**PREDEVELOPMENT FUNDING APPROVAL**

**MIXED-FINANCE DEVELOPMENT**

In accordance with 24 CFR 905.612(a), after a new development project has been included in the CFP 5-Year Action Plan and has been approved by both the PHA Board of Commissioners and HUD, a PHA may use its public housing funds to pay for predevelopment expenses prior to submission of a Development Proposal to HUD for approval. However, for mixed-finance projects, HUD must review and approve predevelopment expenses prior to a PHA expending public housing funds.

Per 905.612(a)(1), predevelopment funds can be used for:

* Costs of materials and services related to the preparation of a development proposal.
* Soft costs, such as surveys, appraisals, architecture, and engineering plans.
* HUD-approved demolition costs.

Predevelopment assistance **may not** be used to pay for:

* Site work
* Infrastructure installation
* Construction costs (unless specifically approved by HUD)

If the project is a multi-phased project, predevelopment expenses must be limited to only the first phase of the project.

On a case-by-case basis, HUD will consider advancing the developer funds where: (1) there is an extended predevelopment period caused by such external factors such as environmental remediation, consent orders, etc. (2) the developer is a small, local, non-profit organization, and/or minority/disadvantaged firm. If HUD determines such an advance is warranted, HUD will advance up to 15% of the total developer fee/overhead amount to the developer prior to closing using public housing funds.

To receive HUD approval to expend public housing funds for predevelopment expenses related to a mixed-finance project, PHAs must send a request to HUD with justification. A sample letter of request follows these instructions. The letter should be emailed to the HUD assigned Project Manager. If no Project Manager has been assigned, the request should be emailed to the Director of the Office of Urban Revitalization, Office of Public Housing Investments, at [OUR@hud.gov](mailto:OUR@hud.gov).

Once HUD has approved the predevelopment expenses, the funds will be authorized in LOCCS, if needed, and PHA may proceed to expend the approved funds.

PHA Letterhead

Director  
Office of Urban Revitalization  
Office of Public Housing Investments   
U.S. Department of Housing and Urban Development

Re: Request for Approval of Expenditure of Predevelopment Funds

Dear \_\_\_\_\_\_,

The \_\_\_\_\_\_\_\_\_\_\_\_ Housing Authority (PHA) intends to develop public housing units using the mixed-finance method. Although the final scope of work and cost of the development will be determined after completion of the project design, the following preliminary information, which is subject to change, is provided:

Name of Development: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Existing PIC Number (if applicable): \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Number of Units:

|  |  |  |
| --- | --- | --- |
| **Type** | **New** | **Rehab** |
| Public Housing |  |  |
| Other |  |  |

Projected Construction Start Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Estimated Total Development Cost: $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Estimated Public Housing Funds: $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Estimated Private Funds: $ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

In advance of submission of a Development Proposal to HUD, as required by 24 CFR 905.606, the PHA requests HUD approval to expend public housing funds for the following predevelopment activities:

|  |  |  |  |
| --- | --- | --- | --- |
| **Description of Work** | **Estimated Total Cost** | **75% PHA** | **25% Developer** |
| Architectural/Engineering Fees |  |  |  |
| Title Insurance |  |  |  |
| Title Fees |  |  |  |
| Environmental Review |  |  |  |
| Building Permit |  |  |  |
| PHA Legal Fees |  |  |  |
| Appraisal |  |  |  |
| PHA Administration |  |  |  |
| Other: |  |  |  |
| Other: |  |  |  |
| **TOTAL** |  |  |  |

In accordance with the PHA Plan regulations, we have amended our PHA Plan (if applicable) to reflect our intention to pursue this development proposal and that Plan amendment was approved by the \_\_\_\_\_\_\_ HUD Office.

Sincerely,

\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Executive Director

cc: \_\_\_\_\_\_\_ HUD Field Office

Acknowledged:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_

HUD Project Manager

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_

HUD Team Leader

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_

Director, Office of Urban Revitalization