

CHAPTER 3. APPLICATION PROCESSING

- 3-1. PROCESSING STAGES. The basic SRO processing stages are Site Appraisal and Market Analysis (SAMA), Conditional and Firm for Proposed construction and Feasibility, Conditional and Firm for rehabilitation proposals. SAMA and/or conditional commitment stages can be omitted if the sponsorship and Field Office are experienced with the program and the processes. Preapplication conferences shall be held in all cases and participants should be encouraged to use the SAMA stage.
- 3-2. SPECIAL EXHIBITS REQUIRED. The insured SRO program has many important characteristic differences from the normal residential Section 221(d) projects insured by HUD. Due to the unique nature of the SRO insured program, additional special application exhibits are required with those listed on Form HUD-92013, Application for Project Mortgage Insurance.
- A. Additional Special Exhibits Required at Site Appraisal Market Analysis (SAMA) Stage:
1. The applicant must provide a market profile, including information on population, likely tenancy, sources of income, present housing conditions of anticipated tenants, and other relevant data. The data must demonstrate a clear need for the proposed SRO.
 2. Rent comparables and other relevant data will be provided to HUD which justify the proposed SRO rents.
 3. Information about SRO experience of the proposed developer and managing agent will be submitted. Managing agents must be experienced in SRO or related housing.
 4. A certification from the local government stating that:
 - a. it is familiar with the application;
 - b. a demonstrated need exists within the community for the project;
 - c. it will ensure its best efforts to provide municipal and support services required for the long-term success of the project.

- d. in cases involving displacement or relocation of tenants, there is an acceptable relocation plan developed by the sponsor that identifies alternative affordable housing to carry out that plan.
5. In cases involving displacement or relocation of existing tenants, a relocation plan which is acceptable to both the local government and HUD. At a minimum, an acceptable relocation plan must:
- a. Identify alternative affordable housing to carry out the plan.
 - b. Provide a statement certifying to all displacement activity (i.e., percentage of displacement, displacement dates, etc.) which occurred within 1 year prior to the date of initial application. The statement must also indicate whether the displacement occurred for the purpose of pursuing an insured SRO project. If there was no displacement, so state.
 - c. Provide an estimate of cost to carry out the plan.
 - d. Assure that adequate financial resources are available to carry out the plan.
6. A certification from the Mortgagor/Owner stating that it will comply with the civil rights requirements of paragraph 2-11.
- B. Exhibits Required with First Commitment Stage:
- 1. The commitment application must provide information (Form HUD-92013E) about the expenses to be incurred during the operation of the project. Proposed service expenses (e.g., linen, maid, etc.) and proposed charges must be provided.
 - 2. Provide documentation regarding expenses that differ from typical apartment projects such as management fees, security and utility expenses.

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- 3. The sponsor shall submit two separate lists of major movable items (eligible and ineligible for inclusion in replacement cost). The lists shall show the quantity and price of all items as described in paragraph 2-5 A.1. For projects involving rehabilitation, the sponsor must include

any existing items with the item's age, useful life, and cost to replace.

4. If the Sponsor plans to offer such items as a television, microwave oven, telephone, etc., for an additional fee, a list of items and proposed charges shall be submitted to HUD. Rental of such items cannot be a condition of occupancy and their cost is not eligible for inclusion in replacement cost.
- 3-3. AFFIRMATIVE FAIR HOUSING MARKETING (AFHM) PLAN. The mortgagor must submit its proposed AFHM plan to the HUD Field Office for review by Fair Housing and Equal Opportunity (FHEO) staff when the mortgagor's first application for commitment is received. See Appendix 4 of Handbook 8025.1 REV-1, Implementation of Affirmative Fair Housing Marketing Requirements Handbook, for AFHM plan, Form HUD-935.2.
- A. The Field Office will not issue a commitment without approval of the AFHM plan from FHEO.
 - B. HUD must advise the mortgagor of its responsibilities under the plan, including reporting requirements. Details of plan implementation are in Handbook 8025.1 REV-1.
- 3-4. SITE AND NEIGHBORHOOD REVIEW. At the initial stage of processing, Field Office FHEO staff shall review the site for acceptability from a civil rights standpoint to assure compliance with the civil rights requirements of paragraph 2-11 B.
- 3-5. CONSULTANTS.
- A. Only in cases involving nonprofit mortgagors may the fee for a consultant who is hired to help a nonprofit organization that lacks the staff and experience to develop a project be included in the replacement cost.
 - B. Consultants must have experience and expertise in SRO market evaluation; procurement of financing; evaluation

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- (3-5) and provide assistance in the preparation of applications and related documents.
- C. Selection is the responsibility of the mortgagor, subject to HUD approval. Form HUD-92531A, Standard Contract for Housing Consultant Services, is to be used as a guide.

- D. To make sure the consultant's efforts are directed exclusively toward serving the mortgagor, the consultant must certify on Forms HUD-92531A and HUD-92531B that no payment will be received from any parties to the transaction other than the consultant's fee specified in the contract with the mortgagor. No other party, including the builder, architect and mortgagor, may receive payment for consultant services in addition to fees from other work for the project.

- E. The actual allowable consultant's fee for consultant services is negotiated between the mortgagor and consultant. When a consultant's fee is included in the replacement cost, the allowance for organizational costs item should be reduced accordingly. See HUD Handbook 4500.1 REV-1, Allowance for Making Nonprofit Projects Operational (AMPO) and Use of Housing Consultants.