

ALASKA STATE COURTS - 1961-7/00

4090 SJUD (1) SB 341 (FILE 1) 06b

Office for review and approval. The PHA "finding of fact" shall identify the amount of liquidated damages to be assessed against the contractor and the basis used in determining the amount. Liquidated damages shall be assessed at the rate established in the contract and shall be withheld from any payment due the contractor.

- b. Field Office Approval. The Maintenance Engineer, in consultation with the Field Counsel, shall review the PHA "finding of fact" to determine whether the contractor is responsible for the delay and the amount of damages established by the PHA is reasonable. Upon completing this review, the Maintenance Engineer shall prepare a letter for the signature of the Director, Housing Management Division, or designee, advising the PHA to: send a letter to the contractor identifying the amount of liquidated damages being assessed and the reasons; send a letter to the contractor's bonding company identifying the amount of liquidated damages being assessed on the contractor; and send copies of both letters to the Field Office.

Section 7. Contract Completion and Settlement

- 9-25. EARLY OCCUPANCY. The PHA may accept part of a project for occupancy before contract settlement where the following conditions are met:
- a. The dwelling units to be accepted (except items approved for delayed completion) have been completed and are ready for occupancy;
 - b. The general contractor agrees to early occupancy and completion of items approved for delayed completion;
 - c. Early occupancy will not unduly inconvenience or represent a safety risk to tenants while the unfinished work is being completed;
 - d. The PHA has obtained occupancy permits from the responsible local agency for each unit to be accepted; and
 - e. The PHA has executed an occupancy agreement with the general contractor indicating that the PHA partially accepts specified work provided that the contractor accepts the responsibility to complete the project by the established completion date.

- 9-26. FINAL INSPECTION. The contractor shall provide prompt written notification to the PHA when all work is completed. A final project inspection shall be made when all work is completed. Until the final inspection has been made, the PHA shall not advance any of the retainage or make the final payment to the contractor.
- a. Inspection Date. Upon receipt of the contractor's notification of the date when the work has been completed, the PHA shall conduct a final inspection within 10 calendar days. The PHA shall notify the Maintenance Engineer of the scheduled inspection date.
 - b. Inspection Participants. The final inspection shall be conducted by: a PHA representative; the PHA architect, where applicable; the Field Office Maintenance Engineer, where necessary; and a contractor representative.
 - c. Inspection Conference. The inspection team shall meet after completing the final inspection to determine whether: the work has been completed in accordance with the construction documents; there are any minor items of incomplete or unsatisfactory work (or seasonal work such as planting of shrubs and lawns) and reach agreement on the items to be included on the PHA's or its architect's final punch list; or there are any major deficiencies which must be corrected by the contractor so that another final inspection can be made before contract settlement.
- 9-27. SETTLEMENT DOCUMENTS. Following final inspection, the PHA shall notify the contractor to submit the following documentation to the PHA:
- a. Where appropriate, a certificate of occupancy issued by the responsible local agency for each building;
 - b. One notarized original and two copies of the contractor's release and certification which indicates:
 - (1) the work was completed in accordance with the construction documents (including change orders), except any minor items identified on the PHA's or its architect's proposed certificate of completion;
 - (2) the total amount due the contractor and a separately stated amount for each unsettled claim against the PHA;

- (3) the PHA is released of all claims, other than those stated in the contractor's release; and
 - (4) wages paid to laborers or mechanics were consistent with the wage rate requirements of the contract and there are no outstanding claims for unpaid wages.
- c. Assignment of all guarantees and warranties to the PHA; and
 - d. "Final" periodical estimate for partial payment.

9-28. PHA SUBMISSION AND HUD APPROVAL.

- a. PHA Submission. The PHA shall submit a copy of the following to the Field Office, Attention: Chief, AHM Branch, for approval: all settlement documents identified in paragraph 9-27; and the proposed certificate of completion.
- b. Review by Maintenance Engineer. Upon receipt of the contract settlement documents, the Maintenance Engineer shall conduct a prompt review. To recommend approval, the Maintenance Engineer shall determine that: all work has been completed in accordance with the construction documents; the proposed certificate of completion is acceptable; and the amount to be withheld from the contractor is sufficient to complete any items on the PHA's or its architect's punch list, including seasonal work.
- c. Review by Labor Relations Staff. After review, the Maintenance Engineer shall notify by form letter to the Labor Relations staff that the contract settlement documents are in and request sign off on the form letter if there are no problems. If there are problems, the Labor Relations staff shall indicate what they are and when they may be resolved.
- d. Action. The Field Office review shall be completed and the PHA advised of the results within 10 calendar days of receipt of the contract settlement documents. If the documents are in order, the Maintenance Engineer shall forward the certificate of completion to the Director, Housing Management Division, or designee, for signature and shall promptly return the original to the PHA.

- 9-29. PAYMENT TO CONTRACTOR. Upon receipt of the approved certificate of completion, the PHA is authorized to make

payment to the contractor of the amounts approved by the Field Office.

- a. Contract Payment. The PHA payment to the contractor shall be the amount specified in the certificate of completion and shall not include any amount to be retained for: warranty retainage or disputed items; and incomplete work, such as punch list or seasonal items.
- b. Final Payment. The PHA is not authorized to make final payment of any amounts withheld without prior Field Office approval. When punch list or seasonal work items are completed, the PHA shall prepare a revised certificate of completion for Field Office approval.

9-30. WARRANTY INSPECTIONS. The PHA is responsible for performing required warranty inspections during the warranty period and promptly notifying the contractor in writing to remedy any defects relating to manufacturer or contractor warranties on equipment and systems and contractor warranty on materials and workmanship.

- a. Contractor Responsibility. Upon receipt of PHA written notice, the contractor shall promptly remedy any defects due to the use of faulty equipment or materials, or poor workmanship. The contractor also is responsible for paying for any damage to other work resulting from such defects.
- b. Warranty Period. The warranty period for all construction work shall be at least 365 calendar days from the date specified on the certificate of completion that is applicable to the work in question or such longer period as otherwise specified in the contract.

Section 8. Contracts for Management Improvements

9-31. DETERMINATION OF NEED. During the Joint Review, the PHA and the Field Office shall reach agreement upon the PHA's need for the professional services of a consultant or consulting firm in the identification of management problems and their causes and/or the development and implementation of appropriate solutions.

9-32. SELECTION PROCESS. The PHA shall obtain professional consultant services by issuing a Request for Proposals (RFP), identifying the two or three most highly qualified consultants or consulting firms, and then negotiating a contract with the

most highly qualified consultant who will provide the required services at a fair and reasonable cost.

- a. PHA Preparation of RFP. The PHA shall prepare the RFP which shall contain: a brief description of the PHA and the project(s) to be modernized; the general scope of the management improvements; the specific consultant services required; the time frame for provision of the services; the submission deadline; and the PHA contact person. The RFP shall request the consultant, if interested, to respond with a proposal that demonstrates an understanding of the required services, provides evidence of the firm's ability to perform the services and profiles of the firm's principles, staff and facilities, provides a cost estimate, and includes a completed Form HUD-2530, Previous Participation Certificate marked "Modernization."
- b. PHA Submission of Proposed RFP. The PHA shall submit the RFP to the Field Office, Attention: Chief, AHM Branch, for review and approval before issuance.
- c. Field Office Review and Approval. The Field Office review shall be completed and the PHA advised of the results within 15 calendar days of receipt of the RFP. When the RFP is in order, the Housing Management Officer (HMO) shall prepare a letter to the PHA for the signature of the Director, Housing Management Division, or designee, indicating approval, with or without modification, and authorizing the PHA to issue the RFP.
- d. PHA Issuance of RFP. Upon receipt of the Field Office approval letter, the PHA shall immediately issue the RFP through: public announcement in local newspapers and, if appropriate, in national publications; direct requests to consultants in the PHA's files which the PHA or other PHAs have previously retained; and direct requests to local associations of minority consultants.
- e. PHA Evaluation of Proposals. The PHA shall evaluate all responses to the RFP and eliminate those that are obviously unqualified to provide the required services. The PHA shall select the two or three most highly qualified consultants, in terms of their professional competence and experience, capability to provide professional services in a timely manner, and general response to the RFP. The PHA shall then meet with each of the two or three selected consultants to discuss the required services in greater depth and the consultant's ideas about carrying out the

required services. After these meetings, the PHA shall select the most highly qualified consultant at the best possible price and reach agreement on specific tasks and costs. Any changes to the required services stated in the RFP, as a result of the negotiations, shall be incorporated into the contract.

9-33. PHA SUBMISSION AND HUD APPROVAL.

- a. PHA Submission of Proposed Contract. Upon selecting and reaching agreement with the consultant, the PHA shall immediately transmit Form HUD-2530 to the Field Office, Attention: PCR. The PHA then shall prepare and submit the proposed contract to the Field Office, Attention: Chief, AHM Branch, for review and approval before execution.
- b. Previous Participation Review. Upon receipt of Form HUD-2530, PCR shall distribute Form HUD-2530 and Form HUD-2530-RC, Report Card, to appropriate Field Office staff for review and comment. Within 5 working days, PCR shall notify the Chief, AHM Branch, of any comments received on the Report Cards. If there are adverse findings, the Director, Housing Management Division, or designee, shall review and discuss the findings with appropriate Field Office staff, including the Field Counsel. In all cases, the Director, Housing Management Division, or designee, shall immediately transmit Form HUD-2530 and related documents to the Participation Control Officer in Headquarters for determination. In addition, the HMO shall check the HUD Consolidated List of Debarred, Suspended or Ineligible Contractors and Grantees to ensure that the consultant is not on the List.
- c. Field Office Technical Review and Approval. The HMO shall review the proposed contract and prepare a letter to the PHA for the signature of the Director, Housing Management Division, or designee, advising the PHA of any required changes or authorizing the PHA to proceed with execution. To recommend approval, the HMO shall determine that the consultant is approved under the previous participation review process and the debarment check and that the proposed contract contains:
 - (1) a clear statement of the specific services, including tasks, to be performed;
 - (2) a description of the methodology to be used in carrying out the services;

- (3) an identification of the type and frequency of written reports to be provided to the PHA;
- (4) a time frame for completion of all services that is related to and coordinated with the physical improvements;
- (5) a payment schedule that is related to the successful completion of specific tasks; and
- (6) a total cost that is fair and reasonable. Where the total cost exceeds the approved budget amount and adjustments can be made within the existing budget, the PHA shall be required to submit a revision to the program budget.

- d. PHA Contract Execution. Upon receipt of the Field Office approval letter, the PHA shall immediately execute the contract.
- e. Contract Changes. The PHA shall not order or agree to any changes in the contract work without the prior written approval of the Field Office. Change orders shall include a description of the proposed change in work, a fixed price (credit, debit or no change) for the change, and an estimate of any additional time required to complete the work. Upon receipt of the change order, the HMO shall review the change and advise the PHA in writing of the results within 10 calendar days.

9-34. ABANDONMENT OR TERMINATION. In the event of abandonment of the project or termination of the contract for any cause, under the respective sections of the contract, the terms of any settlement between the PHA and the consultant shall be subject to Field Office approval. The PHA shall not disburse any monies to the consultant after the giving of notice of abandonment or termination until the Field Office has approved the settlement agreement.

CHAPTER 10. MODERNIZATION FINANCING10-1. SEPARATE BANK ACCOUNT.

- a. Requirement. A PHA with over 500 units in management shall establish a separate General Fund bank account for modernization. The Field Office may require a PHA with 500 or less units in management to establish a separate bank account for modernization, where the Field Office determines, on the basis of a fiscal audit or year-end financial reports, that the PHA has expended modernization funds for purposes other than modernization. The PHA Books of Account shall reflect this as Account 1111.3, Cash - General Fund (Modernization). The PHA shall transfer to this account all modernization funds in Account 1111.1, Cash - General Fund, at the time the special modernization account is established.
- b. Establishment. If the modernization account is established in a bank in which the PHA already has an account, the PHA shall complete Form HUD-274, Designation of Depository for Direct Deposit of Loan and/or Grant, and forward this form to the Regional Director, Office of Housing, or the Regional Project Financing Specialist (PFS). If the modernization account is established in a bank in which the PHA does not currently have an account, the PHA shall complete Form HUD-274 and enter into a depository agreement with the new bank on Form HUD-51999, General Depository Agreement, and forward these forms to the Regional PFS.

10-2. HUD CONTROLS. The Financial Management Specialist (FMS) shall:

- a. Keep appropriate financial records on the total funds provided by project for each modernization program approved after June 30, 1975 and on the total funds provided by Modernization Project after modernization as a separate project was implemented (July 1, 1978). See Sample Modernization Requisition for Funds Control Log, attached as Appendix 20;
- b. Consult with the Housing Management Officer (HMO) and the Maintenance Engineer regarding the PHA's need for funds and with the Regional PFS regarding the method of financing; and
- c. At the beginning of each Federal Fiscal Year (FFY), obtain from the Regional PFS a listing of all the project note sales scheduled for the coming year.

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- 10-3. METHOD OF FINANCING. Modernization funds shall be provided to PHAs primarily through the sale of tax-exempt project notes in the private market, rather than through direct advances from the United States Treasury, which are subject to much higher interest rates. Adequate planning is essential.
- a. Project Notes. For most PHAs, note sales shall be scheduled at least twice a year to provide modernization funds. In this way, the PHA shall only estimate cash needs for a six-month period. For PHAs with large amounts of approved modernization funds or poor past performance in correctly estimating cash needs, at least quarterly note sales shall be scheduled so that the time period for estimating cash needs is reduced from six to at most three months. This should limit the overestimates of cash needs where large sums of monies are involved. At least 6 to 8 weeks in advance of the advertising date, shown on the latest Private Market Financing Schedule, of the next regularly scheduled note sale, the Field Office shall evaluate whether funds provided in the previous note sale were inadequate, adequate or excessive and make adjustments accordingly in the PHA's estimate of need for the next time period. See paragraph 10-6.
 - b. Direct Advances. Direct advances shall only be approved where the PHA has an immediate cash need that cannot be delayed until the next possible note sale and if the total amount of the PHA's outstanding direct advances, when added to the amount of direct advances currently requested, does not exceed \$400,000. Direct advances shall be repaid at the next note sale.
- 10-4. PHA ASSESSMENT OF NEED AND REQUEST.
- a. PHA Assessment of Need. The PHA shall continually reassess its current needs for modernization funds and project cash requirements, based upon actual work progress in comparison with planned work progress. The PHA shall not request, and the Field Office shall not approve, funds in excess of need for the time period.
 - b. PHA Request. Whenever the PHA needs modernization funds, it shall consult with the Field Office as to the amount needed for the time period, the immediacy of need, and the method of financing (project notes or direct advances). After agreement is reached with the Field Office, the PHA shall submit a signed original and two copies of Form HUD-

5402, Requisition for Funds, and supporting justification to the Field Office, Attention: Chief, Assisted Housing Management (AHM) Branch.

- (1) Form HUD-5402. The PHA shall prepare a separate Form HUD-5402 for modernization funds being requisitioned through the sale of project notes and through direct advances, each identified on the heading as "Modernization - Project Notes" or "Modernization - Direct Advances." Where required to have a separate bank account, the PHA shall enter its modernization account number on Form HUD-5402.
 - (a) For modernization programs approved before modernization as a separate project was implemented, the PHA shall enter the number and amount requested for each project. The PHA also shall insert the letter "M" after each project number, e.g., Conn-22-4M. If funds are being requested for more than one modernization program or phase involving the same project, the PHA shall enter the total amount requested for the project. A single Form HUD-5402 may cover more than one project if all of the projects are under the same consolidated ACC.
 - (b) For modernization programs approved after modernization as a separate project was implemented, the PHA shall enter the number and amount requested for each Modernization Project. A single Form HUD-5402 may cover more than one Modernization Project if all of the Modernization Projects are under the same consolidated ACC.
 - (c) A single Form HUD-5402 may cover projects included in modernization before modernization as a separate project was implemented and Modernization Projects, if both types of projects are under the same consolidated ACC. Completed samples of Form HUD-5402 are attached as Appendices 21 and 22 for project notes and direct advances, respectively, and may be used as guides in preparation.
- (2) Supporting Justification. The supporting justification relates to the amounts requested for each project included in modernization before modernization as a separate project was implemented and for each Modernization Project. The following format is required:

Phase No. or Mod Project No.	Project No. if Appropriate	Amount Requested			Reasons
		Direct Advances	Project Notes	Total	
78-05	1-1	-0-	35,000	35,000	Kitchen contract awarded 7/1
	1-3	--0-	75,000	75,000	Force account work started on grounds
VA-1-901	-	15,000	45,000	60,000	Equipment to be pur- chased 7/15
		\$15,000	\$155,000	\$170,000	

- 10-5. REQUIRED DOCUMENTS. The Field Office shall not process any requests for modernization funds unless there are:
- a. Final Application approved by the Field Office Manager;
 - b. Form HUD-5079, Modernization List, signed by the Field Office Manager;
 - c. Form HUD-53009, Modernization Project Amendment to Consolidated ACC, or Form HUD-53008, Modernization Project Amendment to Consolidated ACC for Modernization of Section 23 Leased Housing Bond-Financed Projects, entered into by the PHA and executed by the Field Office Manager;
 - d. Form HUD-52250, Permanent Note, executed by the PHA;
 - e. Form HUD-274 and, if necessary, Form HUD-51999, completed by the PHA and forwarded to the Field Office, where required;
 - f. Latest required quarterly reports submitted by the PHA, under Section 2 of Chapter 11, unless the first required reports are not yet due; and
 - g. Overdue fiscal audit submitted by the PHA and approved by HUD.

10-6. HUD EVALUATION OF PHA NEED AND REQUEST. The FMS, in consultation with the HMO and the Maintenance Engineer, shall evaluate the PHA's need for modernization funds on the basis of the latest required progress reports and the on-site inspections of work progress and quality. The FMS shall consider the following questions to determine if the PHA has a genuine and legitimate need for funds and what amount is reasonable and appropriate for the time period:

- a. Is the modernization work proceeding according to the planned schedule? If so, does the amount requested reasonably reflect the planned expenditures for the time period?
- b. If the modernization work is not proceeding according to the planned schedule, has the amount requested been revised downward or upward to reflect that actual expenditures will probably be less or more than planned expenditures for the time period?
- c. Has the PHA been previously provided modernization funds that it did not spend, thereby affecting the amount of funds needed in the future?
- d. What amount of funds is necessary to enable the PHA to meet previously approved and accrued contractual commitments during the time period?
- e. Does the amount requested for a Modernization Project (or project), together with the total amount previously provided for the Modernization Project (or project), exceed the amount in the latest approved ACC for the same Modernization Project (or project)? If so, the requested amount shall not be approved, but shall be adjusted downward to conform with an amount not to exceed the approved ACC amount.
- f. Would the withholding of additional funds give HUD an effective means of curing any outstanding breaches, such as unsatisfactory PHA progress on any required management improvements, weak and ineffective program administration, poor work quality, noncompliance with any ACC provisions, or other deficiencies?

10-7. FIELD OFFICE PROCESSING. If the FMS determines in consultation with the Regional PFS that project notes or direct advances is the most appropriate way to provide modernization funds, the FMS shall advise the PHA to submit Form HUD-5402 and supporting justification. Upon receipt, the FMS shall review the documents

to ensure that the amounts requested do not exceed the amounts informally agreed to by HUD and the PHA, and are reasonable and justified. If Form HUD-5402 is in order, the FMS shall forward the original and one copy of Form HUD-5402 to the Chief, AHM Branch, for approval. The FMS then shall forward the approved original of Form HUD-5402 to the Regional PFS and retain the other copy in the AHM Branch files. The FMS shall work closely with the Regional PFS to correlate new entries on Form HUD-9202, Proposed Sale of Project Notes, with other outstanding note issues for the same PHA, provide for prompt repayment of any outstanding direct advances, and ensure the rapid processing of requests for funds by direct advances.

- 10-8. REGIONAL OFFICE PROCESSING. The Regional PFS is responsible for the coordination and operation of public housing financing activities within the Region, as follows:
- a. Project Notes. Upon receipt of Form HUD-9202 from the Bond Financing Division in Headquarters, the Regional PFS shall forward a copy of Form HUD-9202 to the Field Office for review. The Regional PFS shall coordinate all entries or adjustments to Form HUD-9202 through review of Form HUD-5402 identified as "Modernization-Project Notes" which has been submitted by the Field Office and monitor the adequacy of the supporting financing documents. The Regional PFS also shall work closely with the Regional Counsel to determine need for any legal documents before financing.
 - b. Direct Advances. Upon receipt of Form HUD-5402 identified as "Modernization-Direct Advances" from the Field Office, the Regional PFS shall review the form and, if in order, and not exceeding \$400,000, sign and forward the original Form HUD-5402 to the Office of Finance and Accounting (OFA), Attention: Director, Assisted Housing Accounting Division, Washington, D.C. The copy of Form HUD-5402 shall be retained in the Regional Office files. If the direct advance exceeds \$400,000, the Regional PFS shall forward the original Form HUD-5402, with written justification, to the Director, Bond Financing Division, Headquarters.
- 10-9. INVESTMENT OF FUNDS. The PHA shall invest modernization funds as provided under the Low-Rent Housing Financial Management Handbook 7475.1, Chapter 4. Interest income earned from investment of modernization funds shall be an offset, to the extent required in Handbook 7475.1, against operating subsidy.

10-10. REMITTANCE OF EXCESS FUNDS.

- a. Definition. Excess modernization funds are defined as those funds which have been provided to, but will not be obligated by the PHA: (1) within the next six-or-three-month period after a note sale, depending upon the note sale schedule of the PHA, when the funds were provided by note sale; or (2) between now and the next possible note sale where the funds were provided by direct advance. Excess modernization funds shall be remitted, on a temporary basis, by the PHA and may be requisitioned again at a later date without penalty in accordance with paragraph 10-4. Funds which are being permanently remitted, i.e., recaptured, are subject to the procedures set forth in Chapters 12 and 13.
- b. Identification. The Field Office shall routinely assess the status of modernization funds previously advanced to PHAs to ensure that PHAs do not have excess funds. This assessment shall occur when the Field Office reviews Form HUD-9202, Proposed Sale of Project Notes, Form HUD-5402, Requisition for Funds, Form HUD-52826, Schedule/Report of Modernization Expenditures, and at any other time when the Field Office has reason to believe that the PHA has excess funds because of a lack of modernization process. See paragraph 10-6.
- c. Consultation with Regional PFS. When the Field Office identifies excess modernization funds, the Field Office shall consult with the Regional PFS as to the closing date of the PHA's next note sale and the timing of the remittance (see subparagraphs g and h).
- d. Written Commitment from PHA. After the Field Office has consulted with the Regional PFS on the timing of the remittance, the Field Office shall obtain a firm, written commitment from the PHA on the amount by Modernization Project to be remitted and the date of remittance. The project number shall be identified as 1-1M (for modernization approved before July 1, 1978) or as 1-901 (for modernization approved after June 30, 1978), not as the phase number (e.g., Phase V or 77-05). If the Field Office is unable to get this commitment from the PHA, the Field Office shall notify the Regional PFS and the Office of Public Housing, Headquarters.
- e. Written Notification to Headquarters.
- (1) When the Field Office has received the written commitment from the PHA, the Field Office shall provide the following information to the Director, Bond
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Financing Division, Headquarters, with a copy to the Regional PFS:

<u>PHA Name</u>	<u>Modernization Project Number</u>	<u>Amount to be Remitted</u>	<u>Date of Remittance*</u>	<u>Closing Date Of Next Note Sale</u>
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(subtotal by PHA)

*15 calendar days before closing date of note sale where excess funds were provided by note sale or immediately where excess funds were provided by direct advance.

- (2) If there are any subsequent changes in the projects involved and the amounts to be remitted, the Field Office shall immediately notify, by telephone, the Regional PFS, who shall convey the changes, by telephone, to the Director, Bond Financing Division. The Field Office shall confirm the changes in writing to the Director, Bond Financing Division, with a copy to the Regional PFS.
- f. Remittance by PHA. When the PHA is remitting excess modernization funds, the PHA shall make its check payable to the Department of HUD and prepare a cover letter explaining the amount by Modernization Project. The PHA shall mail the check and cover letter to the Department of HUD, Office of Finance and Accounting (OFA), GPA Deposit Center, Room 3110, 451 Seventh Street, S.W., Washington, D.C. 20410. The PHA shall send a copy of its check and cover letter to the Regional PFS and the Field Office. The Field Office is responsible for ensuring that the PHA remits the funds on time. Where OFA does not receive the check, the Bond Financing Division will follow up with the Regional PFS or the Field Office.
- g. Remittance in Conjunction with Note Sale. If the excess funds were provided by note sale, the excess funds shall be remitted in conjunction with a note sale. The Regional PFS, before the advertising date of the note sale, is responsible for adjusting downward the amount(s) in Column j, PHA General Fund, of Form HUD-9202, by the amount(s) to be remitted. The Regional PFS shall make this adjustment after confirming again with the Field Office the correct amounts to be remitted by project for each PHA. All excess funds remitted in conjunction with

a note sale must be remitted 15 calendar days before the closing date to ensure that OFA has adequate time to process and record receipt of the check.

- h. Remittance Not in Conjunction with Note Sale. If the excess funds were provided by direct advance, the excess funds shall be remitted immediately.

CHAPTER 11. MONITORING AND EVALUATION

Section 1. General

- 11-1. INTRODUCTION. This Chapter sets forth the responsibilities of the PHA and the Field Office in the monitoring and evaluation of approved modernization programs. The monitoring and evaluation system is comprised of three basic elements: (1) quarterly progress reports; (2) budget revisions; and (3) on-site inspections. The purpose of the system is to provide the PHA and HUD with the means for determining whether the modernization is progressing in an efficient and effective manner and, if not, what corrective actions must be taken.
- 11-2. PHA RESPONSIBILITIES. The PHA has the primary monitoring and evaluation responsibility. The PHA must be concerned with the quality of the physical and management improvement work, as well as with meeting planned fund expenditures and work progress schedules. If properly established and maintained, the system will enable the PHA to have current information about the progress of its modernization program, test the effectiveness of particular activities, take prompt action to remedy deficiencies, and conduct its own evaluation of program performance. See paragraph 9-11 regarding PHA responsibilities for construction contract administration.
- 11-3. HUD RESPONSIBILITIES. The Field Office Assisted Housing Management (AHM) Branch is responsible for ensuring that PHAs are carrying out their modernization programs in accordance with HUD-approved plans and schedules and applicable laws and regulations. See paragraph 9-12 regarding Field Office responsibilities for construction contract administration. The Field Office shall help PHAs identify problems or potential problems in program implementation, as well as the causes of problems, and help PHAs to correct them. The Field Office shall determine whether PHAs have a continuing capacity to carry out approved modernization programs and to implement additional modernization programs for which they may apply. The Modernization Coordinator is responsible for developing an overall plan and timetable for monitoring and evaluation of modernization programs. In addition, the FH&EO Division is responsible for monitoring on matters related to civil rights and equal opportunity.

Section 2. Quarterly Progress Reports

- 11-4. FOR MODERNIZATION APPROVED AFTER FFY 1974. The following reporting requirements apply to modernization programs approved

after FFY 1974. For modernization programs approved between FFYs 1975 and 1981, the PHA shall no longer report on Form HUD-52995, Modernization Quarterly Progress Report, but shall convey to and report on Form HUD-52826, Schedule/Report of Modernization Expenditures.

a. Form HUD-52826, Schedule/Report of Modernization Expenditures.

- (1) Purpose. The purpose of Form HUD-52826, Schedule/Report of Modernization Expenditures, is to provide the PHA with a systematic method for recording and reporting its actual expenditures and for determining the current status of its program.
- (2) PHA Preparation. Complete instructions for the preparation of Form HUD-52826 are contained in Appendix 23. The PHA shall report its progress against the Project Implementation Schedule in the "Comments" column of Form HUD-52826 (see paragraph 7-2).
- (3) PHA Submission. The PHA shall submit Form HUD-52826 to the Field Office, Attention: Chief, AHM Branch, in an original and three copies (or any lesser number of copies as specified by the Field Office), no later than the 20th day of the month following the end of a quarter. The PHA shall continue to submit the form until the modernization program has been completed. When no further modernization funds will be expended for a particular project included in the Modernization Project, the PHA shall enter the letter "C" on the appropriate line of Part I of the form, indicating that it will be the last quarterly progress report submitted for that project.

- b. Narrative Report on Management Improvement Progress. For modernization programs approved after FFY 1981, the PHA shall submit a quarterly narrative report, describing the current status of each management work item contained on Form HUD-52325, Comprehensive Assessment/Program Budget, including the numerical status where the performance goal was quantified. The PHA also shall describe any actions taken during the quarter toward accomplishment of the goal and explain any lack of progress or actions. For modernization programs approved between FFYs 1975 and 1981, the PHA shall submit a quarterly narrative report where management work items were included on Form HUD-52994, Modernization Work Program.

11-5. HUD REVIEW AND ACTION. For modernization programs approved after FFY 1974, the Field Office shall take the following actions:

- a. Follow-up for Timely Receipt. The AHM Branch shall maintain a log of quarterly progress reports received. The HMO shall routinely telephone delinquent PHAs to remind them that their quarterly reports are overdue. No PHA request for modernization funds shall be processed until the latest required progress reports have been received and reviewed, unless the first required reports are not yet due (see paragraph 10-5f).
- b. Review. Within 25 calendar days of receipt, the HMO and the Maintenance Engineer shall promptly review the quarterly progress reports for completeness and accuracy. The HMO and the Maintenance Engineer shall review the adequacy of the PHA's explanation of any lack of progress and the appropriateness of the PHA's planned or actual corrective action. The HMO also shall determine if Form HUD-52826 has been correctly filled out.
- c. Action. If the HMO or the Maintenance Engineer finds the quarterly progress reports to be satisfactory, the HMO or the Maintenance Engineer shall so indicate on the reports. If the HMO or the Maintenance Engineer finds the quarterly progress reports to be incomplete, inaccurate or inadequate, the HMO or the Maintenance Engineer shall take all necessary steps, in writing, by telephone, or by personal visit, to reach mutual agreement with the PHA on corrective action. The HMO or the Maintenance Engineer shall document any follow-up actions taken, as well as the PHA responses, in notes to the file. The HMO shall consult with the Maintenance Engineer on the need for additional on-site inspections if the progress reports indicate serious problems.

11-6. INTERIM REPORTING SYSTEM.

a. Field Office Summary and Exception Reports.

- (1) The Field Office shall consolidate all Forms HUD-52826 into a Field Office Summary Report on the status of all modernization funds approved after FFY 1974. Where a PHA does not submit its reports(s), the Field Office shall use the PHA's report(s) from the previous quarter. The Field Office shall prepare this Summary Report on Page 1 of Form HUD-52826 for FFYs 1975 through 1983, plus any ensuing FFY. See Appendix 24 for format.

The Field Office shall include all funds for a particular FFY, i.e., funds for incomplete as well as completed programs.

- (2) The Field Office also shall prepare a Field Office Exception Report showing, for each PHA with unobligated funds over two years old or unexpended funds over three years old, the FFY of program approval, total funds approved, obligated, advanced and expended, the estimated program completion date, and the reasons for the unobligated/unexpended funds and the corrective actions being taken. See Appendix 25 for format. If the Field Office has no PHAs in these categories, the Field Office shall submit a negative report.
- (3) The Field Office shall forward its Summary and Exception Reports to the Regional Director, Office of Housing, within 45 calendar days after the end of each quarter.

b. Regional Office Summary Report.

- (1) The Regional Office shall consolidate the Field Office Summary Reports into a Regional Office Summary Report on the status of all modernization funds approved after FFY 1974. The Regional Office shall prepare its Summary Report on Page 1 of Form HUD-52826. See Appendix 26 for format.
- (2) The Regional Office shall forward its Summary Report, along with copies of the Field Office Summary and Exception Reports, to Headquarters, Director, Office of Public Housing, Attention: Project Management Division, within 60 calendar days after the end of each quarter.

11-7. FOR MODERNIZATION APPROVED BEFORE FFY 1975.

- a. PHA Submission. Any PHA with an incomplete modernization program approved before FFY 1975 (July 1, 1974), shall submit to the Field Office the following quarterly reports in an original and three copies (or any lesser number of copies as specified by the Field Office), no later than the 20th day of the month following the end of a quarter:
 - (1) Form HUD-52993. The PHA shall submit Form HUD-52993, Statement of Modernization Cost (Development), for each modernization program until completion (see Chapter 13).

- (2) PHA Summary Report. To provide a complete account of all modernization funds for all programs (completed and incomplete) approved before July 1, 1974, the PHA shall submit a summary of the status of such funds by project and total. The PHA shall record its summary on a blank page 1 of Form HUD-52995 and designate it as "PHA Summary Report on All Modernization Approved Before July 1, 1974." The PHA shall modify Columns E and F to show Total Funds Expended and Total Funds Unexpended, respectively. A Sample PHA Summary Report, appropriately modified, is attached as Appendix 27. The PHA also shall prepare a narrative report showing the amounts of, and reason for, any unexpended funds by project and the expected completion date. Every effort must be made to ensure that accurate modernization reports are submitted. The PHA shall submit the PHA Summary Report and related narrative until no further funds for any modernization program approved before July 1, 1974 will be expended.

b. Field Office Summary Report.

- (1) The Field Office shall consolidate all PHA reports into a field summary report on the status of all modernization funds approved before July 1, 1974. The Field Office shall submit this report on page 1 of Form HUD-52995, appropriately modified and designated as "Field Office Summary Report on All Modernization Approved Before July 1, 1974." A Sample Field Office Summary Report is attached as Appendix 28. Columns E and F have been modified to show Total Funds Expended and Total Funds Unexpended, respectively.
- (2) The Field Office also shall prepare a narrative report showing, for each PHA with unexpended funds, the amounts of and reasons for the unexpended funds, the expected completion date, and the actions being taken to assist the PHA to complete its program. Where the PHA has unexpended funds that will be recaptured following audit, the Field Office shall so indicate and include the expected audit date.
- (3) The Field Office shall forward its summary and related narrative to the Regional Director, Office of Housing, within 45 calendar days after the end of each quarter, until no further funds for any modernization program approved before July 1, 1974 will be expended.

c. Regional Office Summary Report.

- (1) The Regional Office shall consolidate all Field Office reports into a regional summary report on the status of all modernization funds approved before July 1, 1974. The Regional Office shall submit this report on page 1 of Form HUD-52995, appropriately modified and designated as "Regional Office Summary Report on All Modernization Approved Before July 1, 1974." A Sample Regional Office Summary Report is attached as Appendix 29. Columns E and F have been modified to show Total Funds Expended and Total Funds Unexpended, respectively.
- (2) The Regional Office shall forward its summary along with the Field Office narratives to Headquarters, Director, Office of Public Housing, Attention: Finance and Occupancy Division, within 60 calendar days after the end of each quarter, until no further funds for any modernization program approved before July 1, 1974 will be expended.

Section 3. Budget Revisions

11-8 PHA REQUIREMENTS.

- a. Total Funding Limitation. The PHA shall not incur any modernization cost in excess of the total approved modernization budget. HUD will not approve amendments to modernization budgets to cover any excess cost.
- b. Prior HUD Approval. The PHA shall obtain prior HUD approval for the following types of proposed revisions:
 - (1) Deletion or substantial revision of approved work items;
 - (2) Addition of new work items; or
 - (3) Incurring of modernization costs in excess of the approved budget amount for any work item or project.
- c. PHA Submission.
 - (1) Informal Revision. If the proposed revision will have little effect on the overall modernization program, the PHA may submit a written request for an informal budget revision to the Field Office without revising the entire budget.

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- (2) Formal Revision. If the proposed revision is major or when a combination of several approved informal revisions has resulted in substantial differences between the budget and actual implementation, the PHA shall submit a formal revision of the entire budget. For modernization programs approved after FFY 1981, the PHA shall revise Form HUD-52825, Comprehensive Assessment/Program Budget. For modernization programs approved before FFY 1982, the PHA shall revise Form HUD-52990, Modernization Program Budget. Also, the PHA shall submit a Board Resolution, approving a major revision, where required.
- d. Field Office Review and Approval. The HMC shall coordinate the prompt review of all informal and formal budget revisions submitted by the PHA. After consultation with the Maintenance Engineer, the FMS, and other Field Office staff, as appropriate, the HMO shall prepare a letter to the PHA for the signature of the Chief, AHM Branch, indicating approval, with or without modification, or disapproval.
- 11-9. OFFSETS BETWEEN WORK ITEMS OR PROJECTS. If the PHA plans to offset any increase in modernization cost for one or more other work items, the following conditions shall apply:
- a. Modernization Programs Approved Before Implementation of Modernization as a Separate Project (Before July 1, 1978).
- (1) If the offset involves work items in the same project, Form HUD-52990 shall be revised.
 - (2) If the offset involves work items in different projects, Form HUD-52990 shall be revised and the ACC shall be amended, provided that the donating project and the receiving project are under the same consolidated ACC, have the same Minimum Loan Interest Rate and Maximum Contribution Percentage, and have the same number of years remaining in their ACCs. The Field Office shall prepare a revised Form HUD-5079, Modernization List (Part II) and a new ACC amendment increasing the Maximum Modernization Cost for the receiving project and reducing the Maximum Modernization Cost for the donating project in the amount of the offset.
 - (3) If the offset involves projects not having the common elements mentioned in subparagraph a(2), the transfer procedures shall be used.
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b. Modernization Programs Approved After Implementation of Modernization as a Separate Project (After June 30, 1978) and Under CIAP.

- (1) If the offset involves work items in the same project or different projects that were included in the original ACC amendment for the Modernization Project, Form HUD-52825 or HUD-52990 shall be revised. No revised Form HUD-5079 (Part II) or new ACC amendment is required.
- (2) If the offset involves the addition of a project that was not included in the original ACC amendment for the Modernization Project or deletion of a project that was originally included, Form HUD-52825 or HUD-52990 shall be revised. The Field Office shall prepare a revised Form HUD-5079 (Part II) and a new ACC amendment for the Modernization Project. A revised Form HUD-52540, Project Accounting Data, is not required.
- (3) The project being added must be under the same consolidated ACC as the other projects originally included the Modernization Project, with the following exception. Only Section 23 Leased Housing Bond-Financed Projects (BFS) may be added to a Modernization Project composed exclusively of BFPs and only non-BFP projects may be added to a Modernization Project composed exclusively of non-BFPs. If a BFP is being added to a 985 Modernization Project, the BFP must meet the requirements of paragraph 4-13.
- (4) For the project being added to a Modernization Project approved after FFY 1980, the PHA shall submit any document required under paragraph 3-16 for the Final Application.

11-10. FUNDS LEFT OVER FROM COMPLETED MODERNIZATION PROGRAMS. This applies to modernization programs approved after FFY 1980 to ensure that the statutory requirements of the CIAP are met. The Field Office shall recapture modernization funds left over from completed modernization programs unless all of the following conditions can be met.

- (1) The work item is necessary and approvable under the appropriate type of modernization;
- (2) Funding is not available from PHA operating funds or reserves or other sources;

- (3) The leftover funds are sufficient to finance the entire work item or a portion of the work item where the PHA is able to use other funding sources for the balance necessary for completion. The Field Office shall not permit PHAs to hold leftover funds longer than 12 months in anticipation of receiving additional modernization or other funds. In such cases, the leftover funds shall be recaptured;
- (4) If the leftover funds are used at a new project, the requirements of paragraph 11-9b(3) are met and the PHA submits any documents required under paragraph 3-16 for the Final Application; and
- (5) The leftover funds are used in accordance with the requirements for the appropriate type of modernization, i.e., emergency, comprehensive, special purpose or homeownership.

Section 4. On-Site Inspections

- 11-11. INSPECTIONS BY PHA. The PHA shall provide, by contract or otherwise, adequate and competent supervisory and inspection personnel during modernization, whether the work is performed by contract or force account labor and with or without the services of an architect/engineer. Whether inspections are performed by an architect/engineer or an independent contractor, the PHA shall have the final responsibility for ensuring work quality and progress. The PHA shall state its plans for periodic inspections of the modernization work in the Modernization Organization and Staffing Plan, submitted as part of the Final Application. Before HUD approval of the Final Application, the Field Office and the PHA shall mutually determine in writing the number, type, qualifications and salaries of inspection personnel required.
- 11-12. INSPECTIONS BY ARCHITECT/ENGINEER. If the PHA is planning to hire an architect/engineer for certain modernization work, the PHA may modify the standard provisions of Form HUD-51915, concerning the services to be rendered during modernization (see paragraph 8-3).
- 11-13. INSPECTIONS BY HUD. The Field Office shall periodically visit the PHA to examine records, inspect physical work, and review implementation of management improvements. In addition, the Regional Fair Housing and Equal Opportunity Compliance Division shall conduct compliance reviews and complaint investigations related to civil rights statutes, executive orders, and regulations.

a. Work in Progress.

- (1) Frequency. After construction has started, the Maintenance Engineer (and the HMO where management improvements are involved) shall visit the PHA and project site(s) at least twice a year. More frequent monitoring visits shall be made if the scope of the rehabilitation is substantial or if serious problems or deficiencies are identified in previous inspections or from review of the quarterly progress reports or revisions to the program budget or work program.
 - (2) Checklist. The Maintenance Engineer shall review the adequacy of the PHA's contract administration, supervision and inspection and the quality of the physical work, including materials and equipment. At a minimum, the Maintenance Engineer shall use the Sample Checklist for Monitoring of Physical Improvements or similar checklist to conduct this review (see Appendix 30). The Maintenance Engineer shall discuss any adverse findings with the PHA and include them in the monitoring letter.
 - (3) Monitoring Letter. After each on-site inspection, the Field Office representative shall prepare a monitoring letter to the PHA, setting forth the modernization program(s) monitored, Field Office staff who monitored and date of visit, scope of monitoring, monitoring conclusions (both positive and negative), specific corrective action required, if any, due date of corrective action, and offer of technical assistance, if appropriate. When the monitoring visit is a team visit, a single letter should be sent to the PHA. In no case should the time between the visit and the date of the letter exceed 25 calendar days. Where appropriate, the Field Office representative also shall prepare a trip report, including additional background information not in the monitoring letter.
- b. Completion of Construction Contracts. Under Section 7 of Chapter 9, the PHA is required to notify the Field Office of the scheduled final inspection. Where appropriate, the Maintenance Engineer may wish to participate to ensure that the work has been completed in accordance with contract requirements.
- c. Completion of a Modernization Program. Upon completion of a modernization program, the HMO and the Maintenance Engineer shall conduct a final on-site inspection to ensure
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that all management improvements and physical work have been completed and are of acceptable quality. As appropriate, the Financial Management Specialist (FMS) and the Occupancy Specialist also shall participate. In addition, the review shall evaluate the following program aspects: (1) the success of the PHA in meeting the goals set forth in the Final Application; (2) the PHA's administration of the modernization program; (3) the success and adequacy of the physical work as outlined by the architect/engineer; and (4) the adequacy of any work performed by force account labor. The Field Office representatives shall prepare a final monitoring letter under subparagraph a(3).

Section 5. Corrective Action

- 11-14. HUD FOLLOW-UP. The Field Office AHM Branch shall take the following appropriate action to follow-up with the PHA or any corrective action required by the Field Office's monitoring letter (see paragraph 11-13a(3)):
- a. If the PHA fails to meet a target date for corrective action, the HMO shall follow-up with a telephone call or written reminder.
 - b. If the PHA has not responded within 30 calendar days after the date the PHA was required to take corrective action, the HMO shall prepare a letter to the PHA for the signature of the Field Office Manager or designee. The letter shall request the status of the required action and warn the PHA of the consequences of failure to comply, as set forth in paragraph 11-15.
 - c. The HMO and the Maintenance Engineer shall review the PHA's proposed corrective action. If the reviews indicate that the action is less than satisfactory, the HMO or the Maintenance Engineer shall prepare a letter to the PHA for the signature of the Field Office Manager or designee. The letter shall specify needed additional action and the due date.
 - d. The Field Office may establish a new due date, subject to good faith efforts by the PHA to correct the deficiency. The Field Office may conduct a follow-up visit to verify corrective action taken or to provide technical assistance where the PHA has been unable to correct the deficiency.
 - e. Where the PHA fails to make good faith efforts to correct the deficiencies, the Field Office shall notify the PHA Board of Commissioners and request a meeting.

11-15. HUD ACTION. Where the PHA is unable to correct an identified deficiency, such as lack of progress, noncompliance with applicable laws and regulations, and lack of continuing capacity, the Field Office shall notify the PHA in writing of its intent to take one or more of the following actions:

- a. Disapprove any further requisitions for funds, except where necessary to meet the PHA's outstanding contractual obligations.
- b. Impose additional requirements for PHA submission of contracting documents for prior HUD review and approval under Chapter 9.
- c. Disapprove any new application for modernization funds.
- d. Terminate all or part of the approved modernization program. In such case, the letter shall direct the PHA not to incur additional cost for the terminated program unless the Field Office specifically approves the additional cost. In terminating a partially completed program, the Field Office shall consider what physical work is already underway, the amount of funds previously provided for that work, and the amount of additional funds needed to complete that work, including the PHA's outstanding contractual obligations. Termination of an approved program that is under ACC must be based on a declaration of substantial breach of default. See Chapter 12 regarding the recapture of modernization funds and Chapter 13 regarding the fiscal closeout of modernization programs.
- e. Initiate action to find the PHA in substantial default or breach of the terms and conditions of the ACC in order to invoke the remedies under the ACC, including notification to the Depository Bank not to honor any further withdrawals from the Modernization and/or General Fund bank accounts without prior HUD authorization.

CHAPTER 12. CANCELLATION OR RECAPTURE OF MODERNIZATION FUNDS

12-1. INTRODUCTION. This Chapter provides instructions to the Field Office on the cancellation and recapture of modernization contract, budget and loan authority. These instructions are consistent with those contained in Chapter VI of Handbook 1970.41, Low-Income Housing Program: Procedures for Accounting, Recording, and Reporting of Budget Authority.

12-2. DEFINITIONS.

- a. Obligation. The approval of contract, budget and loan authority for a PHA's modernization program through execution of Form HUD-5079A, Modernization List (Part I) and signing of the approval letter to the PHA.
- b. Deobligation. The cancellation or recapture of all or part of the contract, budget and loan authority obligated for a PHA's modernization program through execution of a new Modernization List (Part II) and signing of the disapproval letter to the PHA.
- c. Cancellation. The deobligation of all or part of the contract, budget and loan authority obligated during the current Federal Fiscal Year (FFY).
- d. Recapture. The deobligation of all or part of the contract, budget and loan authority obligated during any previous FFY.
- e. Reuse. The reobligation of contract and budget authority previously cancelled or recaptured and loan authority previously cancelled.

12-3. CURRENT FISCAL YEAR CANCELLATIONS. The Field Office may cancel and reuse any current FFY contract, budget and loan authority, as follows:

- a. ACC Not Amended. If the Modernization List (Part I) has been approved during a current FFY, but the ACC has not yet been amended, the Field Office may cancel the contract, budget and loan authority obligated by executing a new Modernization List (Part II), rescinding the original Modernization List (Part I), and a new Form HUD-52540, Project Accounting Data, and signing the disapproval letter to the PHA. The Financial Management Specialist (FMS) shall immediately notify Regional or Chief Counsel to stop processing the ACC amendment. The Field Office shall

distribute the approved new Modernization List (Part II) and Form HUD-52540 with the PHA disapproval letter in accordance with paragraphs 4-9 and 4-7c. As soon as the Regional Accounting Division (RAD) records the cancellation, the Field Office may reuse the cancelled contract, budget and loan authority. The Field Office must reuse the cancelled funds by the end of the current FFY or the cancelled funds will be returned to RAD and treated as recaptured funds in the subsequent FFY.

- b. ACC Amended. If the Modernization List (Part I) has been approved during a current FFY and the ACC has been amended, the Field Office shall execute a new Modernization List (Part II), rescinding the original Modernization List (Part I), and a new Form HUD-52540, and sign the disapproval letter to the PHA. The contract, budget and loan authority is not considered cancelled until execution of the new ACC amendment. Therefore, the Field Office may not distribute the approved new Modernization List (Part II) and Form HUD-52540 with the PHA disapproval letter in accordance with paragraphs 4-9 and 4-7c until the new ACC amendment has been executed by the Field Office Manager. The Field Office shall forward the original of Form HUD-52540 and one copy each of the new Modernization List (Part II), PHA disapproval letter and executed ACC amendment to the RAD at the same time. Upon receipt of the new ACC amendment, the RAD will record the cancellation and treat the funds as recaptured funds in the subsequent FFY in accordance with Handbook 1970.41
- c. Funding of Same PHA More Than Once in Same FFY. For various reasons, the Field Office may have approved the Modernization List (Part I) for a PHA during a FFY, but wish to approve additional funds for that same PHA during the same FFY.
- (1) Where the ACC for the Modernization List (Part I) has not been amended, the Field Office may follow the procedures set forth in subparagraph a and then approve a new Modernization List (Part I) for a greater dollar amount. This avoids the funding of two Modernization Projects for the same PHA in the same FFY.
 - (2) Where the ACC for the Modernization List (Part I) has been amended, the Field Office will be unable to avoid funding two Modernization Projects for the same PHA in the same FFY. The Field Office shall approve another Modernization List (Part I) for the second Modernization Project, even though the same individual projects may be on both Modernization Lists.

12-4. PRIOR FISCAL YEAR RECAPTURES. Prior FFY recaptures will be necessary when the Field Office is terminating all or part of the PHA's modernization program before completion or when the Field Office is recapturing unexpended funds after completion of the PHA's modernization program. Upon receipt of the new ACC amendment, the RAD will record the recapture of the appropriate amounts of contract, budget and loan authority. The Field Office may not reuse recaptured contract and budget authority unless authorized by Headquarters.

- a. For Modernization Approved After June 30, 1978. If the Modernization List (Part I) has been approved during any previous FFY, the Field Office may recapture the contract, budget and loan authority obligated by taking the following steps:
 - (1) ACC Not Amended. The Field Office shall follow the instructions set forth in paragraph 12-3a.
 - (2) ACC Amended, No Funds Advanced. The Field Office shall follow the instructions set forth in paragraph 12-3b.
 - (3) ACC Amended, Funds Advanced. The Field Office shall follow the procedures in Chapter 13, regarding audit and approval of Form HUD-53001, Actual Modernization Cost Certificate, and disposition of any excess funds advanced before following the instructions set forth in paragraph 12-3b.
- b. For Modernization Approved Before July 1, 1978. If the Modernization List (Part I) has been approved during any previous FFY, the Field Office may recapture the contract, budget and loan authority obligated by taking the following steps:
 - (1) Follow the procedure in Chapter 13, regarding audit and approval of Form HUD-53001 and disposition of any excess funds advanced.
 - (2) Execute a new Modernization List (Part II), rescinding the original Modernization List (Part I), and a new Form HUD-52540 and sign the disapproval letter to the PHA. Complete a separate Form HUD-52540 for each project for which funds are being recaptured, leaving blank Blocks 9, 11E and 11F.

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- (3) Forward the new Modernization List (Part II) and new Form HUD-52540 to the Office of Finance and Accounting, Attention: Assisted Housing Accounting Division, Headquarters, for completion. Upon receipt of the completed documents from OFA, the Field Office shall then execute the ACC amendment. After ACC amendment execution, the Field Office shall distribute the original of Form HUD-52540 and one copy each of the new Modernization List (Part II), PHA disapproval letter and executed ACC amendment to the RAD at the same time.

CHAPTER 13. FISCAL CLOSEOUT OF MODERNIZATION PROGRAMS

- 13-1. INTRODUCTION. This Chapter provides instructions on the fiscal closeout of modernization programs that are completed or being terminated because of poor performance or other reasons. Program completion means that all authorized modernization costs have been fully paid and no further modernization funds will be expended for that particular modernization program.
- 13-2. FINAL BUDGET REVISIONS. When a modernization program is nearing completion, the PHA shall consult with the Field Office regarding the need for any further budget revisions, as required in paragraph 11-8.
- 13-3. PHA SUBMISSION OF FINAL REPORT AND ACTUAL MODERNIZATION COST CERTIFICATE. Upon completion or termination, the PHA shall submit to the Field Office, Attention: Chief, Assisted Housing Management (AHM) Branch, the final quarterly progress report and Form HUD-53001, Actual Modernization Cost Certificate, as explained below:
- a. Final Report. The PHA shall submit the final quarterly report in an original and three copies, as follows:
- (1) Form HUD-52993, Statement of Modernization Cost (Development), marked "Final," for each modernization program approved before FFY 1975; or
 - (2) Form HUD-52826, Schedule/Report of Modernization Expenditures, marked "Final," for each modernization program approved after FFY 1974.
- b. Actual Modernization Cost Certificate. The PHA shall submit Form HUD-53001 in an original and one copy. Completed samples of Form HUD-53001 are attached as Appendices 31 and 32, respectively, for modernization programs approved before and after modernization as a separate project was implemented (July 1, 1978). Instructions for preparation of the form are contained on the reverse side of the form.
- (1) For modernization programs approved before July 1, 1975, the Housing Management Officer (HMO) shall determine if the PHA may submit one Form HUD-53001 to cover each modernization program as it is completed or must wait until all such programs are completed to submit one Form HUD-53001, covering all these programs. The Field

Office shall base this determination on the accuracy and completeness of Field Office records regarding the provision of modernization funds against each approved modernization program by project and the availability of an audit report that provides a cost break-out by project, by modernization program.

- (2) For modernization programs approved after June 30, 1975, the PHA shall submit one Form HUD-53001 to cover each modernization program as it is completed.

13-4. HUD REVIEW. Upon receipt of the required documents, the HMO shall review the documents for any irregularities. The figures on the "Final" Form HUD-52993 or Form HUD-52826 and on Form HUD-53001 must agree as to funds approved, advanced, and expended (see funding limitations in paragraphs 11-8 and 11-9). The amount of funds advanced must agree with Field Office records.

- a. If the submitted documents are acceptable, the Field Office shall notify the PHA that Form HUD-53001 is approvable subject to verification by fiscal audit. In addition, the HMO and the Maintenance Engineer shall determine if a final on-site inspection is necessary to ensure that all work has been completed and is of acceptable quality.
- b. If Form HUD-53001 indicates that the PHA has incurred costs in excess of the ACC amount for any project in modernization programs approved before modernization as a separate project was implemented, the Field Office shall not approve Form HUD-53001, but use the transfer procedures.
- c. If Form HUD-53001 indicates that excess funds have been advanced to the PHA, the Field Office shall direct the PHA to remit excess funds under paragraph 10-10. If the subsequent audit of Form HUD-53001 shows that the PHA over-remitted funds, HUD will return the amount of the over-remittance to the PHA.

13-5. AUDIT VERIFICATION OF ACTUAL MODERNIZATION COST CERTIFICATE. The audit shall follow the guidelines prescribed by OMB Circular A-102, Attachment P - Audit Requirements. The HMO shall prepare a letter for the signature of the Field Office Manager or designee to the PHA, advising that Form HUD-53001 must be verified by the Independent Public Accountant (IPA) during the next regularly scheduled biennial PHA audit. HUD reserves the right to conduct audits.

13-6. HUD APPROVAL OF ACTUAL MODERNIZATION COST CERTIFICATE. Upon acceptance of the fiscal audit, the RIGA shall furnish a copy of the audit report to the Field Office. The HMO and the Financial Management Specialist (FMS) shall review the audit report to determine if the audited costs agree with the costs shown on Form HUD-53001. If Form HUD-53001 indicates that the PHA has incurred costs in excess of the ACC amount for any project on modernization programs approved before modernization as a separate project was implemented, the Field Office shall not approve Form HUD-53001, but use the transfer procedures. If Form HUD-53001 indicates that an ACC amendment is required under paragraph 13-7, the HMO shall so indicate on Form HUD-53001 and then forward the original Form HUD-53001 to the Director, Housing Management Division, for signature, indicating that Form HUD-53001 has been audited and is correct, and to the Field Office Manager for signature, indicating approval. After signature, the HMO shall arrange for the original and five copies of the approved Form HUD-53001 to be distributed, as follows.

- a. To the PHA, one copy for records purposes.
- b. To the Regional or Chief Counsel, one copy for attachment to the ACC amendment for records purposes.
- c. To the AHM Branch files, one copy for records purposes.
- d. To the Regional Director, Office of Housing, one copy for informational purposes.
- e. To the RIGA, one copy for audit and records purposes.
- f. To Headquarters, Office of Finance and Accounting (OFA), Attention: Director, Assisted Housing Accounting Division, the original for fiscal purposes.

13-7. ANNUAL CONTRIBUTIONS CONTRACT AMENDMENT.

- a. Determination of Need. An ACC amendment is required where the audited and approved Form HUD-53001 indicates the following:
 - (1) For modernization programs approved before modernization as a separate project was implemented (before July 1, 1978), that the PHA has incurred costs that are less than the ACC amount for any project.
 - (2) For modernization programs approved after modernization as a separate project was implemented (after June 30,

1978), the PHA has incurred costs that are less than the ACC amount for the Modernization Project itself.

- b. Preparation of Documents. Where an ACC amendment is required, the FMS shall follow the procedures set forth in paragraph 12-4. A new Form HUD-52250, Permanent Note, is not required.

- 13-8. FINANCING ADJUSTMENTS. After execution of the ACC amendment and receipt of the excess funds, any required correction to the financing of the modernization program shall be accomplished at the time of the next project note sale. OFA will determine the outstanding indebtedness for each project involved and adjust the financing to reflect the outstanding indebtedness. The Regional PFS shall review the adjustments and immediately contact OFA if an error is found.

**DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT**

Office of the Secretary

24 CFR Part 868

[Docket No. R-82-909]

**Comprehensive Improvement
Assistance Program; Low-Income
Housing**

AGENCY: Department of Housing and
Urban Development (HUD).

ACTION: Final rule.

SUMMARY: This rule revises the requirements for the modernization of existing public housing projects by setting forth simplified, more flexible requirements as a result of the Department's consideration of the public comments received on the Comprehensive Improvement Assistance Program (CIAP) interim rule published April 14, 1981, and the Department's own efforts to reduce burdensome requirements.

EFFECTIVE DATE: July 19, 1982.

FOR FURTHER INFORMATION CONTACT: Pats Peake, Office of Public Housing, Department of HUD, 451 Seventh Street, SW., Washington, D.C. 20410, (202) 755-5595. (This is not a toll free number.)

SUPPLEMENTARY INFORMATION: On April 14, 1981, the Department published an interim rule (46 FR 21932), setting forth the requirements for the CIAP. Under the CIAP, the Department is authorized to provide 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. Comments were invited until June 15, 1981.

Comments were received from 15 organizations and individuals. Each comment was carefully considered. The following is a summary of the comments received and of the changes made to the interim rule by major subject area.

A. Comprehensive Modernization

Four commentors advocated greater flexibility in the use of two-stage funding for Comprehensive Modernization because of the large modernization needs of some PHAs and projects in relation to the small fund allocations of some HUD offices. The Department agrees that greater flexibility is desirable and, therefore, requires two-stage funding for PHAs that lack modernization capability and permits two-stage funding for PHAs that

lack management capability. The Department also permits two-stage funding where the magnitude of the total funds required for the Comprehensive Modernization is such that one-stage funding is precluded by the HUD office's allocation of funds. The Department believes that the routine use of two-stage funding is not consistent with the statutory intent to fund modernization in a piecemeal, rather than a piecemeal, manner and that such routine use will discourage PHAs from comprehensive planning of the physical and management improvements at specific projects.

Two commentors recommended annual funding of piecemeal modernization within the context of a comprehensive modernization plan for the projects involved, e.g., partial funding of five projects every year for five years rather than total funding of one project every year. Another commentor recommended that the CIAP be made responsive to variations from the comprehensive modernization approach where those variations are reasonably responsive to the amount of funds available and the individual PHA's modernization needs. Again, the Department does not believe that these approaches are consistent with the statutory intent and, therefore, did not accept these comments. The statute clearly requires comprehensive modernization of projects with the limited exceptions of special purpose and emergency needs.

Another commentor questioned why the implementation period for Comprehensive Modernization was limited to three years when the statutory maximum was five years. The Department believes that a three-year implementation period is adequate for the vast majority of Comprehensive Modernization programs, but will approve up to five years on an exception basis.

Another commentor expressed concern about the timing of the funding of the second stage of Comprehensive Modernization. For example, delay in second stage funding may cause the design to be outdated or the cost estimates to be off. The Department concurs that the timing is important and will work with PHAs to minimize any adverse effects. However, second stage funding is contingent upon the availability of funds and PHA compliance with HUD regulatory and statutory requirements.

B. Special Purpose Modernization and Energy Audits

Five commentors requested that PHAs be allowed to apply for special purpose

modernization beyond the first year of their five-year plans. The Department acknowledges the difficulties this may have created and has decided to provide greater flexibility since the energy audit procedures will not be published until late-Federal Fiscal Year (FFY) 1982. PHAs that were approved for modernization in FFY 1981 are now eligible to apply for special purpose modernization through FFY 1983. PHAs that were not approved for modernization in FFY 1981 are now eligible to apply for special purpose modernization in the first two years of their five-year plans. This allows an extra year for all PHAs to respond satisfactorily to the energy audit requirements and to receive funding for cost-effective energy conservation work items.

Three commentors requested clarification on the timing of energy audits and their relationship to special purpose modernization. All PHAs are required by 24 CFR Part 865, Subpart C, to conduct PHA-wide energy audits by May 27, 1983. As indicated above, during FFY 1982, the Department will issue guidelines for PHAs on how to conduct energy audits. This rule clarifies that before approval of Comprehensive Modernization or special purpose modernization, a project must have undergone an energy audit.

C. Emergency Modernization

Two commentors recommended that the definition of emergency modernization be expanded to include the protection of the physical integrity of the structures. Since the statute limits emergency modernization to correcting conditions which threaten the health or safety of the tenants, emergency modernization funds may be used only when protection of the integrity of the structures is necessary to protect tenant life, health and safety or for improvements related to fire safety. If an application which includes emergency modernization and other items does not satisfy the funding preference for cost savings, the other items may be eliminated and the emergency modernization items funded.

D. Proration of Administrative Salaries

Six commentors recommended that PHAs be allowed to charge to modernization a portion of the salaries of non-technical and technical personnel assigned part-time to the modernization program, regardless of whether the positions were in existence before the PHA's Performance Funding System base level was established. This comment was accepted. However, such

salaries are eligible costs only where the scope and volume of the modernization-related 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 and authorized by the HUD office and must be reflected by an appropriate revision to the PHA's operating budget.

E. Selection of PHAs

Two commentors expressed concern that the CIAP was a program to reward poor management and that PHAs with serious physical and management problems would have a better chance for funding than PHAs with serious physical problems, but good management. It is not the intent of the CIAP to reward poor management or to exclude from participation PHAs with management problems. The statute directs the Department to give preference to PHAs which have demonstrated a capability of carrying out the activities proposed in their comprehensive plans. On the other hand, one of the statutory purposes of the CIAP is to upgrade the management and operation of public housing projects. The Department does not believe that a rigid rating system is appropriate and prefers to retain flexibility by allowing HUD offices to exercise judgment in making funding decisions. HUD offices are authorized to disqualify any PHA from funding consideration if its lack of management or modernization capability is so serious that it would be unable to use the funds in a timely and effective manner or if the PHA has not demonstrated an effort to improve its management as a result of past HUD reviews or technical assistance.

One commentor recommended that the method for selecting PHAs to participate in the CIAP be reevaluated to insure participation by small PHAs. The Department wishes to emphasize that all sizes of PHAs are eligible and that the current method of selection does not preclude small PHAs from participation. The statute also directs the Department to give preference to PHAs with projects having conditions which threaten the health or safety of the tenants or having a significant number of vacant, substandard units. Therefore, the extent of physical need will be a selection factor, regardless of the size of the PHA.

For a number of years, the Department has emphasized the need for economy and efficiency in modernization. By requiring that PHAs undertake management improvements as part of programs for the physical

improvement of projects, the Department anticipated that after modernization the projects could be operated in a more economical and efficient manner. Today's high operating costs and the resulting need for large operating subsidies are the most serious issues facing the Public Housing Program. The reality of limited budget resources makes it essential that PHAs take effective action, through modernization, to achieve operating cost savings. Therefore, in addition to the two factors for funding preference previously described, i.e., project physical need and PHA capability, the Department believes that the degree of cost savings should also be a factor in funding selection. Accordingly, the Department is adding an additional factor, giving funding preference to PHAs which demonstrate that the modernization will result in the greatest cost savings. This additional funding preference for cost savings is not applicable to physical improvements of an emergency nature affecting the life, health and safety of tenants or related to fire safety.

An additional concern raised during the review of the rule was the approval of Comprehensive or special purpose modernization where modernization was not financially feasible and would not result in long-term physical and social viability. Under the CIAP, the PHA is required to undertake a thorough analysis of its particular problems and design a comprehensive strategy for remedying those problems. Therefore, the Department has determined that it is appropriate to require PHAs, before developing their Preliminary Applications in consultation with local officials, to determine that the proposed Comprehensive or special purpose modernization is financially feasible and will result in long-term physical and social viability. When such a determination cannot be made, the PHA must consider alternatives to improvement of all existing units, such as changes in project density, basic design, unit distribution and/or household type, as well as demolition or disposition under 24 CFR Part 870, and include the selected alternative in the Preliminary Application. Where such a determination can be made, the PHA shall consider every possible approach to reducing operating costs and include the selected approaches in the Preliminary Application.

In view of the anticipated funding of modernization programs from development funds, a provision has been added to the rule which requires PHAs using such funds to comply with

the requirements and procedures for application approval, except that they are not subject to competitive selection criteria. The rule further provides that the availability of development funds may be taken into account in making modernization funding decisions.

In addition, section 14(f) of the statute states that where an application for modernization proposes partial or total demolition of a project, the Department may not approve the application unless timely replacement of the units will be undertaken by the PHA, the total cost of providing replacement housing is less than the total cost of rehabilitation, except where waived by HUD, and low-income families displaced by demolition will be provided with decent, safe, sanitary, and affordable housing. This statutory requirement is consistent with the requirements of 24 CFR Part 870, with which the PHA must comply (see Section 863.4(a)).

F. Consultation with Local Officials/Tenants

One commentor questioned how the degree of local government and tenant support for proposed modernization would be measured by the HUD office, particularly since the method of consultation is not specified. The degree of local government support may be measured by written support from the locality, which may include evidence that the locality has provided or will provide additional funding for the project or its surrounding neighborhood. The degree of tenant support may be measured by the tenant comments and recommendations secured by the PHA before the Joint Review.

Another commentor stated that the tenant participation requirements should be strengthened and expanded to include emergency modernization. The Department believes that the requirements, as written, are adequate to secure meaningful tenant participation and are inappropriate where correction of physical deficiencies of an emergency nature is involved. Therefore, the comment was not accepted.

G. Replacement Reserves

Five commentors urged that the replacement reserves be established and funded at the earliest possible date to assure that future needs will be met. The Department is currently developing its criteria and procedures for funding these reserves with the objectives of funding them at the earliest possible date. Another commentor requested clarification of the requirement that PHAs provide gross estimates of future

replacement costs at the projects to be comprehensively modernized. The Department has this issue under consideration and will provide further guidance at a future date.

H. Selection of Architects/Engineers

Two commentors questioned why it was necessary to obtain professional services through a competitive negotiations process. The Department believes that this process, which is advocated by various professional organizations, will enable the PHA to select the most highly qualified architect/engineer to provide the required services at a fair and reasonable cost.

I. Contracting Requirements

Two commentors stated that the contracting requirements should be reduced and six commentors advocated greater flexibility in PHA issuance of change orders without prior HUD approval. The Department agrees that the contracting requirements were burdensome and has reduced them significantly. The Department has adopted a basic approach which relies on certification where the PHA has demonstrated satisfactory past performance in modernization contracting and has adequate in-house technical capability. However, where there are deficiencies in the PHA's performance or capability, the Department reserves the authority to impose additional requirements.

J. Modernization and Energy Conservation Standards

In order to carry out the directives under section 14(i)(2) of the United States Housing Act of 1937, as amended, to issue rules and regulations establishing standards which will provide decent, safe and sanitary living accommodations in public housing projects and for energy conserving improvements in such projects, the general criteria for such standards are set forth in § 868.18. The Modernization Standards and the Energy Conservation Standards will be published separately and an opportunity will be afforded for public comment.

K. Miscellaneous

One commentor requested more information on the definition of an eligible project. The Department is unclear what additional information is required beyond what is provided in § 868.2. The same commentor requested a more detailed explanation of the application and reporting process. Additional guidance is provided in the CIAP Handbook 7485.1 REV-1 which

will be printed and available at HUD offices.

One commentor noted that estimating planned expenditures by quarter is difficult. The Department has reduced its requirements to require only that PHAs estimate planned expenditures by year, one year at a time. The same commentor requested clarification of the minority business enterprise (MBE) goal. Additional guidance is provided in the CIAP Handbook 7485.1 REV-1.

One commentor stated that HUD funding of preventive maintenance would protect the public housing stock and increase the effectiveness of programs such as the CIAP. This comment reflects a concern which is outside the realm of the CIAP.

One commentor requested guidance on how to handle a scattered site project and two contiguous projects. The CIAP Handbook 7485.1 REV-1 provides guidance in this area. Scattered site projects are treated the same as non-scattered site projects, i.e., the entire scattered site project is funded in one stage. Two or more separate, but contiguous, projects may be funded together for Comprehensive Modernization.

One commentor stated that the planning costs of non-financially distressed PHAs should be reimbursable in cases where the PHAs are not funded. Due to limited fund availability, this is not possible.

One commentor recommended that the Department establish management standards against which PHA management improvement needs could be measured. The Department believes that this comment has merit and is pursuing this matter for future implementation.

One commentor recommended that the Davis-Bacon wage rate requirement be eliminated. Since this requirement is statutory, the Department cannot accept this comment.

One commentor recommended that all products, programs and computer software developed through management improvements funded by the CIAP remain in the public domain. Although the Department believes that this comment has merit, the feasibility of imposing such requirements requires further study.

Another commentor advocated raising the dollar threshold from \$10,000 to \$100,000 as to when bid bonds and performance and payment bonds are required in order to encourage greater participation from minority and women's business enterprises. The Department did not accept this comment because it does not believe that a higher threshold would afford PHAs adequate

protection against frivolous bids and contractor defaults.

One commentor maintained that the requirements for prior HUD approval of budget revisions were burdensome and that budget revisions should be processed on a quarterly basis. The CIAP Handbook provides for minor changes to be approved without PHA submission of formal budget revisions. This procedure provides adequate flexibility to both HUD and PHAs.

One commentor recommended that the provisions concerning eligibility for funding of certain staff to provide social services were confusing and should be deleted. These provisions have been deleted.

This rule does not constitute a "major rule" as that term is defined in section 1(b) of the Executive Order 12291 on Federal Regulation issued by the President on February 17, 1981. Analysis of the rule indicates that it does not: (1) Have an annual effect on the economy of \$100 million or more; (2) Cause a major increase in costs or prices for consumers, individual industries, Federal, State, or local government agencies, or geographic regions; or (3) Have a significant adverse effect on competition, employment, investment, productivity, innovation, or on the ability of United States-based enterprises to compete with foreign-based enterprises in domestic or export markets.

Information collection requirements contained in this rule have been approved by the Office of Management and Budget (OMB) under the provisions of the Paperwork Reduction Act of 1980 (Pub. L. 96-511) and have been assigned OMB control numbers. The applicable regulatory sections and OMB control numbers are listed below:

CFR citation	OMB control No.
§ 868.5(b)	2502-0218
§ 868.5(c)	2502-0218
§ 868.5(d)	2502-0208
§ 868.5(e)	2502-0208
§ 868.7	2502-0218
§ 868.8	2502-0218
§ 868.12(a)	2502-0157 and 2502-0218
§ 868.12(b)	2502-0157
§ 868.12(c)	2502-0157
§ 868.12(d)	2502-0218
§ 868.12(e)	2502-0188
§ 868.12(f)	2502-0184 and 2502-0618
§ 868.14(a)	2502-0184 and 2502-0218
§ 868.14(b)	2502-0218
§ 868.15	2502-0184 and 2502-0208
§ 868.17	2502-0218

A Finding of No Significant Impact with respect to the environment was

made in accordance with HUD regulations 24 CFR Part 50, which implement section 102(2)(C) of the National Environmental Policy Act of 1969, for the interim rule and is applicable to the final rule. The Finding of No Significant Impact is available for public inspection and copying during regular business hours in the Office of the General Counsel, Rules Docket Clerk, Room 5218, 451 Seventh Street, SW., Washington, D.C. 20410.

Pursuant to 5 U.S.C. 605(b) (the Regulatory Flexibility Act), the undersigned hereby certifies that this rule does not have a significant economic impact on a substantial number of small entities.

This rule was listed as item (B) 13 H-21-80 under the Office of Housing in the Department's Semiannual Agenda of Regulations published on August 17, 1981 (46 FR 41713) pursuant to Executive Order 12291 and the Regulatory Flexibility Act.

The Catalog of Federal Domestic Assistance program number and title are 14.158, Public Housing—Modernization of Projects.

OMB Control Numbers: 2502-0157; 2502-0164; 2502-0188; 2502-0208; 2502-0218; 2502-0218; and 2502-0219.

List of Subjects in 24 CFR Part 868

Loan programs; Housing and community development; Public housing; Reporting and recordkeeping requirements.

Accordingly, 24 CFR part 868 is revised to read as follows:

PART 868—COMPREHENSIVE IMPROVEMENT ASSISTANCE PROGRAM

- Sec.
- 868.1 Purpose.
 - 868.2 Applicability.
 - 868.3 Definitions.
 - 868.4 Eligible costs.
 - 868.5 Procedures for obtaining approval of a modernization program.
 - 868.6 Modernization Project.
 - 868.7 Tenant participation.
 - 868.8 Homebuyer participation.
 - 868.9 Other program requirements.
 - 868.10 Special requirements for homeownership projects.
 - 868.11 Special requirements for Section 23 Leased Housing Bond-Financed projects.
 - 868.12 Contracting requirements.
 - 868.13 Modernization financing.
 - 868.14 Progress reporting.
 - 868.15 Budget revisions.
 - 868.16 On-site inspections.
 - 868.17 Fiscal closeout of a modernization program.
 - 868.18 Modernization and Energy Conservation Standards.

Authority: United States Housing Act of 1937 (42 U.S.C. 1437 et seq.), sec. 7(d), Department of HUD Act (42 U.S.C. 3535(d)).

§ 868.1 Purpose.

Section 14 of the United States Housing Act of 1937, as amended, establishes the Comprehensive Improvement Assistance Program (CIAP), authorizing the Department of Housing and Urban Development (HUD) to provide 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. These physical and management improvements are financed by annual contributions provided under section 5(c)(3)(C) of the Act. The purpose of this Part is to prescribe requirements and procedures for the CIAP. In the case of modernization programs funded from contract authority made available under section 5(c)(3)(C) of the Act, as amended by the Housing and Community Development Amendments of 1981, the PHA shall comply fully with the requirements and procedures under § 868.5, but shall not be subject to competitive selection criteria thereunder so that any application meeting the regulation requirements will be funded. The availability of such additional contract authority may be considered in making the preliminary funding decisions under § 868.5(h).

§ 868.2 Applicability.

This Part 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 in Federal Fiscal Year (FFY) 1981 and thereafter. This Part also applies to the implementation of modernization programs which were approved before FFY 1981. This Part 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.

§ 868.3 Definitions.

As used in this Part:

"Act" means the United States Housing Act of 1937, as amended (42 U.S.C. 1437 et seq.).

"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 families of low-income and provides modernization funds to PHAs to improve existing public housing projects.

"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.

"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.

"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.

"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.

"Force account labor" means labor directly employed by the PHA on either a permanent or a temporary basis.

"Homebuyer Agreement" means a Mutual Help and Occupancy Agreement or a Turnkey III Homebuyer's Ownership Opportunity Agreement.

"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.

"HUD office" means the HUD Area Office of Multifamily Service Office with which the PHA normally transacts its low-income housing business.

"Lack of management capability" means that the PHA has inadequate management practices, as determined by the HUD office on the basis of regular monitoring and performance of on-site reviews, audits and surveys 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.

"Lack of modernization capability" means that the PHA has previously approved, but unobligated, modernization funds that are over three years old and that the HUD office has determined that the failure to obligate such funds is due to reasons within the PHA's control. "Unobligated" means that 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 1982 funds, then "funds that are over three years old" are those from FFY 1978 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 HUD office.

"Major repairs" means work items that are usually not recurrent, are substantial in scope, involve expenditures that would otherwise materially distort the level trend of maintenance expenses, and may include replacement of structural elements and nonexpendable equipment due to normal wear and tear by items of substantially the same kind.

"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.

"Modernization program" means a PHA's program for carrying out modernization, as set forth in the proposed or approved Final Application for modernization funds.

"Modernization Project" means the improvement of one or more existing public housing projects. The term "project" means a development project with a unique project number.

"Special purpose modernization" means a modernization program for a project that is limited to cost-effective energy conservation work items which will not be adversely affected by any subsequent Comprehensive Modernization and that is approved only on a one-time basis for a project. For such projects, management improvements are not eligible modernization costs. PHAs that were approved for modernization in FFY 1981 are eligible for special purpose modernization through FFY 1983. PHAs that were not approved for modernization in FFY 1981 are eligible to apply for special purpose

modernization only in the first two years of their five-year plans. Special purpose modernization also means the approval of additional contract and/or budget authority to effect the transfer of modernization funds between projects of modernization programs approved before July 1, 1978 or to meet increased interest costs.

"Work Item" means any separately identifiable unit of work constituting a part of a modernization program.

§ 868.4 Eligible costs.

(a) *Physical improvements.* Physical improvements eligible for modernization funding may include alterations, betterments, additions, replacements and major repairs that are necessary to meet the Modernization and Energy Conservation Standards prescribed in § 868.18 for decent, safe and sanitary living conditions in public housing projects. These Standards may be exceeded only when necessary or highly desirable for the long-term physical and social viability of the individual project. If demolition is proposed, the PHA shall comply with 24 CFR Part 870.

(b) *Management improvement costs.—(1) Eligibility.* Management improvements that are project specific of PHA-wide in nature are eligible modernization costs subject to the following conditions:

(i) The management improvements are necessary to correct identified management problems and to sustain the physical improvements at the project to be modernized.

(ii) The management improvements require additional funds for implementation and the funds are not available from other sources.

(iii) The combined costs for management improvements and planning under paragraph (d) of this section shall not exceed 10 percent of the approved physical improvement costs for a PHA in a particular FFY, unless specifically approved by HUD. Under paragraph (d) of this section, planning costs shall not exceed five percent of the funds available to the HUD office in a particular FFY.

(iv) Management improvement costs shall be fundable only for the implementation period of the physical improvements. In rare cases, the HUD 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.

(v) Where an approved modernization program includes management improvements which involve ongoing

costs, 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.

(2) *Eligible management areas.* Subject to the conditions set forth in paragraph (b)(1) of this section, management improvements may involve or upgrade the following areas:

(i) Management, financial and accounting control systems of the PHA which are related to the project to be modernized;

(ii) 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

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

- (A) Tenant programs and services;
- (B) Tenant and project security;
- (C) Tenant selection and eviction;
- (D) Occupancy;
- (E) Rent collection; and
- (F) Maintenance.

(c) *Tenant moving costs.* Moving costs for tenants who have to be moved, either temporarily or permanently, to accommodate the modernization, including the move back to the modernized project or units where necessary, are eligible modernization costs. The PHA shall provide temporary or permanent housing at comparable cost for affected tenants on a nondiscriminatory basis.

(d) *Planning costs.* Planning costs necessary for developing the Preliminary and/or Final Applications (i.e., costs incurred before modernization program approval) are eligible modernization costs. These costs may be reimbursed after Final Application approval. Financially distressed PHAs, as defined in § 868.3, may request approval from HUD for up-front funding of planning costs where the HUD office determines that developing the Preliminary and/or Final Applications would otherwise present an undue financial hardship. Not more than five percent of the funds available to the HUD office in a particular FFY shall be used for planning costs.

(e) *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)

(ii) *Optional*. Where the HUD office determines that the PHA lacks management capability, as defined in § 868.3, or that the magnitude of the total funds required for Comprehensive Modernizations such that one-stage funding is precluded by the HUD office's allocation, the HUD office may fund Comprehensive Modernization in two stages. At the first stage, approval may include funds for architectural/engineering work and a portion of the physical and management improvements.

(iii) *First stage*. The first stage shall be approved out of funds for single FFY, under one Final Application. The Final Application shall address all required improvements at the project, except that the modernization plan under paragraph (i)(2) of this section shall pertain only to work items to be completed during the first stage. When approving the first stage, the HUD office will indicate the approximate balance of the modernization funds to be approved for the project at the second stage and its intent to approve that balance, subject to the availability of future funds, satisfactory progress by the PHA in obligating first stage funds, PHA submission of additional documents and PHA compliance with HUD regulatory and statutory requirements.

(iv) *Second stage*. Where the PHA is requesting funding for the second stage of a two-stage Comprehensive Modernization at a project, the HUD office will determine whether the PHA has met the conditions stated in paragraph (g)(2)(iii) of this section. If not, the HUD office may not approve the second stage for funding at this time. The PHA submission for the second stage is limited only to the items as deemed necessary by HUD.

(v) *Implementation period*. The entire modernization program for the project shall be completed within a maximum five-year period. The PHA and the HUD office shall agree on the length of the implementation period of each stage. The first stage shall be completed within a maximum two-year period and the second stage within a maximum three-year period.

(h) *HUD preliminary funding decisions*. After all of the Joint Reviews, the HUD office will determine whether the PHA will be invited to submit the Final Application for the identified project(s) by considering whether the PHA has adequately addressed all the relevant issues, as determined by HUD, and giving preference to PHA's which:

(1) Request assistance for projects having conditions that threaten tenant health or safety, including elimination of lead-based paint hazards in public

housing family units built before 1950, or a significant number of vacant, substandard units;

(2) Have demonstrated a capability of carrying out the activities proposed in the plan and approved by HUD; and

(3) Demonstrate that the modernization will result in the greatest cost savings, except for physical improvements of an emergency nature affecting the life, health and safety of tenants or related to fire safety.

(i) *Final application*. Upon notification from HUD, the PHA shall submit to the HUD office a Final Application which shall contain:

(1) 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;

(2) A comprehensive assessment of physical and management improvement needs, described in paragraph (e)(2) of this section, and a plan for making the improvements and replacements and for meeting the needs. The plan shall include: (i) A schedule of actions to be completed over a period of not greater than five years from the date of approval of the application, within each 12-month period covered by the plan, and which are necessary to make the physical improvements and to upgrade the management and operation (see paragraph (g)(1) of this section); (ii) The estimated cost of each action; (iii) A project operating budget for each 12-month period covered by the plan, excluding modernization costs; and (iv) an estimate of the financial resources to be available from all sources and the amounts of modernization funds to be requested for each 12-month period covered by the plan.

(3) An organization and staffing plan, stating the proposed organization, staffing and inspection of the modernization program.

(4) A 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.

(5) A civil rights compliance certification, in a form prescribed by HUD.

(6) A resolution by the PHA Board of Commissioners, approving the Final Application and certifying that:

(i) The PHA will comply with all policies, procedures and requirements prescribed by HUD for the modernization, including implementation of the modernization in a timely, efficient and economical manner;

(ii) The estimated costs of the modernization program cannot be funded from current operating funds;

(iii) The proposed physical work meets the Modernization Standards;

(iv) The PHA has adopted the goal of awarding a specified percentage of the dollar value of the total of the modernization contracts, to be awarded during the subsequent FFY, to minority business enterprises;

(v) The PHA has complied with tenant/homebuyer participation requirements under § 868.7 and § 868.8;

(vi) The PHA has furnished a copy of the flood insurance policy to HUD or determined that flood insurance is not required under § 868.9(d);

(vii) The PHA will comply (where applicable) with requirements for the physically handicapped under § 868.9(f); and

(viii) 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, assignment of tenants within the PHA, and provision of assistance to tenants being rehoused.

(7) *Special provisions for excepted categories*.—(i) *Special purpose modernization*. For a project under special purpose modernization, the PHA shall limit the items required in paragraph (i)(2)(i) of this section to only those special purpose work items.

(ii) *Emergency modernization*. For a project under emergency modernization, the PHA shall omit from the Final Application the items required in paragraphs (i)(1), (i)(2)(iii) and (iv), and (i)(3) and (4) of this section and limit the items required in paragraph (i)(2)(i) of this section to only those emergency work items.

(iii) *Homeownership modernization*. For a project under homeownership modernization, the PHA shall omit from the Final Application the items required in paragraphs (i)(1) and (i)(2)(iii) and (iv) of this section and limit the items required in paragraph (i)(2)(i) of this

section 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.

(Approved by the OMB under OMB control number 2502-0218.)

(j) *ACC amendment.* After HUD approval of the Final Application, the PHA shall enter into an ACC amendment to obtain modernization funds.

§ 868.6 Modernization Project.

(a) For purposes of financing modernization, each modernization program approved for PHA shall be treated as a separate Modernization Project. The Modernization Project may include improvements to one or more projects. Improvements to a single project may be included in more than one Modernization Project.

(b) HUD and the PHA shall enter into ACC amendment, for each Modernization Project. The ACC amendment shall provide for the payment of annual contributions sufficient to amortize the modernization cost over a period of no more than 20 years, and shall require low-income use of the housing for not less than 20 years (subject to sale of homeownership units in accordance with the terms of the ACC).

§ 868.7 Tenant participation.

For a rental project only, before submission of the Preliminary Application, the PHA shall consult with the tenants regarding its intent to submit an application for modernization funds. Before the Joint Review, the PHA shall notify the tenants of the project to be modernized and the tenant organization, if any, of the proposed modernization program, afford tenants a reasonable opportunity to present their views on the proposed program and alternatives to it, and give full and serious consideration to tenant recommendations. At the Joint Review, the PHA shall provide the tenants and HUD with a copy of an evaluation of tenant recommendations, indicating the reasons for PHA acceptance or rejection, consistent with HUD requirements and the PHA's own determination of efficiency, economy and need. The PHA also shall provide a copy of this evaluation to the tenants and the tenant organization, if any. After HUD approval of the modernization program, the PHA shall inform the tenants and the tenant organization, if any, of the approved work items. The provisions of this section do not apply to proposed work

items of an emergency nature, affecting the life, health and safety of tenants. However, the PHA shall inform tenants of approved emergency work items.

(Approved by the OMB under OMB control number 2502-0218.)

§ 868.8 Homebuyer participation.

(a) For a homeownership project only, before the Joint Review, the PHA shall discuss the modernization program with the homebuyer families of the project to be modernized and advise them of the effect of the modernization on the terms of the Homebuyer Agreements. The PHA shall afford the homebuyer families a reasonable opportunity to present their views on the proposed program and give full and serious consideration to their recommendations consistent with HUD requirements and the PHA's own determination of efficiency, economy and need.

(b) The PHA shall inform each homebuyer family that:

(1) To participate, it must be in substantial compliance with the terms of its Homebuyer Agreement;

(2) It will have an opportunity to express its views and preferences with respect to the modernization of its home;

(3) The purchase price and the amortization period will be increased as provided in § 868.10;

(4) It will have an opportunity to participate in the final inspection of the work to determine completion in accordance with the requirements; and

(5) Participation in the program is optional.

(c) The PHA shall provide each homebuyer family with a copy of the PHA's evaluation of its recommendations, the tentative decisions reached on the modernization program to be submitted to the HUD office, the estimated cost of the proposed modernization program, and the amount of this cost to be attributed to its home.

(d) If the homebuyer family decides to participate in the modernization program with respect to any of the proposed work items, it must agree in writing that its Homebuyer Agreement will be amended upon approval of the Final Application to provide that, as result of the amount of modernization cost attributed to its home, the purchase price and the amortization period will be increased as provided in § 868.10.

(e) Any homebuyer family may decline to participate without risk to its homebuyer status.

(f) Before submission of the Final Application, the PHA shall obtain a signed agreement from each participating homebuyer family that it will amend its Homebuyer Agreement

upon approval of the Final Application. The PHA shall retain copies of the signed agreements and the amended Homebuyer Agreements in its files for inspection by the HUD office.

(g) The provisions of paragraphs (b) through (f) of this section do not apply where modernization work is limited to correction of development deficiencies.

(Approved by the OMB under OMB control number 2502-0218.)

§ 868.9 Other program requirements.

The PHA shall comply with the following program requirements for a HUD allocation of modernization funds.

(a) *Civil rights compliance.* In the case of PHAs other than Indian Housing Authorities (IHAs), the PHA shall comply with Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d-2000d-5), Title VIII of the Civil Rights Act of 1938, as amended (42 U.S.C. 3601-3619), Executive Orders 11063, 11240 and 12138 (Women's Business Enterprise), Section 3 of the HUD Act of 1968 (12 U.S.C. 1701u), and the Age Discrimination Act of 1975 (42 U.S.C. 6101 et seq.), and Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794). (For IHAs, see 24 CFR 805.105, Applicability of civil rights statutes, and 24 CFR 805.106, Preferences, opportunities, and nondiscrimination in employment and contracting.)

(b) *Minority and women's business or Indian enterprise opportunity.* In the case of PHAs other than IHAs, in conformance with Executive Order 11625, the PHA shall take every action to meet Departmental goals for awarding modernization contracts to minority business enterprises. For IHAs, see 24 CFR 805.106(a) regarding preference in the award of modernization contracts to Indian organizations and Indian-owned economic enterprises. Both PHAs and IHAs shall take appropriate affirmative action to assist women's business enterprises.

(c) *Environment and historic preservation.* The PHA's Final Application is subject to any applicable requirements under the National Environmental Policy Act (NEPA) of 1969 (42 U.S.C. 4332 et seq.), the National Historic Preservation Act of 1966 (16 U.S.C. 470 et seq.), the Archeological and Historic Preservation Act of 1974 (16 U.S.C. 469 et seq.), Executive Order 11593 on Protection and Enhancement of the Cultural Environment (including the procedures prescribed by the Advisory Council on Historic Preservation in 36 CFR Part 800), the Clean Air Act (42 U.S.C. 7401 et seq.), the Federal Water Pollution

Control Act (33 U.S.C. 1251 et seq.), Executive Orders 11988 and 11990 (Floodplain Management and Protection of Wetlands), and HUD environmental regulations (24 CFR Part 50).

(d) *Flood insurance.* The PHA shall comply with the Flood Disaster Protection Act of 1973 (42 U.S.C. 4001 et seq.).

(e) *Lead-based paint poisoning prevention.* The PHA shall comply with the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4801 et seq.) and HUD implementing regulations (24 CFR Part 35).

(f) *Accessibility for physically handicapped.* The PHA shall comply with the Architectural Barriers Act of 1968, as amended (42 U.S.C. 4151) and HUD implementing regulations (24 CFR Part 40).

(g) *Energy conservation.* The PHA shall comply with 24 CFR Part 805, Subpart C, regarding the conduct of an energy audit and the undertaking of cost-effective energy conservation measures, before HUD approval of Comprehensive Modernization or special purpose modernization for a project. The cost of performing an energy audit is an eligible modernization cost.

(h) *Wage rates—(1) HUD-determined wage rates.* Under Section 12 of the Act, the PHA and its contractors shall pay not less than the wages prevailing in the locality, as determined or adopted (subsequent to a determination under applicable State, tribal, or local law) by the Secretary, to all laborers and mechanics employed by the PHA or its contractors in carrying out major repairs as defined in § 808.3.

(2) *Davis-Bacon wage rates.* Under section 12 of the Act, the PHA and its contractors shall pay not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor, under the Davis-Bacon Act (42 U.S.C. 270a et seq.), to all laborers and mechanics employed by the PHA or its contractors for modernization work or contracts over \$2,000, except major repairs as defined in § 808.3.

(3) *Technical wage rates.* The PHA and its contractors shall pay HUD-determined prevailing wage rates to all architects, technical engineers, draftsmen and technicians employed in the modernization of a project.

(i) *Insurance.* The PHA shall carry insurance, as prescribed by HUD, to cover the additional exposures created by the modernization activities and reflect the increased value of the buildings after modernization.

§ 808.10 Special requirements for homeownership projects.

(a) Promptly after HUD approval of the Final Application, each homebuyer family shall execute an amendment to its Homebuyer Agreement, reflecting an increase in the purchase price of its home and an extension of the amortization period in accordance with paragraphs (b) and (c) of this section, except where the modernization work is limited to the correction of development deficiencies.

(b) For Turnkey III projects and for Mutual Help projects placed under ACC from March 9, 1978 or converted in accordance with 24 CFR 805.428:

(1) The amount of estimated modernization cost attributable to the home, as shown in the HUD-approved Final Application, shall be added to the homebuyer's purchase price as initially determined (under 24 CFR 804.113(a) or 804.113(b) for Turnkey III projects or under 24 CFR 805.422 (b) or (c) for Mutual Help projects).

(2) The period of the homebuyer's current purchase price schedule shall be extended by the same percentage as the percentage of increase in the homebuyer's purchase price. The new purchase price schedule shall:

(i) Show monthly amortization of the new purchase price over a period commencing on the same day as the original purchase price schedule and terminating at the end of the extended period; and

(ii) Be computed on the basis of the same interest rate as used for the current purchase price schedule.

(3) If a modernization program is approved for a project after one or more earlier modernization programs for the same project, the total amount of modernization cost attributable to the home under the prior modernization program(s) shall be included as part of the homebuyer's initial purchase price in applying the provisions of paragraphs (b) (1) and (2) of this section.

(c) For Mutual Help projects placed under ACC before March 9, 1978, and not converted in accordance with 24 CFR 805.428 and for Turnkey III projects that do not have purchase price schedules:

(1) These projects do not involve purchase price schedules for amortization of the homebuyer's purchase price over a fixed period of time because the homebuyer's purchase price in these projects is based on the unamortized balance of the portion of the project's development debt attributable to the home. Consequently, it is necessary to establish a separate schedule for the amortization of the estimated modernization cost

attributable to the home, as shown by the HUD-approved Final Application.

(2) The PHA shall furnish to the homebuyer a schedule showing monthly amortization of the estimated modernization cost attributable to the home, at the Minimum Loan Interest Rate specified in the ACC for the Modernization Project, over a period commencing on the first day of the month after the date of original occupancy of the home by the homebuyer and terminating at the end of the period determined as follows:

(i) Divide the amount of the estimated modernization cost attributable to the home (including the total amount of modernization cost attributable to the home under prior modernization programs, if any) by the amount of the current HUD-approved estimated replacement cost of the home.

(ii) Multiply this amount by 25, round the result to the next higher number and add that number to 25. This is the number of years to be used as the period for the modernization amortization schedule.

(iii) The purchase price for the unit shall be the sum of (A) the balance of the purchase price attributable to the home and (B) the amount remaining on the modernization schedule at the time of settlement.

(3) The calculation provided in paragraph (c)(2) of this section shall apply retroactively to modernization programs approved from FFY 1980 funds. Therefore, the PHA shall recalculate the homebuyer's amortization schedule to reflect the provisions of paragraph (c)(2) of this section.

§ 808.11 Special requirements for Section 23 Leased Housing Bond-Financed projects.

A Section 23 Leased Housing Bond-Financed project is eligible for modernization only if HUD determines that the project has met the following conditions:

(a) The project was financed by the issuance of bonds;

(b) Clear title to the project will be conveyed to or vested in the PHA at the end of the Section 23 lease term;

(c) There are no legal obstacles affecting the PHA's use of the property as public housing during the 20-year amortization period of the modernization;

(d) After completion of the modernization, the project will have a remaining useful life of at least 20 years and it is in the financial interest of the Federal Government to improve the project; and

(e) The project is covered by a Cooperation Agreement between the PHA and local governing body during the 20-year amortization period of the modernization.

§ 868.12 Contracting requirements.

(a) *Compliance with State, tribal, and local law and Federal requirements.* The PHA shall comply with State, tribal and local laws and Federal requirements applicable to bidding and contract award.

(b) *Competitive bidding requirements.* For each construction or equipment contract over \$10,000, the PHA shall conduct competitive bidding, except for procurement under the HUD Consolidated Supply Program.

(c) *Bonding requirements.* For all construction or equipment contracts of \$10,000 or more, the contractor shall furnish a performance and payment bond for 100 percent of the contract price or, as may be required by law, separate performance and payment bonds, each for 50 percent or more of the contract price, or a 20 percent cash escrow or a 25 percent letter of credit.

(d) *PHA agreement with architect/engineer.* The PHA shall obtain architectural/engineering services through the competitive negotiation process, except where: (1) FFY 1981 or subsequent year funds are being used to finance additional services under an existing contract; or (2) FFY 1980 or prior year funds are being used to finance a contract not yet executed, but for which the PHA has initiated discussions with an architect/engineer before the effective date of this rule. The PHA shall comply with HUD requirements either to submit for HUD approval the contract before execution or to certify that the scope of work is consistent with any agreements reached with HUD, that the fee is appropriate and does not exceed the HUD-approved budget amount, and that, if applicable, the competitive negotiation process was used.

(Under section 19(b) of OMB Circular A-40, OMB has waived the requirement that the information collection requirement contained in this paragraph must be reviewed and assigned an OMB control number.)

(e) *Construction and bid documents.* The PHA shall comply with HUD requirements either to submit for HUD approval complete construction and bid documents before inviting bids or to certify to receipt of the required architect's/engineer's certification, that the construction documents accurately reflect HUD-approved work, and that the bid documents are complete and include all mandatory items.

(Approved by the OMB under OMB control numbers 2502-0157 and 2502-0218.)

(f) *Contract award.* The PHA shall obtain HUD approval of the proposed award of modernization construction and equipment contracts if the bid amount exceeds the HUD-approved budget amount or the PHA receives a single bid. In all other instances, the PHA shall comply with HUD requirements either to submit the proposed award for HUD approval or to make the award without HUD approval after the PHA has certified that the bidding procedures and award were conducted in compliance with State, tribal or local laws and Federal requirements, that the award does not exceed the approved budget amount and is not being made on the basis of a single bid, and that HUD clearance has been obtained for the award under previous participation procedures, including absence from the HUD Consolidated List of Debarred, Suspended or Ineligible Contractors and Grantees.

(Approved by the OMB under OMB control number 2502-0157.)

(g) *Change orders.* Except in an emergency endangering life or property, the PHA shall comply with HUD requirements either to submit the proposed contract changes for HUD approval or to certify that the proposed work is not within the scope of the contract, that the proposed work cannot be postponed and is necessary and economical, and that the additional costs are within the latest HUD-approved budget or otherwise approved by HUD.

(Approved by the OMB under OMB control number 2502-0157.)

(h) *Construction requirements.* The PHA shall submit to the HUD office periodic progress reports and shall submit all contract settlement documents for HUD approval.

(Approved by the OMB under OMB control number 2502-0157.)

(i) *Management improvement contracts.* The PHA shall obtain consultant services through the competitive negotiation process. The PHA shall submit both proposals and contracts for management improvements, as well as contract changes, for prior HUD approval.

(Approved by the OMB under OMB control number 2502-0219.)

§ 868.13 Modernization financing.

To request modernization funds against the approved modernization program, the PHA shall:

(a) Consult informally with the HUD office as to the amount of modernization funds needed for the time period in question, the immediacy of need, and the method of financing. Direct advances shall be approved only where the PHA has an immediate cash need that cannot be delayed until the next possible note sale and if the total amount of the PHA's outstanding direct advances, when added to the amount of direct advances currently requested, does not exceed \$200,000.

(b) Submit a request to the HUD office for only the amount of modernization funds needed for the time period in question and support the request with a written justification, in a form prescribed by HUD. The amount of financial assistance made available for any one fiscal year may not exceed the sum of the amounts determined necessary by HUD to:

(1) Undertake the actions specified for the year in the schedule submitted under § 868.5(i)(2);

(2) Fund the replacement costs identified under § 868.5(i)(1), which have accrued for the period ending at the beginning of such year, but have not been previously paid;

(3) Reimburse the PHA for the cost of developing the plan described in § 868.5(i)(2), less any amount provided the PHA with respect to such year under paragraph (b)(4) of this section, subject to the limitation set forth in § 868.4(d); and

(4) Enable a financially distressed PHA, as defined in § 868.3, to develop a plan, subject to the limitation set forth in § 868.4(d).

(Approved by the OMB under OMB control number 2502-0188.)

(c) Submit the latest required progress reports under § 868.14, unless the first required report is not yet due.

(Approved by the OMB under OMB control numbers 2502-0164 and 2502-0219.)

(d) No financial assistance shall be made available to a PHA for any year subsequent to the first year unless HUD determines that the PHA has made substantial efforts to meet the objectives for the preceding year under the plan described in § 868.5(i)(2).

§ 868.14 Progress reporting.

For each quarter until completion of the modernization program, the PHA shall submit, in a form prescribed by HUD, to the HUD office:

(a) A report on modernization fund expenditures; and

(Approved by the OMB under OMB control numbers 2502-0164 and 2502-0219.)

(b) A narrative report on management improvement progress, where applicable.

(Approved by the OMB under OMB control number 2502-0219.)

§ 868.15 Budget revisions.

The PHA shall not incur any modernization cost in excess of the total approved budget. The PHA shall submit a revision of the budget, in a form prescribed by HUD, for prior HUD approval if the PHA plans (within the total approved modernization budget) to:

- (a) Delete or substantially revise approved work items;
- (b) Add new work items; or
- (c) Incur modernization costs in excess of the approved budget amount for:

- (1) A work item; or
- (2) Any project.

(Approved by the OMB under OMB control number 2502-0104 for modernization undertaken with pre-FY 1982 funds and OMB control number 2502-0208 for modernization undertaken with FY 1982 and subsequent year funds.)

§ 868.16 On-site inspections.

The PHA shall provide, by contract or otherwise, adequate and competent supervisory and inspection personnel during modernization, whether work is performed by contract or force account labor and with or without the services of an architect/engineer, to assure work quality and progress.

§ 868.17 Fiscal closeout of a modernization program.

Upon completion of a modernization program, the PHA shall submit the actual modernization cost certificate, in a form prescribed by HUD, to the HUD office for review, audit verification and approval. The audit shall follow the guidelines prescribed by OMB Circular A-102, Attachment P-Audit Requirements. If the audited modernization cost certificate indicates that excess funds have been approved, the PHA shall dispose of the excess funds as directed by HUD. If the audited modernization cost certificate discloses unauthorized expenditures, the PHA shall take such corrective actions as HUD may direct.

(Approved by the OMB under OMB control number 2502-0219.)

§ 868.18 Modernization and Energy Conservation Standards.

(a) All improvements funded under this Part, which may include alterations, betterments, additions, replacements or major repairs, shall meet the HUD Modernization Standards, described in paragraph (c) of this section and established to provide decent, safe and sanitary living conditions in PHA-owned public housing projects, and the HUD Energy Conservation Standards for cost-effective energy conserving improvement in such projects, described in paragraph (d) of this section.

(b) The Modernization Standards and the Energy Conservation Standards are being published separately.

(c) The Modernization Standards prescribe standards which will provide decent, safe and sanitary living conditions in public housing, including corrections of violations of basic health and safety codes, and address all deficiencies, including those related to deferred maintenance, in order to meet the intent of HUD's Minimum Property Standards as they could reasonably be applied to existing housing. In addition, these standards cover improvements relating to site and building security. The Modernization Standards are contained in HUD Handbook 7485.2, Public Housing Modernization Standards, and other documents cited therein.

(d) The Energy Conservation Standards prescribe standards for the installation of cost-effective energy conserving improvements, including solar energy systems. The Energy Conservation Standards provide for the conducting of energy audits, including cost-benefit analyses of energy saving opportunities, in order to determine which measures will be most effective in conserving energy. The Energy Conservation Standards will be contained in HUD Handbook 7485.3, Public Housing Energy Conservation, and other documents cited therein.

Dated: May 18, 1982.

Philip Abrams,
General Deputy Assistant Secretary for
Housing, Deputy Federal Housing
Commissioner.

(FR Doc. 82-12084 Filed 5-20-82 8:49 am)
BILLING CODE 4210-27-04

**DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT**
Office of the Assistant Secretary for
Housing—Federal Housing
Commissioner

24 CFR Part 868

[Docket No. H-85-1163]

**Comprehensive Improvement
Assistance Program**

AGENCY: Office of the Assistant
Secretary for Housing—Federal Housing
Commissioner, HUD.

ACTION: Interim rule.

SUMMARY: The rule amends the
Comprehensive Improvement
Assistance Program regulations by
revising the definition of Special
Purpose Modernization to eliminate: (1)
The one-time limitation on filing an
application for Special Purpose
Modernization for an individual project
and (2) the deadline on Public Housing
Agencies (PHAs) for filing such
applications. These revisions are
intended to allow PHAs to make energy-
related improvements which are cost-
effective.

EFFECTIVE DATE: October 11, 1983.
Comment due date: October 17, 1983.

ADDRESS: Interested persons are invited
to submit comments regarding this rule
to the Office of General Counsel, Rules
Docket Clerk, Room 10276, Department
of Housing and Urban Development, 451
Seventh Street, SW, Washington, D.C.
20410. Comments should refer to the
above docket number and title. A copy
of each set of comments submitted will
be available for public inspection and
copying during regular business hours at
the above address.

FOR FURTHER INFORMATION CONTACT:
Fris Buckler, Room 4224, Office of Public
Housing, Department of Housing Urban
Development, 451 Seventh Street, SW,
Washington, D.C. 20410, (202) 755-3363.
(This is not a toll-free number).

SUPPLEMENTARY INFORMATION:

**Limitations on Special Purpose
Modernization Removed**

The Comprehensive Improvement
Assistance Program (CIAP), which was
established by section 14 of the United
States Housing Act (USHA of 1937) (42
U.S.C. 1437f), provides assistance to
Public Housing Agencies (PHAs),
including Indian Housing Authorities, to
improve the physical condition of
existing public housing projects, and to
upgrade the management and operation
of such projects.

One form of assistance provided
under CIAP is special purpose
modernization which is a project

modernization program that is limited to
cost-effective energy conservation work
items which will not be adversely
affected by any subsequent
Comprehensive Modernization.

Under § 868.3 of the current CIAP
regulations, special purpose
modernization may be approved only on
a one-time basis for a particular project.
This limitation is unduly restrictive in
certain situations, for example, when:

1. In a prior year, the energy audit was
funded under special purpose
modernization and the PHA is now
requesting funds under special purpose
modernization to implement the results
of the audit at the same project;

2. Energy conservation devices which
were not on the market when the special
purpose modernization was first
approved are now available and the
PHA is requesting funds under special
purpose modernization for these items;

3. Energy conservation work which
was not previously determined to be
cost-effective is now determined to be
cost-effective because of a large
reduction in the cost of an energy
conservation device or a large increase
in the cost of energy; or

4. Special purpose modernization was
approved for certain items with the
greatest cost-savings and the PHA is
now requesting funds for other items
which are cost-effective, but have a
slightly longer payback period.

In addition, the current § 868.3
provides that special purpose
modernization may now be approved
only in the first two years of a PHA's
five-year plan. The Department believes
that this limitation is inappropriate,
since lack of funding may have
prevented a PHA from completing all
energy conservation work in the first
two years of its five-year plan.
Therefore, in order to facilitate cost-
effective energy conservation
improvements, the Department is
revising the definition of "special
purpose modernization" in § 868.3 to
eliminate (1) the one-time limit on filing
a request for funding of an individual
project and (2) the deadline for filing
such requests by a PHA.

Other Matters

This rule also corrects typographical
errors in §§ 868.3 and 868.4 of the
current rule.

This rule amends the requirements for
applying for special purpose
modernization in Federal Fiscal Year
(FFY) 1984 and thereafter. Since PHAs
must be provided sufficient time to
prepare their FFY 1984 applications, the
Department has determined that notice
and prior public comments are
impracticable and contrary to the public

interest and that good cause exists for
making this rule effective as soon after
publication as possible. However, public
comments are invited and will be
considered in adopting a final rule.

A Finding of No Significant Impact
with respect to the environment has
been made in accordance with HUD
regulations in 24 CFR Part 50, which
implement Section 102(2)(C) of the
National Environmental Policy Act of
1969. The finding is available for public
inspection during regular business hours
in the Office of the Rules Docket Clerk,
Room 10276, 451 Seventh Street, SW,
Washington, D.C. 20410.

This rule does not constitute a "major
rule" as that term is defined in Section
1(b) of Executive Order 12291 on Federal
Regulation issued by the President on
February 17, 1981. Analysis of the rule
indicates that it does not: (1) Have an
annual effect on the economy of \$100
million or more; (2) cause a major
increase in costs or prices for
consumers, individual industries,
Federal, State or local government
agencies, or geographic regions; or (3)
have a significant adverse effect on
competition, employment, investment,
productivity, innovation, or on the
ability of United States-based
enterprises to compete with foreign-
based enterprises in domestic or export
markets.

Pursuant to 5 U.S.C. 553(b) (the
Regulatory Flexibility Act), the
Undersigned hereby certifies that this
rule does not have a significant
economic impact on a substantial
number of small entities. This rule
should have no different economic
impact on small PHAs than it does on
large PHAs. Any economic impact
should be beneficial since the rule
provides PHAs greater flexibility in
using special purpose modernization.

This rule was not listed in the
Department's Semiannual Agenda of
regulations published on April 23, 1983
(48 FR 18034), pursuant to Executive
Order 12291 and the Regulatory
Flexibility Act.

The Catalog of Federal Domestic Assistance
program number and title is 14.156—Public
Housing—Modernization of Projects.

List of Subjects in 24 CFR Part 868

Loan programs: Housing and
community development, Public
housing, Reporting and recordkeeping
requirements.

Part 868—(AMENDED)

Accordingly, the Department amends
24 CFR Part 868 as follows:

1. In § 868.3, the definition of "special purpose modernization" is revised to read as follows:

§ 868.3 Definitions.

"Special purpose modernization" means a modernization program for a project that is limited to cost-effective 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.

2. In FR Doc. 82-13698, appearing in the Federal Register issue of May 21, 1982 at page 22315, § 868.3, the definition "HUD office" is corrected by changing "of" to read "or."

3. In FR Doc. 82-13898, appearing in the Federal Register issue of May 21, 1982 at page 22316, § 868.4, the introductory text to paragraph (b)(1) is corrected by changing "of" to read "or."

(United States Housing Act of 1937 (42 U.S.C. 1437), sec. 7(d), Dept. of HUD Act (42 U.S.C. 3539(d))

Dated: July 21, 1983.

W. Calvin Brand,
General Deputy Assistant Secretary of
Housing—Federal Housing Commissioner.

[FR Doc. 83-22248 Filed 8-18-83; 8:41 am]
BILLING CODE 4210-37-01

APPENDIX 2. LISTING OF DEVELOPMENT ACCOUNTS THAT MAY BE USED IN
THE COMPREHENSIVE IMPROVEMENT ASSISTANCE PROGRAM

For work items to be financed with modernization funds, the appropriate development account number that relates to an individual work item is entered on Form HUD-52825 for modernization programs approved after FFY 1981 or on Form HUD-52990 for modernization programs approved before FFY 1982. Listed below are the development accounts that may be used in the Comprehensive Improvement Assistance Program (CIAP) or the previous Modernization Program.

<u>Account Number</u>	<u>Development Account Title</u>
1408	Management Improvements
1410.1	Nontechnical Salaries
1410.2	Technical Salaries
1410.4	Legal Expense
1410.9	Employee Benefit Contributions
1410.10	Travel
1410.19	Sundry (advertising costs only)
1415	Liquidated Damages
1430.1	Architectural and Engineering Fees
1430.2	Consultant Fees
1430.6	Permit Fees
1430.7	Inspection Costs
1430.19	Sundry Planning Costs
1440.1	Property Purchases
1440.2	Condemnation Deposits
1440.4	Surveys and Maps
1440.5	Appraisals
1440.6	Title Information
1440.8	Legal Cost-Site
1440.10	Option Negotiations
1440.12	Current Tax Settlements
1440.19	Sundry Site Costs
1450	Site Improvement
1460	Dwelling Structures

APPENDIX 2

<u>Account Number</u>	<u>Development Account Title</u>
1465.1	Dwelling Equipment - Nonexpendable
1470	Nondwelling Structures
1475.1	Nondwelling Equipment - Office Furniture and Equipment
1475.2	Nondwelling Equipment - Maintenance Equipment
1475.3	Nondwelling Equipment - Community Space Equipment
1475.7	Nondwelling Equipment - Automotive Equipment
1495.1	Relocation Costs - Moving Families and Individuals

For definitions of the above development accounts, refer to the Low-Rent Housing Accounting Handbook 7510.1. Additional guidance on Development Accounts 1408, 1410.9 and 1410.10 is provided below:

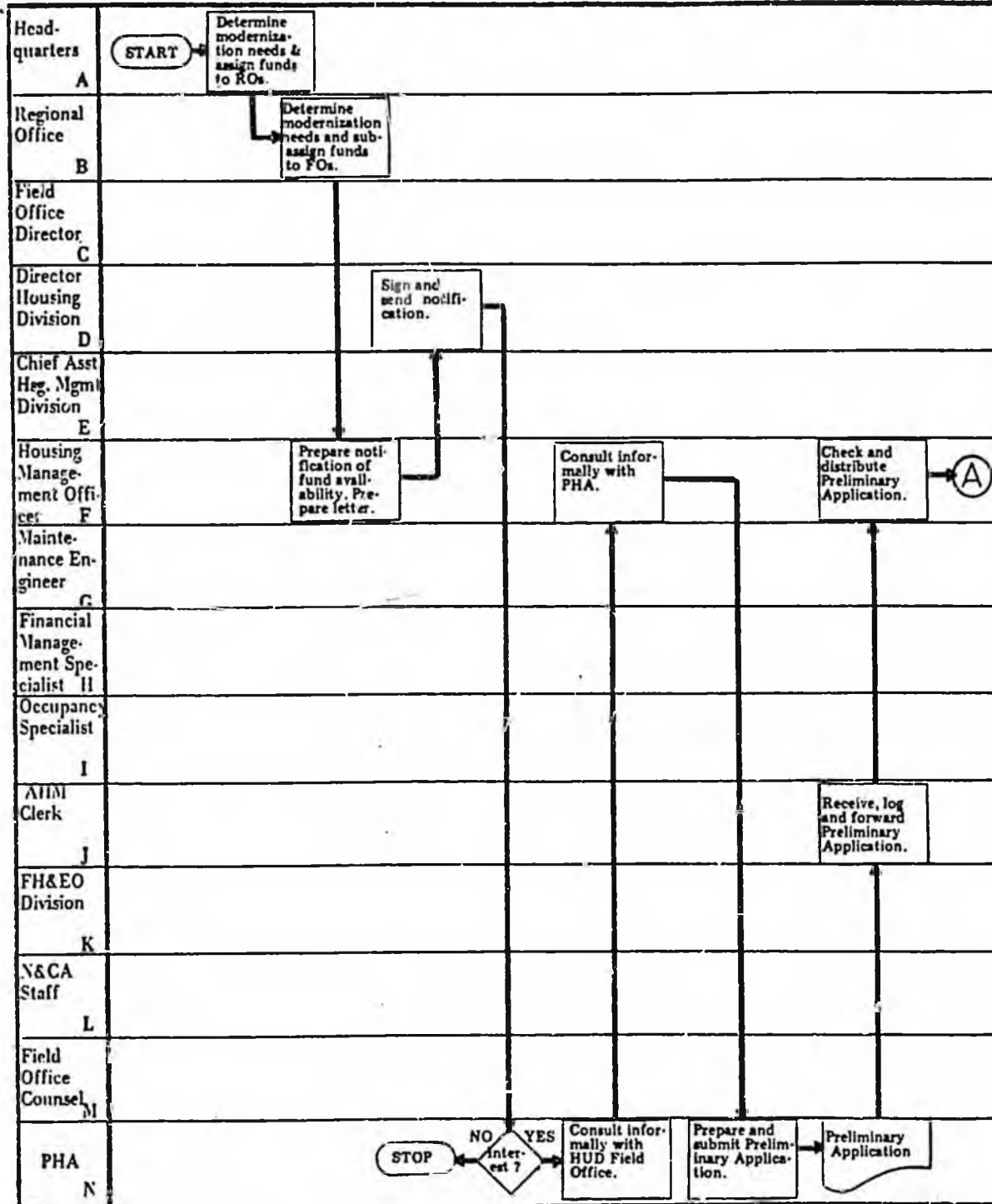
1408	<u>Management Improvements.</u> This account shall be charged with all costs incurred by the PHA for management improvements after modernization program approval, including non-technical salaries, technical salaries, employee benefit contributions, and consultant fees. NOTE: Management improvement costs are eligible costs only in conjunction with modernization funds approved after FFY 1980, unless the PHA meets the substance of the CIAP application requirements.
1410.9	<u>Employee Benefit Contributions.</u> This account also shall be charged with unemployment compensation expenses, as required by State law, related to costs of terminating employees hired on a temporary basis for modernization.
1410.10	<u>Travel.</u> This account shall be charged with travel expenses of PHA officials and employees traveling on official business in connection with HUD-approved CIAP training, only where prior HUD approval is obtained.

APPENDIX 3. LISTING OF DEVELOPMENT ACCOUNTS THAT MAY NOT BE USED
IN THE COMPREHENSIVE IMPROVEMENT ASSISTANCE PROGRAM

The following listing of development accounts that may not be used in the Comprehensive Improvement Assistance Program or the previous Modernization Program are defined in the Low-Rent Housing Accounting Handbook 7510.1.

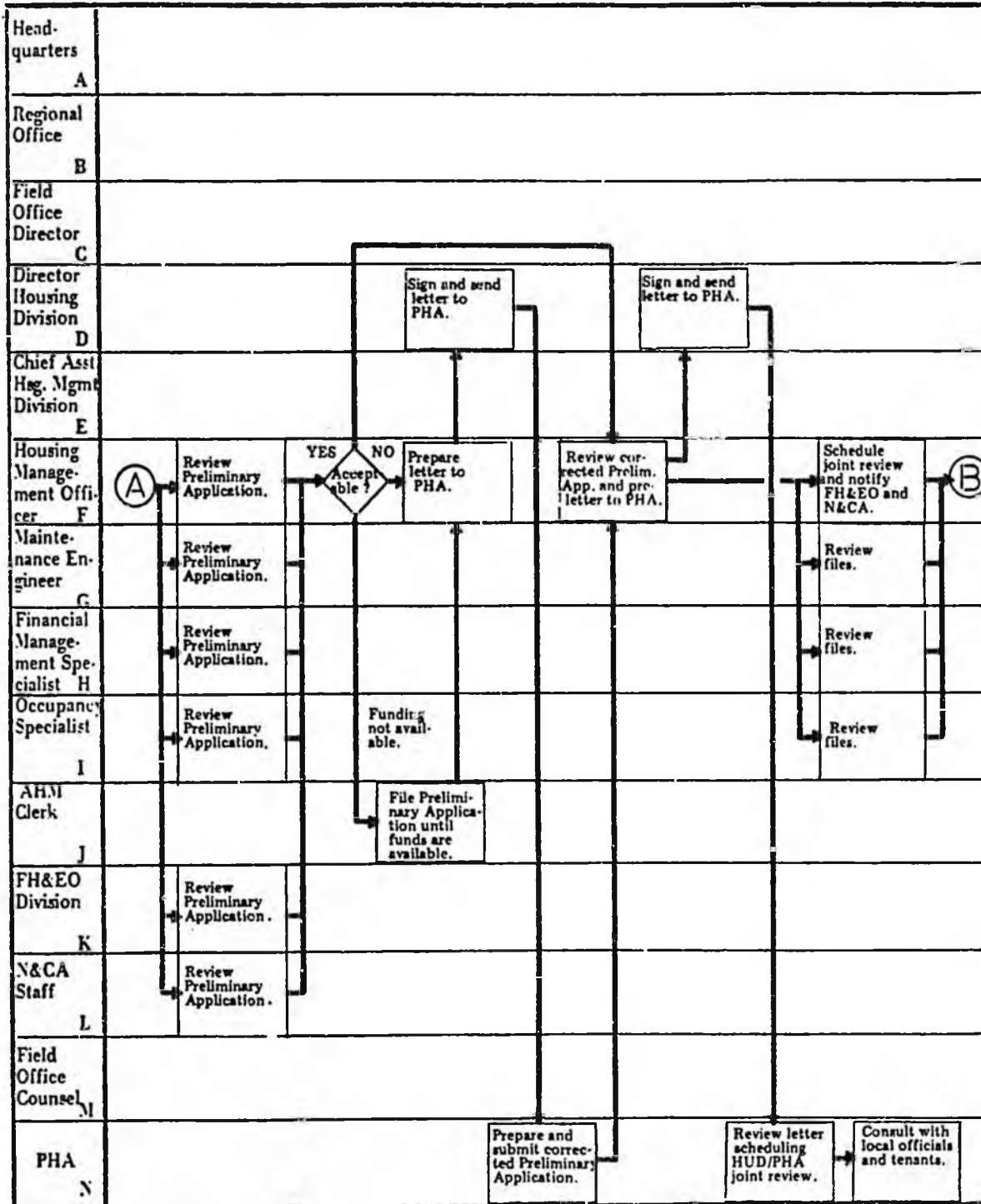
<u>Account Number</u>	<u>Development Account Title</u>
1410.12	Publications
1410.14	Membership Dues and Fees
1410.16	Telephone and Telegraph
1410.18	Equipment Expended
1410.19	Sundry (other than advertising costs)
1420.1	Interest to HUD
1420.2	Interest on Notes - Non-HUD
1420.3	Interest on Bonds
1420.7	Interest - Income From Investments
1425	Initial Operating Deficit
1430.5	Cost Estimates
1430.8	Fee for HUD Services
1430.9	Housing Surveys
1440.3	Excess Property
1440.20	Site Net Income
1465.2	Dwelling Equipment - Expendable
1475.9	Nondwelling Equipment - Expendable
1480	Contract Work in Process .
1482	Developer's Contract Price (Turnkey)
1495.2 through 1495.7	Relocation Costs

Flow Chart - Application Processing - Comprehensive Improvement Assistance Program



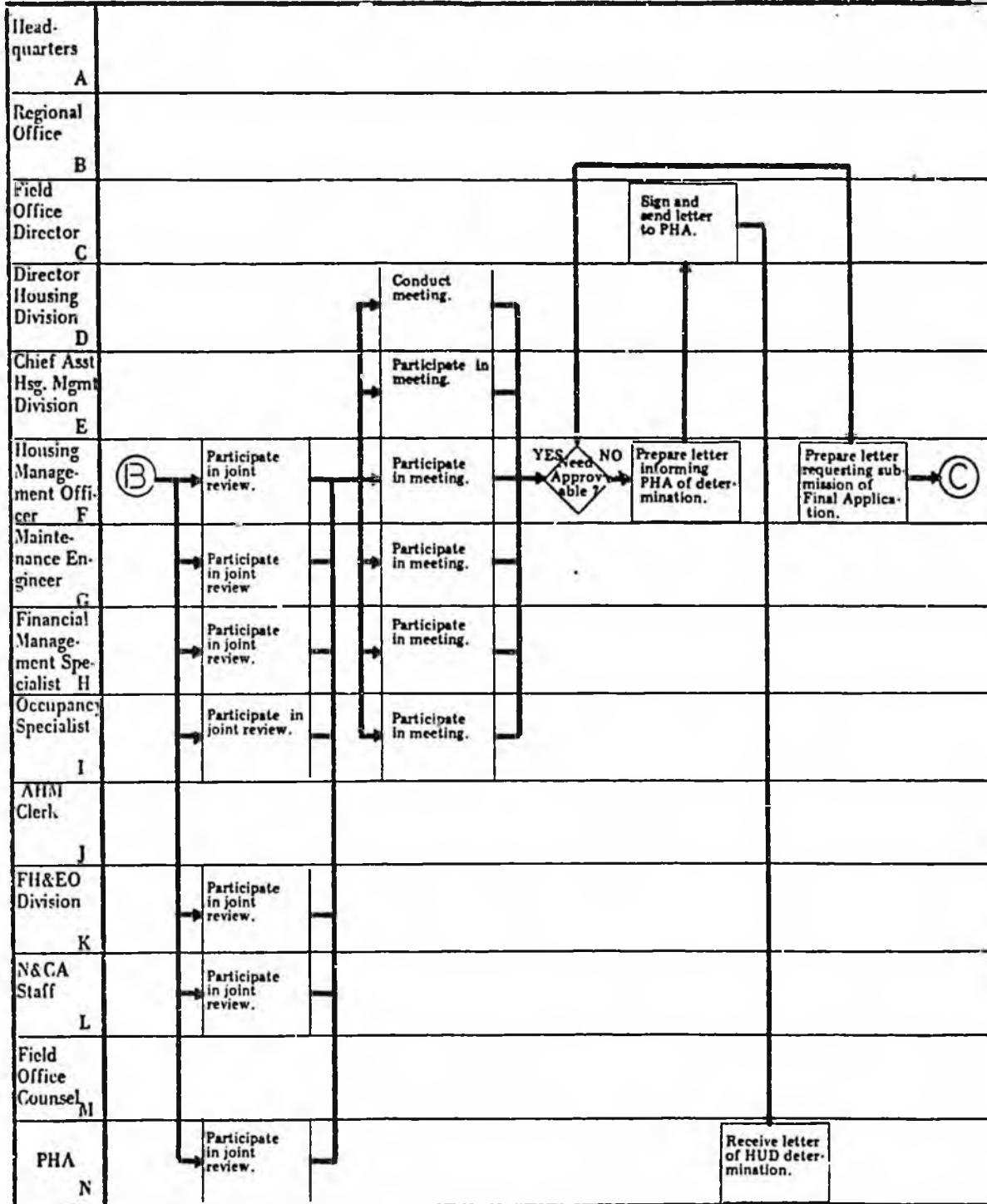
APPENDIX 4

Flow Chart - Application Processing - Comprehensive Improvement Assistance Program

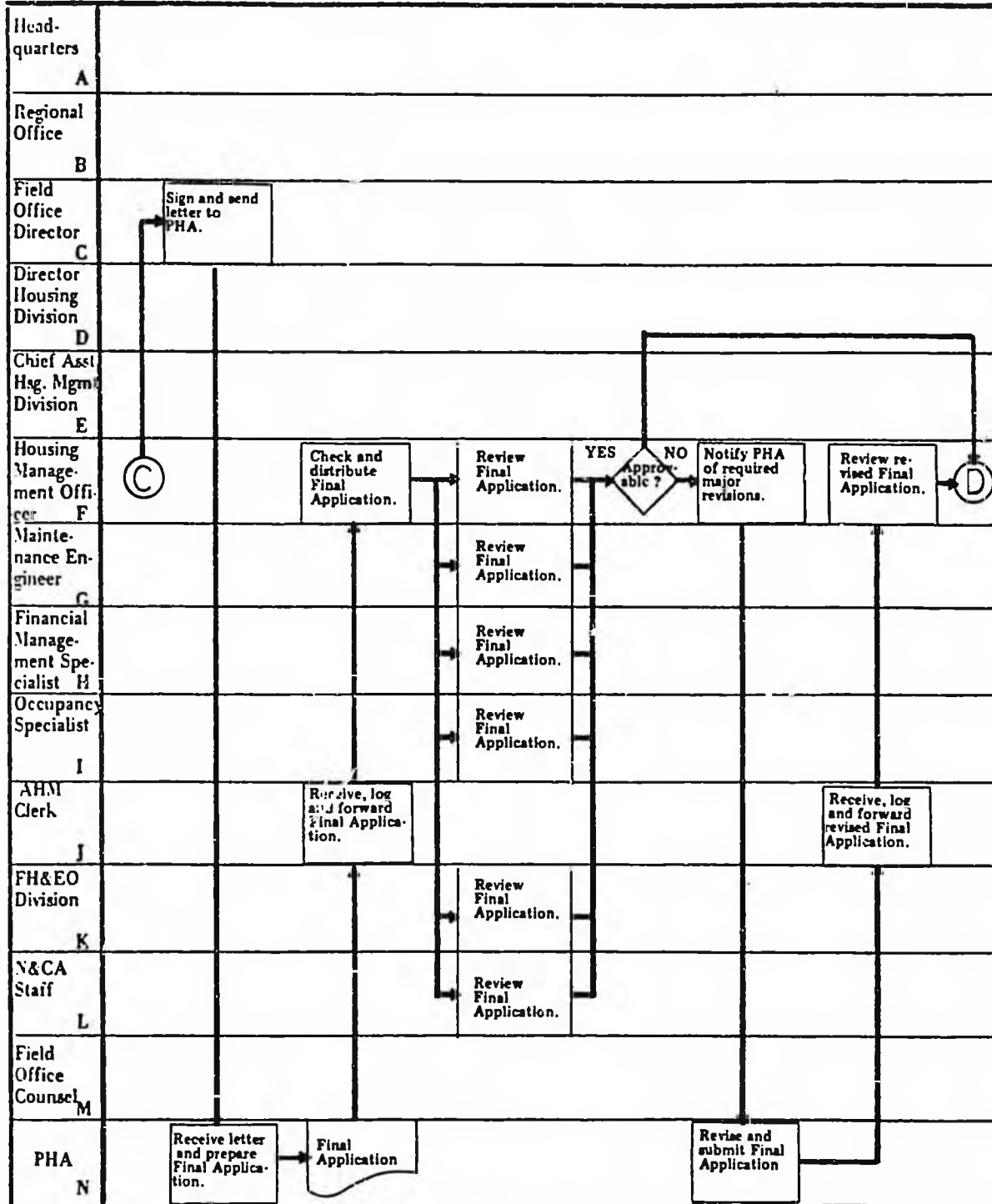




Flow Chart - Application Processing - Comprehensive Improvement Assistance Program

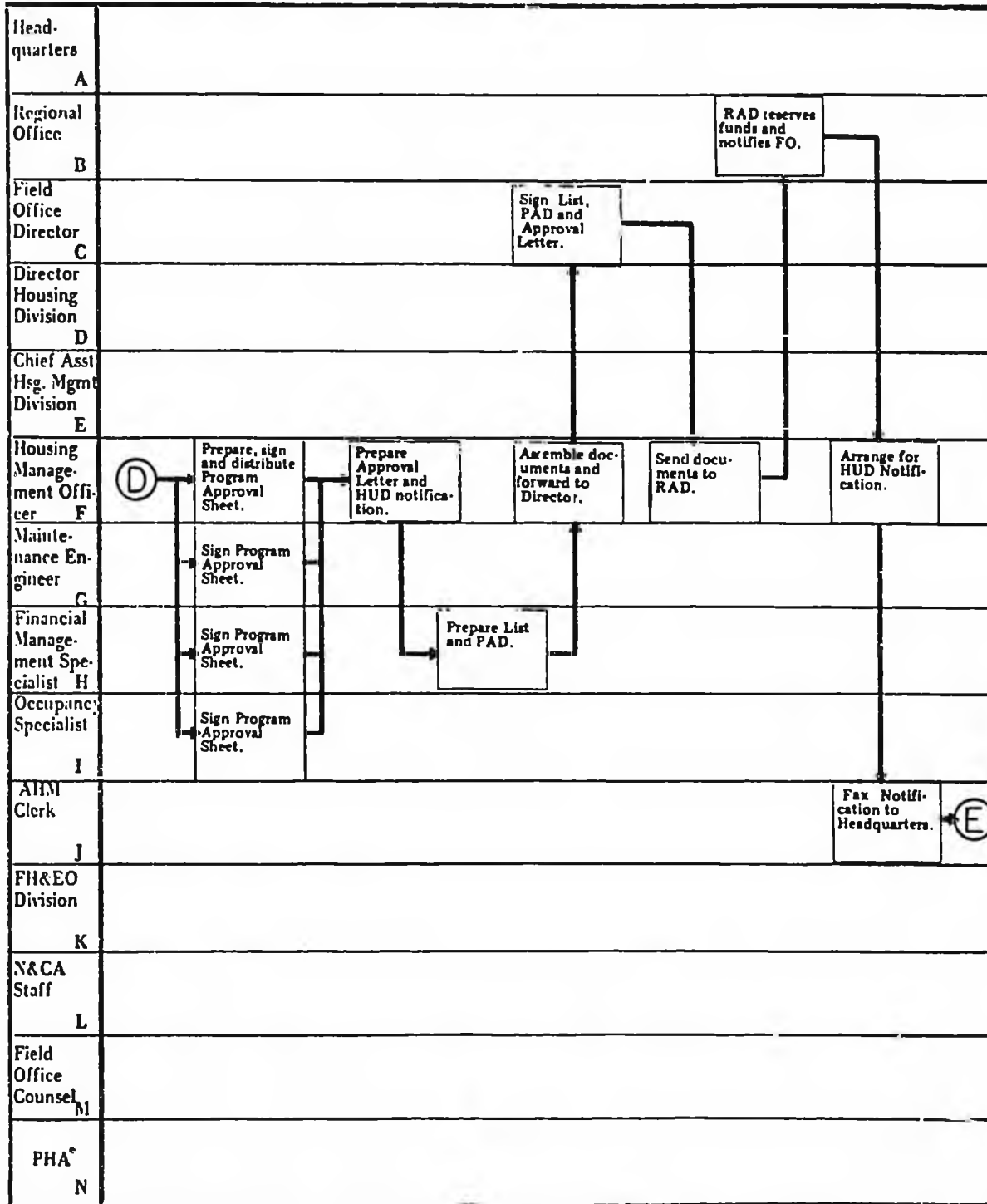


Flow Chart - Application Processing - Comprehensive Improvement Assistance Program



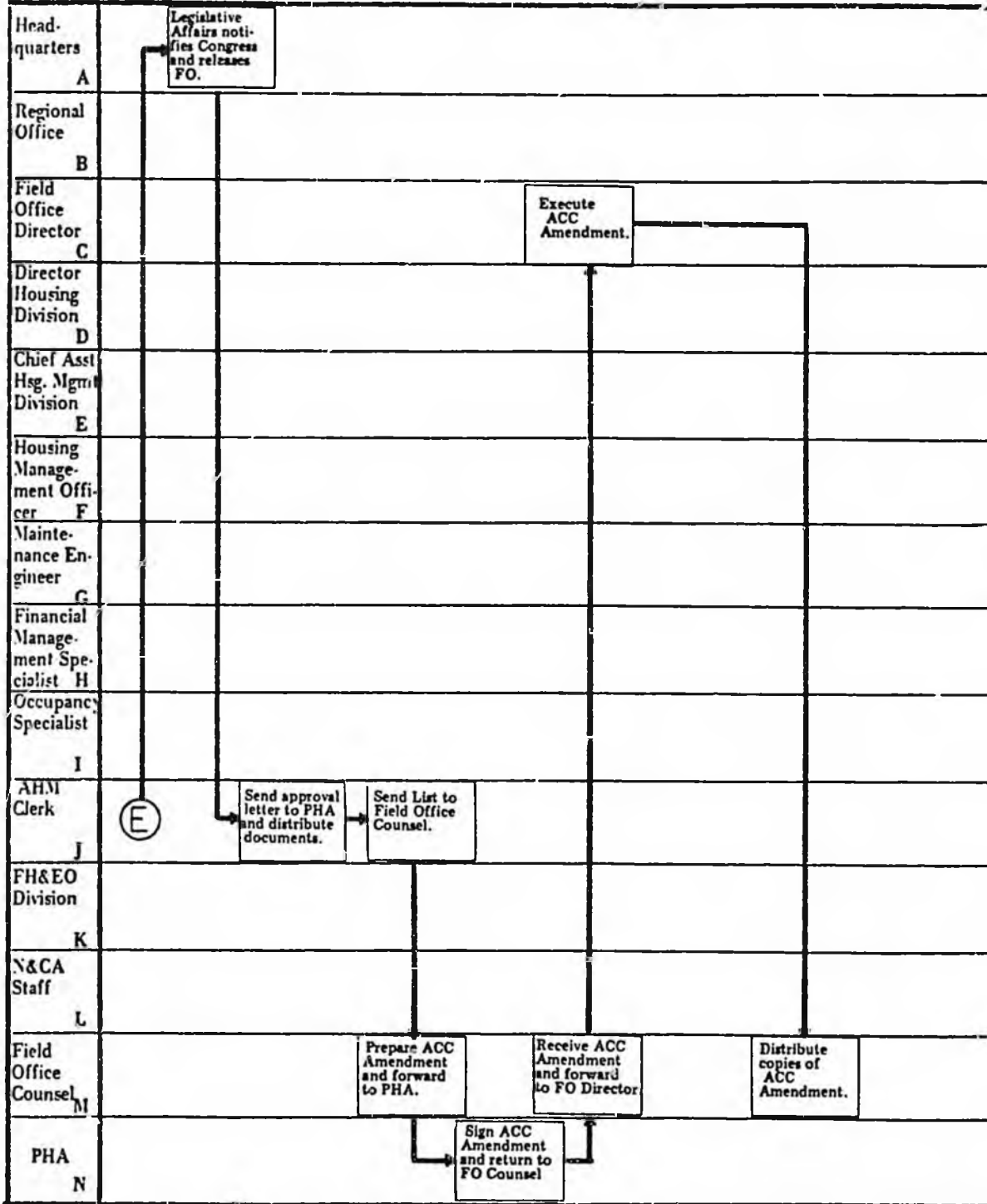


Flow Chart - Application Processing - Comprehensive Improvement Assistance Program



APPENDIX 4

Flow Chart - Application Processing - Comprehensive Improvement Assistance Program



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
COMPREHENSIVE IMPROVEMENT ASSISTANCE PROGRAM

PRELIMINARY APPLICATION

NAME OF PUBLIC HOUSING AGENCY			LOCALITY (City/County and State)					CURRENT FFY	PAGE ____ OF ____	
PRIORITY NUMBER (1)	INDIVIDUAL PROJECT NUMBER (2)	TYPE OF MODERNIZATION (3)	FUNDING REQUESTED/APPROVED					BRIEF DESCRIPTION OF BASIC APPROACH/ MAJOR WORK ITEMS (9)	ANNUAL COST SAVINGS	
			FFY (4)	FFY (5)	FFY (6)	FFY (7)	FFY (8)		TOTAL (10)	PUM
<p>I hereby certify that the PHA has notified tenants of its intent to submit a Preliminary Application. I hereby certify that, in consultation with local officials, the PHA has determined that 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 has considered alternatives to improvement of all existing dwelling units, and has included the selected alternative in the Preliminary Application. I hereby certify that the PHA has considered and included every possible cost savings.</p>								SIGNATURE OF EXECUTIVE DIRECTOR OR DESIGNEE		DATE

HUD 52824 (4-82)

INSTRUCTIONS FOR PREPARATION OF PRELIMINARY APPLICATION, FORM HUD-52824

REPORT SUBMISSION

Prepare and submit the original and three copies (or a lesser number of copies as specified by HUD) of this form to HUD by the HUD-established submission date. Use as many pages of this form as necessary to cover all individual projects for which modernization funding is requested. This form includes the five-year plan (original submission or annual update).

HEADING INSTRUCTIONS

Insert the Public Housing Agency (PHA) Name, Locality (city/county and State where the PHA Central Office is located), Current Federal Fiscal Year (FFY), and Page Number, e.g., Page 1 of 2.

COLUMN INSTRUCTIONS

1. COLUMN (1), PRIORITY NUMBER. For each individual project in Column (2), enter a number, e.g., 1, 2, 3, etc. . . ., representing the priority order of the projects for which modernization funding is requested. Attach a brief explanation of the priority order of the projects for which modernization funding is requested in the current FFY.
2. COLUMN (2), INDIVIDUAL PROJECT NUMBER. Enter the individual project number, e.g., VA-1-33, of each project for which modernization funding is requested. An individual project may be entered more than once, e.g., where the PHA is requesting more than one type of modernization for the same project, e.g., Emergency as priority 1 and Comprehensive Modernization as priority 4 for project VA-1-33.
3. COLUMN (3), TYPE OF MODERNIZATION. For each individual project in Column (2), enter the type of modernization requested, i.e., Comprehensive, Special Purpose, Emergency or Homeownership. The PHA that was approved for modernization in FFY 1981 is eligible to apply for Special Purpose Modernization through FFY 1983. The PHA that was not approved for modernization in FFY 1981 is eligible to apply for Special Purpose Modernization only in the first two years of its five-year plan. The PHA may apply for Emergency Modernization only in the current FFY.
4. COLUMNS (4) THROUGH (8), FUNDING REQUESTED/APPROVED. Enter in the headings of Columns (4) through (8) the sequential numbers of five Federal Fiscal Years (FFYs), beginning with the first FFY in which the PHA is applying or was approved for modernization under the Comprehensive Improvement Assistance Program (CIAP). The earliest FFY which could be entered in Column (4) is FFY 1981. For example, if the PHA was approved for modernization in FFY 1981 and is applying for additional modernization in FFY 1982, the PHA shall enter FFYs 1981 through 1985. If the PHA was not approved or did not apply for modernization in FFY 1981 or a subsequent FFY, the PHA shall enter the current FFY in Column (4). Once approved for modernization under the CIAP, the designated FFYs remain the same for a five-year period.

For each individual project in Column (2), also enter in the appropriate FFY column the gross estimate of the total needs where the PHA is requesting or was approved for Comprehensive Modernization or the gross estimates of the specialized needs where the PHA is requesting or was approved for Special Purpose, Emergency or Homeownership Modernization. For example, if the PHA was approved for modernization in FFY 1981 and is applying for additional modernization in FFY 1982, the PHA shall enter the amounts approved for each individual project in Column (4) and the updated amounts requested in Columns (5) through 8. The total needs of the individual project undergoing Comprehensive Modernization should include all current physical and management improvement needs, which require modernization funding, plus any needs anticipated during the implementation period of the Comprehensive Modernization.

5. COLUMN (9), BRIEF DESCRIPTION OF BASIC APPROACH/MAJOR WORK ITEMS. For each individual project in Column (2) proposed for Comprehensive or Special Purpose Modernization, enter a brief description of the basic approach to the rehabilitation of the project, such as improvement of all existing dwelling units, changes in project density, design, unit distribution and/or household type (elderly/nonelderly), demolition or disposition. For each individual project in Column (2) proposed for Emergency or Homeownership Modernization, enter a brief description of the major physical work items.
6. COLUMN (10), ANNUAL COST SAVINGS. For each individual project in Column (2), enter the aggregate annual cost savings of all work items, as a total dollar amount and as a per unit per month (PUM) amount. Savings are to be calculated based on the estimated costs involved before and after completion of the modernization work items. All cost estimates shall be made assuming a 100% occupancy before and after modernization. PUM is calculated by dividing the total dollar amount of the annual cost savings by the number of dwelling units after modernization by 12 [cost savings amount ÷ (units x 12)]. Attach a brief supporting statement, explaining how the estimates were derived by work item or groups of work items. Where savings are derived from more than one project, the savings per project should be identified.



7485.1 REV-2

APPENDIX 7

(RESERVED)



7485.1 REV-2

APPENDIX 8

(RESERVED)





Form Approved
OMB No. 2502-0208

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
HOUSING - FEDERAL HOUSING COMMISSIONER
Comprehensive Improvement Assistance Program**

PROJECT PROFILE

NOTE: Public Housing Agencies (PHA) with 100 or less units in management are only required to fill out the asterisked () items.*

1c. Project Number* _____

1d. End of Initial Operating Period (EIOP) Date* _____

1e. Project Name* _____

1f. Project Address* _____

2. PHYSICAL DESCRIPTION*

2a. Number of Units Available for Occupancy _____

2c. Brief Description of Non-Dwelling Space (if any) _____

2b. **UNITS BY BEDROOM AND BY STRUCTURE TYPE (Enter Data Below)**

TYPE OF BEDROOM	TYPE OF UNIT	DETACHED & SEMI-DETACHED	ROW	WALK-UP	ELEVATOR
0 Bedroom					
1 Bedroom					
2 Bedrooms					
3 Bedrooms					
4 Bedrooms					
5 Bedrooms					

3. OCCUPANCY DATA

3a. Current Vacancy Rate* _____ %

3b. Average Rent: _____ \$

3c. Broad Range Average Rent: _____ \$

4. Brief Description of Surrounding Neighborhood (including neighborhood description, such as CDBG, NSA, Section 8 NSA, etc., if applicable)* _____

5. RENT COLLECTION

5a. Does the PHA have a written rent collection policy for the project? YES NO

5b. Are all reexaminations current? YES NO

5c. Tenant Accounts Receivable (TAR) of tenants in possession as a percentage of the total monthly charges* _____ %

6. TENANT SELECTION, ASSIGNMENT AND EVICTION

6a. Is project management implementing the HUD-approved Tenant Selection and Assignment Plan? YES NO

6b. Is project management implementing the Non-Economic Selection Criteria Requirements? YES NO

6c. Estimated number of notices to quit issued in the last twelve months: _____

6d. Estimated number of eviction notices filed in the last twelve months: _____

6e. Estimate number of units vacated due to evictions in the last twelve months: _____

6f. Estimated number of units vacated in the last twelve months: _____

6g. Estimated average number of days a unit remains vacated: _____	6h. Number of grievance hearings held in the last twelve months: _____	Rent Disputes _____	Other _____	TOTAL _____
--	--	---------------------	-------------	-------------

7. MAINTENANCE*

7a. Is project management conducting a regular preventive maintenance schedule? YES NO (If "Yes," attach copy of checklist used)

7b. Estimated average routine response time from date of request to service in the last twelve months: _____

7c. Estimated average emergency response time from date of request to service in the last twelve months: _____

8. SECURITY*

Does the project have a crime or vandalism problem? YES NO

9. PHA/TENANT RELATIONS

Is there an active project/PHA wide tenant organization?

PROJECT	PHA WIDE
<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO

Use this space if needed for additional remarks. Identify remarks to appropriate item number above.

HUD-52921 (3-81)

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
COMPREHENSIVE IMPROVEMENT ASSISTANCE PROGRAM
COMPREHENSIVE ASSESSMENT/PROGRAM BUDGET
PART I - SUMMARY

NAME OF PHA		LOCALITY (City/County and State)		ACC NUMBER	MODERNIZATION PROJECT NUMBER	FEDERAL FISCAL YEAR	<input checked="" type="checkbox"/> ORIGINAL <input type="checkbox"/> REVISION (Give Number)		
USA Housing Authority		Anywhere, Virginia		A-1234	VA-30-403	1982			
LINE NO	SUMMARY BY DEVELOPMENT ACCOUNT	INDIVIDUAL PROJECT NO VA-30-1	INDIVIDUAL PROJECT NO VA-30-2	INDIVIDUAL PROJECT NO	INDIVIDUAL PROJECT NO	INDIVIDUAL PROJECT NO	TOTAL FUNDS REQUESTED	HUD APPROVED FUNDS	
1	TOTAL OPERATING FUNDS PROVIDED BY PHA (CDRC)	\$ 33,000	\$ 26,400	\$	\$	\$			
2	1408 Management Improvements	23,100	21,100				46,200		
3	1410 Administration	10,350	10,350				20,700		
4	1415 Liquidated Damages	- 0 -	- 0 -				- 0 -		
5	1430 Fees and Costs	73,800	60,240				134,040		
6	1440 Site Acquisition	- 0 -	- 0 -				- 0 -		
7	1450 Site Improvement	27,100	9,360				36,460		
8	1460 Dwelling Structures	2,106,000	1,684,800				3,790,800		
9	1465.1 Dwelling Equipment - Nonexpendable	121,250	147,000				318,250		
10	1470 Non dwelling Structures	- 0 -	- 0 -				- 0 -		
11	1475 Non dwelling Equipment	- 0 -	- 0 -				- 0 -		
12	1495.1 Relocation Costs	- 0 -	- 0 -				- 0 -		
13	MAXIMUM MODERNIZATION COST (Sum of Lines 2 through 12)	\$ 2,411,600	\$ 1,934,850	\$	\$	\$	\$4,346,450	\$	
14	TOTAL MODERNIZATION PROGRAM COST (Line 1 + Line 13)	\$ 2,444,600	\$ 1,961,250	\$	\$	\$	\$4,405,850	\$	
15	AMOUNT OF LINES 3 AND 5 RELATED TO PLANNING COSTS						\$ 17,000	\$	
16	TOTAL PLANNING AND MANAGEMENT IMPROVEMENT COSTS (Line 15 + Line 2)						63,200		
17	AMOUNT OF LINE 13 RELATED TO PHYSICAL IMPROVEMENTS (Line 13 - Line 15)						\$4,283,250	\$	
18	LINE 16 - LINE 17 (Not to exceed 10%)						1	%	
19	ANNUAL COST SAVINGS	\$ 40,000	\$ 36,000				\$ 76,000		
The PHA will not be allowed to participate in the Comprehensive Improvement Assistance Program unless this form is completed and filed as required by existing regulation.				SIGNATURE OF EXECUTIVE DIRECTOR OR DESIGNEE		DATE	SIGNATURE OF FIELD OFFICE DIRECTOR		DATE

Page 1

12/83

APPENDIX 10

7485.1 REV-2

NAME OF PHA USA Housing Authority		COMPREHENSIVE IMPROVEMENT ASSISTANCE PROGRAM COMPREHENSIVE ASSESSMENT/PROGRAM BUDGET PART II - SUPPORTING PAGES				PAGE 3 OF 7
WORK ITEM NUMBER	DEVELOPMENT ACCOUNT NUMBER	ASSESSMENT OF NEED	DESCRIPTION OF PROPOSED/APPROVED ACTION	INDIVIDUAL PROJ#CT NUMBER	TOTAL FUNDS REQUESTED	HUD APPROVED FUNDS
(1)	(2)	(3)	(4)	(5)	(6)	(7)
M-82-3	1410.2	d. Tenant Accounts Receivable (TAR) is 20% of current rent roll. There is no written rent collection procedure.	d. Develop written rent collection procedure. Implement, monitor and evaluate rent collection procedures to reduce TAR from 20% to 10% within 2 years.	VA-30-1 VA-30-2	No Funding Required	
		e. When ADP systems are installed, clerical and management staff will not be familiar with their use.	e. Train staff on use of ADP systems. Contract will include provision for callback during first year of implementation. Cost of \$11,000 prorated equally between projects. Contract labor.	VA-30-1 VA-30-2	11,000 5,500 5,500	
M-82-4	1410.9	<u>TECHNICAL SALARIES</u> Inadequate supervision of force account labor.	Pay 1/2 of maintenance foreman's salary of \$18,000 for 2 years to supervise force account labor and serve as the PHA contracting officer, working with the architect. Cost of \$18,000 prorated equally between projects. Force account labor.	VA-30-1 VA-30-2	18,000 9,000 9,000	
		<u>EMPLOYEE BENEFIT CONTRIBUTIONS</u> Inadequate supervision of force account labor.	Pay 1/2 of PHA's annual contribution of \$2,700 (15% of salary) for maintenance foreman for two years. Cost of \$2,700 prorated equally between projects.	VA-30-1 VA-30-2	2,700 1,350 1,350	
M-82-5	1430.1	<u>ARCHITECTURAL AND ENGINEERING FEES</u> a. Professional services required.	a. HUD Field Office approved contract for engineering firm to survey VA-30-1 and VA-30-2 and perform unit-by-unit inspections on plumbing, heating, electrical, utility distribution and structural components. Survey provided basis for budget. Contract labor. (Planning cost)	VA-30-1 VA-30-2	11,000 5,500 5,500	

HUD 62826 (4-82)

NAME OF PHA USA Housing Authority		COMPREHENSIVE IMPROVEMENT ASSISTANCE PROGRAM COMPREHENSIVE ASSESSMENT/PROGRAM BUDGET PART II - SUPPORTING PAGES				PAGE 2 OF 7
WORK ITEM NUMBER	DEVELOPMENT ACCOUNT NUMBER	ASSESSMENT OF NEED	DESCRIPTION OF PROPOSED/APPROVED ACTION	INDIVIDUAL PROJECT NUMBER	TOTAL FUNDS REQUESTED	HUD APPROVED FUNDS
(1)	(2)	(3)	(4)	(5)	(6)	(7)
G-82-1		<u>GUTTER AND DOWNSPOUT REPLACEMENT</u> Gutters and downspouts have deteriorated and are no longer securely anchored. Replacements are needed.	Replace 15,000 linear feet of downspout at VA-30-1 and 12,000 linear feet at VA-30-2 at \$2.20 per linear foot, including labor, with No. 24 gauge galvanized 3 inch round, with joints, double screw fastened, masonry anchored, and cast iron boot, including painting. Force account labor.	VA-30-1 VA-30-2	59,400 33,000 26,400	
M-82-2	1408	<u>MANAGEMENT IMPROVEMENTS</u> a. Maintenance work order delivery system is terrible. There is a backlog of work orders. Emergency work orders are not handled within 24 hours. b. Maintenance staffs are not familiar with work order system and lack technical skills. c. Manual accounting and work order/inventory systems are unreliable and do not supply necessary information on a timely basis.	a. Contract with City Manpower Department on reduced fee basis for services of 2 manpower specialists to analyze maintenance operations, hiring practices, classification levels and procurement practices and recommend training for maintenance staff. Cost of \$5,200 prorated equally between projects. Contract labor. b. Use training vendors on a contract basis for maintenance staff at two projects. Preliminary discussions with manpower specialists indicate cost of \$8,000, prorated equally between projects. Contract labor. c. Contract with Constitutional Housing Authority for general ledger, tenant accounting and work order/inventory systems. Contract cost, prorated equally between projects, is for reproduction, installation and modification and includes 4 on-site visits to resolve any problems. Software package alone has no cost due to public domain status.	VA-30-1 VA-30-2 VA-30-1 VA-30-2 VA-30-1 VA-30-2	5,200 2,600 2,600 8,000 4,000 4,000 22,000 11,000 11,000	

HUD-82728 (4-87)

NAME OF PHA USA Housing Authority		COMPREHENSIVE IMPROVEMENT ASSISTANCE PROGRAM COMPREHENSIVE ASSESSMENT/PROGRAM BUDGET PART II - SUPPORTING PAGES				PAGE 3 OF 7
WORK ITEM NUMBER (1)	DEVELOPMENT ACCOUNT NUMBER (2)	ASSESSMENT OF NEED (3)	DESCRIPTION OF PROPOSED/APPROVED ACTION (4)	INDIVIDUAL PROJECT NUMBER (5)	TOTAL FUNDS REQUESTED (6)	HUD APPROVED FUNDS (7)
M-82-3	1410.2	<p>d. Tenant Accounts Receivable (TAR) is 20% of current rent roll. There is no written rent collection procedure.</p> <p>e. When ADP systems are installed, clerical and management staff will not be familiar with their use.</p> <p><u>TECHNICAL SALARIES</u></p> <p>Inadequate supervision of force account labor.</p>	<p>d. Develop written rent collection procedure. Implement, monitor and evaluate rent collection procedures to reduce TAR from 20% to 10% within 2 years.</p> <p>e. Train staff on use of ADP systems. Contract will include provision for callback during first year of implementation. Cost of \$11,000 prorated equally between projects. Contract labor.</p> <p>Pay 1/2 of maintenance foreman's salary of \$18,000 for 2 years to supervise force account labor and serve as the PHA contracting officer working with the architect. Cost of \$18,000 prorated equally between projects. Force account labor.</p>	VA-30-1	No Funding Required	
				VA-30-2		
				VA-30-1	11,000	
				VA-30-2	5,500	
M-82-4	1410.9	<p><u>EMPLOYEE BENEFIT CONTRIBUTIONS</u></p> <p>Inadequate supervision of force account labor.</p>	<p>Pay 1/2 of PHA's annual contribution of \$2,700 (15% of salary) for maintenance foreman for two years. Cost of \$2,700 prorated equally between projects.</p>	VA-30-1	9,000	
				VA-30-2	9,000	
M-82-5	1430.1	<p><u>ARCHITECTURAL AND ENGINEERING FEES</u></p> <p>a. Professional services required.</p>	<p>a. HUD Field Office approved contract for engineering firm to survey VA-30-1 and VA-30-2 and perform unit-by-unit inspections on plumbing, heating, electrical, utility distribution and structural components. Survey provided basis for budget. Contract labor. (Planning cost)</p>		2,700	
					1,350	
					1,350	
					11,000	
				VA-30-1	5,500	
				VA-30-2	5,500	

HUD-62826 14-821

NAME OF PHA USA Housing Authority		COMPREHENSIVE IMPROVEMENT ASSISTANCE PROGRAM COMPREHENSIVE ASSESSMENT/PROGRAM BUDGET PART II - SUPPORTING PAGES				PAGE 5 OF 7
WORK ITEM NUMBER	DEVELOPMENT ACCOUNT NUMBER	ASSESSMENT OF NEED	DESCRIPTION OF PROPOSED/APPROVED ACTION	INDIVIDUAL PROJECT NUMBER	TOTAL FUNDS REQUESTED	HUD APPROVED FUNDS
(1)	(2)	(3)	(4)	(5)	(6)	(7)
M-82-8	1460	<u>WELLING STRUCTURES</u>				
		a. Original porcelain kitchen sinks and metal cabinets are rusty.	a. Install new wall and base cabinets, stainless steel sinks, laminated plastic counter tops and kitchen exhaust fans at a cost of \$900 per unit. 500 units at VA-30-1 and 400 units at VA-30-2. 10% contingency included. Contract labor.	VA-30-1 VA-30-2	810,000 450,000 360,000	
		b. Water damage to walls and floors in bathrooms around bathtubs.	b. Install tub surrounds (ceramic tile or porcelain steel panels) around bathtubs to prevent serious structural damage at a cost of \$250 per unit. 500 units at VA-30-1 and 400 units at VA-30-2. 10% contingency included. Contract labor.	VA-30-1 VA-30-2	225,000 125,000 100,000	
		c. Concrete floors are uncovered. This is unattractive and causes excessive heat losses.	c. Cover floor space with 12" x 12" vinyl or sheet goods at a cost of \$0.90 per sq. ft. including installation. VA-30-1 has 350,000 sq. ft. and VA-30-2 has 280,000 sq. ft. 10% contingency included. Contract labor.	VA-30-1 VA-30-2	567,000 315,000 252,000	
		d. Windows are steel casement type without storms. Replacement hardware is difficult to obtain. Excessive amounts of air enter the units.	d. Replace steel casement windows with double pane insulating windows at a cost of \$1,000 per unit including installation. 500 units at VA-30-1 and 400 units at VA-30-2. 10% contingency included. Contract labor.	VA-30-1 VA-30-2	900,000 500,000 400,000	
		e. Energy audit revealed PHA utility costs are excessive and it would be cost-effective to convert to tenant-paid utilities.	e. Install individual electric meters at a cost of \$165 per meter. 500 meters at VA-30-1 and 400 meters at VA-30-2. Force account labor.	VA-30-1 VA-30-2	148,000 82,500 66,000	

HUD-82828 (4-87)

NAME OF PHA		COMPREHENSIVE IMPROVEMENT ASSISTANCE PROGRAM COMPREHENSIVE ASSESSMENT/PROGRAM BUDGET PART 1 - SUPPORTING PAGES				PAGE 6 OF 7
WORK ITEM NUMBER	DEVELOPMENT ACCOUNT NUMBER	ASSESSMENT OF NEED	DESCRIPTION OF PROPOSED/APPROVED ACTION	INDIVIDUAL PROJECT NUMBER	TOTAL FUNDS REQUESTED	HUD APPROVED FUNDS
(1)	(2)	(3)	(4)	(5)	(6)	(7)
M-82-8 (Continued)	1460	f. Heating system is 25 years old. Furnaces require constant maintenance. It is difficult to obtain replacement parts. Energy audit revealed excessive energy usage.	f. Replace furnaces with energy efficient, gas, forced air, 65,000 - 80,000 BTUs. Furnaces will have vent dampers. New energy efficient thermostats will be installed. Cost estimates are \$1,100 per unit. 500 units at VA-30-1 and 400 units at VA-30-2. 10% contingency included. Contract labor.	VA-30-1 VA-30-2	990,000 550,000 440,000	
		g. Energy audit revealed PHA utility costs are excessive and it would be cost-effective to convert to tenant-paid utilities.	g. Install individual gas meters at a cost of \$77 per meter. 500 meters at VA-30-1 and 400 meters at VA-30-2. Force account labor.	VA-30-1 VA-30-2	60,300 38,500 30,800 81,000	
		h. Energy audit revealed excessive heat losses from hot water lines.	h. Install hot water line insulation to pipes under dwelling unit floors. Cost of \$1.50 per linear foot includes wire brush cleaning or scraping. 30,000 linear feet at VA-30-1 and 24,000 linear feet at VA-30-2. 10% contingency included. Contract labor.	VA-30-1 VA-30-2	45,000 36,000	
M-82-9	1465.1	<u>DWELLING EQUIPMENT - NONEXPENDABLE</u>				
		a. One-half of ranges and refrigerators need replacing because of excessive maintenance required.	a. Purchase through Consolidated Supply Program 250 - 30" gas ranges and 250 - 12.4 cubic feet automatic defrost refrigerators at VA-30-1 and 200 ranges and 200 refrigerators at VA-30-2. Cost for each range is \$175 (\$180 less \$5 salvage) and for each refrigerator is \$310 (\$315 less \$5 salvage) including installation.	VA-30-1 VA-30-2	218,250 121,250 97,000	

HUD 82825 (4-82)

NAME OF PHA USA Housing Authority		COMPREHENSIVE IMPROVEMENT ASSISTANCE PROGRAM COMPREHENSIVE ASSESSMENT/PROGRAM BUDGET PART II - SUPPORTING PAGES				PAGE 7 OF 7
WORK ITEM NUMBER (1)	DEVELOPMENT ACCOUNT NUMBER (2)	ASSESSMENT OF NEED (3)	DESCRIPTION OF PROPOSED/APPROVED ACTION (4)	INDIVIDUAL PROJECT NUMBER (5)	TOTAL FUNDS REQUESTED (6)	HUD APPROVED FUNDS (7)
M-82-9 (Continued)	1465.1	b. Manual accounting and work order/ inventory systems are unreliable and do not provide necessary information on a timely basis.	b. Purchase and install XYZ model computer to complement software package acquired from the Constitutional Housing Authority. Cost of \$100,000 prorated equally between projects. 10% contingency included. Contract labor.	VA-30-1 VA-30-2	100,000 50,000 50,000	

HUD 62825 (4-82)

INSTRUCTIONS FOR PREPARATION OF COMPREHENSIVE ASSESSMENT/PROGRAM BUDGET,
FORM HUD-52825

REPORT SUBMISSION

Before the Joint Review, prepare a separate Part II covering all individual projects which will be inspected during the Joint Review. Use as many pages of Part II as are necessary. Where invited by HUD to submit a Final Application, prepare a separate Form HUD-52825 (Parts I and II), for each Modernization Project. All individual projects included in the Modernization Project must be under the same consolidated Annual Contributions Contract. Submit the original and three copies (or any lesser number of copies as specified by HUD) of this form to HUD at the time of Final Application or when revisions are necessary, in accordance with the requirements of the Comprehensive Improvement Assistance Program Handbook 7485.1 REV-1.

PART I - SUMMARY

1. **HEADING.** Insert the Public Housing Agency (PHA) Name, Locality (city/county and State where the PHA Central Office is located), and Annual Contributions Contract Number. Insert the Modernization Project Number which is: the State abbreviation, e.g., VA; the one-, two-, or three-digit PHA code; and a three-digit Modernization Project code where the first digit is always the number "9" and the last two digits are the sequential number of the Modernization Project, beginning with the first modernization funding after modernization as a separate project was implemented (July 1, 1978). For example, in FY 1982, HUD approved the third Modernization Project for the USA housing Authority. The Modernization Project Number would be USA-1-903. Also insert the Federal Fiscal Year in which modernization funds are being requested or were approved. Also check the appropriate block as to whether the form is the Original or a Revision. If a Revision, indicate the revision number. Also insert the Page Number, e.g., Page 1 of 5. Number the pages for both Parts sequentially.
2. **LINES 1 THROUGH 14.** For each line, enter the amount to be allocated to each individual project included in the Modernization Project, as well as the total funds requested, rounded to the nearest ten dollars. If the amount of modernization funds requested by the PHA is modified by HUD, HUD will enter the adjusted amount in the appropriate column(s) for the individual project(s) and the adjusted total in the column, HUD-Approved Funds, rounded to the nearest ten dollars.
3. **LINE 15, AMOUNT OF LINES 3 AND 5 RELATED TO PLANNING COSTS.** Enter the sum of the portions of Lines 3 and 5 related to planning costs.
4. **LINE 16, TOTAL PLANNING AND MANAGEMENT IMPROVEMENT COSTS.** Enter the sum of Lines 15 and 2.
5. **LINE 17, AMOUNT OF LINE 13 RELATED TO PHYSICAL IMPROVEMENTS.** Subtract Line 16 from Line 13 and enter the difference.
6. **LINE 18, LINE 16 DIVIDED BY LINE 17.** Divide Line 16 by Line 17 to obtain the percentage of total planning and management improvement costs to physical improvement costs. Move the decimal two digits to the right. If the percentage exceeds 10%, the PHA shall submit appropriate justification.
7. **LINE 19, ANNUAL COST SAVINGS.** For each individual project, enter the aggregate annual cost savings of all work items, as a total dollar amount and as a per unit per month (PUM) amount. Savings are to be calculated on the estimated costs involved before and after completion of the modernization work items. All cost estimates shall be made assuming a 100 percent occupancy before and after modernization. PUM is calculated by dividing the total dollar amount of the annual cost savings by the number of dwelling units after modernization by 12 (cost savings ÷ (units x 12)). Attach a brief supporting statement, explaining how the estimates were derived by work item or groups of work items. Where savings are derived from more than one project, the savings per project should be identified. For the Modernization Project, enter the aggregate annual cost savings of all work items as a total dollar amount only in the column, Total Funds Requested. Where modified by HUD, HUD will enter the adjusted amount in the appropriate column(s) for the individual project(s) and the adjusted total in the column, HUD-Approved Funds.

PART II - SUPPORTING PAGES

1. **HEADING.** Insert the PHA Name and Page Number, e.g., Page 2 of 5.
2. **COLUMN (1), WORK ITEM NUMBER.** Enter all work items to be financed from operating funds prior to listing all work items to be financed from modernization funds. After listing all work items to be financed from operating funds, leave one space and draw a double line across the page to separate the operating fund work items from the modernization fund work items. Assign each work item a number in numerical sequence, combining the current FFY with the item number, e.g., 82-1, 82-2, etc. Distinguish work items involving operating funds from work items involving modernization funds by the use of the letters "O" and "M" respectively, preceding the assigned work item number, e.g., O-82-1 or M-82-5. Each work item shall be limited to such work which is chargeable to the same development account. However, if there is more than one work item for the same development account, use the letters "a," "b," etc. to differentiate among work items, e.g., M-82-5a or M-82-5b.
3. **COLUMN (2), DEVELOPMENT ACCOUNT NUMBER.** This column is not applicable for work items to be financed from operating funds or which require no modernization funding. For work items to be financed from modernization funds, enter the appropriate development account which relates to each work item in Column (4). The development account numbers are more detailed than those summarized in Part I of this form. For development account numbers used in the Comprehensive Improvement Assistance Program, refer to HUD Handbook 7485.1 REV-1.
4. **COLUMN (3), ASSESSMENT OF NEED.** Enter the total needs of the individual project where the PHA is requesting Comprehensive Modernization or the specialized needs of the individual project where the PHA is requesting Special Purpose, Emergency or Homeownership Modernization in the current FFY. The total needs of the individual project undergoing Comprehensive Modernization shall include all current physical and management improvement needs, regardless of whether modernization funds are required, plus any needs anticipated during the implementation period of the Comprehensive Modernization. The physical improvement needs shall be assessed against the Modernization Standards set forth in the Modernization Standards Handbook 7485.2.

NOTE: Under Comprehensive Modernization where only the first stage of a two-stage funding is to be approved, the PHA shall submit two Part II's. One Part II shall include all current physical and management improvement needs of the individual project; the other Part II shall include only the work items to be funded at the first stage.
5. **COLUMN (4), DESCRIPTION OF PROPOSED/APPROVED ACTION.** For each need in Column (3), enter a description of the action proposed to meet the need, including the type of material or equipment to be used, quantity, cost, and method of accomplishment (*contract or force account labor*). Where appropriate, add a reasonable contingency amount to each work item and indicate the amount. Where architectural or engineering services are necessary, show the fees as a line item, identifying the work items involved and justifying the amount of the fees. Asterisk the physical work items that exceed the Modernization Standards set forth in the HUD Handbook 7485.2. For each management work item, quantify, to the extent possible, the current status and performance goal and state the planned process for accomplishing the goal by the end of the implementation period. For example, if an identified need in Column (3) is a high Tenant Accounts Receivable (TAR), the proposed action may be to reduce the TAR from 15% to 10% by hiring two temporary employees to implement a new rent collection system.
6. **COLUMN (5), INDIVIDUAL PROJECT NUMBER.** For each work item in Column (4), enter separately each individual project number involved in the work item.
7. **COLUMN (6), TOTAL FUNDS REQUESTED.** Opposite each individual project number in Column (5), enter the operating funds to be provided or the modernization funds requested, rounded to the nearest ten dollars, or indicate that no modernization funds are required.
8. **COLUMN (7), HUD-APPROVED FUNDS.** If the amount of modernization funds requested by the PHA in Column (6) is modified by HUD, HUD will enter the adjusted amount of the work item which is approved for an individual project and the adjusted total, rounded to the nearest ten dollar.



Joint Review Checklist

Section I. General Information

A. PHA _____ B. Dates of review _____

C. HUD staff participating:

<u>Name</u>	<u>Title</u>	<u>Phone number</u>

D. PHA staff contacted:

<u>Name</u>	<u>Title</u>	<u>Phone number</u>

E. Projects included in Joint Review:

<u>Name</u>	<u>Number</u>	<u>Type of modernization</u>	<u>Estimated cost</u>

F. Current reserve level of the PHA?

Could PHA use operating funds/reserves to finance all or part of the proposed modernization? Yes ___ No ___

If yes, how much? _____

Are CDBG or other funds available to finance all or part of the proposed modernization? Yes ___ No ___

If yes, how much? _____

Section II: Proposed Modernization Program

All the questions listed below should be answered by checking the "yes" or "no" column. Where additional comments or explanation are appropriate, a space has been provided. If a question is not appropriate for the particular project under review, please put "NA" (not applicable) in the "comments" column. Section A (Physical Improvements) should be completed separately for each project being reviewed and Section B (Management Improvements) for each project being reviewed for comprehensive modernization. Section C (Administration), D (Additional Requirements) and E (PHA Modernization Capability) should be completed once for the entire PHA.

	Yes	No	Comments/Explanation
A. Physical Improvements			
Project Number _____			
1. Physical Needs Assessment is completed and of acceptable quality.			
2. All work items necessary to meet the mandatory standards have been identified.			
3. All work items exceeding the mandatory standards have been identified and determined necessary for long-term viability.			
4. Project has prospects for long-term viability (not applicable for emergency modernization).			
5. There are no duplicative work items in the PHA's operating budget or previously approved modernization budgets and the proposed modernization budget.			
6. Energy audit is completed and of acceptable quality.			
7. Eligible ECOs have been included in proposed work items.			
8. Cost estimates are reasonable and accurate.			



	Yes	No	Comments/Explanation
9. Modernization cost, excluding management improvements, does not exceed prototype cost limit.			
10. Method of accomplishment (contract or force account) has been determined. Indicate method.			
11. Use of force account labor will not adversely impact on routine maintenance.			
12. Proposed implementation schedule is realistic.			
13. PHA method of inspection of physical work has been determined. Indicate method.			
14. PHA need for A/E services for detailed design work and preparation of bid documents has been determined.			
15. Plans for rehousing tenants and paying moving costs are adequate.			
16. Proposed demolition/disposition appears justified, subject to Headquarters approval.			
17. Homeownership project will, upon final approval, comply with all special requirements.			
18. Section 23 Leased Housing Bond-Financed project (BFP) will, upon final approval, comply with all special requirements.			

	Yes	No	Comments/Explanation
B. Management Improvements (must be completed for comprehensive modernization)			
Project Number _____			
1. PHA has prepared Form HUD-52821, Project Profile.			
2. PHA has reviewed following areas:			
a. Management, financial and accounting control systems.			
b. Qualifications of personnel employed in management and operation of project to be modernized.			
c. Tenant programs and services.			
d. Tenant and project security.			
e. Tenant selection and eviction.			
f. Occupancy.			
g. Rent collection (Tenant Accounts Receivable).			
h. Maintenance.			
3. Proposed work items appropriately address identified problems.			
4. Cost estimates are reasonable and accurate.			
5. Management improvements to be done, but not funded under CIAP, have been identified.			



	Yes	No	Comments/Explanation
6. Method of accomplishment has been determined. Indicate method.			
7. Proposed implementation schedule is realistic.			
8. PHA need for professional consultant services has been determined.			
9. All open findings from previous reviews, audits and surveys have been addressed and satisfactory progress is being made:			
a. Management review.			
b. Occupancy audit.			
c. Fiscal audit.			
d. Engineering survey.			
e. Utilities review.			
C. Administration			
1. PHA plans for organizing and staffing the modernization program are adequate and appropriate.			
2. PHA needs full-time modernization coordinator.			
3. PHA needs full-time contract administrator/construction manager.			
4. PHA will reassign existing staff.			
5. PHA will hire additional staff.			

	Yes	No	Comments/Explanation
D. Additional Requirements			
1. PHA has complied with local official and tenant/homebuyer consultation requirements.			
2. PHA is in compliance with civil rights statutes, executive orders and regulations.			
3. PHA has plans to provide minority and women's business or indian enterprise opportunity.			
4. Environmental assessment is required.			
5. a. Project buildings are subject to flood insurance requirements.			
o. PHA is continuing to carry flood insurance on other buildings, where previously required for modernization.			
6. PHA will comply with requirements to eliminate lead-based paint hazards.			
7. PHA will comply with requirements to provide accessibility for the physically handicapped.			
E. PHA Modernization Capability			
1. Previously approved modernization programs are progressing on schedule.			
2. All modernization funds over three years old have been expended.			
3. All modernization funds over two years old have been obligated.			



Yes No

	Yes	No
4. Additional modernization funds are not required to complete any previously approved programs.		
5. Established threshold levels are appropriate for the PHA.		
6. PHA is complying with HUD requirements regarding contracting and budgeting.		
7. PHA is submitting its quarterly progress reports, including the narrative report on the management improvements, on a timely basis.		
8. Any problems identified in the last Checklist for Monitoring of Physical Improvements have been corrected.		
9. PHA has capability to implement proposed modernization in timely manner.		
10. Funds left over from completed modernization programs are being recaptured or reprogrammed.		

Form Approved
OMB No. 2502-2202

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT HOUSING - FEDERAL HOUSING COMMISSIONER COMPREHENSIVE IMPROVEMENT ASSISTANCE PROGRAM		CONTRACT NUMBER			
PROJECT FINANCIAL FORECAST		PROJECT NUMBER			
PHA NAME		HUD FIELD OFFICE			
PHA LOCALITY					
LINE NO	111	121	131	141	151
	FYE	FYE	FYE	FYE	FYE
001	Fiscal Year Ending				
002	Number of Dwelling Units				
003	Number of Unit Months Available				
	RECEIPTS	PUM	AMOUNT	PUM	AMOUNT
		(a)	(b)	(a)	(b)
010	OPERATING RECEIPTS:				
	Dwelling Rentals				
020	Excess Utilities				
030	Non-dwelling Rentals				
040	Total Rental Income (Lines 010-020+030)				
050	Interest on General Fund Investments				
060	Other PHA Operating Receipts				
070	Total Operating Receipts (Lines 010 + 050 + 060)				
	MODERNIZATION:				
081	Management Improvement				
082	Physical Improvement				
085	TOTAL MODERNIZATION FUNDS (Lines 081 + 082)				
090	Other Non PHA Income				
095	TOTAL RECEIPTS WITHOUT SUBSIDY (Lines 070+085+090)				
100	OPERATING SUBSIDY				
105	TOTAL RECEIPTS WITH SUBSIDY (Lines 095+100)				
	EXPENDITURES				
	ROUTINE				
110	Administration				
120	Tenant Services				
130	Utilities				
140	Ordinary Maintenance and Operations				
150	Protective Services				
160	General				
170	TOTAL ROUTINE (Lines 110 through 160)				
	NON-ROUTINE				
210	Extraordinary Maintenance				
220	Replacement of Equipment				
230	Betterments and Additions				
240	Other Non-Routine				
250	TOTAL NON-ROUTINE (Lines 210 through 240)				
310	OTHER EXPENDITURES				
350	TOTAL OPERATING EXPENDITURES (Lines 170-250+310)				
	MODERNIZATION:				
410	Management Improvement				
430	Physical Improvement				
450	TOTAL MODERNIZATION EXPENDITURES (Lines 410+430)				
500	TOTAL EXPENDITURES (Lines 350+450)				
600	SURPLUS (Or Deficit)				

HUD-52823 (7-81)

**INSTRUCTIONS FOR PREPARATION OF FORM HUD-52823,
PROJECT FINANCIAL FORECAST**

REPORT SUBMISSION

Prepare a separate Project Financial Forecast for each individual project. Submit the original and three copies (or any lesser number of copies as specified by HUD) of this form to HUD at the time of Final Application, in accordance with the requirements of the Comprehensive Improvement Assistance Program Handbook 7485.1 REV.

GENERAL

The Forecast includes a column for each PHA fiscal year in the implementation period of the modernization starting with the first full PHA fiscal year after the year in which the Final Application is submitted. For those programs to be approved and funded in two stages, this form shall include all management and physical improvements to be accomplished during each year of the two-stage period. If the implementation period will exceed four full PHA fiscal years, use another copy of this form. Refer to the Low-Rent Housing Accounting Handbook 7510.1 for a description of the accounts on this form.

HEADING INSTRUCTIONS

Enter the name and locality of the Public Housing Agency, the Annual Contributions Contract Number, the Project Number for which the forecast is prepared and the name of the HUD Field Office.

LINE INSTRUCTIONS

1. **Line 001.** Enter the PHA fiscal year ending dates for all years of the implementation period starting with the first full PHA fiscal year after the year in which the Final Application is submitted.
2. **Line 002.** Enter in each column the number of units anticipated in the project as of the last day of each fiscal year.
3. **Line 003.** Enter the number of unit months available (UMA's) associated with the units shown on Line 002.
4. **General Instructions for the Completion of Lines 010 through 600.** The data to be entered on Lines 010 through 600 for each column will be based on the current operating data of the project, the PHA's assumptions of succeeding years' operations and certain economic indicators. The PHA shall consider the impact that the modernization program may have upon operations, such as the reduction of certain expense categories because of the effect of cost saving innovations, or the reduction in occupancy during the implementation period. The PHA shall discuss with the HUD Field Office the appropriate adjustment factors to be applied to the current fiscal data of income, utility expense, non-utility expenses and operating subsidy so as to reasonably project the information to subsequent fiscal years. The data is to be entered in total dollar amounts and also as a per unit per month (PUM) amount. Apply the instructions of this paragraph to specific line items below, as appropriate.
 - a. **Lines 010 through 060.** Enter the amounts of income attributable solely to this project and that part of the overall income of the Annual Contributions Contract (ACC) that is to be prorated to this project.
 - b. **Line 081.** Enter the amount of modernization funds to be used for management improvements.
 - c. **Line 082.** Enter the amount of modernization funds to be used for physical improvements.
 - d. **Line 090.** Enter the estimated amount of non-PHA generated income available to this project (e.g., *Community Development Block Grant funds*).
 - e. **Line 100 First Fiscal Year.** Enter in Column 2, the product of the following calculation:
 - (1) Take the operating subsidy eligibility amount of the ACC for the PHA fiscal year after the year in which the Final Application is submitted, if available. (Source: *Line 23 of Form HUD-52721A, Calculation of Performance Funding System Operating Subsidy*). If not available, take the current fiscal year's eligibility amount and apply the current Performance Funding System (PFS) inflation factor to project the eligibility amount to the next fiscal year. Use this same inflation factor to project each subsequent fiscal year.
 - (2) Divide the amount in paragraph 4e (1) by the number of unit months available for the ACC. (Source: *Line 16 of Form HUD-52721A*). This PUM amount represents the operating subsidy amount for each unit month of the total ACC. Enter the PUM on Line 100, Column 2(a).
 - (3) Multiply the PUM amount in paragraph 4e(2) by the number of unit months available shown on Line 003 of this form and enter this dollar amount on Line 100, Column 2(b).
 - f. **Line 100 Subsequent Fiscal Years.** For each subsequent fiscal year, multiply the PUM amount shown on Line 100 for each preceding fiscal year by the PFS inflation factor used in paragraph 4e(1) to compute the eligible PUM operating subsidy eligibility amount. Multiply each PUM amount by the number of UMAs applicable to each fiscal year.
 - g. **Lines 110 through 310.** The estimates entered on these lines shall represent the expenses attributable to this project. These estimates shall include the following types of expense:
 - (1) **Direct Charges.** Those expenses that are attributable solely to this project (i.e., *cost of utilities used at this project and salary expense of employees assigned solely to this project*).
 - (2) **Indirect Charges.** Those expenditures that are for the benefit of more than one project shall be prorated to the projects involved (i.e., *administrative salaries*). It is recommended that indirect charges be prorated on a unit basis unless the PHA believes another method to be more reasonable.
 - h. **Line 410.** Enter the amount shown on Line 081.
 - i. **Line 430.** Enter the amount shown on Line 082.
 - j. **Line 600.** Enter the difference between Line 105 and Line 500. If Line 500 is greater than Line 105, enter the difference in brackets.

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
LOW INCOME HOUSING PROGRAM

MODERNIZATION FUND LEDGER

FIELD OFFICE Chicago

FEDERAL FISCAL YEAR 1979

DATE	PUBLIC HOUSING AGENCY	MODERNIZATION PROJECT NUMBER	LOAN AUTHORITY		CONTRACT AUTHORITY		MAXIMUM DEBT SERVICE ANNUAL CONTRIBUTIONS	BUDGET AUTHORITY	
			USED	ASSIGNED/BALANCE	USED	ASSIGNED/BALANCE		USED	ASSIGNED/BALANCE
1	2	3	4	5	6	7	8	9	10
12/1/78	SUB-ASSIGNMENT			(\$10,909,884)		(\$1,000,000)			(\$20,000,000)
2/3/79	USA	ILL-666-901	\$500,000	10,409,884	\$45,830	954,170	20	\$916,600	19,093,400
2/10/79	AAA	ILL-555-901	425,000	9,984,884	38,074	915,214	20	779,120	18,304,280
3/10/79	SUB-ASSIGNMENT			(109,098)		(10,000)			(200,000)
	SUB-TOTAL			10,093,982		925,214			18,504,280
4/6/79	XYZ	ILL-444-902	275,000	9,818,982	25,207	900,007	20	504,140	18,000,140
(Based on Minimum Loan Interest Rate of 6-5/8 and Amortization Factor of .09165)									

HUD 52001 (4 78)

**INSTRUCTIONS FOR PREPARATION OF FORM HUD-53003
MODERNIZATION FUND LEDGER**

GENERAL

For proper management of modernization program funds, each Field Office shall maintain this financial ledger by Federal fiscal year. When modernization funds are sub-assigned to Field Offices on Form HUD-185.1, Regional Fund and Contract Authority Sub-Assignment, the Field Office shall enter the assigned amounts, in brackets, of loan authority in Column 5, contract authority in Column 7, and budget authority in Column 10. After each Modernization Project is approved, Columns 5, 7, and 10 shall reflect running balances.

COLUMN INSTRUCTIONS:

1. Column 1, Date. For funds sub-assigned, enter the date on which Form HUD-185.1 is approved. For funds approved, enter the date on which the modernization funds for a particular PHA's Modernization Project are obligated (under List approval) by the Field Office Director.
2. Column 2, Public Housing Agency. Enter the name of the Public Housing Agency for which a Modernization Project is being approved.
3. Column 3, Modernization Project Number. Enter the Modernization Project Number.
4. Column 4, Loan Authority, Used. Enter the amount of loan authority used for each Modernization Project.
5. Column 5, Loan Authority, Assigned/Balance. Enter the total amount, in brackets, of loan authority sub-assigned to the Field Office on Form HUD-185.1. Enter the amount of loan authority remaining after each approval by subtracting the amount entered in Column 4 for each Modernization Project, from the previous running balance in Column 5. For subsequent sub-assignments, enter a new balance by adding the new assignment amount (disregarding the brackets) to the last previous running balance.
6. Column 6, Contract Authority, Used. Enter the amount of contract authority used for each Modernization Project.
7. Column 7, Contract Authority, Assigned/Balance. Enter the total amount, in brackets, of contract authority sub-assigned to the Field Office on Form HUD-185.1. Enter the amount of contract authority remaining after each approval by subtracting the amount entered in Column 6 for each Modernization Project, from the previous running balance in Column 7. For subsequent sub-assignments, enter a new balance by adding the new assignment amount (disregarding the brackets) to the last previous running balance.
8. Column 8, Maximum Debt Service Annual Contributions. Enter the number of Maximum Debt Service Annual Contributions which is twenty (20).
9. Column 9, Budget Authority, Used. Enter the amount of budget authority used for each Modernization Project by multiplying the amount of contract authority used in Column 6 by the number of Maximum Debt Service Annual Contributions in Column 8.
10. Column 10, Budget Authority, Assigned/Balance. Enter the total amount, in brackets, of budget authority sub-assigned to the Field Office on Form HUD-185.1. Enter the amount of budget authority remaining after each approval by subtracting the amount entered in Column 9 for each Modernization Project, from the previous running balance in Column 10. For subsequent sub-assignments, enter a new balance by adding the new assignment amount (disregarding the brackets) to the last previous running balance.



Modernization List Annual Contributions Contract Part I

U.S. Department of Housing
and Urban Development
Office of Public and Indian Housing



Low-Income Housing Program

To be entered into by HUD and Public Housing Agencies for loans and/or annual contributions for low-income housing Modernization Projects.

1 Public Housing Agency		2 Modernization List Number	3 Modernization Project Number
4 Maximum Modernization Cost \$	5 Contract Authority \$	6 Budget Authority \$	7 Minimum Loan Interest Rate
8 Maximum Debt Service Contribution Percentage		9 Maximum Number of Debt Service Annual Contributions	
10 Individual Projects in Modernization Project		11 Maximum Modernization Cost \$	
Modernization Project Total		\$	

Recommended for Approval

Director, Housing Management Division or
Director, Office of Housing

Date

Approved

Field Office Manager
Regional Administrator

Date

Instructions for Preparation of Form HUD-5079 Modernization List Part I

U.S. Department of Housing
and Urban Development
Office of Public and Indian Housing

Low-Income Housing Program

This Part shall only be used to obligate additional modernization funds for a particular PHA under the modernization as a separate project system. Refer to the Comprehensive Improvement Assistance Program Handbook 7485.1 REV-2.

1. **Block 1, Public Housing Agency.** Enter the name of the Public Housing Agency (PHA) for which a Modernization Project is being approved.
2. **Block 2, Modernization List Number.** Enter the Modernization List Number which consists of the Regional Office code identification, the Field Office numeric code identification (see Handbook of Codes, 2160.4B, Chapter 1, paragraph 1-1), the last two digits of the current Federal Fiscal Year (FFY), and the chronological number (expressed as three digits) of the List recommended for approval during that FFY. For example, the fifth List recommended for approval by the Chicago Office during FFY 1982 would be designated V-06-82-005.
3. **Block 3, Modernization Project Number.** Enter the Modernization Project Number which is: the State abbreviation, e.g., VA; the one-, two-, or three-digit PHA code; and a three-digit Modernization Project code where the first digit is always the number "9" and the last two digits are the sequential number of the Modernization Project, beginning with the first modernization funding after modernization as a separate project was implemented. For example, if the Chicago Office approved the sixth Modernization Project for the Chicago Housing Authority in FFY 1982, the Modernization Project Number would be ILL-2-906.
4. **Block 4, Maximum Modernization Cost.** For the Modernization Project in Block 3, enter the total amount of loan authority (capital funds).
5. **Block 5, Contract Authority.** For the Modernization Project in Block 3, enter the total amount of contract authority which is computed by multiplying the maximum modernization cost in Block 4 by the appropriate amortization factor, e.g., .09166 when the Minimum Loan Interest Rate is 6.5/8%.
6. **Block 6, Budget Authority.** For the Modernization Project in block 3, enter the total amount of budget authority which is computed by multiplying the contract authority in Block 5 by the maximum number of debt service annual contributions in Block 9 which is twenty (20).
7. **Block 7, Minimum Loan Interest Rate.** Enter the Minimum Loan Interest Rate that is in effect at the time the Modernization List will be approved and that is provided in Handbook 7560.1, Chapter 5, Section 1, and updated periodically by telegram.
8. **Block 8, Maximum Debt Service Contribution Percentage.** Enter the Maximum Debt Service Contribution Percentage that is in effect at the time the Modernization List will be approved and that is provided in Handbook 7560.1, Chapter 5, Section 1, and updated periodically by telegram. The Maximum Debt Service Contribution Percentage is the amortization factor (e.g., .09166) with the decimal point moved two digits to the right, e.g., 9.166.
9. **Block 9, Maximum Number of Debt Service Annual Contributions.** Enter the Maximum Number of Debt Service Annual Contributions which is twenty (20).
10. **Column 10, Individual Projects in Modernization Project.** Enter the project number of each individual project included in the Modernization Project in Block 3, e.g., ILL-2-1, ILL-2-2, etc.
11. **Column 11, Maximum Modernization Cost.** For each individual project in Column 10, enter the amount of loan authority (capital funds).
12. **Totaling Column 11.** For all individual projects listed in Column 10, enter the total of the figures in Column 11. This total must be equal to the maximum modernization cost for the Modernization Project in Block 4.

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APPENDIX 14

Modernization List Annual Contributions Contract Part II

U.S. Department of Housing
and Urban Development
Office of Public and Indian Housing



Low-Income Housing Program

To be entered into by HUD and Public Housing Agencies for loans and/or annual contributions for low-income housing Modernization Projects.

1. Public Housing Agency		2. Modernization List Number		3. Modernization Project Number	
4. Previous Modernization List Number	4A. Date Approved	5. Minimum Loan Interest Rate	6. Maximum Debt Service Contribution Percentage		
7. Maximum Number of Debt Service Annual Contributions		8. Cancellation <input type="checkbox"/> Recapture <input type="checkbox"/> Other <input type="checkbox"/>			
Modernization Project	9. Current Allocation	10. Revised Allocation	11. Amount Cancelled or Recaptured		
Maximum Modernization Cost	\$	\$	\$		
Contract Authority	\$	\$	\$		
Budget Authority	\$	\$	\$		
12. Individual Projects in Modernization Project	13. Current Maximum Modernization Cost	14. Revised Maximum Modernization Cost	15. Difference		
	\$	\$	\$		
Modernization Project Total		\$	\$	\$	

Certified that for Previous List, ACC Amended or ACC Not Amended

Regional or Chief Counsel _____ Date _____

Recommended for Approval

Director, Housing Management Division or
Director, Office of Housing _____ Date _____

Approved

Field Office Manager
Regional Administrator _____ Date _____

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