
CHAPTER 5. AREA OFFICE REQUEST FOR PHA PROPOSALS

Section 1. General

- 5-1. **APPLICABILITY.** This chapter establishes the Area Office procedures for inviting a PHA to submit a PHA proposal for a public housing project. There are two different procedures for inviting PHA proposals: PHAs located outside a central city allocation area will be invited to submit PHA proposals in response to an Area Office request based on applications selected from the Area Office application pipeline (Section 2); and PHAs located inside a central city allocation area will be invited to submit PHA proposals in response to an Area Office request based on the public housing funds "set-aside" for the central city in the Area Office allocation plan.(Section 3).
- 5-2. **CENTRAL CITY ALLOCATION AREA.** This term refers to a central city of a standard metropolitan statistical area, or a formula CDBG recipient, either of which is established as a separate allocation area by the Area Office pursuant to 24 CFR 091.
- 5-3. **FUND ALLOCATIONS.** Contract and budget authority for the public housing program are authorized and released by Congress and subsequently apportioned by the Office of Management and Budget (OMB). This paragraph provides a brief summary of the fund allocation procedures.
- a. **Policies and Procedures.** Funds for public housing projects are allocated to specific Area Offices and to specific allocation areas pursuant to 24 CFR 891. The fiscal year fund allocations are transmitted by a HUD Notice from the Assistant Secretary for Housing. This HUD Notice outlines the Departmental objectives and priorities as well as any specific requirements that must be considered in allocating public housing funds, such as special "set-asides" for amendments or demonstration programs, and special requirements relating to the annual Departmental Operating Plan.
 - b. **Organizational Responsibilities.** Upon receipt of the OMB apportionment, there are three levels of HUD administrative responsibility for allocating public housing funds as follows:
 - (1) **Headquarters.** The Assistant Secretary for Housing issues a Regional Fund and Contract Authority Assignment (Form HUD 185) to each Regional Administrator. The Form HUD 185 identifies the amount of loan, contract, and budget authority assigned for approval of public housing projects, as well as the amount of funds available to amend previously approved public housing projects.

- (2) Regional Offices. The Regional Administrator issues a Regional Fund and Contract Authority Sub-Assignment (Form HUD 185.1) to the Area Managers. The Form HUD 185.1 identifies the amount of loan, contract, and budget authority assigned for the public housing program.
- (3) Area Offices. Each Area Office develops an allocation plan which identifies the number of housing units by housing type, household type and housing program (e.g., public housing, Section 8) and the amount of loan, contract, and budget authority to be made available to support these units in specific allocation areas. In determining the extent that public housing funds will be allocated to specific allocation areas, consideration is given to the number of units by housing type and household type in the Area Office application pipeline (Chapter 4).

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Section 2. PHAs Located Outside
Central City Allocation Areas

APPLICATION SELECTION. When public housing funds are allocated or reallocated to a specific allocation area, the MHR shall review the pipeline applications that are consistent with the Area Office allocation plan.

a. Excess Applications. The applications in the Area Office pipeline may contain more units than can be produced with the public housing funds identified in the Area Office allocation plan for an allocation area. In such instances, the MHR shall select the applications to be submitted for the Area Manager's approval in accordance with the following:

- (1) the general priority rating (i.e., excellent, very good, good) for each application;
- (2) the number of criteria (paragraph 4-29) that each application meets within the same priority group;
- (3) the extent that each application meets these criteria;
and

(4) the date each complete application was received by the PCR Unit.

b. Insufficient Applications. The applications in the Area Office pipeline may not contain enough units to use all the public housing funds identified in the Area Office allocation plan for an allocation area. In such instances, the MHR shall submit all pipeline applications for the Area Manager's approval and shall prepare, for the Housing Director's signature:

- (1) a letter to each PHA within that allocation area inviting them to submit applications for those housing types or household types identified in the Area Office allocation plan; or
- (2) a memorandum requesting authorization from the Area Manager to reallocate any unused public housing funds to other allocation areas for which there are pipeline applications.

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c. Cost and EMAD Review. After identifying the applications to be submitted for the Area Manager's approval, the MHR shall send each application, identify the order of funding priority, the amount of loan, contract and budget authority available, and request that:

- (1) the Cost Chief prepare a preliminary estimate of the project development costs; and
- (2) the EMAD Director verify that the number of units are still within any applicable three-year HAP goals.

5-12. PRELIMINARY DEVELOPMENT COST ESTIMATES. The Cost Chief shall determine the amounts of loan, contract, and budget authority to be reserved for each of the selected projects in order of funding priority. These amounts shall be calculated for each project as follows:

a. Unit Distribution. Determine the number of units by structure type (detached and semi-detached, row, walk-up, elevator) and by number of bedrooms.

Example: Application for 90 family units; 20 - 2 BR (row), 50 - 3 BR (row), and 20 - 4 BR (detached).

b. Base Project Prototype Cost. Determine the base project prototype cost by multiplying the number of units for the

proposed project by the applicable published unit prototype cost.

Example:

No. of BRs	No. of Units	Published Unit Prototype Cost	Total
2 BR (R)	20	\$ 20,500	\$ 410,000
3 BR (R)	50	24,500	1,225,000
4 BR (D)	20	30,500	610,000

Base Project Prototype Cost = \$2,245,000

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- c. Projected Prototype Cost. Project the base project prototype cost from the date of publication in the Federal Register to the anticipated construction start date by multiplying the base project prototype cost by an adjustment factor. The adjustment factor shall be determined in light of recent cost changes as shown by the commercial index (e.g., Boeckh's, Marshall Swift's) normally used by the Cost Branch.

Example: The monthly projected cost increase is one-half of one percent and construction is scheduled to start 18 months after publication of the unit prototype cost schedule.

$$\$2,245,000 \times 109\% (.5\% \times 18 \text{ mos.}) = \$2,447,050$$

- d. Estimated Total Development Cost (TDC). Determine the estimated TDC by multiplying the projected prototype cost by not more than 175 percent to provide for the cost of sites, site improvements, PHA planning and administrative expenses, interest, and other allowable costs.

Example: $\$2,447,050 \times 175\% = \$4,282,338$

- e. Contract Authority. Determine the amount of contract authority required by multiplying the TDC by the Maximum Debt Service Contribution Percentage.

Example: $\$4,282,338 \times .0775 = \$332,223$

- f. Budget Authority. Determine the amount of budget authority required by multiplying the contract authority by the term (number of years) of the ACC.

Example: \$332,223 x 30 = \$9,966,690

- g. Summary. The Cost Branch shall prepare a summary of the estimated amount of funds required for each selected application and shall return the information to the MHR within five (5) working days.

5-13. INITIAL HAP CONSISTENCY. In order that the Area Manager may reserve funds for a selected application and invite the PHA to submit a PHA proposal, the EMAD Director must make an initial determination that the application is consistent with any applicable HAP or AHOP.

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- a. Initial Determination. The EMAD Director shall review each application to be funded for housing in a community that is covered by a HAP to determine whether the number of units by housing type and household type is consistent with the applicable three-year HAP goals and any other limiting factors. In making this determination, consideration may be given to a HAP currently under review in the Area Office and which is likely to be approved prior to receipt of the PHA proposal for a public housing project. In order to recommend approval, the EMAD Director must determine that the application, taken together with previously funded assisted housing applications and proposals:
 - (1) would not exceed the community's three-year HAP goals for HUD assisted rental housing by housing type or household type; and
 - (2) would permit approval of assisted housing during the three-year HAP period that would be proportionate to the community's three-year HAP goals for HUD assisted rental housing by household type.
 - b. Final Determination. The EMAD Director shall make a final determination of HAP consistency during PHA proposal review (Chapter 7, Section 5). At that time, the site will be known and the unit of general local government will be given an opportunity to comment on the consistency of the PHA proposal with its HAP.
 - c. Summary. The EMAD Director's findings shall be submitted to the MHR within five (5) working days and shall include summary information which identifies the project number, community, units by housing type and household type, and the EMAD Director's initial finding of consistency or

inconsistency.

5-14. AREA MANAGER APPROVAL. Upon receipt of the preliminary development cost estimates from the Cost Chief and the EMAD Director's comments concerning HAP consistency, the following shall be prepared:

- a. Project Accounting Data (PAD). The PCR Supervisor shall prepare a Project Accounting Data (Form HUD 52540) for each selected application and shall provide the MHR with the completed PADs to be included with the Housing Director's memorandum.

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- b. PHA Notification Letter. For each selected application, the MHR shall prepare a PHI, notification letter for the Area Manager's signature inviting the PHA to submit a PHA proposal. The letter shall indicate:

- (1) the Area Office has prepared the ACC and related documents, which should be signed and returned with the PHA proposal. (Note: If the Area Manager is authorizing the use of an ACC for front-end funding, the PHA shall be given 30 days to return the signed ACC and related documents to the Area Office and to identify the date by which the PHA proposal will be submitted);
- (2) the Area Office has prepared a proposed utility combination for the project;
- (3) a project planning conference to discuss the PHA proposal requirements has been scheduled for a specified time, date, and place (this conference shall be scheduled within fifteen (15) days of the date of the letter) and any questions should be directed to the MHR (name and telephone number);
- (4) the PHA has ninety (90) days from the scheduled project planning conference date to submit a PHA proposal under the conventional or turnkey method or sixty (60) days to submit a PHA proposal under the acquisition method; and
- (5) if the PHA proposal is not received by the deadline date, the project will be terminated unless the PHA submits documentation which justifies Area Office approval of a thirty (30) day extension.

- c. Housing Director's Recommendation. The MHR shall prepare a

memorandum for the Housing Director's signature which identifies the PHA applications being selected.

- (1) The memorandum shall identify for each application:
 - (a) the PHA and the project number;
 - (b) the number of units and the amount of loan, contract and budget authority required;
 - (c) the priority ratings assigned by the reviewing offices; and

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- (d) any special considerations on which the recommendations are based (e.g., CDBG activity, relocation requirements, underfunding).
- (2) the memorandum shall also state that:
 - (a) the ACC and supporting documents will be prepared by the Area Counsel after the Area Manager's approval;
 - (b) the Area Manager should indicate approval by signing the Form HUD 52540, Project Accounting Data (PAD), and the PHA notification letter for each application; and
 - (c) the PAD and the undated PHA notification letter are to be returned to the PCR Supervisor when signed by the Area Manager.

5-15. SUPPORTING DOCUMENTS. The PCR Supervisor, upon the Area Manager's approval, shall send a copy of the Housing Director's memorandum and each selected application to the Area Counsel and the AHM Chief. The Area Counsel and AHM Chief shall be requested to prepare the following attachments to the Area Manager's letter:

- a. Annual Contributions Contract (ACC). The Area Counsel shall prepare the ACC and related documents and shall transmit the following to the PCR Supervisor within five (5) working days:
 - (1) Form HUD 53010, Consolidated Annual Contributions Contract (Part One) - three copies;
 - (2) Form HUD 53011, Terms and Conditions of Consolidated Annual Contributions Contract (Part Two) - one copy;

- (3) Form HUD 51999, General Depositary Agreement - three copies;
- (4) Form HUD 274, Designation of Depositary for Direct Deposit of Loan or Grant Funds - three copies;
- (5) Form HUD 9204, Project Loan Note - three copies;
- (6) Form HUD 9201, Permanent Note - three copies; and

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- (7) Form HUD-5412, Note Signature Certificate - three copies.
 - b. Proposed Utility Combination. The AHM Chief shall prepare Form HUD-51994, Comparative Analysis of Utility Costs, and shall forward the completed utility analysis to the PCR Supervisor within five (5) working days.
 - c. PHA Packet. The PCR Supervisor shall prepare a PHA packet which provides guidance concerning the general development and program requirements, standard HUD forms, and other statutory requirements for developing a public housing project. If the project will be developed under the turnkey method, the PCR Supervisor with the assistance of the MHR shall prepare a Turnkey Developer's Packet for use by the PHA.
- 5-16. PHA NOTIFICATION. The PCR Supervisor, upon receipt of the signed PHA notification letter shall:
- a. Obtain RAD Confirmation. The PAD and a signed copy of the undated PHA notification letter shall be sent to the Regional Accounting Division (RAD) Director. The RAD Director shall reserve the funds as of the date the PAD is received and) within twenty-four (24) hours, shall notify the Housing Director by telegram or facsimile of the project number, number of units, amounts of loan, contract, and budget authority reserved and the reservation date.
 - * b. Provide Congressional Notification. For each approved application the PCR Unit shall prepare the Congressional Notification (Form HUD-416.2). Upon receipt of the RAD confirmation, the PCR Unit shall send a copy of the Form HUD-416.2 by facsimile transmission and a second copy by air mail to the Assistant Secretary for Legislation and Congressional Relations. The PHA notification letter shall not be released until five (5) working days have elapsed from the date of transmission of the facsimile.

- c. Dispatch PHA Notification Letter. The PHA notification letter shall not be dated until the RAD Director confirms that the funds have been reserved. The PCR Supervisor, upon receipt of the RAD confirmation, shall enter the RAD reservation date on the original signed PHA notification letter. The PHA notification letter and attachments shall not be sent to the PHA until after the Congressional notification period.

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Section 3. PHAs Located Inside Central City Allocation Areas

5-21. GENERAL. Central cities of a standard metropolitan statistical area or selected CDBG recipients, whenever feasible, are established as separate allocation areas by the Area Office. In determining the extent of public housing funds to be allocated to such areas, consideration is given to such factors as on-going CDBG activities that are related to the provision of public housing, achievement of the three-year HAP goals, and the PHA's capacity to develop and manage additional public housing. After consultation with representatives of the unit of general local government, public housing funds are allocated or "set-aside" for use by the PHA having jurisdiction in the city established as a separate allocation area. Since PHAs located inside central city allocation areas are not required to submit an application for a public housing project, this section establishes the additional information that must be submitted by such a PHA with its schedule for submitting PHA proposals.

5-22. PHA ELIGIBILITY. The PHA shall submit evidence that it has both the legal authority and local cooperation required by Chapter 2.

- a. Approved Documents. The PHA is not required to submit a copy of the approved PHA organization Documents or Cooperation Agreement. In such cases, the PHA's transmittal letter should identify the date of the Area Office letter approving the most current documents.
- b. Revised Documents. If changes which affect the PHA's organization or local cooperation have taken place since the date of Area Office approval of these documents, the PHA shall submit, as applicable:
 - (1) a General Certificate (Form HUD 9009) updating the information which previously was approved by the Area Office; and
 - (2) a Cooperation Agreement (Form HUD 52481).

5-23. PHA ADMINISTRATIVE EXPERIENCE. The PHA shall submit a demonstration of its capacity to develop the project and operate all of its projects in compliance with the public housing program requirements.

- a. PHA Administration. The PHA shall submit a statement which addresses, if applicable:

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- (1) the PHA progress for improving its administrative capacity based on recommendations previously made by the Area Office (Note: This information is not required if the Area Office conducted a management review within the Preceding twelve month period that indicated the PHA was making satisfactory progress or if the PHA recently provided similar information); and
- (2) the current status of any projects that are under development but have not reached the end of the initial operating period (EIOP) and, if such projects are behind the approved development schedule, the reasons for any delays and corrective action to be taken by the PHA.

- b. Tenant Selection. The PHA statement shall also address:

- (1) the PHA experience in selecting tenants whose habits or practices may reasonably be expected to have a positive effect on the project or other tenants; and
- (2) the PHA experience in selecting a "cross section" of tenants with a broad range of incomes and rent paying abilities that is representative of the range of incomes for lower income families in the community. The PHA statement shall also address the basis for its income ranges, any special efforts currently underway (or planned in the immediate future) to attract a "cross section" of applicants, and the effect of PHA outreach efforts on its public housing "waiting-list".

5-24. PHA REQUEST FOR FRONT-END FUNDS. A PHA located inside a central city allocation area, except as provided below, is responsible for providing all necessary funding related to the preparation and submission of PHA proposals.

- a. Exceptions. It PHA may request that the Area Office execute an ACC to provide front-end funding assistance by HUD only for:

- (1) scattered-site housing involving rehabilitation using the conventional method; or
- (2) scattered-site existing housing to be purchased using the acquisition method.

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- b. PHA Demonstration. Any PHA request for execution of an ACC to provide front-end funds shall be submitted on a project-by-project basis and shall demonstrate that the PHA would be precluded from developing the proposed project unless front-end funds are provided by HUD. The PHA demonstration shall address the various sources of funding considered by the PHA, including the local CDBG program; and the reason that funds could not be made available to the PHA for preparation of a PHA proposal. The Area Manager, where justified by the PHA demonstration, may authorize execution of an ACC to provide front-end funds.
- 5-25. PHA NOTIFICATION. When public housing funds are allocated or reallocated to a specific central city allocation area, the MHR shall prepare a letter for the Housing Director's signature to the PHA having jurisdiction in the allocation area. The letter shall advise the PHA that public housing funds have been "set-aside" and invite the PHA to submit PHA proposals.
- a. Funds. The amount of public housing loan, contract, and budget authority "set-aside" in the Area Office allocation plan for PHA use shall be identified.
 - b. Units. The number of housing units by housing type and household type that the funds are expected to produce shall be stated. The structure types and bedroom distribution used by the Area Office to determine the projected number of units shall also be included.
 - c. PHA Schedule. The PHA shall be advised to submit its schedule for submitting PHA proposals to the Area Office within thirty (30) days of the date of the Housing Director's letter. This schedule shall identify, on a project-by-project basis, the number of units, by housing type, household type, unit size (number of bedrooms), structure type, development method, and the anticipated date that each PHA proposal will be submitted to the Area Office. The date for submission of the first PHA proposal must be within 120 days of the Housing Director's letter and the dates for submission of all PHA proposals must be prior to June 30 of the fiscal year for which the allocation was made.

- d. PHA Demonstrations. The PHA shall be reminded that the following, if applicable, must be submitted with the PHA schedule:

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- (1) evidence that the PHA has both the required legal authority and local cooperation;
 - (2) demonstration of the PHA administrative and tenant selection experience; and
 - (3) demonstration in support of the PHA request for front-end funds.
- e. Extensions. The PHA shall be advised that if additional time is required to submit PHA proposals, the Area Office must be notified in writing of the reasons that justify approval of a revised PHA proposal submission date. Extensions usually will be limited to thirty (30) days provided that such extensions will not go beyond June 30.
- f. Termination of "Set-Aside". The PHA shall be advised that, if its schedule is not received in the Area Office by the specified date or the PHA proposals are not received by the PHA scheduled dates, the contract authority will no longer be available for use by the PHA.

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