

REVIEW PROCESS STATEMENT FOR HUD-ADMINISTERED RENTAL
REHABILITATION PROGRAM FOR SMALL CITIES

A. Purpose

This Review Process Statement (RPS) is to provide information and guidance to HUD Field staff and to communities about the process for selecting grantees in the HUD-Administered Rental Rehabilitation Program for Small Cities.

B. Background

The Rental Rehabilitation Program is authorized by Section 17 of the United States Housing Act of 1937 (42 USC 1437o), as amended. The Program provides grant funds to States and units of general local government for the rehabilitation of privately owned real property to be used for primarily residential rental purposes. A statutorily-based formula establishes the amount of the grants available to most cities having a population of 50,000 or more, urban counties, and to all States and the Commonwealth of Puerto Rico. However, a State may elect to have HUD administer its allocation for a particular Federal fiscal year. This RPS describes how eligible units of general local government (as defined in 24 CFR 511.2, which is not limited to "cities" per se) may apply to HUD in those States that have so elected.

C. Regulatory Basis

Regulations governing the HUD-Administered Rental Rehabilitation Program are contained in 24 CFR Part 511. Section 511.52 authorizes eligible units of general local government to apply to HUD for grants where States elect not to administer their allocations. Pursuant to 24 CFR 511.20(a), the HUD Field Office is authorized to announce to eligible units of general local government in the State that funds are available and the date by which the Program Descriptions must be submitted.

D. Review Process Statement

The Review Process Statement (RPS) transmitted by this Notice provides additional guidance to complement the

Rental Rehabilitation Program Regulations and in no instance supersedes the Regulations. The RPS is only applicable in States where HUD is administering the State's allocation. Assistance under HUD-Administered

State allocations may only be used in units of general local government and areas of the State that do not receive formula allocations under 24 CFR 511.31(a) and are not eligible for Farmers Home Administration (FmHA) assistance under Title V of the Housing Act of 1949, as amended. However, on a demonstration basis, Section 311 of the Housing and Community Development Act of 1987 allows States to use uncommitted prior year RRP funds for rental rehabilitation projects in areas eligible for assistance under Title V, and Section 1044 of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988 extends that authority to include areas located in States where HUD administers the RRP. This Rural Rental Rehabilitation Demonstration Program has been authorized through September 30, 1991. Thus, localities eligible for FmHA assistance under Title V may participate in the Rural Rental Rehabilitation Demonstration Program using prior year funds until September 30, 1991.

E. Application for Housing Vouchers

If their Program Descriptions are approved under the HUD-Administered Rental Rehabilitation Program for Small Cities, localities will receive not only Rental Rehabilitation grant funds to write down the cost of rehabilitating rental properties, but also Section 8 Housing Vouchers or certificates to assist very low-income families if that resource is not currently available in the Community. This Review Process Statement covers only the process for selecting program participants. Program regulations, Part 511, set rules for administering the Rental Rehabilitation funds. The rules governing the administration of the Section 8 Certificate Program and the Section 8 Housing Voucher Program are contained at 24 CFR Part 882 and 24 CFR Part 887, respectively, as amended from time to time, and in such additional guidance as may be issued under those programs.

CPD Field staff should assess whether grantees applying have sufficient housing vouchers and/or certificates available to meet the needs of tenants occupying RRP projects before rehabilitation. CPD should coordinate

with Housing to assure that sufficient housing vouchers are made available to allow the PHA to carry out its responsibility under the statute and the program rules.

The CPD and Housing Development Divisions must work closely throughout the Program Description/housing voucher application review and approval processes. CPD may not approve a locality's Program Description unless it has been advised by Housing that an application by a participating PHA would be approvable, or unless the

community can demonstrate that it can meet the affordability and relocation requirements of the RRP without Section 8 resources.

Any questions concerning the housing voucher application process should be referred to the Housing Development Division which administers the Housing Voucher Program in the appropriate HUD Field Office.

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RENTAL REHABILITATION PROGRAM FOR SMALL CITIES

SECTION I

GENERAL INFORMATION FOR APPLICANTS

A. ELIGIBILITY OF APPLICANTS

Eligible applicants are units of general local government that do not receive formula allocations under 24 CFR 511.31(a), including cities and urban counties which did not qualify for the minimum direct allocation established by HUD. Applicants which were eligible for a formula allocation under 24 CFR 511.31(b), but not 511.31(a), and which did not accept such allocations are also eligible to participate in a HUD-Administered Program. Assistance under a HUD-Administered State Program may not be used in any portion of any otherwise eligible jurisdiction which is also an area eligible for assistance under Title V of the Housing Act of 1949 (Farmers Home Administration (FmHA)) except that unutilized prior year RRP funds may be used in areas eligible for FmHA assistance under Title V in the Rural Rental Rehabilitation Demonstration Program until September 30, 1991.

B. ELIGIBLE ACTIVITIES

Formerly, under the Rental Rehabilitation Program all eligible costs were required to be incurred by owners of property assisted under the program, as costs of specific projects. However, RRP grantees may now use up to 10 percent of their initial grant amount for Fiscal Year 1988 and later years to help pay the costs of administering the Rental Rehabilitation Program. This change was authorized by Section 150(e) of the Housing and Community Development Act of 1987 and by Section 1007 of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988, which amended Section 17(h) of the United States Housing Act of 1937.

The Rental Rehabilitation regulations, in Section 511.10(f), contain a non-exclusive list of rehabilitation costs eligible for inclusion in the rehabilitation cost of specific

projects. If a grantee wants advice on the meaning of the listed items or on the eligibility of other costs under the program, its representative should contact the responsible HUD Field Office.

Under 24 CFR 511.10(f)(1), construction costs assisted under the program shall only be those which are necessary to correct substandard conditions, make essential improvements and repair major systems in danger of failure, as reasonably defined in the grantee's rehabilitation standards adopted pursuant to 24 CFR 511.10(e).

C. FUNDING ALLOCATIONS

Rental Rehabilitation Program funds are allocated for each State based on a formula which compares the needs of each State with other States by considering rental units with poverty households, rental units with poverty households in units built before 1940 and rental units with at least one of four problems (high rent costs, overcrowding, incomplete kitchen facilities, or incomplete plumbing). In calculating the State allocations, data from Title V areas are subtracted from the formula calculations in arriving at the State allocations.

D. THE SELECTION SYSTEM

This RPS describes a Selection System for Field Offices to use in choosing grantees from among those that submit Program Descriptions pursuant to Section 511.20 which are determined to be otherwise satisfactory pursuant to Section 511.21(b) of the regulations.

The selection system is designed to select among such otherwise approvable Program Descriptions as required by Section 511.52 of the program regulations. The factors that will be used to rank the applications are 1) need, 2) past performance in housing and community development activities, 3) program administrations and 4) quality and impact of the proposed program.

SECTION II

PROGRAM DESCRIPTION FOR LOCALITIES PARTICIPATING IN HUD-ADMINISTERED RENTAL REHABILITATION PROGRAM FOR SMALL CITIES

Program Description requirements for localities participating through a State-wide competition are very similar to Program Description requirements for localities receiving direct allocations of Rental Rehabilitation Program funds by

formula. Of the following requirements, the parts that are underlined are additional items that are needed for competitively evaluating the Program Descriptions pursuant to Section 511.52(b). Otherwise, the requirements are the same as stated in Section 511.20(b) and (c) of the program regulations.

HUD Field staff will be available to answer questions from potential applicants concerning their Program Descriptions. However, once the application has been submitted for evaluation, the applicant will not be given an opportunity to revise its Program Description.

By a date designated in a written notification to eligible applicants announcing a competition for the Rental Rehabilitation Program (and the date is to be 45 days from the written announcement), an applicant must submit a Program Description, which must be received in the HUD Field Office by the date stated in the notification, signed by its Chief Executive Officer or his or her designee on Standard Form 424 to the HUD Field Office which includes a narrative statement organized as follows:

1. PROGRAM ACTIVITIES. A description of the applicant's proposed Rental Rehabilitation Program, consisting of a) the activities the applicant proposes to undertake for the fiscal year, b) a description of why a Rental Rehabilitation Program is needed, and c) a management plan for the operation of the program, which indicates the staff who will be working on the Rental Rehabilitation Program, their experience in rehabilitation, and the amount of their time that will be spent on the Rental Rehabilitation Program.
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2. NEIGHBORHOOD SELECTION. A description of how the grantee intends to provide for:
 - a. Using rental rehabilitation grants only to assist the rehabilitation of projects located in neighborhoods where the median income does not exceed 80 percent of the median income for the area (See Section 511.10(c)(1); and
 - b. Selecting projects for rehabilitation that are located in neighborhoods in which 1) the rents are generally affordable to lower-income families at the time of the selection of the neighborhood (e.g., within Section 8 Fair Market Rent limitations) and 2) the character of the neighborhood indicates that the rents are not likely to increase at a rate significantly greater than the rate for rent increases that can reasonably be anticipated to occur in the

market area for the 5-year period following the selection of the neighborhood (See Section 511.10(c)(2)).

Where the neighborhoods in which assisted activities are to be carried out are known at the time of submission of the Program Description, the applicant will indicate the evidence (such as recent market studies and analysis for the neighborhoods) upon which compliance with the requirements of Section 511.10(c) is based. Where the neighborhoods are not known at that time, the applicant will indicate the type of neighborhood selection guidelines or other means it will use to ensure compliance with these requirements.

3. LOWER-INCOME BENEFIT. A description of how the applicant intends to ensure that the applicable percentage of rental rehabilitation grant amounts will be used for the benefit of lower-income families, as specified in Section 511.10(a). The description will indicate how the grantee plans to achieve the specified level of lower-income benefit.
4. USE OF RENTAL REHABILITATION GRANTS FOR HOUSING FOR FAMILIES. A description of the applicant's plan to ensure that an equitable share of rental

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rehabilitation grant amounts will be used to assist in the provision of housing designed for occupancy by families, particularly families requiring three or more bedrooms. The applicant will describe how it plans to give priority to projects containing three or more bedroom units. If applicable, the applicant will include an explanation of why it proposes to use less than 70 percent of its rental rehabilitation grant for the rehabilitation of units containing two or more bedrooms, as prescribed in Section 511.10(b)(1) and (2). Such explanation shall include the citation of any local seismic standard ordinance.

5. USE OF RENTAL REHABILITATION GRANTS FOR UNITS IN SUBSTANDARD CONDITION THAT ARE OCCUPIED BY VERY LOW-INCOME FAMILIES. A description of the applicant's plan to ensure that a priority will be given to rehabilitating projects containing units with substandard conditions that are occupied by very low-income families before rehabilitation, in accordance with the provisions of Section 511.10(g)(1).
6. SELECTION OF PROPOSALS. A statement of the

procedures and standards that will govern the selection of proposals by the applicant. These procedures and standards must take into account:

- a. The extent to which the proposal represents the efficient use of rental rehabilitation grant amounts;
- b. The extent to which the proposal will minimize displacement of lower income tenants in accordance with the displacement and tenant assistance policy in 511.14; and
- C. The extent to which the dwelling units involved will be adequately maintained and operated with rents at the level proposed. This may consist of a description of plans for requiring a sufficient equity interest, risk, or other involvement in selected projects by private investors and lenders to ensure appropriate incentives to maintain and operate units after rehabilitation.

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- d. The extent to which priority is to be given to the selection of projects with units that are occupied by very low-income families before rehabilitation and also to projects that will result in dwelling units that are to be made readily accessible to and usable by individuals with handicaps. (See 24 CFR 511.10(g)).
- 7. FINANCIAL FEASIBILITY. Evidence demonstrating the financial feasibility of the proposed Rental Rehabilitation Program, including the availability of non-Federal governmental and private resources. Where the applicant has not identified specific projects at the time of submission of the Program Description, the evidence will consist of the applicant's plans to ensure its program's financial feasibility, including plans to obtain non-Federal resources.
 - 8. NEIGHBORHOOD PRESERVATION. An estimate of the effect of the proposed Rental Rehabilitation Program on neighborhood preservation.
 - 9. SCHEDULE FOR COMMITTING RENTAL REHABILITATION GRANT AMOUNTS. A quarterly schedule that demonstrates the applicant's plan to commit to specific local projects its rental rehabilitation grant for the fiscal year for which funding is sought. This schedule must at a minimum show that at least 50 percent of the total grant amount will be so committed within 9 months and

100 percent will be so committed within 12 months, after the date of HUD's execution of the grant agreement.

For this Program Description, the applicant should submit a schedule based on the amount of Rental Rehabilitation grant funds requested in Item 15 of this section. A revised schedule may be required if the applicant's program is approved for an amount different from the amount requested.

10. NONDISCRIMINATION AND EQUAL OPPORTUNITY. A statement of policy and procedures to be followed by the applicant to meet the requirements for affirmative marketing of units in rehabilitated projects as required in Section 511.13(b).

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This element must address each of the five (5) affirmative marketing procedures stated in Section 511.13(b)(1) and describe how these affirmative marketing procedures will be achieved.

11. APPLICANT'S ORGANIZATIONAL STRUCTURE. The name, address, and telephone number of the agency and contact person responsible for administering the Rental Rehabilitation Program. A description of the staff and dollar resources applicant will use to administer the program.
12. PHA PARTICIPATION.
 - a. A Memorandum of Understanding (MOU) signed by the locality and the appropriate PHA in accordance with 24 CFR 511.40, if possible. If the PHA has not agreed to a MOU, the locality must include a statement describing its timetable for executing a MOU in accordance with 24 CFR 511.40 prior to commitment of grant amounts to specific projects, or, in the alternative, how it will meet the affordability and relocation requirements of the RRP without the use of Section 8 resources.
 - b. If applicable, the name, address, and telephone number of the PHA contact person.
13. HIGH COST. If applicable, an explanation of why higher average per dwelling unit rental rehabilitation grant amounts for projects are proposed, as provided in Section 511.11(e)(2)(ii).
14. AMOUNT OF RENTAL REHABILITATION GRANT FUNDS REQUESTED. A statement by the applicant indicating

the amount of rental rehabilitation grant funds requested for the fiscal year.

15. A STATEMENT OF THE APPLICANT'S RECENT PAST REHABILITATION ACTIVITIES. This should include the number of units/properties rehabilitated, the source of funds, and the amount of public funds spent for the rehabilitation for each of the last 3 years. In addition, the applicant should briefly address each of the items listed under Factor 2 of the competitive selection factors in Section III of this RPS.

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16. CERTIFICATIONS. The applicant shall certify that
- a. The submission of the Program Description is authorized under State and local law (as applicable), and the applicant possesses the legal authority to carry out the Rental Rehabilitation Program described therein, in accordance with 24 CFR Part 511;
 - b. Its Rental Rehabilitation Program was developed after consultation with the public and its description of program activities in the "Program Activities" section of its Program Description has been made available to the public;
 - c. If applicable, its lower-income benefit standard should be reduced to 70 percent as provided by 24 CFR 511.10(a)(2); this certification will be accompanied by an explanation of the reasons why this reduced benefit standard is necessary, as provided in 24 CFR 511.10(a)(2).
 - d. It will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, implementing regulations at 49 CFR 24 and the requirements of 24 CFR 511.14 which include adoption of a written tenant assistance policy.
 - e. It will conduct and administer its Rental Rehabilitation Program in accordance with the requirements of 24 CFR Part 511.
 - f. It will comply with the drug-free workplace requirements in accordance with 24 CFR Part 24, Subpart F.

In addition to the above, the prospective grantee shall execute a certification that it will comply with the

requirements of Public Law 101-121 and its implementing procedures which generally prohibit grantees from using appropriated funds for lobbying. (See Paragraph 3-11 and Exhibit 3-8 of the Rental Rehabilitation Program Handbook for more information.)

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SECTION III

THE SELECTION SYSTEM

A Program Description submitted for the HUD-Administered Rental Rehabilitation Program for Small Cities is evaluated in two stages. First, the HUD Field Office must determine the Program Description's acceptability under the criteria listed in Section 511.21 of the Rental Rehabilitation Program regulations. Second, the Field Office must competitively rank the Program Descriptions pursuant to Section 511.52(b) of the regulations and this RPS. Each Field Office shall apply a consistent approach to ranking all applications received in a particular fiscal year.

The following describes the two-stage review process for HUD-Administered Small Cities Program Descriptions:

A. THRESHOLD REVIEW

1. Was Program Description received within the time period established, including any permissible extension?
2. Does Program Description contain evidence sufficient (on the basis of the Description or otherwise) to support each of its required elements?
 - Does Program Description address each of the required elements listed in Section 511.20(b)?
 - Is there sufficient information to support each required element?
 - Are required certifications included (as required by Section 511.20(c) of the Program Regulations and Section II, Item 17 of this RPS)?

NOTE: If Program Description indicates that applicable percentage of lower-income benefit is 70 percent, appropriate certification should be included and the Program Description should contain the

reasons necessary to support the reduction to 70 percent.

3. If applicable, has an acceptable Annual Performance Report (APR) for the preceding program year been received from the applicant? If not applicable, answer N.A.
4. Has the Housing Division advised that a participating Public Housing Agency's (PHA's) application for Section 8 resources would be approvable, or in the alternative, has the community demonstrated that it can meet the affordability and relocation requirements of the RRP without Section 8 resources?

IF THE ANSWER TO ANY OF THE ABOVE QUESTIONS IS NO, THE PROGRAM DESCRIPTION SHOULD NOT BE APPROVED.

B. COMPETITIVE FACTORS		POINTS
Factor 1.	Need: (Data to be supplied by HUD)	200
	a. Rental Households in Poverty	
	b. Poverty Rental Households in Pre-1940 Structures	
	c. Rental Households with One of Four Problems:	
	(1) High rent cost,	
	(2) Overcrowding,	
	(3) Incomplete kitchen facilities, or	
	(4) Incomplete plumbing	
Factor 2.	Past Performance in Housing and Community Development Activities	100
	a. Rate of fund commitment for recent CDBG rehabilitation activities, if applicable	(20)
	b. The promotion of fair housing and equal opportunity in its housing and community development activities	(20)
	c. The quality of work accomplished through the CDBG rehabilitation activities	(20)

	d.	The lack of audit findings, serious monitoring findings, and/or litigation against the community for housing and community development activities	(20)
	e.	Extent to which past rehabilitation activities demonstrate a specific capacity to administer the Rental Rehabilitation Program	(20)
Factor 3.		Program Administration	150
	a.	Quality of management plan and organizational structure	(100)
	b.	The readiness and ability of a PHA to administer vouchers and certificates in support of the locality's RRP or in the alternative a means of administering other resources to meet the affordability and relocation requirements	(50)
Factor 4.		Quality and Impact of Proposed Program	150
	a.	The extent to which the description of the applicant's program activities indicates an understanding of the program goals	(20)
	b.	The likelihood that the applicant's selection of neighborhoods, or guidelines for selecting neighborhoods, will result in neighborhoods with rents affordable to lower-income families and neighborhoods where the median income is equal to or less than 80 percent of the median income for the area	(30)
	c.	Reasonableness of the applicant's description for achieving lower-income benefit	(20)
	d.	Extent to which applicant gives priority for rehabilitating	

units suitable for large families
with children, particularly
families requiring three or more
bedrooms (20)

e. Adequacy of description of how
priority is to be given to the
rehabilitation of units which
are substandard and occupied by
very low-income families and
adequacy of description of
how priority is to be given
to the rehabilitation of units
accessible to and usable by
individuals with handicaps (20)

f. Reasonableness of applicant's
schedule for implementing its
Rental Rehabilitation Program (20)

g. Extent to which applicant's
proposed procedures for
affirmative marketing indicate
an understanding of fair housing
objectives; appear to be adequate
for informing eligible persons
about the rehabilitated housing
regardless of race, color,
religion, sex or national origin;
and include a method for
assessing the results of actions
taken by the grantee, (recipient)
and owner (20)

APPLICANT'S SCORE (Total of Factors
1, 2, 3 and 4 above) _____

TOTAL POINTS POSSIBLE 600

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SECTION IV

FIELD OFFICE REVIEW OF OTHERWISE APPROVABLE RENTAL REHABILITATION PROGRAM DESCRIPTIONS UNDER THE COMPETITIVE FACTORS

Field Office review of the Program Descriptions is the responsibility of the Office of Community Planning and Development. However, the Housing Division must address the PHA's application if and when submitted. FHEO staff are to participate in both the threshold review and application rating process. In both phases, FHEO must assess the applicant's statement of affirmative marketing policy and procedures and the applicant's past performance in promoting fair housing and

equal opportunity in its housing and community development activities. A Rating Form for reviewing Program Descriptions for the HUD-Administered Rental Rehabilitation Program for Small Cities is included as Attachment 1.

FACTOR 1 - NEED FACTOR:

The Bureau of the Census supplies the data for the need factors which account for 200 points. These factors are the same that are used to allocate Rental Rehabilitation Program funds to localities receiving a direct formula allocation and reflect the need for assistance under the Rental Rehabilitation Program.

To assess need for rental rehabilitation grant assistance, Field Offices may determine a hypothetical grant for each locality submitting a Program Description. To calculate the hypothetical grant, Field Offices should use the information by locality on each of the three factors that was received late in Fiscal Year 1984 since that information is from the 1980 Census and has not yet been updated. To calculate the hypothetical grant:

- (1) Multiply the number of rental units where the household head is at or below the poverty level (RH in POVERTY) for the jurisdiction by a number that will be supplied annually and will represent the amount of formula \$ for the fiscal year that each rental unit where the household head is at or below the poverty level represents.

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- (2) Multiply the number of rental housing units built before 1940 where the household head is at or below the poverty level (RH P40 IN POV) by a number that will be supplied annually and which will represent the amount of formula \$ for the fiscal year that each rental housing unit built before 1940 where the household head is at or below the poverty level represents.
- (3) Multiply the number of rental units with at least one of four problems--overcrowding, incomplete kitchen facilities, incomplete plumbing, or high rent costs (RH 4-COND) by a number that will be supplied annually and which will represent the amount of formula \$ for the fiscal year that each rental housing unit having one or more of these four problems represents.
- (4) Add the products from (1), (2) and (3) above for the hypothetical grant.

After determining the hypothetical grant for each

locality, the Field Office can then assess the intensity of the need for rental rehabilitation grant assistance by dividing the hypothetical grant (as calculated in (4) above by the total number of rental housing units in the locality (RH ALL).

The hypothetical grants per rental unit normally range no more than \$2.50 above or below the average for applicants. The hypothetical grants per rental units should be capped within the \$5 range to avoid distortion in assigning points.

To compute points based on the capped grants per rental unit first find the difference between the high value and a community's value, then reduce the points from 200 based on the difference.

To compute an applicant's share of the 200 need points based on the grant amount per rental housing unit for a given community, Field Offices should follow the following four steps as illustrated by the example:

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1. ASSEMBLE THE FORMULA DATA FOR ALL APPLICANTS.

	FACTOR 1: RH IN POVERTY	FACTOR 2: RH P40 IN POV	FACTOR 3: RH 4-COND	RH ALL
Harvey	1400	276	2269	4169
Homewood	49	21	469	1127
LaGrange	175	103	525	1550
Maine	219	0	1377	4379
Maywood	728	225	1269	3122
Palatine	203	14	1179	3611

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2. COMPUTE THE HYPOTHETICAL FORMULA AND FORMULA \$ PER RENTAL UNIT.

Harvey	Formula \$ per rental unit
\$ For Factor 1 $1400 \times 5.8148706 =$	
\$ 8,141	\$26,738 4169 = \$6.41
\$ For Factor 2 $276 \times 18.8037583 =$	
5,190	
\$ For Factor 3 $2269 \times 5.9087851 =$	

		13,407		
Hypothetical Grant	=	\$26,738		
Homewood				
\$ For Factor 1		\$ 285	\$ 3,451	1127 = \$3.06
\$ For Factor 2		395		
\$ For Factor 3		2,771		
Hypothetical Grant	=	\$ 3,451		
LaGrange				
\$ For Factor 1		\$ 1,018	\$ 6,057	1550 = \$3.91
\$ For Factor 2		1,937		
\$ For Factor 3		3,102		
Hypothetical Grant	=	\$ 6,057		
Maine				
\$ For Factor 1		\$ 1,273	\$ 9,409	4379 = \$2.15
\$ For Factor 2		0		
\$ For Factor 3		8,136		
Hypothetical Grant	=	\$ 9,409		
Maywood				
\$ For Factor 1		\$ 4,233	\$15,962	3122 = \$5.11
\$ For Factor 2		4,231		
\$ For Factor 3		7,498		
Hypothetical Grant	=	\$15,962		
Palatine				
\$ For Factor 1		\$ 1,180	\$ 8,409	3611 = \$2.33
\$ For Factor 2		263		
\$ For Factor 3		6,966		
Hypothetical Grant		\$ 8,409		

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3. FIND THE AVERAGE, CAPPED VALUES AND DIFFERENCE FROM THE HIGH VALUE.

	FORMULA \$ PER RENTAL UNIT	CAPPED VALUES FOR \$5.00 RANGE	(d) DIFFERENCE BETWEEN HIGHEST VALUE & ACTUAL VALUE
Harvey	6.41	6.33	0
Maywood	5.11	5.11	1.22
LaGrange	3.91	3.91	2.42
Homewood	3.06	3.06	3.27
Palatine	2.33	2.33	4.00

Maine	2.15	2.15	4.18
AVERAGE:	<u>3.83</u>		
HIGH CAP:	6.33		
LOW CAP:	1.33		

4. FIND THE TOTAL POINTS FOR EACH COMMUNITY BASED ON ITS DIFFERENCE FROM THE HIGH SCORE.

	(F) FRACTIONAL DIFFERENCE FOR \$5 RANGE d/5	(R) REDUCTION BASED ON DIFFERENCE F x 200	TOTAL POINTS BASED ON 200-REDUCTION 200 - R
Harvey	0/5 = 0	0 x 200 = 0	200 - 0 = 200
Maywood	1.22/5 = .24	.24 x 200 = 48	200 - 48 = 152
LaGrange	2.42/5 = .48	.48 x 200 = 96	200 - 96 = 104
Homewood	3.27/5 = .65	.65 x 200 = 130	200 - 130 = 70
Palatine	4.00/5 = .80	.80 x 200 = 160	200 - 160 = 40
Maine	4.18/5 = .84	.84 x 200 = 168	200 - 168 = 32

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FACTOR 2 - PAST PERFORMANCE FACTOR:

The Field Office may give up to 100 points based on the applicant's past performance in community development and housing programs. The applicant's statement in response to Item 16 in the Program Description should be considered as well as the Field Office's knowledge of the applicant's past performance. In evaluating the applicant's performance, the following should be considered:

- a. The rate of fund commitment for recent CDBG property rehabilitation activity: The extent to which the applicant's productivity in its rehabilitation program has been satisfactory and rehabilitation projects have been completed in a reasonable time.
- b. The promotion of fair housing and equal opportunity: The extent to which the applicant has promoted fair housing and equal opportunity in its housing and community development programs. The reviewer should consider the applicant's performance with respect to nondiscrimination in providing benefits, affirmatively furthering fair housing, use of minority and women-owned businesses and employment of women and minorities. Staff should consider any

recent monitoring and compliance review conclusions and any related court findings/consent decrees.

- C. The quality of work accomplished through the locality's CDBG program: The extent to which good quality work has been performed. Field Office staff monitoring the locality's rehabilitation program have found quality work and also the lack of complaints from recipients of CDBG rehabilitation assistance.
- d. The lack of 1) audit findings, 2) serious monitoring findings, and/or 3) litigation against the community for its housing and community development activities.
 - If there are. serious outstanding findings, no points should be given for this item.
- e. Extent to which past rehabilitation activities demonstrate a specific capacity to administer the Rental Rehabilitation Program: Field staff should consider whether the locality's past experience would

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help it to run a Rental Rehabilitation Program, such as previous experience in the Rental Rehabilitation Program. For localities that have participated previously in the Rental Rehabilitation Program:

- Whether market rents of 80 percent or more of the units rehabilitated in the program are affordable to lower-income families (at or below published Section 8 FMRs or HUD-approved community-wide exception rents).
- Whether the program has met the statutory priority for providing housing for large families, (extent to which rental rehabilitation grant amounts are used to rehabilitate units containing two or more bedrooms and three or more bedrooms).
- Whether the program has met the priority of rehabilitating substandard units occupied by very low-income families.
- Extent to which more than 80 percent of the units have market rents affordable to lower-income families.
- Extent to which gross amount of public funds (as determined by HUD) used for rehabilitation per unit have been minimized and the extent to which the amount of public subsidy funds as a

percentage of rehabilitation costs have been minimized.

- Extent of grantee management efficiency, based upon such measures as average cost of administration per unit assisted, average project processing time, quality and timeliness of reports, and other measures indicating sound program management.
- Extent to which rental rehabilitation grant amounts have been committed to specific projects and projects have been completed.

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NOTE: EACH OF THE FIVE SUBITEMS UNDER THE PAST PERFORMANCE FACTOR ARE WORTH 20 POINTS. IF THE APPLICANT HAS AN EXCELLENT OR OUTSTANDING RATING ON A SUBITEM, SUCH AS THE PROMOTION OF FAIR HOUSING AND EQUAL OPPORTUNITY, IT SHOULD BE GIVEN THE MAXIMUM POINTS--20; IF THE RATING IS ABOVE AVERAGE--15 POINTS; IF MINIMALLY ACCEPTABLE--10 POINTS; IF NOT ACCEPTABLE--0 POINTS.

FACTOR 3 PROGRAM ADMINISTRATION FACTOR:

- a. Quality of Management Plan and Organizational Structure

Does the locality's management plan indicate a sufficient commitment of staff time and expertise to run a successful Rental Rehabilitation Program? Does the locality's management plan identify specific staff, their qualifications and what their responsibilities will be in the program? What has been the experience of the staff in previous housing and/or community development programs? Is the organization likely to work? In assigning points to this component of the Program Administration Factor, the Field Office staff should rely not only on what is stated in the locality's management plan, but also on their knowledge of the locality's present administrative capacity to administer housing and community development programs.

A good indication of the locality's continuing capacity to administer a Rental Rehabilitation Program is the locality's satisfactory past participation in the Rental Rehabilitation Program.

The Field Office will award up to 100 points for this component of the Program Administration Factor.

b. Availability of a PHA to Administer Section 8, or Alternative

Has the PHA developed a MOU with a PHA or submitted a schedule concerning its plans to do so? In the latter case, is there a letter of commitment from the

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PHA? If a PHA is not available, has the applicant described how it will handle tenant assistance and relocation requirements and has it identified the resources it will use? If the applicant has demonstrated the ability to adequately assist tenants either through a PHA or by an acceptable alternative, it should be awarded 50 points. If the applicant's proposal in this regard is not completely satisfactory, the Field Office should award no or fewer points depending on how significantly deficient the applicant's proposal is on this factor.

If the applicant receives less than a combined total of 150 points for the Past Performance and Program Administration Factors, it is doubtful that the applicant has the capacity to run a successful Rental Rehabilitation Program.

FACTOR 4 - QUALITY AND IMPACT OF PROPOSED PROGRAM FACTOR:

The Field Office should review the Program Description from each applicant and give either all, some, or none of the points for each of the seven questions pertaining to the quality of the application. Each application should be judged individually and the points given should reflect how well each applicant responds to the application requirements. All applications, however, should be evaluated in a consistent manner,

COMPLETING THE EVALUATION OF APPLICATIONS AND ALLOCATING FUNDS:

After the points are given for the four factors, the Field Office should total the points for each applicant and rank the applicants from high to low. Those Program Descriptions which do not meet the threshold review criteria in Section III-A of this RPS should not be included in the ranking.

A score of 400 or more should generally be considered acceptable and should receive funding. If the total funds available are sufficient to fund all the top applications, or those receiving a score of 400 or more, they should all receive funding.

If there are sufficient funds available to approve all applications that receive at least 300 points, the Field Office

may consider funding those applications. Field Offices should not fund an application that receives fewer than 300 points, except where extenuating circumstances warrant. However,

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before allocating funds to the approvable applicants, Field Offices should consider the reasonableness of each approvable applicant's request for Rental Rehabilitation grant funds.

One way of checking the reasonableness of the requests is to use the hypothetical grants and compare the hypothetical grant for each approvable applicant with the sum of the hypothetical grants for all applicants in the State which submitted approvable Program Descriptions to determine the proportionate share of the State's allocation that would go to each applicant based on need. The equation would be:

$$\begin{array}{rcl} \text{Hypothetical grant for each locality} & & \times \\ \hline & = & \hline \text{Sum of Hypothetical Grants for all} & & \text{Total State allocation} \\ \text{applicant localities} & & \end{array}$$

Example:

Using the previous example, assuming the total of the hypothetical grants for all applicants is \$70,026, the hypothetical grant for Harvey is \$26,738, and the total funds available for the State allocation is \$500,000, the following equation would indicate a reasonable allocation based on need for Harvey.

$$\begin{array}{rcl} \$26,738 & & \times \\ \hline & = & \hline \$70,026 & & \$500,000 \\ & & x = \$190,915 \text{ or } \$191,000 \end{array}$$

If the funds available to the State (or Field Office jurisdiction part of a State) are not sufficient to fund all approvable applications, the Field Office may cut back the funds in one of several ways, such as:

- 1) Giving the best application or applications their total request if those requests are considered reasonable and reducing funds to those receiving fewer points.
- 2) Reducing every approvable applicant's request proportionately down to a fixed threshold.
- 3) Starting at the top of the list and providing funding to as many of the localities (provided their funding

requests are reasonable) as the total funds available would allow.

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- 4) If two or more applicants receive the same number of points in the evaluation system, the Field Office should consider the need for a Rental Rehabilitation Program as indicated by Factor 1. If funds are available to fund only one of the applicants, the one with the greater need should be funded.

COORDINATION WITH HOUSING DEVELOPMENT DIVISION

CPD is not to notify the applicant or the office of Legislation and Congressional Relations (LCR) that an applicant's Program Description is approved until the Housing Development Division has advised CPD that the Section 8 application submitted by the PHA working with the applicant is approvable or unless the locality has demonstrated that it can meet the affordability and relocation requirements of the RRP without Section 8 resources.

CONGRESSIONAL NOTIFICATIONS

As soon as CPD and other Field Office staff have completed their review of Program Descriptions for the HUD-Administered Rental Rehabilitation Program for Small Cities, have selected grantees and have been advised by the Housing Development Division that the cooperating PHAs' applications are approvable (if applicable), CPD should FAX a copy of the release form directly to LCR immediately after approval. LCR will set a release date and call the Field Office as soon as possible.

The following information is to be provided to LCR for each approved applicant:

1. Rental Rehabilitation Funds Allocated
2. Amount of Section 8 Contract Authority for Vouchers for approximately _____ Vouchers, if applicable.

To allow time for Congressional notification, CPD should send a letter of approval (See Attachment 3--Guide Form Letter) to each locality whose Program Description is approved after notifying LCR and agreeing upon a release date of the above information for each approved applicant.

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ATTACHMENTS

- 1) Rating Form for Program Descriptions for HUD-Administered Rental Rehabilitation

Program for Small Cities

- 2) Sample letter announcing competition for HUD-Administered Rental Rehabilitation Program for Small Cities
- 3) Sample letter approving application for HUD-Administered Rental Rehabilitation Program for Small Cities
- 4) Sample letter disapproving application for HUD-Administered Rental Rehabilitation Program for Small Cities

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ATTACHMENT 1
PAGE 1 OF 6

RATING FORM FOR
PROGRAM DESCRIPTIONS FOR HUD-ADMINISTERED
SMALL CITIES RENTAL REHABILITATION PROGRAM

APPLICANT _____

REVIEWER _____

DATE _____

FACTOR

YES NO

THRESHOLD FACTOR

1. Was Program Description received within the time period established including any permissible extension?
2. Does Program Description contain evidence sufficient (on the basis of the Description or otherwise) to support each of its required elements?
 - a. Does Program Description address each of the required elements listed in Section 511.20(b) of the Program Regulations?
 - b. Is there sufficient information to support each required element?
 - c. Are required certifications included (as required by Section 511.20(c) of the Program Regulations and Section II, Item 17 of the RPS)?

3. If applicable, has an acceptable Annual Performance Report (APR) for the

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APPLICANT _____

REVIEWER _____

DATE _____

FACTOR

YES NO

THRESHOLD FACTOR

preceding program year been received from the applicant? If not applicable, answer NA.

4. Has the Housing Division advised that a participating PHA application for Section 8 resources would be approvable, or in the alternative, has the community demonstrated that it can meet the affordability and relocation requirements of the RRP without Section 8 resources?

If the answer to all of the above questions is yes, the reviewer should continue with rating the application. If the answer to any of the above questions is no, the application should not be approved, and, thus, no further review is necessary.

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APPLICANT _____

	FACTOR	MAXIMUM POINTS	APPLICANT'S SCORE
FACTOR 1.	Need for Rental Rehabilitation Program	200	
	a. Rental Households in Poverty	N.A.	
	b. Poverty Rental Households in		

	Pre-1940 Structures	N.A.
	c. Rental Households with One of Four Problems	N.A.
FACTOR 2.	Past Performance in Housing and Community Development Activities	100
	a. Rate of fund commitment for recent CDBG rehabilitation activities	(20)
	b. The promotion of fair housing and equal opportunity in its housing and community development activities	(20)
	c. The quality of work accomplished through the CDBG rehabilitation program	(20)
	d. The lack of audit findings, serious monitoring findings,	

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APPLICANT

FACTOR	MAXIMUM POINTS	APPLICANT'S SCORE
and/or litigations against the community for housing and community development activities	(20)	
e. Extent to which past rehabilitation activities demonstrate a specific capacity to administer the Rental Rehabilitation Program	(20)	
FACTOR 3. Program Administration	150	
a. Quality of Management		

	Plan and Organizational Structure	(100)
	b. Availability of PHA to administer Section 8 or alternative	(50)
FACTOR 4.	Quality and Impact of Proposed Program	150
	a, Does the description of the applicant's Program activities indicate an understanding of the program goals?	(20)
	b. Is the applicant's selection of neighborhoods likely	

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APPLICANT _____

FACTOR	MAXIMUM POINTS	APPLICANT'S SCORE
to result in neighborhoods with rents affordable to lower-income families and neighborhoods where the median income is equal to or less than 80 percent of the median income for the area?	(30)	
c. Is the description of how the applicant expects to achieve lower-income benefit reasonable?	(20)	
d. Does the applicant give priority for rehabilitating units suitable for large families with children, particularly families requiring three or more		

bedrooms? (20)

- e. Is there an adequate description of how priority is to be given to the rehabilitation of units which are substandard and occupied by very low-income families? (20)

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APPLICANT _____

FACTOR	MAXIMUM POINTS	APPLICANT'S SCORE
f. Is the applicant's schedule for implementing its Rental Rehabilitation Program reasonable?	(20)	
g. Do the applicant's proposed procedures for affirmative marketing indicate an understanding of fair housing objectives; appear to be adequate for informing eligible persons about the rehabilitated housing regardless of race, color, religion, sex or national origin; and include a method for assessing actions taken by the grantee (recipient) and owner?	(20)	
TOTAL FOR THE 4 FACTORS	600	

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ATTACHMENT 2

LETTER ANNOUNCING COMPETITION FOR HUD-ADMINISTERED

RENTAL REHABILITATION PROGRAM FOR SMALL CITIES

The Department of Housing and Urban Development (HUD) is pleased to announce a competition and the availability of funds for a HUD-Administered Rental Rehabilitation Program for Small Cities, pursuant to Section 17 of the United States Housing Act of 1937 (42 USC 1437o), as amended. A total of \$_____ in Rental Rehabilitation Program grant funds is available for the Rental Rehabilitation Program for Small Cities in the State of _____.

To apply for the grant funds, you should submit a Program Description as described in the Application Requirements section (Section II) of the enclosed document entitled "Review Process Statement for HUD-Administered Rental Rehabilitation Program for Small Cities." This Review Process Statement contains the applicable Program Description requirements set forth in Section 511.20 of the Rental Rehabilitation Program Regulations, published at 24 CFR Part 511 and certain additional information needed to assist HUD in selecting grantees for a HUD-Administered Rental Rehabilitation Program for Small Cities.

You are to submit your Program Description to our Community Planning and Development Division. The PHA which has agreed to work with you is to submit a separate application for Section 8 contract authority for Housing Vouchers to the appropriate HUD Field Office Housing Development Division.

To be considered in this year's competition, your Program Description must be received in the appropriate HUD Office by 4:00 p.m., _____.

If you have questions or would like further details, please call _____ our Rental Rehabilitation Coordinator, at _____.

We look forward to receiving your Program Description.

Sincerely,

Enclosure

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ATTACHMENT 3

LETTER APPROVING PROGRAM DESCRIPTION FOR
HUD-ADMINISTERED RENTAL REHABILITATION PROGRAM
FOR SMALL CITIES

We have completed our review of Program Descriptions submitted for the HUD-Administered Rental Rehabilitation Program for Small Cities. Your Program Description was approved, and the enclosed Funding Approval Form indicates the

obligation of \$_____in Rental Rehabilitation Program grant funds. This obligation is, of course, subject to your execution of the Grant Agreement and compliance with other applicable requirements for use of the funds.

Enclosed are three copies of a Funding Approval Form (HUD-40015) and Grant Agreement (HUD-40015.1). Each copy of the Grant Agreement is to be signed as an original by your Chief Executive Officer or an authorized designee. You should keep one copy and return the other two to our office.

We look forward to working (or continuing to work) with you on this program to improve the rental housing stock affordable to lower-income families.

Sincerely,

Enclosures

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ATTACHMENT 4

LETTER DISAPPROVING PROGRAM DESCRIPTION FOR HUD-ADMINISTERED
RENTAL REHABILITATION PROGRAM FOR SMALL CITIES

We have completed our review of Program Descriptions submitted for the HUD-Administered Rental Rehabilitation Program for Small Cities. Due to the limited rental rehabilitation funds and the relative need of the applicants and high quality of the Program Descriptions, we were not able to fund all of the Rental Rehabilitation Programs submitted this year. We regret that we are not able to approve your Rental Rehabilitation Program this year. However, assuming funding is available next fiscal year, either the State of _____or our Office will be notifying you of the funding, and we hope that your program can be approved at that time.

Thank you for applying. We hope that next year we will be working with you in the Rental Rehabilitation Program either directly or through the State-run program (if the State elects to administer the program next year).

Sincerely,