Joint Review is to discuss the proposed modernization program, as set forth in the Preliminary Application and the comprehensive assessment, and reach tentative agreement on PHA needs.
- b. Initial Meeting. The Field Office and the PHA representatives should meet briefly to discuss the prearranged agreements concerning the scope of the Joint Review, PHA staff availability and other logistical matters. They also should review the documents prepared by the PHA under paragraph 3-8c and discuss how the proposed management improvements, if any, relate to the proposed physical improvements, the appropriateness of work items and project priorities, and the degree of cost benefits.
- c. Duration. The duration of the Joint Review will vary in time, depending upon factors, such as PHA size and management capability, type and complexity of the proposed modernization program, Field Office knowledge of and familiarity with the PHA's operations and management practices, status of any previously approved modernization programs, and extent to which the findings of the Joint Review would duplicate the open findings of a fiscal audit, management review, occupancy audit, engineering survey or utilities review conducted within the preceding 12 months.

- d. Close-Out Meeting. The Field Office and the PHA representatives should meet to discuss HUD's preliminary findings and recommendations on the proposed modernization program. The close-out meeting shall include specific treatment of previously approved modernization programs not completed within the prescribed time frames (see paragraph 7-2) and an agreed upon schedule for completion and fiscal closeout. Where appropriate, the Field Office representatives also may meet with the PHA Board of Commissioners.

3-11. JOINT REVIEW COVERAGE. The Joint Review shall include an on-site inspection of the property and resolution of the following points. The Field Office shall document the Joint Review by using the Joint Review Checklist in Appendix 11. The Field Office may modify the Checklist, by adding additional information, where appropriate.

- a. Based on the detailed comprehensive assessment(s) undertaken in paragraph 3-8c, specific physical improvement needs to be addressed in the modernization program, including cost estimates, proposed implementation schedule, method of accomplishment (contract or force account), and method of PHA inspection of the physical work. In addition, the PHA's determination of whether the proposed comprehensive or special purpose modernization is financially feasible and will result in long-term physical and social viability at the project, as well as the PHA's estimated cost benefits, shall be reviewed. The need for and the appropriateness of the physical work items shall be reviewed against the Modernization Standards, the energy audit and the individual needs of each project (see paragraph 2-1). The use of force account labor shall be considered only on an exception basis, where appropriate to the scope and type of physical improvements and the PHA's capacity to serve as its own main contractor and to maintain an adequate level of routine maintenance during force account activity. The availability of operating funds or reserves to fund proposed work shall be reviewed.
- b. Based on the detailed comprehensive assessment(s) undertaken in paragraph 3-8c, the thoroughness of the PHA's diagnosis in identifying management problems, causes and solutions,

and specific management improvement needs, including those which require no funding, to be addressed in the modernization program, and the proposed implementation schedule and cost estimates for completing proposed management improvements. The need for and the appropriateness of the management work items shall be reviewed against the criteria set forth in paragraph 2-2. Although the PHA is not required to prepare the detailed comprehensive assessment of management improvement needs for projects proposed for special purpose, emergency or homeownership modernization, the Field Office may discuss such needs with the PHA during the Joint Review and subsequently require the PHA to address those needs in the Final Application.

- c. PHA need for the technical services of an architect/engineer and/or a management consultant in further planning, designing and implementing all or part of the proposed physical and management improvements. See paragraph 2-6a(2) regarding incurring architectural/engineering fees for detailed design work before program approval.
- d. PHA plan for organizing and staffing the modernization program, including PHA need for a full-time modernization coordinator or contract administrator/construction manager, assignment of regular PHA staff, and hiring of additional personnel (see paragraph 7-3).
- e. PHA performance in administering previously approved modernization programs, if applicable (see paragraph 7-2).
- f. PHA need for additional modernization funds to complete previously approved modernization programs (see paragraph 3-13).
- g. PHA compliance with requirements for consultation with local officials and tenants/homebuyers under paragraph 3-5b and Chapter 5 and local support for the proposed modernization. If it is questionable whether a project has local support or, once modernized, will have long-term physical and social viability, the Field Office shall require the PHA to consult more thoroughly with local officials, including obtaining a letter of support from local officials before the preliminary funding decisions.

- h. PHA compliance with civil rights statutes, executive orders and regulations, as applicable, under paragraph 6-1.
- i. PHA plans to provide minority and women's business or Indian enterprise opportunity under paragraph 6-2.
- j. Applicability of environmental and historic preservation requirements under paragraph 6-3.
- k. PHA compliance with flood insurance requirements under paragraph 6-4.
- l. PHA compliance with requirements to eliminate immediate lead-based paint hazards under paragraph 6-5.
- m. PHA compliance with requirements to provide accessibility for the physically handicapped under paragraph 6-6.
- n. PHA compliance with requirements to conduct an energy audit and undertake cost-effective energy conservation measures under paragraph 6-7.
- o. Step 3 of the project viability review, if applicable, under paragraph 3-6b.

3-12. COMPREHENSIVE MODERNIZATION APPROACH.

- a. Reserved.
- b. Up-Front Funding of Planning Costs. Where a financially distressed PHA requests up-front funding of planning costs, as defined in paragraph 2-6, for comprehensive modernization, the Regional Office may approve such costs as a separate Modernization Project. Such approval does not constitute a separate funding stage and may occur in a different FFY from when the comprehensive modernization is approved. When the comprehensive will be approved in the same FFY, the Regional Office shall expedite approval of the planning costs early in the processing cycle. The Final Application shall be limited to Form HUD-52825 covering only the planning costs to be funded and the Board Resolution. When approving planning costs as a separate Modernization Project, the Regional Office shall indicate the estimated total funding that will be required

for the project and its intent to approve that amount, subject to the availability of future funds, satisfactory completion of the planning, PHA submission of the Final Application as set forth in paragraph 3-16, and PHA compliance with HUD regulatory and statutory requirements.

- c. Treatment of Scattered Site Projects. Since a scattered site project is composed of single dwelling units which are unrelated geographically, structurally or socially and which are grouped together solely for accounting purposes, the Regional Office may consider comprehensive modernization for selected units within a scattered site project, provided that all physical and management improvement needs for those units are addressed.
- d. Treatment of Contiguous Projects. Two or more separate, but contiguous, projects may be funded together for comprehensive modernization.

3-13. ADDITIONAL FUNDS FOR PREVIOUSLY APPROVED COMPREHENSIVE MODERNIZATION. Under the following circumstances, the Regional Office may approve additional funds for projects previously approved for comprehensive modernization. However, this flexibility may not be used to circumvent the statutory requirements for the PHA to undertake a thorough assessment of its physical and management improvement needs and for the Field Office to review those assessments and fund modernization in a comprehensive manner.

- a. Comprehensive Modernization in Progress. For one-stage or second of two-stage comprehensive modernization in progress, the Regional Office may approve additional funds to ensure that the project meets the Modernization Standards or will have long-term viability. This includes funding for new work items which were inadvertently omitted or for previously approved work items which were funded inadequately, provided that:
 - (1) the work items are necessary to meet the Modernization Standards or for long-term viability;
 - (2) funding is not available from PHA operating funds or reserves or other sources;

- (3) the work items can be completed within the originally approved implementation period for the project; and
- (4) there is documentation, subject to post-review by Headquarters, in Field Office files as to the reason for approval and that all the above conditions have been met.
- b. Comprehensive Modernization Completed. Until a replacement reserve is implemented under Section 14(d)(4)(C) of the Act, the Regional Office may approve emergency or special purpose modernization for a project where comprehensive modernization has been completed.

3-14. PRELIMINARY FUNDING DECISIONS.

- a. Field Office Determinations. After Joint Review, the Field Office shall determine the cost benefit of the proposed modernization, excluding emergency, for a project. This determination is necessary to establish the priority order of funding based upon a ranking by cost benefits. Cost benefits are composed of a cost benefit ratio and improved habitability, as follows:

- (1) Cost Benefit Ratio. The cost benefit ratio is the total estimated annual savings of all proposed physical and management improvements divided by the total cost of such improvements. The estimated annual savings may accrue from either reduction in expenses (e.g., lower insurance or maintenance costs) or increases in income (e.g., renting formerly vacant units). In the following example, Project X has a higher cost benefit ratio than Project Y:

| | <u>Project X</u> | <u>Project Y</u> |
|---------------------------------|------------------|------------------|
| <u>Estimated Annual Savings</u> | \$ 10,000 = .1 | \$ 10,000 = .05 |
| <u>Total Modernization Cost</u> | 100,000 | 200,000 |

- (2) Improved Habitability. Improved habitability includes those factors for which actual dollar savings are difficult to identify. To ensure that the cost benefits for improved habitability are adequately considered, the Field Office shall score each project within Groups 2 and 3 as to whether the proposed modernization will result in the following

factors. Each factor shall be scored as to high (.03), medium (.02) or low (.01). The scores for each factor are then added to produce an overall improved habitability score for the project, as the following example illustrates:

| | |
|--|------------|
| Prevention of unit turnover and vacancies | <u>.02</u> |
| Improved security and reduced vandalism | <u>.01</u> |
| Increased efficiency of PHA management/ maintenance staff and systems, e.g., have or will develop management information and financial, accounting and reporting systems which allow for budgeting and tracking of operating costs by project | <u>.03</u> |
| Contribution to City's overall effort to improve neighborhood; improved relations with community, e.g., use of local or Minority Business Enterprise (MBE) contractors* | <u>.01</u> |
| Improved quality of life for tenants | <u>.02</u> |
| <hr/> | |
| Project improved habitability score | <u>.09</u> |

- (3) Project Ranking. The Field Office shall add the cost benefit ratio and the improved habitability score for each project for a total project score. The Field Office shall then rank each of the projects within Groups 2 and 3 based on the total project scores, with the highest score ranked first. In the event that projects are ranked equally, further priority shall be given to projects with large family units.
- (4) Projects Not Subject to Ranking. It is HUD's intent to fund the second or subsequent stages of two- or multi-stage comprehensive modernization approved in prior FFYs to permit the PHA to complete the modernization of the project. Therefore, the second or subsequent stage is not subject to cost benefit ranking. The entire comprehensive modernization will be ranked only once, at the first stage.

*To achieve consideration under this factor by demonstrating the use of minority contractors, the PHA must provide evidence to the satisfaction of HUD that it has exceeded the goal of awarding 20 percent of previously approved modernization funds to MBE contractors during the past year.

b. Field Office Recommendations. After ranking by cost benefits, the Field Office shall forward its recommendations for preliminary funding decisions to the Regional Office, as well as any State comments under paragraph 3-6e. The recommendations shall consist of the following:

- (1) List of projects in Group 1, in no priority order, with a brief justification of the emergency work;
- (2) List of projects in Group 2, in priority order of total scores, showing the scores for both the cost benefit ratio and improved habitability, as well as the total score, for each project. Also, a brief justification for each project's inclusion in Group 2;
- (3) List of projects in Group 3, with the same information as set forth in subparagraph c(2);
- (4) List of projects in the second or subsequent stage of two- or multi-stage comprehensive modernization, with a brief statement on the implementation progress of previously approved stages and a funding recommendation.
- (5) Identification of any PHA identified by FH&EO as being in nonconformance or noncompliance; and
- (6) Results of Step 3 of the viability review for any project and conclusions regarding project viability.

c. Regional Office Decisions. The Regional Office shall familiarize itself with the proposed modernization to the maximum extent possible. At a minimum, the Regional Office shall meet with each Field Office to review its funding and project viability recommendations. After the Regional Office has thoroughly analyzed all Field Office recommendations and decided that projects within Groups 1 and 2 are properly classified, the Regional Office shall make the preliminary funding decisions, based upon Regional ranking of the projects and taking into account those projects not subject to ranking.

- (1) Viability Review. The Regional Office shall review all results of Step 3 of the viability review for any project and the Field Office's conclusions regarding project viability. If, after review, the Regional Office wishes

to change the viability determination of any project as made by the Field Office (e.g., from viable to nonviable or vice versa), the Regional Office must document its reasons. The Regional Office shall not rank or approve for further processing any project which it determines to have any negative factors from Step 3 of the viability review. Such projects are considered to be nonviable and, therefore, ineligible for modernization funding, except those affected by paragraph 3-15b(4). See paragraph 3-15b(4) regarding required consultation with Headquarters where the Regional Office wishes to approve nonviable projects for modernization.

- (2) Notification to Field Offices. The Regional Office shall notify in writing the Field Offices of its preliminary funding decisions, i.e., which PHAs are invited to submit Final Applications, and its viability determinations.

3-15. FIELD OFFICE LETTER REPORT. After the preliminary funding decisions, the HMD shall prepare a Letter Report to each PHA for the signature of the Field Office Manager in consultation with other AHM staff, inviting the PHA to submit a Final Application or informing the PHA of the reasons why it is not being invited to submit a Final Application.

- a. where the PHA is being invited to submit a Final Application, Letter Report shall include the following:
 - (1) Identify projects, types of modernization and funding amounts which may be approved for modernization funding in the current FFY, subject to PHA submission of an approvable Final Application and availability of funds.
 - (2) For each project, identify any required revisions to the comprehensive assessment, prepared for the Joint Review, including the addition, modification or deletion of specific physical and management work items; and identify those physical work items, if any, that exceed the Modernization Standards and, therefore, must be individually justified.
 - (3) Provide other advice and guidance on preparation of the Final Application, such as understandings reached on the organization and staffing of the modernization program, the method of accomplishment and the project implementation schedule.

-
- (4) Address any PHA request to proceed with procurement of architectural/engineering services for work which is likely to get funded in the current or a subsequent FFY (see paragraph 2-6a).
- (5) Specify actions, if any, recommended by the Regional FH&EO Compliance Division that must be taken within a specified time to correct any outstanding HUD findings of non-compliance with civil rights statutes, executive orders and regulations. Where modernization funds are not required to correct any outstanding findings, specify any actions that must be taken to demonstrate good faith effort before approval of the modernization funds.
- (6) Specify the submission date of the Final Application.
- b. Where the PHA is not being invited to submit a Final Application, the Letter Report shall include the following:
- (1) An explanation of the reason for the decision.
 - (2) For a project determined to be nonviable, suggestions for alternatives for the future of the project. These may include, but are not limited to:
 - (a) The submission of a revised modernization proposal in the next FFY;
 - (b) Emergency modernization only;
 - (c) Reconfiguration;
 - (d) Partial demolition; or
 - (e) Disposition of the entire project.
 - (3) For a project determined to be nonviable, inform the PHA that it may request reconsideration of the proposal if:
 - (a) Relocation is infeasible because of the lack of other decent, safe, sanitary and affordable housing, including other
-

public housing units or units in the private market affordable with Section 8 or voucher assistance; and

(b) No other financially feasible program of modernization available as an alternative would overcome or deal more successfully with the problem identified in the viability review.

(4) If a PHA does request reconsideration on the grounds set forth in subparagraph b(3) and the Regional Office wishes to approve, the Regional Office shall request Headquarters approval to fund, with appropriate justification. If approved by Headquarters, the Regional Office shall reconsider the project for funding in the current or subsequent FFY.

3-16. PHA SUBMISSION OF FINAL APPLICATION. Following the advice and guidance contained in the Field Office Letter Report, the PHA shall prepare and submit the following documents in an original and three copies (or any lesser number of copies as specified by the Field Office) to the Field Office, Attention: Chief, AHM Branch. These documents constitute the Final Application:

- a. For each project, an identification of and an estimate of the total costs of replacement of the equipment, systems or structural elements which would normally be replaced (assuming routine and timely maintenance is performed) over the remaining period of the ACC or during the 30-year period beginning on the date of submission of the Final Application, whichever period is longer. This estimate shall include an estimate of such costs accrued for the period which ends upon the date on which the Final Application is made and an estimate of the costs which will accrue during each 12-month period subsequent to the Final Application. The estimate should be based on current costs without taking inflation into account.
- b. A comprehensive assessment of physical and management improvement needs and a plan for making the improvements and replacements and for meeting the needs which include:

- (1) Form HUD-52825, Comprehensive Assessment/Program Budget (Parts I-II). Complete instructions for the preparation of Form HUD-52825 are contained in Appendix 10. A completed sample of the form is attached as Appendix 10 and may be used as a guide in preparation.
 - (2) Form HUD-52823, Project Financial Forecast. Complete instructions for the preparation of Form HUD-52823 are contained in Appendix 12 along with a sample of the form.
- c. Modernization Organization and Staffing Plan, stating the proposed organization, staffing and inspection of the modernization program and including the following:
- (1) Whether a separate modernization unit has been or will be established within the PHA and the proposed duration of the unit; if so, the relationship of the unit to the existing PHA organizational structure.
 - (2) The staffing of the modernization unit or function; number, titles and salaries of technical and non-technical PHA personnel to be assigned full-time or part-time to modernization, and additional personnel to be hired; designation of a modernization coordinator or contract administrator/construction manager, if necessary; and lines of authority.
 - (3) Plans for periodic inspections by an architect/engineer, independent contractor or PHA staff to ensure work quality and progress.
- d. PHA Report, on compliance by the local governing body with the terms of the Cooperation Agreement, or as embodied by Article VIII of the Tribal Ordinance as applicable for certain IHAs, and any additional services or facilities that the PHA plans to request from the local governing body.
- e. Resolution by the PHA Board of Commissioners. Where necessary, the PHA may delay submission of the Resolution until the final funding decisions are made. The Resolution shall approve the Final Application and certify that:

- (1) The PHA will comply with all HUD policies, procedures and requirements for the modernization, including implementation of the modernization in a timely, efficient and economical manner;
- (2) The estimated costs of the modernization program cannot be funded from current operating funds or reserves;
- (3) The proposed physical work meets the mandatory standards or, if exceeds the mandatory standards, is necessary or highly desirable for long-term viability at the project;
- (4) The PHA has complied with tenant/homebuyer consultation requirements under Chapter 15;
- (5) The PHA shall comply with applicable civil rights requirements under paragraph 6-1 and 24 CFR 968.9a;
- (6) The PHA has adopted the goal of awarding at least 20 percent of the dollar value of the total of the modernization contracts, to minority business enterprises under paragraph 6-2 and 24 CFR 968.9b;
- (7) The PHA has complied with applicable environmental requirements under paragraph 6-3;
- (8) The PHA has furnished a copy of the flood insurance policy to HUD or determined that flood insurance is not required under paragraph 6-4;
- (9) The PHA has complied with applicable requirements for lead-based poisoning prevention under paragraph 6-5;
- (10) The PHA has complied with applicable requirements for the physically handicapped under paragraph 6-6; and
- (11) Where the proposed modernization involves the temporary or permanent rehousing of tenants, the PHA will ensure nondiscrimination in the selection of tenants to be rehoused, determination of which tenants require temporary and permanent rehousing, assignments of tenants within the PHA and provision of assistance to tenants being rehoused.

f. Special Provisions For Excepted Categories.

- (1) Special Purpose Modernization. For a project under special purpose modernization, the PHA shall limit the items required in subparagraph b(1) to only those special purpose work items.
- (2) Emergency Modernization. For a project under emergency modernization, the PHA shall omit from the Final Application the items required in subparagraphs a, b(2), c and d and limit the items required in subparagraph b(1) to only those emergency work items.
- (3) Homeownership Modernization. For a project under homeownership modernization, the PHA shall omit from the Final Application the items required in subparagraphs a and b(2) and limit the items required in subparagraph b(1) to only those homeownership work items. The PHA shall include in the Final Application a listing of the units to be included in the modernization program and the estimated cost attributed to each home.

U.S. Department of Housing and Urban Development

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U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
COMMUNITY PLANNING AND DEVELOPMENT

NOTICE

CPD 79 - 31 *very
add-*


October 1979
Expires March 1980

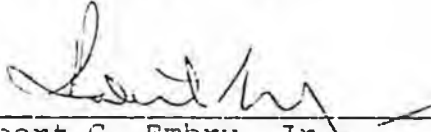
TO: All Regional Administrators, Regional Directors for CPD,
Area Managers, CPD Division Directors, and CDBG Entitle-
ment Recipients

SUBJECT: Revised Attachment O of OMB Circular A-102

*Have attached
copy of latest date
ph*

This Notice transmits a revised Attachment O, Procurement Standards, of OMB Circular A-102, Uniform Requirements for Grants-In-Aid to State and Local Governments. The revision was published in the Federal Register, Vol. 44, No. 159, page 47874, on August 15, 1979.

A copy of this Notice is being provided directly to entitlement recipients, but not to discretionary grant recipients. Therefore, Area Offices are requested to send a copy of the revised Attachment O to each locality with an active Small Cities program. Additional copies of this Notice are being provided to Area Offices for this purpose and for staff use.



Robert C. Embry, Jr.
Assistant Secretary for
Community Planning and
Development

CCC:DISTRIBUTION: W-3-1, R-1, R-2, R-3-1, R-5, R-5-1, R-5-2,
023, 023-2, 023-3



U.S. Department of Housing and Urban Development
PUBLIC AND INDIAN HOUSING

Special Attention of: Public Housing
Agencies/Indian Housing Authorities;
Regional Administrators; Directors,
Offices of Regional Housing; Field
Office Managers; Housing Management
Division Directors; Chiefs, Assisted
Housing Management Branches; Directors,
Offices of Indian Housing

Transmittal Handbook No.: 7485.1 REV-2

Issued: December 23, 1983

1. This Transmits

The Public Housing Comprehensive Improvement Assistance Program
Handbook 7485.1 REV-2, dated 12/83.

2. Explanation of Material Transmitted:

This Handbook contains the policies and procedures for the Public Housing Comprehensive Improvement Assistance Program (CIAP), for use by HUD Regional and Field Offices, Public Housing Agencies (PHAs), including Indian Housing Authorities, and others involved in the modernization of public housing. These procedures may not be modified without the prior written approval of the Assistant Secretary for Public and Indian Housing. This Handbook incorporates policy clarifications and procedural revisions which the Department has found necessary after additional experience in administering the CIAP. The significant changes are:

- a. Provision of definition for term "simple payback period."
- b. Deletion of reference to inapplicability of OMB Circular No. A-95 and inclusion of reference to applicability of Executive Order 12372 on intergovernmental review of Federal programs.
- c. Provision of instructions on how to calculate prototype cost limitation.
- d. Consideration of ongoing maintenance and operating costs in approval of premature replacements.
- e. Clarification of requirement for energy audit before approval of homeownership modernization and eligibility of energy audits and energy conservation measures without charge to homebuyer families.
- f. Allowance of reimbursement of architectural/engineering fees incurred before program approval if such fees are reasonable and approvable and if PHA is subsequently funded.

: Distribution: W-3-1, W-2(H), W-3(H), R-1, R-2, R-3, R-3-1(H), R-3-2,
R-3-3, R-6, R-6-1, R-6-2, R-7, R-7-1, R-7-2, R-8, R-8-1, 138-2, 138-7

-
- g. Provision for Regional Office review and approval during application processing.
 - h. Allowance of comprehensive modernization of selected units within scattered site projects.
 - i. Guidance on when additional funds may be approved for projects previously approved for comprehensive modernization.
 - j. Revision of environmental review requirements to conform with 24 CFR Part 50, published as an interim rule on December 15, 1982.
 - k. Establishment of time frame for execution of Annual Contributions Contract (ACC) amendment.
 - l. Clarification that flood insurance coverage is required for each affected building within a project.
 - m. Clarification of requirement that PHA obtain a builder's risk policy either directly or through the contractor.
 - n. Establishment of requirement for a project implementation schedule and provision of national norms for key implementation steps.
 - o. Waiver of competitive negotiation process for architectural/engineering contracts under \$5,000.
 - p. Requirement for previous participation clearance only for construction contracts over \$50,000.
 - q. Allowance of HUD review of preliminary, not final, plans and specifications, where appropriate.
 - r. Allowance of bid periods of less than 30 days, where appropriate and where permitted by State law.
 - s. Requirement for HUD Labor Relations staff sign-off on contract settlement documents.
 - t. Provision of instructions on the temporary remittance of excess modernization funds.
 - u. Establishment of interim reporting system for HUD Regional and Field Offices on modernization approved after Fiscal Year 1974.

- v. Instructions on budget revisions when there are funds left over from completed modernization programs.
- w. Revision of instructions to Form HUD-5079B, Modernization List - Part II, to use original, not current, Minimum Loan Interest Rate when adding or deleting projects or recapturing funds.
- x. Allowance of advertising costs under Development Account 1410.19 as eligible modernization cost.

3. Applicability of Issuance:

This Handbook applies to modernization approved under the CIAP in Federal Fiscal Year (FFY) 1984 and thereafter and to the implementation of modernization approved before FFY 1984.

4. Cancellation:


Public Housing Comprehensive Improvement Assistance Program Handbook 7485.1 REV-1, dated May 21, 1982.

5. Flow Chart:

Appendix 4, Flow Chart on Application Processing, is incorrect since it depicts Field, not Regional, Office approval authority. Appendix 4 will be revised when the Department field reorganization is complete.

6. Forms Alert:

Revised Part II of Form HUD-5079B, Modernization List, is now being printed and will be distributed to all Regional and Field Offices. Existing stocks of Form HUD-5079 shall not be destroyed since Part I of the Form, dated 4-82, is still in effect.


Assistant Secretary for Public and
Indian Housing



Handbook

7485.1 REV-2

U.S. Department of Housing and Urban Development
Washington, D.C. 20410

Program Participants and Departmental Staff

December 1983

Public Housing Comprehensive Improvement Assistance Program



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21. Form HUD-5402, Requisition for Funds (Modernization - Project Notes)
22. Form HUD 5402, Requisition for Funds (Modernization - Direct Advances)
23. Form HUD-52826, Schedule/Report of Modernization Expenditures
24. Sample Field Office Summary Report on All Modernization Approved After FFY 1974
25. Sample Field Office Exception Report on All Modernization Approved After FFY 1974
26. Sample Regional Office Summary Report on All Modernization Approved After FFY 1974
27. Sample PHA Summary Report on All Modernization Approved Before July 1, 1974
28. Sample Field Office Summary Report on All Modernization Approved Before July 1, 1974
29. Sample Regional Office Summary Report on All Modernization Approved Before July 1, 1974
30. Sample Checklist for Monitoring of Physical Improvements
31. Form HUD-53001, Actual Modernization Cost Certificate (For Modernization Programs Approved Before Modernization as a Separate Project was Implemented)



APPENDICES

- 32. Form HUD-53001, Actual Modernization Cost Certificate (For Modernization Programs Approved After Modernization as a Separate Project was Implemented)

LIST OF REPORTING REQUIREMENTS

I. Public Use Forms/Reports

| <u>Form/Report Number</u> | <u>Title</u> | <u>OMB Clearance Number</u> |
|---------------------------|---|-----------------------------|
| None | Evidence of Tenant Consultation | 2502-0218 |
| None | Evidence of Homebuyer Consultation | 2502-0218 |
| None | Evidence of Local Official Consultation | 2502-0218 |
| HUD-52824 | Preliminary Application | 2502-0208 |
| HUD-52821 | Project Profile | 2502-0208 |
| None | Replacement Reserves Estimate | 2502-0208 |
| HUD-52825 | Comprehensive Assessment/Program Budget | 2502-0208 |
| HUD-52823 | Project Financial Forecast | 2502-0208 |
| None | Modernization Organization and Staffing Plan | 2502-0208 |
| None | PHA Report on Local Compliance with Cooperation Agreement | 2502-0208 |
| None | Listing of Participating Homeownership Units/ Costs | 2502-0208 |
| None | Survey Instrument: Physical Needs Assessment | 2502-0217 |
| None | Certificates of Insurance | 2502-0216 |
| HUD-5402 | Requisition for Funds | 2502-0188 |
| None | Bidding Control Record | 2502-0157 |
| HUD-5371 | Request for Acceptance of Subcontractor | 2502-0157 |
| None | Register of Change Orders and Time Extensions | 2502-0157 |
| None | Disputes and Claims Records/Findings for Liquidated Damages/PHA Contract Report | 2502-0157 |
| HUD-5372 | Construction Progress Schedule | 2502-0157 |
| HUD-51000a | Schedule of Amounts for Contract Payments | 2502-0157 |
| HUD-51000b | Continuation Sheet | 2502-0157 |
| HUD-52826 | Schedule/Report of Modernization Expenditures | 2502-0219 |
| None | Narrative Report on Management Improvements | 2502-0219 |
| HUD-53001 | Actual Modernization Cost Certificate | 2502-0219 |
| None | Request for Proposal for Professional Services Relating to Management Improvements | 2502-0219 |
| None | Project Implementation Schedule | Being requested |
| HUD-52990 | Modernization Program Budget | 2502-0164 |
| HUD-52994 | Modernization Work Program | 2502-0164 |
| HUD-52995 | Modernization Quarterly Progress Report | 2502-0164 |
| HUD-52993 | Statement of Modernization Cost (Development) | 2502-0164 |

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| <u>Form/Report Number</u> | <u>Title</u> | <u>OMB Clearance Number</u> |
|---------------------------|---|-----------------------------|
| HUD-51001 | Periodical Estimate for Partial Payment | 2505-0024 |
| HUD-51002 | Schedule of Change Orders | 2502-0024 |
| HUD-51003 | Schedule of Materials Stored | 2502-0024 |
| HUD-51004 | Summary of Materials Stored | 2502-0024 |
| HUD-2530 | Previous Participation Certificate | 2502-0118 |
| HUD-51915 | Agreement Between Owner and Architect | Being requested |
| HUD-5369 | Instructions to Bidders | Being requested |
| HUD-5370 | General Conditions | Being requested |
| HUD-9009 | General Certificate | At OMB |
| HUD-51999 | General Depository Agreement | At OMB |
| HUD-52250 | Permanent Note | Being requested |
| HUD-274 | Designation of Depository for Direct Deposit of Loan and/or Grant | At OMB |
| HUD-53008 | Modernization Project Amendment to Consolidated Annual Contributions Contract for Modernization of Section 23 Leased Housing Bond-Financed Projects | Being requested |
| HUD-53009 | Modernization Project Amendment to Consolidated Annual Contributions Contract | Being requested |

II. Internal Forms/Reports

| <u>Form/Report Number</u> | <u>Title</u> | <u>HUD Clearance Number</u> |
|---------------------------|---|-----------------------------|
| None | Field Office Summary Report on All Modernization Approved After FFY 1974 | HI00503R |
| None | Field Office Exception Report on All Modernization Approved After FFY 1974 | HI00503R |
| None | Regional Office Summary Report on All Modernization Approved After FFY 1974 | HI00503R |



7485.1 REV-2

| | | |
|------|--|--------|
| None | Field Office Summary Report on All Modernization | HI- |
| | Approved Before July 1, 1974 | 00399R |
| None | Regional Office Summary Report on All Moderni- | HI- |
| | zation Approved Before July 1, 1974 | 00399R |

CHAPTER 1. INTRODUCTION

- 1-1. PURPOSE. Section 14 of the United States Housing Act of 1937, as amended by the Housing and Community Development Act of 1980, substituted for the existing Public Housing Modernization Program a new Comprehensive Improvement Assistance Program (CIAP), beginning in Federal Fiscal Year (FFY) 1981. Under the CIAP, the Department of Housing and Urban Development (HUD) provides financial assistance to Public Housing Agencies (PHAs), including Indian Housing Authorities (IHAs), to improve the physical condition and upgrade the management and operation of existing public housing projects to assure that such projects continue to be available to serve low-income families. This Handbook provides instructions, guidelines and processing procedures for use by HUD Field and Regional Offices, PHAs and other participants involved in the comprehensive improvement of public housing projects. The CIAP Regulation, 24 CFR Part 868, is attached as Appendix 1.
- 1-2. APPLICABILITY.
- a. This Handbook applies to PHA-owned low-income public housing projects, including conveyed Lanham Act and Public Works Administration (PWA) projects, and to Section 23 Leased Housing Bond-Financed projects for which PHAs request assistance under the CIAP after FFY 1980. This Handbook also applies to the implementation of modernization programs which were approved before FFY 1984.
 - b. This Handbook does not apply to projects under the Section 23 Leased Housing Non Bond-Financed Program, the Section 10(c) Leased Housing Program, and the Section 23 and Section 8 Housing Assistance Payments Programs.
- 1-3. DEFINITIONS. The following definitions are used throughout this Handbook:
- a. Act means the United States Housing Act of 1937, as amended (42 U.S.C. 1437 et seq.).
 - b. Annual Contributions Contract (ACC) means a contract under the Act between HUD and the PHA, containing the terms and conditions under which the Secretary makes loans and annual contributions to assist PHAs in providing decent, safe and sanitary housing for low-income families and provides modernization funds to PHAs to improve existing public housing projects.

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- c. Comprehensive modernization means a modernization program for a project which provides for all needed physical and management improvements. Under the CIAP, all modernization programs are comprehensive modernization, except those defined as special purpose, emergency or homeownership.
- d. Emergency modernization means a modernization program for a project that is limited to physical work items of an emergency nature, affecting the life, health and safety of tenants or related to fire safety. Under emergency modernization, management improvements are not eligible modernization costs.
- e. Field Office means the HUD Office with which the PHA normally transacts its low-income housing business.
- f. Financial feasibility means that the cost (excluding the cost of management improvements) of a modernization program does not exceed the prototype cost of a new project.
- g. Financially distressed PHA means a PHA that has an operating reserve level of 20 percent or less of its authorized maximum or other level as determined by HUD, as shown on the latest year-end financial statement.
- h. Five-year plan means the PHA's initial comprehensive assessment of the modernization funds to be requested over a five-year period to meet the total physical and management improvement needs of its projects, including any special purpose and homeownership needs, as well as any emergency needs in the current year. The plan is submitted as part of the Preliminary Application and provides for gross estimates of the total needs of the project(s) for which Comprehensive Modernization is requested and for gross estimates of the specialized needs of the project(s) for which special purpose, emergency or homeownership modernization is requested.
- i. Force account labor means labor employed directly by the PHA on either a permanent or a temporary basis.
- j. Homebuyer Agreement means a Mutual Help and Occupancy Agreement or a Turnkey III Homebuyer's Ownership Opportunity Agreement.
- k. Homeownership modernization means a modernization program for a project that is under the Turnkey III Homeownership Opportunities Program or the Mutual Help Homeownership Opportunities Program. Under homeownership modernization, limited physical

improvements are eligible modernization costs, but management improvements are not eligible modernization costs. See paragraph 2-3.

1. Lack of management capability means that the PHA has inadequate management practices, as determined by the Field Office on the basis of regular monitoring and performance of on-site reviews, audits and surveys, as set forth in HUD Handbook 7460.7, Field Office Monitoring of PHA Administration of the Low-Income Public Housing Program, and that the PHA has not taken appropriate corrective action. Management practices which are to be considered include, but are not limited to: management, financial and accounting controls; tenant selection and eviction; occupancy levels; rent collection; and maintenance. See paragraph 2-2b.
- m. Lack of modernization capability means that the PHA has previously approved, but unobligated, modernization funds that are over three years old and that the Field Office has determined that the failure to obligate such funds is due to reasons within the PHA's control. "Unobligated" means the PHA has not awarded contracts or started force account work for use of the funds. "Funds that are over three years old" mean funds approved in a FFY which is three or more FFYs before the current FFY. For example, if the PHA is applying for FFY 1984 funds, then "funds that are over three years old" are those from FFY 1980 and prior FFYs. "Reasons within the PHA's control" mean that the PHA did not take every feasible action toward completion and excludes lengthy delays outside of the PHA's control, such as litigation, environmental reviews, strikes, and other reasons determined to be valid by the Field Office.
- n. Major repairs mean work items that are usually not recurrent, are substantial in scope, involve expenditures that would otherwise materially distort the level trend of maintenance expense, and may include replacement of structural elements and nonexpendable equipment due to normal wear and tear by items of substantially the same kind.
- o. Modernization funds mean funds derived from an allocation of annual contributions contract authority under Section 5(c) of the Act for the purpose of financing physical and management improvements under an approved modernization program.
- p. Modernization program means a PHA's program for carrying out modernization, as set forth in the proposed or approved Final Application for modernization funds.

- q. Modernization Project means the improvement of one or more existing public housing projects. This is in contrast to the term "project" which means a development project with a unique project number.
- r. Simple payback period means the number of years required to accumulate net annual savings equal to the cost of the work item. It is calculated by dividing the cost of the work item by the estimated net annual savings resulting from the work item, taking into account changes in operating and maintenance costs, but not interest and inflation. It is used to determine the eligibility of energy conservation work items which must have a 15-year or less simple payback period to be eligible for funding.
- s. Special purpose modernization means a modernization program for a project that is limited to eligible energy conservation work items which will not be adversely affected by any subsequent comprehensive modernization. For such projects, management improvements are not eligible modernization costs. Special purpose modernization also means the approval of additional contract or budget authority to meet increased interest costs or to effect the transfer of modernization funds between projects with modernization programs approved before July 1, 1978.
- t. Work item means any separately identifiable unit of work constituting a part of a modernization program.

1-4. GENERAL LEGISLATIVE AND FINANCIAL PROVISIONS.

- a. Legislative Provisions. The Act was amended in 1974 to provide that a low-income project, for which HUD may enter into an ACC, may include "the improvement" of low-income housing. Therefore, HUD may enter into a separate commitment to finance the cost of improvement, which includes modernization, over a separate ACC term, without regard to the number of years elapsed under the maximum ACC term for payment of the original development debt. The term for payment of the debt service annual contributions to retire the modernization debt may extend beyond the period for amortization of the original development debt, so long as the term for the separate Modernization Project does not itself exceed the statutory maximum of forty annual contributions.
- b. Twenty-Year Amortization Period. Each separate Modernization Project shall include all of the PHA's projects that are approved for modernization at the same time and that are

under the same consolidated ACC and shall have a maximum contribution period of twenty years, regardless of the number of years that have elapsed under the original ACC terms of the projects involved. Each project included under the Modernization Project shall be subject to the ACC and HUD requirements for public housing operation for a period of twenty years from the time the first annual contribution is payable on the modernization debt (subject to sale of home-ownership units in accordance with the terms of the ACC). The period of amortization of the modernization debt of the Modernization Project will not affect the term for payment of annual contributions to amortize the original development debt. Where a project is under ACC after expiration of the original term because of its inclusion in a Modernization Project, HUD may approve payment of operating subsidy for the project under the applicable regulation.

1-5. USE OF COMMUNITY DEVELOPMENT BLOCK GRANTS.

- a. Rehabilitation as an Eligible Activity. The eligible uses of Community Development Block Grant (CDBG) funds under Title I of the Housing and Community Development Act of 1974, as amended, are set forth in 24 CFR Part 570, Subpart C, and include, but are not limited to, the physical rehabilitation of publicly-owned, low-income housing.
- b. Use of CDBG Funds. Interested PHAs should contact the unit of general local government submitting a final statement or application, regarding the possibility of including modernization activities in the CDBG program. PHAs shall inform the Field Office Assisted Housing Management (AHM) Branch of proposed modernization for which CDBG funds have been requested. The AHM Branch shall consult periodically with the Field Office Community Planning and Development (CPD) Division so that it is informed of when modernization activities have been specified in annual CDBG final statements. Such information may not be available for units of general local government receiving CDBG funds from the States.
- c. Coordination of Funds. PHAs that are receiving modernization funds and CDBG funds for the same project shall enter the CDBG funds on Form HUD-52825, Comprehensive Assessment/Program Budget, as "Operating Funds Provided by PHA" - CDBG, to ensure appropriate coordination of funds and avoid duplication of work items.

1-6. INAPPLICABILITY OF SECTION 213 OF HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974. The requirements of Section 213 of the Housing and Community Development (HCD) Act of 1974, as amended (24 U.S.C.

1439), for review of applications by units of general local government do not apply to Preliminary and Final Applications for modernization of existing public housing projects. See paragraph 3-5b(2) for required PHA consultation with local officials.

- 1-7. APPLICABILITY OF EXECUTIVE ORDER 12372. The requirements of Executive Order (E.O.) 12372 on Intergovernmental Review of Federal Programs apply to applications for modernization of existing public housing projects, including Indian projects. If a State selects the CIAP to review, the Field Office must provide the State with an opportunity to comment on the PHAs' Preliminary Applications under HUD's implementing regulation, 24 CFR Part 52, and outstanding implementing instructions. See paragraph 3-6d.

CHAPTER 2. ELIGIBLE COSTS

2-1. PHYSICAL IMPROVEMENT COSTS.

- a. Long-Term Viability. No physical improvements, other than those necessary to correct clear emergencies, shall be approved unless the judgment has been made that the project, after modernization, will have long-term physical and social viability.
- b. Modernization Standards. Projects rehabilitated under the CIAP shall comply with the mandatory physical standards set forth in the Public Housing Modernization Standards Handbook 7485.2 REV-1. To the extent feasible, projects approved for rehabilitation before the CIAP (before FFY 1981) shall comply with the Modernization Standards. The Modernization Standards provide design, construction and environmental criteria for uniformly evaluating the physical condition and energy efficiency of existing public housing projects and determining what rehabilitation is necessary. The Modernization Standards apply energy conservation opportunities and devices where determined to be eligible (15-year or less simple payback period) in a specific project by an energy audit conducted using HUD Workbook (HUD-PDR-700(3)), State standards or other HUD-approved methods. Energy audits are required by 24 CFR Part 865, Subpart C (see paragraph 6-7).
- c. Premature Replacement. Premature replacement of serviceable building components, systems, equipment or materials is not approvable under the CIAP, except under special circumstances where energy conservation opportunities make it eligible (15-year or less simple payback) and where ongoing maintenance and operating costs will not be adversely affected. However, before approving the premature replacement of relatively new or functional items, the Regional and Field Offices shall exercise judgment regarding whether it is in the best interest of the Department and the PHA. Therefore, compliance with the Modernization Standards will occur over a period of time as needed replacements are made.
- d. Work Exceeding Standards. The Modernization Standards may only be exceeded when necessary or highly desirable for the long-term physical and social viability of the individual project, including site and building security. Work exceeding the standards is project specific and not applicable to all projects. Such work responds to differences in climate, location, building type, resident use and concerns, and

management/maintenance systems. Work exceeding the standards may not be justified on the basis of competition with other assisted or subsidized housing for tenants. Where such work is proposed, the PHA shall discuss the work items with the Field Office at the Joint Review and provide written justification for each work item with its Final Application.

- e. Cost Exceeding Prototype. The Regional Office shall not approve a modernization program where CIAP funds or operating funds or reserves will be used to pay any cost (excluding the cost of the management improvements) which exceeds the total published prototype cost limit for construction of similar units in the area. The PHA may use funds from other sources, e.g., CDBG funds or unused Section 8 administrative fees. See Handbook 7420.7, paragraph 8-4b(3), regarding Section 8 administrative fees. The prototype cost limit is used to indicate when a modernization program may not be financially feasible and Headquarters review is warranted. It raises questions regarding the long-term viability of the project (i.e., whether the improvements can be sustained) and whether sufficient efforts have been made to reduce costs.

- (1) Calculation. To calculate the prototype cost limit, the Field Office shall obtain the most recent public housing prototype figures published in the Federal Register for the type and size of units that will be in the project after modernization, i.e., following any conversion of unit sizes or demolition of units. The Field Office shall not adjust the published prototype for inflation or other reasons. The following example illustrates how to calculate the prototype cost limit for a walkup project in the Northeast:

| <u>Number of Bedrooms</u> | <u>Number of Units after Modernization</u> | | <u>Unit Cost</u> | | <u>Total Cost</u> |
|-------------------------------|--|---|------------------|---|---------------------|
| 0-BR | 20 | x | \$26,250 | = | \$ 525,000 |
| 1-BR | 20 | x | \$31,350 | = | \$ 627,000 |
| 2-BR | 30 | x | \$34,700 | = | \$1,041,000 |
| 3-BR | 10 | x | \$41,400 | = | \$ 414,000 |
| | | | | | <u>\$2,607,000*</u> |

*The Field Office shall then compare the total prototype cost limit to the total modernization cost, excluding management improvements.

- (2) Averaging Not Allowed. If the project contains dissimilar types of structures, e.g., a mid-rise with several low-rises, the Field Office shall separately calculate the prototype cost limit for each type of structure. The Field Office shall not average the modernization cost for dissimilar structures so that the less costly modernization on one type of structure disproportionately carries the more costly modernization on the other type of structure.
- (3) Family High-Rises. To calculate the prototype cost limit for family high-rises where there are no published prototype figures for larger bedroom size units, the Field Office shall add 20 percent to the two-bedroom prototype figure for elevator structure for each additional bedroom. The following example illustrates how to calculate the prototype cost limit for a 250-unit family high-rise project:

| <u>Number of Bedrooms</u> | <u>Number of Units offer Modernization</u> | <u>Unit Cost</u> | <u>Total Cost</u> |
|---------------------------|--|-------------------------------|--------------------|
| 1-BR | 50 | x \$21,000 | = \$1,050,000 |
| 2-BR | 50 | x \$25,000 | = \$1,250,000 |
| 3-BR | 50 | x (1.20 x \$25,000)* \$30,000 | = \$1,500,000 |
| 4-BR | 50 | x (1.40 x \$25,000)* \$35,000 | = \$1,750,000 |
| 5-BR | 50 | x (1.60 x \$25,000)* \$40,000 | = \$2,000,000 |
| | | | <u>\$7,550,000</u> |

*Where 25,000 is the prototype cost limit for a two-bedroom unit.

- (4) Submission to Region and Headquarters. If the total modernization cost, excluding management improvements, exceeds the calculated prototype cost limit for a project or structure type and the Field Office supports the modernization program, the Field Office shall submit its recommendation for approval, fully justified, to the Regional Office. If the Regional Office recommends approval, the Regional Office shall forward both the Field Office's and its recommendations to Headquarters for consideration.

2-2. MANAGEMENT IMPROVEMENT COSTS.

- a. Eligibility. Management improvements that are project specific or PHA-wide in nature are eligible modernization costs under

the CIAP, subject to the following conditions:

- (1) The management improvements are necessary to correct identified management problems and to sustain the physical improvements at the project to be comprehensively modernized.
 - (2) The management improvements require additional funds for implementation and the funds are not available from other sources.
 - (3) The combined costs for management improvements and planning under paragraph 2-6 shall not exceed 10 percent of the approved physical improvement costs for a PHA in a particular FFY, unless specifically approved by HUD Headquarters. Under paragraph 2-6, planning costs shall not exceed five percent of the funds available to the Field Office in a particular FFY.
 - (4) Management improvement costs shall be fundable only for the implementation period of the physical improvements. In rare cases, the Field Office may approve a longer period, up to a maximum of five years, where it is clearly shown to be necessary to complete the initial installation and demonstrate that the management work item will bring about needed management improvements.
 - (5) Where an approved modernization program includes management improvements which involve ongoing costs, such as security guards, HUD will not be obligated to provide continued funding or additional operating subsidy after the end of the implementation period of the management improvements. The PHA shall be responsible for finding other funding sources, reducing its ongoing management costs, or terminating the management activities.
- b. Eligible Management Areas. Subject to the conditions set forth in subparagraph a, management improvements may involve or upgrade the following areas:
- (1) Management, financial and accounting control systems of the PHA which are related to the project to be modernized;
 - (2) Adequacy and qualifications of personnel employed by the PHA in the management and operation of the project to be modernized for each category of employment; and

(3) Adequacy and efficacy of the following for the project to be modernized:

- (a) Tenant Programs and Services. The PHA must be able to secure and coordinate the provision of appropriate social services from local government or other public and private entities.
- (b) Tenant and Project Security. The PHA must be able to provide adequate security for the tenants and adequate protection against vandalism to the property, including securing adequate police services, providing necessary project surveillance and control of access, and excluding individuals who would jeopardize or evict those who are jeopardizing tenant security.
- (c) Tenant Selection and Eviction. The PHA must be able to select and assign tenants in accordance with HUD requirements and sound management practices. The PHA also must be able to carry out timely evictions of disruptive tenants.
- (d) Occupancy. The PHA must be able to maintain a 97 percent occupancy rate for the project after completion of the physical improvements. Where this occupancy target is clearly unrealistic, the PHA must set interim occupancy goals in a marketing plan to achieve 97 percent occupancy within a specified period. The PHA must be able to prepare vacated units for reoccupancy within a reasonable time period to achieve its occupancy goals.
- (e) Rent Collection. The PHA must be able to collect the rents at the project and carry out timely evictions for nonpayment of rent. Where the PHA's Tenant Accounts Receivable (TAR) for tenants in possession as a percentage of the total monthly charges at the project exceeds 10 percent, the PHA must provide a plan to reduce the TAR to 10 percent within an acceptable period.
- (f) Maintenance. The PHA must be able to provide adequate maintenance for the project after completion of the physical improvements, including timely response to routine and emergency maintenance requests and conduct of a preventive maintenance program for all of the major systems at the project.

- c. Examples of Ineligible Management Improvements. Examples of ineligible management improvements include, but are not limited to:
- (1) Hiring of additional staff or use of existing staff to directly provide social services to the tenants of the project to be modernized.
 - (2) Funding of ongoing operating expenses of tenant organizations. However, tenants organizations may be contracted with to carry out eligible physical and management improvements. Appropriate payment for these activities is an eligible cost.
- d. Many management improvements require little or no additional funds to implement. Although eligible for modernization funding under comprehensive modernization, management improvements shall not be financed with modernization funds unless justified by the PHA and approved by the Regional Office. See paragraph 2-7 for guidance on administrative costs.
- e. Where management improvements involve planning costs (i.e., costs incurred before modernization program approval), such costs shall be charged in accordance with paragraph 2-6d. Where management improvements involve administrative costs (i.e., costs to be incurred after modernization program approval), such costs shall be charged in accordance with paragraph 2-7d.

- 2-3. HOMEOWNERSHIP PROJECTS. Eligible physical improvements are limited to work items which are not the responsibility of the homebuyer families and which are related to health and safety, accessibility for the physically handicapped, correction of development deficiencies, energy audits and cost-effective energy conservation. The correction of development deficiencies, conduct of energy audits and undertaking of cost-effective energy conservation measures with modernization funds shall not increase the purchase price and amortization period for homebuyer families; however, other eligible physical improvements shall increase the purchase price and amortization period. Major repairs or replacements, additions, items which are the responsibility of the homebuyer families, and management improvements are not eligible modernization costs. See paragraphs 4-12 and 5-2 regarding special instructions for homeownership projects.

2-4. CORRECTION OF DEVELOPMENT DEFICIENCIES.

a. Definitions.

- (1) Development deficiencies are deficiencies in a project that relate to errors or inadequacies in the design or construction of a project which become known before Field Office approval of the Actual Development Cost Certificate (ADCC). Design deficiencies result from the use of plans and specifications that fail to meet HUD and other applicable design standards in effect at the time of project approval (e.g., Contract of Sale, Notice to Proceed, etc.). Construction deficiencies result from the use of improper construction methods or materials, poor workmanship, or failure to complete the project in accordance with HUD-approved plans.
- (2) Development funds, as used in this paragraph, are funds remaining in the Development Cost Budget, funds remaining in the ACC in excess of the Development Cost Budget, recaptured development funds released in 1976 and subsequent fiscal years, or development amendment funds.

b. Management Concurrence in Actual Development Cost Certificate. The Chief, Mortgage Credit Branch, shall send the ADCC and all supporting documents to the Chief, Assisted Housing Management (AHM) Branch, for review and concurrence.

c. Responsibility for Correction.

- (1) Before Management Concurrence in ADCC. Before AHM Branch concurrence in an ADCC, the correction of any development deficiencies shall be financed from development funds, as defined in subparagraph a(2). If there are insufficient funds in the Development Cost Budget or ACC, that budget may be amended with available development funds, subject to limitations placed on the use of recaptured and amendment funds. See the Public Housing Development Handbook 7417.1 REV-1. Where there are no remaining or inadequate development funds, the Field Office Manager may submit a documented request to use modernization funds to correct development deficiencies, through the Regional Office, to the Assistant Secretary for Public and Indian Housing, Attention: Director, Office of Public Housing. The request shall describe the deficiencies, their causes, the amount of modernization

funds required for correction, and efforts by the Field Office and PHA to secure correction or indemnification from the architect or contractor, as appropriate. The request also shall state there are no remaining or inadequate development funds for correction.

- (2) After Management Concurrence in ADCC. After AHM Branch concurrence in an ADCC, the correction of any subsequently identified deficiencies may be financed from modernization funds without Headquarters approval. Such deficiencies will be considered to be latent defects that could not reasonably have been foreseen by the Field Office at the time the ADCC was reviewed.
- (3) Where ADCC Already Approved. If the AHM Branch identifies any development deficiencies in a project with an ADCC already approved before April 22, 1981, the AHM Branch shall follow the procedures set forth in subparagraph c(1).

2-5. TENANT MOVING COSTS.

- a. Rehousing. When it is necessary to move tenants at the project being modernized, either temporarily or permanently, to accommodate the modernization, the PHA shall provide temporary or permanent housing at comparable cost for affected tenants on a nondiscriminatory basis. When it is necessary to house tenants in units other than public housing, rents paid by the PHA shall not exceed Section 8 Existing Fair Market Rents, except as may be approved by the Field Office. When a public housing unit of suitable size and location becomes available, the tenant must agree to move into the unit or assistance shall terminate.
- b. Moving Costs. The PHA shall pay for the actual costs of moving the affected tenants to other units, as well as back to the modernized project or units, where necessary. The PHA also shall pay for the actual incidental costs incurred by tenants, such as new utility deposits or telephone installations. Tenant moving costs are eligible modernization costs and shall be charged to development account 1495.1 (see paragraph 2-8).

2-6. PLANNING COSTS. Planning costs are costs incurred before modernization program approval.

a. Reimbursement.

(1) Application Development. Planning costs necessary for developing the Preliminary or Final Applications, including preparing the detailed comprehensive assessment of physical and management improvement needs and conducting the energy audit for the Joint Review, are eligible modernization costs. These costs may be reimbursed after Final Application approval where the Regional and Field Offices determine that the PHA does not have the staff or financial resources to assume these additional responsibilities or costs. If the PHA incurs planning costs without prior Regional Office approval, the PHA does so with the full understanding that the costs may not be reimbursed upon modernization program approval.

(2) Design Work. Eligible planning costs may include architectural/engineering fees for detailed design work and preparation of the construction and bid documents. The PHA may wish to incur such costs to expedite implementation of its modernization program. To minimize the risk that these costs will not be reimbursed upon modernization program approval, the PHA should consult with the Field Office on its modernization plan, the likelihood of subsequent funding, the amount of the fees, and the scope of the architect's/engineer's work before executing the architectural/engineering contract. See paragraph 3-11c. These planning costs will be reimbursed if the fees and scope of work are reasonable and approvable and if the PHA is subsequently funded for construction. In procuring architectural/engineering services, the PHA shall follow the selection process in paragraph 8-2 and the HUD review requirements in paragraph 8-6 where certification is not allowed.

b. Limitations. To maximize the use of modernization funds for needed improvements, the Regional Office shall not approve more than 10 percent of the physical improvement costs for a PHA in a particular FFY for combined management improvement and planning costs. Planning costs shall not exceed five percent of the funds available to the Field Office in a particular FFY.

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- c. Upfront Funding. Financially distressed PHAs, as defined in paragraph 1-3, may request and receive approval from the Regional Office for upfront funding of planning costs as a separate Modernization Project, where developing the Preliminary and/or Final Applications would otherwise present an undue financial hardship. Where planning costs are funded, the 10 percent limitation shall apply to the estimated total physical improvement costs for the affected project(s). If, upon subsequent approval of the total physical improvement costs, the previously approved planning costs exceed the 10 percent limitation, the PHA shall reimburse HUD for the excess amount. See paragraph 3-12c.
- d. Charging Planning Costs. Where approved by the Field Office, planning costs shall be charged to the appropriate development accounts, as set forth in Appendix 2. Planning costs related to management improvements shall not be charged to development account, Management Improvements (Account 1408).
- 2-7. ADMINISTRATIVE COSTS. Administrative costs necessary for the additional design and implementation of the physical and management improvements (i.e., costs to be incurred after modernization program approval) and that are reasonable when compared with similar costs in the same area are eligible modernization costs, as follows:
- a. Salaries. The salaries of non-technical and technical personnel assigned full-time or part-time to modernization are eligible costs only where the scope and volume of the planning work are beyond that which could be reasonably expected to be accomplished by such personnel in the performance of their normal duties. Any proration of salaries must be justified by the PHA, authorized by the Field Office and reflected by an appropriate revision to the PHA's operating budget.
- b. Employee Benefit Contributions. PHA contributions to employee benefit plans on behalf of non-technical and technical PHA personnel are eligible costs in proportion to the amount of salary charged to the modernization program. The cost of terminating an employee hired on a temporary basis to work on modernization is an eligible cost (e.g., the expense of unemployment compensation where required by State law). The PHA shall estimate the extent of these costs and request a sufficient amount of modernization funds to cover such costs.

c. Tenant Employment. Qualified tenants may be hired to carry out any required function, where appropriate.

d. Charging Administrative Costs.

- (1) All administrative costs relating to physical improvements shall be charged to the following appropriate development accounts: Non-Technical Salaries (Account 1410.1); Technical Salaries (Account 1410.2); Employee Benefit Contributions (Account 1410.9); Architectural and Engineering Fees (Account 1430.1); Consultant Fees (Account 1430.2); and other accounts set forth in Appendix 2.
- (2) All administrative costs relating to management improvements shall be charged to the development account, Management Improvements (Account 1408), regardless of whether the costs involve non-technical or technical salaries, employee benefit contributions or consultant fees.
- (3) Where PHA personnel assigned to the modernization program work on both physical and management improvements, their salaries shall be prorated, for budgeting purposes, between the physical and the management improvements. For example, if the PHA Modernization Coordinator will spend 60 percent of his/her time on physical improvements and 40 percent on management improvements, then the salary of the PHA Modernization Coordinator shall be charged 60 percent to either Non-Technical Salaries (Account 1410.1) or Technical Salaries (Account 1410.2), as appropriate, and 40 percent to Management Improvements (Account 1408). During implementation, the program shall be revised to reflect costs directly charged. Documentation such as time records shall be available to substantiate these direct charges.

2-8. USE OF DEVELOPMENT ACCOUNTS. For work to be financed with modernization funds, the PHA shall enter the appropriate development account number that relates to an individual work item on Form HUD-52825, Comprehensive Assessment/Program Budget. Development accounts that may be used in the CIAP are listed in Appendix 2. Development accounts that may not be used in the CIAP and, therefore, represent ineligible modernization costs are listed in Appendix 3.

2-9. LIMITATIONS ON USE OF PRE-FFY 1981 FUNDS. Modernization funds approved before FFY 1981 may not be used to finance management

improvements, unless the PHA meets the substance of the requirements set forth in paragraph 3-16. However, such funds may be used to finance previously ineligible costs, such as legal expenses related to carrying out modernization and exterior painting necessary to preserve the structures, where approved by the Field Office.

CHAPTER 3. APPLICATION DEVELOPMENT AND SUBMISSION

- 3-1. INTRODUCTION. This Chapter sets forth the application process and provides instructions to both PHAs and Regional and Field Offices on the Preliminary Application, the Joint Review and the Final Application. Also see Appendix 4 for a flow chart on application processing. A Sample Modernization Processing Control Log for Field Office use is attached as Appendix 5.
- 3-2. FUND ASSIGNMENT. On the basis of an assignment plan approved by the Under Secretary, the Assistant Secretary for Public and Indian Housing assigns modernization funds to the Regional Offices on Form HUD-185, Regional Fund and Contract Authority Assignment, for subassignment to the Field Offices on Form HUD-185.1, Regional Fund and Contract Authority Subassignment. Assigned and subassigned modernization funds are designated by specific amounts of contract, loan and budget authority. The Field Office is responsible for controlling the obligation of contract, loan and budget authority to ensure that none of the three amounts is exceeded. See paragraphs 4-3 and 4-4.
- 3-3. NOTIFICATION OF MODERNIZATION FUND AVAILABILITY. When modernization funds become available, the Department shall notify in writing all PHAs as to the amount of available modernization funds, the requirements and time frame for submission of the Preliminary Application, and other pertinent information.
- 3-4. INFORMAL CONSULTATION. Before preparation of the Preliminary Application, the PHA should contact the Field Office to discuss its modernization needs and obtain information on HUD policies and procedures. See paragraph 3-12d for up-front funding of planning costs for financially distressed PHAs.
- 3-5. PHA SUBMISSION OF PRELIMINARY APPLICATION.
- a. Content. The Preliminary Application includes the following:
- (1) Form HUD-52824, Preliminary Application, which contains the five-year funding request plan (the original or annual update), as defined in paragraph 1-3, and the certifications at the bottom of the form, including those on tenant/homebuyer and local official consultation. Complete instructions for preparation of the form are contained in Appendix 6. The PHA shall separately identify emergency and energy conservation needs.

- (2) Brief explanation of the priority order of the projects for which modernization funding is requested in the current Federal Fiscal Year (FFY).
- (3) Brief explanation of how the proposed modernization will impact upon the conditions which result in projects receiving preferential consideration under Groups 1 and 2 (see paragraph 3-6c).

b. Preparation.

- (1) Consultation with Tenants/Homebuyers. The PHA shall consult with tenants/homebuyers regarding its intent to submit a Preliminary Application.
- (2) Consultation with Local Officials. The PHA shall consult with appropriate local officials regarding whether the proposed comprehensive or special purpose modernization is financially feasible and will result in long-term physical and social viability at the project. Where such a determination cannot be made, the PHA shall consider alternatives to improvements of all existing units, such as changes in project density, basic design, unit distribution, or household type (elderly/non-elderly), as well as demolition or disposition under 24 CFR Part 870. The PHA shall include the selected alternatives in the Preliminary Application. The PHA also shall request comment on how the proposed modernization of the projects may be coordinated with any local plans for neighborhood revitalization and expenditure of funds, such as Community Development Block Grant (CDBG) funds.

- c. Submission. Within the established time frame, the PHA shall submit to the Field Office, Attention: Chief, Assisted Housing Management (AHM) Branch, the Preliminary Application in an original and three copies (or any lesser number of copies as specified by the Field Office). The PHA also shall send a copy of the Preliminary Application to the appropriate local officials.

3-6. HUD REVIEW AND ACTION ON PRELIMINARY APPLICATION.

- a. Field Office Eligibility Review. After the Preliminary Application has been logged in, the Housing Management Officer (HMO) shall check the application to determine if all required information has been included before routing it to the Maintenance Engineer and other AHM staff, as

appropriate. Field Office eligibility review shall determine if the applications meet all the following basic eligibility requirements.

- (1) PHA Modernization Capability. The PHA has at least minimal modernization capability to carry out its proposed modernization. The Field office shall consider the PHA's modernization pipeline of previously approved, but unobligated funds and whether the PHA can administer any additional funds.
 - (2) Project Viability. The project, after modernization, will have long-term physical and social viability. This test is not applicable where only emergency modernization is proposed.
 - (3) Work Item Eligibility and Need. Based on the general description of the major work items in the Preliminary Application and the Field Office's knowledge of the project's conditions, the work items appear to be eligible and needed.
- b. Determination of Eligibility. After the eligibility review, the Field Office shall determine which projects are eligible for batching under subparagraph c. The AHM Branch shall not batch or recommend for Joint Review any application which is ineligible.
- c. Field Office Batching. The Field Office shall batch the eligible projects into the following three groups. A PHA proposing all types of modernization may have projects included in each group. For batching purposes, the Field Office may extract emergency or energy conservation work items from comprehensive modernization proposals.
- (1) Group 1. Projects having emergency conditions that pose an immediate threat (i.e., must be corrected within one year of funding approval) to tenant health or safety and proposed for assistance under emergency or homeownership modernization;
 - (2) Group 2. Projects having conditions which threaten tenant health or safety or having a significant number (10 percent or more) of vacant or substandard units and proposed for assistance under comprehensive, special purpose or homeownership modernization; and

- (3) Group 3. Other projects not meeting the criteria in subparagraphs c(1) and (2) and proposed for assistance under comprehensive, special purpose or homeownership modernization.

d. State Notification.

- (1) Under paragraph 1-7, where the State has established a review process and has selected the CIAP to review, the Field Office shall provide the State with an opportunity to comment on all Preliminary Applications proposing comprehensive modernization and determined to be eligible under subparagraph b and meeting the threshold levels of 50 or more units in urban areas or 25 or more units in nonurban areas. Preliminary Applications proposing emergency, special purpose or homeownership modernization are excluded from the State notification requirements.
- (2) The Field Office shall prepare one Standard Form (SF) 424, Federal Assistance, Section I only, for each covered Preliminary Application. The Field Office shall batch and forward copies of the covered Preliminary Applications and SF 424's to the State single point of contact (SPOC) for review. The comment period begins on the day after the Preliminary Applications are mailed. The comment period is 60 days, plus an additional 5 days for mailing for a total of 65 days.
- (3) The Field Office shall submit the State comments, if any, to the Regional Office with its preliminary funding recommendations under paragraph 3-14c. Following Regional Office preliminary funding decisions under paragraph 3-14d, in response to an official State process recommendation (comments submitted by a State, but not as an official State process recommendation, need not be addressed), the Regional Office must either:
- (a) Accept the recommendation;
 - (b) Reach a mutually agreeable solution with the parties preparing the recommendation; or
 - (c) Provide the State SPOC with a written explanation for not accepting the recommendation or reaching a mutually agreeable solution, i.e., nonaccommodation. If there is

a nonaccommodation, including not funding PHAs/projects prioritized by the State, the Regional Office shall require the Field Office to wait 15 days after sending an explanation of the nonaccommodation to the State SPOC before requesting any Final Applications from PHAs.

- e. Field Office Technical Review. After batching, the Field Office shall review each eligible project within Groups 2 and 3 on the following factors:
- (1) Extent and urgency of need;
 - (2) Prospects for long-term physical and social viability after modernization;
 - (3) Financial feasibility of proposed modernization (see paragraph 2-1e);
 - (4) Reasonableness of estimated costs;
 - (5) Degree of cost benefits (see paragraph 3-14a);
 - (6) PHA's management capability, as defined in paragraph 1-3;
 - (7) PHA's modernization capability, as defined in paragraph 1-3; and
 - (8) Local government and tenant/homebuyer support for proposed modernization.
- f. FH&EO Review. During technical review, the AHM Branch shall transmit a listing of PHAs submitting Preliminary Applications to the Fair Housing and Equal Opportunity (FH&EO) Division. The AHM Branch shall request that the FH&EO Division provide information on any PHA listed with respect to outstanding findings of nonconformance with civil rights and equal opportunity requirements or apparent noncompliance with civil rights laws, actions necessary to obtain conformance and/or compliance, and other pertinent information, if any. Where appropriate, the FH&EO Division shall return the listing to the AHM Branch with a "no comment" noted.
- g. Field Office Recommendations. After technical review, the Field Office shall prepare its recommendations for Joint Review. The Field Office shall prepare three lists, one for