

CHAPTER 11. PROJECT-BASED CERTIFICATE PROGRAM  
APPLICATION PROCESSING AND MONITORING

- 11.1. CHAPTER OVERVIEW. This chapter covers field office responsibilities for review of PHA applications to implement the project-based certificate (PBC) program, review of PHA unit selection policies, and review of projects selected by the PHA to receive PBC. The chapter also covers field office responsibilities for monitoring PBC. A PHA, at its sole option, may attach up to 15 percent of its certificate assistance to units, provided the owners agree to construct or rehabilitate the units other than with assistance under the U.S. Housing Act of 1937. (Appendix 51 of Handbook 7420.7 contains a fact sheet summarizing PBC.) The PHA must follow program regulations in 24 CFR Part 882, Subpart G (Appendix 12). Project-based assistance is authorized as a component of only the rental certificate program; this handbook chapter does not apply to the moderate rehabilitation program or rental voucher program.
- 11-2. THREE-STEP PHA APPLICATION PROCESS TO IMPLEMENT PBC. A PHA that chooses to undertake a project-based certificate program must make three distinct submissions to HUD for approval to implement PBC:
- a. Notify HUD in writing of its intent to implement PBC.
  - b. Submit its written unit selection policy and proposed advertisement for owner applications.
  - c. Submit those owner applications that the PHA determines eligible for further processing, for HUD technical reviews and determination of initial contract rents.
- 11-3. PHA SUBMISSION OF PLANS TO IMPLEMENT PBC. Before advertising for owner applications, the PHA must submit the following information to the field office AHMB for approval to implement a project-based certificate program. The PHA submission need not identify specific structures or units to be assisted.

11-19/91

- a. The number of units currently under ACC, plus the number of units reserved but not yet under ACC, for the PHA's certificate program.
- b. The total number of units for which the PHA is requesting approval to attach assistance.
- c. The number of units to be subsidized, by funding source and by unit size (number of bedrooms). The funding source is

the ACC funding authority from which the HAP contract(s) will be funded. (Funding authority under the ACC that was appropriated before Federal fiscal year 1988 constitutes a single funding source, i.e., the pre-FY 1988 funding source. For funding authority appropriated in Federal fiscal year 1988 and later, each funding increment identified in the ACC is a separate funding source.)

- d. The estimated termination dates for HAP contracts to be executed for project-based assistance and, for each proposed HAP contract, identification of the funding source and its ACC expiration date.

11-4. PUBLIC HOUSING DIVISION (PHD) REVIEW OF PHA PLANS TO IMPLEMENT PBC. Within 20 calendar days of the date of the postmark on the PHA submission (or date of receipt by HUD if hand-delivered), the field office must notify the PHA of approval or disapproval of its plans to implement a project-based program. The AHMB must review the PHA's notification of its plans to implement a project-based program using the checklist in Appendix 36. The PHD review is only to ensure that the following three requirements are met:

a.15 Percent Limit. The cumulative number of units for which the PHA is requesting (or has previously requested) approval to attach assistance (for both rehabilitated and newly constructed units) may not exceed 15 percent of the total of the units reserved for the PHA's certificate program (including units reserved but not yet under ACC).

9/9111-2

7420.3 REV-2

CHG-17

(1)The PHD must confirm that the number shown by the PHA as the number of units reserved (total of units under ACC and units reserved but not yet under ACC) for its certificate program matches HUD records.

(2)The PHD must ensure that the requested number of units does not exceed 15 percent of the total number of units reserved for the PHA's certificate program.

(a)HUD approval of the 15 percent limit is based on units reserved, including the number of units reserved but not yet under ACC.

(b)Before entering into an Agreement to Enter Into Housing Assistance Payments Contract (Agreement), the PHA must ensure that the number of project-based units does not exceed 15 percent of the units actually under ACC.

(3)When calculating the 15 percent limit, the result must

be rounded down.

b. Unit Size Distribution Consistent with Funding Source. The number and sizes of units for which the PHA is requesting approval to attach assistance must be consistent with the unit size distribution for the ACC that is the funding source:

(1) Understanding the funding source. The Consolidated Annual Contributions Contract (ACC) for the certificate program consolidates in a single contract document separate commitments by HUD for all funding increments (projects) in the PHA's certificate program. The ACC states the ACC term of each funding increment. The PHA submission must identify the funding source(s) for units to be subsidized.

(a) All projects listed on Exhibit I of the ACC are treated as a single funding

11-39/91

7420.3 REV-2  
CHG-17

increment and have a common ending date, usually falling within the next 2 to 3 years. The Exhibit I projects constitute a single funding source, i.e., the pre-FY 1988 funding source. Projects on Exhibit I are funded with authority appropriated before FY 1988.

(b) Each project listed on Exhibit II represents a single ACC with a specified beginning and ending date. Each Exhibit II project is a separate funding source.

(2) The PHD must ensure that the unit size distribution for units to be subsidized is consistent with the unit size distribution approved by HUD for the ACC that is identified as the funding source. If the PHA is proposing to use an Exhibit II project as the funding source, the bedroom size distribution of the units proposed to be project-based must be compared to the funding source project's unit size distribution listed on Exhibit II of the ACC. However, if the PHA is proposing to use an Exhibit I project as the funding source, the unit size distribution analysis must be based on the unit size distribution for all the Exhibit I projects. The unit size distribution for the Exhibit I projects must be calculated by subtracting the total number of units by bedroom size for all Exhibit II projects from the total number of units by bedroom size for both the Exhibit I and Exhibit II projects (listed on page 2 of Part I of the ACC).

(3) The unit size distribution for units to be subsidized

does not need to be proportional to the unit size distribution for the PHA's total certificate program.

(4)The PHA may request a unit size redistribution for a funding source (ACC) in order to make its approved unit sizes for a particular funding source consistent with its plans for PBC. If

9/9111-4

7420.3 REV-2

CHG-17

the field office approves such a request in accordance with chapter 6 of Handbook 7420.3, the 15 percent limit must be recalculated based on the revised unit size distribution.

c.Termination Date of HAP Contract Must Be Consistent with Expiration of Funding Source. The PHA must have funding obligated by HUD under an ACC in order to obligate funding to an owner under a HAP contract. Moreover, the proposed HAP contract term for PBC may not end after the ACC expiration date of the funding source from which the HAP contract is to be funded.

(1)The PHD must ensure that the proposed HAP contract termination date(s) is (are) before ACC termination date(s) for the funding source(s).

(2)The regulations for PBC require a HAP contract term of at least 2 years. Therefore, the ACC expiration date of the funding source must be at least 2 years from the date of HUD approval or disapproval of the PHA's plans to implement a PBC program.

(3)See section I of the Questions and Answers in Appendix 45 for further guidance on the HAP contract.

d.Approval or Disapproval of PHA Plans to Implement PBC. Within 20 calendar days of the date of the postmark on the PHA submission (or date received if hand-delivered), the field office should notify the PHA by letter of approval or disapproval of its request to implement PBC. See Appendices 37 and 38 for sample approval and disapproval letters.

(1)Approval. If the requirements in paragraphs a, b, and c above are met, the field office must notify the PHA that it may enter into Agreements for PBC up to the 15% limit. The approval letter must specify:

11-59/91

7420.3 REV-2

CHG-17

(a)The maximum number of units for which the PHA may execute Agreements, by funding source and unit size. If this number is based in part on units reserved but not yet under ACC, the approval letter should caution the PHA that reserved units must be under ACC before an Agreement may be executed for the total number of units approved by HUD since the PHA may attach assistance to no more than 15 percent of the units under ACC in its certificate program.

(b)The ACC expiration date (last date of term) for each funding source.

(c)That the PHA must comply with the requirements of 24 CFR Part 882, Subpart G.

(2)Disapproval. If any of the requirements in paragraphs a, b and c above are not met, the field office may not approve the PHA's request to implement PBC. The reasons for disapproval must be explained in the letter to the PHA.

e.Other Considerations when Reviewing a PHA's Plans to Implement PBC.

(1)PHAs at or near full lease-up.

(a)The field office may approve a request to implement PBC even if a PHA is fully leased and cannot immediately implement PBC. Over time, through normal turnover, assistance presently obligated under HAP contracts may be freed-up and then can be used for PBC.

(b)A PHA may commit (execute an Agreement) to provide project-based assistance only for units that are not already under a HAP contract or an outstanding certificate. Therefore, project-based assistance may

9/9111-6

7420.3 REV-2

CHG-17

only be committed from new increments of units for which certificates have never been issued, or from turnover certificates which have not been reissued to families.

(2)PHA with poor administrative capacity.

(a)Administrative capacity is not a factor in HUD's

review of a PHA's request for approval to implement PBC.

(b)Where a PHA with poor administrative capacity wants to implement PBC, the PHD must closely monitor that PHA's administration of PBC. Based on monitoring findings, the field office could require that certain PHA actions (e.g., ranking of owner applications and unit selection, Agreement or HAP contract execution) receive prior HUD approval to ensure compliance with regulatory requirements.

11-5.PHA SUBMISSION OF WRITTEN UNIT SELECTION POLICY AND ADVERTISEMENTS. The PHA must adopt a written unit selection policy as part of its administrative plan and submit the selection policy to the PHD for review and approval. The PHA must also submit each proposed PBC advertisement for owner applications to the PHD for approval. The PHA may not advertise for owner applications for PBC until the field office has approved the PHA's PBC unit selection policy and the text of each advertisement.

a.The selection policy may be submitted with or apart from the PHA's submission of plans to implement PBC. The advertisement must be submitted prior to publication.

b.HUD's objective in requiring a written unit selection policy is to ensure maximum competition for limited PBC assistance in order to prevent selection based on favoritism or influence, and to ensure that the best projects are selected to serve needy families.

11-79/91

7420.3 REV-2  
CHG-17

c.The unit selection policy must establish procedures for:

(1)Advertisement for owner applications for PBC,

(2)Owner submission of applications, and

(3)Ranking of applications and selection of units to which assistance is to be attached.

11-6.HUD REVIEW OF PHA UNIT SELECTION POLICY. Within 30 calendar days of receipt, the PHD, in coordination with FHEO, must review the PHA's unit selection policy to ensure that the following requirements are met:

a.Advertisement. The PHA must publicly advertise, in accordance with its HUD-approved unit selection policy, that it will accept owner applications for PBC. Only applications received in response to the advertisement may be selected. The PHA selection policy must specify:

(1) In which newspaper(s) of general circulation in the PHA jurisdiction it will advertise for owner applications for PBC. (Advertising must be consistent with the HUD-approved Equal Opportunity Housing Plan of the PHA).

(2) How frequently and for how long the advertisement will run. (The advertisement must run at least once a week for 3 consecutive weeks. The advertisement must specify the approximate number of PBC units, and be published after the later of HUD approval to implement PBC or ACC execution for the funding source.)

(3) How many days after the date of the last publication owner applications will be due. (The deadline for applications must be at least 30 days after the date the advertisement is last published.)

b. Ranking and Selection. The unit selection policy must specify the PHA's application ranking factors, and the weight or points assigned to each.

9/9111-8

7420.3 REV-2

CHG-17

(1) Ranking factors must include:

- (a) Site;
- (b) Design;
- (c) Feasibility (including marketability and likelihood of financing); and
- (d) Previous experience of the participants in development, marketing and management.

(2) The PHA may add other factors to address local objectives.

(3) The PHD and FHEO staff must ensure that factors added by the PHA, and weights assigned to all of the factors, do not unduly restrict unit selection by limitations on the types of owners, locations, or building characteristics that will be considered. The selection factors may not provide that only applications for predesignated buildings or sites or a mandatory design will be considered. In addition, a PHA may not use selection factors such as the following:

(a) Only applications from nonprofit (or only from profit-motivated) sponsors will be accepted, or

(b) Preference will be given to 58-unit buildings composed of 18 efficiencies and 40 one bedroom

units, or

(c) Preference will be given to highrise buildings on 10th Street containing over 50 units, or

(d) Prior PBC experience will account for 50 percent of total possible points.

(4) As a general rule, to promote selection of superior projects, the selection and ranking factors should permit meaningful competition among at least three projects that are responsive to the selection factors.

11-99/91

7420.3 REV-2  
CHG-17

(5) The PHA unit selection policy must specify how the PHA will handle incomplete owner applications, tied scores, or applications that cannot be fully funded.

(6) Units which do not meet basic program requirements cannot be selected by the PHA. The PHA's selection policies must specify that applications for ineligible units will be disapproved and not ranked or selected. The PHD and FHEO staff must ensure that the PHA is not erroneously including in its selection policy any criteria which would allow the PHA to consider for selection, or give priority for selection to, the following types of ineligible units:

(a) Units owned by HUD or the PHA, or by an entity controlled by the PHA.

(b) Units which were in the 5 years before execution of the Agreement, or will be, constructed or rehabilitated with public housing funds (development, modernization, or operating subsidy), Housing Development Action Grants, rental rehabilitation program funds, Section 23 lease adjustment funds, or other Section 8 program funds.

(c) Units for which construction (foundation work) is started before Agreement execution.

(d) Units for which the \$1,000 minimum rehabilitation work is started before Agreement execution.

(e) Units for families with children located in highrise elevator buildings unless the field office has determined there is no practical alternative.



(f)SRO units and units located in areas with flood hazards unless the actions specified in 24 CFR 882.709 have been taken.

(g)Units occupied by owners except for cooperatives.

9/9111-10

7420.3 REV-2

CHG-17

(h)Units located in the Coastal Barrier Resources System.

(i)Units assisted under the public housing, Section 23, other Section 8, rent supplement, and Section 236 "deep subsidy" rental assistance payments programs.

(j)If a priority will be given to, or applications will only be accepted for, units located in specific neighborhoods or census tracts, or units located in neighborhoods which clearly will not meet the site and neighborhood requirements specified in 24 CFR 882.706 for rehabilitation or 882.708 for new construction. (Although HUD will make the determination of whether a particular new construction project meets the site and neighborhood standards, the PHA should not restrict applications to clearly unacceptable sites.)

(k)Shared housing; nursing homes; and facilities providing continual psychiatric, medical, nursing services, board and care or intermediate care.

(l)Units within the grounds of penal, reformatory, medical, mental and similar public or private institutions.

(m)Units that will be rehabilitated with Flexible Subsidy.

(n)Units that will result in displacement of tenants.

c.Owner Application Format. The PHA selection policy must contain procedures for owner submission of applications, including the owner application format. The PHD should carefully review the proposed owner application format to ensure that the PHA will be collecting all required information. At a minimum, the owner application must contain:

11-119/91

7420.3 REV-2  
CHG-17

(1)Project description. Description of the units to be rehabilitated or constructed including:

- (a) Number of units by size (square footage), bedroom count and bathroom count,
- (b) Unit plans,
- (c) For rehabilitation, a description of the property as is, and a description of the proposed rehabilitation clearly specifying work items,
- (d) Sketches of the rehabilitation or construction,
- (e) Listing of amenities and services, and
- (f) Estimated date of completion.

(2)Evidence of site control (e.g., deed, purchase contract, option).

(3)New construction site description. For new construction only, description of the proposed site, site plan and neighborhood.

(4)Evidence of zoning compliance, or evidence that needed rezoning is likely and will not delay the project.

(5)Proposed contract rent per unit, including an indication of which utilities, services, and equipment are included in the rent and which are not included.

(6)Projected utility costs. For each utility that is not included in the rent, an estimate of the average monthly utility cost for each unit type for the first year of occupancy.

(7)Certification that there will be no displacement of residential tenants from units to be assisted, and information concerning any expected temporary relocation of site occupants.

9/9111-12

7420.3 REV-2

CHG-17

(8)Participant identification. Identification of the following, including the names of officers, principal members, shareholders and investors of each:

- (a) Owner,
- (b) Developer,
- (c) Builder,
- (d) Architect,

- (e) Management agent,
- (f) Other participants, and
- (g) Other parties having a substantial financial interest in the Agreement or HAP contract or in any proceeds or benefits arising from the Agreement or HAP contract (e.g., consultants for the application, or in the planning, development or implementation of the project).

(9) Information on qualifications and experience of the principal participants identified in paragraph (8).

(10) Disclosure of possible conflict of interest by any of the parties identified in paragraph (8) that would be a violation of the Agreement or HAP contract (e.g., parties who are PHA members, local officials, congressmen).

(11) Previous Participation Certifications. For projects (developments) in which 20% or more of the units will be subsidized, Form HUD-2530, completed in accordance with instructions for the principals such as the owner; developer; prime contractor; management agent; consultants; and architects and attorneys who have any interest other than an arms length fee arrangement for professional services. The field office must supply these forms to PHAs.

(12) Project management plan. The owner's plan for managing and maintaining the units.

(13) Proposed HAP contract term.

11-139/91

7420.3 REV-2  
CHG-17

(14) Evidence of financing or lender interest and the proposed terms of financing.

(15) Disclosure of other government assistance including tax credits. (This requirement was effective 4/15/91 for projects with tax credits; a future Federal Register Notice will provide the effective date of this requirement for projects with other government assistance but no tax credits.)

d. Approval or Disapproval of PHA Unit Selection Policy. Within 30 calendar days of receipt, the field office must notify the PHA by letter of approval or disapproval of its unit selection policy.

(1) Approval. If the requirements in paragraphs a, b and c above are met and the proposed selection policy is otherwise in compliance with HUD requirements, the

field office must notify the PHA that its selection policy is approved.

(2)Disapproval. If any of the requirements of paragraphs a, b and c above are not met, the field office may not approve the PHA's unit selection policy. The reasons for disapproval must be explained in the letter notifying the PHA of disapproval.

11-7.HUD REVIEW OF PHA ADVERTISEMENTS. Within 10 working days of receipt, the PHD, in coordination with FHEO, must review the text of the PHA's advertisements for owner applications to ensure compliance with the HUD approved unit selection policy contained in the administrative plan, and to ensure that the advertisement does not include criteria which will limit competition or allow selection based on favoritism or influence. (See paragraphs 11-6.a. and 11-6.b).

11-8.PHA SUBMISSION OF OWNER APPLICATIONS DETERMINED ELIGIBLE FOR FURTHER PROCESSING.

a.Preliminary Selection by PHA. Before selecting units to be subsidized with PBC, the PHA must determine that:

9/9111-14

7420.3 REV-2

CHG-17

(1)The owner's application is responsive to and complies with the PHA's selection policy.

(2)The application conforms with PBC regulations, including determinations that:

- (a) The units are not owned by HUD or the PHA, or by an entity controlled by the PHA.
- (b) The units were not in the 5 years before execution of the Agreement, or will not be constructed or rehabilitated with public housing funds (development, modernization, or operating subsidy), Housing Development Action Grants, rental rehabilitation program funds, Section 23 lease adjustment funds, or other Section 8 program funds.
- (c) Construction (foundation work) has not started before Agreement execution.
- (d) The \$1,000 minimum rehabilitation work has not started before Agreement execution.
- (e) Units for families with children are not located in highrise elevator buildings unless the field office has determined there is no practical alternative.
- (f) The units are not SRO units or units located in areas with flood hazards unless

the actions specified in 24 CFR 882.709 have been taken.

- (g) The units are not occupied by owners except for cooperatives.
- (h) The units are not located in the Coastal Barrier Resources System.
- (i) The units are not assisted under the public housing, Section 23, other Section 8, rent supplement, and Section 236 "deep subsidy" rental assistance payments programs.
- (j) The units will not be rehabilitated with Flexible Subsidy.
- (k) For rehabilitation, the site meets site and neighborhood requirements. (HUD will make this determination for new construction projects).
- (l) The units can be rehabilitated or constructed without causing permanent

11-159/91

7420.3 REV-2  
CHG-17

displacement of residential tenants from units to be assisted.

(3)The application does not exceed the number of uncommitted units for which the PHA is authorized to provide PBC.

(4)The proposed gross rents are within the FMR limitation (HUD, not the PHA, will determine whether the rents are reasonable).

(5)For rehabilitation, the property meets the \$1,000 per unit rehabilitation requirement.

(6)For rehabilitation, the specific work items needed to bring each unit to be subsidized up to HQS are included in the owner's description of proposed rehabilitation.

(7)For rehabilitation, in-place families in units to be subsidized are lower income.

b.Submission of Owner Applications and Related Information to HUD. Top-ranked applications that the PHA wants to select, and that it determines eligible for further processing, must be submitted to the field office Housing Programs Branch for technical reviews and for determination of initial contract rents. (The PHA's submission must not exceed the number of uncommitted authorized PBC units).

(1)Completeness. The PHA must ensure that the submittal for each owner application contains all of the items required under paragraph 11-6.c.

(2) Proposed HAP contract term and funding source. For each owner application submitted, the PHA must identify:

- (a) the proposed HAP contract term,
- (b) the funding source,
- (c) the ACC expiration date of the funding source, and
- (d) the unit size distribution for the funding source. (The funding source is the

9/9111-16

7420.3 REV-2

CHG-17

specific certificate project number under which the PBC project will be funded if it will be funded from a certificate project listed on Exhibit II of the CACC; or the "pre-FY 1988 funding source" if the PBC project will be funded from the certificate projects listed on Exhibit I of the CACC.)

(3) PHA required work items. The PHA must submit a list of any PHA required work items, in addition to the work items specified in the owner's application. For example, additional work items would be required in the following instances.

- (a) For rehabilitation, work needed to meet the \$1,000 per unit minimum rehabilitation requirement. A completed Form HUD-52580A, Inspection Form, should be submitted for this purpose.
- (b) Work needed to meet the HQS.
- (c) Work needed to comply with Section 504 of the Rehabilitation Act of 1973 and implementing regulations at 24 CFR Part 8. (Question and answer E-6 of Appendix 45 summarizes the Section 504 requirements).
- (d) For new construction of four or more units, work needed to comply with the design and construction standards of the Fair Housing Act and implementing regulations at 24 CFR Part 100. (Question and answer E-7 of Appendix 45 summarizes the Fair Housing Act requirements).

If the owner's work write-up or plans and specifications are developed and available they should also be submitted.

(4) Unit Selection certification. The PHA must submit a

signed certification, stating that the units were selected in accordance with the PHA's approved unit selection policy. (Appendix 43 is a sample PHA certification).

11-179/91

7420.3 REV-2  
CHG-17

(5)PHA Section 8 utility allowances. The Valuation Branch will refer to the PHA utility allowances when setting the personal benefit expenses for each unit type.

(6)PHA Request to approve 110% exception rents. If, for a particular project, the PHA wishes to exceed the FMRs by up to 10 percent because the project will a) expand housing opportunities in nonimpacted areas; b) make available units accessible to the handicapped; or c) make available units that warrant a higher rent because of the number of bedrooms, amenities, or location; it must ask the field office for approval to do so. The PHA may only seek such approval if the 10 percent FMR exception for the units would not cause the PHA to exceed its authorization to approve gross rents on a unit-by-unit basis by up to 10 percent for up to 20 percent of the total units in its certificate program (both tenant-based and project-based).

(7)Intergovernmental review (for new construction only). The PHA must submit a certification that the appropriate State agency (State Single Point of Contact) has been contacted to determine if the new construction PBC program is covered under the State's review process. The PHA must also indicate, if applicable, the date the application was submitted to the State and submit a copy of the SF 424.

11-9. HUD PROJECT REVIEWS.

a.Housing Programs Branch.

(1)Completeness screening. Within 5 working days of receipt, the Housing Programs Branch must screen each project application for completeness, using the completeness screening checklist in Appendix 39. Missing items must be obtained from the PHA before further processing.

(2)Assignment of project number and routing for review. Also within 5 working days of receipt, each project application found to be complete

9/9111-18

7420.3 REV-2

CHG-17

must be assigned a project number and be routed for review.

(a)Project number. Each project application accepted for review by the Housing Programs Branch must be assigned a project number. The project number is used only for manual tracking, and for PHA reporting, and is not entered in any established HUD information system.

(i)The project number to be assigned will be the PHA's regular certificate project number for the funding source with a tag for the PBC project number: For example, if the PHA identifies the funding source as NY39-E001-025, the project number assigned for the first PBC project using this funding source would be NY39-E001-025-PB1. If a second PBC project were funded from this funding source, the number assigned would be NY39-E001-025-PB2, etc.

(ii)If a PHA identifies its "pre-FY 1988 funding source" as the funding source for a PBC project, positions 9-11 of the project number (those positions normally containing the incremental project number) will be replaced with 000. For example, the PBC project number would be NY39-E001-000-PB1.

(iii) If more than one funding source is used to fund a single PBC project, when assigning a PBC number, use the number of the funding source that is supplying the larger amount of funding.

11-199/91

7420.3 REV-2  
CHG-17

(b)Routing. Within 5 working days of receipt, each project application found complete must be routed for review as follows:

(i)Architectural, Engineering and Cost Branch - Review period 10 working days.

(ii) PHD - Review period 5 working days.



(iii) Valuation Branch - Review period 35 working days.

(iv) Economic and Market Analysis (only if new construction) - Review period 10 working days.

(v) Fair Housing and Equal Opportunity (only if new construction) - Review period 10 working days.

(vi) Mortgage Credit - Review period 15 working days.

(vii) CPD-Relocation Specialist (optional at discretion of Housing Programs Branch Chief if project is known to involve temporary relocation of occupants).

(3) Previous participation review. (Only for projects (developments) in which 20% or more of the units will be subsidized.) Within 15 working days of receipt, the Housing Programs Branch must review the Previous Participation Certification, Form HUD-2530. Coordinate with Mortgage Credit as necessary.

(4) 213 review (for PHA's first new construction project only). Within 10 working days of receipt, solicit 213 review comments from the chief executive officer of the local government. Coordinate with EMAS as necessary.

(a) Because the local government was previously given an opportunity to provide

9/9111-20

7420.3 REV-2

CHG-17

213 comments when the PHA first applied for the certificate project that will be the funding source, notification to the chief executive officer must be modified slightly and should only indicate the following:

(i) The program (certificate program-PBC);

(ii) The housing type (new construction);

(iii) The number of units by unit size; and

(iv) The proposed location; and, for localities with HAPs, whether the proposed location is in a general location identified in the HAP.

(b) The notification to communities with HAPs should

indicate that any objection to the approval of the application based on inconsistency with general locations identified in the approved HAP must be received within 30 days of receipt of the field office letter. (Objections based on inconsistency with the HAP will be considered by HUD only if they involve inconsistency with general locations--not inconsistency with 3-year goals for housing type or household type.)

(c)The notification must also invite other relevant comments (e.g., comments on the project site, whether the project is approvable under local codes and zoning ordinances, etc.).

b.Architectural, Engineering & Cost Branch. Within 10 days of receipt, the Architectural, Engineering and Cost Branch must conduct a cost containment review based on the project description, unit plans and sketches (or working drawings and specifications if available) contained in the owner's application to ensure that amenities are limited to those that are

11-219/91

7420-3 REV-2  
CHG-17

generally provided in unassisted, decent, safe, and sanitary housing for lower income families in the market area as determined by the reviewer.

c.PHD. Within 5 days of receipt, the PHD must check:

(1)That to the best of its knowledge, the selection certification provided by the PHA director for the selection of the project under review is true and correct, and

(2)That the number of units in the project application, by bedroom count and by funding source, does not exceed the number of uncommitted units for which the PHA has been authorized to provide project-based assistance. (To accomplish this review the PHD must maintain, for each PHA implementing PBC, a log of projects that the field office approves for project-based assistance, by unit size (bedroom count and funding source.)

d.Valuation.

(1)Environmental review. Within 35 working days of receipt, the Valuation Branch must complete the environmental and historic preservation reviews for the project in accordance with 24 CFR Part 50.

(2)Establish initial contract rents and personal benefit expenses. Within 30 working days of receipt, the

Valuation Branch must establish the initial contract rents and personal benefit expenses for the project.

(a) Appendix 40 contains instructions for establishing rents for noninsured projects.

(b) Appendix 41 contains instructions for establishing rents for insured projects.

e. Economic and Market Analysis and Fair Housing and Equal Opportunity (for new construction projects only). Within 10 working days of receipt, the Economic and Market Analysis staff and the Fair

9/9111-22

7420.3 REV-2

CHG-17

Housing and Equal Opportunity staff must review the site description included in the owner's application to ensure that the proposed site for new construction units meets the site and neighborhood standards specified in 24 CFR 882.708.

f. CPD-Relocation Specialist. If the project involves temporary relocation, the PHA submission may be routed to the relocation specialist for review and comment at the option of the Housing Programs Branch Chief. An appropriate review period should be specified.

g. Specified staff assignments may be modified by the Regional Administrator or Field Office Manager, except that Valuation must establish the initial contract rents and personal benefit expenses.

h. HUD Project Review Conclusions to the PHA. Within 60 calendar days of receipt of the PHA submission of an owner application, the field office must notify the PHA by letter of its review conclusions.

(1) If the project is approved, the approval letter must specify the initial contract rents and personal benefit expenses (utility allowances) that HUD has established for each unit type. The approval letter must also specify that the PHA must contact the field office prior to approval of any changes in the work specified in the owner's application submitted to HUD (or prior to execution of the HAP contract if the owner makes changes which alter the design or quality of the work without prior PHA approval), for a determination whether the contract rents should be reduced.

(2) If for any reason, the field office cannot approve the project, it must specify in its letter to the PHA the reasons that the requirements are not met.

11-239/91

7420.3 REV-2  
CHG-17

i. Copies of Approval Letter to PHD and Labor Relations Staff. The Housing Programs Branch must ensure that:

(1) PHD receives a copy of any letter approving a PBC project, since the PHD is responsible for monitoring the PHA's implementation of PBC.

(2) Labor Relations Staff receive a copy of any letter approving a PBC project of 9 or more units, since Labor Relations is responsible for assigning wage rates and monitoring the PHA's compliance with labor standards.

11-10. PBC MONITORING REQUIREMENTS.

a. Monitoring Objectives. Management reviews, together with ongoing telephone contacts, written communications, meetings and analysis of reports, should keep HUD staff fully informed concerning the PHA's compliance with PBC requirements and the extent to which technical assistance is needed. The emphasis of the management review should be on technical assistance to promote understanding of PBC requirements, and on detection and correction of deficiencies, to improve or reinforce PHA administration of PBC. The PHD must coordinate with other HUD Field Office divisions/branches to assure they are fully involved, as appropriate, in the review and monitoring process.

b. Sanctions for PHA Noncompliance with PBC Requirements. The sanctions listed in paragraph 5-10 are also applicable to the PBC program.

c. PHA Management Reviews. The PHD must review PHA administration of PBC as part of its regularly scheduled PHA management review. When scheduling PHAs to be monitored, major consideration should be given to those that are implementing PBC. The PHD must make every effort to schedule a management review in the PHA's first year of PBC implementation, unless the PHA has demonstrated satisfactory compliance with all requirements of the Moderate Rehabilitation program and, therefore, can reasonably be expected to comply with all PBC requirements. Appendix 23-3 is a

9/9111-24

7420.3 REV-2  
CHG-17

project monitoring checklist which must be used for reviews

of PBC. To complete the checklist it will be necessary to review PHA records of advertisement and selection, project files and tenant files; interview PHA staff; and conduct an on-site inspection of the property.

(1)The checklist is designed to cover all phases of a PBC project, from the PHA's selection of the project through ongoing management of assistance and eventual HAP contract termination. The checklist should be completed to cover all phases of the project that have been reached. For example, if rehabilitation or construction of the project under review is not complete, only parts I, II, III and IV of the checklist, concerning advertisement, unit selection, Agreement, and construction, need be completed. (Parts V, VI, VII and VIII, completion, HAP contract, ongoing management, and HAP contract renewal or termination, would be reviewed during a subsequent management review after the project reaches those phases.)

(2)If a PHA is providing PBC for more than one project, the PHD must review a representative random sample. A separate checklist is to be completed for each project reviewed. The number of projects to be reviewed should be based on the following minimum sample:

Number of Projects Under Agreement or HAP Contract	Number of Projects to be Selected for Review
4 or less	Review each
5 - 20	5
Over 20	5 + 1 for each 10 or part of

10 over 20  
11-259/91  
7420.3 REV-2  
CHG-17

d.PBC Questions and Answers. Appendix 42 is a compilation of questions and answers which provide detailed policy guidance on PBC. This appendix can be referenced for clarification of issues that may arise during monitoring and oversight of PHA implementation of PBC.

e.PBC Review Conclusions. The management review letter must:

(1)Describe the scope of the PBC monitoring conducted,

(2)Present both positive and negative conclusions supported by the facts considered in reaching the conclusions,

(3) Identify probable causes for deficiencies and recommend steps the PHA can take to resolve each finding, and

(4) Specify the due date for a response addressing each recommended corrective action.

f. Follow-up Action.

(1) In the event the PHA fails to meet a target date for corrective action, the PHD must telephone the PHA, discuss the status of the corrective action, arrive at a revised target date, and document the conversation.

(2) If the PHA has not responded by the revised target date, a letter must be sent requesting the status of the corrective action and warning the PHA of the possible consequences of failure to comply.

(3) When the PHA's response has been received, the corrective action proposed or taken must be reviewed by the PHD and other HUD Field Office Divisions/Branches, as appropriate, within 15 calendar days. If the action is

9/9111-26

7420.3 REV-2

CHG-17

determined to be less than satisfactory, a letter must be sent to the PHA which specifies needed additional action and the due date.

(4) A new due date may be established subject to good faith efforts by the PHA to resolve the finding. A follow-up visit may be necessary to verify corrective action or to provide technical assistance when the PHA has been unable to resolve or correct the finding.

(5) When the field office review indicates the PHA has provided satisfactory corrective action, a letter must be sent to the PHA stating that the findings are closed.

g. Tracking PBC Monitoring. The PHD must maintain a record of PHAs that are implementing PBC, and of the date when each PHA's administration of PBC was last reviewed, to ensure adequate HUD oversight of PBC.

h. Report on Program Utilization. Each PHA implementing PBC must report to HUD on its use of PBC by October 10 of each year. Appendix 22, Report of Program Utilization - Existing Housing, Form HUD-52683, will be revised to include PBC reporting.

11-279/91