

## CHAPTER 11. INCENTIVES

11-1 OBJECTIVE. The objective of this Chapter is to identify the incentives and relief afforded high-performing PHAs which perform in an exemplary manner.

## 11-2 REQUIREMENTS FOR INCENTIVES.

- A. PHAs must have completed (all funds expended) a modernization program within the last two fiscal years and achieve a total weighted score of no less than 90% on indicator (2), modernization, in order to qualify for incentives in the program area of modernization. 24 CFR § 901.135(b)
- B. PHAs must achieve a total weighted score of no less than 90% on indicator (12), development, and have a project under development which has not reached Date of Full Availability (DOFA), or projects which reached DOFA within the last five years, in order to qualify for incentives in the program area of development. 24 CFR 901.135(c)
- C. A PHA that is designated a high performer will be afforded incentives in several program areas as well as be relieved of specific HUD requirements, effective upon notification of high performer designation and until the next assessment is completed. All incentives will be awarded on this basis. 24 CFR 901.135(a)

## 11.3 GENERAL INCENTIVES FOR HIGH-PERFORMING PHAS. 24 CFR 901.135(d)(1)

- A. The Department shall annually publish a listing of PHAs that have been designated as high-performing. (6)(j)(2)(A)(ii) of the Act and 24 CFR 901.135(d)(1)(i)
- B. High-performing PHAs will receive a Certificate of Commendation from the Department as well as special public recognition. (6)(j)(2)(A)(ii) of the Act and 24 CFR 901.135(d)(1)(ii)
- C. Requisitions for leased housing annual contributions (Form HUD-52977, Request for Partial Payment of Fixed Annual Contribution, Leased Projects) will be submitted annually rather than quarterly (as presently provided by the Low-Income Leased Housing Handbook 7430.1, as revised) by high-performing PHAs. 24 CFR 901.135(d)(1)(iii)

- D. High-performing PHAs will be deemed to be a lower risk and, therefore, will be monitored less frequently on a risk analysis

basis. 24 CFR 901.135(d)(1)(iv)

- E. Representatives of high-performing PHAs will be requested to serve on Departmental Working Groups that will advise the Department in such areas as troubled PHAs, performance standards for all PHAs, incentives for high-performing PHAs, etc. 24 CFR 901.135(d)(1)(v)
- F. The Department will utilize a PHA's PHMAP assessment score as the management capabilities component in grant programs, such as modernization, drug elimination, child-care, etc. Where appropriate, extra points for high-performing PHAs may be awarded in the scoring of grant programs.

11-4 FINANCIAL MANAGEMENT INCENTIVES FOR HIGH-PERFORMING PHAS. 24 CFR 901.135(d)(2)

- A. High-performing PHAs will submit Form HUD-52599, Statement of Operating Receipts and Expenditures, annually instead of semiannually. 24 CFR 901.135(d)(2)(i)
- B. High-performing PHAs will not be required to submit operating budget revisions for routine expenses (including administration) and nonroutine expenditures) for HUD approval as long as there is no overrun of the Total Operating Expenditures shown in the HUD-approved budget (Form HUD-52564, Operating Budget, The Performance System Funding (PFS) Handbook 7475.13, as revised, Appendix XIII, line 890). While high-performing PHAs must document budget revisions for their own files, and must incorporate those revisions in the year-end financial statement, they need not submit them to HUD for approval or as information copies. 24 CFR 901.135(d)(2)(ii)
- C. High-performing PHAs will submit Form HUD-52295, Report of Tenants Accounts Receivable, annually instead of semiannually. The end of the PHA's fiscal year is the annual reporting date, as required in the Financial Management Handbook 7475.1, as revised. 24 CFR 901.135(d)(2)(iii)

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11-5 OCCUPANCY INCENTIVES FOR HIGH-PERFORMING PHAS. 24 CFR 901.135(d)(3)

- A. High-performing PHAs will not be required, to receive prior HUD approval for occupancy of dwelling units by PHA employees, provided the PHA charges market rents for such units. (This eliminates the requirement for HUD approval under both the Public Housing Occupancy Handbook 7465.1, as revised, and the conversion provisions of the Demolition, Disposition and Conversion Handbook 7486.1, as revised.) The requirement for prior HUD approval will, however, continue to apply if the employee-occupant is

charged less than market rent. PHAs should not automatically use Section 8 Fair Market Rents (FMR) as a basis for "market rents." Market rents are rents for comparable standard non-luxury, rental units in the neighborhood or community. Often the market rent and the Section 8 FMR will be the same or nearly the same, but specific characteristics of the project, such as location, may dictate a lower or higher rent. Such units, however, shall be removed from the Unit Month Available count in the Performance Funding System calculations. 24 CFR 901.135(d)(3)(i)

- B. An internal occupancy audit may be conducted by a high-performing PHA in place of an audit by the Field Office, at the option of the PHA, when the previous audit was conducted by the Field Office, provided that the PHA meets all of the following conditions: 24 CFR 901-135(d)(3)(ii)
1. The PHA has no open occupancy audit findings; 24 CFR 901.135 (d) (3) (ii) (A)
  2. The PHA has sufficient and knowledgeable staff to allow the internal audit to be conducted by staff other than those responsible for day-to-day determinations of resident eligibility and resident payments. A small PHA can contract with a high-performing PHA or agency to perform an internal occupancy audit, since PHAs can contract for administrative functions generally. Also, a PHA can trade this function with another PHA at no cost, if it so chooses; 24 CFR 901.135(d)(3)(ii)(B)
  3. The PHA is not in priority category one or two as defined in the Occupancy Audit Handbook 7465.2, as revised; and 24 CFR 901.135(d)(3)(ii)(C)

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4. The internal audit shall be conducted in accordance with Handbook 7465.2, as revised. 24 CFR 901.135(d)(3)(ii)(D)

11-6 MODERNIZATION INCENTIVES FOR HIGH-PERFORMING MODERNIZATION PHAS. PHAs must have completed (all funds expended) a modernization program within the last two fiscal years and achieve a total weighted score of no less than 90% on indicator #2, modernization, in order to qualify for incentives in the program area of modernization. 24 CFR 901.135 (b) and (d)(4)

- A. High-performing PHAs are relieved of the need for prior HUD review of architects'/engineers' contracts. 24 CFR 901.135(d)(4)(i)
- B. High-performing PHAs are relieved of the need for HUD review for construction and bid documents. 24 CFR 901.135(d)(4)(ii)

- C. High-performing PHAs are relieved of the need for HUD review of contract modifications (change orders). 24 CFR 901.135(d)(4)(iii)
- D. High-performing PHAs are relieved of the need for HUD review of Request for Proposals (RFPs) and contract modifications for management improvement contracts. 24 CFR 901.135(d)(4)(iv)
- E. High-performing PHAs are relieved of the need for HUD review of budget revisions that delete or substantially revise approved work items, add new work items or incur costs in excess of the approved budget amount for any work item, but not budget revisions that incur costs in excess of the approved budget amount for any project or change the method of accomplishment from contract to force account labor. 24 CFR 901.135 (d) (4) (v) )

11-7 DEVELOPMENT INCENTIVES FOR HIGH-PERFORMING PHAS. PHAs must achieve a total weighted score of no less than 90% on indicator #12, development, and have a project under development which have not reached Date of Full Availability (DOFA), or projects which reached DOFA within the last five years, in order to qualify for incentives in the program area of development. 24 CFR 901.135(c) and (d)(5)

- A. High-performing PHAs may submit applications in response to a Notice of Fund Availability (NOVA) with no further evidence of their capability to develop additional public housing units; full points in the rating criteria for

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development experience will be awarded, if experience is a NOFA criterion. 24 CFR 901.135(d)(5)(i)

- B. High-performing PHAs may approve construction modifications (change orders) that do not increase the contract amount and which are consistent with the original approved plans. 24 CFR 901.135(d)(5)(ii)
- C. High-performing PHAs will not be required to obtain prior HUD approval under the Development Handbook 7417.1, as revised, for contracts for professional and technical services. 24 CFR 901.135(d)(5)(iii)
- D. High-performing PHAs are relieved of the need for prior HUD approval of contracts for legal, architectural, engineering, or inspection services in connection with development, including the PHAs methodology for selection. 24 CFR 901.135(d)(5)(iv)

11-8 COMPLIANCE REQUIREMENTS. Relief from any standard procedural requirements does not mean that a PHA is relieved from compliance with

the provisions of Federal law and regulations or other handbook requirements. For example, although a high performer may be relieved of requirements for prior HUD approval for certain types of contracts for services, it must still comply with all other Federal and State requirements that remain in effect, such as those for competitive bidding or competitive negotiation (refer to 24 CFR 85.36). 24 CFR 901.135(e)

- A. PHAs will still be subject to regular Independent Auditor (IA) audits. 24 CFR 901.135(e)(1)
- B. Office of Inspector General (OIG) audits or investigations will continue to be conducted as circumstances may warrant. 24 CFR 901.135(e)(2)

11-9 REGIONAL ADMINISTRATOR'S DISCRETION. 24 CFR 901.135(f)

- A. The Regional Administrator will have discretion to subject a PHA to any requirement that would otherwise be omitted under the specified relief. The discretion may be exercised in cases where there is evidence indicating seriously deficient performance that casts doubt on the PHAs capacity to preserve and protect its public housing developments and operate them in a manner consistent with Federal law and regulations. 24 CFR 901.135(f)

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- B. Examples of this evidence include, but are not limited to: 24 CFR 901.135(f)
  - 1. Substantial allegations or findings of fraud, abuse, or mismanagement; 24 CFR 901.135(f)
  - 2. Noncompliance with law, such as Fair Housing and Equal Opportunity (FHEO) statutes, based on such sources as FHEO compliance investigations or reviews, OIG audits or investigations, IA audits, and routine reports and reviews; or 24 CFR 901.135(f)
  - 3. Evidence that the PHAs certification of indicators is not supported by the facts. 24 CFR 901.135(f)

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