

CHAPTER 9

NEIGHBORHOOD NETWORKS

9.1 PURPOSE: This chapter briefly outlines the development and placement of Computerized Learning Centers (CLCS) with Neighborhood Networks Business Plans in HUD-insured and assisted housing. It describes the Neighborhood Networks initiative concepts, suggests methods of funding which may be used, defines eligible properties and costs, states proposal contents and outlines the local HUD office review process. A Neighborhood Networks Center/CLC can provide hope and positive focus to residents about the future; it's presence can be a factor in cutting crime and vandalism.

NOTE: THIS IS A TOTALLY VOLUNTARY PROGRAM FOR ALL OWNERS/AGENTS AND RESIDENTS.

9.2 BACKGROUND: The Department has observed the impact that experimental programs have had in providing for economic and educational needs of assisted housing residents. Many programs use a concept of "place-based" development to meet the needs of the residents where they live. There are increasing indications that these programs result in better neighborhoods and stronger real estate.

The Department is encouraging the use of technology in place-based development opportunities to help residents of insured and assisted housing attain jobs through job training, telecommuting, microenterprise development (see Paragraph 9.2(e)(1), following) and other job-creating strategies.

This Chapter presents one way in which owners and residents can work together to prepare for and manage change, and provides options to tenants for economic self-reliance. There are other ways as well, e.g., "Campus of Learners" in public housing, direct grants from Foundations and state and local governments. Field offices and housing developments should focus on Results rather than "process."

a. WHAT IS "NEIGHBORHOOD NETWORKS"?

Neighborhood Networks is NOT a "grant" program. "Neighborhood Networks (NN)" is an umbrella concept under which a variety of public and private organizations, neighborhood organizations, housing developments, their owners, managers and residents, are linked through computer hardware and software for job-related, educational, and other community purposes.

Owners, managers, and residents of multifamily properties work together to develop partnerships with local businesses, educational institutions, private foundations, and other community organizations to create, operate, and sustain a Neighborhood Networks Center. (See Appendix 7, Fact sheet.)

b. Components of a Neighborhood Networks Center

- o On-line Service Coordinator. All centers need an on-line service coordinator. This person is responsible for tailoring opportunities at the center to meet the needs of residents of all ages. There is also a role for the voluntary sector as part-time staff, tutors and trainers; for example consider help from churches, synagogues, temples, mosques, Rotary clubs, the Grange, Veterans of Foreign Wars, Kiwanis clubs, Junior Chambers of Commerce, Police Athletic Leagues, Boys and Girl's Clubs, 4-H groups, Scouts, and many others.

- o Resident Development Plan. The on-line service coordinator can help residents create a plan to establish educational/career goals. The basic components of a good resident development plan include:

A Skills and Interest Assessment, focusing on educational basics;

A Life Goals Planning Section that determines an individuals strengths and ambitions. It includes both educational and job-related short-term objectives and career goals; and

A Lifestyle Management System that will help residents manage life changes necessary to achieve their goals.

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- o Neighborhood Networks Business Plan. All assisted-housing communities must submit a business plan to the asset management branch of the local HUD field office in whose jurisdiction the community is located. (See section 9.6, "Required Components of a Neighborhood Networks Business Plan.")

c. WHAT IS A NEIGHBORHOOD NETWORKS BUSINESS PLAN (NNBP)?

An NNBP combines a CLC (see Paragraph 9.2(d), following), with distance learning and other tools in an approach which addresses resident self-sufficiency desires through meeting economic development and

educational needs (see Paragraphs 9.5 and 9.6).

An NNBP for any one project or grouping thereof should address some, if not all, of the following:

- o resident involvement in all phases of planning and implementation (required);
- o priority focus on resident jobs, job training and job development (required);
- o special needs of elderly residents;
- o purchase/donations of hardware/software;
- o minor construction or taking units off-line for the CLC;
- o appropriate staffing (an On-Line Service Coordinator (OLSC) (see Paragraph 9.5(g) following), consultants, trainers, and/or volunteers to operate the center;
- o participation of non-residents, if appropriate;
- o off-site location(s), if appropriate;
- o development of "Resident Development Plans" (RDP) to meet resident training needs and goals (see Paragraph 9.2(e), below);

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- o linking the center to the world through distance or on-site learning to the local public school system technical institutes and community colleges/universities, for activities such as childhood education, adult literacy, computer literacy, typing skills, GED and associate and higher level degrees, job training, microenterprise development and telecommuting;
- o linking the center to the world through networking to local public services (e.g., welfare, health, social security, and through the Internet, other residential sites, neighborhood organizations and the "world-wide-web."

Alternate Options. Please remember that it is not necessary to spend hundreds of thousands of dollars to start up a Neighborhood Networks Center. A center can be started for under \$10,000 per year. This can be accomplished by capitalizing on the following:

- o Using existing space without modification,

obtaining donated furniture, security equipment, and the like.

- o using "shareware" - free programs available on the Internet and the World Wide Web. A small fee may be requested for regular use of programs.
- o Engaging staff or volunteers with high- or low-tech know-how to create or clone one or two computers from parts of older, donated ones.
- o Using staff or volunteer time to shop around at local computer shows, seeking used and spare parts; some computers can be purchased at 1/3 or less of retail cost; and
- o Using staff or outside experts to train volunteers to run the center.

A Neighborhood Networks Center set up and running with older computers is far better than a grand design with 12 state-of-the-art computers, scanners, and other hardware for which funding cannot be obtained. If a volunteer program with recycled computers can be set up and started, it can be ongoing and may prove the program's concept in that locality, thus be able to generate funding from other sources after a year or so.

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d. WHAT IS A COMPUTERIZED LEARNING CENTER (CLC)?

A CLC is a facility and a process which, through computerization, focuses on providing a variety of job and educational opportunities to community residents. The CLC facilitates:

- o increasing resident self-sufficiency;
- o expanding job opportunities within the project, and perhaps the community - including microenterprise development; and,
- o creating a lifelong learning community.

A CLC is appropriate for many of our 21,000 housing assisted and insured developments. However, a CLC will mean different things in different residential sites. For example:

- o one family site may concentrate on job training for young adults, telecommuting for those that need jobs and provide Internet linkages and activities for the elderly on the side;

- o another family site may stress job training and computer literacy for single parents/young adults; and,
- o some may promote early childhood and teen-age education, with job training/telecommuting as a sideline-
- o a site for the seniors may focus on ending health and social isolation; making better linkages to their families, and microenterprises.

The CLC can provide:

- o a variety of early childhood education programs;
- o typing and word processing skills;
- o adult educational opportunities at the high school, vocational, community college and university levels;

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- o personal, motivational, and job-training software;
- o facilitation of telecommuting to jobs; and,
- o the development of microenterprises, such as data entry, which can contract with HUD and/or other Federal/state/local agencies or private businesses.

Programs offered may be computer-based by disk or distance learning (with or without the provision of a traditional classroom approach), usually in a project's accessible community space.

Additionally, a CLC may be:

- o shared among sites, e.g., two close-by ones sharing one center or a number of sites in the same area with a "main" center and several satellites;
- o off-site in a near-by building or facility, if the majority of support for the NNBP is from other-than-HUD resources;

NOTE: off-site can mean the CLC can be in a store-front, religious institution's space, or non-HUD sites. The prime criteria here is (a) service to HUD housing residents; (b) strong tie-in to neighborhood needs, in addition to HUD

residents; and (c) one or more sites may locate the center in a partnered church/synagogue/temple or a community development agency, all of which should be 501(c)(3) non-profit agencies and organizations. (See appendix 9 for sample 501(c)(3) Bylaws, particularly for tenant organizations that have CLC responsibility.)

- o offered to near-by community residents (only if on-site residents have priority, much of the resources come from sources other than HUD, and there is time/space available after residents are first served).

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For further information, please see "A How to Manual - Your On-Line Guide", available for a fee from the Multifamily Clearinghouse at 1-800-685-8470.

There is additional material on the HUD Home Page at "<http://www.HUD.gov/nnw/nnwindex.html>"

E:mail internet questions may also be addressed to "mail@neighborhoodnetworks.org".

e. PHILOSOPHY OF NEIGHBORHOOD NETWORKS:

Neighborhood Networks can improve the lives of project residents by providing such residents with onsite access to computer and training resources. It may enhance the self-sufficiency, employability and economic self-reliance of low income families and the elderly living in HUD insured and assisted communities.

1. Providing resources which could lead residents to jobs.

CLCs help residents of assisted and insured housing by:

- o improving education levels through close assessment of reading, language, math and other courses; and,
- o providing job-related skills, access to and/or jobs, directly or indirectly.
- o Telecommuting for parents of young children, or those who are physically unable to travel. Be aware that the project cannot make telecommuting happen. It has to be inherent in the job the resident has, e.g., data entry

or microenterprise.

- o micro-enterprise development. Microenterprises, developed through business incubators, startup programs, and other partnerships, could involve teenagers, young and other partnerships, could involve

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teenagers, young adults, and senior citizens. Such micro-enterprises may take numerous forms and find business opportunities in both public and private sectors.

- o Day care. Residents can expand an on-going center or join forces with a nearby center. Formal babysitting might be structured, or perhaps a preschool component designed as a learning/play tool for young children while their parents are in class. Residents may also set up a cooperative Day care center with fees to cover materials and supplies. (Before undertaking such an effort, local regulations covering day care centers must be met.)
2. Providing educational and job training programs designed to enrich residents lives:

The CLC provides residents access to the education and skills necessary for the 21st century.

- o Multimedia:

Multimedia software has a documented beneficial influence in improving the learning experience of both children and adults in activities such as: Preparing for the GED, improving math skills, computer literacy, or providing employment readiness training.

- o Job training:

There is a need for all types of job training. For success, business, educational, and voluntary association partnerships are critical. (NOTE: Residents may get relief from immediate rent increases through Handbook 4350.3 CHG-28, paragraph 3.29.A "Exclusion of Income Received Under Training Programs in Multifamily Housing Programs.")

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- o Life skills development. There may be interactive group training in life-coping skills classes and competency-based training. Such topics include:
 - Employment - job applications, employment contracts and forms, resumes, job motivation, job search, how to inter-view, what employers want;
 - Banking and Budgeting - requirements, use and maintenance of checking accounts, spending decisions, purchasing and the payment of bills, personal budgeting;
 - Credit and Loans - credit and credit cards, security, payback, types of loans, interest.

As part of the overall program, HUD has joined the Citizen Education Fund effort to fight drugs and violence in the schools (see sample form, Appendix 9). One of the goals of the center's NNBEP should be to reach as many residents as possible. Consider making an outline of approaches to engaging parents and children in focusing on education and supporting drug-free, violence-free schools. One way to achieve support might be to obtain pledges from both parents and children and provide incentives in the form of free software or additional computer access when the entire housing community has agreed to join the effort.

3. Enhancing interaction among residents and providing access to the larger world:

- o Internet:

Through the Internet and electronic mail, residents can reach out to their neighborhood, libraries, social service providers and the world. Through working partnerships with other properties, residents could interact on issues such as parenting and organizing.

on-line discussions become possible for any topic of general interest. With on-line access to distance learning, job hunting, telecommuting, and libraries, jobs can become a realistic component in resident's lives, and students can easily find appropriate research material for homework. (Monthly access fees for one or more Internet

accounts are specifically approvable as an allowable CLC expense.)

o Mentoring:

On-line mentoring programs could also be established for the elderly/adults/youth by voluntary organizations, which could provide younger people exposure to writing skills while building a friendship with an older member of the community.

o Distance/On-site Learning:

Based on the resident development plans, the online service coordinator can work with local corporations, the public schools, vocational training schools and colleges and universities to ensure that appropriate courses are available, either through diskettes, teachers, aides, or distance learning.

4. Senior Citizens:

Seniors are the fastest growing group of Internet users. Ideas for elderly residents could focus on ending isolation (contact with families, grandchildren, friends in other projects for the elderly), use of libraries, social service agency online registration, program information and access thereto, mentoring, partnerships with families-in-training, Senior Net and other web sites attuned to elderly needs and interests. Also consider microenterprises, both start-ups and marketing thereof.

The above examples represent a fraction of the possibilities for Neighborhood Networks. Field offices, owners, management agents, and residents are encouraged to community the resources community to create a variety of solutions to improve the quality of life in multifamily housing.

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NOTE: Ending Welfare Dependency:

Recognizing the changing role of local, State and Federal welfare programs is a critical aspect when designing NNCLCS. Owners and managers must become familiar with the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193), and the devolving of power to the states for welfare and a variety of related programs. Close linkages need to be

developed with local welfare offices to determine what types of education, training, and jobs will qualify for allowances and incentives and new "workplace" requirements.

Neighborhood Networks Centers should also look into how both welfare and housing benefits might be adversely affected, and what waivers or exceptions to rules might be beneficial and obtainable. Field offices, owners, management agents, and residents are encouraged to use the resources of the community to create a variety of solutions to improve quality of life in multifamily housing.

- 9.3 HOUSING COMMUNITY ELIGIBILITY: All insured and assisted communities, under any section of the Housing Acts administered by the Office of Housing are eligible to submit a NNBP for approval, and when approved, set up and operate a CLC. Such housing communities include, but are not limited to HFA and state-financed, Section 8 project-based, 221(d), 236, 202, 202/8 and 811. On HUD-held projects with housing finance agencies, HUD staff may negotiate for HFA dollars to pay NNBP costs.

NOTE: MOD REHAB, public housing and CPD special needs housing are not covered by this Handbook Chapter, except to the extent their owner and managers are encouraged to work with our sites in cooperation with the Office of Housing, and so do.

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- 9.4 FUNDING OF THE NNBP: Owners/agents of HUD-assisted or insured properties may utilize any of the following methods (or combinations thereof) for NNBP funding. The use of non-HUD resources, e.g., equipment, software and staffing should be encouraged through outreach efforts. HUD's intention is to be the last, most flexible piece of the funding and should be thought of as "venture capital," not a guaranteed long-term source of funds. The business plan must make sustainability over time a priority. In reviewing plans, HUD staff will consider the viability of a center to operate on its own with a substantial decrease of HUD funding within three to five years.

The following funding methods are in preferred order of consideration:

- a. OBTAINING GRANTS/RESOURCES FROM OUTSIDE SOURCES: Owners, management agents, and resident organizations (where they exist), are encouraged to seek out cash grants, in-kind support, or donations from state and local government, educational district partnerships,

private foundations, or corporations to fund some or all components of the NNBP. Resident organizations may want to see model by-laws for incorporation (see Appendix 9).

Entrepreneurial ventures, limited fees, and other similar revenue producing sources should also be considered. Please note that a number of major vendors may partner HUD in this effort and housing communities may be able to obtain resources from National Partners at discounted costs.

- b. USING THE PROJECT FUNDS/RESIDUAL RECEIPTS ACCOUNT: Owners may request the release of funds from the residual receipts account for the purpose of implementing some or all of a HUD-approved NNBP. Working in partnership with owners, HUD will review the request, considering condition of the buildings) and current or projected needs for the funds. If the residual receipts requested are not required to maintain the habitability of units or other projected building needs, approval for NNBP use will be granted. Release of residual receipts is an increase in owner's initial equity, wherever allowed (See

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Paragraph 9.4(C) below), for which distributions may be paid to the owner at the approved rate.

- c. INCREASING THE AMOUNT OF THE OWNER'S INITIAL EQUITY INVESTMENT IN THE PROPERTY: Owners of limited distribution property may increase the amount of their initial equity investment (and in turn the yield on their distribution) by providing funding for the HUD-approved NNBP in the form of a non-repayable, capital advance. Owners who choose to utilize such methods of funding should inform HUD of the amount which they wish to contribute to the NNBP. The increased equity payments will result once the total amount of funding has been contributed, the CLC is fully established and the NN Plan is implemented. While the owner is permitted to take an increased distribution, a rent increase will not be granted to increase project income for the additional yield.

NOTE: Any change in the owners original distribution percentage will be made by Notice in the Federal Register per 24 CFR Section 881.205.

- d. BORROWING FUNDS: Owners may choose to obtain a loan from a lending institution in order to pay for the hardware and setup costs of the NNBP. Repayment of this loan may come from surplus cash or other outside

sources with HUD approval, so long as a rent increase is not required to support the loan and the loan will not jeopardize other services which the property has agreed to provide. Loans obtained for this purpose may not be secured by the property.

e. BORROWING FROM THE RESERVE FOR REPLACEMENT ACCOUNT (R&R):

1. Projects other than 202/811 PRAC: Owners of HUD-insured or assisted properties who are required to maintain a Reserve for Replacement Account (R&R), per Handbook 4350.1 REV-1, Chapter 4, "Reserve Fund for Replacements", may request and HUD will consider approval of funds to be borrowed against this account for the purpose of implementing some or all of the HUD-approved NNBPs. The owner may borrow from the account consistent with Handbook 4350.1, Chapter 4-11. HUD recommends that owners retain about \$1000 per unit, for required repairs and replacements.

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The amounts in the R&R account should anticipate repair/replacement needs using personal knowledge, inspection reports and evaluations. Owners should be able to project how much money will be needed at specific points in the future.

If an owner chooses to utilize this method of financing for the NNBPs, he/she should submit a scheduled repayment plan illustrating how repayment will be made, and showing that such repayments will not interfere with projected facility needs. (For example, the facility borrows 70 percent of the R&R fund and schedules an eight-year payback. There is a need for boiler replacement in four years and there should be sufficient funds available for boiler replacement at that time.)

2. 202/811 PRAC Projects: Owners of Section 202/811 PRAC projects may request, and HUD will consider approval of, release of funds from the R&R account for the purpose of paying for some or all of a HUD-approved NNBPs, if these funds are generated from the "Savings Incentive" (see, for 202/PRAC projects, Handbook 4571.3 REV-1, Chapter 1, "General Introduction to the Section 202 Program", and for 811/PRAC projects, Handbook 4571.2, Chapter 1, "General Introduction to the Section 811 Program." Before approval, HUD will consider current or projected needs for the funds.

- f. REQUESTING AN INCREASE UNDER THE BUDGETED RENT INCREASE PROCESS: In properties where rents are set under Handbook 4350.1 REV-1, Chapter 7, "Processing Budgeted Rent Increases ... ", owners may request a rent increase to cover some or all of the costs of the HUD-approved NNBP. Rent increases are subject to HUD's discretion and availability of Section 8 funds in a changing regulatory environment.

Residents at partially assisted properties can review and comment on the plan as outlined in Handbook 4350.1 REV-1, Chapter 7 and Handbook 4381.5 REV-2, Chapter 4.

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- g. REQUESTING A SPECIAL RENT ADJUSTMENT: Section 8(c)(2)(B) of the U.S. Housing Act of 1937 authorizes HUD to offer these special rent adjustments in the maximum monthly rent for units under a Section 8 contract in a limited number of circumstances. it provides the following:

"The contract shall further provide for the Secretary to make additional adjustments in the maximum monthly rent for units under contract to the extent he determines such adjustments are necessary to reflect increases in the actual and necessary expenses of owning and maintaining the units which have resulted from substantial general increases in real property taxes, utility rates, or similar costs which are not adequately compensated for by the adjustment in the maximum rent ... " (emphasis added)

Pursuant to this provision and in order to determine whether CLC costs qualify for consideration for a special rent adjustment under the "similar costs" provision of the statute, the costs have to meet the following standards.

1. Are the cost items "similar" to those identified in the statute and regulations, i.e., necessary expenses of owning and maintaining the units within the facility.
2. Has there been a "substantial and general increase,, in the cost at issue? In the case of components of CLCs and comprehensive community development, is there a casual relationship between lack of economic and educational development training among residents in the project and the increased costs?
3. Has the increase been "general", i.e., has this increase been experienced by owners of other than

the immediate project and projects other than Section 8 assisted?

Owners whose costs meet these three standards satisfy the legal requirements for consideration for special rent adjustments (see Handbook 4350.1 REV-1, Chapter 34, "Calculating Rents Utilizing Annual Adjustment Factors"). The rent increase is subject to HUD's discretion and availability of Section 8 funds in a changing regulatory environment.

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- 9.5 ELIGIBLE COSTS OF A NNBP: In instances where hardware and installation exceed \$15,000 per center, owners must state how they plan to conduct outreach for contractor services and solicit minority-owned and women-owned businesses.

There is a possibility that excess government computers can be donated from HUD, GSA, or other government agencies (see Appendix 10, "Transfer of Excess Computers"). Also, ask the local Neighborhood Networks Coordinator if the Field Officer has a supply of excess computers for donation to Neighborhood Networks 501(c)(3) organizations or to educational institutions.

- a. COMPUTER HARDWARE: This includes all costs necessary to set up a Neighborhood Networks Center at the property.

Examples include but are not limited to:

- o individual computers;
- o appropriate wiring necessary to connect all equipment;
- o a network server;
- o special phone line(s), including fiber-optic cable, where appropriate; and
- o training and consultants.

Program designers must ensure that computers have sufficient power, adequate multimedia equipment, and sufficient expansion slots for intended purposes. They also must address equipment compatibility with that used by local school systems and insure that staff are effectively trained in the uses of all equipment.

- b. COMPUTER SOFTWARE: Fees associated with personal Internet accounts may NOT be paid for with project income or other HUD funds.

Eligible costs include:

- multimedia educational software for students;
 - software designed to provide educational and job training skills to residents;
 - software necessary to provide residents with resources to telecommute from the property (e.g. word processing, spreadsheet and database programs, or integrated programs);
 - software designed to assist residents in creating education/job training plans and working toward implementation;
 - appropriate training and consultants; and,
 - at least one community Internet account for common use which permits residents access to the World Wide Web, Gopher, FTP and TELNET.
- c. DISTANCE LEARNING EQUIPMENT: Costs for videocasting and distance learning equipment may be part of the program, IF FUNDING PERMITS. The equipment is very expensive. Owners/agents/residents and HUD field offices (providing assistance, guidance and recommendations, as appropriate), should explore the feasibility of obtaining distance learning equipment in partnership with educational institutions and other CLCS.
- Planned use of this equipment must be explained and documented. It should focus on a partnership with a local school district, community college, voc/technical institute or four-year college to provide a certificate program using the equipment.
- d. RESIDENT DEVELOPMENT AND TRAINING COURSES: In some cases owners/managers may choose to use some programs in the CLC which are not based in software, but come "live" from community organizations and institutions. Standards and certificates should be designed for any internally-developed courses; use of outside courses/training should include the same standards and certificates as at the regular location.

- e. SECURITY AND RELATED COSTS:

1. Security: In planning security, thought should be given to developing an effective, discrete, system. HUD will not approve security plans involving "caging" or chaining equipment.

Costs necessary to secure computer hardware and distance learning equipment MUST be built into the plan. In general, this includes the ability to lock the lab/offices, prevent forced entry or equipment removal, and provide visual oversight from the adjacent rooms or offices, whenever possible.

2. Space Use/Retrofit/Redesign: Costs necessary for minor retrofit/redesign are allowable. Examples are:
 - (i) installing non-load bearing walls and doors;
 - (ii) partition existing community space, provide for both office and a storage area for the OLSC; and, provide for a locked office/storage area.
 - (iii) Proposers may also consider Removal of 1-3 units from residency (by moving people into vacant units), or using vacant units for office space, day care or perhaps the CLC itself.
 - (iv) Making space accessible to the disabled.

- f. MAINTENANCE AND INSURANCE COSTS: The NNBP should state how maintenance, (including installing, training on, and maintaining the hardware and software) and insurance costs for the equipment in the CLC will be covered.

- g. ON-LINE SERVICE COORDINATOR/SOCIAL SERVICES SERVICE COORDINATION: All NN Plans submitted for approval should provide for the funding of an OLSC directly or through third parties and allow for at least a portion of the time of the Social Services Service Coordinator (SSSC) (or management staff) to work with the OLSC on community outreach. If a SSSC is not already present at the property, management may consider hiring one, if appropriate, per Chapter 8, of this Handbook.

The OLSC's major responsibility is the implementation of the NNBP, and working with the SSSC, as appropriate. Qualifications for the OLSC are based on Paragraph 8.9(C) of this Handbook; when computer literacy sufficient to run the CLC is added, an SSSC can become

an OLSC. Also consider residents, computer-trained and people-focused teenagers, Americorps, VISTA, college student internships, grants or other methods of providing the OLSC without using HUD dollars; or an OLSC aide, paid at least minimum wage. Responsibilities of the OLSC are in the context of Chapter 8.9(C), but restricted to operation of the NNBP.

A SSSC (or other management staff which provide this function) is a useful adjunct to the NNBP for bringing in additional supportive services and other activities for the residents. The intent is to improve the residential neighborhood and link the residents more effectively to the entire community.

The NNBP must outline how the OLSC will integrate the RDP and technology into the CLC. It should also address the degree to which the SSSC (or other management staff) play a role both through coordinating general outside services for residents, and work with the OLSC to bring specific community resources into the facility for the NNB Plan.

h. WHAT DOES "REASONABLY FINANCED" MEAN?

A reasonably financed NNBP meets the following criteria for approval of the local HUD office:

- o Has rent levels which do not exceed current HUD policy.
- o 202/8/811's residual receipts accounts are maintained at \$500/unit or more. This is a statutory threshold.
- o The Reserve for Replacement Account for non202/811s remains consistent with Handbook 4350.1 REV-1, chapter 4.

Any loan should be within the remaining term of the Section 8 contract and consider future replacement needs. There should not be a loan which would exceed foreseeable available sources of funding (e.g., Section 8 contracts expiring

before the loan is repaid or require repayments not supportable by rents available from a recapitalized loan (e.g., under Portfolio Re-engineering).

- o Keeps the loan to value (LTV) ratio on the original mortgage to be no more than 90 percent. (The owner's initial equity on original limited

distribution loans was normally 3-5 percent. This plan would permit that to be increased to, but not exceed 10 percent.)

The LTV ratio ONLY applies to Limited Dividend projects

NOTE: Increase in equity only=no Federal Register comment period;

Increase in distribution=Federal Register and comment period as required by statute (See paragraph 9.4 (c), prior).

- o Provides an adequate plan for continued operation after the start-up year, and self-sustainability after the second year.
- o provides for an adequate measure of third party resources to supplement the HUD resources, as proposed and appropriate.

NOTE: A plan which does not meet all of the above criteria should not be approved by the local HUD office.

9.6 REQUIRED COMPONENTS OF AN NNBP: All projects wishing approval of a CLC/NNBP must submit a proposal to the Asset Management Branch of the HUD local field office in whose jurisdiction the project is located. In addition to answering specific questions in the NNBP, there are REQUIRED components of the proposal, for example the NNCLC must be designed to address resident self-sufficiency through meeting economic development and educational needs.

a. What specific measurable objectives will the project be designed to achieve for participating residents?

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b. What are the action steps necessary to implement these objectives for participating residents?

c. How will participating residents benefit from the program (i.e., type of programs)? How will they be involved in planning? Is the Citizen Education Fund pledge addressed?

d. What partnerships have been built which can enhance the CLC (e.g. schools, local government, local businesses or social services which can offer programs at the CLC, or donated computer or other equipment, software or services/staff)?

e. Who will direct the program, what staff will be

responsible for the equipment and what will the staff do? What will be the CLC's operating schedule?

- f. What is the proposed space/security plan/monitoring arrangements? Does the retrofitting design (if appropriate) meet accessibility requirements?
- g. What is the first year's budget, and how will the NNBP be funded initially? How will personal accounts for internet and other third party charges (if part of the proposal) be monitored and collected?
- h. What outreach will there be to minority/women-owned firms if hardware costs are over \$15,000?
- i. What are the various funding mechanisms? Attach a breakdown of the estimated costs, and commitment letters from any third party grantors or loan providers for the first year.
 - o Section 202 projects may use residual receipts to the extent that they are over \$500/unit. This is a statutory threshold.

Other elderly or family sites may use all available residual receipts. All facilities are subject to Handbook 4350.1 REV-1, Chapter 25, "Residual Receipts." Owners/borrowers must submit a copy of the last Annual Financial Audit (AFA) and verification that any residual receipts exist and/or have been deposited since the last AFA was completed. (Only do so if residual receipts will be used in the program.)

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- o Owner/borrowers using the AAF rent increase process must first establish that revenues from the site are not adequate to pay for the NNBP. This may be demonstrated as follows:
 - (1) The owner/borrower must determine if there is sufficient cash throw off to fund some or all of this proposal. To do so, complete Form HUD-9833B, Section 8 Annual Contract Rent Adjustment Worksheet, Part G, 1-14, "Special Adjustments for Taxes, Insurance or Utility Cost Increases" (see Appendix 2 of Handbook 4350.1 REV-1 and the instructions in Chapter 34).

Owners are instructed to add an entry for "Other" (to cover "similar cost" language in the statute and regulations), in the blank space on the right side of the form next to

the entries for "Taxes", "insurance," and "utilities," and specify for which component of the proposal is the special adjustment.

- (2) If the net cash throw-off is less than the distribution allowance, the owner may request a special rent adjustment to fund a portion of the proposal. However, if net cash throw-off exceeds the distribution allowance as calculated for the purpose of the special adjustment, the owner may use the funds in excess of the allowable distribution to partially or fully capitalize the proposal.

In cases where all the cash throw-off is taken as distribution or surplus cash, the FO must determine what is an appropriate amount to be contributed to the program.

- (3) The owner/borrower must submit a copy of the Form HUD-9833B.

- o Budget-Based Rent Increase - Use Handbook 4350.1, REV-1, Chapter 7 and any current Notices.
- o Reserve for Replacement Account - Use Handbook 4350.1 REV-1, Chapter 4.

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For 202/PPAC use Handbook 4571.3 REV-1, Chapter 1 and Handbook 4571.5, Chapter 5. For 811/PRAC housing, Handbook 4571.2, Chapter 1 and Handbook 4571.4, Chapter 5.

- o Increase of Initial Equity Balance, where appropriate.
- j. How will operations be continued after the start-up year? What will the annual operating budget be? How will the housing community become self-sustaining after the second year?
- k. How will participation in the program's operation, such as education and job training programs be tracked? How will the success of the program be assessed or evaluated? Is there agreement to cooperate with any HUD reporting requirements, including the HUD evaluation which begins in FY 1997?

9.7 LOCAL HUD OFFICE REVIEW: Local HUD office staff (Resident Initiatives Specialists (RIS) and Asset Managers (AM) are encouraged to work with applicants in the preparation of their NN Plans and BE CREATIVE in problem solving. This Chapter does not pretend to provide all the answers nor

should it be used as an exclusive guideline or cookbook. The Department would like to develop as many workable programs as possible, in both single and multi-site approaches, some of which may eventually be national models-- ONLY RESULTS COUNT.

Plan review will be done by AMs, together with the RIS', as appropriate. (A&E staff should be approached for assistance if minor retrofitting is proposed.)

Staff should review the proposed NNBPs submitted. NNBPs with deficiencies must be revised. Headquarters encourages HUD field office staff to work with interested applicants on an ongoing partnership basis, to minimize any final review. The criteria are:

- o The degree to which a complete, overall plan is provided, assuring that each component is sufficiently developed, effectively answers all questions, and links the appropriate objectives, action steps and results. (RIS, AM, A&E).

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NOTE: HUD does not want only \$200,000 after-school childhood development centers, but concepts that address at least: Jobs and various forms of training and life skills learning (in some capacity as they relate to obtaining or upgrading employment particularly in consideration of Welfare Reform).

- o The degree to which the facility/NNCLC has formed partnerships with neighborhood and community entities that support the plan as proposed (RIS).

NOTE: Any plan that does not evidence strong and continuing linkages and resources from third party Local organizations, such as the school system, Universities, colleges, community colleges, businesses, non-profit corporations, local for-profit companies, and national/ international companies is unlikely to sustain operations much past the first year and should not be approved.

For this reason, the role of consultants should be carefully reviewed to determine that their assistance contributes to the development of community linkages and is not solely restricted to the development of theoretical plans or "turnkey" solutions relying primarily on HUD as the funding source.

- o The degree to which the facility/CLC is provided with adequate space, staffing, volunteer or other coverage, appropriate security and accessibility for the disabled

(AM, RIS, possibly A&E).

- o The degree to which the program is adequately funded through third parties and/or the project, and resident fees (AM, RIS).

This will include, as appropriate:

- consideration of whether the facility is large enough to support the program efficiently and effectively as proposed, and has enough funds to make it work.
- some evidence that project owners/management/residents have looked for other sources of funding before using HUD dollars other than residual receipts; and

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- residual receipts review, and/or, reserve and replacement review for other than 202/811 PRAC projects, to make sure that the dollars are available. These must include consideration of the condition of the facility (not 202/811 PRAC) and match remaining dollars in the accounts against planned needs for the facility.

For Section 202 PRAC projects, see Handbook 4571.5, Chapter 5, "Cost Certification," and for Section 811 projects, see Handbook 4571.4, Chapter 5, "Cost Certification."

- A review for available contract authority (on both budget-based and AAF projects). The AM/Contract Administrator must review the project's contract authority to determine if it is adequate to meet the projected demands for housing assistance for the remaining incremental terms of the contract, because it would be paid out of the contract's contract and budget authority. If contract authority is inadequate, a request for amendment funds would need to go to Headquarters.

Review the HUD-9833B, Section 8 Annual Contract Rent Adjustment Worksheet, Part G, "Special Adjustments," and Chapter 34 of Handbook 4350.1. In particular, Paragraphs 34-6 through 34-8 provide general processing instructions, including a walk-through of how to compute the actual dollar amount of the special adjustment to approve applicable "back-out" procedures.

The expiration of a special adjustment does not constitute a "reduction in rent." The owner, by

accepting the special adjustment, agrees to this reduction when the need for the rent increase can no longer be justified.

- A review to insure that any rent increase approved does not exceed current approvable levels.
- When an owner equity contribution is involved, try to ensure the commitment is firm (AM).

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- copies of other commitments, such as grants, etc. Make sure they are for the purpose stated in the proposal, and are either firm, or committed contingent on plan approval (AM, RIS).
- o The degree to which proposals involve multiple site/non-resident involvement.
 - If it is a multiple site proposal, have costs been effectively prorated and have the sites been effectively distributed among the projects?
 - If people living in the community may use the NNCLC, do residents have priority? Are the majority of costs paid for by third-party resources? Is space/time available for nonresidents after resident needs are covered?
 - If the NNCLC is located off-site, are the majority of resources assigned to the program covered by third parties other than HUD? Are there appropriate safeguards in place to cover HUD's portion of the investment?
- o The degree to which there appear to be valid ideas for continued operations for year two and plans for self-sustainability after year two. These should:
 - address all components of the plan;
 - provide some indication how costs can be covered for year two; and,
 - address self-sustainability after year two.

9.8 MONITORING/REPORTING/TECHNICAL ASSISTANCE:

Monitoring is conducted in accordance with the requirements and procedures set forth in Handbook 4350.1, Chapter 6, "Project Monitoring", and Handbook 4350.5, Chapter 15, "Project Monitoring", and Chapter 16, "Field Office Monitoring Responsibilities of Subsidy Contract Administrators".

When doing an on-site review, Asset Managers/RIS' should include a review of the implementation of the facility's program, compared to the approved proposal, review of appropriate files and documents. The financial review should include documentation the project maintains for costs incurred.

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Findings should be written up in narrative format as an ADDENDUM to the HUD-9834-B "Management Review Questionnaire" and summarized on the "Management Review Report", under Section V, General Management Practices, which is sent to the project manager.

From time to time HUD Headquarters may impose specific additional monitoring/reporting requirements (e.g., supporting a HUD evaluation of the NN program), or other studies.

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