

CHAPTER 3

CHAPTER 3. INVITATION AND EVALUATION OF APPLICATIONS

3-1. INVITATION FOR SECTION 8 EXISTING HOUSING AND MODERATE REHABILITATION PROGRAM APPLICATIONS.

- a. The DDHD in consultation with the DDHM and Field Office Counsel shall identify potential Public Housing Agencies (PHAs). A PHA may be a local, regional or State agency, renewal agency, regional planning district, State finance agency, department of community affairs, or other department of local, county or State government. As defined in Section 882.102 of the Regulations, a PHA is "any State, county, municipality, or other governmental entity or public body (or agency or instrumentality thereof) which is authorized to engage in or assist in the development or operation of low income housing." Invitations for the Existing Housing and Moderate Rehabilitation Programs shall be sent to current and potential PHAs which offer the broadest choice in housing opportunities. Priority shall be given to the extent practicable to targeting, within allocation areas, the allocation of contract authority to localities which have previously been underfunded relative to their needs and the funding of the needs of other localities in that allocation area. Further, an eligible applicant for assistance under the Moderate Rehabilitation Program must meet the additional requirements contained in Section 882.401(b) of the Regulations.
- b. An otherwise eligible PHA may not be sent a Section 8 Existing Housing or Moderate Rehabilitation Program invitation if the Field Office Counsel has made a determination, based on notification from the FH&EO Director that:
 - (1) There is a pending civil rights suit brought by the Department of Justice, or
 - (2) As a result of formal administrative procedures, there are outstanding findings of noncompliance with civil rights statutes, executive orders, or Regulations which have not yet been satisfied, or
 - (3) The Regional Administrator has directed the deferral of applications during the pendency of procedures for effecting compliance with Title VI of the Civil Rights Act of 1964 pursuant to the Attorney General's guidelines, 28 CFR Part 50.3, and the HUD Title VI Regulations, 24 CFR Part

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- c. The DDHD shall consult with the DDHM regarding the progress of PHAs with approved Section 8 Existing Housing or Moderate Rehabilitation Programs prior to the issuance of the invitations for applications. The DDHM should also be asked to provide any information relative to the determination of PHA rehabilitation capability with respect to the Moderate Rehabilitation Program.
- (1) Based on PHA performance, the DDHM shall provide the DDHD with recommendations as to whether it would be feasible for particular PHAs to assume administration of additional units. The DDHM shall wherever feasible conduct management reviews of PHAs with approved Section 8 Existing Housing or Moderate Rehabilitation Programs to review the quality of program implementation and leasing progress. If it is not feasible to conduct such reviews, the DDHM shall at a minimum obtain updated information about the status of the PHA's programs.
 - (2) If a PHA has completed a leasing schedule or rehabilitation and leasing schedule period without completing the leasing planned during that period, additional units shall not be invited unless the DDHM states that the barriers to orderly leasing have been removed and leasing or rehabilitation is now proceeding at an acceptable pace.
- d. The invitation shall be prepared by the MHR and shall contain the information required by Section 882.203(b) or 882.502(b) of the Regulations, as applicable.

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- (1) The invitations shall follow the formats provided in Appendices 1, 1-2, and 1-3. A separate invitation shall be prepared for each allocation area. The invitation may be for both Existing Housing and Moderate Rehabilitation; should the PHA wish to apply for assistance under both programs, separate applications will be required.
- (2) Contract authority under the Moderate Rehabilitation Program shall not be routinely provided to each allocation area within the Field Office's jurisdiction. It must first be determined that there is a PHA or a potential PHA which either currently possesses adequate rehabilitation expertise or can obtain or develop such expertise. In addition, it must be determined that the area serviced by the PHA contains a supply of housing suitable for moderate rehabilitation.

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- (3) The invitation shall not specify unit sizes (household types should be specified for the Moderate Rehabilitation Program) unless Recently Completed Housing is being authorized for the Existing Housing Program. If the Field Office has determined that Recently Completed Housing may be utilized, the invitation shall include a statement that PHAs may request authorization to assist up to a specified number of such units for specified localities at Fair Market Rents (FMRs) which will be established at 75 percent of the FMR for New Construction in those localities. See Section 882.120 of the Regulations.

NOTE: Recently Completed Housing cannot be authorized under the Moderate Rehabilitation Program.

- (4) The MHR shall coordinate the invitation contents with the EMAD, and instruct PC&R to route the invitation through the DDHD, DDHM and the Housing Director for concurrence and to the Area Manager for signature.

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- e. Invitations shall be sent to the potential PHAs identified in paragraph 3-1 a - c , the Governor, the executive officers of the appropriate counties or municipalities, and other governmental entities or public bodies which may be authorized to engage or assist in the development or operation of low-income housing.

- (1) A press release concerning the issuance of the invitation shall be sent to trade journals and news media (including minority media), minority organizations involved a housing and community development and fair housing groups serving the area. The FH&EO Division Director shall provide PC&R with a list of minority organizations and fair housing groups serving an allocation area.

- (2) The invitation and press release shall be sent on the same day to all of the above organizations and additional copies shall be available in the Field Office.

- f. The deadline date for receipt of Existing Housing applications by HUD shall be at least 30, but not more than 60 calendar days after the date the invitations are sent. Where the Housing Director knows that PHAs are able and willing to participate in the program, the deadline date may be set at 30 days.

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- g. The deadline date for receipt of Moderate Rehabilitation applications will generally be 60 days but must be at least 15 calendar days after the date invitations are sent.

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CHAPTER 3

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3-2. PREPARATION OF APPLICATIONS FOR THE SECTION 8 EXISTING HOUSING AND MODERATE REHABILITATION PROGRAMS.

a. In response to a PHA request, PC&R shall prepare a letter transmitting the application forms for the Section 8 Existing Housing or Moderate Rehabilitation Program, following the formats in Appendices 2-1 and 2-3, respectively. The following materials should be transmitted to a PHA initially applying for the program, unless the PHA already has received one or more of the items:

(1) Application for the Section 8 Existing Housing Assistance Payments Program (Form HUD-52515, Appendix 2-2) and/or Application for the Section 8 Moderate Rehabilitation Program (Form HUD-52515A, Appendix 2-4).

(2) Estimates of Required Annual Contributions (Forms HUD-52671, HUD-52672 and HUD-52673, Appendices 14, 15, 16).

(3) Allowances for Tenant-Furnished Utilities and Other Services (Form HUD-52667, Appendix 17).

(4) Administrative Plan (see Appendices 18 and 18-2 for sample formats and paragraphs 3-5 d (6) and 3-5 f (2)(b)).

(5) Equal Opportunity Housing Plan (EOHP) and Form HUD-916, Certifications in Connection with the Operation of a Section 8 Existing Housing Program (see Appendices 19 and 20). A separate Certification, Form HUD-920, will be used in connection with an application for the Moderate Rehabilitation Program (see Appendix 20-2).

(6) Section 8 Existing Housing and Moderate Rehabilitation Program Regulations (24 CFR Part 882-Appendix 12).

b. The Field Office shall be responsible for providing pre-application assistance to interested PHAs in Planning their Section 8 Program. The provision of pre-application guidance to PHAs initially applying for the Existing Housing or Moderate Rehabilitation Programs is essential to ensure that the PHA understands the basic program concepts and the application requirements. Regardless of the previous experience a PHA may possess in the field of housing rehabilitation, it is required that a pre-application conference be held for one or more PHAs which are applying for the Moderate Rehabilitation Program for the first time. Pre-application conferences for PHAs already administering the Program for which they are applying are not mandatory; however, the Field Office should determine to what

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7420.3 REV-2 CHG-1

CHAPTER 3

(3-2)

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extent pre-application assistance is necessary based on the PHA's administrative performance and whether key program policies have recently been revised. The Area Manager or Housing Director may reassign the pre-application conference functional responsibilities designated below, provided that the required information is explained to PHAs by appropriate staff members.

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(1)Section 8 Existing Housing Pre-Application Conference Procedures:

(a)The MHR will convene a pre-application conference for one or more PHAs, and is responsible for outlining the sequence of processing steps from application submission through Annual Contributions Contract (ACC) execution using the flow chart in Appendix 11 and explaining:

- 1The Housing Quality Standards (HQS)--
Performance Requirements and Acceptability Criteria.
- 2Procedures for approving variations to the
Acceptability Criteria.
- 3HUD monitoring of housing quality.
- 4The rent reasonableness test.
- 5Procedures for approving rents above the FMRs.
- 6The need for consistency with any applicable
Housing Assistance Plan (HAP).
- 7The PHA option to delay submission of the
application attachments until after application
approval but no later than with the PHA-executed
ACC, pursuant to Section 882.204(b) of the
Regulations. The delayed submission of the
Estimates of Required Annual Contributions would
usually be advisable, and the HMO should address
the timing of these application documents.
- 8If the PHA is already administering a Section 8
Existing Housing Program, which application
attachments need not be resubmitted and which can
be incorporated by reference in accordance with
paragraph 3-5 f.

(3-2)

(b) The HMO is responsible for directing and coordinating the HM presentation which includes;

1An overview of the administrative functions and
an outline of the roles and responsibilities of the PHA, owners, and HUD with particular emphasis on preparation and review of the PHA Administrative Plan, Estimates of Required Annual Contributions, the schedule of allowances for utilities and other services, relationships with the real estate community, and the leasing schedule.

2The determination of eligibility, gross family contributions, rent credits, utility allowances, inspections of units, staffing, budgeting, financial management, and HUD monitoring and review of PHA activities.

3Presentations by the Utilities Specialist and Financial Analyst, if necessary.

(c)The FH&EO Specialist will discuss the elements of the EOHP, and coordinate, in conjunction with the HMO, a discussion with the PHA of outreach, selection of families, and Certificate Holder briefings.

(d)The Field Office Counsel will advise on questions of PHA eligibility to participate in the Program.

(e) Representatives of other technical specialties, such as EMAD and Architectural and Engineering (A&E) should attend whenever necessary.

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(2) Section 8 Moderate Rehabilitation Pre-application Conference.

The functional responsibilities of Field Office staff in providing pre-application assistance are as follows:

(a)The MHR is responsible for convening the pre-application conference for one or more PHAs and explaining:

1Basic program concepts and special features.

This

includes the types of properties which are eligible and ineligible for assistance; type *

7/79

Page 3-6

7420.3 REV-2 CHG-1

CHAPTER 3

(3-2)

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of rehabilitation supportable under the program; explanation of nature and terms of Agreement to Enter into Housing Assistance Payments Contract (HAP Agreement), HAP Contract, and ACC; unit-based subsidy; FMR; and applicability of Davis-Bacon wage rates.

2The purposes which the PHA may propose for the program. These include one or more of the following: Spatial deconcentration of assisted housing into areas outside of low income and minority concentrations; Prevention of displacement of lower-income families in areas undergoing private reinvestment; and Neighborhood preservation and revitalization in areas in which public and private improvements are completed, underway, or planned.

3Definition of Moderate Rehabilitation in terms of requiring a minimum expenditure of \$1,000 per unit, which can include the prorated share of common improvements (e.g. roof repairs, heating plant replacement). Also, the work must be necessary to meet compliance with the HQS or other approved standards, and work accomplished in excess of such standards or of a routine maintenance nature is not eligible for inclusion in the calculation of contract rents.

4Provision of rehabilitation technical assistance to owners. The MHR, with participation of A&E where appropriate, shall discuss the importance of rehabilitation technical assistance to owners as it relates to the success or failure of the Program. The nature of the required assistance should be explained (Sections 882.507, 882.509 and 882.510) and guidance given to the PHA in assessing its capability to undertake such responsibilities or in securing a suitable subcontractor. If the PHA lacks the ability to

operate a rehabilitation program, it must subcontract with a qualified and willing local public rehabilitation agency. If this cannot be arranged, the PHA must then subcontract with another experienced entity. As a last alternative, it may propose to develop its own capabilities to perform these functions (see Section 882.503(a)(7) of the Regulations).

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Page 3-77/79

7420.3 REV-2 CHG-1

CHAPTER 3

(3-2)

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The PHA should also be advised of the application requirements concerning the description of rehabilitation experience and expertise of either the PHA or its subcontractor, including the fact that the qualifications required relate to the prospective capability of providing technical assistance as opposed to the actual performance of the rehabilitation work itself. The requirement for PHAs to develop a format for owner proposals and a method for owner selection to include the mandatory preference for proposals containing the most rehabilitation per unit (excluding items of a routine maintenance nature which are not necessary for compliance with HQS or other approved standards) should also be discussed.

5The PHA option to delay submission of the application attachments until after application approval but no later than with the PHA-executed ACC, pursuant to Section 882.503(b) of the Regulations. The delayed submission of the Estimates of Required Annual Contributions would usually be advisable and the HMO should address the timing of these application documents.

6If the PHA is already administering an Existing Housing or Moderate Rehabilitation Program, which application attachments need not be resubmitted and which can be incorporated by reference, entirely or in part, in accordance with paragraph 3-5 f. In addition, if the PHA is submitting separate applications for metropolitan and nonmetropolitan areas, items common to both applications may be incorporated by reference in one of the applications.

is

7The fact that permanent displacement of tenants

prohibited unless the PHA: certifies that it will comply with the requirements specified in Section 882.407 and that it will provide a preference to any displaced Family for occupancy in any assisted housing program it administers; identifies the agency which will provide relocation assistance; describes how the assistance and payments associated with permanent displacement will be funded and attaches a

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7/79

Page 3-8

7420.3 REV-2 CHG-1

CHAPTER 3

(3-2)

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commitment from the funding agency; and the fact that temporary relocation payments to tenants is a responsibility of the owner and that a HAP Agreement may not be entered into for any unit which is not vacant or occupied by a Section 8 eligible family.

calculated

8The way in which contract rent is to be

(Section 882.409); the conditions under which changes in approved contract rents may be appropriate after execution of the HAP Agreement; conditions under which exception rents may be permitted; and the recalculation of contract rents at the end of the rehabilitation loan term for HAP Contracts of less than \$15,000 of rehabilitation.

9The HQS and Site and Neighborhood Standards applicable to the Program (Sections 882.109 and 882.405), including variations in the Acceptability Criteria; the use of local codes with no justification provided that the local codes meet the Performance Requirements of the HQS; and the requirement for certain energy conserving improvements which are cost effective and economically feasible within the FMRs.

and

10Importance of local government coordination

cooperation; advisability of working together with appropriate local officials who may provide part of the required owner technical assistance; and coordinating the selection of neighborhoods or areas with the locality's planned revitalization

strategies or the locality's planned efforts to achieve spatial deconcentration of assisted housing, as applicable.

of 11Importance of securing assurances of financing the rehabilitation, and the availability of financing resources as a factor when ranking of applications is required.

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Page 3-97/79

7420.3 REV-2 CHG-1

CHAPTER 3

(3-2)

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12 The rehabilitation and leasing schedule, including the requirement that all units must be placed under a HAP Agreement within 15 months and leased within 18 months from the date of ACC execution. The Field Office may extend this schedule for initial projects or those of over 1,000 units to 21 months for HAP Agreements and 24 months for leasing.

(b)The HMO is responsible for explaining:

1Overview of the administrative functions and an outline of the roles and responsibilities of the PHA, owners, and HUD, with particular emphasis on preparation and review of the PHA Administrative Plan, staffing, Estimates of Required Annual Contributions, and the schedule of allowances for utilities and other services.

2If the PHA is not already administering an Existing Housing Program, a detailed explanation of all PHA responsibilities after execution of the HAP Contract, such as reexamination of family income and composition, inspection of units, review of utility allowances, administrative and financial management controls.

3The requirement that the owner use the PHA's applicant waiting list; requirement for PHA determination of eligibility of families; prohibition of including any unit occupied by a family ineligible to receive housing assistance payments under a HAP Agreement; and briefing of eligible families (Section 882.517(c)).

4Preference for selecting eligible families currently living in units scheduled for rehabilitation under the Program; PHA option to establish a selection preference for neighborhood residents displaced by HUD programs if the PHA is proposing to target; and PHA payments for vacancies and other amounts owed under the lease.

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7/79

Page 3-10

7420.3 REV-2 CHG-1

CHAPTER 3

(3-2)

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- 5 Procedures to be followed in event a unit under HAP Contract is occupied by an assisted family which is either too large or too small for the size of the unit; terminations of tenancy; and continued participation of a family if required to move through no fault of its own, including conversions of units assisted under the program to Existing Housing within the Moderate Rehabilitation ACC.

6Reporting and record keeping requirements.

(c)The FH&EO Specialist is responsible for explaining:

1Guidance regarding what additional information needs to be submitted for the EOHP, if the PHA is already administering a Section 8 Existing Housing Program.

2Requirements of the EOHP relating to the Public Notice to Owners (Section 882.506(a)) and the Public Notice to Lower-Income Families (Section 882.516).

3PHA selection of applicants to be referred to owners; right of the owner to reject applicants referred by the PHA except for unlawfully discriminatory reasons; and assistance to families in exercising their rights under Federal, State, or local law in the event they believe they have been discriminated against.

4Requirements of owner compliance with Executive Order 11246 and Section 3 of the Housing and Urban Development Act of 1968.

(d)A representative from CPD should participate in the

pre-application conference to explain:

1Conditions under which the targeting of assistance to a specific neighborhood would be appropriate and complementary to other activities planned or underway. This includes the targeting of assistance to prevent displacement in neighborhoods undergoing private reinvestment (see paragraph 3-5 e (1)).

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Page 3-117/79

7420.3 REV-2 CHG-1

CHAPTER 3

(3-2)

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Elements of this discussion should include:

aThe type of viable neighborhoods suitable for targeting. Those selected should already evidence on-going public or private revitalization efforts or programs, or be areas where prospects for preservation will be strengthened through the Moderate Rehabilitation Program. Examples of suitable areas would be those approved under the Section 8 Neighborhood Strategy Areas Program; those in which a Neighborhood Housing Service is active; a Community Development (CD) Neighborhood Strategy Area as defined in 24 CFR Section 570.301(c), or neighborhoods undergoing private reinvestment to help prevent the economic displacement of low-income families.

bAdvantages of targeting to a CD area in terms of the owners' eligibility for receiving Community Development Block Grant (CDBG) funded loans or grants to finance the rehabilitation. Availability of financing sources, particularly subsidized financing resources, is one of the ranking criteria when the Field Office ranks approvable applications.

2Conditions under which the targeting of assistance would not be appropriate.

proportion aAn area which already has a high
of assisted housing would not benefit from
additional concentration and may not be
approvable in accordance with Section
882.405(b)(3).

physical bAn area which evidences substantial
decline, lack of adequate public services and
facilities, declining economic base, etc.,
would not be significantly improved by
program concentration, may prove to be an
imprudent use of HUD assistance, and would
not meet Site and Neighborhood Standards. It
is also likely that the properties located in
such areas would not be feasible to
rehabilitate within the FMRs.

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7/79

Page 3-12

7420.3 REV-2 CHG-1

CHAPTER 3

(3-2)

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- c It may be more appropriate for the PHA to disperse the assisted units to provide an opportunity for lower income families to live outside of areas of minority and economic concentration. If the PHA is proposing this objective, there are requirements of which both the Field Office and the PHA need to be aware. This subject is discussed in greater detail in paragraph 3-5e(1).

the dLack of local government endorsement of
proposal to target for purposes of
neighborhood revitalization, and
preservation, or the absence of other
commitments for improvements necessary to
revitalize the neighborhood can cause the
application to be rejected.

3The qualifications necessary for the agency or
entity designated to assume relocation
responsibilities.

(e)A representative from EMAD should attend the

pre-application conference to discuss the Site and Neighborhood Standards contained in Section 882.405(b), and their pertinence to PHA applications which are proposing to target assistance to a specific neighborhood(s). If appropriate, EMAD should also advise on the prospective availability of housing resources for relocation purposes. In addition, the EMAD representative should discuss HAP consistency requirements.

(f)The Independent Living Coordinator (ILC) should attend the pre-application conference to explain the following:

1Information on the housing needs of the handicapped, and the legislation, regulations, design standards, and policies and procedures meant to satisfy the needs of the handicapped.

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Page 3-137/79

7420.3 REV-2 CHG-1

CHAPTER 3

(3-2)

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2 Procedures for matching eligible families having handicapped member(s) with dwelling units which are accessible, in order to ensure that accessible dwelling units are effectively used. PHAs may establish a preference for selecting families having a handicapped member(s) to occupy any vacant accessible units.

3The targeting of units to neighborhoods which provide accessibility for the physically handicapped - commercial, recreational, health and institutional, workplaces, transportation and other facilities including public walks and vehicular ways. Any community actions to enhance accessibility, or scheduled plans for such actions, should also be reviewed by the PHA when considering a neighborhood(s) for the targeting of Moderate Rehabilitation units.

(g)Representatives of other technical specialities, such as the ECO, Utilities Specialist, Financial Management Analyst, Occupancy Specialist, and A&E, should attend as necessary.

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3-3. RESPONSE TO INVITATIONS FOR APPLICATIONS.

a. Each application received pursuant to a Field Office invitation shall be routed to PC&R which shall:

(1) Date stamp each application.

(2) Assign a project number in accordance with the instructions contained in the Section 8 Management Information System Reporting Instructions, Handbook 4050.2.

(3) Transmit the application to the Chief, MHPB for assignment to a MHR. PC&R shall transmit each application upon receipt, without waiting for the deadline date for submission of applications.

7/79

Page 3-14

7420.3 REV-2 CHG-1

CHAPTER 3

(3-3)

b. If insufficient applications are received to utilize all of the contract authority available to a particular allocation area, the HD staff, in cooperation with EMAD and EM, shall determine the reasons for inadequate response to the invitation.

(1) To the extent feasible, actions shall be taken to utilize the Existing Housing or Moderate Rehabilitation Program in those portions of the allocation area in which either program is appropriate. Such actions may include:

(a) Reinviting applications.

(b) Contacting PHAs to encourage submission of applications.

(c) Contacting local and State public bodies, particularly CD agencies, to encourage them to become, or to establish, a PHA.

(d) Sending a letter, prepared in accordance with the formats of Appendices 3-1 and 3-2, to the chief executive officer of each CDBG recipient that indicated in its Housing Assistance Plan that Section 8 Existing Housing or Moderate Rehabilitation was a goal for the current CDBG funding year.

(2) When efforts to utilize the Section 8 Existing Housing Program in an allocation area through a PHA are

unsuccessful, the Area Manager may submit a memorandum to the Assistant Secretary for Housing-FHA Commissioner, requesting appropriate forms and instructions for entering into a contract with a public or private body which is not a PHA for the performance of program administration pursuant to Section 882.121 of the Regulations. Such a request must document the actions that have been taken to elicit a PHA application.

(3)Other actions as authorized by 24 CFR 891.

Page 3-157/79

7420.3 REV-2 CHG-1

CHAPTER 3

3-4. INITIAL SCREENING OF APPLICATIONS.

a.The MHR shall screen each application to determine that it is complete. An application is complete if it includes either:

(1)Form HUD-52515 (Appendix 2-2) or HUD-52515A (Appendix 2-4) with only necessary explanatory materials (and required Certifications if application is for Moderate Rehabilitation) but without attachments specified in paragraph (2) below; or,

(2)Form HUD-52515 or HUD-52515A and the following attachments:

(a)Administrative Plan (Appendix 18 or 18-2, as applicable).

(b)The EOHP (Appendix 19) and Certifications in Connection with the Operation of a Section 8 Existing Housing (Form HUD-916) or Moderate Rehabilitation Program (Form HUD-920) (Appendices 20 and 20-2, respectively).

(c)Estimates of Required Annual Contributions (Forms HUD-52671, 52672 and 52673, Appendices 14, 15, 16). While these forms may be submitted with the application, it is strongly recommended that the PHA delay submittal of these financial forms until the PHA has signed the ACC. Such delayed submittal is suggested since the bedroom distribution may change after submittal of the application, and it is often difficult to predict the actual date of ACC execution at this stage.

(d)Schedule of Allowances for Tenant Furnished Utilities and Other Services (Form HUD-52667, Appendix 17).

b.When an application is incomplete, the MHR shall prepare a letter

for the signature of the Housing Director to be sent to the PHA, noting the deficiencies and giving the PHA until the deadline date for submission of applications, or a reasonable time thereafter, to remedy the deficiencies.

c. Initial screening, and any letter necessary pursuant to subparagraph b above, shall be completed within three working days from assignment of the application to the MHR.

7/79

Page 3-16

7420.3 REV-2 CHG-1

CHAPTER 3

3-5. EVALUATION OF APPLICATIONS.

a. Within three working days of the determination that an application is complete, PC&R shall:

(1) Notify the chief executive officers of the units of general local government identified in the application as primary areas from which families to be assisted will be drawn or in which units will be rehabilitated that an application has been received, and invite comments.

(2) Route copies of the Existing Housing application and any attachments to the MHR, AHMB, EMAD, FH&EO, Field Office Counsel, and, if variations in the HQS are proposed, to A&E.

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(3) Route copies of the Moderate Rehabilitation application (and any attachments) to the appropriate reviewing offices in accordance with the following instructions:

(a) HM and FH&EO shall review the application (and appropriate attachments) in all cases.

(b) The MHR shall review the application and Administrative Plan in all cases.

(c) EMAD and the Field Office Counsel shall review the application in all cases.

(d) CPD shall review the application in all cases except where the PHA is not proposing CDBG-funded financing and the PHA is proposing to use the program only to achieve spatial deconcentration and the PHA is not proposing to use the city rehabilitation agency to provide technical assistance to owners and the PHA is not proposing to allow permanent displacement. CPD shall review the Administrative Plan in all cases.

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(e)Valuation shall review the application only if the PHA is proposing to target its units to a specific neighborhood.

(f)A&E shall review the application only if the PHA is proposing standards other than the HQS or local housing codes or if the PHA is proposing to subcontract to a private entity to provide the rehabilitation technical assistance.

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Page 3-177/79

7420.3 REV-2 CHG-1

CHAPTER 3

(3-5)

b.The Field Office review of an Existing Housing application shall be completed within:

(1)Five working days after the determination that it is complete, if submitted without attachments, or

(2) 20 working days, if submitted with attachments.

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c. The Field Office review of a Moderate Rehabilitation application shall be completed within the following deadlines:

(1)If submitted without attachments, 15 working days after the determination that it is complete or 20 working days if a site visit is necessary; or

(2)If submitted with attachments, 30 working days or 35 working days for a PHA's initial project application.

Note:In accordance with 24 CFR Part 891, the Field Office must make its own independent review of Housing Assistance Plan consistency. Since comments received from the local government, which has a 30-day review period, must be considered by the Field Office in making this determination, final approval of an application may necessarily extend beyond the deadlines specified above.

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d.Review responsibilities for an initial Existing Housing application and attachments (whenever submitted) are as follows:

(1)The MHR shall review the application for consistency with Section 8 Existing Housing Program policies.

(2)The EMAD shall review the following aspects of the

application:

(a)Unit distribution by number of bedrooms and household type. If the local market lacks a substantial supply of efficiencies, any single-person households shall be expected to utilize one-bedroom units. When a proposed unit mix includes units of three or more bedrooms, the availability of such units should be carefully assessed.

(b)The leasing schedule proposed by the PHA in terms of its potential impact on the local market.

7/79

Page 3-18

7420.3 REV-2 CHG-1

CHAPTER 3

(3-5)

(c) The unit mix for a locality from which participants are expected to be drawn for consistency with the Housing Assistance Plan, or Housing Assistance Plans if the application covers more than one jurisdiction. Where there is no Housing Assistance Plan, the unit mix should be reviewed with respect to the condition of the local housing stock and housing assistance needs of lower-income families residing in the area.

(d)Applications for Recently Completed Housing to determine whether such housing can be authorized on the basis of the criteria in Section 882.120 of the Regulations and paragraph 2-5 a (5) above. Wherever possible, units renting at or below the FMRs (or higher pursuant to Section 882.106 of the Regulations) shall be utilized rather than Recently Completed Housing. If it is determined that Recently Completed Housing may be authorized, a memorandum shall be prepared for the project file justifying the determination. After the project is approved, copies of the memorandum and the HAP/ACC List shall be sent to the Regional Economist for monitoring purposes.

(3)FH&EO staff shall review the EOHP and Certification, and the plans for briefing Certificate Holders as described in the Administrative Plan.

(4)The Field Office Counsel shall review the legal qualifications of the PHA for participation in the Section 8 Existing Housing Program, as demonstrated by the documents submitted with the application. It is not necessary for the PHA to submit any additional documentation, such as a resolution of the governing board of the PHA authorizing submission of the application.

(5)A&E shall review any proposed variations to the Acceptability Criteria set forth in Section 882.109 of the Regulations, which must be attached to the application, and each variation must be justified by the PHA. Variations which are less restrictive than those specified in the Regulations shall be approved only if it is determined that they will satisfy the Performance Requirements; variations which are more restrictive shall not be approved unless the PHA demonstrates that the proposed standards will result in a significant portion of the rental housing stock being included within the rent limitations of the program. For example, factors which have been shown to

Page 3-197/79

7420.3 REV-2 CHG-1

CHAPTER 3

(3-5)eliminate substantial amounts of decent housing in some market areas include requirements of specific amounts of kitchen counterspace and specific ratios of window to floor area.

(6)HM staff shall review the following:

(a)PHA capability to administer competently the proposed program in accordance with requirements prescribed in the Regulations or the likelihood of the PHA developing such capability within the funds available. The reviewer shall consider whether the PHA has had prior experience in administering housing or related programs, especially the Section 8 and/or low-income housing programs, and shall evaluate the PHA's performance record, if there is such a record, and the other evidence of such capability existing or being developed. (See also 3-6 b (2).)

(b)The leasing schedule proposed by the PHA, which must establish a target date for the completion of all leasing, as well as interim quarterly targets. The PHA must provide evidence that the schedule will follow a realistic but efficient timetable making allowances for intake operations and housing search, particularly in the case of PHAs new to the Section 8 Program. All units in a Program of 100 units or more must be leased within 12 months; in small Programs, HUD may establish a shorter timeframe for leasing completion in accordance with Section 882.206(c) of the Regulations.

(c)The feasibility of the Administrative Plan which must include the specific operating plan objectives, procedures, and staffing arrangements to implement the

Section 8 Existing Housing Program. The PHA is permitted maximum discretion in determining how it will operate its program, subject to compliance with the ACC and the Regulations. HM review shall determine that the PHA's Administrative Plan is in compliance with all HUD requirements and includes a statement of the PHA's overall approach and objectives in administering the Section 8 Existing Housing Program, a description of the procedures to be used in carrying out the functions listed in Section 882.204(b)(3) of the Regulations, and a statement of the number of employees proposed for the program, by position and function. A suggested

7/79

Page 3-20

7420.3 REV-2 CHG-1

CHAPTER 3

(3-5) format for the Administrative Plan is contained in Appendix 18. This format will serve as a guide to PHAs who are submitting an initial application for Section 8 Existing Housing units; PHAs already administering the program should not be required to amend the Administrative Plan to comply with this format unless the previously submitted Administrative Plan does not comply with Section 882.204(b) of the Regulations.

(d) Estimates of Required Annual Contributions which reflect the reasonable projections of funds needed to finance the proposed program. The Financial Management Analyst shall perform this review based on the 3 required financial forms (Forms HUD-52671, HUD-52672, and HUD-52673).

(e) Schedule for Tenant-Furnished Utilities and Other Services, Form HUD-52667. The Utilities Specialist or Maintenance Engineer shall perform this review. The Utilities Specialist or Maintenance Engineer shall keep a record of utility prototype costs for different cities and PHAs, in order to evaluate the proposed PHA schedules.

(f) The EOHP description of proposed outreach to families and owners and policies for selection of families must be consistent with the housing needs indicated in the application, other attachments, and the Regulations.

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- e. Review responsibilities for a Section 8 Moderate Rehabilitation initial application and attachments (whenever submitted). Since the PHA (or its subcontractor) will have rehabilitation responsibilities, the Field Office must be especially thorough in its review of both the application documents and the

demonstrated or prospective capability of the PHA to undertake such responsibilities. Also, since the subsidy is tied to the unit rather than to the family, the Field Office must be additionally concerned with Site and Neighborhood Standards. The extent of rehabilitation will necessarily be limited by the FMRs associated with the program. The PHA's procedures for selection of owner proposals and subsequent determination of the condition of the property, the amount of work necessary to meet the HQS in Sections 882.109 and 882.405(a) or other HUD-approved standards, and the performance of feasibility analyses will be critical to the viability of the program. Throughout the review process, therefore, these important responsibilities must be kept in mind by the Field Office to

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Page 3-217/79

7420.3 REV-2 CHG-1

CHAPTER 3

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ensure that the necessary qualifications are or will be available to the PHA. The Field Office review of a Moderate Rehabilitation application is considerably more extensive than that generally performed under the Existing Housing Program. For this reason, Technical Review Checklists are included in Appendix 26 for use by the various reviewers to whom copies of the application will be routed. It is the MHR's responsibility to determine which offices should participate in the review, and to prepare the Summary of Review Comments After Reconciliation, which shall represent an analysis of all application components based on the Review Checklists. Should more approvable applications be submitted than can be funded by the available contract authority, it will also be the MHR's responsibility to coordinate the ranking process and develop a final rank order of applications based on the recommendations of participating offices (see Appendix 27). It is the responsibility of the HMO to coordinate all of the necessary reviews of the Administrative Plan and return the completed comments to the MHR within the timeframes established for the completion of the reviews (see paragraph 3-5c). The Checklists provide a guide for the reviewer to help ensure that proper coverage will be given to the application. They are not meant to be all-inclusive, and the reviewer is free to include additional items as appropriate in order to determine the overall feasibility of the application. The Checklists contain items which pertain both to the application and related attachments. If the attachments are not submitted with the initial application, the reviewing offices should complete the applicable portions of the checklists upon receipt of the attachments. To assist the Field Office in evaluating Moderate Rehabilitation applications, an

explanation of the major review items of the application is provided below.

(1) Purpose and Location of Program. The PHA may propose to use the Moderate Rehabilitation Program to achieve one or more of the following objectives:

(a) Deconcentration. The units provided under the Program may be used to provide housing opportunities
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7/79

Page 3-22

7420.3 REV-2 CHG-1

CHAPTER 3

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for low-income families outside of areas of minority or economic concentration. If the PHA is proposing this objective, the Field Office must be concerned with the availability of housing suitable for moderate rehabilitation in acceptable neighborhoods. This includes both a review of the current housing inventory in terms of the economic feasibility of rehabilitating the housing within the Moderate Rehabilitation FMRs and an analysis of the PHA's past performance in achieving deconcentration of assisted families. Since the objective is deconcentration, the PHA must certify that it will not select units located in areas of minority concentration unless sufficient, comparable opportunities exist for housing for minority families outside areas of minority concentration, and will not select units located in a racially mixed area if the units will cause a significant increase in the proportion of minority to non-minority residents in the area.

(b) Revitalization. The PHA may wish to concentrate its units within one or more specific neighborhoods in order to complement on-going or planned revitalization and preservation efforts. If the PHA proposes this objective, the application must be accompanied by a letter from the chief executive officer of the local government indicating the locality's endorsement of the application and describing other public and private improvements completed, underway, or planned for the neighborhood(s). Further discussion of this matter may be found in paragraph 3-2 b (2) (d).

(c) Prevention of Displacement. The PHA may choose to

concentrate its units in one or more neighborhoods which are undergoing private reinvestment for the purpose of helping to prevent displacement of lower-income residents. The Field Office will review the availability of housing within the neighborhood(s) to determine the economic feasibility of rehabilitation within the FMRs.

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Page 3-237/79

7420.3 REV-2 CHG-1

CHAPTER 3

(3-5)

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Note: In addition to the review responsibilities assigned in Appendix 26, a site visit to the neighborhood(s) where targeting is proposed will be necessary unless, in the judgment of the Area Manager, there is adequate information available to the Field Office as a result of previous site visits to properly evaluate the acceptability of the neighborhood(s). In considering whether a site visit is necessary, the Field Office should determine whether it is able to conclude whether the neighborhood(s) is substantially in compliance with the Site and Neighborhood Standards in Section 882.405(b), and whether the housing is economically feasible to rehabilitate within the FMRs applicable to the Program. If a site visit is necessary, the MHR, CPD, and Valuation shall participate; representatives from FH&EO, EMAD, and the ECO shall be invited by the MHR, although their participation is optional.

exception
determine
approved.

In the event the PHA is requesting that rents be approved for the locality, EMAD shall participate in the site visit in order to determine whether the request is justifiable, unless an exception rent has already been determined

(2)Financing. The Field Office shall review the prospects for the availability of rehabilitation financing. If letters or statements are submitted by financial institutions, these shall be reviewed to determine whether they represent reasonable assurances or simply indications of interest. The availability of financing will be critical to the success of the program and the Field Office should assess

the likelihood of owners securing financing. If the application indicates that the source of the financing will be from CD-funded loan or grant programs, CPD shall be requested to review this section and provide comments.

(3)Rehabilitation and Leasing Schedules. Since expeditious rehabilitation and leasing of units is required under

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7/79

Page 3-24

7420.3 REV-2 CHG-1

CHAPTER 3

(3-5)

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the Program, it is important that these schedules be carefully reviewed. If the application is from a PHA which is applying for the first time, the start-up activities will in all likelihood take longer to properly complete than for a PHA which has prior experience in the Program. This will particularly be true for a PHA which is proposing to undertake the responsibility of providing technical assistance to owners. Some of the other factors to consider when evaluating these schedules include:

(a)The time between the execution of Agreements and the lease-up of units which represents the anticipated duration of the rehabilitation period.

(b)The size of the Program, and the extent of the rehabilitation needed (if known by virtue of targeting) or estimated based on the availability of financing sources and the mandatory preference for selection of owner proposals indicating the most rehabilitation.

(c)Whether permanent displacement of tenants will be allowed and whether temporary relocation is anticipated based on the estimated extent of rehabilitation.

(d)If targeting is proposed, whether the delivery of local government commitments is a factor in implementing the program.

(e)Whether the securing of financing will affect the start-up of rehabilitation.

(f)The overall administrative capability of the PHA in proceeding in an expeditious manner once the ACC is executed, including the briefing and determination of the eligibility of families.

(g)The Field Office shall keep in mind the requirement that all units in a Program of 100 units or more must be under an Agreement within 15 months and leased by eligible families within 18 months of ACC execution. For the first project, or for projects of over 1,000 units, the Field Office may approve a schedule which allows as long as 21 months for Agreements and as long as 24 months for leasing.

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Page 3-257/79

7420.3 REV-2 CHG-1

CHAPTER 3

(3-5)

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- (4) Administrative Capability. The Field Office shall consider the PHA's capability to administer the proposed Program in accordance with the Regulations or the likelihood of the PHA developing such capability within the funds available. The Field Office shall consider whether the PHA has had prior experience in administering the Existing Housing Program or other low-income housing programs, and shall evaluate the PHA's performance record, and other evidence of such capability existing or being developed.

(5)Rehabilitation Experience. This aspect is the single most important element of the PHA's application, and accordingly it requires that the Field Office thoroughly review the experience of the PHA or its subcontractor with respect to residential rehabilitation. Specifically, the information provided by the PHA in terms of its rehabilitation experience or the experience of its proposed subcontractor, if applicable, must be sufficient to enable the Field Office to conclude whether the requirements of Sections 882.507, 882.509, and 882.510 can be carried out in an adequate manner. While there are no prescribed documents which the PHA must submit with respect to this aspect, the PHA will need to describe its experience in residential rehabilitation which involved the undertaking of specific activities and responsibilities including, but not limited to, the following:

(a)Inspection of dwelling units to determine nature and extent of existing deficiencies. Ability to distinguish between items requiring maintenance or repair and those items where replacement of building systems or components is called for. The inspection process must include knowledge of local or State housing codes, if applicable. The ability to detect structural or mechanical weaknesses/deficiencies where

such deficiencies are not readily apparent or apparent only by inference (e.g., low water pressure can be indicative of corroded plumbing).

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7/79

Page 3-26

7420.3 REV-2 CHG-1

CHAPTER 3

(3-5)

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- (b) Ability to prepare detailed work write-ups and corresponding cost estimates. The work write-ups must clearly specify what work needs to be done in order to correct identified deficiencies and will contain specifications to be followed by the contractor (e.g., size of lumber, spacing of framing, etc.) when performing the work. Ability to prepare cost estimates is critical to the determination of economic feasibility and requires at minimum an awareness of prevailing local labor and material costs.

(c) Ability to carry out inspections during rehabilitation to determine acceptability of level of workmanship and materials and compliance with work write-ups. Ability to adequately assess, if necessary, contractor requests for changes in work items/materials to determine if warranted and, if so, whether economically feasible and whether it will affect the quality or design of the rehabilitation.

(d) Assistance in securing financing should involve a knowledge of the various financing methods available including assisted financing resources. PHA or subcontractor should also have experience in preparing bid documents, and evaluating contractor bids, and be able to explain key program concepts to financial institutions.

(e) The PHA's past or present experience with other HUD-assisted housing programs must be carefully evaluated to determine whether that experience is sufficient to enable the PHA to carry out the additional responsibilities of the Program, as described above. Specifically, the fact that a PHA administering a Section 8 Existing Housing Program has conducted inspections of dwelling units to determine compliance with the HQS cannot be considered as sufficient evidence of rehabilitation expertise since such inspections are only one of several related

services the PHA will be called on to perform, and generally involve the identification of deficiencies requiring only minor repairs or deferred routine maintenance.

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Page 3-277/79

7420.3 REV-2 CHG-1

CHAPTER 3

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Similarly, a PHA's experience in public housing modernization or acquisition with rehabilitation must be demonstrated to be applicable to the Moderate Rehabilitation Program. Consideration must be given to the role played by the PHA itself as opposed to the responsibilities contracted to other entities (e.g., monitoring of work by an architect hired by the PHA for such purpose). Performance of non-routine maintenance of assisted housing units by a PHA must also be reviewed within the context of whether and to what extent the PHA rather than a subcontractor assumed the responsibilities associated with performance of the work. Routine maintenance activities do not qualify as a statement of rehabilitation expertise.

(6)HQS. These shall be reviewed by the Field Office only in the event that the PHA is proposing to use standards other than local housing codes or the HQS contained in Sections 882.109 and 882.405. In these cases, A&E shall review the proposed variations to determine whether adequate justification is included by the PHA. In all cases, the Performance Requirements must be met.

(7)Relocation. The PHA must either certify in its application that it will not select a building where permanent displacement of tenants will be required or provide the necessary certifications and statements if permanent displacement is proposed, in accordance with Section 882.503(a)(11). The Field Office must ascertain that all required items are contained in the PHA's application. In addition, the Field Office must make the following determinations:

(a)Existence of the sources of funding for permanent displacement from other than HUD-assisted housing programs. Services or payments to tenants who are permanently displaced are not eligible for reimbursement under the Moderate Rehabilitation Program or any other HUD-assisted housing program. Therefore,

in the absence of a commitment from

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7/79

Page 3-28

7420.3 REV-2 CHG-1

CHAPTER 3

(3-5)

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another entity (such as the local government or the PHA itself if it has funds available from other than HUD-assisted housing programs) to assume the costs associated with permanent displacement, an application from a PHA proposing to permit permanent displacement cannot be approved.

(b) Capability of the PHA to handle the administrative responsibility of assuring that appropriate relocation payments and services are provided to permanently displaced tenants.

out (c) Capability of the agency which will actually carry the relocation activities.

(8) Housing Assistance Plan Consistency. The application submitted by the PHA is subject to local government review and comment in accordance with Section 213 of the Housing and Community Development Act of 1974. Requirements implementing this statute are found in 24 CFR Part 891, Review of Applications for Housing Assistance, Allocation of Housing Assistance Funds. If the PHA is proposing to target assistance to a specific neighborhood for preservation and revitalization purposes, the application must contain a letter from the chief executive officer of the local government indicating the locality's endorsement of the application. The Field Office will consider all comments the local government submits in its review of the application.

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f. The application of a PHA already administering an Existing Housing or Moderate Rehabilitation Program shall be reviewed as follows, in lieu of the procedures in paragraphs 3-5d and e above:

(1) Forms HUD-52671, 52672, 52673 and HUD-916 or 920 must be submitted with the current application, or prior to ACC execution, and reviewed by the Field Office.

(2) Where the Field Office has completed the review of PHA activities described in Chapter 5 and determined that the PHA is effectively operating the Program(s), or recommended

corrections that the PHA has made, or where the ACC predates the application by fewer than six months:

Page 3-297/79

7420.3 REV-2 CHG-1

CHAPTER 3

(3-5)

(a) A new EOHP need not be reviewed. The EOHP submitted with the previous application may be incorporated by reference in the current application unless the PHA wants to revise it, or there has been a change in Program requirements relative to the EOHP which alters its contents by adding a new element(s) and the PHA has not responded to the change(s) by revising its plan prior to submitting an application for additional units.

(b) A new Administrative Plan need not be reviewed. The previously submitted document can be incorporated by reference in the current application unless changes (including the number of employees) will be made or unless the initial submittal did not comply with Section 882.204(b) or 882.503(b)(4) of the Regulations.

(c) Form HUD-52667 need not be reviewed and the previously submitted document can be incorporated by reference in the current application if the PHA certifies that the approved allowances have been reviewed in the last 12 months and are appropriate.

(3) If the PHA operations have not been subject to the Field Office review described in Chapter 5, the Field Office must conduct such a review in lieu of a review of attachments to the PHA application.

g. It is the responsibility of reviewing offices to bring to the attention of the Field Office Counsel any issues that require a legal determination. The Field Office Counsel is responsible for ensuring that all legal requirements are satisfied before preparing the ACC and may review any aspect of the application or its processing from a legal standpoint.

h. It is the responsibility of PC&R to assure that all reviews are performed in a timely manner according to schedule. Any deviations from the schedule shall be brought to the attention of the Housing Director, who shall take appropriate action. Immediately upon receipt of comments from the reviewing offices, PC&R shall send them to the MHR together with any comments of the local government.

7420.3 REV-2 CHG-1

CHAPTER 3

(3-5)

i. For all applications in areas with approved Housing Assistance Plans, promptly after receipt of comments from the local government (or expiration of the comment period), PC&R shall route any comments or notice of expiration of the comment period to the MHR. The MHR shall conduct an analysis of the application's consistency with the local Housing Assistance Plan pursuant to 24 CFR Part 891, Review of Applications for Housing Assistance. This analysis shall be based on the information provided in the Housing Assistance Plan, the application for housing assistance, and the comments of the local government. The MHR shall route the findings through the DDHD and Housing Director to the Area Manager for a determination of the application's consistency with the Housing Assistance Plan. This determination must be made within 30 days of the close of the comment period or receipt of the local government's comments, whichever is earlier. Furthermore, pursuant to Section 891.207 of the Regulations, within this 30-day period, the Area Manager shall notify both the applicant and the chief executive officer of the local government of the determination, the reasons for the determination, and whether the application will continue to be processed by the Field Office. Applications found to be inconsistent with the Housing Assistance Plan shall not be eligible for further processing.

j. For all applications in areas without Housing Assistance Plans, promptly after receipt of comments from the local government (or expiration of the comment period), PC&R shall route any comments or notice of expiration of the comment period to the MHR. The MHR shall request EMAD to analyze the need for housing assistance and the suitability of the local housing supply. In addition, the MHR shall consult with appropriate Field Office staff to determine the adequacy of public facilities and services pursuant to 24 CFR Part 891. These analyses shall be based on the application for housing assistance, the comments of the local government and such other data as are available. The MHR shall route the findings through the DDHD and Housing Director to the Area Manager for a determination with respect to the approval or disapproval of the application. Within 30 days of the close of the comment period or receipt of comments, whichever is earlier, the determination as to approval of the application should be made. Additionally, within this 30-day period, the Area Manager shall notify both the applicant and the chief executive officer of the local government of the determination, the reasons for the determination, and whether the application will continue to be processed by the Field Office.

CHAPTER 3

(3-5)

k. The MHR shall arrange for a meeting, chaired by the Housing Director, with representatives of all reviewing offices to resolve any conflicting comments, reach agreement as to which applications are approvable, and evaluate approvable applications on the basis of the selection factors indicated in paragraph 3-6 or 3-7, as applicable.

(1) This meeting should be held after the deadline date for receipt of applications, and expiration of the time for local government comments.

(2) If it is apparent that the applications received are clearly superior to any others likely to be received or it is unlikely that any other applications will be received, the meeting may be convened before the deadline date for applications and expiration of the time for local government comments. However, no Notification of Application Approval letter may be signed until after the relevant deadlines.

(3) In determining whether an application should be approved, held for final action sending receipt of additional information, or disapproved, consideration should be given as to whether any changes necessary to approve an application appear to be feasible and can be made by the PHA in a reasonable time (e.g., a change in the bedroom distribution or household type; a revision to the leasing and/or rehabilitation schedule; and the extent to which the project meets the applicable selection criteria; or, for Moderate Rehabilitation only, a change in purpose of program or selected neighborhoods, or a change in the agency responsible for rehabilitation technical assistance.)

(4) If there are a sufficient number of approvable applications to use all contract authority available for Existing Housing or Moderate Rehabilitation for the allocation area, and the deadline for receipt of applications has passed, such applications may be selected without further consideration of any applications which were not approvable as submitted, unless the latter have sufficient potential merit to justify postponement of selection until after they have been amended.

(5) For applications held for final determination pending receipt of additional information, the MHR shall prepare a letter to the PHA for the signature of the Housing Director. The letter shall specify the changes required in order for

the application to be considered approvable, set sufficient

7/79

Page 3-32

7420.3 REV-2 CHG-1

CHAPTER 3

(3-5) time for the PHA to respond, and indicate that advice and assistance are available from the Field Office to make any required changes.

3-6. SELECTION OF APPLICATIONS - EXISTING HOUSING PROGRAM.

a. Preference for selection in any allocation area shall be given to an application which proposes a Program designed to provide families with the broadest geographical choice of housing. This may be accomplished by selecting State, regional or county programs or selecting local PHAs which propose to:

(1) Seek participation of owners in any area outside the usual PHA jurisdiction, in which the PHA is not legally barred from entering into HAP Contracts.

(2) Advise families of their opportunity to lease housing in all areas in which the PHA is not legally barred from entering into HAP Contracts.

(3) Cooperate with other PHAs in issuing Certificates to families already receiving Section 8 assistance who wish to move from the operating area of one PHA to another.

(4) Develop administrative arrangements with other PHAs in order to permit Certificate Holders to seek housing in the broadest possible area.

b. The Field Office should select applications on the basis of the following:

(1) Section 8 assistance should be distributed as widely as possible. Accordingly, the Field Office shall approve, wherever feasible, one or more Applications in an allocation area, so that the program will be administered in all parts of the area. When this is not possible, applications may be approved which will make the program available in portions of an allocation area with the understanding that future selections will consider areas not receiving Section 8 assistance.

(2) The PHA must have the capacity to perform the functions indicated in Section 882.116 of the Regulations. Factors to be considered include:

CHAPTER 3

(3-6)

(a) Training, expertise, and competence of the PHA staff (including staff of any subcontractors) to administer a Section 8 Existing Housing Program.

(b) PHA commitment to fair housing goals.

(c) Ability of PHA to maintain an adequate number skill level of staff with the funds that will be available under the proposed program and increases that are likely to be provided in succeeding years. Generally, an application should not be approved unless the on-going administrative fee is:

1 sufficient to support at least one full-time staff person, or

2 outside support is formally pledged to assure such staff throughout the five-year ACC, or

3 feasibility can be demonstrated on the basis if shared overhead and staff time with other agency functions.

(3) PHA administrative arrangements should deliver the highest level of program quality for the most reasonable cost.

(4) If more than one PHA applies to administer the program in the same area, preference shall be given to the application of the PHA which is currently administering the program, provided that the PHA is performing the required duties in a satisfactory manner, since it is undesirable to have two PHAs operating in the same area. (If two PHAs have previously been funded in the same area, the Field Office should encourage that administrative arrangements between the PHAs be developed so that one PHA is responsible for program implementation.)

c. Programs in sparsely populated areas may better satisfy the selection factors through consolidation of program administration, such as the following:

(3-6)

- (1) Administration by a State or regional agency or department. Such a PHA could administer all the program functions or subcontract some or all to public or private entities.
- (2) Administration by one PHA on behalf of several PHAs, where each PHA has a separate ACC; or an ACC with one PHA with a designated number of units identified in the application for various specified localities for applicants residing or working in these localities. (These applicants cannot be required to select units in that locality.)

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3-7. SELECTION OF APPLICATIONS - MODERATE REHABILITATION PROGRAM.

Where the contract authority required by the approvable applications exceeds the amount available for the allocation area, ranking is required. In such case, the MHR shall assemble the applications under consideration, the reviews, and other information and determine the appropriate rank order of the approvable applications. The ranking procedure shall include representation in person or in writing, as appropriate, from HM, Valuation, EMAD, FH&EO, A&E, CPD, as well as the MHR, and shall be based on the procedures contained in Appendix 27.

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3-8. CALCULATION OF AC AMOUNT - EXISTING HOUSING PROGRAM.

a. For each application recommended for selection, the MHR shall calculate the amount of annual contributions (AC) funds which will be required.

(1) The MHR shall use the following formula for all new projects:

(a) Determine the per unit AC for each unit size and building type (elevator/nonelevator) by multiplying 12 times the sum of the current FMRs or such higher rents approved by HUD for a unit size of type pursuant to Section 882.106(a)(3) of the Regulations. When Recently Completed Housing has been authorized, the per unit AC for each unit size is determined by multiplying 12 times the sum of 75 percent of the current FMRs for Section 8 New Construction for the building type (detached, semi-detached, walk-up, elevator) most likely to be utilized.

(3-8)

- (b) Determine the total AC funds required for the program by multiplying the per unit AC/unit size obtained by the number of units in each unit size and adding the products.

(2) For a PHA with an existing Section 8 ACC, the MHR shall calculate the required contract authority for the new units in accordance with subparagraph (a). Any necessary AC funds for the previous units shall be calculated in accordance with Chapter 6.

b. For all initial programs, and when additional units are added, the preliminary expenses during the first fiscal year and the fee for ongoing administrative expenses during the first and subsequent years shall not be added to the sum of the FMRs, or such higher rents as approved by HUD, in determining the total amount of AC funds. An exception to this rule may be made for the Existing Housing Program if the Financial Management Analyst determines that the program is infeasible without the addition of the administrative fee, and his/her recommendation receives concurrence of the DDHM, Housing Director, Area Manager, Director, Office of Regional Housing, and Deputy Assistant Secretary for Public Housing and Indian Programs.

(1) Such a determination shall be made on the basis of a Form HUD-52672 which demonstrates that the usual formula will not provide adequate funds for the housing assistance payments and the administrative fee.

(2) The administrative fee per unit month, shall be either 8-1/2 percent of the two-bedroom nonelevator Existing Housing FMR, or \$15, whichever is greater (see Appendix 5).

c. Upon completion of these calculations, the MHR shall assemble applications recommended for approval and shall prepare a memorandum explaining the basis for the recommended approvals.

7/79

Page 3-36

7420.3 REV-2 CHG-1

CHAPTER 3

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3-9. CALCULATION OF AC AMOUNT - MODERATE REHABILITATION PROGRAM.

a. For each Moderate Rehabilitation application recommended for selection, the MHR shall calculate the amount of AC funds which will be required. The per unit AC for each unit size and building type (elevator/nonelevator) shall be determined by the MHR by multiplying 12 times the applicable Moderate Rehabilitation FMR (120 percent of the Existing Housing FMR). If

the application includes units in more than one FMR area, the per unit AC for each unit size and building type shall be determined by multiplying 12 times the weighted average of the applicable Moderate Rehabilitation FMRs.

Example: A PHA with Statewide jurisdiction has a project application for 20 three-bedroom units (\$300 FMR) 30 three-bedroom units (\$275 FMR), and 50 four-bedroom units (\$325 FMR). The per unit AC for the three-bedroom units would be determined as follows:

$$20 \times \$300 \times 12 = \$72,000$$

$$30 \times \$275 \times 12 = \$99,000$$

$$\$171,000 / 50 = \$ 3,420$$

In this example, the per unit AC for the four-bedroom units would be \$3,900 (\$325 x 12) since there is only one FMR for this unit size.

b. For a PHA with Moderate Rehabilitation projects under ACC, the MHR shall calculate contract authority for new projects in accordance with subparagraph (a) (see also paragraph 4-1 for guidance if more than one application is submitted by the PHA during the same fiscal year).

c. Upon completion of these calculations, the MHR shall assemble applications recommended for approval and shall prepare a memorandum explaining the basis for recommended approvals.

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