

U.S. Department of Housing and Urban Development

PUBLIC AND INDIAN HOUSING

Special Attention of:	Transmittal Handbook No.:
Public Housing Agencies; Indian Housing	7485.1 REV-4
Authorities, Regional Administrators;	
Regional Public Housing Directors;	Issued: December 20, 1989
Field Office Managers; Housing	
Management Division Directors; Chiefs,	
Assisted Housing Management Branches;	
OIP Managers	

1. This Transmits

Changes to the Public and Indian Housing Comprehensive Improvement Assistance Program Handbook 7485.1 REV-4, dated December 20, 1989.

2. Explanation of Material Transmitted: Changes are marked by asterisks on the text. Major changes include the following:

Chapter 1:

- * Inclusion of definition of Comprehensive Plan for Modernization (CPM).
- * Inclusion of Annual Contributions Contract (ACC) requirement for prior HUD approval of force account labor.
- * Inclusion of definitions of hard costs and soft costs, and nondiscrimination funding preference.
- * Incorporation of expanded eligible categories of work under definition of special purpose modernization.

Chapter 2:

- * Incorporation of revision to financial feasibility in that total modernization "hard" costs cannot exceed 62.5 percent of cost guidelines for nonelevator structures (69 percent for elevator structures) since cost guidelines are now based on total development cost.
- * Clarification of management improvement costs, including PHA-wide improvements, drug elimination activities, resident training activities, technical assistance to resident management corporations, economic development activities and administration of equal opportunity requirements.
- * Revision of 10 percent limitation on combined planning and management improvements to include equipment related to drug elimination activities.

-
- * Clarification that to be eligible for funding, administrative salaries must be based on direct charges, not prorations.
 - * Strong encouragement of resident employment.
 - * Clarification of eligibility of demolition and unit conversion costs and ineligibility of costs related to development of new units.
 - * Allowance of expendable nondwelling equipment to carry out HUD-approved force account work.

Chapter 3:

- * Streamlining of application process by eliminating the two application (preliminary and final) requirement and requiring only one complete application up-front, followed by Joint Review, funding decisions, and budget submission, and combining the technical review and cost benefit/improved habitability review into one technical review; elimination of requirement for Form HUD-52821, Project Profile; revision of Form HUD-52824, Five-Year Funding Request Plan (formerly Preliminary Application); incorporation of requirement for certification for a drug-free workplace; and provision for a new type of modernization for projects which have been comprehensively modernized.
- * Requirement that, beginning in 1991, PHAs which miss any deadline date, as set forth in the latest HUD-approved Project Implementation Schedule, without a valid reason, will be eligible only for emergency modernization.
- * Provision of expanded eligibility requirements for processing and fund reservation.
- * Provision of authority to Field Offices to make funding decisions, except for large, non-Indian Troubled PHAs for which decision authority will continue to reside in the Regional Offices. Funds unused for Troubled PHAs will be made available to other unfunded, top-ranked projects of non-Indian PHAs.
- * Provision for fast-tracking emergencies.

12/89

Page 2

Chapter 4:

- * Provision for four types of Modernization Project Grant Amendments to Consolidated ACC.

- * Provision that, for Mutual Help projects where the original development was funded through grants, no interest is used to compute new purchase price schedules.

Chapter 5:

- * Requirement for PHA to make available to residents a copy of the submitted and approved CIAP Application.
- * Requirement for resident/homebuyer involvement after modernization program approval.

Chapter 6:

- * Incorporation of references to lead-based paint testing and abatement requirements.
- * Incorporation of requirement for compliance with Section 504 of Rehabilitation Act of 1973 and HUD implementing regulations, 24 CFR Part 8.
- * Incorporation of revised relocation requirements for rehabilitation, demolition or acquisition for CIAP-funded projects.
- * Incorporation of requirement regarding preemption of State prevailing wage requirements.

Chapter 7:

- * Use of Project Implementation Schedule to determine PHA modernization capability in future years.
- * Allowance of revision to Project Implementation Schedule only where there is a HUD-approved time extension.

Chapter 8:

- * Revision to reflect applicability of uniform grant requirements under 24 CFR Part 85.

Chapter 9:

-
- * Revision to reflect applicability of uniform grant requirements under 24 CFR Part 85.
 - * Requirement for Field Office participation in final inspection where per unit modernization cost exceeds \$10,000.
 - * Provision for different types of Field Office review of construction contract settlement documents over certain dollar amounts.

- * Provision for HUD establishment of thresholds to allow PHA certification on management and other professional service contracts.

Chapter 10:

- * Elimination of chapter on fund requisitions and inclusion of reference to Rapid Housing Payment System.
- * Revision of due date for PHA submission of quarterly progress reports to 45 calendar days after the end of a quarter.
- * Incorporation of notice material on fund obligations and time extensions and fund expenditures.
- * Provision for HUD establishment of thresholds to allow PHA certification on budget revisions.
- * Provision that adequacy of PHA inspections will affect HUD's determination of PHA modernization capability in future years
- * Increase in required HUD on-site monitoring.

Appendices

- * Provision of revised CIAP final rule (Appendix 1).
- * Provision of revised Joint Review Checklist and Monitoring Checklist for Field Office use (Appendices 8 and 18).
- * Requirement that, beginning in FFY 1991, there will be a new CPM requirement for PHAs to evaluate their overall management operation against the Performance Indicators, and, where deficiencies are identified, develop annual performance targets for a rolling five-year period.

12/89

Page 4

3. Cancellation:

Public Housing Comprehensive Improvement Assistance Program Handbook 7485.1 REV-3, dated January 1988.

4. Forms Alert:

Revised Forms HUD-52824 and 52825 and new Forms HUD-50070 and 52820 will be distributed separately to HUD Regional and Field Offices and to PHAs.

General Deputy Assistant Secretary for
Public and Indian Housing

TABLE OF CONTENTS

Paragraph		Page
CHAPTER 1. INTRODUCTION		
1-1.	Purpose	1-1
1-2.	Applicability	1-1
1-3.	Definitions	1-1
1-4.	General Legislative and Financial Provisions	1-6
1-5.	Use of Community Development Block Grants	1-7
1-6.	Inapplicability of Section 213 of Housing and Community Development Act of 1974	1-8
1-7.	Applicability of Executive Order 12372	1-8
1-8.	Uniform Administrative Requirements	1-8
CHAPTER 2. ELIGIBLE COSTS		
2-1.	Physical Improvement Costs	2-1
2-2.	Cost Guidelines	2-2
2-3.	Management Improvement Costs	2-4
2-4.	Relocation Costs	2-11
2-5.	Correction of Development Deficiencies	2-11
2-6.	Planning Costs	2-12
2-7.	Administrative Costs	2-13
2-8.	Lead-Based Paint Testing and Abatement Costs	2-15
2-9.	Physical Accessibility Costs	2-15
2-10.	Demolition, Conversion, and Related New Development Costs	2-15
2-11.	Homeownership Projects	2-16
2-12.	Use of Development Accounts	2-16
CHAPTER 3. APPLICATION PROCESSING		
3-1.	Introduction	3-1
3-2.	Fund Assignment	3-1
3-3.	Notification of Fund Availability	3-1
3-4.	Consultation	3-1
3-5.	Comprehensive Plan for Modernization (CPM)	3-2
3-6.	CIAP Application	3-3
3-7.	Eligibility Review	3-5
3-8.	Processing Groups	3-7
3-9.	Project Viability Review	3-8
3-10.	Technical Review	3-10
3-11.	Joint Review Selections	3-12
3-12.	PHA Notification	3-13
3-13.	State Notification	3-14
3-14.	Scheduling and Waiver of Joint Reviews	3-15
3-15.	PHA Preparation for Joint Review	3-16

Paragraph		Page
3-16.	Field Office Preparation for Joint Review	3-18
3-17.	Purpose, Conduct and Duration of Joint Review	3-18
3-18.	Joint Review Coverage	3-19
3-19.	Comprehensive Modernization Approach	3-23
3-20.	Additional Funds for Previously Approved Comprehensive Modernization	3-25
3-21.	Limitations on Special Purpose Modernization	3-26
3-22.	Environmental Review	3-27
3-23.	Funding Decisions	3-28
3-24.	Submission of Budget	3-30
3-25.	Field Office Approval/Disapproval Letter	3-31
3-26.	Fast-Tracking Emergencies	3-33

CHAPTER 4. FUND RESERVATION AND ACC AMENDMENT

4-1.	Financial Controls FFYs 1977-1986	4-1
4-2.	Financial Controls FFY 1987 and Subsequent Years	4-3
4-3.	Preparation of Program Approval Documents	4-3
4-4.	Program Approval and Fund Reservation	4-3
4-5.	Transmittal of HUD Notification	4-5
4-6.	Distribution of Approved Documents	4-5
4-7.	Annual Contributions Contract Grant Amendment	4-6
4-8.	Special Requirements for Homeownership Projects	4-7
4-9.	Special Requirements for Section 23 Leased Housing Bond-Financed Projects	4-9
4-10.	Declaration of Trust	4-11

CHAPTER 5. RESIDENT/HOMEBUYER CONSULTATION AND INVOLVEMENT REQUIREMENTS

5-1.	Resident Consultation	5-1
5-2.	Homebuyer Consultation	5-2
5-3.	Resident/Homebuyer Involvement	5-3

CHAPTER 6. OTHER PROGRAM REQUIREMENTS

6-1.	Civil Rights Compliance	6-1
6-2.	Minority and Women's Business or Indian Enterprise Opportunity	6-3
6-3.	Environment	6-5
6-4.	Flood Insurance	6-5
6-5.	Lead-Based Paint Poisoning Prevention	6-6
6-6.	Physical Accessibility and Nondiscrimination Based on Handicap	6-6
6-7.	Relocation and Acquisition	6-6
6-8.	Energy Conservation	6-14

Paragraph		Page
6-9.	Wage Rates	6-14
6-10.	Insurance	6-17

CHAPTER 7. IMPLEMENTATION

7-1.	HUD-Established Thresholds and PHA Certifications	7-1
7-2.	Project Implementation Schedule	7-1
7-3.	PHA Staffing	7-4

CHAPTER 8. ARCHITECTS/ENGINEERS

8-1.	Determination of Need	8-1
8-2.	Selection Process	8-1
8-3.	Form of Agreement	8-3
8-4.	Contract Cost	8-3
8-5.	HUD-Established Threshold	8-4
8-6.	PHA Certification	8-5
8-7.	HUD Review and Approval	8-5

CHAPTER 9. PROCUREMENT AND CONTRACT ADMINISTRATION

Section 1. General

9-1.	Introduction	9-1
9-2.	Methods of Procurement	9-1
9-3.	Procurement Requirements	9-2

Section 2. Bid Advertisement

9-4.	PHA Preparation	9-2
9-5.	Bid Package	9-7
9-6.	HUD-Established Threshold	9-7
9-7.	PHA Certification	9-9
9-8.	HUD Review and Approval	9-9
9-9.	Invitation for Bids	9-10

Section 3. Contract Award

9-10.	Bid Opening and Evaluation	9-12
9-11.	PHA Submission and Certification	9-14
9-12.	HUD Review and Approval	9-15
9-13.	PHA Contract Award	9-17

Section 4. Construction Contract Administration

9-14.	PHA Responsibilities	9-19
9-15.	HUD Responsibilities	9-20

Paragraph		Page
9-16.	Subcontractors	9-20
9-17.	Contractor Payroll	9-20
9-18.	Construction Progress Schedule	9-21
9-19.	Schedule of Amounts for Contract Payments	9-21
9-20.	Contract Payments	9-22
9-21.	As-Built Drawings	9-23
9-22.	Shop Drawings and Materials	9-23
9-23.	Contract Modifications	9-24
9-24.	HUD Review and Approval of Contract Modifications	9-27
9-25.	Time Extensions	9-28
9-26.	Disputes and Claims	9-30
9-27.	Liquidated Damages	9-31

Section 5. Contract Completion and Settlement

9-28.	Early Occupancy	9-31
9-29.	Final Inspection	9-32
9-30.	Settlement Documents	9-33
9-31.	PHA Submission and HUD Approval	9-33
9-32.	Payment to Contractor	9-34
9-33.	Warranty Inspections	9-35

Section 6. Contracts for Management Improvements and Other Professional Services

9-34.	Determination of Need	9-35
9-35.	Selection Process	9-35
9-36.	HUD-Established Threshold	9-37
9-37.	PHA Certification	9-38
9-38.	PHA Submission and HUD Approval	9-38
9-39.	Abandonment or Termination	9-40

CHAPTER 10. MONITORING AND EVALUATION

Section 1. General

10-1.	Introduction	10-1
10-2.	PHA Responsibilities	10-1
10-3.	HUD Responsibilities	10-1

Section 2. Fund Requisitions

10-4.	General	10-2
-------	---------	------

Section 3. Quarterly Progress Reports

10-5.	PHA Submission	10-2
-------	----------------	------

Paragraph		Page
10-6.	HUD Review and Action	10-3
10-7.	Modernization Quarterly Reporting System (MQRS)	10-4
10-8.	Time Extensions and Use of Leftover Funds	10-5
10-9.	Fund Expenditures	10-8
Section 4. Budget Revisions		
10-10.	Total Funding Limitation	10-9
10-11.	HUD-Established Threshold	10-9
10-12.	PHA Certification	10-10
10-13.	HUD Review and Approval	10-11
10-14.	Offsets between Work Items or Projects	10-12
Section 5. On-Site Inspections		
10-15.	Inspections by PHA	10-12
10-16.	Inspections by Architect/Engineer	10-13
10-17.	Monitoring by HUD	10-13
Section 6. Corrective Action		
10-18.	HUD Follow-Up	10-15
10-19.	HUD Action	10-15
CHAPTER 11. CANCELLATION OR RECAPTURE OF CIAP FUNDS		
11-1.	Introduction	11-1
11-2.	Definitions	11-1
11-3.	Current Fiscal Year Cancellations	11-1
11-4.	Prior Fiscal Year Recaptures	11-2
CHAPTER 12. FISCAL CLOSEOUT OF MODERNIZATION PROGRAMS		
12-1.	Introduction	12-1
12-2.	Final Budget Revisions	12-1
12-3.	PHA Submission of Final Quarterly Report and Actual Modernization Cost Certificate	12-1
12-4.	HUD Review	12-1
12-5.	Audit Verification of Actual Modernization Cost Certificate	12-2
12-6.	HUD Approval of Actual Modernization Cost Certificate	12-2
12-7.	Recaptures as Part of Forgiveness	12-4

APPENDICES

1. Comprehensive Improvement Assistance Program Regulation, 24 CFR Part 968
2. Use of CIAP Funds for Drug Elimination Activities
3. Listing of Development Accounts That May Be Used in the Comprehensive Improvement Assistance Program
4. Listing of Development Accounts That May Not Be Used in the Comprehensive Improvement Assistance Program
5. Form HUD-52824, Five-Year Funding Request Plan
6. Form HUD-50070, PHA Certification for a Drug-Free Workplace
7. Form HUD-52820, PHA/IHA Board Resolution Approving CIAP Application
8. Joint Review Checklist
9. Form HUD-52825, Comprehensive Assessment/Program Budget
10. Form HUD-52823, Project Financial Forecast
11. Form HUD-52541, Project Accounting Data
12. Forms HUD-53009A, B, C, D, Modernization Project Grant Amendment to Consolidated Annual Contributions Contract
13. Reserved
14. Wage Decision Guide
15. Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments; 24 CFR 85.36, Procurement, and 24 CFR 85.37, Subgrants.
16. Sample Modernization Contract Status Control Log
17. Form HUD-52826, Schedule/Report of Modernization Expenditures
18. Monitoring Checklist
19. Reserved
20. Reserved
21. Form HUD-53001, Actual Modernization Cost Certificate
22. Comprehensive Plan for Modernization

12/89

LIST OF REPORTING REQUIREMENTS

I. Public Use Forms/Reports

Form/Report Number	Title	OMB Clearance Number
None	Evidence of Tenant Consultation	2577-0048
None	Evidence of Homebuyer Consultation	2577-0048
None	Evidence of Local Official Consultation	2577-0048
None	Management Needs Assessment	2577-0044
HUD-52824	Five-Year Funding Request Plan	2577-0044
HUD-52825	Comprehensive Assessment/Program Budget	2577-0044
None	Narrative Statement on Technical Review Factors	2577-0044
None	Replacement Reserve Estimate	2577-0044
HUD-52823	Project Financial Forecast	2577-0044
None	Listing of Participating Homeownership Units/Costs	2577-0044
None	Modernization Organization and Staffing Plan	2577-0044
None	PHA Report on Local Compliance with Cooperation Agreement	2577-0044
HUD-50070	PHA Certification for a Drug-Free Workplace	2577-0044
HUD-52820	PHA/IHA Board Resolution Approving CIAP Application	2577-0044
HUD-52827	Physical Needs Assessment	2577-0047
None	Certificates of Insurance	2577-0046
HUD-2516	Contract and Subcontract Activity Report for Public and Indian Housing Programs	2577-0088
None	Bidding Control Record	2577-0039
HUD-5371	Request for Acceptance of Subcontractor	2577-0039
None	Register of Change Orders and Time Extensions	2577-0039
None	Disputes and Claims Records/Findings for Liquidated Damages/PHA Contract Report	2577-0039
HUD-5372	Construction Progress Schedule	2577-0039
HUD-51000	Schedule of Amounts for Contract Payments	2577-0039

Form/Report Number	Title	OMB Clearance Number
HUD-52826	Schedule/Report of Modernization Expenditures	2577-0049
None	Narrative Report on Management Improvements	2577-0049
HUD-53001	Actual Modernization Cost Certificate	2577-0049
None	Request for Proposal for Professional Services Relating To Management Improvements	2577-0049
None	Project Implementation Schedule	2577-0065
HUD-51001	Periodical Estimate for Partial Payment	2577-0025
HUD-51002	Schedule of Change Orders	2577-0025
HUD-51003	Schedule of Materials Stored	2577-0025
HUD-51004	Summary of Materials Stored	2577-0025
HUD-2530	Previous Participation Certificate	2502-0118
HUD-51915	Agreement Between Owner and Architect	2577-0015
HUD-5369	Instructions to Bidders	Exempt
HUD-5370	General Conditions	2577-0094
HUD-5370A	Supplementary Conditions of the Contract for Construction (Non-routine Maintenance	Exempt
HUD-52554	Supplement to the General Conditions of the Contract for Construction	Exempt
HUD-9009	General Certificate	2577-0033
HUD-53009A	Modernization Project Grant Amendment to Consolidated Annual Contributions Contract for non-Indian rental and homeownership projects	Exempt
HUD-53009B	Modernization Project Grant Amendment to Consolidated Annual Contributions Contract for Section 23 Leased Housing Bond-Financed Projects	Exempt

Form/Report Number	Title	OMB Clearance Number
HUD-53009C	Modernization Project Grant Amendment to Consolidated Annual Contributions Contract for Indian rental projects	Exempt
HUD-53009D	Modernization Project Grant Amendment to Mutual Help Consolidated Annual Contributions Contract	Exempt
HUD-52190B	Declaration of Trust (Non-Indian Grants)	Exempt
HUD-52190C	Declaration of Trust (Indian Grants)	Exempt

II. Internal Forms/Reports

Form/Report Number	Title	HUD Clearance Number
None	Field Office Exception Report on All Modernization Approved After FFY 1974	HI00503R
None	Regional Office Summary Report on All Modernization Approved After FFY 1974	HI00503R

12/89

CHAPTER 1. INTRODUCTION

- 1-1. PURPOSE. Section 14 of the United States Housing Act of 1937, as amended by the Housing and Community Development (HCD) Act of 1980, substituted for the existing Public Housing Modernization Program a new Comprehensive Improvement Assistance Program (CIAP), beginning in Federal Fiscal Year (FFY) 1981. Under the CIAP, the Department of Housing and Urban Development (HUD) provides financial assistance to Public Housing Agencies (PHAs), including Indian Housing Authorities (IHAs), to improve the physical condition and upgrade the management and operation of existing public housing projects to assure that such projects continue to be available to serve lower income families. This Handbook provides instructions, guidelines and processing procedures for use by HUD Field and Regional Offices, PHAs and other participants involved in the comprehensive improvement of public housing projects. The CIAP Regulation, 24 CFR Part 968, is attached as Appendix 1.
- 1-2. APPLICABILITY.
- a. This Handbook applies to PHA-owned lower income public housing projects, including conveyed Lanham Act and Public Works Administration (PWA) projects, and to Section 23 Leased Housing Bond-Financed projects. All references in this Handbook shall apply to IHAs, as well as non-Indian PHAs, unless specifically stated. This Handbook also applies to the implementation of modernization programs which were approved before FFY 1981.
 - b. This Handbook does not apply to projects under the Section 23 Leased Housing Non Bond-Financed Program, the Section 10(c) Leased Housing Program, and the Section 23 and Section 8 Housing Assistance Payments Programs.
- 1-3. DEFINITIONS. The following definitions are used throughout this Handbook:
- a. Act means the United States Housing Act of 1937, as amended (42 U.S.C. 1437 et seq.).
 - b. Annual Contributions Contract (ACC) means a contract under the Act between HUD and the PHA, containing the terms and conditions under which, before FFY 1987, the Secretary made loans and annual contributions to assist PHAs in providing decent, safe and sanitary housing for

lower income families and provided modernization funds to PHAs to improve existing public housing projects. Beginning with FFY 1987, the Secretary provides modernization funds to PHAs through capital grants.

- * c. CIAP funds mean funds derived from an allocation of budget authority for the purpose of financing physical and managements improvements under an approved modernization program. *
- d. Comprehensive modernization means a modernization program for a project which provides for all needed physical and management improvements, including all energy conservation measures determined by HUD to be cost-effective.
- * e. Comprehensive Plan for Modernization (CPM) means a master plan developed by the PHA which identifies, on a PHA-wide and individual project basis, the current physical and management improvement needs of its entire public housing stock, sets forth strategies for addressing those needs, and discusses the results of the viability reviews conducted for every project. The CPM also includes the five-year funding request plan, which is updated annually (see subparagraph j). All PHAs, excluding IHAs, with 500 or more units in management are required to submit the CPM. *
- f. Emergency modernization means a modernization program for a project that is limited to physical work items of an emergency nature, posing an imminent threat to the life, health and safety of residents or related to fire safety. Such work items must be corrected within one year of funding approval. Under emergency modernization, management improvements are not eligible modernization costs.
- g. Field Office means the HUD Office with which the PHA normally transacts its lower income housing business.
- * h. Financial feasibility means that the physical improvement costs (hard costs) of a modernization program for a project do not exceed a certain percentage of the cost guidelines for a new project. See paragraph 2-2. *
- i. Financially distressed PHA means a PHA that has an operating reserve level of 20 percent or less of its authorized maximum or other level as determined by HUD, as shown on the latest year-end financial statement. See paragraph 2-6c.

-
- * j. Five-year funding request plan means the PHA's plan for requesting CIAP funds which reasonably can be expected to be made available over the next five years to meet the needs identified in the CPM. Prioritized by project and type of modernization, the plan is submitted as part of the CIAP Application and is updated annually to cover a rolling five-year period. The plan provides for gross

estimates of the total needs of the projects for which comprehensive modernization is requested and for gross estimates of the specialized needs of the projects for which other types of modernization are requested. For small PHAs (under 500 units) and IHAs which were not required to develop a CPM, the five-year funding request plan is the only required planning document. See paragraph 3-6a.

- k. Force account labor means labor employed directly by the PHA on either a permanent or a temporary basis. Under Section 107(D) of the ACC, use of force account labor requires prior HUD (Field Office) approval.
- l. Hard costs mean the physical improvement costs in development accounts 1450 through 1475. *
- m. Homebuyer Agreement means a Mutual Help and Occupancy Agreement or a Turnkey III Homebuyer's Ownership Opportunity Agreement.
- n. Homeownership modernization means a modernization program for a project that is under the Turnkey III Homeownership Opportunities Program or the Mutual Help Homeownership Opportunities Program. Under homeownership modernization, limited physical improvements are eligible modernization costs, but management improvements are not eligible modernization costs. See paragraph 2-11.
- o. Lack of management capability means that the PHA has inadequate management practices, as determined by the Field Office on the basis of regular monitoring and performance of on-site reviews, audits and surveys, as well as the Annual Performance Review, in accordance with the Field Office Monitoring of PHAs Handbook 7460.7 REV-1, and that the PHA has not taken appropriate corrective action. Management practices which are to be considered include, but are not limited to: management, financial and accounting controls; tenant selection and eviction; occupancy levels; rent collection; maintenance; and administration of equal opportunity requirements. See paragraph 2-3. *

12/89

1-3

-
- p. Lack of modernization capability means that the PHA has previously approved, but unobligated modernization funds that are past the fund obligation deadline date set forth in the HUD-approved Project Implementation Schedule, and that the Regional Office has determined that the failure to obligate such funds is due to reasons within the PHA's control. "Unobligated" means the PHA has not awarded contracts or started force account work for use of the funds. *

"Reasons within the PHA's control" means that the PHA did not take every feasible action toward completion and excludes lengthy delays outside of the PHA's control, such as litigation, environmental reviews, strikes, HUD delay and other reasons determined to be valid by the Field or Regional Office. *

q. Modernization program means a PHA's program for carrying out modernization, as set forth in the proposed or approved CIAP Application.

r. Modernization Project means the improvement of one or more existing public housing projects. This is in contrast to the term "project" which means an individual development project with a unique project number.

* s. Nondiscrimination funding preference means a priority for funding is given to correct physical disparities between minority and non-minority buildings where the non-Indian PHA has a HUD-approved nondiscrimination plan. *

t. Nonroutine maintenance means work items that ordinarily would be performed on a regular basis in the course of upkeep of a property, but have become substantial in scope because they have been put off and that involve expenditures that would otherwise materially distort the level trend of maintenance expenses. Nonroutine maintenance may include replacement of equipment and materials rendered unsatisfactory because of normal wear and tear by items of substantially the same kind. Work that constitutes reconstruction, a substantial improvement in the quality and kind of original equipment and materials, or remodeling that alters the nature or type of housing units is not nonroutine maintenance.

u. Simple payback period means the number of years required to accumulate net annual savings equal to the cost of the work item. It is calculated by dividing

12/89

1-4

the cost of the work item by the estimated net annual savings resulting from the work item, taking into account changes in operating and maintenance costs, but not interest and inflation. It is used to determine the eligibility of energy conservation work items which must have a 15-year or less simple payback and a useful life equal to or greater than the payback term to be eligible for funding.

* v. Soft costs mean the non-physical improvement costs and exclude any costs in development accounts 1450 through 1475.

w. Special purpose modernization means a modernization program for a project that is limited to any one or more of the following types of physical improvements otherwise eligible for CIAP funding, subject to a HUD determination that the physical improvements are necessary and sufficient to extend substantially the useful life of the project, beyond that which it would have if such improvements were not made. Examples cited in each category are for illustration only. See paragraph 3-21 for limitations on special purpose modernization. Under special purpose modernization, management improvements are not eligible costs.

- (1) Physical improvements to replace or repair major equipment systems (such as elevators and heating, cooling, electrical, electrical call, fire protection, and water and sewer systems) or structural elements (such as roofs, walls and foundations).
 - (a) Major equipment systems mean building/project mechanical and operating units with individual elements that are so interconnected that discrete components within these elements are not readily adaptable for repair or replacement without affecting the entire unit. Ineligible for funding are kitchens (cabinets, ranges, refrigerators, sinks) and bathrooms (bathtubs, showers, sinks, toilets).
 - (b) Structural elements mean components which are necessary to protect the structural integrity of the building. Siding is eligible for funding under structural elements only if it is currently part of the building envelope and its replacement is *

12/89

1-5

* necessary to protect the building's structural integrity.

- (2) Physical improvements to upgrade security, such as installation of additional lighting, security screens on windows, better locks, or design changes to enhance security. Ineligible for funding are non-physical improvements, such as security staffing and services, automobiles, scooters, and walkie-talkies;
- (3) Physical improvements to increase accessibility for elderly and handicapped families, according to the applicable standards of 24 CFR Part 8;

- (4) Physical improvements to reduce the number of units which are vacant and substandard and which are limited to improvements necessary to meet local code requirements and return the units to a condition that is comparable to that of occupied units in the same project. Eligible work includes kitchens, bathrooms and components of such, as well as work outside of the vacant units, such as hallways and common areas which contain code violations affecting the occupancy of the units; and
- (5) Cost-effective physical improvements to increase the energy efficiency of the project. *

- x. Type of modernization means one of the following: comprehensive; emergency; special purpose; or homeownership.
- y. Work item means any separately identifiable unit of work constituting a part of a modernization program.

1-4. GENERAL LEGISLATIVE AND FINANCIAL PROVISIONS.

- a. Legislative Provisions. The Act was amended in 1974 to provide that a low-income project, for which HUD may enter into an ACC, may include "the improvement" of low-income housing. Therefore, HUD may enter into a separate commitment to finance the cost of improvement, which includes modernization, over a separate ACC term, without regard to the number of years elapsed under the maximum ACC term for payment of the original development debt.
- b. Before FFY 1987. Beginning on July 1, 1978, each

12/89

separate Modernization Project included all of the PHA's projects that were approved for modernization at the same time and that were under the same consolidated ACC, and had a maximum contribution period of twenty years, regardless of the number of years that had elapsed under the original ACC terms of the projects involved. Each project included under the Modernization Project was subject to the ACC and HUD requirements for public housing operation for a period of twenty years from the time the first annual contribution was payable on the modernization debt (subject to sale of homeownership units in accordance with the terms of the ACC). The period of amortization of the modernization debt of the Modernization Project did not affect the term for payment of annual contributions to amortize the original development debt. Where a project was under ACC after

expiration of the original term because of its inclusion in a Modernization Project, HUD approved payment of operating subsidy for the project under the applicable regulation.

- c. FFY 1987 and Subsequent FFYs. Beginning with FFY 1987, CIAP funds are provided through grants not loans. Each project included under the Modernization Project shall be subject to the ACC and HUD requirements for a period of twenty years from the date the ACC is amended.

1-5. USE OF COMMUNITY DEVELOPMENT BLOCK GRANTS.

- a. Rehabilitation as an Eligible Activity. The eligible uses of Community Development Block Grant (CDBG) funds under Title I of the Housing and Community Development (HCD) Act of 1974, as amended, are set forth in 24 CFR Part 570, Subpart C, and include, but are not limited to, the physical rehabilitation of publicly-owned, low-income housing.
- b. Use of CDBG Funds. Interested PHAs should contact the unit of general local government submitting a final statement or application, regarding the possibility of including modernization activities in the CDBG program. PHAs shall inform the Field Office Assisted Housing Management Branch (AHMB) of proposed modernization for which CDBG funds have been requested. The AHMB shall consult periodically with the Field Office Community Planning and Development (CPD) Division so that it is informed of when modernization activities have been specified in annual CDBG final statements. Such information may not be available for units of general local government receiving CDBG funds from the States.

1-7

12/89

-
- c. Coordination of Funds. PHAs that are receiving modernization funds and CDBG funds for the same project shall enter the CDBG funds on Form HUD-52825, Comprehensive Assessment/Program Budget, as "Operating Funds Provided by PHA" - CDBG, to ensure appropriate coordination of funds and avoid duplication of work items.

- * d. Application of CDBG Requirements. If CDBG funds are used to pay any of the costs of the rehabilitation work under CIAP, the project also is subject to the requirements of section 104(d) of the HCD Act of 1974, as amended, and implementing regulations at 24 CFR 570.606(b) for the Entitlement Program and HUD-administered Small Cities Program or 24 CFR 570.496a(b) for the State CDBG Program. These regulations require that certain additional relocation assistance be provided to any lower income tenant displaced by the conversion of a lower income dwelling

unit to non-dwelling use or by demolition and that such demolished or converted unit be replaced. *

1-6. INAPPLICABILITY OF SECTION 213 OF HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974. The requirements of Section 213 of the HCD Act of 1974, as amended (24 U.S.C. 1439), for review of applications by units of general local government do not apply to CIAP Applications for modernization of existing public housing projects. See paragraph 3-4c for required PHA consultation with local officials.

1-7. APPLICABILITY OF EXECUTIVE ORDER 12372. The requirements of Executive Order (E.O.) 12372 on Intergovernmental Review of Federal Programs apply to certain CIAP Applications for modernization of existing public housing projects, excluding Indian projects. If a State selects the CIAP to review and the application meets the other qualifying criteria, the Field Office must provide the State with an opportunity to comment on the CIAP Application under HUD's implementing regulation, 24 CFR Part 52. See paragraph 3-13.

* 1-8. UNIFORM ADMINISTRATIVE REQUIREMENTS. The Uniform Administrative Requirements for Grants and Cooperative Agreements to States and Local Governments, as set forth in 24 CFR Part 85, applies to CIAP funds, except as specified in 24 CFR Part 968. See Chapters 8 and 9. *

CHAPTER 2. ELIGIBLE COSTS

2-1. PHYSICAL IMPROVEMENT COSTS.

- a. Long-Term Viability. No physical improvements, other than those necessary to correct immediate emergencies, shall be approved unless HUD determines that the project, after modernization, will have long-term physical and social viability (see paragraph 3-9).
- b. Mandatory Standards. All funded improvements in projects rehabilitated under the CIAP shall comply with the mandatory physical standards, set forth in the Public Housing Modernization Standards Handbook 7485.2 REV-1, whenever there is a component that is not functional or serviceable. The mandatory standards include energy conservation measures (ECMs) which have been identified by an updated energy audit as having a simple payback of 15 years or less (the cost of the ECM divided by the annual value of the energy saved) and a useful life equal to or greater than the payback term.

* Refer to Workbook HUD-PDR-700(3). Before recommending funding of ECMs, the Field Office shall take into account the following: Headquarters-provided annual estimates of long-term borrowing rates and long-term inflation rates for fuel oil, natural gas, and electricity; associated changes in ongoing maintenance and operating (other than energy) costs; and the PHA's operating experience. See paragraph 6-8 regarding update of energy audits. *

- c. Premature Replacement. Premature replacement of serviceable building components, systems, equipment or materials is not approvable under the CIAP, except where a life-cycle analysis indicates that the ECM will be cost-effective, assuming a simple payback term of 10 years or less. Refer to HUD Handbook 7418.1, Preparation of a Life-Cycle Cost Analysis for Utility Combinations, for guidance. However, before approving the premature replacement of relatively new or functional items, the Regional and Field Offices shall exercise judgment regarding whether it is in the best economic interest of the Department and the PHA. Therefore, compliance with the Modernization Standards will occur over a period of time as needed replacements are made.
- d. Project Specific Work. The mandatory standards may only be exceeded when necessary or highly desirable for

12/89

2-1

the long-term physical and social viability of the individual project, including site and building security. Work exceeding the standards is project

specific and not applicable to all projects. Such work responds to differences in climate, location, building type, resident use and concerns, and management/maintenance systems. Work exceeding the standards may not be justified on the basis of competition with other assisted or subsidized housing. Where work exceeding the standards is proposed, the PHA shall discuss the work items with the Field Office at the Joint Review and

* provide written justification, if requested, for each work item.

2-2. COST GUIDELINES. The Regional Office shall not approve a modernization program for a project, excluding modernization under Group 1, where CIAP funds or operating funds or reserves will be used to pay any cost in development accounts 1450 through 1475 (hard costs) which exceeds 62.5 percent of the published cost guidelines for nonelevator units (69 percent for elevator units) for construction of similar units in the area. The cost guidelines are now based on Total Development Cost (TDC). The PHA may use funds from other sources, such as CDBG funds or, in compliance with paragraph 8-2d of HUD Handbook 7420.7 CHG-4, excess Section 8 administrative fees, to exceed cost guidelines. The cost guidelines are used to indicate when a modernization program may not be financially feasible and Headquarters review is warranted. High costs raise questions regarding the long-term viability of the project; i.e., whether the improvements can be sustained and whether sufficient efforts have been made to reduce costs.

a. Calculation. This calculation is not required for modernization under Group 1. To calculate the cost guideline limit, the Field Office shall obtain the most recently published cost guidelines for the type and size of units that will be in the project after modernization; i.e., following any unit conversion or demolition. The Field Office shall not adjust the published cost guidelines for inflation or other reasons. The Field Office shall then compare the total cost guideline limit to the modernization hard costs proposed for the current fiscal year. For comprehensive modernization, use the total hard costs of all stages, but exclude from the total hard costs any other types of modernization funded before or after the comprehensive modernization of the project. The following example illustrates how to calculate the cost guideline limit for a walkup project in the Northeast: *

12/89

2-2

Number of Bedrooms	Number of		Guideline Unit Cost	Total Cost
	Units After Modernization			
0-BR	20	x	\$26,250 = \$	525,000
1-BR	20	x	\$31,350 = \$	627,000

2-BR	30	x	\$34,700 = \$1,041,000
3-BR	10	x	\$41,400 = \$ 414,000
* Total Development Cost (TDC)			\$2,607,000

CIAP Hard Cost Limit for Nonelevator Units (62.5% of TDC)	\$1,629,375
CIAP Hard Cost Limit for Elevator Units (69% of TDC)	\$1,798,830

- b. Averaging Not Allowed. If the project contains dissimilar types of structures, such as a mid-rise with several low-rises, the Field Office shall separately calculate the cost guideline limit for each type of structure. The Field Office shall not average the modernization cost for dissimilar structures so that the less costly modernization on one type of structure disproportionately carries the more costly modernization on the other type of structure.
- c. Family High-Rises. To calculate the cost guideline limit for family high-rises where there are no published figures for units with three or more bedrooms, the Field Office shall multiply the two-bedroom cost guideline figure for elevator structures for each additional bedroom by the factor provided below. The following example illustrates how to calculate the cost guideline limit for a 250-unit family high-rise project:

Number of Bedrooms	Number of Units After Modernization		Guideline Unit Cost	Total Cost
1-BR	50	x	\$21,000	= \$1,050,000
2-BR	50	x	\$25,000	= \$1,250,000
3-BR	50	x(1.20x\$25,000)	\$30,000	= \$1,500,000
4-BR	50	x(1.39x\$25,000)	\$34,750	= \$1,737,500
5-BR	50	x(1.48x\$25,000)	\$37,000	= \$1,850,000
Total Development Cost (TDC)				\$7,387,500

CIAP Hard Cost Limit for Elevator Units (69% of TDC)	\$5,097,375	*
---	-------------	---

- d. Scattered Site Units. Where only a portion of the

2-3

12/89

units in a scattered site project are being comprehensively modernized, the Field Office shall calculate the cost guideline limit for only those detached and semi-detached scattered site units being modernized.

- * e. Over Six-Bedroom Units.

- (1) For detached or semi-detached units and row dwellings, the cost guideline limit for a

7-bedroom unit is derived by multiplying the 6-bedroom guideline figure by a factor of 1.03. The cost guideline limit for a 8-bedroom unit is calculated by multiplying the 6-bedroom guideline figure by a factor of 1.05. For example:

$\$60,250$ (6-bedroom) \times 1.03 = $\$62,058$ (7-bedroom)

$\$60,250$ (6-bedroom) \times 1.05 = $\$63,263$ (8-bedroom)

- f. Submission to Region and Headquarters. If the modernization hard costs exceed the cost guideline limit and the Field Office supports the modernization program, the Field Office shall submit its recommendation for approval, fully justified, to the Regional Office. The recommendation shall include a breakdown of the modernization cost by development account and work item. If the Regional Office recommends approval, the Regional Office shall forward both the Field Office's and its recommendations to Headquarters for consideration.

2-3. MANAGEMENT IMPROVEMENT COSTS.

- a. Eligibility. Management improvements that are project specific or PHA-wide in nature are eligible modernization costs under comprehensive modernization, subject to the following conditions: (Note: management improvements are ineligible modernization costs under emergency, special purpose or homeownership modernization.)
- (1) The management improvements are necessary to correct identified management problems and to sustain the physical improvements at the project to be comprehensively modernized. Special PHA management initiatives to improve the economic climate of the project to be comprehensively modernized may be eligible for funding where the PHA can demonstrate that such initiatives are necessary to sustain the physical improvements. *

*

A PHA-wide management improvement may be funded where the PHA can demonstrate that, to correct the management deficiency at the project to be comprehensively modernized, a management improvement must be undertaken which also will benefit other PHA public housing projects. If the PHA cannot demonstrate the linkage between the PHA-wide management improvement and the correction of an identified management deficiency, including sustaining the physical improvements, at the project to be comprehensively modernized, the PHA-wide management improvement is ineligible for

funding. Examples of eligible project specific and PHA-wide management improvements are:

- (a) Rent collection is a management problem at the project to be comprehensively modernized and the correction requires development and installation of new PHA-wide rent collection procedures;
- (b) PHA-wide maintenance training program where the maintenance staff at the project to be comprehensively modernized lack the necessary skills to perform their jobs, but training this staff would not be cost-effective because of the small number involved, and the maintenance staff at other PHA projects also lack skills;
- (c) Purchase of computer hardware and software for PHA-wide use to provide needed management information where lack of information is a problem at the project to be comprehensively modernized. Where the management improvement will benefit programs other than Public Housing, such as Section 8, renewal, etc., the eligible CIAP cost is limited to the amount directly attributable to the Public Housing Program. See subparagraph e for instructions on charging computer hardware and software costs;
- (d) Equal opportunity and civil rights training and development of appropriate procedures where there are management problems regarding the PHA's administration of equal opportunity requirements at the project to be comprehensively modernized; *

12/89

2-5

-
- * (e) Hiring of additional staff or use of existing staff to secure and coordinate needed social services from the public and private sectors and to establish linkages with the local community;
 - (f) Hiring of additional staff or use of existing staff to perform an economic and market assessment for the project to be comprehensively modernized to develop specific incentives for improving economic conditions; and
 - (g) Hiring of additional staff or use of existing staff to coordinate resident training

activities under subparagraph b(5).

- (2) The management improvements require additional funds for implementation and the funds are not available from other sources.
- (3) The combined costs for management improvements, including equipment related to drug elimination activities (see Appendix 2), and planning under paragraph 2-6 shall not exceed 10 percent of the estimated total hard costs (development accounts 1450 through 1475) for all stages of a project, unless specifically approved by Headquarters. Under paragraph 2-6, planning costs shall not exceed five percent of the funds available to the Field Office in a particular FFY.
- (4) Management improvement costs shall be fundable only for the implementation period of the physical improvements, unless a longer period, up to a maximum of five years, is clearly necessary to achieve HUD-approved performance targets. *
- (5) Where an approved modernization program includes management improvements which involve ongoing costs, such as security guards, HUD will not be obligated to provide continued funding or additional operating subsidy after the end of the implementation period of the management improvements. The PHA shall be responsible for finding other funding sources, reducing its ongoing management costs, or terminating the management activities.

b. Eligible Management Areas. Subject to the conditions set forth in subparagraph a, management improvements

12/89

2-6

may involve or upgrade the following areas:

- (1) Management, financial and accounting control systems of the PHA which are related to the project to be comprehensively modernized.
- (2) Adequacy and qualifications of personnel employed by the PHA in the management and operation of the project to be comprehensively modernized for each category of employment.
- (3) Adequacy and efficacy of the following for the project to be comprehensively modernized:
 - (a) Resident Programs and Services. The PHA must be able to secure and coordinate the provision of appropriate social services from

*

local government or other public and private entities. Eligible costs include the hiring of additional staff to coordinate such services as drug education, resident training, assistance to a resident management corporation (RMC), and economic development. See subparagraphs b(4), (5), (6), and (7).

- (b) Resident and Project Security. The PHA must be able to provide adequate security for the residents and adequate protection against vandalism to the property, including securing adequate police services under the terms of the Cooperation Agreement, providing necessary project surveillance and control of access, and excluding individuals who would jeopardize or evict those who are jeopardizing resident security.
- (c) Resident Selection and Eviction. The PHA must be able to screen, select and assign applicants in accordance with HUD requirements and sound management practices. The PHA also must be able to deal effectively with disruptive residents. *
- (d) Occupancy. The PHA must be able to maintain a 97 percent occupancy rate for the project after completion of the physical improvements, in accordance with its Comprehensive Occupancy Plan. The PHA must be able to prepare vacated units for reoccupancy within

a reasonable time period to achieve its occupancy goals.

*

(e) Rent Collection. The non-Indian PHA must be able to collect the rents at the project at a rate of at least 90 percent of the annual rents chargeable, plus year-end tenant rental accounts receivable (TAR). Where the PHA's TAR for tenants in possession as a percentage of the total monthly charges at the project exceeds 10 percent, the PHA must provide a plan to reduce the TAR to 10 percent within an acceptable period. In addition, the PHA must be able to carry out timely evictions for nonpayment of rent. The IHA must be able to develop and implement policies and procedures regarding rent collection which result in the stabilization and/or reduction in TARs.

- (f) Maintenance. The PHA must be able to provide adequate maintenance for the project after completion of the physical improvements, so that the units continue to meet the Section 8 Housing Quality Standards. This includes timely response to routine and emergency maintenance requests, and conduct of a preventive maintenance program for all major systems at the project and annual unit inspections.
- (g) Equal Opportunity. The PHA must be able to provide public housing on a nondiscriminatory basis.
- (4) Drug elimination activities at the project to be comprehensively modernized. See Appendix 2 for a discussion of the eligible and ineligible uses of CIAP funds for management and related physical improvements in this area and the need for PHA coordination with local governmental strategies and programs.
- (5) Resident training activities directly related to carrying out the physical and management improvements at the project to be comprehensively modernized. The PHA may choose to develop its own job training program or to participate in an existing community program. Although the training must focus on on-the-job training at the project *

12/89

2-8

* site, necessary classroom instruction is permitted.

- (a) CIAP funds may be used to pay for the following costs: program design and development; outreach and screening of tenants to be trained; instructor's salaries; purchase of curricula or preparation of new curricula; books and other training materials; course-related tools, building supplies, and materials; trainees' stipends, wages or both; consultants or contractors who perform eligible training-related tasks; rent, utilities, etc., for training facilities; and administration.
- (b) CIAP funds may not be used to pay for the following costs: general remedial education or instruction on general social skills; job counseling; job development and placement; and supportive services during training.
- (c) PHAs are strongly encouraged to hire

residents to carry out the physical and management improvements. Under Section 3 of the HUD Act of 1968, the PHA or the contractor is required to use project area residents as trainees or employees, to the greatest extent feasible, when modernization work exceeds \$500,000. Refer to paragraph 6-1c.

- (6) Technical assistance to a Resident Management Corporation (RMC), as defined in 24 CFR 964.7, at the project to be comprehensively modernized for the purpose of determining the feasibility of the resident management entity or assisting in its formation. For additional information, see 24 CFR 964.45. In addition, the PHA may contract with the RMC to carry out management improvements identified as PHA-wide or project specific. Also refer to Chapter 5 for tenant/homebuyer consultation requirements.
- (7) Economic development activities at the project to be comprehensively modernized for the purpose of carrying out activities related to the management and physical improvements or general operation of the project. Such activities may be funded by loans, such as through a revolving loan fund, to *

2-9

12/89

* resident-owned businesses; however, further information and instructions will be provided in the near future.

- (8) Study of feasibility of converting rental to homeownership units at the project to be comprehensively modernized.
- c. Where there are identified management deficiencies in the areas set forth in subparagraph b, they must be addressed as part of the comprehensive modernization, with established performance targets and regardless of whether CIAP funds are required for correction. IHAs should refer to the Administrative Capabilities Assessment (ACA) as a guide in determining the specific areas which should be targeted for correction. * Management improvements which require funding may be funded only under comprehensive modernization. See paragraph 2-7 for guidance on administrative costs.
 - d. Examples of ineligible management improvements include, but are not limited to:
 - (1) Hiring of additional staff or use of existing staff to directly provide social services to the residents of the project to be comprehensively

modernized.

- (2) Funding of ongoing operating expenses of resident organizations. However, resident organizations may be contracted with to carry out eligible physical and management improvements. Appropriate payment for these activities is an eligible cost.

- e. Where management improvements involve planning costs (i.e., costs incurred before modernization program approval), such costs shall be charged in accordance with paragraph 2-6d. Where management improvements involve administrative costs (i.e., costs to be incurred after modernization program approval), such costs shall
* be charged in accordance with paragraph 2-7d. Where management improvements involve computer systems, the computer hardware costs shall be charged to development account, Nondwelling Equipment - Office Furniture and Equipment (Account 1475.1), which is not subject to the 10 percent limitation, and the computer software and training costs shall be charged to development account, Management Improvements (Account 1408), which is subject to the 10 percent limitation. *

12/89

2-10

-
- * 2-4. RELOCATION COSTS. Relocation costs as a direct result of rehabilitation, demolition or acquisition for a CIAP-funded project are eligible costs and shall be charged to Relocation Costs (Accounts 1495.1 through 1495.5). Refer to paragraph 6-7 for specific requirements. *

2-5. CORRECTION OF DEVELOPMENT DEFICIENCIES.

a. Definitions.

- (1) Development deficiencies are project deficiencies that relate to errors or inadequacies in the design or construction of a project which become known before Field Office approval of the Actual Development Cost Certificate (ADCC). Design deficiencies result from the use of plans and specifications that fail to meet HUD and other applicable design standards in effect at the time of project approval, such as Contract of Sale, Notice to Proceed, etc. Construction deficiencies result from the use of improper construction methods or materials, poor workmanship, or failure to complete the project in accordance with HUD-approved plans.
- (2) Development funds, as used in this paragraph, are funds remaining in the Development Cost Budget, funds remaining in the ACC in excess of the Development Cost Budget, or development amendment funds.

- b. Management Concurrence in Actual Development Cost Certificate. The Chief, Mortgage Credit Branch, shall send the ADCC and all supporting documents to the Chief, Assisted Housing Management Branch (AHMB), for review and concurrence.
- c. Responsibility for Correction.
 - (1) Before Management Concurrence in ADCC. Before AHMB concurrence in the ADCC, the correction of any development deficiencies shall be financed from development funds, as defined in subparagraph a(2). If there are insufficient funds in the Development Cost Budget or ACC, that budget may be amended with available development funds, subject to limitations placed on the use of amendment funds. See the Public Housing Development Handbook 7417.1 REV-1. Where there are no remaining or inadequate development funds, the Field Office

12/89

2-11

Manager may submit a documented request to use CIAP funds to correct development deficiencies. The request shall be forwarded through the Regional Office, to the Assistant Secretary for Public and Indian Housing, Attention: Director, Office of Public Housing. The request shall describe the deficiencies, their causes, the amount of CIAP funds required for correction, and efforts by the Field Office and PHA to secure correction or indemnification from the architect or contractor, as appropriate. The request also shall state there are no remaining or inadequate development funds for correction.

- (2) After Management Concurrence in ADCC. After AHMB concurrence in the ADCC, the correction of any subsequently identified deficiencies may be financed from CIAP funds without Headquarters approval. Such deficiencies will be considered to be latent defects that could not reasonably have been foreseen by the Field Office at the time the ADCC was reviewed.

2-6. PLANNING COSTS. Planning costs are costs incurred before modernization program approval.

a. Reimbursement.

- (1) Application Development. Planning costs necessary to develop the CIAP Application and prepare for the Joint Review are eligible CIAP costs. These

costs may be reimbursed after application approval where the Regional or Field Office determine that the PHA does not have the staff or financial resources to assume these additional responsibilities or costs. If the PHA incurs planning costs without prior Field Office approval, the PHA does so with the full understanding that the costs may not be reimbursed upon modernization program approval.

- (2) Design Work. Eligible planning costs may include architectural/engineering (A/E) fees for detailed design work and preparation of the construction and bid documents or A/E or consultant fees for lead-based paint testing. Such costs shall be charged to the appropriate development account under Account 1430. The PHA may wish to incur such costs to expedite implementation of its modernization program. To minimize the risk that

12/89

2-12

- these costs will not be reimbursed upon modernization program approval, the PHA should consult with the Field Office on its modernization plan, the likelihood of subsequent funding, the amount of the fees, and the scope of the A/E's work before executing the A/E contract. See paragraph 3-18g. These planning costs will be reimbursed if the fees and scope of work are reasonable and approvable and if the PHA is subsequently selected for funding. Where the PHA is approved for multi-stage comprehensive modernization, these planning costs will be reimbursed at the time the first stage is funded.* In procuring A/E services, the PHA shall follow the selection process in paragraph 8-2 and the HUD review requirements in paragraph 8-7 where certification is not allowed.

- b. Limitations. To maximize the use of CIAP funds for needed physical improvements, the Regional or Field Office shall not approve more than 10 percent of the total hard costs for a project for combined management improvement, including equipment costs related to drug elimination activities, and planning costs. Planning costs shall not exceed five percent of the funds available to the Field Office in a particular FFY.
- c. Advance Funding. A financially distressed PHA, as defined in paragraph 1-3, may request approval for upfront funding of planning costs as a separate Modernization Project, where developing the CIAP Application would otherwise present an undue financial hardship. Where planning costs are funded, the 10 percent limitation shall apply to the estimated total

hard costs for all stages for the affected project(s). *

If, upon subsequent approval of the total hard costs, the previously approved planning costs exceed the 10 percent limitation, the PHA shall reimburse HUD for the excess amount. See paragraph 3-19c.

- d. Charging Planning Costs. Where approved by HUD, planning costs shall be charged to the appropriate development accounts, as set forth in Appendix 3. Planning costs related to management improvements shall not be charged to development account, Management Improvements (Account 1408).

- 2-7. ADMINISTRATIVE COSTS. Administrative costs necessary for the additional design and implementation of the physical and management improvements (i.e., costs to be incurred

12/89

2-13

after modernization program approval) and that are reasonable when compared with similar costs in the same area are eligible CIAP costs, as follows:

- a. Salaries. The salaries of non-technical and technical PHA personnel assigned full-time or part-time to modernization are eligible costs only where the scope and volume of the work are beyond that which could be reasonably expected to be accomplished by such personnel *
 - * in the performance of their normal duties. Any direct charges for salaries must be justified by the PHA, * authorized by the Field Office and reflected by an appropriate revision to the PHA's operating budget.
- b. Employee Benefit Contributions. PHA contributions to employee benefit plans on behalf of non-technical and technical PHA personnel are eligible costs in proportion to the amount of salary charged to the modernization program. The cost of terminating an employee hired on a temporary basis to work on modernization is an eligible cost, such as the expense of unemployment compensation where required by State law. The PHA shall estimate the extent of these costs and request a sufficient amount of CIAP funds to cover such costs.
- * c. Resident Employment. The PHA is strongly encouraged to employ residents or require the contractor to employ residents to carry out any required activity, including administrative, in the modernization of the project. See paragraphs 2-3b(5) and 5-3. *
- d. Charging Administrative Costs.
 - (1) All administrative costs relating to physical improvements shall be charged to the following appropriate development accounts: Non-Technical

Salaries (Account 1410.1); Technical Salaries (Account 1410.2); Employee Benefit Contributions (Account 1410.9); Architectural and Engineering Fees (Account 1430.1); Consultant Fees (Account 1430.2); and other accounts set forth in Appendix 3.

- (2) All administrative costs relating to management improvements shall be charged to development account, Management Improvements (Account 1408), regardless of whether the costs involve non-technical or technical salaries, employee benefit contributions or consultant fees.

12/89

2-14

- (3) Where PHA personnel assigned to the modernization program work on both physical and management improvements, their salaries shall be prorated, for budgeting purposes, between the physical and the management improvements. For example, if the PHA Modernization Coordinator will spend 60 percent of his/her time on physical improvements and 40 percent on management improvements, then the salary of the PHA Modernization Coordinator shall be charged 60 percent to either Non-Technical Salaries (Account 1410.1) or Technical Salaries (Account 1410.2), as appropriate, and 40 percent to Management Improvements (Account 1408). During implementation, the modernization budget shall be revised to reflect costs directly charged. Documentation such as time records shall be available to substantiate these direct charges.

* 2-8. LEAD-BASED PAINT TESTING AND ABATEMENT COSTS. Costs to comply with the requirements of paragraph 6-5 are eligible CIAP costs. Testing costs shall be charged to Architectural and Engineering Fees (Account 1430.1) or Consultant Fees (Account 1430.2) and abatement costs shall be charged to Dwelling Structures (Account 1460) or Nondwelling Structures (Account 1470).

2-9. PHYSICAL ACCESSIBILITY COSTS. Costs to comply with the requirements of paragraph 6-6 are eligible CIAP costs.

2-10. DEMOLITION, CONVERSION, AND RELATED NEW DEVELOPMENT COSTS.

- a. Demolition Costs. Costs to demolish dwelling units or nondwelling facilities, where the demolition is approved by HUD under 24 CFR Part 970, are eligible CIAP costs. Eligible related costs include clearing and grading the site after demolition and any subsequent site improvements to benefit the remaining existing project.
- b. Unit Conversion Costs. Costs to convert existing

dwelling units to different bedroom sizes are eligible CIAP costs. See the Public Housing Demolition, Disposition and Conversion Handbook 7486.1.

- c. Related New Development Costs. Costs in support of the development or acquisition of public housing units, or the rehabilitation of units acquired with or without rehabilitation within the last three years, are ineligible CIAP costs. Other ineligible costs include: conversion of nondwelling space, which originally was *

2-15

12/89

-
- * not dwelling space, to dwelling use; reconstruction of a fire-damaged unit where only the foundation remains; extension of exterior walls to enlarge interior dwelling space; and construction of additional bedrooms.

2-11. HOMEOWNERSHIP PROJECTS. Eligible physical improvements are limited to work items which are not the responsibility of the homebuyer families and which are related to health and safety, accessibility for the physically handicapped, correction of development deficiencies (as permitted under paragraph 2-5), energy audits and cost-effective energy conservation, and lead-based paint testing and abatement. * The correction of development deficiencies, update of energy audits and undertaking of cost-effective energy conservation measures, and lead-based paint testing and abatement with CIAP funds shall not increase the purchase price and amortization period for homebuyer families; however, other eligible physical improvements shall increase the purchase price and amortization period. Nonroutine maintenance or replacements, additions, items which are the responsibility of the homebuyer families, and management improvements are not eligible CIAP costs. See paragraphs 4-8 and 5-2 regarding special instructions for homeownership projects.

2-12. USE OF DEVELOPMENT ACCOUNTS. For work to be financed with CIAP funds, the PHA shall enter the appropriate development account number that relates to an individual work item on

- * Form HUD-52825, Comprehensive Assessment/Program Budget. Expendable Nondwelling Equipment (Account 1475.9) is an eligible cost only where required to carry out force account work, approved by HUD. Development accounts that may be used in the CIAP are listed in Appendix 3. Development * accounts that may not be used in the CIAP and, therefore, represent ineligible costs are listed in Appendix 4.

12/89

2-16

CHAPTER 3. APPLICATION PROCESSING

- * 3-1. INTRODUCTION. This Chapter sets forth the application process for PHAs and HUD field staff. Regional and Field Offices shall use the CIAP Application Processing System (CAPS), a HUD microcomputer system, to process CIAP applications.
- 3-2. FUND ASSIGNMENT. On the basis of an assignment plan approved by the Secretary, the Assistant Secretary for Public and Indian Housing assigns CIAP funds to the Regional Offices on Form HUD-185, Regional Fund Assignment, for subassignment to the Field Offices on Form HUD-185.1, Regional Fund Subassignment.
- a. After the Regional Office sets aside the amount assigned for non-Indian, large Troubled PHAs and for which the Regional Administrator has funding decision authority, the Regional Office shall immediately subassign the remaining amounts for which the Field Office Manager or Regional Administrator in co-located offices has funding decision authority.
 - b. After the Regional Administrator makes the funding decisions for the Troubled PHAs, the Regional Office shall subassign these funds to the Field Offices to complete the fund reservation process.
 - c. Any funds remaining after the funding decisions are made for the Troubled PHAs also shall be subassigned to the Field Offices either on a fair share basis if there are sufficient funds or, if there are insufficient funds, to fund the next highest ranked projects, based on a consolidated Regional ranking of projects produced from merging the Field Office rankings. See paragraph 3-23.
 - d. The Field Office is responsible for controlling the obligation of budget authority to ensure that the subassigned amounts are not exceeded. See paragraph 4-2. *
- 3-3. NOTIFICATION OF FUND AVAILABILITY. When CIAP funds become available, Headquarters shall notify in writing all PHAs as to the amount of available funds, the requirements and time frame for submission of the CIAP Application, and other pertinent information.
- 3-4. CONSULTATION.

* a. With HUD. Before preparing the CIAP Application, the PHA should contact the Field Office to discuss its modernization needs and obtain information on HUD policies and procedures. See paragraph 3-19c for up-front funding of planning costs for financially

distressed PHAs.

- b. With Residents/Homebuyers. Before submitting its CIAP Application, the PHA shall consult with residents/homebuyers, as required in Chapter 5.
- c. With Local Officials. Before submitting its CIAP Application, the PHA shall consult with appropriate local officials regarding whether the proposed modernization, excluding emergency, is financially feasible and will result in long-term physical and social viability at the project, assuming timely maintenance and replacements. The PHA shall request comments on how the proposed modernization may be coordinated with any local plans for neighborhood revitalization, economic development, drug elimination, and expenditure of local funds, such as Community Development Block Grant (CDBG) funds. In addition, the PHA shall contact the local Health Department to request information on whether any child under seven years old living in a PHA-owned unit has been identified as having an elevated blood lead (EBL) level.

3-5. COMPREHENSIVE PLAN FOR MODERNIZATION (CPM). In order for a non-Indian PHA with 500 or more units in management to be eligible to submit a CIAP Application for other than emergencies, the PHA shall have an approved CPM in accordance with Appendix 22. Before developing its CIAP Application, the PHA shall review its approved CPM. Where the CPM requires updating due to prior funding, changed conditions, or other circumstances, the PHA shall update the CPM and submit the updated CPM, preferably with its CIAP Application, but no later than the end of the Joint Review period. The Field Office shall not continue processing a CIAP Application which is not consistent with the approved CPM after the Joint Review period (see paragraph 3-7b). Non-Indian PHAs with under 500 units and IHAs are considered to meet planning requirements by submitting Form HUD-52824, Five-Year Funding Request Plan, as part of the CIAP Application (see paragraph 3-6a). The CPM includes the following:

- a. General Statement of Physical and Management Needs. A general statement of current physical and management *

* needs for each project in the PHA's inventory. For physical needs, it is not necessary to conduct a detailed, comprehensive needs assessment against the mandatory standards, using Form HUD-52827, Physical Needs Assessment; such detailed needs assessment is not required until Joint Review. For management needs, the assessment shall be against the criteria in paragraph 2-3b and may be both project specific and PHA-wide.

- b. Five-Year Rolling Base. The five-year rolling base is reflected on Form HUD-52824, Five-Year Funding Request Plan, updated annually, and submitted as part of the CIAP Application. It shows the PHA's plan to request funds which reasonably can be expected to be made available over a five-year period, listing projects in priority order by modernization type with estimated costs.
- c. Viability Reviews. A viability review, as set forth in paragraph 3-9, for each project in the PHA's inventory. If a project is to be proposed for funding other than emergencies and comprehensive modernization in progress in the current FFY, the PHA shall review its existing viability review to determine if any revisions are required and to ensure that the project will still have long-term viability after the proposed modernization.

3-6. CIAP APPLICATION. Within the established time frame, the PHA shall submit to the Field Office, Attention: Chief, Assisted Housing Management Branch (AHMB), the CIAP Application in an original and two copies (or any lesser number of copies as specified by the Field Office). The PHA also shall send a copy of the CIAP Application to the chief executive officer, as well as any other appropriate local officials. See Chapter 5 for resident/homebuyer notification requirements. The CIAP Application is comprised of the following documents:

- a. Form HUD-52824, Five-Year Funding Request Plan, sets forth the PHA's plan to request funds which reasonably can be expected to be made available over a five-year period, listing projects in priority order by modernization type with estimated costs for each year covered by the plan. For non-Indian PHAs with 500 or more units, the five-year plan is a component of the CPM and, therefore, must be consistent with the CPM. For non-Indian PHAs with under 500 units and IHAs which are not required to develop the CPM, the five-year plan is a free-standing document. In all cases, the five-year plan must be consistent, where applicable, with *

* the Comprehensive Occupancy Plan (COP). The five-year plan covers a rolling five years and is annually updated. For each project proposed for modernization in the current FFY, attach to the five-year plan a general statement of physical and management improvement needs, which may be excerpted from the approved CPM. Complete instructions for preparing Form HUD-52824 are contained in Appendix 5, along with a completed sample of the form which may be used as a guide in preparation.

- b. A narrative statement addressing each of the technical

review factors in paragraph 3-10.

- c. For each project proposed for comprehensive modernization in the current FFY, an identification of and an estimate of the total costs of replacement of the equipment, systems or structural elements which would normally be replaced (assuming routine and timely maintenance is performed) over a 30-year period. This estimate shall include an estimate of the costs accrued for the period which ends upon the date of the PHA's next fiscal year ending date and an estimate of the costs which will accrue during each subsequent 12-month period. The estimate should be based on current costs without taking inflation into account.
- d. For each project proposed for homeownership modernization in the current FFY, a listing of the units to be included in the modernization program and, where applicable, the estimated cost attributed to each home.
- e. For modernization proposed for funding in the current FFY, excluding projects in Group 1, a Modernization Organization and Staffing Plan, stating the proposed organization, staffing and inspection of the modernization program and including the following:
 - (1) Whether a separate modernization unit has been or will be established within the PHA and the proposed duration of the unit; if so, the relationship of the unit to the existing PHA organizational structure;
 - (2) The staffing of the modernization unit or function; number, titles and salaries of technical and non-technical PHA personnel to be assigned full-time or part-time to modernization, and additional personnel to be hired; designation of a *

12/89

3-4

* modernization coordinator or contract administrator/construction manager, if necessary; and lines of authority; and

- (3) Plans for periodic inspections by an architect/engineer (A/E), independent contractor or PHA staff to ensure work quality and progress.
- f. For IHAs and non-Indian PHAs with less than 500 units, for each project proposed for funding in the current FFY, excluding emergency and comprehensive modernization in progress, the IHA's/PHA's viability review in accordance with paragraph 3-9.

- g. PHA Report, on compliance by the local governing body with the terms of the Cooperation Agreement, or as embodied by Article VIII of the Tribal Ordinance as applicable for certain IHAs, and any additional services or facilities that the PHA plans to request from the local governing body.
 - h. Form HUD-50070, Certification for a Drug-Free Workplace, as contained in Appendix 6.
 - i. Form HUD-52820, PHA/IHA Board Resolution Approving CIAP Application, as contained in Appendix 7.
- 3-7. ELIGIBILITY REVIEW. After the CIAP Application has been logged in, the Housing Management Specialist (HMS) shall check the application for completeness before routing it to the General Engineer and other AHMB staff, as appropriate. The Field Office eligibility review shall determine if the application meets the following basic eligibility requirements and is eligible for processing or fund reservation.
- a. Eligibility for Processing.
 - (1) PHA Modernization Capability. The PHA must have at least minimal modernization capability to carry out its proposed modernization. The Field Office shall consider the PHA's modernization pipeline of previously approved, but unobligated funds and whether the PHA can administer any additional funds.
 - (a) Beginning in FFY 1991, PHAs which miss any deadline date, as set forth in the latest HUD-approved Project Implementation Schedule, without a valid reason, will be eligible only for modernization under Group 1. *

3-5

12/89

-
- *
 - (b) For IHAs, the Indian Field Office shall review IHA performance under the Administrative Capabilities Assessment (ACA), using criteria stated in the Field Office Monitoring of Indian Housing Authorities Handbook 7440.3 REV, and supplementary issuances.
 - (2) Work Item Eligibility and Need. Based on the general statement of physical and management improvement needs and the Field Office's knowledge of the project's conditions, the work items, particularly emergency work items, must appear to be eligible and needed.

- (3) End of Initial Operating Period (EIOP). The project must be at least three years old from EIOP to be eligible for funding.
- (4) Status of Fiscal Audit. If award of the contract for the fiscal audit is overdue (more than 90 days after the PHA's fiscal year end) and contracting for the audit is within the PHA's control, the Field Office shall suspend further processing until the PHA has initiated the audit.
- (5) Lack of Available Funding. Where the PHA has requested funding for more projects than realistically can be funded in the current FFY, the Field Office may process only a portion of the application which has a reasonable chance of being funded and is consistent with the PHA's priorities.
- (6) Lack of Approved CPM. Where the PHA is required, but does not have an approved CPM under paragraph 3-5, the Field Office shall suspend further processing.

b. Eligibility for Fund Reservation.

- (1) Lack of Consistency with CPM. Where the CIAP Application is not consistent with the PHA's CPM, the Field Office shall notify the PHA that although the Field Office will continue processing, the PHA must submit an updated CPM before the end of the Joint Review period in order to be eligible for funding. *

12/89

3-6

* 3-8. PROCESSING GROUPS. The Field Office shall batch the eligible projects into the following processing groups. A PHA proposing all types of modernization may have projects included in each group; the same project may be in more than one group or in the same group, but for different types of modernization. For batching purposes, the Field Office may extract emergency or special purpose work items from comprehensive modernization proposals. *

- a. Group 1. Projects having conditions that pose an immediate threat (i.e., must be corrected within one year of funding approval) to resident health or safety. Funding is limited to correction of emergency conditions, including those related to fire safety, and may not be used for substantial rehabilitation. Emergency conditions include all lead-based paint testing and abatement of units housing children under seven years old with elevated blood lead levels. Group 1 includes emergency modernization and emergency work

under homeownership modernization. Group 1 projects are not subject to the viability review.

- b. Group 2. Projects (1) having conditions which threaten resident health or safety or having a significant number (10 percent or more) of vacant or substandard units, and (2) located in PHAs which have demonstrated a capability of carrying out the proposed modernization activities under comprehensive, special purpose or homeownership modernization. Within Group 2, funding preference shall be given to:

- (1) Group 2A projects involving the correction of physical disparities under the nondiscrimination funding preference, either separately or as part of a comprehensive modernization. Specific instructions on this processing group are provided in the annual notification of CIAP fund availability. Group 2A does not apply to IHAs. *
- (2) Group 2B projects involving the subsequent stage of multi-stage comprehensive modernization, an amendment to single stage comprehensive modernization, or additional modernization after completion of comprehensive modernization. See paragraphs 3-19 and 3-20. *
- (3) Group 2C projects which are all other projects meeting the basic criteria in subparagraph b.

NOTE: All projects which meet the basic criteria of

3-7

12/89

Group 2 are considered for funding under Group 2, regardless of whether they have lead-based paint abatement needs. Group 2B projects are not subject to the viability review. Groups 2A and 2C projects are subject to the viability review.

- c. Group 3. All other projects not in Groups 1 and 2, located in PHAs which have demonstrated a capability of carrying out the proposed modernization activities under comprehensive, special purpose or homeownership modernization. Group 3 projects are subject to the viability review.

- * 3-9 PROJECT VIABILITY REVIEW. For PHAs/projects that pass the eligibility review, the Field Office shall review the PHA's own viability review, as set forth in the CPM for larger non-Indian PHAs or in the CIAP Application for IHAs or smaller non-Indian PHAs, of each project being considered for funding in the current FFY, except projects in Groups 1 and 2B. In all cases, the Field Office shall undertake its own viability review, which consists of three Steps. *
Step 1 is conducted during application review, Step 2 is

conducted during application review or Joint Review, and Step 3 is conducted during or after Joint Review.

a. Step 1. Determine and document whether any of the following gross indicators are present for the project:

- (1) Vacancies of 15 percent or more of the units available for occupancy in a project;
- (2) Estimated modernization "hard costs" for any project exceeding 25 percent of the cost guideline limit for nonelevator units (28 percent for elevator units) for construction of similar units in the area; or
- (3) Serious locational or structural conditions which indicate that the long-term viability of the project is questionable.

NOTE: If none of these gross indicators are present, the viability review is complete; continue processing and do not go to Step 2. If any of these gross indicators are present, go to Step 2. At this point, the Field Office shall not eliminate any project for further processing solely on the basis of high costs or the need to go to Step 2 or 3 of the viability review.

12/89

3-8

b. Step 2. To assess the extent and severity of the project's problems identified in Step 1, examine, rate and document the magnitude of the following problems as "severe," "moderate," "mild," or "none". Where the Field Office has sufficient information, the Field Office may complete this step before Joint Review; if not, the Field Office may complete this step during Joint Review.

- (1) Major problems as to physical condition, as indicated by such factors as unit uninhabitability, density, faulty construction, inappropriateness of design for current use, structural deficiencies and major physical site flaws (e.g., erosion, flooding);
- (2) Major problems as to location (neighborhood), as indicated by such factors as concentration of assisted housing, physical deterioration of neighborhood, industrial or commercial development which jeopardizes the suitability of the site for residential use, and adverse environmental conditions, such as air pollution; and
- (3) Other factors that tend to show that the project is unsuitable for housing purposes, such as

resident dissatisfaction as evidenced by vacant units (high number, long duration) or a high incidence of transfer requests, lack of marketability, crime and vandalism, or other specifically identified conditions.

NOTE: If there are severe problems in one or more of the three areas described above, or moderate problems in two or more of these areas, continue the viability review and go to Step 3. Otherwise, the viability review is complete; continue processing and do not go to Step 3.

- c. Step 3. Step 3 of this review is an in-depth analysis in which pertinent information may not be readily available at the Field Office. Therefore, the Field Office may perform this step during Joint Review. The Field Office shall determine and document the following factors:

- (1) Primary causes of any problems identified in Step 2 and whether such problems will be corrected by the proposed modernization and other efforts in the neighborhood;

3-9

12/89

-
- (2) How the proposed modernization will correct those physical deficiencies of the project that currently render it obsolete as to physical condition;
 - (3) Whether, after the proposed modernization, the project will be suitable for operation as public housing, in accordance with applicable program standards, for a period of at least 20 years, assuming timely maintenance and replacements;
 - (4) Whether the proposed modernization is financially feasible, as defined in paragraph 1-3;
 - (5) If there is a demonstrated willingness and ability on the part of the PHA and local government to correct any management or operational problems necessary to ensure the long-term viability of the project;
 - (6) If the project received substantial modernization funding in the past which has failed to resolve problems at the project, how this proposal will overcome the factors that led to the failure of the previous modernization efforts; and
 - (7) If there is a realistic potential for the elimination or modification of neighborhood or environmental conditions that jeopardize the

long-term viability of the project or for the alteration of the project to cope effectively with such conditions. Federal, State, local or private actions or commitment of funds that have been specifically committed for such neighborhood improvements will be considered in evaluating this factor.

NOTE: See paragraphs 3-23b and c and 3-25b for further processing instructions.

* 3-10. TECHNICAL REVIEW.

- a. Assessment of PHA's Management Capability. As part of its technical review of the CIAP Application, the AHMB shall evaluate the PHA's management capability against the criteria in paragraph 2-3b, including whether the PHA has managed its projects in a manner that appears to meet equal opportunity objectives. This assessment may be based on occupancy audits, engineering surveys, management reviews, etc., which are currently available within the AHMB, as well as the Annual Performance Review. *

12/89

3-10

-
- * b. FHEO Review. The AHMB shall provide to the Fair Housing and Equal Opportunity (FHEO) Division a list of non-Indian PHAs submitting CIAP Applications, as well as any equal opportunity-related problems, identified by the AHMB. After consulting with Regional FHEO, as appropriate, and reviewing its own files, the FHEO Division shall identify each PHA on the list in accordance with the following categories and provide information to the AHMB by the requested time:

- (1) There are no known equal opportunity-related problems;
- (2) There are known equal opportunity-related problems, as identified; or
- (3) There are circumstances as set forth in paragraph 6-1b.

- c. Determination of PHA's Management Capability. The Field Office shall determine whether any identified management deficiencies, including those related to equal opportunity, are:

- (1) so serious as to warrant rejection of further processing, except for emergencies; or
- (2) may be corrected during CIAP processing or after fund reservation, where approved for funding; or

(3) may limit the initiation of a new comprehensive modernization to first stage funding.

- d. Technical Review. After batching, the Field Office shall review and rate each eligible project for each type of modernization within Groups 2 and 3 on the following factors, in accordance with the point range specified, with one point being low.

Technical Review Factor	Point Range
Extent and urgency of need, including lead-based paint abatement and physical accessibility needs	1-20
Extent of vacancies	1-10
PHA's modernization capability	1-10
PHA's management capability	1-10 *
	12/89
3-11	

* Adequacy of PHA's maintenance systems, including preventive and routine maintenance	1-10
Degree of cost-savings	1-5
Degree of resident involvement in PHA operations	1-5
Degree of PHA activity in resident initiatives, including resident management, economic development activities on behalf of residents, and drug elimination efforts	1-5
Degree of PHA-wide resident employment	1-5
Local government and resident/homebuyer support for proposed modernization	1-5
Total Maximum Score	85 points

- e. Ranking and Recommendations. After technical review, the AHMB shall prepare its recommendations for Joint Review, based on project ranking within processing groups. For non-Troubled PHAs, the AHMB shall make its recommendations to the Field Office Manager or to the Regional Administrator in co-located offices. For Troubled PHAs, the AHMB shall make its recommendations through the Field Office Manager to the Regional Administrator. The AHMB shall identify any PHAs identified by FHEO as being in nonconformance or noncompliance and any projects required to complete Steps 2 or 3 of the viability review. In addition, the Field Office shall prepare brief comments as follows:

- (1) For each project in Group 1, justification of the emergency work items;
- (2) For each project in Groups 2A, 2C and 3, justification of each project's inclusion in the group; and
- (3) For each project in Group 2B, explanation of the implementation status of previously approved stages and recommendation regarding current FFY funding.

3-11. JOINT REVIEW SELECTIONS.

- a. Percentage Limit on Special Purpose Modernization. To ensure that more funds are available for comprehensive *

12/89

3-12

* modernization, Headquarters may limit the percentage of the Regional and Field Office's allocations that may be approved for special purpose modernization.

- b. Field Office Selections. For non-Troubled PHAs, the Field Office Manager shall review the rankings and comments submitted by the AHMB and select PHAs/projects and types of modernization for Joint Review. In making the selections, the Field Office Manager shall give preference to projects in Groups 1 and 2, assuming adequate PHA management and modernization capability. The Field Office shall not exclude projects from Joint Review solely on the basis of high CIAP costs or the need to go to Step 2 or 3 of the viability review.
- c. Regional Office Selections. For Troubled PHAs, the Regional Administrator shall review the rankings and comments submitted by the Field Office and select PHAs/projects and types of modernization for Joint Review. In making the selections, the Regional Administrator shall give preference to projects in Groups 1 and 2, assuming adequate progress in developing or implementing the Memorandum of Agreement. The Regional Office shall notify the Field Offices in writing of its selections and give appropriate guidance on projects requiring Steps 2 or 3 of the viability review. The Regional Office shall not exclude projects from Joint Review solely on the basis of high CIAP costs or the need to go to Step 2 or 3 of the viability review.
- d. Notification to FHEO. Each Field Office shall forward a listing of all PHAs selected for Joint Review to the Regional Public Housing Director for forwarding to the Regional FHEO Director.

3-12. PHA NOTIFICATION. After the Regional and Field Office selections for Joint Review, the HMS shall prepare a letter to the PHA for the signature of the Field Office Manager or Regional Administrator in co-located offices, advising whether the PHA will be considered for funding in the current FFY, as follows: *

- a. Where the PHA will be considered for funding in the current FFY, the letter shall: confirm the date of the Joint Review, if already scheduled, indicate an intent to schedule the Joint Review as soon as possible, or state that the requirement for the Joint Review is being waived under paragraph 3-14; state which

12/89

3-13

project(s) for which type(s) of modernization will be reviewed and request that the PHA contact the Field Office if the PHA disagrees with the defined scope of the Joint Review; outline required PHA activities to prepare for the Joint Review; indicate whether the project(s) is subject to Step 2 or 3 of the viability review; and list outstanding monitoring findings or management concerns which must be resolved or addressed as management improvements either before or after funding approval. *

- b. Where the PHA will not be considered for funding in the current FFY, the letter shall state the reasons, such as the relatively low priority of its physical improvement needs. Where the reason is lack of management or modernization capability, the letter shall state the specific deficiencies and what actions the PHA will have to take or what level of management or modernization capability the PHA will have to achieve by a specified time to be considered for funding in a subsequent FFY. In addition to these reasons, if a project had questionable viability and failed Steps 1 and 2 of the viability review, the Field Office shall alert the PHA to the fact that if the same application is submitted and selected in the future for a Joint Review, it will be subjected to Step 3 of the viability review. The Field Office may informally discuss the preliminary viability review findings with the PHA in order to suggest constructive alternatives for future CIAP Applications.

3-13. STATE NOTIFICATION.

- a. Under paragraph 1-7, where the State has established a review process and has selected the CIAP to review, the Field Office shall provide the State with an opportunity to comment on all CIAP Applications proposing substantial rehabilitation, but only if the project

being substantially rehabilitated involves: (1) a change in the use of the land; (2) an increase in project density; or (3) a change from rental to homeownership. CIAP Applications proposing emergency, special purpose or homeownership modernization and from IHAs are excluded from the State notification requirements.

- b. The Field Office shall prepare one Standard Form (SF) 424, Federal Assistance, Section I only, for each covered CIAP Application. The Field Office shall batch and forward copies of the covered CIAP

12/89

3-14

Applications and SF 424's to the State single point of contact (SPOC) for review. The comment period begins on the day after the CIAP Applications are mailed. The comment period is 60 days, plus an additional 5 days for mailing, for a total of 65 days.

- c. After the Joint Reviews, the Field Office shall submit the State comments, if any, to the Regional Office with its funding recommendations for Troubled PHAs. In response to an official State process recommendation (comments submitted by a State, but not as an official State process recommendation, need not be addressed), the Regional or Field Office must either:
 - (1) Accept the recommendation;
 - (2) Reach a mutually agreeable solution with the parties preparing the recommendation; or
 - (3) Provide the State SPOC with a written explanation for not accepting the recommendation or reaching a mutually agreeable solution; i.e., nonaccommodation. If there is a nonaccommodation, including not funding PHAs/projects prioritized by the State, the Regional or Field Office shall wait 15 days after sending an explanation of the nonaccommodation to the State SPOC before making any funding decisions.

3-14. SCHEDULING AND WAIVER OF JOINT REVIEWS.

- a. Scheduling and Notification. The HUD Modernization Coordinator is responsible for coordinating the scheduling of the Joint Reviews and for notifying the

* FHEO Division and, where relocation is involved, the Community Planning and Development (CPD) Division of the specific dates of the Joint Reviews. If the FHEO and CPD Divisions are unable to participate in the Joint Reviews, they may inform the AMHB staff in writing of their specific concerns. The HMS shall check with the * Modernization Coordinator before contacting the PHA

about a tentative date or establishing a firm date for the Joint Review.

- b. Waiver. The Regional or Field Office may waive the requirement for a Joint Review only where emergency, special purpose or homeownership modernization is involved if the Field Office has current knowledge of the specialized need(s) and proposed physical improvement(s). The Regional or Field Office may not

12/89

3-15

waive the requirement for a Joint Review where comprehensive modernization, including the subsequent stage, is involved, except in the case of an amendment to single stage comprehensive modernization where the estimated additional cost is incidental.

3-15. PHA PREPARATION FOR JOINT REVIEW. The PHA shall prepare for the Joint Review by taking the following actions:

- a. Reach agreement with the Field Office on the specific project(s) to be covered during the Joint Review;
- b. Consult with residents/homebuyers as required in Chapter 5; and
- * c. Needs Assessments. The PHA shall complete the detailed physical and management needs assessments. If these detailed needs assessments are not consistent with the more general statement of needs set forth in the CPM, the PHA shall update the CPM and forward it to the Field Office (see Appendix 22). The CPM does not apply to IHAs or non-Indian PHAs with under 500 units.
 - (1) Physical Needs Assessment. For each project proposed for funding in the current FFY, the PHA shall complete Form HUD-52827, Physical Needs Assessment, as set forth in the Modernization Standards Handbook 7485.2 REV-1. The PHA shall identify each project's current physical needs and the physical improvements necessary to meet the mandatory standards in Handbook 7485.2 REV-1 for those needs, as well as any project specific work which is necessary or highly desirable for long-term viability. In addition, the PHA shall identify any work items necessary to comply with lead-based paint testing or abatement requirements and with physical accessibility and nondiscrimination requirements.
 - (a) For proposed new comprehensive modernization and special purpose modernization involving replacement or repair of major equipment systems, upgrading of security, or reduction

of vacant units, the PHA shall identify the project's current total physical needs on Form HUD-52827.

- (b) For proposed modernization, excluding Group 1, the PHA shall update the energy audit as *

12/89

3-16

* required in paragraph 6-7.

- (c) For proposed emergency, homeownership and special purpose modernization involving increasing accessibility for elderly and handicapped families or energy efficiency, the PHA shall identify the project's current specialized physical needs, as they are eligible under the proposed type of modernization, on Form HUD-52827. For special purpose modernization involving increasing accessibility or energy efficiency, where the Field Office determines that there is evidence indicating that the project has major problems that justify a comprehensive assessment, the PHA shall identify the project's current total physical needs on Form HUD-52827.
 - (d) The PHA that lacks the in-house capability to perform the assessment should contact the Field Office. In such case, the Field Office may advise the PHA, unless approved for advance planning funds, to hire an outside architect/engineer (A/E), subject to reimbursement only if the modernization is approved, or encourage small PHAs to group together for hiring outside assistance.
- (2) Management Needs Assessment. For each project proposed for new comprehensive modernization in the current FFY, the PHA shall complete a Management Needs Assessment. The PHA shall identify each project's current management needs, as assessed against the management areas set forth in paragraph 2-3b, and the management improvements necessary to meet those needs. Some management deficiencies require little or no additional funds to correct. Regardless of whether CIAP funds are required for correction, the PHA shall include any management items identified by the PHA as problems. For projects with comprehensive modernization in progress, the Field Office may require the PHA to update the management needs assessment. For a designated non-Indian Troubled PHA, management improvement needs shall be

consistent with those identified in its Memorandum of Agreement. Where the Field Office identified outstanding monitoring findings or management concerns in its letter before Joint

*

3-17

12/89

* Review, the PHA shall develop a plan and timetable to resolve those findings or address those concerns.

d. For each project proposed for modernization, including emergency, in the current FFY, a copy of resident recommendations and the PHA's evaluation of those recommendations (see paragraph 5-1). *

e. Review the other points to be covered during the Joint Review as set forth in paragraph 3-18.

3-16. FIELD OFFICE PREPARATION FOR JOINT REVIEW.

a. AHMB Participation. Where comprehensive modernization is involved, both the HMS and the General Engineer shall represent the Field Office on the Joint Review. Based upon PHA size and prior knowledge of PHA management problems, other AHMB staff, as appropriate, shall

* participate. The Regional Office representative may participate in the Joint Review for a Troubled PHA. In all cases, the HMS shall serve as the team leader of the Field Office representatives. Differences of opinion between the HMS and the General Engineer shall be resolved by the Chief, AHMB. *

b. Review of Files. In preparing for the Joint Review, the Field Office representatives shall review the PHA's files, with special attention to open findings from the latest fiscal audit, management review, occupancy audit, maintenance review and utilities review. Field Office representatives should be thoroughly familiar with the status of all previously approved modernization programs and the overall operation of the PHA.

c. Confirmation with PHA. Before the Joint Review, the HMS shall check with the PHA to confirm that the PHA is ready for the Joint Review; i.e., has taken all of the actions required in paragraph 3-15. If the PHA is not ready, the HMS shall cancel the Joint Review and reschedule only if time permits.

3-17. PURPOSE, CONDUCT AND DURATION OF JOINT REVIEW.

a. Purpose. The purpose of the on-site Joint Review is to discuss the proposed modernization program, as set forth in the CIAP Application, and reach agreement on PHA needs and approach.

-
- b. Initial Meeting. The Field Office and the PHA representatives should meet briefly to discuss the prearranged agreements concerning the scope of the Joint Review, PHA staff availability and other logistical matters. They also should review the CIAP Application and discuss how the proposed management improvements, if any, relate to the proposed physical improvements, the appropriateness of work items and project priorities, and the degree of cost benefits.
 - c. Duration. The duration of the Joint Review will vary, depending upon such factors as PHA size and management capability, type and complexity of the proposed modernization program, Field Office knowledge of and familiarity with the PHA's operations and management practices, status of any previously approved modernization programs, and extent to which the Joint Review would duplicate any open findings of a fiscal audit, management review, occupancy audit, maintenance review or utilities review conducted within the preceding 12 months.
 - d. Close-Out Meeting. The Field Office and the PHA representatives should meet to discuss HUD's findings and recommendations on the proposed modernization program. The close-out meeting shall include specific treatment of previously approved modernization programs where revisions to the Project Implementation Schedule may be warranted (see paragraph 7-2). Where appropriate, the Field Office representatives also may meet with the PHA Board of Commissioners.

3-18. JOINT REVIEW COVERAGE. The Joint Review shall include an on-site inspection of the property and coverage of the following points. The Field Office shall document the Joint Review by using the Joint Review Checklist in Appendix 8. The Field Office may modify the Checklist, by adding additional information where appropriate.

- * a. Based on the PHA's physical needs assessment(s), the Field Office shall review the following:
 - (1) Eligibility, need and appropriateness of the physical work items as measured against the mandatory standards, including energy conservation measures, and the project specific work items (see paragraph 3-15c(1)).
 - (2) Accuracy of cost estimates and any required contingencies; reasonableness of PHA's

*

*

preliminary thoughts about the Project Implementation Schedule(s) which will be due 60 days after notification of CIAP application approval (see paragraph 7-2); and adequacy of method of PHA inspection of the physical work.

- (3) Where demolition, disposition or conversion is proposed, refer to the Public Housing Demolition, Disposition and Conversion Handbook 7486.1.

b. Appropriateness of method of accomplishment (contract or force account labor). The Field Office will approve the use of force account labor only on an individual project basis, where: it is cost-effective and appropriate to the scope and type of physical improvements; and the PHA has the capacity to serve as its own main contractor and to maintain an adequate level of routine maintenance during force account activity. Under Section 107(D) of the ACC, use of force account labor requires prior HUD (Field office) approval. Since the method of accomplishment is set forth on Form HUD-52825, Comprehensive Assessment/Program Budget, this approval is given at the time of funding approval. If the PHA wishes to use force account labor after original budget approval of contract labor, the PHA must request a budget revision or the force account labor costs will be disallowed (see paragraph 10-12a).

c. Based on the PHA's management needs assessment(s), the Field Office shall review the following:

- (1) Thoroughness of the PHA's identification of management problems, causes and solutions under paragraph 3-15c(2), the status of PHA actions taken to correct any previously identified management deficiencies, and the eligibility, need and appropriateness of the management work items as measured against the criteria in paragraph 2-3b. In addition, any outstanding monitoring findings or management concerns previously identified by the Field Office shall be reviewed.
- (2) Accuracy of cost estimates and reasonableness of PHA's preliminary thoughts about the Project Implementation Schedule(s) which will be due 60 days after notification of CIAP application approval (see paragraph 7-2). *

*

(3) Although the PHA is not required to prepare the management needs assessment for projects proposed for emergency, special purpose or homeownership modernization, the Field Office may discuss

management improvement needs with the PHA during the Joint Review and subsequently require the PHA to address those needs without CIAP funding, as a condition of funding the physical improvements. See subparagraph u. for instructions on Troubled PHAs.

- d. Adequacy of PHA's maintenance systems, including preventive and routine maintenance, particularly as evidenced by the physical condition of projects previously modernized.
- e. Whether the proposed modernization is financially feasible and will result in long-term physical and social viability at the project.
- f. Availability of operating funds or reserves or excess Section 8 administrative fees to fund proposed work. Where the such funds will be used, including use of residual receipts, the PHA shall note these on Line 01 of Form HUD-52825. The residual receipts may only be kept for two years and are assigned to a specific Modernization Project. The Field Office shall not require reserve drawdown to the point where the PHA becomes financially troubled, without Headquarters approval. The Field Office also shall determine that there are no duplicative items in the PHA's operating budget and the proposed modernization budget.
- g. PHA need for the professional services of an A/E and/or a management consultant in further planning, designing * and implementing all or part of the proposed physical and management improvements. See paragraph 2-6a(2) regarding incurring A/E fees for detailed design work before funding approval.
- h. PHA plan for organizing and staffing the modernization program, including PHA need for a full-time modernization coordinator or contract administrator/construction manager, assignment of regular PHA staff, and hiring of additional personnel (see paragraph 7-3).
- i. PHA performance in administering previously approved programs, if applicable (see paragraph 7-2).
- j. PHA need for additional modernization funds to complete previously approved modernization programs

12/89

3-21

(see paragraph 3-19).

- k. PHA compliance with requirements for consultation with local officials and residents/homebuyers under Chapter 5

and local support for the proposed modernization. If it is questionable whether a project has local support or, once modernized, will have long-term physical and social viability, the Field Office shall require the PHA to consult more thoroughly with local officials, including obtaining a letter of support from local officials before the funding decision is made.

- 1. PHA compliance with civil rights statutes, executive orders and regulations, as applicable, under paragraph 6-1. Where there is an outstanding finding of noncompliance, the FHEO Division shall keep the AHMB informed of any change in status, as previously reported during technical review of the CIAP Application. *
- m. PHA plans to hire residents under paragraph 6-1c and provide minority and women's business or Indian enterprise opportunity under paragraph 6-2.
- n. Applicability of environmental and historic preservation requirements under paragraph 6-3.
- o. PHA compliance with flood insurance requirements under paragraph 6-4.
- p. PHA compliance with requirements to inspect, test for and eliminate lead-based paint hazards under paragraph 6-5.
- * q. PHA compliance with requirements to provide physical accessibility and to not discriminate based on handicapped under paragraph 6-6.
- r. PHA compliance with relocation and acquisition requirements under paragraph 6-7.
- s. PHA compliance with requirements to update the energy audits and undertake cost-effective energy conservation measures under paragraph 6-8. *
- t. Step 3 of the project viability review, if applicable, under paragraph 3-9c.
- u. Additional review of Troubled PHAs, to determine whether all major management deficiencies are being

12/89

3-22

satisfactorily addressed. Where such a determination cannot be made, such PHAs will be considered only for staged comprehensive modernization funding, with the first stage focusing on funding of management improvements, or for emergency modernization. In addition, before approval of a subsequent stage of comprehensive modernization, the Field and Regional

Offices shall determine that the PHA is demonstrating satisfactory progress in correcting management deficiencies. Where a Troubled PHA may have been approved in previous years for staged comprehensive modernization without having addressed its management deficiencies, such applications shall be amended to allow for any necessary funding of management improvements.

3-19. COMPREHENSIVE MODERNIZATION APPROACH. After Joint Review, the Regional Office for Troubled PHAs and the Field Office for non-Troubled PHAs shall consider funding the proposed comprehensive modernization in one stage, or on an

* exception basis, in more than one stage, not to exceed a total of five stages. Bases for exception include a PHA's lack of management capability, as defined in paragraph 1-3, which necessitates multi-stage funding, or a total funding requirement which is large in magnitude, relative to the funding available to the Regional or Field Office.

a. Single Stage Funding. Under single-stage funding, the total amount of CIAP funds for all required physical and management improvements at the project shall be approved at one time, from funds for a single FFY, under one CIAP Application; this type of modernization is known as COMP/SS/NEW (comprehensive/single stage/new). An amendment to previously approved single stage comprehensive modernization may be necessary due to lead-based paint testing, new work items which were inadvertently omitted or unknown due to hidden conditions, or inadequate funding of previously approved work items; this type of modernization is known as COMP/SS/AMEND (comprehensive/single stage/amendment). The amendment will be under a different Modernization Project.

b. Multi-Stage Funding. Under multi-stage funding, the total amount of CIAP funds for all required physical and management improvements at the project shall be approved in the fewest number of stages that are feasible, over several different years FFYs, under different Modernization Projects, with the total number of stages not to exceed five. The first stage *

* shall include funds for A/E work and/or a portion of the physical improvements. Management improvements may be included in the first stage to the extent they are eligible costs under paragraph 2-3. To the maximum extent feasible, all equal opportunity concerns shall be addressed in the first stage.

(1) First Stage. The CIAP Application shall address all required physical and management improvements at the project. Before funding approval, the PHA

shall prepare Form HUD-52825 to address only the work items to be completed during this stage (see paragraph 3-24). This type of modernization is known as COMP/MS/1/2 (comprehensive/multistage/first of two stages) through COMP/MS/1/5 (comprehensive/multi-stage/first of five stages). When approving the first stage, the Regional or Field Office shall indicate the approximate balance of funds required to complete the comprehensive modernization, but also indicate that future funding will be subject to the availability of future funds, satisfactory progress by the PHA in obligating and expending first stage funds, PHA submission of any required additional documents, and PHA compliance with HUD regulatory and statutory requirements (see paragraph 3-25a(8)). Where the Comprehensive Grant Program is implemented before staged comprehensive modernization is completely funded, the PHA will be responsible for completing the comprehensive modernization.

- (2) Subsequent Stages. Where the PHA is requesting funding for a subsequent stage of a multi-stage comprehensive modernization, the Regional or Field Office shall determine whether the PHA has made satisfactory progress in obligating and expending prior stage funds, has submitted any required additional documents, and has complied with HUD regulatory and statutory requirements. If the PHA has not satisfied these conditions, the Regional or Field Office shall not approve the subsequent stage of funding at this time. The PHA submission for any subsequent stage should not duplicate items previously submitted. This type of modernization is known as COMP/MS/2/2 (comprehensive/multi-stage/second of two stages) through COMP/MS/5/5 (comprehensive/multistage/fifth of five stages).

- (3) Implementation. After the application for each *

12/89

3-24

* stage is approved, the PHA and the Field Office shall agree on an implementation period that is appropriate for that funding stage, not to exceed five years for any stage from the date on which that stage is first funded. See paragraph 7-2 regarding the Project Implementation Schedule. *

- c. Advance Funding of Planning Costs. Where a financially distressed PHA requests advance funding of planning costs, as defined in paragraph 2-6, for comprehensive modernization, the Regional or Field Office may approve such costs as a separate Modernization Project. Such

approval may occur in a different FFY from when the comprehensive modernization is approved. When the comprehensive modernization will be approved in the same FFY, the Regional or Field Office shall expedite approval of the planning costs early in the processing cycle. The CIAP Application shall be limited to Form HUD-52825 covering only the planning costs to be funded and the Board Resolution. When approving planning costs as a separate Modernization Project, the Regional or Field Office shall indicate the estimated total funding that will be required for the project and its intent to approve that amount, subject to the availability of future funds, satisfactory completion of the planning, PHA submission of the CIAP Application as set forth in paragraph 3-6, and PHA compliance with HUD regulatory and statutory requirements.

- d. Treatment of Scattered Site Projects. Since a scattered site project is composed of dwelling units which are unrelated geographically, structurally or socially and which are grouped together solely for accounting purposes, the Regional or Field Office may consider comprehensive modernization for selected units within a scattered site project, provided that all physical and management improvement needs for those units are addressed.
- e. Treatment of Contiguous Projects. Two or more separate, but contiguous, projects may be funded together for comprehensive modernization.

3-20. ADDITIONAL FUNDS FOR PREVIOUSLY APPROVED COMPREHENSIVE MODERNIZATION. Under the following circumstances, the Regional or Field Office may approve additional funds for projects previously approved for comprehensive modernization. However, this flexibility may not be used to circumvent the statutory requirements for the PHA to

undertake a thorough assessment of its physical and management improvement needs and for the AHMB to review those assessments and fund modernization in a comprehensive manner.

- a. Comprehensive Modernization in Progress. For single stage or multi-stage comprehensive modernization in progress, the Regional or Field Office may approve additional funds under a single stage amendment or an additional stage, respectively, to ensure that the project will meet the mandatory standards or have long-term viability. This includes funding for new work items which were inadvertently omitted or unknown due to hidden conditions or for previously approved work items which were inadequately funded, provided that:

- (1) the work items are necessary to meet the mandatory standards or for long-term viability;
 - (2) funding is not available from PHA operating funds or reserves or other sources; and
 - (3) there is documentation, subject to post-review by the Regional Office or Headquarters, in the Field Office files as to the reason for approval and that the above conditions have been met.
- * b. Comprehensive Modernization Completed. Where comprehensive modernization has been completed (all funds expended), the Regional or Field Office may approve additional modernization necessary to meet new physical needs which would have been eligible for funding had the needs existed at the time the comprehensive modernization was originally funded and to comply with HUD regulatory and statutory requirements; this type of modernization is known as COMP/COMPLETED (comprehensive completed) and will be used sparingly.

3-21. LIMITATIONS ON SPECIAL PURPOSE MODERNIZATION. For each of the three types of special purpose modernization relating to major equipment systems or structural elements, security, and reduction of vacant, substandard units, the PHA may obtain special purpose modernization funding only once for a project that has not been comprehensively modernized. Subsequent funding for the same project for any additional physical improvements of these types may be provided only as part of a program which addresses all of the physical and management improvement needs of the project under a comprehensive modernization program. This *

12/89

3-26

* limitation does not apply to a project which has been comprehensively modernized.

3-22. ENVIRONMENTAL REVIEW. After Joint Review, the HMS or the General Engineer shall conduct the appropriate environmental review required under HUD regulations (24 CFR Part 50, Procedures for Protection and Enhancement of Environmental Quality), implementing the National Environmental Policy Act (NEPA) of 1969 (see paragraph 6-3). For a project being funded for the first stage of a multi-stage comprehensive modernization, the Field Office Representative shall conduct the appropriate review on the total physical needs (all stages). For a project being funded for a subsequent stage of comprehensive modernization or a single stage amendment, include a copy of the original review in the file and indicate no update is required. These review requirements * are summarized below:

- a. An environmental assessment is required for all

modernization programs involving up to 2,500 units except where all of the following criteria are satisfied:

- * (1) Does not increase the number of dwelling units in the affected buildings by more than 20 percent. *
Increases will occur where larger size units are converted into smaller size units;
 - (2) Does not change land uses from residential to nonresidential or vice versa. The conversion of dwelling units to community, management or maintenance space or new construction of such space does not change the basic residential nature of the land use;
 - (3) Does not cost 75 percent or more of the replacement cost of the project after modernization; and
 - (4) Does not involve the demolition of a building, or parts of a building, containing dwelling units.
- b. Where an environmental assessment is required, the HMS or the General Engineer shall complete Form HUD-4128, Environmental Assessment for Subdivision and Multifamily Projects (known as the long form), which must be signed by the Director, Housing Management Division, before fund reservation. Where more than 200 units are involved, the Field Office Environmental Clearance Officer (ECO) also must sign the Form

3-27

12/89

HUD-4128. Where 200 or fewer units are involved, a copy is sent to the ECO for informational purposes.

- c. Where an environmental assessment is not required under subparagraph a, the HMS or the General Engineer shall complete Form HUD-4128.1, Compliance and LAC Conditions Report (known as the short form), which must be signed by the Chief, AHMB. The HMS shall mark "N/A" those parts that are not applicable to an existing project.
- d. An Environmental Impact Statement (EIS) must be prepared for modernization programs where called for as a result of the environmental assessment. An EIS also must be prepared for modernization programs involving 2,500 or more units, unless: (1) an environmental assessment would not be required under subparagraph a; or (2) it is determined, as a result of an environmental assessment or in preparing a draft EIS, that the program will not have a significant impact on the human environment; in that case, the HMS or the General Engineer shall contact the Field Office ECO for procedures.

* 3-23. FUNDING DECISIONS.

- a. Field Office Rerating and Reranking. After Joint Review, the AHMB shall review, rerate and rerank each eligible project for each type of modernization within Groups 2 and 3 on the technical review factors in paragraph 3-10. At this time, the Field Office may change the modernization type or processing group for a project. As a result of Joint Review, the AHMB may determine that the project does not meet the basic eligibility requirements in paragraph 3-7 or, for other reasons, determine that the project should not be recommended for funding.
- b. Field Office Decisions. For non-Troubled PHAs, after reranking the projects, the AHMB shall forward its funding recommendations, as well as any State comments under paragraph 3-13c, to the Field Office Manager, who will make the funding decisions. The AHMB shall limit its funding recommendations for special purpose modernization to the percentage limit, if any, prescribed by Headquarters (see paragraph 3-11a). The same project may be recommended for both emergency and special purpose modernization. Where a project is recommended for comprehensive modernization, it cannot be recommended for any other type of modernization *

12/89

3-28

* because emergency and special purpose work items are included in the comprehensive modernization. The AHMB shall identify any PHAs identified by the FHEO Division as meeting the criteria of paragraph 6-1b and, therefore, eligible only for emergency modernization. In the event that projects are ranked equally, the Field Office Manager in making the funding decisions shall give further priority to projects with large family units. In addition, the AHMB shall prepare brief comments as follows:

- (1) For each project in Group 1, justification of the emergency work items;
- (2) For each project in Groups 2A, 2C and 3, justification of each project's inclusion in the group;
- (3) For each project in Group 2B, explanation of the implementation status of previously approved stages or need for additional funding if comprehensive modernization is completed, and recommendation regarding current FFY funding; and
- (4) Results of Step 3 of the viability review for any project and conclusions regarding project

viability.

- c. Regional Office Decisions. For Troubled PHAs, the Regional Office shall familiarize itself with the proposed modernization to the maximum extent possible. After considering Field Office comments and recommendations, the Regional Administrator shall make the funding decisions.
- (1) Viability Review. The Regional Office shall review all results of Step 3 of the viability review for a Troubled PHA project and the Field Office's conclusions regarding project viability. If the Regional Office wishes to change the viability determination of any project as made by the Field Office (e.g., from viable to nonviable or vice versa), the Regional Office shall document its reasons.
- (2) Additional Funding. If, due to lack of progress under the Memorandum of Agreement or other reasons, the Regional Administrator is unable to use all of the funds in the Regional Office's allocation for Troubled PHAs, the Regional Office*

12/89

3-29

*

shall:

- (a) subassign the remaining funds, where they are sufficient, to the Field Offices on a fair share basis for funding decisions by the Field Office Manager under subparagraph b; or
- (b) retain the remaining funds, where they are insufficient to fair share, and request the Field Offices to forward a list of unfunded, but still recommended projects, ranked within processing group. In ranking the unfunded projects, the Field Office shall give double weight to three technical review factors: PHA's modernization capability; PHA's management capability; and adequacy of PHA's maintenance systems, including preventive and routine maintenance. The Regional Office shall merge all Field Office rankings into a consolidated Regional list and select for funding the top-ranked projects within processing group.
- (3) Notification to Field Offices. The Regional Office shall notify in writing the Field Offices of its funding decisions and viability determinations for the Troubled PHAs and any other funding decisions under subparagraph c(2)(b). The

Regional Office shall subassign these funds to the Field Offices to complete the fund reservation process.

- d. Non-Viable Projects. The Regional or Field Office shall not rank or approve for further processing any project which it determines to have any negative factors from Step 3 of the viability review. Such projects are considered to be nonviable and, therefore, ineligible for modernization funding. See paragraph 3-25b(4) regarding required consultation with Headquarters where the Regional or Field Office wishes to fund nonviable projects.
- e. Notification to CPD. After the Regional and Field Office funding decisions, the AHMB shall notify the CPD Division of any PHAs with programs being approved which involve relocation and acquisition under paragraph 6-7.

3-24. SUBMISSION OF BUDGET. After the Regional and Field Office *

12/89

3-30

* funding decisions, the Field Office shall request the funded PHA to submit the following:

- a. Form HUD-52825, Comprehensive Assessment/Program Budget (Parts I and II), which sets forth the physical and management work items identified by the needs assessments and mutually agreed to by the PHA and the Field Office at Joint Review for each project proposed for funding in the current FFY. Complete instructions for preparing Form HUD-52825 are contained in Appendix 9, along with a completed sample of the form which may be used as a guide in preparation.
- b. For each project proposed for comprehensive modernization in the current FFY, Form HUD-52823, Project Financial Forecast. Complete instructions for preparing Form HUD-52823 are contained in Appendix 10.

* 3-25. FIELD OFFICE APPROVAL/DISAPPROVAL LETTER. After Field Office approval of the budget, the HMS shall prepare, in consultation with other AHMB staff, a letter to each PHA for the signature of the Field Office Manager or Regional Administrator in co-located offices. The letter shall indicate that PHA is being funded or inform the PHA of the reasons why it is not being funded.

- a. Where the PHA is being funded, the letter shall include the following:

- (1) Identify each project being funding under the Modernization Project in the current FFY by type of modernization and amount;

- (2) Explain any revisions to Form HUD-52825, including any change in the approved method of accomplishment (contract or force account labor);
- (3) Provide other advice and guidance, such as understandings reached at the Joint Review on the organization and staffing of the modernization program and the Project Implementation Schedule;
- (4) Indicate that the PHA should proceed with procurement of A/E services for work which is being funded in the current FFY; *
- (5) Specify actions, if-any, that must be taken within a specified time to correct any

3-31

12/89

outstanding monitoring findings or management concerns.

- * (6) State the extent to which the PHA is being allowed to certify under paragraph 7-1;
- (7) Where the Field Office is approving advance planning costs for financially distressed PHAs as a separate Modernization Project, see paragraph 3-19c; and
- (8) Where the Field Office is approving the first stage of a multi-stage comprehensive modernization, state the following: *

Our review has indicated that the total CIAP funds required for all currently needed physical and management Improvements at project _____ is \$_____. Of this amount, we are approving \$_____ for the first stage of the multi-stage comprehensive modernization. While we cannot presently make any legal commitment of funds for subsequent FFYs, we will make a good faith effort to provide the CIAP funding required for the next stage in a subsequent year. This good faith effort is dependent upon the availability of future funds, your satisfactory progress in obligating and expending first stage funds, your submission of additional documents as may be required in paragraph 3-6, and your compliance with HUD regulatory and statutory requirements. Your agency must not incur any liabilities in reliance on our approval of future funding.

- b. Where the PHA is not being funded, the letter shall include the following:

- (1) An explanation of the reason for the decision.
- (2) For a project determined to be nonviable, suggestions for alternatives for the future of the project. With regard to the submission of a revised proposal in the next FFY, these may include, but are not limited to:
 - (a) Emergency modernization only;
 - (b) Changes in basic design, unit distribution, or household type (elderly/nonelderly);

12/89

3-32

-
- (c) Partial demolition under 24 CFR Part 970; or
 - (d) Disposition of the entire project under 24 CFR Part 970.
- (3) For a project determined to be nonviable, inform the PHA that it may request reconsideration of the proposal if:
- (a) Relocation is infeasible because of the lack of other decent, safe, sanitary and affordable housing, including other public housing units or units in the private market affordable with Section 8 or voucher assistance; and
 - (b) No other financially feasible program of modernization available as an alternative would overcome or deal more successfully with the problem identified in the viability review.
- (4) If a PHA does request reconsideration on the grounds set forth in subparagraph b(3) and the
- * Regional or Field Office wishes to approve, the Regional Office shall request Headquarters approval to fund, with appropriate justification. If approved by Headquarters, the Regional or Field Office shall reconsider the project for funding in the current or subsequent FFY.

3-26. FAST-TRACKING EMERGENCIES. The PHA may apply for CIAP funding for emergencies at any time during the FFY. When funds are available, the Regional or Field Office may fast-track the Application to fund reservation, without holding the Application for processing in accordance with the regular processing schedule. *

12/89

3-33

CHAPTER 4. FUND RESERVATION AND ACC AMENDMENT

4-1. FINANCIAL CONTROLS FFYS 1977-1986. Before FFY 1977, HUD used two financial controls: annual contributions contract authority (contract authority) and loan authority (capital funds). The Department of Housing and Urban Development - Independent Agencies Appropriations Act, 1976 (P.L. 94-116) established a third control which was budget authority. From FFY 1977 through FFY 1986, all assigned modernization funds were subject to these three controls.

a. Contract Authority. Contract authority was the statutory authority which pledged the full faith of the Congress to appropriate funds to pay annual contributions committed by HUD in contracts with PHAs. A portion of the total contract authority provided by the Congress and apportioned each year to HUD by the Office of Management and Budget was allotted to the Assistant Secretary for Public and Indian Housing for commitment for modernization purposes that year. Contract authority committed was the amount of annual contributions pledged annually to meet the annual level debt service of the costs of modernization.

b. Loan Authority (Capital Funds).

(1) Loan authority represented the costs of modernization (Maximum Modernization Cost) that could be supported by available contract authority. In determining the total amount of loan authority available nationally in any given FFY, Headquarters considered the available contract authority, the estimate average Minimum Loan Interest Rate for the FFY, and the maximum number of debt service annual contributions that would be paid on Modernization Projects.

(2) By using the estimated average Minimum Loan Interest Rate and the maximum number of debt service annual contributions, Headquarters obtained the amortization factor required to amortize the new modernization capital funds from the "Financial Compound Interest and Annuity Tables," Column entitled "Partial Payment," where the numbers at the right represented the number of debt service annual contributions. For example, if the Minimum Loan Interest Rate at the time of Headquarters fund assignment was

estimated to average 8 percent for the entire FFY, and the number of debt service annual contributions was 20, the amortization factor was .1018522088. If the contract authority available nationally was \$77,500,000, Headquarters computed the amount of

loan authority available nationally by dividing the contract authority (\$77,500,000) by the amortization factor which was rounded to five digits to the right of the decimal (.10185) to arrive at \$760,922,926 of available loan authority. This formula is illustrated below:

$$(\text{Loan Authority}) = (\text{Contract Authority}) \text{ divided by } (\text{Amortization Factor})$$

- c. Budget Authority. Budget authority was the total amount of annual contributions that would be paid by HUD under the ACC. For modernization, the budget authority available nationally was determined by multiplying the contract authority amount by the number of debt service annual contributions. For example, if the contract authority amount was \$77,500,000 and the number of debt service annual of debt service annual contributions was 20, the amount of budget authority available nationally was \$1,550,000,000. Budget authority was sometimes referred to as "run-out cost." This formula is illustrated below:

$$(\text{Budget Authority}) = (\text{Contract Authority}) \times (\text{Term})$$

- d. Determination of Contract Authority Amount. The Field Office computed the amount of contract authority required to amortize the amount of loan authority proposed for a given Modernization Project by multiplying the amount of loan authority by the amortization factor. The amortization factor was obtained by using the applicable Minimum Loan Interest Rate and the number of debt service annual contributions. If the amount of loan authority proposed for a given Modernization Project was \$500,100, the amount of contract authority required was computed by multiplying the loan authority (\$500,100) by the amortization factor (.10185) to arrive at \$50,936 of contract authority. Contract authority was always rounded up to the nearest dollar. This formula is illustrated below:

$$(\text{Contract Authority}) = (\text{Loan Authority}) \times (\text{Amortization Factor})$$

-
- e. Determination of Budget Authority Amount. The Field Office computed the amount of budget authority required to amortize the amount of loan authority proposed for a given Modernization Project by multiplying the amount of contract authority by the number of debt service annual contributions. For example, if the contract authority amount was \$50,936 and the number of debt service annual contributions was 20, the budget authority amount was \$1,018,720. See formula in subparagraph c.

- 4-2. FINANCIAL CONTROLS FFY 1987 AND SUBSEQUENT YEARS. Beginning with FFY 1987, CIAP funds are provided on a capital grant basis. Budget authority is now equal to capital funds, previously known as loan authority.
- 4-3. PREPARATION OF PROGRAM APPROVAL DOCUMENTS. Immediately after the funding decisions, the Housing Management Specialist (HMS) shall prepare the following program approval documents:
- a. Form HUD-52541, Project Accounting Data (PAD). A sample Form HUD-52541 is attached as Appendix 11. Note that Form HUD-52541A is used for Public Housing and Form HUD-52541B
* is used for Indian Housing. Prepare one PAD for all projects being funded which are under the same Consolidated ACC since such projects should be included in the same Modernization Project. *
 - b. Form HUD-416.2, HUD Notification.
 - c. PHA Approval Letter. See paragraph 3-25.
- 4-4. PROGRAM APPROVAL AND FUND RESERVATION.
- a. Assembly of Documents. The HMS shall assemble and route the following documents to the Field Office Manager or the Regional Administrator in co-located offices for approval:
 - (1) Original and two copies of the PHA approval letter;
 - (2) Original of the CIAP Application, including the marked-up budget;
 - (3) Original and two copies of the PAD; and
 - (4) Original and three copies of Form HUD-416.2.

12/89

4-3

-
- b. Reservation Procedures. Reservation procedures differ during the first eleven months of the FFY and the last month of the FFY, primarily with regard to the establishment of the Notification Date of the approval letter.
 - (1) First Eleven Months of the Fiscal Year Procedures. During this period, the Notification Date is the date the transaction is recorded in the Program Accounting System (PAS).
 - (a) Field Office. The PAD is signed by the Field Office Manager or the Regional Administrator in co-located offices. The HMS shall forward the signed PAD, together with a signed copy of the undated approval letter, to the Regional Accounting Division (RAD).

- (b) RAD. The RAD shall ensure that funds for a Modernization Project are reserved within 72 hours from the date the reservation documents are received from the Field Office, as follows:
 - (i) After reviewing the reservation documents received from the Field Office for correctness, the RAD (assuming the documents are correct) enters the data into PAS. The RAD enters the transaction entry date (the date data are being keyed--(month/day/year) as the transaction effective date; i.e., Notification Date. After the date has been entered into PAS, the RAD will review the computer-generated transaction listing. If the Modernization Project reservation has been accepted by PAS, the RAD will then insert the effective date displayed on the transaction listing into Block 9 of the PAD.
 - (ii) For reservations accepted by PAS, the RAD shall notify the Field Office by rapid communication (telephone, teletype, facsimile, etc., as appropriate) of the Modernization Project number, amount of authority reserved, and the Notification Date (from Block 9 of the PAD).

12/89

4-4

-
- (2) Last Month of the Fiscal Year Procedures. During this period, the Notification Date is the date the Field Office Manager or Regional Administrator in co-located offices signs the approval letter.
 - (a) Field Office. The procedures are the same as subparagraph b(1)(a), except that the approval letter is dated when the Field Office Manager or Regional Administrator in co-located offices signs it, and the HMS inserts that date in Block 9 of the PAD.
 - (b) RAD. The procedures are the same as subparagraph b(1)(b), except that the RAD enters the Notification Date into PAS from Block 9 of the PAD and the RAD ensures that the date in Block 9 of the PAD and the effective date on the transaction listing are the same.

4-5. TRANSMITTAL OF HUD NOTIFICATION.

- a. Upon notification from the RAD, the HMS shall arrange for the immediate transmittal of one copy of Form HUD-416.2 to the Office of Legislation and Congressional Relations by facsimile machine. The HMS shall verify with the appropriate machine operator that the facsimile was sent and that receipt was confirmed, and shall note the actual date and time of transmission. The HMS shall arrange for copies of Form HUD-416.2 to be sent to the Regional and Field Office Public Affairs Officers.
- b. The Field Office may announce a modernization program approval after five working days provided that the Office of Legislation and Congressional Relations has not telephoned the Field Office to request that announcement
* be delayed. At no time shall premature information be released to anyone. *

4-6. DISTRIBUTION OF APPROVED DOCUMENTS. When modernization program approval can be announced, the HMS shall arrange for the following distribution of approved documents:

- a. To the PHA, the original of the approval letter and one copy of the approved Form HUD-52825.
- b. To the AHMB files, the original of the CIAP Application, including the approved Form HUD-52825, and one copy each of the approval letter, Form HUD-52541, and Form HUD-416.2 for records purposes.

12/89

4-5

-
- c. To the Regional or Chief Counsel, one copy of Form HUD-52541, with a listing of the projects included in the Modernization Project, for purposes of preparing the ACC Grant amendment.

4-7. ANNUAL CONTRIBUTIONS CONTRACT GRANT AMENDMENT.

- a. Preparation. After fund reservation, the HMS shall request Regional or Chief Counsel to prepare the appropriate Form HUD-53009, Modernization Project Grant Amendment to Consolidated ACC, as follows: Form
* HUD-53009A for non-Indian projects; Form HUD-53009B for Section 23 Leased Housing Bond-Financed projects (see paragraph 4-9 for special instructions; Form HUD-53009C for Indian rental or Turnkey III projects; or Form HUD-53009D for Indian Mutual Help projects. Samples of all four types of Form HUD-53009 are attached as Appendix 12. All projects included in the Modernization Project * must be under the same consolidated ACC. Lanham Act or PWA projects not under an ACC but included in the Modernization Project shall be placed under the ACC. Within 10 working days of fund reservation, Counsel shall transmit the ACC Grant amendment and Form HUD-9009,

General Certificate, to the PHA for completion and return, together with a copy of the resolution by the PHA Board of Commissioners authorizing execution of the ACC Grant amendment. Counsel shall notify the HMS of the transmittal date of these documents to the PHA.

- b. Execution. Within 30 calendar days of receipt of the ACC Grant amendment and other required documents, the PHA shall sign the documents and return them to Counsel. Upon receipt of the PHA-signed ACC Grant amendment and other required documents, Counsel shall forward the ACC Grant amendment to the Field Office Manager or Regional Administrator in co-located offices for execution within five working days. Execution of the ACC Grant amendment represents fund obligation and authorizes PHA drawdown of funds, if needed.
- c. Distribution of Legal Documents. After the Field Office Manager or Regional Administrator in co-located offices executes the ACC Grant amendment, Counsel shall notify the HMS and arrange for the following distribution of documents:

- (1) To the PHA, one copy of the executed ACC Grant amendment.

12/89

4-6

-
- (2) To Counsel's files, one copy of the executed ACC Grant amendment, the Board resolution, and the General Certificate for records purposes.
 - (3) To the AHMB files, one copy of the executed ACC Grant amendment for records purposes.
 - (4) To the RAD, the original of the executed ACC Grant amendment for purposes of entering the fund obligation into PAS.

4-8. SPECIAL REQUIREMENTS FOR HOMEOWNERSHIP PROJECTS.

- a. Promptly after HUD approval of the CIAP Application, each homebuyer family shall execute an amendment to its Homebuyer Agreement, reflecting an increase in the purchase price of its home and an extension of the amortization period in accordance with subparagraphs b and * c, except where the modernization work is limited to the correction of development deficiencies, update of energy audits and undertaking of cost-effective energy conservation measures, and lead-based paint testing and abatement (see paragraph 2-11). *
- b. For Turnkey III projects and for Mutual Help projects placed under ACC from March 9, 1976, or converted in accordance with 24 CFR 905.428:

- (1) The amount of estimated modernization cost attributable to the home, as shown in the HUD-approved CIAP Application, shall be added to the homebuyer's purchase price as initially determined (under 24 CFR 904.113(a) or 904.115(b) for Turnkey III projects, or under 24 CFR 905.422(b) or (c) for Mutual Help projects).
- (2) The period of the homebuyer's current purchase price schedule shall be extended by the same percentage as the percentage of increase in the homebuyer's purchase price. The new purchase price schedule shall:
 - (a) show monthly amortization of the new purchase price over a period commencing on the same day as the original purchase price schedule and terminating at the end of the extended period; and
 - (b) be computed on the basis of the same interest rate as used for the current purchase price

12/89

4-7

* schedule. (For Mutual Help Projects where the original development cost was funded through grants, no interest rate is used when computing the new purchase price schedule.) *

- (3) If a modernization program is approved for a project after one or more earlier modernization programs for the same project, the total amount of modernization cost attributable to the home under the prior modernization program(s) shall be included as part of the homebuyer's initial purchase price in applying the foregoing provisions of subparagraphs (b)(1) and (2).
- c. For Mutual Help projects placed under ACC before March 9, 1976, and not converted in accordance with 24 CFR 905.428 and for Turnkey III projects that do not have purchase price schedules:
- (1) These projects do not involve purchase price schedules for amortization of the homebuyer's purchase price over a fixed period of time because the homebuyer's purchase price in these projects is based on the unamortized balance of the portion of the project's development debt attributable to the home. Consequently, it is necessary to establish a separate schedule for the amortization of the estimated modernization cost attributable to the home, as shown by the HUD-approved CIAP Application.

- (2) The PHA shall furnish to the homebuyer a schedule showing monthly amortization of the estimated modernization cost attributable to the home, at the Minimum Loan Interest Rate specified in the ACC for the Modernization Project, over a period commencing on the first day of the month after the date of original occupancy of the home by the homebuyer and terminating at the end of the period determined as follows:

- (a) Divide the amount of the estimated modernization cost attributable to the home (including the total amount of modernization cost attributable to the home under prior modernization programs, if any) by the amount of the current HUD-approved estimated replacement cost of the home.

12/89

4-8

-
- (b) Multiply this amount by 25, round the result to the next higher number and add that number to 25. This is the number of years to be used as the period for the modernization amortization schedule.

- (c) The purchase price for the unit shall be the sum of (A) the balance of the debt attributable to the home and (B) the amount remaining on the modernization schedule at the time of settlement.

- d. See the Indian Housing Handbook 7440.1 for further instructions.

4-9. SPECIAL REQUIREMENTS FOR SECTION 23 LEASED HOUSING BOND-FINANCED PROJECTS.

- a. Conditions. A Section 23 Leased Housing Bond-Financed project (BFP) is eligible for modernization only if the Field Office determines that the project has met all of the following conditions:

- (1) The BFP was financed by the issuance of bonds.
- (2) Clear title to the BFP will be conveyed to or vested in the PHA at the end of the Section 23 lease term. The Lease Agreement and Trust Indenture must provide that title to the property will pass to the PHA at that time. Based on title evidence provided by the PHA, Regional or Chief Counsel shall determine whether the PHA is assured of obtaining good title under the legal arrangements for the project and whether there are any liens or encumbrances against the property junior to the bond indenture.

- (3) Based upon a full review of the legal documentation for the BFP by Counsel, there are no legal obstacles affecting the PHA's use of the property as public housing during the 20-year period of the modernization. This review would include any known pending or threatened litigation affecting the BFP.
- (4) Based upon an on-site inspection of the BFP, the AHMB can certify that, after completion of the proposed modernization, the BFP will have a remaining useful life of at least 20 years, assuming timely maintenance and replacements, and

12/89

4-9

that it is in the financial interest of the Federal Government to improve the BFP.

- (5) The BFP is covered by a Cooperation Agreement between the PHA and the local governing body during the 20-year period of the modernization, assuring tax exemption and provision of municipal services as in the case of PHA-owned projects.
- b. Processing. If the BFP meets the special conditions in subparagraph a and is, therefore, eligible for CIAP funding, the application requirements are the same as for PHA-owned projects. However, the following special processing requirements shall apply:
- (1) Separate Modernization Project. The BFP shall not be included in the Modernization Project for the PHA-owned projects. A separate Modernization Project shall be established for all of the PHA's BFPs to be modernized during any given FFY. A sample Form HUD-53009B, Modernization Project Grant Amendment to Consolidated ACC for Modernization of Section 23 Leased Housing Bond-Financed Projects, is attached as Appendix 12. The first Modernization Project for BFPs for a PHA shall be 985; e.g., VA36P030985. The second Modernization Project for BFPs for the same PHA shall be 986; e.g., VA36P030986.
 - (2) Cooperation Agreement.
 - (a) During the 20-year term of the Modernization Project, the BFP must be covered by a Cooperation Agreement between the local government and the PHA providing for tax exemption and other local assistance as in the case of PHA-owned projects. Form HUD-53009B states that the individual projects are exempt from real and personal property taxes. Space

is provided on Form HUD-53009B after section 16 for listing the applicable Cooperation Agreements. Form HUD-53009B shall not be executed until Counsel has determined that the BFP is covered by a Cooperation Agreement.

- (b) A new Cooperation Agreement may not be needed if Counsel determines that the BFP is already covered by an existing Cooperation Agreement providing for the required tax exemption and

12/89

4-10

local assistance. If Counsel proposes to rely on a previously executed Cooperation Agreement covering a stated number of units to be developed by the PHA, but not referring specifically to the BFP, Counsel shall determine whether there is adequate evidence that the BFP will be treated by the local government as within the coverage of the Cooperation Agreement. If there is any uncertainty as to whether the BFP is covered by the Cooperation Agreement, Counsel shall require that the existing Cooperation Agreement be amended to refer specifically to the BFP.

- (c) If the BFP is not already covered by a sufficient Cooperation Agreement, the PHA shall enter into a Cooperation Agreement with the local government. In such case, the Cooperation Agreement shall specifically designate the BFP to which the exemption applies in a manner that clearly indicates the real property covered by the exemption (generally in the same manner used to designate properties for local tax billing). If any tax lien has been or may be attached to the property before execution of the ACC amendment, but covering taxes for any period subsequent to execution of the ACC amendment, Counsel shall ensure (by specific provision in the Cooperation Agreement or otherwise) that the lien of and liability for the tax is released before execution of the ACC amendment.
- (d) If the BFP is already exempt from real and personal property taxes under State law, or under a Cooperation Agreement that does not provide for Payments in Lieu of Taxes (PILOT), the Cooperation Agreement shall not include any provision for PILOT. If the BFP is already exempt from taxation under a Cooperation Agreement that provides for PILOT, the Cooperation Agreement may include provision for PILOT, but not to exceed the amounts required

under Section 6(d) of the Act.

4-10. DECLARATION OF TRUST.

12/89

4-11

-
- a. Promptly after execution of the ACC Grant amendment, Regional or Chief Counsel shall prepare a letter to
- * the PHA transmitting Form HUD-52190B, Declaration of Trust (Non-Indian grants), or Form HUD-52190C, Declaration of Trust (Indian grants), which shall *
- cover all of the individual projects included in the newly approved Modernization Project. The letter shall instruct the PHA to execute and record the Declaration of Trust and to provide Counsel with a copy as soon as it has been recorded.
- b. Counsel shall review all pre-1987 Modernization Projects, to the extent deemed necessary, to determine that there is a record of Declaration of Trust covering all of the individual projects included in each Modernization Project for the entire 20-year period during which annual contributions would have been paid had the loan not been forgiven. If any such Declaration of Trust is missing or of insufficient time duration, Counsel shall prepare a letter to the PHA transmitting the Declaration of Trust for execution and recordation.

12/89

4-12

CHAPTER 5. RESIDENT/HOMEBUYER CONSULTATION AND INVOLVEMENT
REQUIREMENTS

5-1. RESIDENT CONSULTATION.

- a. Before development of the CIAP Application, the PHA shall consult with residents regarding its intent to submit an application for CIAP funds.
- b. At least three weeks before Joint Review, the PHA shall notify the residents of the project to be modernized and the resident organization, if any, of the proposed modernization program, afford residents a reasonable opportunity to present their views on the proposed program and alternatives to it, and give full and serious consideration to resident recommendations. The PHA notice shall include information on the PHA's ideas for
 - * modernization and the methods, including time limit, for residents to present their views. In addition, the PHA shall make available to the residents and the resident organization, if any, a copy of the CIAP Application. *
 - At least one day before Joint Review, the PHA shall make available a copy of its brief, written evaluation of the resident recommendations.
- c. At Joint Review, the PHA shall make available to HUD a copy of the resident recommendations and its evaluation of those recommendations, indicating the reasons for PHA acceptance or rejection, consistent with HUD requirements and the PHA's own determination of efficiency, economy and need.
- d. After approval of the modernization program, the PHA shall inform the residents and the resident organization, if
 - * any, of the approved work items and make available a copy of the approved CIAP Application.
- e. The provisions of this paragraph do not apply where only work items of an emergency nature, affecting the life, health and safety of residents, are processed in a "fast track" mode outside the normal processing schedule. However, the PHA shall inform residents of approved
 - * emergency work items.
- f. The PHA shall achieve resident consultation by use of informational materials, meetings or other methods which it deems most effective.

12/89

5-1

5-2. HOMEBUYER CONSULTATION.

- a. Before Joint Review, the PHA shall discuss the modernization program with the homebuyer families of the project to be modernized and inform each homebuyer family

that:

- (1) to participate, it must be in substantial compliance with the terms of its Homebuyer Agreement;
 - (2) it will have an opportunity to express its views and preferences with respect to the modernization of its home;
 - (3) the purchase price and the amortization period will be increased as provided in paragraph 4-8;
 - (4) it will have an opportunity to participate in the final inspection of the work to determine completion in accordance with the requirements; and
 - (5) participation in the program is optional.
- b. The PHA shall provide each homebuyer family with a copy of the PHA's evaluation of its recommendations, the tentative decisions reached on the modernization program to be submitted to the Field Office, the estimated cost of the proposed modernization program, and the maximum amount of this cost to be attributed to its home.
- c. If the homebuyer family decides to participate in the modernization program with respect to any of the proposed work items, it must agree in writing that its Homebuyer Agreement will be amended upon approval of the CIAP Application to provide that, as a result of the amount of modernization cost attributed to its home, the purchase price and the amortization period will be increased in accordance with paragraph 4-8. The PHA shall retain copies of the signed agreements and the amended Homebuyer Agreements in its files for inspection by the Field Office.
- d. Any homebuyer family may decline to participate without risk to its homebuyer status.
- e. The provisions of subparagraphs a through d do not apply where the modernization work is limited to the

12/89

5-2

correction of development deficiencies, update of energy audits and undertaking of cost-effective energy conservation measures, and lead-based paint testing and abatement (see paragraph 2-11).

*5-3. RESIDENT/HOMEBUYER INVOLVEMENT. The PHA shall involve residents/homebuyers during the implementation of the approved modernization program, as follows:

- a. Provision of the HUD-approved Project Implementation

Schedule(s) (see paragraph 7-2) and regular status reports on the implementation progress of the physical and management improvements;

- b. Appropriate notice regarding resident moves, as required by paragraph 6-7; and
- c. To the maximum extent possible, opportunities for employment either by the PHA and its contractors in carrying out the approved physical and management improvements (see paragraph 2-3b(5)). *

CHAPTER 6. OTHER PROGRAM REQUIREMENTS

6-1. CIVIL RIGHTS COMPLIANCE.

a. The PHA shall comply with:

(1) In the case of Indian Housing Authorities (IHAs):

(a) Title II of the Civil Rights Act of 1968 (Indian Civil Rights Act) (25 U.S.C. 1301-1303) or Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d-2000d-4) and Title VIII of the Civil Rights Act of 1968, as amended, (42 U.S.C. 3601-3619), as applicable. The Indian Civil Rights Act is applicable (Title VI and Title VIII are inapplicable) to IHAs established by exercise of a tribe's powers of self-government. In the case of an IHA established under State law, the applicability of the Indian Civil Rights Act (or of Title VI and Title VIII) will be determined by HUD on a case-by-case basis in accordance with 24 CFR 905.105;

* (b) Where Title VI and VIII are applicable, Age Discrimination Act of 1975 (42 U.S.C. 6101 et seq.), 24 CFR Part 146, and Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), 24 CFR Part 8. *

(c) Section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e(b)); and

(d) Executive Order 11246 (30 FR 12319) to the maximum extent consistent with, but not in derogation of compliance with, Section 7(b) of the Indian Self-Determination and Education Assistance Act.

(2) In the case of all other PHAs, Title VI of the Civil Rights Act of 1964 (42 U.S.C.

* 2000-2000d-4), 24 CFR Part 1; Fair Housing Act (42 U.S.C. 3601-36), 24 CFR Part 100; Executive Orders 11063 (Equal Opportunity in Housing), 11246 (Equal Employment Opportunity), and 12138 (Women's Business Enterprise); Section 3 of the HUD Act of 1968, as amended, (12 U.S.C. 1701u), 24 CFR Part 135; Age Discrimination Act of 1975 (42 U.S.C. *

12/89

- b. Except for modernization work of an emergency nature, affecting the life, health and safety of tenants, HUD will not approve a modernization program if:
 - (1) There is a pending civil rights suit against the PHA instituted by the Department of Justice;
 - (2) There are outstanding HUD findings of PHA noncompliance with civil rights statutes, executive orders, or regulations as a result of formal administrative proceedings, unless the PHA is implementing a HUD-approved tenant selection and assignment plan or compliance agreement designed to correct the area(s) of noncompliance; or
 - (3) There has been a deferral of the processing of applications from the PHA imposed by HUD under Title VI of the Civil Rights Act of 1964, the Attorney General's Guidelines (28 CFR 50.3) and the HUD Title VI regulations (24 CFR 1.8) and procedures (HUD Handbook 8040.1).
- c. Section 3 of Act of HUD Act of 1968. Under Section 3 of the HUD Act of 1968, as amended, the PHA shall require that, to the greatest extent feasible, opportunities for training and employment be given to lower income persons residing within the unit of local government or the metropolitan area (or non-metropolitan county), as determined by the Secretary, in which the project is located; and that contracts for work be awarded to business concerns which are located in or owned in substantial part by persons residing in the same metropolitan area (or non-metropolitan county) as the project, provided that the contract award complies with State and local law and Federal requirements. Refer to 24 CFR Part 135.
- d. Affirmative Action Program Under Executive Order 11246.
 - (1) PHA Contract Administration. Under Executive Order 11246, as amended, the PHA shall advise all construction-related contractors with contracts over \$10,000 to document affirmative actions taken to ensure equal opportunity in employment. This documentation is subject to review by the

Regional Office of the Department of Labor. As a part of normal contract administration, the PHA is responsible for determining compliance with the equal opportunity clause or written affirmative

action requirements and for reviewing contractor performance to insure that these responsibilities are met. The PHA shall take the following action:

- (a) Carry out sanctions against a contractor or subcontractor and furnish information, as required by the Department of Labor.
 - (b) Maintain an affirmative action file to keep written reports detailing its efforts, with dates, to meet the commitments under Executive Order 11246, as amended.
 - (c) Assure that all PHA construction contracts over \$10,000 are subject to Executive Order 11246, as amended, and include appropriate provisions.
- (2) Responsibilities of Contractors and Subcontractors. All modernization contractors and subcontractors are required to take affirmative action to comply with the equal employment opportunity provisions of Executive Order 11246, as amended.

6-2. MINORITY AND WOMEN'S BUSINESS OR INDIAN ENTERPRISE OPPORTUNITY.

- a. MBE Goal. Under Executive Orders 11625 and 12432, the PHA, as part of its affirmative action program, shall provide every feasible opportunity for minority business enterprises (MBEs) to participate in bidding for modernization work. The PHA shall establish through Board resolution, the goal of at least 20 percent of its approved CIAP funds to be awarded to contracts with MBE construction contractors, A/E's, or consultants (for both physical and management improvements), or to be purchased from MBEs under the
- * HUD Consolidated Supply Program. The 20 percent goal is not a mandatory set-aside. Where the main * construction contract is awarded to an MBE, the PHA shall count the entire dollar amount of the contract toward the MBE goal. Where the main construction contract is not awarded to an MBE, but one or more of the subcontracts is awarded to an MBE, the PHA shall

12/89

6-3

count the dollar value of such subcontract(s) toward the MBE goal. The PHA shall not double count the dollar value of the main construction contract and any of its subcontracts. The PHA shall report its MBE progress on Form HUD-2516, Contract and Subcontract Activity Report for Public and Indian Housing

* Programs. *

b. Definitions.

- (1) MBE means a business that is owned or controlled by one or more socially or economically disadvantaged persons. Such persons include Blacks, Puerto Ricans, Spanish-speaking Americans, American Indians, Eskimos, Aleuts, Hasidic Jews, Asian Pacific Americans, and Asian Indians.
- (2) Owned or controlled by one or more socially and economically disadvantaged persons means that a socially and economically disadvantaged person(s), or a for-profit business or nonprofit organization controlled by such persons(s), possess at least 51 percent of the ownership of the business, and its management and daily business operation are controlled by such persons.

c. Bid or Solicitation Process. To ensure that MBEs are aware of modernization bid opportunities, the PHA may wish to adopt the following suggested techniques, in addition to its existing procedures, for publicizing upcoming Invitations for Bid or Requests for Proposals (see Chapter 9):

- (1) Timely advertisement in media with a largely minority audience;
- (2) Solicitation of bids or requests for proposals directly from MBEs;
- (3) Posting of signs around the project and in the PHA management office and local stores;
- (4) Notification of community organizations, public or private institutions, and local minority business organizations and trade associations; and
- (5) Notification of the tenant organization, if any.

d. Women's Business Enterprises. Under Executive Order

12/89

6-4

12138, both PHAs and IHAs shall take appropriate affirmative action to assist women's business enterprises and shall maintain information and reports. *

e. Indian Enterprises. In accordance with the Indian Determination and Education Assistance Act and the Indian Housing regulation (24 CFR Part 905), IHAs shall, to the greatest extent feasible, give preference in the award of modernization contracts during any FFY to Indian organizations and Indian-owned economic

enterprises, as defined in 24 CFR 905.106(a).

6-3. ENVIRONMENT. Before approving CIAP funds, HUD will comply with all applicable requirements of 24 CFR Part 50, implementing the National Environmental Policy Act (NEPA) of 1969 (42 U.S.C. 4321 et seq.), and related requirements of 24 CFR 50.4, pertaining to overlaying environmental laws, Executive Orders and HUD standards. The Field Office shall document compliance with these requirements on Forms HUD-4128 and 4128.1, as appropriate (see paragraph 3-22).

6-4. FLOOD INSURANCE. The PHA shall comply with regulations and requirements under the Flood Disaster Protection Act of 1973 (42 U.S.C. 4001 et seq.). The PHA shall certify that the project to be modernized is not located in an identified special flood hazard area, or if the project is located in such an area, the PHA shall furnish either a copy of the flood insurance policy obtained by the PHA to cover the project or a certification that the special flood hazard area has been identified for less than one year and that the community in which the project is located is not participating in the National Flood Insurance Program. A project located in a special flood hazard area of a community that has been formally notified of the area for more than one year, but is not participating in the National Flood Insurance Program, is not eligible for CIAP funding until the community participates in the program.

- a. If a project is located in an identified special flood hazard area and the community is participating in the National Flood Insurance Program, the PHA shall obtain flood insurance coverage for each affected building in an amount equal to its replacement cost after the proposed modernization (less estimated land cost) or to the maximum limit of coverage made available with respect to that particular type of property under the

12/89

6-5

National Flood Insurance Act of 1968, whichever is less. For each affected building in Lanham or PWA projects, the PHA shall obtain flood insurance coverage in an amount equal to its full insurable value after the proposed modernization (less estimated land cost) or to the maximum limit of coverage made available with respect to that particular type of property under the National Flood Insurance Act of 1968, whichever is less. The PHA shall continue to carry the required flood insurance after completion of the modernization. Flood insurance premiums are not eligible CIAP costs.

- b. If the proposed modernization program involves new construction or substantial improvements of an existing structure, as defined in 44 CFR Part 60, the PHA shall comply with the requirements on elevation and flood

proofing.

*6-5. LEAD-BASED PAINT POISONING PREVENTION. The PHA shall comply with the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821-4826) and HUD implementing regulations.

6-6. PHYSICAL ACCESSIBILITY AND NONDISCRIMINATION BASED ON HANDICAP. The PHA shall comply with the Architectural Barriers Act of 1968, as amended (42 U.S.C. 4152-4157) and HUD implementing regulations (24 CFR Part 40). The PHA also shall comply with Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794) and HUD implementing regulations (24 CFR Part 8).

6-7. RELOCATION AND ACQUISITION. The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (URA), and the government-wide regulations at 49 CFR Part 24 set forth relocation requirements for persons displaced by CIAP-funded rehabilitation, demolition and acquisition activities. This paragraph provides an overview of the relocation and acquisition requirements under CIAP where the URA applies and does not apply. If CDBG funds are used to pay any of the rehabilitation or demolition costs of a project, the project also is subject to the requirements of section 104(d) of the HCD Act of 1974, as amended (see paragraph 1-5).

a. Definitions.

- (1) A "displaced person," who is eligible for relocation assistance under the URA, means any person (family, individual, business, nonprofit *

12/89

6-6

* organization or farm) that moves from real property, or moves personal property from real property, permanently and involuntarily, as a direct result of rehabilitation, demolition or acquisition for a CIAP-funded project. Permanent, involuntary moves for a CIAP-funded project include:

- (a) A permanent move from the real property (project/site) following notice by the PHA to move permanently from the property, if the move occurs on or after the date that HUD approves the PHA's CIAP Application;
- (b) A permanent move from the real property that occurs before HUD approves the PHA's CIAP Application, if the PHA or HUD determines that the displacement resulted directly from rehabilitation, demolition or acquisition for the CIAP-funded project;

(c) A permanent move from the real property by a person that occurs after execution of the ACC by HUD if:

- (i) The person has not been provided a reasonable opportunity to lease and occupy a suitable, decent, safe and sanitary dwelling in the same project/site following the completion of the project at a rent, including estimated average utility costs, that does not exceed the greater of the person's rent and estimated average utility costs before the initiation of negotiations (as defined in 49 CFR 24.2(k)), or 30 percent of gross household income; or
- (ii) The person has been required to relocate temporarily, but a the person is not offered payment for all actual reasonable moving and related expenses incurred in connection with the temporary relocation or other conditions of the temporary relocation are not reasonable, and b the person is not offered the opportunity to return to the same project/site; or *

12/89

6-7

* (iii) The person is required to move to another unit in the same project/site, but is not offered reimbursement for all actual reasonable moving and related expenses incurred in connection with the move.

(2) A person does not qualify as a displaced person and is not eligible for relocation assistance under the URA (see subparagraph b) or assistance under subparagraph c), if:

- (a) The person has been evicted for cause based upon a serious or repeated violation of material terms of the lease or occupancy agreement and the PHA determines that the eviction was not undertaken for the purpose of evading the obligation to provide relocation assistance (see 49 CFR 24.206);
- (b) The person moved into the property after HUD approval of the PHA's CIAP Application and, before commencing occupancy, received written

notice of the expected displacement;

- (c) The person is ineligible under 49 CFR 24.2(g)(2); or
 - (d) The PHA determines that the person was not displaced as a direct result of CIAP-funded rehabilitation, demolition or acquisition for the project and the Field Office concurs in that determination. This category includes general transfers between projects. The PHA shall not use CIAP funds to pay for actual reasonable moving and related expenses for general transfers. To minimize disputes regarding eligibility, PHA records shall state the cause of general transfers.
- (3) A person does not qualify as a displaced person, but must be provided assistance under subparagraph c if due to CIAP-funded rehabilitation or demolition, the person is moved temporarily from the project/site and is offered the opportunity to return to the same project/site (although not necessarily the same building/unit) or the person is moved permanently within the same project/site. *

12/89

6-8

-
- (4) At any time, the PHA may request a HUD determination as to whether a person qualifies as a displaced person and, if not, whether a person is eligible for assistance.
- b. Relocation Assistance for Displaced Persons. The following requirements apply to displaced persons, as defined in subparagraph a(1):
- (1) Relocation Notices to Families or Individuals. The PHA shall provide written notices (general information notice and notice of relocation eligibility), as required by 49 CFR 24.203. Each notice shall be personally served or sent by certified or registered first-class mail, return receipt requested, and documented in the PHA's files. Each notice shall be written in plain, understandable language. Persons who are unable to read and understand the notice (e.g., illiterate, foreign language, or impaired vision) must be provided with appropriate translation/communication and counseling. Each notice shall indicate the name and telephone number (including the TDD number, if applicable) of a person who may be contacted for answers to questions or other needed help.

- (2) Relocation Planning, Advisory Services, and Coordination. The PHA shall undertake relocation planning, provide relocation assistance advisory services, and properly coordinate relocation activities as required by 49 CFR 24.205. The PHA shall not require any family or individual to move unless it has provided at least one referral (where possible, three or more) to a comparable replacement dwelling (CRD), as defined in 49 CFR 24.2(d).
- (3) Payments for Moving and Related Expenses. Refer to 49 CFR Part 24, Subpart E.

(a) Family or Individual.

- (i) The PHA may, at its discretion, elect to perform the move itself, using force account labor or a moving company, at no cost to the family or individual being displaced. In such case, the PHA also shall provide the family or individual with a moving *

12/89

6-9

* expense and dislocation allowance of \$50.

- (ii) If the PHA does not elect to Perform the move itself, the family or individual shall have the option to elect either a payment for actual reasonable moving and related expenses (49 CFR 24.301) or the applicable fixed moving expense and dislocation allowance (49 CFR 24.302) indicated in the schedule, which is published periodically in the Federal Register by the Department of Transportation and available from the Field Office.

- (b) Business or Nonprofit Organization. Such entity is eligible for a payment for actual reasonable moving and related expenses (49 CFR 24.303) and a payment for reestablishment expenses (49 CFR 24.304). Section 24.305 describes those businesses/nonprofit organizations which may qualify to choose a fixed payment in lieu of the payments under 49 CFR 24.303 and 24.304.

- (4) Replacement Housing Assistance. It is expected that most families or individuals displaced from a

dwelling will be provided the opportunity to relocate to another public housing unit that qualifies as a CRD. This will satisfy the basic replacement housing requirements of the URA and, ordinarily, no additional cash replacement housing assistance would be necessary. If the PHA does not provide referrals to comparable subsidized housing, the family or individual will be entitled to cash assistance sufficient to rent a CRD on the private market for a 42-month period. The family or individual may use the cash payment to rent or buy a replacement dwelling. If the family or individual rents a replacement dwelling, the payment shall not exceed the amount needed to rent the decent, safe and sanitary dwelling to which the family or individual relocates. At its discretion, the PHA may provide a rental assistance payment in monthly installments. If the family or individual elects to buy a decent, safe and sanitary replacement dwelling, the PHA shall provide the payment in a lump sum amount. *

12/89

6-10

* (5) Appeals. A person who disagrees with the PHA's determination concerning a payment or other assistance required under subparagraph b may file a written appeal of that determination with the PHA. The PHA shall follow the appeal procedures set forth in 49 CFR 24.10.

c. Assistance for Persons Who Must Move, But are Not Displaced. Families or individuals who are not displaced, but must move temporarily, or move permanently within the same project/site, are entitled to reimbursement of costs incurred. The PHA shall provide temporary housing which is decent, safe and sanitary at the same cost on a nondiscriminatory basis for a family or individual who is moved temporarily from the project/site and is offered the opportunity to return to the same project/site (although not necessarily the same building/unit).

(1) Notice to Families or Individuals. As soon as possible, the PHA shall provide written notice to each affected family or individual that they will be moved, but are not being displaced.

(2) Direct Payment or Reimbursement. The PHA shall either (a) undertake the move itself, using force account labor or a moving company, and therefore be directly responsible for all actual reasonable moving and related expenses; or (b) reimburse families or individuals for all actual reasonable moving and related expenses. In the

latter case, the PHA shall not make fixed payments since such payments are not representative of actual reasonable costs.

- (3) Incidental Costs. Incidental costs may include utility deposits if required at the temporary housing, and telephone installation and cable TV hook-up at the temporary housing and the newly rehabilitated project if the family or individual previously had a telephone and cable TV. If the newly rehabilitated project now has tenant-purchased rather than PHA-furnished utilities, which require utility deposits, the PHA shall not pay for the new utility deposits since they are required to be paid by any family or individual currently living in a project which is being converted to tenant-purchased utilities or by any new family or individual moving into such project. *

12/89

6-11

-
- * (4) Cost of Temporary Housing. When it is necessary to temporarily house families or individuals in units other than public housing, rents paid by the PHA shall not exceed Section 8 Fair Market Rents, except as may be approved by the Field Office. When a public housing unit of suitable size and location becomes available, the family or individual must agree to move into the unit or assistance shall terminate.
- d. Assistance in Place. Where families or individuals are not required to move, but are unable to use their kitchens for a short period of time or be in their units during the day due to modernization activities, the Field Office may approve CIAP funds for meal vouchers where the PHA can demonstrate that the cost of the meal vouchers is less than the cost of temporary moves.
- e. Costs of Assistance. Costs of assistance under this paragraph may be paid from local public funds, CIAP funds, or funds available from other sources.
- f. Recordkeeping Requirements. The PHA shall maintain records in sufficient detail to demonstrate compliance with applicable relocation requirements. The PHA shall retain these records for at least three years after the later of: (1) the date the person has received all of the assistance to which the person is entitled; or (2) the date the project is completed. Relocation records shall include the following:
- (1) Displaced Persons. For persons displaced, the PHA

shall maintain separate case files that include:

- (a) Identification of the person's name and racial/ethnic group classification and the address of the displacement property. For residential persons, include age, sex and income of all members of the household, monthly rent, average monthly utility costs, and date of initial occupancy of the displacement property. For nonresidential persons, include type of enterprise.
- (b) Evidence that the person received timely written notice of possible displacement and a general description of the relocation payments and advisory services for which the

*

12/89

6-12

*

person may be eligible, basic eligibility conditions, and procedures for obtaining payments.

- (c) Evidence that the person received timely written notice of eligibility for relocation assistance and, for a displaced residential person, the specific CRD and related cost to be used to establish the upper limit of the replacement housing payment.
- (d) Identification of relocation needs and preferences, dates of personal contacts, and services provided.
- (e) Identification of referrals to replacement properties, dates of referrals, rent/utility costs or sales price (if residential), date of availability, and reason(s) person declined referral.
- (f) Copy of 90-day notice and vacate notice, if issued.
- (g) Identification of address of replacement property and date of relocation. If residential, identify rent/utility costs or sales price.
- (h) Copy of replacement dwelling inspection report showing condition of unit and date of inspection.
- (i) Copy of each approved claim form and related documentation, evidence that person received payment, and, if applicable, Section 8

Certificate or Housing Voucher.

- (j) Copy of any appeal or complaint filed and PHA response.
- (2) Persons Not Displaced. For persons not displaced, the PHA shall maintain the following documentation:
 - (a) Evidence that the person received timely written notice that he/she would not be displaced by the project.
 - (b) Evidence that, where applicable, the person *

12/89

6-13

* received a timely offer of (1) a reasonable opportunity to lease and occupy a suitable unit in the same project/site and (2) reimbursement of any out-of-pocket expenses incurred in connection with any temporary relocation or a permanent move to another unit in the same project/site.

- (c) For each person that is not displaced, but elects to move permanently from the project/site, an indication of the reason for the move and any personal contact to explain that the person will not qualify for relocation payments as a "displaced person."

g. Real Property Acquisition Requirements. The acquisition of real property with CIAP funds is subject to the URA and the requirements set forth in 49 CFR Part 24, Subpart B. These provisions include requirements to appraise the real property and offer fair market value, in writing, to the owner before negotiating to acquire the property and to pay the cost of all incidental expenses.

h. Technical Assistance. The PHA shall direct all questions on relocation to the HMS. The HMS will refer questions regarding relocation under the URA to the Relocation/Realty Specialist in the Community Planning and Development Division and regarding equal opportunity and fair housing to the Equal Opportunity Specialist.

6-8. ENERGY CONSERVATION. The PHA shall update the energy audit to identify cost-effective energy conservation measures * (ECMs) under 24 CFR Part 965, Subpart C, before HUD approval of comprehensive, special purpose or homeownership modernization for a project. The energy audit shall be updated for those ECMs where the energy costs are now

substantially different from when the audit was last conducted. The energy audit may be performed by using HUD Workbook (HUD-PDR-700(3)), State standards, or other HUD-approved methods. Refer to Handbook 7418.1 on Preparation of a Life-Cycle Cost Analysis for Utility Combinations for guidance on useful life. The cost of performing or updating an energy audit is an eligible CIAP cost.

- 6-9. WAGE RATES. Before bid advertisement, the PHA shall consult with the Field Office General Engineer on the applicable wage rates to apply. The General Engineer, in

12/89

6-14

turn, shall consult with the Field or Regional Labor Relations staff concerning the advice given to the PHA. The General Engineer shall document the consultations with the PHA and Labor Relations Staff. The PHA shall request the wage rates from the Field Office Labor Relations staff or the Regional Office where the labor relations function has been regionalized. In providing the wage rates, the Field or Regional Labor Relations staff, as appropriate, shall make the final decision on the applicable wage rates. Appendix 14 provides guidance on the classification of work items by wage rate.

a. HUD-Determined Wage Rates.

- (1) Legislative Provisions. Under Section 12 of the Act, the PHA and its contractors shall pay not less than the wages prevailing in the locality, as determined or adopted by HUD, to all laborers and mechanics employed by the PHA or its contractors in carrying out nonroutine maintenance as defined in paragraph 1-3.
- (2) PHA Request. At least 45 days before bid advertisement for contract labor or before start of work for force account labor, the PHA shall request a current schedule of HUD-determined wage rates. See paragraphs 9-4h(5) and 9-17 for contract wage and payroll requirements and the Labor Standards Handbook 1344.1 REV-1 for labor standards compliance procedures.
- (3) HUD-Determined Rates. Where it has been determined that the work is nonroutine maintenance and, therefore, is not subject to Davis-Bacon wage rates, the following procedure shall be used to establish the HUD-determined rates.
 - (a) Construction Trade Classifications. Where the PHA has requested construction trade classifications and the PHA itself employs such trade classifications, such as

carpenter, painter and plumber, the current basic hourly rates shall be issued by HUD to the PHA on Form HUD-52158, Maintenance Wage Rate Determination, for those trades in question.

- (b) Maintenance Wage Classifications. Where Form HUD-52158 does not contain a suitable maintenance classification required for the CIAP work, the basic hourly rates for these

12/89

6-15

maintenance classifications whose principal duties are consistent with the CIAP work to be performed shall be used. PHA supervisory maintenance personnel shall not be considered.

- (c) Survey-Based Classifications. If Form HUD-52158 does not contain suitable classifications which are applicable to the proposed work to be performed, the Field or
* Regional Labor Relations staff shall request a survey from the PHA. The survey shall be of a representative number of local public and private employers who do the work in *
question. A weighted average of the wage data derived shall be used in determining the applicable rate or rates. If the work to be performed typically involves the use of helpers or laborers, data for those classifications also shall be gathered and HUD may issue such classifications. The Field or Regional Labor Relations staff at its option may conduct the surveys required. The contractor or PHA may not reduce the HUD-determined basic hourly rate by taking an
* hourly credit for fringe benefits. The Field or Regional Labor Relations staff shall determine the wage rates after reviewing the survey data submitted by the PHA or received in any survey conducted by the staff. *

- (d) Basic Hourly Rate. HUD-determined wage rates shall be the basic hourly rates excluding the monetary value of fringe benefits.

b. Davis Bacon Wage Rates.

- (1) Legislative Provisions. Under Section 12 of the Act, the PHA and its contractors shall pay not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor, under the Davis-Bacon Act (40 U.S.C. 276a-276a-5), to all

laborers and mechanics employed by the PHA or its contractors in carrying out modernization work or contracts over \$2,000, except work classified as nonroutine maintenance.

- (2) PHA Request. At least 45 days before bid advertisement for contract labor or before start of work for force account labor, the PHA shall

12/89

6-16

prepare and submit Standard Form 308, Request for Wage Determination. See paragraphs 9-4h(5) and 9-17 for contract wage and payroll requirements and Handbook 1344.1 REV-1 for labor standards compliance procedures.

- c. Single Construction Contracts. Each construction contract shall contain only a single wage rate determination. If there is a substantial amount of work in each category (development and nonroutine maintenance), separate contracts should be awarded for each category. If only an incidental amount of work is subject to either type of wage decision, then that work should be included in the contract containing the substantial amount of work.
- d. Contract Work Hours and Safety Standards. The PHA and its contractors shall comply with the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333), including overtime provisions, for all laborers and mechanics employed by the PHA or its contractors in carrying out modernization work or contracts, under either HUD-determined or Davis-Bacon wage rates.
- e. Technical Wage Rates. The PHA and its contractor shall pay not less than HUD-determined prevailing wage rates to all architects, technical engineers, draftsmen and technicians employed in the modernization of a project.
- * f. State Prevailing Wage Rates. Prevailing wage rates determined under State or tribal law are inapplicable under the circumstances set forth in 24 CFR 968.120. When the conditions of 24 CFR 968.120(a) are met, the PHA shall follow the procedures set forth in 24 CFR 968.120(b). *

6-10. INSURANCE

- a. Review of Existing Coverages.

- (1) The PHA is required to have in effect: (a) workers' compensation insurance; (b) fire and extended coverage insurance; (c) comprehensive general liability insurance; (d) automobile

liability insurance for both PHA-owned and non-owned automobiles; and (e) a fidelity bond. In many instances, the additional exposures created by the modernization activities can be insured by either an endorsement to the existing policy or a

12/89

6-17

letter from the insurance broker/company, acknowledging that existing policy as written is broad enough to include the additional exposures.

- (2) Following modernization program approval, the PHA shall notify the insurance broker/company in writing of the modernization activities and request written advice concerning what steps, if any, need to be taken to ensure proper coverage. The PHA's letter shall describe the modernization activities in sufficient detail to allow the insurance broker/company to decide what coverage would be adequate. This description shall include the type and cost of work to be performed, the nature of any structural alterations, and the involvement of PHA employees in the work. The PHA shall send a copy of any policy endorsement or written permission from the insurance broker/company to the Field Office for attachment to its existing policy.

- b. Fire and Extended Coverage. In addition to the general requirements set forth in subparagraph a, the following special requirements apply to fire and extended coverage:

- (1) Where the modernization work is to be performed by contract and is insured under the PHA's existing policy, the PHA shall notify the contractor of this coverage.
- (2) If the existing policy cannot be endorsed to include the modernization activities because of substantial structural alterations, the PHA shall obtain a builder's risk policy on a "100% Completed Value" either directly or through the contractor. This policy shall remain in effect through substantial completion of the modernization work, at which time the coverage

* shall be transferred to the PHA's existing policy.

*

- c. Comprehensive General Liability. In addition to the general requirements set forth in subparagraph a, the PHA shall obtain an endorsement to the comprehensive general liability policy to include owners' and contractors' protective liability coverage to protect

the PHA from any claims arising from the contractor's operations. Under no circumstances shall the PHA assume the liability of the contractor under "Hold Harmless" or contractual liability clause.

12/89

6-18

d. Contractor Insurance.

- (1) Required Insurance. Before beginning work, the contractor and each subcontractor shall furnish the PHA with certificates of insurance showing that the following insurance is in force and will
- * insure all operations under the contract. All insurance shall be carried with companies which are financially responsible and authorized to do business in the State in which the project is located. *
- (a) Workers' Compensation, in accordance with State or Territorial Workers' Compensation laws, for all employees engaged under the modernization contract.
- (b) Commercial General Liability which is comprehensive general liability insurance with bodily injury and property damage. The minimum amount of required coverage is \$500,000 per occurrence. The policy shall cover all operations of the contractor in connection with the project, including use of all equipment, hoists, and vehicles on the project site.
- (c) Automobile Liability on owned, non-owned and hired motor vehicles used on or in connection with the site(s) for a combined single limit for bodily injury and property damage of not less the \$500,000 per occurrence.
- (2) Builder's Risk. Before beginning work, the contractor shall furnish the PHA with a certificate of insurance evidencing that builder's risk (fire and extended coverage) insurance on all work in place and/or materials stored at the building site(s), including foundations and building equipment, is in force. The builder's risk insurance shall be for the benefit of the contractor and the PHA as their interests may appear and each shall be named in the policy or policies as an insured. The contract in installing equipment such as ranges and refrigerators supplied by the PHA shall carry insurance on such equipment from the time the contractor takes possession thereof until the

contract work is accepted by the PHA. The builder's risk insurance need not be carried on excavations, piers, footings or

12/89

6-19

foundations until such time as work on the superstructure is started. It need not be carried on landscape work. Policies shall furnish coverage at all times for the full cash value of all completed construction, as well as materials in place and/or stored at the site(s), whether or not partial payment has been made by the PHA. The contractor may terminate this insurance on buildings taken over for occupancy by the PHA as of the date the buildings are taken over. The contractor is not required to carry builder's risk insurance for modernization work which does not involve structural alterations or additions and where the PHA's existing fire and extended coverage policy can be endorsed to include such work.

- (3) Expiration or Cancellation. If any insurance is due to expire during the construction period, the contractor (including subcontractors, as applicable) shall not permit the coverage to lapse and shall furnish evidence of coverage to the PHA and its Contracting Officer. All certificates of insurance, as evidence of coverage, shall provide that no coverage may be canceled or non-renewed by the insurance company until at least 30 days prior written notice has been given to both the PHA and its Contracting Officer.
- (4) Noncompliance. The PHA shall monitor the insurance policies obtained by all contractors and subcontractors to ensure that the coverage required by the modernization contract is kept in force until the contractor's work is accepted by the PHA. The PHA shall notify the contractor to stop work if the required insurance coverage is not in force at the time the work begins or if the coverage expires before the work is accepted. The PHA also shall notify the contractor that any such work stoppage is an infraction of the contract and that the contractor is liable for any losses or delays.

12/89

6-20

CHAPTER 7. IMPLEMENTATION

* 7-1. HUD-ESTABLISHED THRESHOLDS AND PHA CERTIFICATIONS. Based on an assessment of PHA past performance in modernization and PHA technical capability, the Field Office may establish dollar thresholds for each of the following five activities, over which the PHA shall submit documents for prior Field Office review and approval: execution of architectural/engineering (A/E) contracts; solicitation of sealed bids; issuance of construction change orders; execution of budget revisions; and execution of management and professional service contracts and related change orders. Where the estimated values of these activities are below the HUD-established thresholds, the PHA may proceed without prior Field Office approval if the PHA certifies in writing that all HUD requirements have been met. The Field Office shall notify the PHA of its established thresholds in the letter approving the CIAP Application. See paragraphs 8-5, 9-6, 9-23c, 9-36, and 10-11. HUD-established thresholds for a PHA shall apply to all previously approved modernization and shall be reviewed at least annually and revised as appropriate. For alternative requirements for recognized non-Indian performers, refer to Chapter 11 of the Field Office Monitoring of PHAs Handbook 7460.7 REV-1. *

7-2. PROJECT IMPLEMENTATION SCHEDULE.

- a. Requirement. Within 60 calendar days after notification of CIAP Application approval, the PHA shall submit to the Field Office, Attention: Chief, Assisted Housing Management Branch (AHMB), its schedule for implementing the physical and management improvements at each project approved for modernization. In developing the Project
* Implementation Schedule, the PHA should consult with the General Engineer and Housing Management Specialist and carefully consider the national norms for the physical improvements, as set forth in subparagraph c, in relation to its local situation. The PHA should be aware that performance against its approved Schedule(s) will be used by the Field Office to measure modernization capability in future years. *
- b. Coverage. Each Project Implementation Schedule shall address the following key implementation steps:
 - (1) A/E Contract Award. This step addresses the award of the A/E contract for each project approved for

12/89

7-1

* modernization. For force account work, this step addresses the start of development of detailed work plans.

- (2) Bid/RFP Advertisement. If there will be multiple contracts, this step addresses the solicitation of sealed bids and the advertisement of request for proposals of the first construction and the first management contract, respectively. For force account work, this step addresses the start of the first work item.
- (3) Contract Award. If there will be multiple contracts, this step addresses the award of the last construction and the last management contract; i.e., when all funds will be obligated. For force account work, this step addresses the start of the last sequentially unrelated work item.
- (4) Contract Completion. If there will be multiple contracts, this step addresses the completion of all construction and management contracts; i.e., when all funds will be expended. For force account work, this step addresses the completion of all force account work and expenditure of all funds.

c. National Norms. The following table shows the national norms for the key implementation steps. THESE NORMS ARE GUIDES ONLY AND ARE NOT MANDATORY. However, it is expected that projects funded at under \$5,000 per unit will take less time to complete than the time indicated by the national norms. The PHA may justify longer time frames by local differences in work scope and complexity, construction seasons, material or equipment supply, State or local contracting requirements, etc.

Key Implementation Steps	Emergency/ Homeowner. Emergency	Special Purpose	Homeownership	*
First A/E Contract Award	2 mos.	3 mos.	3 mos.	
Bid Advertisement of First Contract	5 mos.	7-10 mos.	7-10 mos.	
Award of All Contracts (All Funds Obligated)	7 mos.	9-12 mos.	9-12 mos.	
Completion of All Contracts (All Funds Expended)	1 yr.	2 yrs.	2-3 yrs.	

12/89

7-2

Key Implementation Steps	Single-Stage Comprehensive	Two-Stage Comprehensive (First/Second)
--------------------------	-------------------------------	--

First A/E Contract Award	3 mos.	3 mos./3 mos.
Bid Advertisement of First Contract	10-16 mos.	7-10 mos./10-16 mos.
Award of All Contracts (All Funds Obligated)	1-1 1/2 yrs.	9-12 mos./1-1 1/2 yrs
*		
Completion of All Contracts (All Funds Expended)	2 1/2 yrs.	2 yrs./2 1/2 yrs.

Note: Months/years are counted from the end of the FFY in which the funds were reserved.

- d. Multiple Contracts. The PHA is encouraged to develop a Project Implementation Schedule for each contract where a project will have multiple contracts. The Field Office may require the PHA to develop more detailed Schedules where the PHA has had implementation problems in the past.
- e. Field Office Review and Approval. The Field Office shall review the PHA's Project Implementation Schedule(s) and, within 10 working days of receipt, either approve, with or without modification, or disapprove. Before modifying a Schedule, the Field Office shall discuss any changes with the PHA and try to reach mutual agreement. The Field Office shall not approve a Schedule where the target date for all funds expended exceeds five years from the end of the FFY in which the funds were reserved.
- f. PHA Provision to Residents. After Field Office approval, the PHA give to residents at the project(s) being modernized a copy of the approved Project Implementation Schedule(s). *
- g. PHA Reporting. During implementation, the PHA shall report its progress against the Project Implementation Schedule(s) in the "Comments" column of Form HUD-52826, Schedule/Report of Modernization Expenditures, submitted quarterly to the Field Office (see paragraph 10-5).
- h. Field Office Monitoring. During implementation, in conjunction with its regular monitoring, the Field

Office shall monitor PHA progress against its Project Implementation Schedule. Where the PHA is having difficulty in adhering to its schedule, the Field Office shall promptly provide technical assistance.

- * i. Revision. If the PHA misses a target date for one of the first two key implementation steps, the PHA shall provide a written explanation to the Field Office on how it plans to catch up so that it will meet the next target date. If the PHA anticipates missing the target date for the third key implementation step (all funds obligated), the PHA may wish to consider requesting a time extension (see paragraph 10-8), where justified. Revisions to the Project Implementation Schedule will be allowed where there is a HUD-approved time extension. If the PHA fails to request, or requests, but is denied, a time extension, the unobligated funds will be recaptured after audit and future funding will be adversely affected by the PHA's demonstrated lack of modernization capability. *

7-3. PHA STAFFING. During Joint Review, the PHA and the Field Office shall agree on PHA need for additional staff to implement its proposed modernization program. It is essential that certain functions be performed to ensure modernization progress. However, filling the following positions may not be necessary if the functions are being performed satisfactorily by existing staff.

- a. Modernization Coordinator would be responsible for developing an overall plan and timetable for the implementation of approved modernization programs, including physical and management improvements. The Modernization Coordinator would establish internal administrative controls over key incoming and outgoing documents and PHA activities related to modernization. In addition, the Modernization Coordinator would be responsible for preparing Form HUD-52826, Schedule/Report of Modernization Expenditures, and the narrative report on management improvements on a timely basis, and for coordinating the requisitions for funds to the Field Office. Ordinarily, the Modernization Coordinator would report directly to the PHA's Executive Director.
- b. Contract Administrator/Construction Manager would be responsible for: procuring A/E services; overseeing the entire construction contract process, including preparing and issuing, subject to any required Field Office approval, all modernization contract documents

such as construction and bid documents, contract award, contract changes and time extensions, and contract settlement documents; resolving disputes and claims; and ensuring that target dates are met. The Contract Administrator/Construction Manager may report directly to the Modernization Coordinator or the Executive Director. Depending upon the size and complexity of

the construction contracts, the PHA may wish to assign these functions to two separate positions - that of Contract Administrator and that of Construction Manager.

- c. Clerk-Of-The-Works would be responsible for reporting to the Contract Administrator/Construction Manager all significant events that take place on the construction site. Reports should cover compliance with the contract documents by the contractor, and any deviation therefrom, quality of workmanship, timeliness of delivery of materials and of performance, need for contract changes and time extensions, and any construction problems which may arise. Also included in the Clerk-of-the-Works duties are the preparation of progress reports and charts and keeping daily logs of personnel working on the project, visitors to the site, materials delivered, and any other information that the Contract Administrator/Construction Manager determines is necessary for the proper administration of the contract. A full-time Clerk-of-the-Works is necessary only if the size of the construction project warrants it. Thus, depending upon the number of active modernization programs underway and their size, a PHA may have more than one Clerk reporting to the Contract Administrator/Construction Manager. If in the judgment of the Contract Administrator/Construction Manager, no Clerk is necessary, the functions of the Clerk as are appropriate may be performed by the PHA architect.

12/89

CHAPTER 8. ARCHITECTS/ENGINEERS

8-1. DETERMINATION OF NEED. During Joint Review, the PHA and the Field Office shall reach agreement upon the PHA's need for architectural/engineering (A/E) professional services, taking into account PHA staff capabilities and the type and complexity of work. For example, professional services may

- * include: development of design concepts; survey and subsurface exploration; preparation of design and construction documents, work write-ups, and cost estimates; evaluation of construction bids; general or daily supervision of construction; review of contract modifications (change orders); certification that construction is being performed in accordance with the construction contract; and participation in joint and final inspections.

8-2. SELECTION PROCESS.

- a. Competitive Proposals. The PHA shall use competitive proposal procedures for procurement of A/E professional services. Such procedures may be: (1) qualifications-based whereby the PHA evaluates competitors' qualifications and then selects the most qualified competitor, subject to negotiation of fair and reasonable compensation; or (2) qualifications plus price-based whereby the PHA evaluates competitors based on technical factors, including price, and then selects the responsible firm whose proposal is most advantageous to the program, with price and other factors considered. In both cases, price is negotiated.
- b. Applicability. The competitive proposal procedures shall apply to the procurement of all modernization-funded A/E contracts over \$25,000. The small purchase procedures shall apply to the procurement of all modernization-funded A/E contracts that do not cost more than \$25,000 (see paragraph 9-2a).
- c. Request for Proposals (RFP). The PHA shall publicize the RFP and solicit proposals from as many qualified sources as possible (at least three). The RFP shall identify all evaluation factors and their relative importance (see subparagraph d). The RFP shall include: a description of the project(s) to be modernized; a clear, concise statement of the construction work requiring professional services (copy of HUD-approved budget may be made available); extent of professional services required; required *

12/89

* qualifications; number of construction contracts to be awarded; form of the A/E contract; submission deadline;

and name of the PHA contact person. The RFP shall request the architect/engineer, if interested, to respond to the evaluation factors set forth in subparagraph d. The announcement of the availability of the RFP may be accomplished through: public announcement in local newspapers; direct requests to qualified architects/engineers in the PHA's files, which the PHA or other PHAs have previously retained; use of a list of names or firms secured from local professional societies; and use of techniques set forth in paragraph 6-2c for minority architects/engineers.

d. Evaluation Factors.

- (1) Evidence of the architect/engineer's or firm's ability to perform the work, as indicated by profiles of the principals and staffs' professional and technical competence and experience and their facilities;
- (2) Capability to provide professional services in a timely manner;
- (3) Evidence that, where design work is involved, the architect/engineer is currently registered in the State where the project is located;
- (4) Past performance in terms of cost control, quality of work, and compliance with performance schedules;
- (5) Knowledge of local building codes;
- (6) Certified statement that the architect/engineer or firm is not debarred, suspended or otherwise prohibited from professional practice by any Federal, State or local agency;
- (7) Price (optional factor); and
- (8) Other factors, such as Indian preference requirements, determined to be appropriate by the PHA.

e. Number of Proposals. If the PHA receives less than three proposals, the PHA shall analyze why, such as whether the RFP was unnecessarily restrictive or insufficiently announced. Depending on the results of its analysis, the PHA may either reject the proposals *

12/89

8-2

* and issue a revised RFP or proceed to evaluate the proposals.

- f. Evaluation of Proposals. The PHA shall have a method for conducting technical evaluations of the proposals received and for selecting the awardee. The PHA shall evaluate all proposals against the evaluation factors set forth in the RFP and eliminate those that are obviously unqualified to provide the required services. The PHA shall select the two or three most qualified names or firms and rank them in a one-two-three order, based on the aggregate of the evaluation factors.
- g. Comprehensive Proposal. Once the architects/engineers or firms have been ranked, the PHA shall invite the first ranked firm to submit a written comprehensive proposal and shall arrange for any necessary meetings to allow for evaluation and modification of the proposal, if necessary. If the PHA fails to reach agreement with the first ranked firm, the PHA shall follow the same procedure with the second and third ranked firms until it obtains an agreement with the most qualified firm at a fair and reasonable cost. Price is negotiated even if price was included in the RFP as an evaluation factor (see paragraph 8-4). The agreement should cover the specific services to be provided, time and order of services, staffing requirements, areas of responsibility and liability, and fee structure, including amount and method of payment.

8-3. FORM OF AGREEMENT. When the PHA and the architect/engineer reach agreement, the agreement shall be placed in writing. The use of Form HUD-51915, Agreement Between Owner and Architect, as modified by the Field Office to include all provisions required by 24 CFR 85.36(i), is mandatory. The contract shall require the architect/engineer to certify that all drawings and specifications accurately reflect HUD-approved work and meet the mandatory standards. The contract shall not be modified to require that the PHA pay interest for late payments.

8-4. CONTRACT COST.

- a. Cost Analysis. The PHA shall perform a cost analysis in connection with the procurement of professional services, including contract modifications. This analysis requires the PHA to make an independent estimate of the contract cost before receiving proposals. This estimate will enable the PHA, after

*

12/89

* receiving proposals, to determine the reasonableness of the proposed contract cost during negotiations.

- b. Profit (Fees). The PHA shall negotiate profit as a separate element of the contract cost. To establish a fair and reasonable profit, consideration will be given to: the complexity of the design work to be performed; extent that previously completed architectural drawings are being used; extent that prefabricated or modular components are being used; extent that the modernization work involves multiple repetition of the same basic design or replacement of equipment; number of construction contracts to be administered; the risk borne by the architect/engineer; the architect's/engineer's investment; the amount of subcontracting; the quality of the architect's/engineer's record of past performance; and industry profit rates in the surrounding geographical area for similar work.
- c. Allowable Costs. Under 24 CFR 85.22, allowable costs are determined in accordance with 48 CFR Part 31, Contract Cost Principles and Procedures.
- d. Contract Type. The A/E contract shall be either a firm fixed-price or a cost-plus-fixed-fee (which includes an established ceiling) type. Cost-plus-a-percentage-of cost type contracts are prohibited. *

8-5. HUD-ESTABLISHED THRESHOLD. Based on an assessment of the PHA's past performance in preparing A/E contracts and in-house technical capability, the Field Office may establish a dollar threshold over which the PHA shall submit A/E contracts for prior Field Office review and approval.

- a. Criteria. In determining the appropriate dollar threshold for PHA submission, the General Engineer shall consider the following criteria:
 - (1) Past Performance in Preparing Contracts. In the past:
 - (a) The scope of the work was consistent with the PHA's assessment of its needs for professional services and with any agreements reached with the Field Office during or subsequent to Joint Review; and
 - (b) The contract cost was appropriate to the work to be performed and did not exceed the approved budget amount.

-
- (2) In-House Technical Capability. The PHA has experienced staff who are capable of reviewing proposed A/E contracts.
 - b. Notification to PHA. After completing the assessment, the General Engineer shall notify the PHA of the

established dollar threshold over which A/E contracts are required to be submitted for prior Field Office approval and the reasons. This notification shall be included in the letter to the PHA approving the CIAP Application.

8-6. PHA CERTIFICATION.

- a. PHAs with Thresholds. Upon selecting and reaching agreement with the architect/engineer, the PHA shall prepare and execute each contract without prior Field Office review and approval, unless the contract exceeds the dollar threshold that has been established by the Field Office (see paragraphs 7-1 and 8-5). Where HUD approval is not required, the designated PHA official shall certify in writing to the following and send a copy of the certification and the executed contract to the Field Office:

- (1) The scope of the work is consistent with the PHA's assessment of its needs for professional services and with any agreements reached with the Field Office during or subsequent to Joint Review;

- * (2) The contract cost is appropriate to the work to be performed and does not exceed the approved budget amount; and

- (3) Where the contract cost is over \$25,000, the competitive proposal procedures were used to obtain the professional services.

- b. Recognized Performers. For alternative requirements for recognized non-Indian performers, as defined in Chapter 11 of the Field Office Monitoring of PHAs Handbook 7460.7 Rev-1, refer to that Handbook. *

8-7. HUD REVIEW AND APPROVAL.

- a. Review and Approval. Where the A/E contract requires prior HUD approval, the PHA shall not execute the contract until it has received such approval. Where submitted by the PHA, the General Engineer shall promptly review the proposed A/E contract. This review

12/89

shall ascertain that the proposed scope of work is consistent with the approved budget and the PHA's staffing requirements and that the contract cost is appropriate for the work to be performed. As needed, the General Engineer shall consult with other Field Office staff, such as Counsel, and may inform the PHA

by telephone of any required changes or deficiencies. Within 10 working days of receipt of the proposed contract, the General Engineer shall prepare a letter to the PHA for the signature of the Director, Housing Management Division or designee, authorizing the PHA to proceed with execution, with or without changes, or disapproving due to specified reasons.

- b. Monitoring. The General Engineer shall periodically review the PHA's solicitation and evaluation of proposals, through on-site review of PHA files, to ensure that the PHA is following competitive proposal procurement. The General Engineer also shall periodically review copies of executed contracts, including the PHA certification where prior Field Office approval was not required, and the PHA's in-house technical capability to determine whether there has been a change in capability which would warrant a higher or lower dollar threshold. If deficiencies are found, the Field Office monitoring letter (see paragraph 10-17a(3)) may require the PHA to submit proposed A/E contracts over a reduced threshold to the Field Office for review and approval before execution.

CHAPTER 9. PROCUREMENT AND CONTRACT ADMINISTRATION

Section 1. General

- * 9-1. INTRODUCTION. This Chapter sets forth the requirements for CIAP-funded procurement, which includes small purchases, construction and equipment contracts, and professional services other than architectural/engineering. These requirements are consistent with the Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, as set forth in 24 CFR 85.36, except as specified in 24 CFR 968.240. See Appendix 15 for 24 CFR 85.36, Procurement, and 85.37, Subgrants.
- 9-2. METHODS OF PROCUREMENT. There are five types of allowable procurement, as follows:
- a. Small Purchase Procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than \$25,000 in the aggregate. The PHA shall obtain either oral or written price or rate quotations from an adequate number (at least three) of qualified sources, keep a written record of the quotations, make a documented selection based on price and other factors, and issue a purchase order to bind the agreement. The PHA shall not break down larger contracts into smaller amounts to circumvent sealed bid procurement. If small purchase procedures are used for construction contracts with dollar values exceeding the following thresholds, the PHA shall use Form HUD-5370, General Conditions, and the appropriate wage rate form:
 - (1) For construction work over \$2,000 and subject to Davis-Bacon wage rates, use Form HUD-52554, Supplement to the General Conditions of the Contract for Construction; or
 - (2) For construction work over \$10,000 and subject to HUD-determined wage rates, use Form HUD-5370A, Supplementary Conditions of the Contract for Construction (Nonroutine Maintenance).
 - b. Sealed Bids (Formal Advertising). Bids are publicly solicited and a firm-fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. See Sections 2 through 5 of this Chapter. *

* Sealed bids are required for construction and equipment contracts over \$25,000, except for procurement under noncompetitive proposals or the Consolidated Supply Program (CSP), unless a lower threshold is required by

by State or local law or the PHA's own procurement policy.

- c. Competitive Proposals. This procurement is generally used when conditions are not appropriate for sealed bids; i.e., there is not a complete, adequate and realistic specification or purchase description available and selection of the successful bidder cannot be made principally on the basis of price. See Section 6 of this Chapter.
- d. Noncompetitive Proposals. This procurement may be used only when the award of a contract is infeasible under small purchase procedures, sealed bids or competitive proposals and one of the following circumstances applies: (1) the item is available only from a single source; (2) the public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation; (3) the Field Office authorizes the noncompetitive proposals; or (4) after solicitation of a number of sources, competition is determined inadequate.
- e. CSP. Refer to the CSP Handbook 7460.9.

9-3. PROCUREMENT REQUIREMENTS.

- a. Procurement Standards. See 24 CFR 85.36(b) in Appendix 15.
- b. Competition. See 24 CFR 85.36(c) in Appendix 15.
- c. Contract Cost and Price. See 24 CFR 85.36(f) in Appendix 15.

Section 2. Bid Advertisement

9-4. PHA PREPARATION. The PHA shall prepare the construction and bid documents as follows:

- a. General. The PHA and its architect shall ensure that the construction and bid documents comply with State, tribal or local laws governing the public solicitation of bids. Any modifications required to comply with such laws should be discussed with Regional or Chief Counsel to ensure that such changes are not in conflict *

12/89

9-2

* with Federal requirements. Where there is a conflict between State or tribal and Federal prevailing wage laws, the PHA shall follow the procedures set forth in paragraph 6-9f.

- b. Invitation for Bids. The invitation for bids shall be prepared in the form prescribed by the Field Office,

include any specifications and pertinent attachments, and define the items or services for the bidder to properly respond. The bid acceptance period shall be specified and the bidders shall be informed that the PHA reserves the right to reject any or all bids received.

- c. Instructions to Bidders. Form HUD-5369, Instructions to Bidders, shall be used to inform interested bidders of the general bidding requirements, the responsibilities of each party, and the factors to be considered in determining the successful bidder. The \$25,000 threshold is a Federal requirement and may be lower as required by State or local law or the PHA's own procurement policy. Form HUD-5369 shall be modified to include the requirement that any contractor awarded a contract for modernization shall comply with 24 CFR Part 35 prohibiting the use of lead-based paint. *
- d. Previous Participation Certificate. For all construction contracts (excluding CSP contracts) over \$50,000, the bidder shall be required to submit with the bid, Form HUD-2530, Previous Participation Certificate. If the Certificate is not submitted by the low bidder with the bid, the PHA shall require submission within 3 working days. If the Certificate is submitted after that date, the bid shall be considered non-responsive and rejected, and the contract may be awarded to the second low bidder. No contract award shall be made without a properly executed Certificate.
- e. Bid Guarantee. For all construction and equipment contracts (excluding CSP contracts) over \$25,000, the bidder shall be required to submit with the bid a negotiable bid guarantee not less than 5 percent of the amount of the bid. The bid guarantee is to assure that the bidder will, upon acceptance of his/her bid, execute the contractual documents as required within the time specified. The bid guarantee shall be a certified check, bank draft, U. S. Government Bonds at par value or a bid bond secured by a surety company. The surety company must be authorized to do business in

9-3

12/89

the State where the project is located and must be acceptable to the Government (see subparagraph g(1)).

- * If the bid guarantee is not submitted with the bid, the PHA shall reject the bid. *

- f. Non-Collusive Affidavit. For all construction and equipment contracts (excluding CSP contracts) over \$25,000, the bidder shall be required to submit with the bid a non-collusive affidavit. If the affidavit is not submitted by the low bidder with the bid, the PHA shall require submission within 3 working days. If the affidavit is submitted after that date, the bid shall be

considered non-responsive and and rejected and the contract may be awarded to the second low bidder. No contract award shall be made without a properly executed non-collusive affidavit.

- g. Assurance of Completion. For all construction and equipment contracts (including CSP contracts) over \$25,000, the contractor shall be required to furnish a performance and payment bond for 100 percent of the contract price or, as may be required by law, separate performance and payment bonds, each for 50 percent or more of the contract price, or a 20 percent cash escrow or a 25 percent irrevocable letter of credit. To the extent permitted under State law, all three options shall be set forth in the bid documents.
- (1) The surety must be a guarantee or surety company acceptable to the Government. Individual sureties shall not be considered. U. S. Treasury Circular No. 570, published annually in the Federal Register, lists companies approved to act as surety on bonds securing Government contracts, the maximum underwriting limits on each contract bonded, and the States in which each company is licensed to do business. Use of this Circular is mandatory. The PHA may obtain a free copy of this Circular by writing directly to the Audit Staff, Bureau of Government Financial Operations, U. S. Treasury Department, Washington, D. C. 20226.
- (2) Section 911 of the HUD Act of 1970 authorizes the Small Business Administration to provide a 90 percent guarantee on contracts of \$1,000,000 or below to any surety company that will provide bid or performance and payment bonds to the small construction contractor.

-
- h. Construction Contract. The construction contract shall be prepared in the form prescribed by the Field Office and shall include Form HUD-5370, General Conditions. In preparing the construction contract, consideration shall be given to the following:
- (1) Changes. Any changes in the General Conditions shall be made by appropriate amendment written into the Special Conditions. Since some provisions of the General Conditions reflect Federal statutes, Executive Orders or established HUD policy and must be incorporated verbatim and without qualifications, proposed modifications shall be discussed with the Regional or Chief Counsel before they are drafted. The PHA is responsible for recognizing a need for modification of the printed General Conditions and

also for conforming the contract documents with State, tribal and local laws.

- (2) Separate Construction Contracts. Main construction work should be performed under a single construction contract. The PHA may obtain separate bids for portions of the work where required by State law, necessitated by varying wage rate requirements (see paragraph 6-9c), or in the best interest of the modernization of the project. Where separate bidding is used, it is critical that the scope of work under each contract be clearly defined without gaps or overlapping of work specified in related contracts and that the PHA have the capability to administer separate contracts.
- (3) Project Completion Time. A realistic construction period shall be established for the contract. Such things as type of construction, project size and location, season and prospective weather conditions, and availability of skilled labor and materials should be considered.
- (4) Liquidated Damages. A liquidated damage rate shall be established which will reasonably approximate the loss which might be sustained by the PHA through failure of the contractor to complete the project on time. This includes loss of rental income, increased administrative costs and inspection fees, interest and carrying charges, and other expenses related to the period of delay in modernization of the project. An

unreasonably high rate of liquidated damages may discourage bidders, result in higher bids, and be construed as a penalty. An unreasonably low rate may encourage late completions.

- (5) Wage Requirements. Davis-Bacon wage rates determined by the Department of Labor and provided by the Regional or Field Office or HUD-determined wage rates shall be incorporated in the Special Conditions without modification (see paragraphs 6-9 and 9-5g). All documentation shall be prepared so as to permit inclusion of the wage rates as soon as they are received.
- (6) Equipment. Equipment, such as ranges, water heaters and refrigerators, may be acquired through the CSP, through separate contracts, or included in the main construction contract. Use of either of the first two cost saving methods is recommended. If the main construction contract is

to include the installation, but not the purchase, of dwelling equipment, the contract shall include proper provision for reception of the items and appropriate coordination clauses. If the equipment is purchased by methods other than the CSP, the PHA should ensure that price and warranty are equivalent to or better than that available through the CSP.

- (7) Demolition. Whenever feasible, demolition work should be included in the main construction contract. If this is not done, the standard bidding documents may be used with minor modifications for demolition work. Since there may be salvage value, the form of bid should allow for the possibility of a sum being deducted (equal to the salvage value) from the amount to be paid to the contractor.

* (8) Specifications. See 24 CFR 85.36(c)(1) in Appendix 15 for examples of specifications which restrict competition and therefore are expressly prohibited. *

- i. CSP Contract. For work to be performed under CSP, the PHA shall issue a purchase order, which shall include the assurance of completion, correct wage rates, completion date, liquidated damage rate, insurance, general and supplemental conditions, and contract administration and completion provisions. The purchase

12/89

9-6

order shall not include work other than that listed in the HUD CSP catalogs and shall not be modified through change orders.

* 9-5. BID PACKAGE. The PHA shall prepare a standard bid package, consisting of the following, as appropriate:

- a. Cover sheet identifying the PHA, project number, job number, and general scope of work;
- b. PHA invitation for bids, including the day, time and place that bids will be opened;
- c. Form HUD-5369, Instructions to Bidders;
- d. Form HUD-5370, General Conditions, and Special Conditions. Until the General Conditions can be revised, the PHA shall insert into the General Conditions the sentence, "The contractor or subcontractor is prohibited from placing a lien on the PHA's property."
- e. For contracts over \$50,000, Form HUD-2530, Previous

Participation Certificate, marked "Modernization," to be submitted to the PHA;

- f. Bound construction specifications and bound working drawings or other description of supplies/services; the drawings shall be scaled and signed by the person who prepared them; *
- g. Correct wage rates, including either Form HUD-52554, Supplement to the General Conditions of the Contract for Construction, where Davis-Bacon wage rates apply, or Form HUD-5370A, Supplementary Conditions of the Contract for Construction (Nonroutine Maintenance), where HUD-determined wage rates apply;
- h. Bid form to be submitted to the PHA;
- i. Bid guarantee form to be submitted to the PHA;
- j. Non-collusive affidavit to be submitted to the PHA;
- k. Contract form; and
- l. Assurance of completion (see paragraph 9-4g).

9-6. HUD-ESTABLISHED THRESHOLD. Based on an assessment of the PHA's past performance in modernization contracting and

9-7

12/89

in-house technical capability, the Field Office may establish a dollar threshold over which the PHA shall submit construction and bid documents for prior Field Office review and approval.

- a. Criteria. In determining the appropriate dollar threshold for PHA submission, the General Engineer shall consider the following criteria:
 - (1) Past Performance in Modernization Contracting. In the past:
 - (a) Construction documents (working drawings and construction specifications) have accurately reflected HUD-approved work and have met the Modernization Standards;
 - (b) Bid documents have been complete and have included all mandatory provisions, including the correct wage rates; and
 - (c) Bid advertisement has been conducted in compliance with State, tribal or local laws and Federal requirements governing public solicitation of bids.

- (2) In-House Technical Capability. The PHA has a staff architect/engineer who is capable of preparing the construction and bid documents or experienced staff who are capable of reviewing the documents prepared by an outside architect/engineer.
- b. Notification to PHA. After completing the assessment, the General Engineer shall notify the PHA of the established dollar threshold over which construction and bid documents are required to be submitted for prior Field Office approval and the reasons. Where prior Field Office approval is required, the PHA shall be informed as to whether HUD review pertains to only the preliminary or to both the preliminary and final plans and specifications. This notification shall be included in the letter to the PHA approving the CIAP Application.
- c. Submission. Where required, the PHA shall submit complete construction (working drawings and construction specifications) and bid documents for each proposed modernization contract to the Field Office, Attention: Chief, Assisted Housing Management Branch

12/89

9-8

(AHMB), for review and approval before soliciting bids.

9-7. PHA CERTIFICATION.

- a. PHAs with Thresholds. The PHA shall solicit bids without prior Field Office review and approval, unless the estimated contract exceeds the dollar threshold that has been established by the Field Office (see paragraphs 7-1 and 9-6). Where HUD approval is not required, the designated PHA official shall certify in writing to the following and send a copy of the certification to the Field Office:
 - (1) The PHA has obtained the required certification from the architect/engineer (see paragraph 8-3);
 - (2) The construction documents accurately reflect HUD-approved work and meet the Modernization Standards;
 - (3) The bid documents are complete and include all mandatory provisions, including correct wage rates and labor standards contract provisions and Indian preference requirements, where applicable; and *
 - (4) The bid documents include all necessary requirements related to lead-based paint abatement and physical accessibility.
- * b. Recognized Performers. For alternative requirements for

recognized non-Indian performers, as defined in Chapter 11 of the Field Office Monitoring of PHAs Handbook 7460.7 REV-1, refer to that Handbook. *

9-8. HUD REVIEW AND APPROVAL.

- a. Review. Where submitted by the PHA, the General Engineer shall promptly review the construction and bid documents to ensure that they have been completed in accordance with prior approvals, meet the Modernization Standards, include all mandatory provisions, and are ready for issuance. As necessary, the General Engineer shall solicit technical advice from other Field Office specialists, such as the Labor Relations staff on the wage rates and the Fair Housing and Equal Opportunity (FHEO) Division on requirements related to Executive Order 11246, as amended, and Section 3 of the HUD Act of 1968, as amended, including the appropriate Appendix A for Bid Condition Areas (see Handbook

9-9

12/89

8020.1, Chapter 5). The General Engineer also shall work with the PHA and its architect to reach agreement on any points in question.

- b. Action. The Field Office review shall be completed and the PHA advised of the results within 10 working days of receipt of the construction and bid documents. When the documents are in proper order, the General Engineer shall prepare a letter to the PHA for the signature of the Director, Housing Management Division or designee, indicating approval of the documents, with or without modification, and authorizing the PHA to issue the invitation for bids. Where appropriate, the Regional or Chief Counsel shall concur in the letter.
- c. Monitoring. The General Engineer shall periodically review copies of the construction and bid documents through on-site review of PHA files. The review shall determine whether the documents met the criteria set forth in paragraph 9-6a(1) and did not result from splitting bids to avoid prior HUD review and approval. The Maintenance Engineer also shall periodically review the PHA's in-house technical capability to determine whether there has been a change in capability which would warrant a higher or lower threshold. If deficiencies or evidences of abuse of the established threshold are found, the Field Office monitoring letter (see paragraph 10-17a(3)) may require the PHA to submit construction and bid documents for each proposed modernization contract over a reduced threshold to the Field Office for review and approval before soliciting bids.

9-9. INVITATION FOR BIDS. Where prior Field Office approval is

required, the PHA shall immediately publish an invitation for bids upon receipt of the Field Office approval letter, but only if it has the current, correct wage rates. Where prior Field Office approval is not required, the PHA shall publish the invitation immediately upon receipt of the wage rates from the Labor Relations staff. The PHA shall number sequentially each copy of the bid package for control purposes. The PHA shall provide a copy of the complete bid package to each bidder whether or not bids are being invited for a single construction contract or separate trade (e.g., plumbing, electrical, mechanical) contracts.

- a. Publication. The PHA shall give full opportunity for open and competitive bidding by publishing the invitation for bids at least once a week for two consecutive weeks in local newspapers and trade

12/89

9-10

journals. See paragraph 6-2c regarding publicizing invitations for bids to Minority Business Enterprises (MBEs). The PHA also shall extend an invitation to contractors who have previously expressed an interest to participate in modernization to the PHA or Field Office.

- b. Bid Period. The PHA shall establish a deadline date for acceptance of bids which allows sufficient time for bidders to evaluate the bid package, estimate costs, and submit their bids to the PHA. The bid period shall be for at least the number of days required by State or
* local law. However, if an addendum is issued, the PHA shall consider the magnitude of change in determining whether the bid opening should be postponed and for how long. *
- c. Deposit. The PHA shall require a deposit for each bid package in an amount that is based on local practice, but at least sufficient to offset the cost of reproducing the bid package. A deposit is not required for bid packages issued to a builder's exchange or similar building service organization. All deposit checks or drafts shall be made payable to the PHA.
- * d. Alternate Bids. The PHA shall not request alternate bids (e.g., two different structural systems). Instead, the PHA shall specify the most expensive system as the base bid and list deductive alternates in inverse priority order so that in the case of a budget overrun, they may be taken in numerical order as listed until the award can be made within available funds. *
- e. Addendum to Bid Package. The PHA shall issue changes to the standard bid package in the form of an addendum. The PHA shall not interpret the meaning of bid documents except by addendum. Each addendum shall be numbered sequentially and a copy provided to each bidder of

record, to each place where bidding documents are on file and to the Field Office, only where the PHA is required to submit construction and bid documents before advertisement. The addendum also shall specify, if applicable, the revised deadline date for submission of bids.

- f. Control Record. The PHA shall maintain, or authorize its architect to maintain, a record of all bidding documents. This record shall identify the following for each individual or firm that requested a bid package: the bid package control number; name and

9-11

12/89

address of the individual or firm; if applicable, number of the addendum and date sent; amount of deposit and date received, including the return or forfeiture of the deposit; date and time the bid was received; and date the individual or firm was notified as to the successful low bidder.

Section 3. Contract Award

9-10. BID OPENING AND EVALUATION.

- a. Bid Opening. Upon receipt of each bid, the PHA shall mark the date and time on the envelope and keep it unopened in a secure place. At the date and time specified in the invitation for bids, the bids shall be opened in public and read aloud.

* b. Late Bids. Any bids received after the date and time *
specified in the invitation for bids shall not be opened and shall be returned unopened to the bidder, with a letter indicating that the bid was not received by the specified deadline.

- c. Bid Rejection or Withdrawal. After the public opening, the PHA may allow any bidder to withdraw a bid only if it is apparent that the bidder has made a mistake or the PHA may reject or disqualify the lowest bidder.

- (1) Withdrawal. If a bidder seeks to withdraw a bid before the end of the bid acceptance period or the execution date of the contract, whichever is earlier, the PHA shall secure the following before approving or disapproving the withdrawal request: a notarized statement from the bidder indicating that an error was made with an explanation of how it occurred; a copy of the bidder's cost estimating worksheets or other evidence provided by the bidder in support of the withdrawal request; and a legal opinion prepared by the PHA's attorney indicating whether the bidder is bound by the bid.

- (2) Rejection. The PHA shall reject any bid that is incomplete, such as where the bid guarantee is not submitted with the bid, or that fails to conform to the essential items of the Invitation for Bids. (For the exceptions on the Previous Participation Certificate and the non-collusive affidavit, see paragraphs 9-4d and f, respectively.) If the PHA proposes to reject the lowest bidder for reasons other than an incomplete bid, the PHA shall give

the bidder an opportunity, within a specified time, to delete objectionable conditions from a bid only if the conditions do not concern the substance of the bid, such as price, quantity, quality, or delivery of items offered. After the specified time, the PHA shall make a final decision.

- (3) Bidder Notification. The PHA shall notify the bidder, not later than the specified bid holding period, as to whether the withdrawal request has been approved or disapproved or whether the bid has been rejected. If appropriate, the PHA also shall return the bid guarantee to the bidder.
- d. Rejection of All Bids. The PHA may decide, because of the high bids received or other justifiable cause, to reject all bids.
- (1) Reasons for Rejection. The PHA and its architect shall review the bids received to determine the reason that the contract cannot be awarded. The purpose of this review is to ascertain that: the bid amount exceeds the approved budget amount; the bids are unreasonably high due to unusual circumstances affecting construction in the housing market area; the project is overdesigned; or the award cannot be made for other identified causes.
- (2) Overdesign. If it is determined that the high bids are due to project overdesign, the PHA and its architect shall identify design modifications that would likely result in lower bids. Where required under paragraph 9-6, the PHA shall submit revised construction documents for prior Field Office review and approval. The PHA architect shall be held responsible for making any design modifications under the terms of the architect's contract.
- (3) Invitation for Bids. Upon Field Office approval of the revised construction documents, where

required, the PHA shall be authorized to issue a subsequent invitation for bids.

- * e. Bid Protests. The PHA alone is responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements, including protests. The PHA shall have *

9-13

12/89

- * procedures to handle and resolve protests and shall in all instances disclose information regarding protests to the Field Office. The Field Office will not substitute its judgment for that of the PHA unless the matter is primarily a Federal concern. The bidder must exhaust all administrative remedies with the PHA before pursuing a protest with the Field Office. *

9-11. PHA SUBMISSION AND CERTIFICATION.

a. General Requirements. After bid opening, the PHA shall:

- (1) In all cases, clear the lowest responsible bidder with the Field Office for check against the Lists of Parties Excluded from Federal Procurement or Nonprocurement Programs;
- (2) For contracts over \$50,000, regardless of whether prior HUD approval was required of the bid documents or is required of the contract award, submit Form HUD-2530, prepared by the lowest responsible bidder, to the Field Office for previous participation review; and
- * (3) Where prior HUD review and approval are required before contract award (see subparagraph b), submit the following documents to the Field Office, *
Attention: Chief, AHMB:
 - (a) Bid tabulation, certified to completeness by the PHA and identifying the following for each bid received: name and address of the bidder; amount of the bid; amounts of any deductive alternates; and amount and type *
of bid guarantee; and
 - (b) Bid, including a copy of the bid guaranty and non-collusive affidavit, that the PHA proposes to accept.

* b. Prior Field Office Approval. Prior Field Office review and approval before contract award are required when:

- (1) The proposed award exceeds the approved budget amount;

- (2) The PHA's procurement procedures or operation fails to comply the the procurement standards in 24 CFR 85.36(b) in Appendix 15; *

12/89

9-14

-
- * (3) The proposed award exceeds \$25,000 and is to be awarded without competition or on the basis of a single bid;
- (4) The proposed award exceeds \$25,000 and specifies a "brand name" product; or
- (5) The proposed award exceeds \$25,000 and is to be made to other than the apparent low bidder.
- c. Award Without Prior Field Office Approval. Except as required in subparagraphs a and b, the PHA may award the contract without prior Field Office approval if the designated PHA official has certified in writing that:
- (1) The bid advertisement and contract award were conducted in compliance with State, tribal or local laws and Federal requirements, including 24 CFR 905.204, Indian preference in contracting for IHAs;
- (2) The award has been cleared with the Field Office to determine that the contractor is not on the Lists of Parties Excluded from Federal Procurement or Nonprocurement Programs;
- (3) Where the award exceeds \$50,000, the award has been cleared by the Field Office under the previous participation review process; and
- (4) The award does not meet the conditions of subparagraph b. *

9-12. HUD REVIEW AND APPROVAL.

- a. Technical Review. Where submitted by the PHA, the General Engineer shall consult with the HMS regarding any required budget revisions and review contract award documents to determine that the proposed award is in proper order. The Maintenance Engineer shall check the Lists of Parties Excluded from Federal Procurement or Nonprocurement Programs to ensure that the contractor is not on the List.
- * b. Previous Participation Review. Upon receipt of Form HUD-2530, designated responsible staff (DRS) shall enter the principal's name into the automated system in accordance with the User's Guide. *

-
- * (1) When the system reports that the principal may be granted 2530 approval, the DRS shall take the hard copy printout from the system and attach it to Form HUD-2530. The Chief, AHMB, shall sign Part II of the form and place a check in Block A. The DRS then shall forward the form to the Field Office Manager or, in co-located offices, the Regional Public Housing Director, for approval. The Field Office Manager or Regional Public Housing Director shall write "Approved" next to the names of the principals in Block 7, Page 1 of Form HUD-2530, and then date and sign the form. After approval, the DRS shall notify the PHA. The Field Office shall process Form HUD-2530 within three working days of receipt.
- (2) When the system reports that the principal has to be referred to Headquarters due to a history of adverse or unsatisfactory performance, as indicated by either Form HUD-2530 or results of inquiries to the Farmers Home Administration or the State Finance Agency, the DRS shall request review by Chief or Regional Counsel. Counsel shall review the sufficiency of evidence to support a Departmental hearing, as described in the Previous Participation Handbook 4065.1. The DRS shall forward Form HUD-2530, along with Counsel's review and the hard copy printout, to the Field Office Manager or Regional Public Housing Director for signature and then to the Participation and Compliance Division in Headquarters for either final action or referral to the Multifamily Participation Review Committee. The DRS shall alert Headquarters that Form HUD-2530 will be submitted and to provide information on when the bid acceptance period expires. In addition, the DRS shall notify the PHA of the status of the 2530 clearance.
- c. Action. The Field Office review shall be completed and the PHA advised of the results within 10 working days of receipt of the proposed contract award documents, unless Headquarters approval of Form HUD-2530 is required. When the contract award documents are in proper order, the General Engineer shall prepare a letter to the PHA for the signature of the Director, Housing Management Division or designee, authorizing the PHA to award the contract and requiring the PHA to submit any budget revisions. *

-
- d. Monitoring. The General Engineer shall periodically

9-13. PHA CONTRACT AWARD. Upon receipt of the Field Office letter authorizing contract award or the Field Office approval under the previous participation review process, including the excluded parties check, the PHA shall contact the successful bidder (if separate trade contracts are to be executed, the PHA shall contact each successful bidder) to schedule a date for contract execution. For CSP contracts, the PHA shall comply with subparagraphs d, e and f.

- * executed power of attorney by the bonding company to its authorized agent, which does not precede the date of the performance and payment bond. *

- c. Distribution of Executed Documents. The PHA shall retain one original copy of the performance and payment bond (or other assurance), power of attorney, and a signed set of the contract documents for its files. The PHA shall send one copy to the Field Office, Attention: Chief, AHMB, and retain the contractor's copy for attachment to the PHA's notice to proceed. For CSP

contracts, the PHA shall send one copy of the signed purchase order to the Field Office.

- d. Department of Labor Notification. Within 10 calendar days of contract award (including subcontracts) for each contract of \$10,000 or more, the PHA shall send a notice of contract award to the Regional Office of Federal Contract Compliance Programs of the Department of Labor. This notification is required by Executive Order 11246, as amended, and shall include: the name, address, and telephone number of the contractor; employer identification number; dollar amount of the contract; estimated construction start and completion dates; and project number(s) and community in which the project(s) is located.
- e. Preconstruction Conference. The PHA shall schedule date for a preconstruction conference to be held at the PHA. The conference date may be the same, or within 10 calendar days from the date of contract execution. The purpose of the preconstruction conference is to provide for the timely modernization of the project by eliminating any misunderstanding of HUD regulations and procedures, contract and safety requirements, and responsibilities of the PHA, its architect, the contractor and the Field Office. In scheduling the preconstruction conference, the PHA shall consult with its architect, the contractor, and the General Engineer, if appropriate, to arrange a date that is acceptable to all parties.
- f. Notice to Proceed. The PHA shall prepare two original copies of the notice to proceed to be issued to the contractor, together with the contractor's set of the executed contract documents. The notice to proceed is the official PHA order directing the contractor to start work. The date of completion is counted from the date of the notice to proceed. The contractor shall be requested to sign the notice to proceed, designating receipt and acceptance, and return one signed original to the PHA.

Section 4. Contract Administration Responsibilities

12/89

9-18

9-14. PHA RESPONSIBILITIES. The PHA is responsible for enforcing the architect's and the construction contracts and for ensuring retention of all contractual rights. PHA staff assigned these responsibilities shall be included in the Modernization Organization and Staffing Plan, required in paragraph 3-6e.

- a. Contracting Officer. The PHA shall designate an
* employee as its contracting officer, identify the scope
and limitation of his/her responsibility in writing *

and provide copies to its architect and the contractor.

- b. Contract Administrator. The PHA shall designate a qualified professional, such as its architect, to administer the contract.
- c. Insurance. The PHA shall comply with the insurance requirements set forth in paragraph 6-10.
- d. Reports. The PHA shall obtain the reports and construction documents required by the contract and the Field Office from its architect and the contractor. The PHA shall retain these reports and, as required, send a copy to the Field Office.
- e. Inspections. See paragraphs 10-15 and 10-16.
- f. Construction Progress Meetings. The PHA shall meet with its architect and the contractor on a regular basis to discuss work progress, any problems or deficiencies noted during inspection visits, overdue reports and the construction schedule. The PHA shall prepare a written record of the items discussed at each meeting and place a copy in its construction file.
- g. Correction of Deficiencies. Upon being notified by its architect or the General Engineer of construction deficiencies, the PHA shall promptly notify the contractor in writing of the deficiencies observed. This notification also shall advise the contractor that failure to make timely corrections would be an infraction of the contract and that the contractor is liable for any resulting losses or delays.
- * h. Timeliness of Construction Progress. The PHA shall notify the Field Office if the contractor falls more than 30 days behind the PHA-approved Construction Progress Schedule (see paragraphs 9-18 and 9-20). *

9-19

12/89

9-15. HUD RESPONSIBILITIES. The Field Office is responsible for ensuring that the PHA, in accordance with the terms of the ACC, is enforcing the architect's contract and the construction contract, including the construction documents. See paragraph 10-17 regarding inspections by the Field Office. The Field Office shall provide technical assistance and guidance to the PHA concerning contract administration

- * and enforcement, reporting, interpretation of construction documents and other related matters. The Field Office shall maintain a control log on the status of modernization contracts. A sample Modernization Contract Status Control Log is attached as Appendix 16. *

9-16. SUBCONTRACTORS. All contracts between the contractor and any subcontractors shall contain the equal opportunity

employment requirements and the prevailing wage rate requirements. The contractor (including the CSP contractor)

- * is responsible for determining that potential subcontractors are not on the Lists of Parties Excluded from Federal Procurement or Nonprocurement Programs. See 24 CFR 85.37(b) in Appendix 15 for other subcontractor requirements. *

9-17. CONTRACTOR PAYROLL. The contractor is responsible for paying not less than the applicable wage rates to all employees engaged in work under the contract and ensuring that any subcontractors also pay not less than the applicable wage rates (see paragraph 6-9).

a. Payroll Report. The contractor shall submit a certified payroll report and compliance statement to the PHA each week during the contract period; i.e., from execution of the contract to contract completion and acceptance by the PHA. A separate payroll report shall be submitted for the contractor and each subcontractor.

b. Payroll Forms. The contractor's report may be submitted on the Payroll Form (WH-347), which includes on its reverse side the required Statement of Compliance. Such forms may be obtained from the Government Printing Office, Washington, D.C. 20402. The contractor may substitute other forms including computer-generated forms, instead of the Payroll Form (WH-347), provided that all of the required information is included.

- * c. Monitoring. The PHA is responsible for reviewing the contractor's reports to ensure that the correct wage rates are being paid and for resolving any *

12/89

9-20

-
- * discrepancies. Refer to the Labor Standards Handbook 1344.1 REV-1 for guidance. *

d. Retention. The PHA shall retain all payroll reports and certifications for three years from the date of contract completion and acceptance by the PHA.

9-18. CONSTRUCTION PROGRESS SCHEDULE.

a. Contractor Schedule. Where progress payments are necessary, the PHA shall require the contractor to prepare a construction progress schedule, for each project immediately after PHA issuance of the notice to proceed. The PHA may require use of Form HUD-5372, Construction Progress Schedule, or other appropriate forms from various professional organizations. The information shall be realistic and consistent with the information provided by the contractor on the

- * PHA-approved schedule of amounts for contract payments and the HUD-approved Project Implementation Schedule. *

- b. PHA Review and Approval. The PHA or its architect shall review the contractor's construction progress schedule to determine that the scheduled dates and amount of work to be completed are reasonable and consistent with the contract. If acceptable, the PHA architect shall sign the schedule and forward it to the PHA for approval. Upon approval by the PHA, the approved construction progress schedule shall be returned to the contractor.
- c. Field Office Monitoring. The General Engineer shall periodically review PHA-approved construction progress schedules through on-site review of PHA files. If deficiencies are found, the Field Office monitoring letter (see paragraph 10-17a (3)) may require the PHA to submit future schedules to the Field Office for prior review and approval.

9-19. SCHEDULE OF AMOUNTS FOR CONTRACT PAYMENTS.

- a. Contractor Schedule. Where progress payments are necessary, the PHA shall require the contractor to prepare a schedule of amounts for contract payments immediately after execution of the contract. The PHA may use Form HUD-51000, Schedule of Amounts for Contract Payments, or other appropriate forms from various professional organizations.
- b. PHA Review and Approval. The PHA and its architect

9-21

12/89

shall review the schedule to determine that the scheduled work to be completed by the specified dates and the amount of payment for such work are reasonable. If acceptable, the PHA shall approve and return the schedule to the contractor. Field Office review is not required.

- c. Field Office Monitoring. The General Engineer shall periodically review PHA-approved payment schedules through on-site review of PHA files. If deficiencies are found, the Field Office monitoring letter (see paragraph 10-17a(3)) may require the PHA to submit future payment schedules in all or specified instances to the Field Office for prior review and approval.

9-20. CONTRACT PAYMENTS. The PHA is responsible for making progress payments to the contractor based on the PHA-approved schedule of amounts for contract payments. Generally, progress payments for acceptable work and materials delivered and stored on the site are made at 30-day intervals. Field Office authorization of progress payments, based on the approved payment schedule, is not required.

- a. Contractor Request for Payment. The contractor shall

submit a request for payment for each project on Form HUD-51001, Periodical Estimate for Partial Payment. The request shall be accompanied by the contractor's written designation of a certifying officer. In addition, the contractor shall submit the following HUD forms or other appropriate forms, if applicable, with each periodical estimate for partial payment: Form HUD-51002, Schedule of Change Orders; Form HUD-51003, Schedule of Materials Stored; and Form HUD-51004, Summary of Materials Stored.

b. PHA Review and Approval. The PHA shall review each Contractor request and shall approve the payment if the following conditions have been met. If the contractor requests payment for items which have not been acceptably completed, the PHA shall delete those items and adjust the payment accordingly.

- (1) the contractor request is consistent with the PHA-approved schedule of amounts for contract payments;
- (2) the request does not include the amount to be retained by the PHA under the contract;

12/89

9-22

- (3) the work covered by the payment has been performed in accordance with the construction documents;
- (4) the periodical estimate for partial payment has been properly executed and all applicable supporting documentation submitted; and
- (5) the contractor has submitted all required reports, such as payroll reports.

c. Distribution of Documents. The PHA shall retain the original periodical estimate for partial payment and any applicable supporting documentation for its file and return a copy of the PHA-approved forms to the contractor.

9-21. AS-BUILT DRAWINGS. The general contractor is responsible for providing all necessary information to the PHA architect in order that the PHA architect may prepare the as-built drawings. The PHA architect shall provide the PHA with a copy of the as-built drawings for its file upon contract completion. These drawings shall include all significant deviations from the working drawings approved by the PHA or the Field Office.

9-22. SHOP DRAWINGS AND MATERIALS. Where appropriate to the particular type of modernization being undertaken, the contractor shall prepare and submit shop drawings and material samples in accordance with the agreements reached at the preconstruction conference.

- a. Contractor Submission. The contractor is responsible for preparing and submitting shop drawings to the PHA or its architect. The contractor's letter shall list the shop drawings being submitted and state whether the shop drawings deviate from the approved construction documents. Each shop drawing shall include: a descriptive title and drawing number; a brief description of the work involved; the project number and name; the contractor's and any subcontractor's name; and evidence of the contractor's approval.
- b. PHA Architect's Approval. The PHA architect shall review the shop drawings to determine whether they are consistent with the construction documents. The architect shall require that any corrections be made before approval. Upon approval, the architect shall:
 - (1) sign and date each shop drawing and include the following statement: "This shop drawing is

9-23

12/89

approved, but the contractor shall verify and shall be responsible for all related documents and job conditions on the work."

- (2) send a letter to the contractor indicating that the shop drawing was approved and advising the contractor that:
 - (a) "This approval of the enclosed shop drawing is general and does not relieve the contractor of the responsibility for adherence to the contract, nor is the contractor relieved of the responsibility for any error which may exist;" and
 - (b) if applicable, "The modification shown on the enclosed shop drawing is approved in the interest of the PHA to effect an improvement for the project and is ordered with the understanding that it does not involve any change in the contract price or time; it is subject to all contract stipulations and covenants; and it is without prejudice to any and all rights of the PHA under the contract and bond."
- c. Distribution of Documents. The PHA architect shall retain a copy of the approved shop drawing and forward a copy to the contractor and the PHA.
- d. Samples. The contractor shall submit certificates, material samples, and test results to the PHA architect for approval. The PHA architect shall advise the

contractor of the reasons for any disapproval and request that another sample be submitted. Approved samples and data shall be retained at both the PHA office and the project office for comparison during construction.

9-23. CONTRACT MODIFICATIONS.

- a. Content. Modifications to contract work shall be documented by a written agreement, executed by all parties to the contract, describing the work modifications to be performed. Contract modifications shall be prepared in the form prescribed by the Field Office and shall include the following:

(1) a detailed description of the proposed

12/89

9-24

modification;

(2) a reference to the applicable working drawings and specifications;

(3) a fixed price (credit, debit or no change) for the change in contract work;

(4) an estimate of any additional time required to complete the work;

(5) the contractor's itemized breakdown of the cost of materials and labor and an itemized breakdown for any applicable subcontractors;

(6) the change indicated on the architectural drawings, if applicable; and

* (7) the latest approved budget amount and the cumulative amount expended to date. *

- b. PHA Register. The PHA shall maintain a separate contract modifications register for each contract. This is required to provide a permanent record of all actions taken in connection with each contract. The register shall identify:

(1) the number of the modifications;

(2) a brief description of the modification;

(3) the cost of the proposed modification;

(4) the date submitted to the Field Office, if applicable;

(5) any critical deadline dates that must be met by

the Field Office;

- (6) if applicable, the date of Field Office approval or disapproval and the action taken; and
- (7) the amount of any additional time required by the contractor.

c. HUD-Established Threshold. Based on an assessment of the PHA's past performance and in-house technical capability, the Field Office may establish a dollar percentage threshold over which the PHA shall submit contract modifications for prior Field Office review

9-25

12/89

and approval.

- (1) Criteria. In determining the appropriate dollar or percentage threshold for PHA submission, the General Engineer shall consider the following criteria:
 - (a) Past Performance in Reviewing Contract Modifications. In the past:
 - 1 Proposed work was included in the general scope of the contract;
 - 2 Proposed work was a necessity and in the PHA's interest;
 - 3 Proposed work was consistent with the Modernization Standards;
 - 4 Proposed work could not practicably be performed under a separate contract after completion of the contract;
 - 5 Any additional time required for the proposed work was reasonable; and
 - 6 Any additional costs were within the latest approved budget.
 - (b) In-House Technical Capability. The PHA has a staff architect/engineer or experienced staff who are capable of reviewing and approving/disapproving contract modifications.
- (2) Notification to PHA. After completing the assessment, the General Engineer shall notify the PHA of the established dollar or percentage threshold over which change orders are required to

be submitted for prior Field Office approval and the reasons. This notification shall be included in the letter to the PHA approving the CIAP Application.

- d. PHA Certification. The PHA may order or agree to a contract modification without prior Field Office review and approval, unless the modification, when added to previously approved modifications, would exceed the latest HUD-approved budget amount or the dollar threshold that has been established by the Field Office (see paragraph 7-1). Where HUD approval is not

12/89

9-26

required, the designated PHA official shall certify in writing to the following and send a copy of the certification and approved contract modification to the Field Office:

- (1) The proposed work is included in the general scope of the contract;
- (2) The proposed work is necessary and economical;
- (3) The proposed work is consistent with the Modernization Standards;
- (4) The proposed work cannot practicably be performed under a separate contract after completion of the contract;
- (5) Any additional time required for the proposed work is reasonable; and
- (6) Any additional costs are within the latest approved budget and do not, when added to other contract modifications previously approved by the PHA, exceed the HUD-established threshold.

- * e. Recognized Performers. For alternative requirements for recognized non-Indian performers, as defined in Chapter 11 of the Field Office Monitoring of PHAs Handbook 7460.7 REV-1, refer to that Handbook. *

- f. PHA Submission. Where required, except in an emergency endangering life or property, the PHA shall submit contract modifications to the Field Office, Attention: Chief, AHMB, for review and approval before ordering or agreeing to any changes in the contract work.

9-24. HUD REVIEW AND APPROVAL OF CONTRACT MODIFICATIONS.

- a. Review. Where submitted by the PHA, the General Engineer shall conduct a prompt review because modifications often affect work progress. If the review

indicates that the modification is due to an act by the contractor contrary to, or failure to act in accordance with, the terms of the contract, or a mistake by the PHA architect in preparation of the construction documents not to be expected under professional standards or other laxity in carrying out the terms of the contract causing monetary damage to the PHA, the General Engineer shall consult the Regional or Chief Counsel for legal advice as to where

responsibility lies. The General Engineer shall recommend action that is consistent with this legal advice. The General Engineer shall consult with the HMS regarding any required revisions to the program budget. To recommend approval, the General Engineer shall determine that the proposed modification meets the criteria in paragraph 9-23d.

- b. Action. The Field Office review shall be completed and the PHA advised of the results within 10 working days of receipt of the contract modification. If the modification is approvable, with or without revision, the Director, Housing Management Division or designee shall approve the modification. If the modification is not approvable, the General Engineer shall prepare a letter to the PHA for the signature of the Director, Housing Management Division or designee, advising the PHA of the reasons for disapproval.
- c. Monitoring. The General Engineer shall periodically review contract modifications approved by the PHA and the PHA register through on-site review of PHA files. If deficiencies are found, the Field Office monitoring letter (see paragraph 10-17a(3)) may require the PHA to submit proposed change orders over a reduced threshold to the Field Office for review and approval before issuance.

9-25. TIME EXTENSIONS. The contractor is responsible for completing the work within the time established in the contract. However, the PHA may authorize any justifiable time extensions without prior Field Office review and approval.

- a. PHA Records. Upon contract completion, the PHA shall determine the number of calendar days and reasons for any delays beyond the date established in the contract. The PHA shall maintain a construction log to record potential causes for delays which may be used as the basis for granting time extensions or for determining the amount of liquidated damages to be assessed against the contractor. The PHA shall maintain a record of the following:

- (1) the daily temperature;
- (2) the daily amount of precipitation;
- (3) delays in obtaining labor and materials, including the duration and reason;

12/89

9-28

- (4) labor disputes or strikes, including the duration and the applicable construction trade;
 - (5) delays experienced by others in completing non-contract public improvements (whether on-site or off-site); and
 - (6) other causes for delays, such as fires, floods, vandalism or court orders.
- b. Basis for Time Extensions. In order to be considered for approval by the PHA, requests for time extensions must meet the following criteria:
- (1) the contractor must have submitted a written notice to the PHA within 10 calendar days of the start of any delay; and
 - (2) the severity and extent of adverse weather could not have been reasonably foreseen by the contractor (normal seasonal levels of rain, snow, cold or heat should have been considered by the contractor) or the cause of the delay was beyond the contractor's control.
- c. Contractor Request. Immediately upon receipt of the contractor's notification of delay or request for time extension, the PHA shall send a letter of acknowledgement to the contractor. The letter shall indicate that: immediate consideration will be given to the contractor's request; or the actual delay in work is difficult to determine and consideration will be given to the contractor's request upon completion of work.
- d. PHA Finding of Fact. The PHA shall review its records to ensure that the information provided by the contractor is accurate, to determine the cause of the delay and the extent that it was within the contractor's control, and to ascertain if the request meets the criteria established in subparagraph b. Based on its review, the PHA shall prepare a "finding of fact" with the assistance of its architect and attorney and, in order to approve, determine that:
- (1) the contractor's request, as documented by the PHA "finding of fact," meets the requirements of subparagraph b;

- (2) the additional time and cost requested by the contractor is reasonable based on the nature and

9-29

12/89

duration of the delay; and

- (3) if there is some question of the contractor's liability for the delay, the PHA "finding of fact" shall be reviewed in accordance with paragraph 9-26.

* 9-26. DISPUTES AND CLAIMS. The PHA alone is responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. The PHA shall have procedures to handle and resolve disputes.

- a. PHA Notification. The PHA shall promptly notify the Field Office of any problems or disputes experienced during modernization which could result in a claim by its architect or the contractor. This may include claims for extra costs due to delays, claims for time extensions or extra costs based on PHA actions, or claims resulting from contract modifications. *
- b. PHA Records. It is imperative that the PHA maintain a complete written and dated record of any actions that may result in a dispute or claim for damages. This is required to protect the PHA interest during any litigation proceedings that may subsequently arise. In such instances, the PHA shall, at a minimum, maintain the following: a complete and detailed job record; disputes and claims file, cross-referencing other pertinent files, for each dispute or claim; and any correspondence relating to the dispute, including written minutes of any meetings, which identify actions taken by the PHA, its architect or contractor, and decisions or agreements made concerning the dispute.
- c. Contractor Notice. The contractor must submit a written notice of claim to the PHA within the time period set forth in the contract from the date of the incident on which the claim is based. The contractor's initial notice must identify the nature and scope of the claim, including extra costs sought by the contractor. The contractor will subsequently be required to submit a detailed description and supporting evidence for the claim.
- d. PHA Acknowledgement. Immediately upon receipt of the contractor's notice, the PHA shall date stamp the notice and shall send a letter to the contractor acknowledging receipt of the claim. The PHA's letter also shall indicate that: if the claim was filed within

-
- * the required time period, the contractor is required to submit a detailed justification for the claim; or if the claim was not filed within the required time period, the contractor's claim is not eligible for consideration. *
 - e. PHA Finding of Fact. The PHA shall review its records to ensure that the information provided by the contractor is accurate. Based on its review of the contractor's claim and its knowledge of the circumstances, the PHA shall prepare a "finding of fact" with the assistance of its architect and attorney.
 - * f. Field Office Responsibility. The Field Office will not substitute its judgment for that of the PHA unless the matter is primarily a Federal concern. Violations of law will be referred to the local, State or Federal authority having proper jurisdiction. The contractor must exhaust all administrative remedies with the PHA before pursuing a claim with the Field Office. *

9-27. LIQUIDATED DAMAGES. The contractor is responsible for completing the project within the time established in the construction contract unless time extensions are authorized in accordance with paragraph 9-25. If the work is not completed by the contract date, the contractor shall be liable for liquidated damages resulting from such unexcused delays.

- * a. PHA Finding of Fact. The PHA shall prepare a "finding of fact" under paragraph 9-25, which identifies the amount of liquidated damages to be assessed against the contractor and the basis used in determining the amount. Liquidated damages shall be assessed at the rate established in the contract and shall be withheld from any payment due the contractor.
- b. Field Office Responsibility. The Field Office will not substitute its judgment for that of the PHA unless the matter is primarily a Federal concern. Violations of law will be referred to the local, State or Federal authority having proper jurisdiction. The contractor must exhaust all administrative remedies with the PHA before pursuing a protest with the Field Office. *

Section 5. Contract Completion and Settlement

9-28. EARLY OCCUPANCY. The PHA may accept part of project for occupancy before contract settlement where the following

conditions are met:

- a. The dwelling units to be accepted (except items approved for delayed completion) have been completed and are ready for occupancy;
- b. The general contractor agrees to early occupancy and completion of items approved for delayed completion;
- c. Early occupancy will not unduly inconvenience or represent a safety risk to tenants while the unfinished work is being completed;
- d. The PHA has obtained occupancy permits from the responsible local agency for each unit to be accepted; and
- e. The PHA has executed an occupancy agreement with the general contractor indicating that the PHA partially accepts specified work provided that the contractor accepts the responsibility to complete the project by the established completion date.

9-29. FINAL INSPECTION. The contractor shall provide prompt written notification to the PHA when all work is completed. A final project inspection shall be made when all work is completed. Until the final inspection has been made, the PHA shall not advance any of the retainage or make the final payment to the contractor.

- a. Inspection Date. Upon receipt of the contractor's notification of the date when the work has been completed, the PHA shall conduct a final inspection within 10 calendar days. The PHA shall notify the General Engineer of the scheduled inspection date.
- b. Inspection Participants. The final inspection shall be conducted by: a PHA representative; the PHA architect,
 * where applicable; the General Engineer, where required by the magnitude of work or other conditions; and a contractor representative. The General Engineer is required to participate in the final inspection where the per unit modernization cost exceeds \$10,000. *
- c. Inspection Conference. The inspection team shall meet after completing the final inspection to determine whether; the work has been completed in accordance with the construction documents; there are any minor items of incomplete or unsatisfactory work (or seasonal work such as planting of shrubs and lawns) and reach agreement

on the items to be included on the PHA's or its architect's final punch list; or there are any major deficiencies which must be corrected by the contractor so that another final inspection can be made before

contract settlement.

9-30. SETTLEMENT DOCUMENTS. Following final inspection, the PHA shall notify the contractor (including the CSP contractor) to submit the following documentation to the PHA:

- a. Where appropriate, a certificate of occupancy issued by the responsible local agency for each building;
- b. One notarized original and two copies of the contractor's release and certification which indicates:
 - (1) the work was completed in accordance with the construction documents, including change orders, except any minor items identified on the PHA's or its architect's proposed certificate of completion;
 - (2) the total amount due the contractor and a separately stated amount for each unsettled claim against the PHA;
 - (3) the PHA is released of all claims, other than those stated in the contractor's release; and
 - (4) wages paid to laborers or mechanics were consistent with the wage rate requirements of the contract and there are no outstanding claims for unpaid wages.
- c. Assignment of all guarantees and warranties to the PHA; and
- d. "Final" periodical estimate for partial payment.

9-31. PHA SUBMISSION AND HUD APPROVAL.

- a. PHA Submission. The PHA shall submit the following to HUD:

- *
 - (1) For contracts over \$50,000, submit to the AHMB, a copy of all settlement documents identified in paragraph 9-30, and the original and one copy of the proposed certificate of completion.
 - (2) For construction contracts over \$2,000, but not *

* more than \$50,000, which are subject to Davis-Bacon wage rates, or for construction contracts over \$10,000, but not more than \$50,000, which are subject to HUD-determined wage rates, submit to the Labor Relations staff, a copy of the proposed certificate of completion.

- b. Review by AHMB. Upon receipt of the contract settlement documents for contracts over \$50,000, the General Engineer shall conduct a prompt review. To recommend approval, the General Engineer shall determine that according to his/her best knowledge: all work has been completed in accordance with the construction documents; the proposed certificate of completion is acceptable; and the amount to be withheld from the contractor is sufficient to complete any items on the PHA's or its architect's punch list, including seasonal work. After review, the General Engineer shall notify by form letter the Labor Relations staff that the contract settlement documents are in and request sign-off on the form letter if there are no known labor relations problems. If there are problems, the Labor Relations staff shall indicate what they are and when they may be resolved.
- c. Review by Labor Relations Staff. Upon receipt of the proposed certificate of completion for contracts under subparagraph a(2), the Labor Relations staff shall determine whether there are any known labor relations problems. If there are none, the Labor Relations staff shall so notify the PHA. If there are any known problems, the Labor Relations staff shall so notify the PHA and the AHMB.
- d. HUD Action. AHMB and/or Labor Relations review shall be completed and the PHA advised of the results within 15 working days of receipt of the contract settlement documents. If the documents are in order, the General Engineer shall forward the certificate of completion to the Director, Housing Management Division or designee for signature and shall promptly return the original to the PHA.

9-32. PAYMENT TO CONTRACTOR. Upon receipt of the approved certificate of completion from the AHMB or notification from the Labor Relations staff that there are no known labor problems, the PHA is authorized to make payment to the contractor. *

- a. Contract Payment. The PHA payment to the contractor

12/89

9-34

shall be the amount specified in the certificate of completion and shall not include any amount to be retained for disputed items and incomplete work, such as punch list or seasonal items.

- b. Final Payment. The PHA is not authorized to make final payment of any amounts withheld for contracts over \$50,000 without prior Field Office approval. When punch list or seasonal work items are completed, the PHA shall prepare a revised certificate of completion for Field Office approval. *

9-33. WARRANTY INSPECTIONS. The PHA is responsible for performing required warranty inspections, including the 11-month inspection, during the warranty period and promptly notifying the contractor in writing to remedy any defects relating to manufacturer or contractor warranties on equipment and systems and contractor warranties on materials and workmanship.

- a. Contractor Responsibility. Upon receipt of PHA written notice, the contractor shall promptly remedy any defects due to the use of faulty equipment or materials, or poor workmanship. The contractor also is responsible for paying for any damage to other work resulting from such defects.
- b. Warranty Period. The warranty period for all construction work shall be at least 365 calendar days from the date specified on the final certificate of completion that is applicable to the work in question or such longer period as otherwise specified in the contract.

Section 6. Contracts for Management Improvements and Other Professional Services

9-34. DETERMINATION OF NEED. During Joint Review, the PHA and the Field Office shall reach agreement upon the PHA's need for professional consulting services. Such services may be required, for example, to identify management problems and their causes and/or to develop and implement appropriate solutions.

9-35. SELECTION PROCESS. The PHA shall obtain professional consulting services by issuing an RFP, establishing a
* competitive range based on technical qualifications and cost, holding discussions with those consultants within the competitive range and giving them an opportunity to submit revised proposals, holding final discussions, and then making an award to the responsible firm whose proposal is *

9-35

12/89

* most advantageous, with price and other factors considered.

- a. PHA Preparation of RFP. The PHA shall prepare the RFP which shall contain: a brief description of the PHA and the project(s) to be modernized; specific consultant services required; time frame for provision of the services; all evaluation factors and their relative
* importance; submission deadline; and name of the PHA contact person. The RFP shall request the consultant, if interested, to respond with a proposal that demonstrates an understanding of the required services, provides evidence of the firm's ability to perform the services and profiles of the firm's principles, staff

and facilities, provides a cost estimate, and includes a completed Form HUD-2530, Previous Participation Certificate, marked "Modernization."

- * b. PHA Advertisement of RFP. The PHA shall advertise the RFP through: public announcement in local newspapers and, if appropriate, in national publications; direct requests to qualified consultants in the PHA's files which the PHA or other PHAs have previously retained; and direct requests to local associations of minority consultants. The PHA shall furnish all interested parties with a copy of the RFP.
- c. PHA Evaluation of Proposals. The PHA shall evaluate all responses to the RFP against the technical evaluation factors and eliminate those that are obviously unqualified to provide the required services. The PHA shall hold discussions with those consultants which are within the established competitive range and give them an opportunity to revised their proposals. The PHA then shall hold final discussions and make an award.
- d. Previous Participation Review. Upon selecting and reaching agreement with the consultant, the PHA shall immediately transmit Form HUD-2530 to the Field Office (see paragraph 9-38b).
- e. PHA Contract Execution. Upon receipt of previous participation clearance and Field Office approval where required, the PHA shall immediately execute the contract, which must be either a fixed-price or cost-reimbursement with established ceiling type.
- f. Contract Modifications. The PHA shall not order agree to any modifications in the contract work where *

12/89

9-36

prior Field Office approval is required. Contract modifications shall include a description of the proposed modification in work, the fixed cost (credit, debit or no change) of the modification, and an estimate of any additional time required to complete the work.

- * 9-36. HUD-ESTABLISHED THRESHOLD. Based on an assessment of the PHA's past performance in obtaining professional consulting services and administering such contracts, the Field Office may establish dollar thresholds over which the PHA shall submit RFPs, contracts and contract modifications for prior Field Office review and approval.

- a. Criteria. In determining the appropriate dollar thresholds, one for RFPs and contracts and one for contract modifications, the HMS shall consider the following criteria:

- (1) Past Performance in Preparing and Administering Contracts. In the past:
 - (a) RFPs have contained clear statements of required services and contained all mandatory information;
 - (b) Procurement has been conducted in compliance with Federal requirements;
 - (c) Contracts have been cleared with the Field Office under the previous participation review process;
 - (d) Contracts and contract modifications have accurately reflected HUD-approved work and have been within the latest approved budget; and
 - (e) Contract modifications have been within the general scope of the contract.
 - (2) In-House Technical Capability. The PHA has experienced staff who are capable of preparing the RFP and reviewing proposals and contract modifications.
- b. Notification to PHA. After completing the assessment, the HMS shall notify the PHA of the established dollar thresholds (for RFPs/contracts and for contract modifications) over which such documents are required to be *

9-37

12/89

* submitted for prior Field Office approval and the reasons. This notification shall be included in the letter to the PHA approving the CIAP application.

- c. Submission. Where required, the PHA shall submit the RFP before advertisement, the contract before award, and any contract modifications before issue for each professional consulting service contract to the Field Office, Attention: AHMB, for prior review and approval.

9-37. PHA CERTIFICATION.

- a. PHAs with Thresholds. The PHA may advertise RFPs, award professional service contracts, and issue contract modifications without prior Field Office review and approval, unless the estimated contract or contract modification amount exceeds the dollar thresholds that have been established by the Field Office (see paragraphs 7-1 and 9-36). Where HUD approval is not required, the designated PHA official shall certify in writing to the following and send a copy of the

certification, executed contract, and approved contract modification to the Field Office:

- (1) The contract (or modification) accurately reflects HUD-approved work and does not exceed the latest approved budget amount; and
- (2) The contract has been cleared with the Field Office under the previous participation review process; or
- (3) The contract modification is within the general scope of the contract.

- b. Recognized Performers. For alternative requirements for recognized non-Indian performers, as defined in Chapter 11 of the Field Office Monitoring of PHAs Handbook 7460.7 REV-1, refer to that Handbook.

9-38. PHA SUBMISSION AND HUD APPROVAL.

- a. RFP Review and Approval. Where submitted by the PHA, the HMS shall review the RFP and advise the PHA of the * results within 10 working days of receipt. The HMS shall prepare a letter to the PHA for the signature of the Director, Housing Management Division or designee, indicating approval, with or without modification, and authorizing the PHA to advertise the RFP, or

12/89

9-38

* indicating disapproval.

- b. Previous Participation Review. Upon receipt of Form HUD-2530, designated responsible staff (DRS) shall enter the principal's name into the automated system in accordance with the User's Guide.
 - (1) When the system reports that the principal may be granted 2530 approval, the DRS shall take the hard copy printout from the system and attach it to Form HUD-2530. The Chief, AHMB, shall sign Part II of the form and place a check in Block A. The DRS then shall forward the form to the Field Office Manager or, in co-located offices, the Regional Public Housing Director, for approval. The Field Office Manager or Regional Public Housing Director shall write "Approved" next to the names of the principals in Block 7, Page 1 of Form HUD-2530, and then date and sign the form. After approval, the DRS shall notify the PHA. The Field Office shall process Form HUD-2530 within three working days of receipt.
 - (2) When the system reports that the principal has to referred to Headquarters due to a history of

adverse or unsatisfactory performance, as indicated by either Form HUD-2530 or results of inquiries to the Farmers Home Administration or the State Finance Agency, the DRS shall request review by Regional or Chief Counsel. Counsel shall review the sufficiency of evidence to support a Departmental hearing, as described in the Previous Participation Handbook 4065.1, The DRS shall submit the case, along with Counsel's review, to the Participation Control Officer (PCO) in Headquarters for either final action or referral to the Multifamily Participation Review Committee. The DRS shall alert the PCO that Form HUD-2530 will be submitted. In addition, the DRS shall notify the PHA of the status of the 2530 clearance.

- c. Contract Review and Approval. Where submitted by the PHA, within 10 working days of receipt, the HMS shall review the proposed contract and prepare a letter to the PHA for the signature of the Director, Housing Management Division or designee, advising the PHA of any required changes or authorizing the PHA to proceed with execution. To recommend approval, the HMS shall determine that the consultant is approved under the *

9-39

12/89

previous participation review process and and that the proposed contract contains:

- (1) a clear statement of the specific services, including tasks, to be performed;
- (2) a description of the methodology to be used in carrying out the services;
- (3) an identification of the type and frequency of written reports to be provided to the PHA;
- (4) a time frame for completion of all services that is related to and coordinated with the physical improvements;
- (5) a payment schedule that is related to the successful completion of specific tasks; and
- (6) a total cost that is fair and reasonable. Where the total cost exceeds the approved budget amount and adjustments can be made within the existing budget, the PHA shall be required to submit a budget revision.

- * d. Contract Modification Review and Approval. Where submitted by the PHA, within 10 working days of receipt, the HMS shall review the proposed modification and

prepare a letter to the PHA for the signature of the Director, Housing Management Division or designee, advising the PHA of approval, with or without revision, or disapproval.

- e. Monitoring. At least twice a year, the HMS shall monitor management and other professional service contracts and contract modifications awarded by the PHA through on-site review of PHA files. If deficiencies are found, the Field Office monitoring letter (see paragraph 10-17a(3)) may require the PHA to submit proposed contracts and modifications over a reduced threshold to the Field Office for review and approval before award. *

9-39. ABANDONMENT OR TERMINATION. In the event of abandonment of the project or termination of the contract for any cause, under the respective sections of the contract, the terms of any settlement between the PHA and the consultant shall be subject to Field Office approval. The PHA shall not disburse any monies to the consultant after the giving of notice of abandonment or termination until the Field Office has approved the settlement agreement.

CHAPTER 10. MONITORING AND EVALUATION

Section 1. General

- 10-1. INTRODUCTION. This Chapter sets forth the responsibilities of the PHA and the Field Office in the monitoring and evaluation of approved modernization programs. The monitoring and evaluation system is comprised of four basic elements: (1) fund requisitions; (2) quarterly progress reports; (3) budget revisions; and (4) on-site inspections. Its purpose is to provide the PHA and HUD with the means for determining whether the modernization is progressing in an efficient and effective manner and, if not, what corrective actions must be taken.
- 10-2. PHA RESPONSIBILITIES. THE PHA HAS THE PRIMARY MONITORING AND EVALUATION RESPONSIBILITIES. THE PHA MUST BE CONCERNED WITH THE QUALITY OF THE PHYSICAL AND MANAGEMENT IMPROVEMENT WORK, AS WELL AS WITH MEETING PLANNED FUND OBLIGATION/EXPENDITURE AND WORK PROGRESS SCHEDULES. IF PROPERLY ESTABLISHED AND MAINTAINED, THE SYSTEM WILL ENABLE THE PHA TO HAVE CURRENT INFORMATION ABOUT THE PROGRESS OF ITS MODERNIZATION PROGRAM, TEST THE EFFECTIVENESS OF PARTICULAR ACTIVITIES, TAKE PROMPT ACTION TO REMEDY DEFICIENCIES, AND CONDUCT ITS OWN EVALUATION OF
- * PROGRAM PERFORMANCE. FAILURE TO MEET THE DEADLINES ESTABLISHED BY THE PHA AND APPROVED BY HUD IN THE PROJECT IMPLEMENTATION SCHEDULE(S) MAY RESULT IN THE RECAPTURE OF UNOBLIGATED FUNDS AND/OR HUD DETERMINATION THAT THE PHA LACKS MODERNIZATION CAPABILITY WHICH WILL ADVERSELY AFFECT FUTURE FUNDING. SEE PARAGRAPH 9-14 REGARDING PHA * RESPONSIBILITIES FOR CONSTRUCTION CONTRACT ADMINISTRATION.
- 10-3. HUD RESPONSIBILITIES. The Field Office shall ensure that PHAs are carrying out their modernization programs in accordance with HUD-approved plans and schedules and applicable laws and regulations. The Field Office is responsible for monitoring, but not inspecting approved programs. See paragraph 9-15 regarding Field Office responsibilities for construction contract administration. The Field Office shall help PHAs to identify problems or potential problems in program implementation, as well as their causes, and to correct them. The Field Office shall determine whether PHAs have a continuing capacity to carry out approved modernization programs and to implement additional modernization programs for which they may apply. The Modernization Coordinator is responsible for developing an overall plan and timetable for monitoring and evaluating modernization programs. In

* In addition, the FHEO Division is responsible for monitoring on matters related to civil rights and equal opportunity. The CPD Division is responsible for monitoring relocation and acquisition requirements in accordance with paragraph

6-7. The Labor Relations staff is responsible for monitoring on labor standards compliance.

Section 2. Fund Requisitions

10-4. GENERAL. The PHA shall submit and the Field Office shall review fund requisitions in accordance with the requirements of the Rapid Housing Payment System (RHPS), as set forth in various HUD Notices. *

Section 3. Quarterly Progress Reports

10-5. PHA SUBMISSION.

a. Form HUD-52826, Schedule/Report of Modernization Expenditures.

(1) Purpose. The purpose of Form HUD-52826, Schedule/Report of Modernization Expenditures, is to provide the PHA with a systematic method for recording and reporting its actual expenditures and for determining the current status of its program.

(2) PHA Preparation. Complete instructions for the preparation of Form HUD-52826 are contained in Appendix 17. The PHA shall enter the type of modernization (emergency, nondiscrimination, comprehensive, special purpose or homeownership)* for each project listed in Column (A) of Part I. The PHA shall report its progress against the Project Implementation Schedule for each project in Column (H), "Comments", of Part I.

(3) PHA Submission. The PHA shall submit Form HUD-52826 to the Field Office, Attention: Chief, AHMB, in an original and two copies (or any lesser number of copies as specified by the Field Office), no later than 45 calendar days after the end of a quarter. The first report is due 45 calendar days after the end of the quarter in which the ACC amendment was executed. The PHA * shall continue to submit the report until the modernization program has been completed. When no further CIAP funds will be expended for a particular project included in

12/89

10-2

the Modernization Project, the PHA shall enter the letter "C" on the appropriate line of Part I of the form, indicating that it will be the last quarterly progress report submitted for that project.

b. Narrative Report on Management Improvement Progress.

Where management improvements are included in the comprehensive modernization of a project, the PHA shall submit a quarterly narrative report, describing the current status of each management work item set forth on Form HUD-52825, Comprehensive Assessment/Program Budget, including the numerical status where the performance goal was quantified. The PHA also shall describe any actions taken during the quarter toward accomplishment of the goal and explain any lack of progress or actions.

10-6. HUD REVIEW AND ACTION. The Field Office shall take the following actions:

- a. Follow-up for Timely Receipt. The AHMB shall maintain a log of quarterly progress reports received. The HMS shall routinely telephone delinquent PHAs to remind them that their quarterly reports are overdue. No PHA fund requisitions shall be processed until the latest required progress reports have been received and reviewed, unless the first required reports are not yet due.
- * b. Review. Within 65 calendar days after the end of the quarter, the HMS and the General Engineer shall promptly review the quarterly progress reports for completeness and accuracy, and against the latest approved Project Implementation Schedule(s), the latest approved budget and prior approved fund * requisitions. The HMS and the General Engineer shall review the adequacy of the PHA's explanation of any lack of progress and the appropriateness of the PHA's planned or actual corrective action. The HMS also shall determine if Form HUD-52826 has been correctly *
* filled out. Such reviews shall be documented. The HMS shall request FHEO review and written comment where there are physical and management improvements relating to equal opportunity. *
- c. Action. If the HMS or the General Engineer finds the quarterly progress reports to be satisfactory, the HMS or the General Engineer shall so indicate on the documentation. If the HMS or the General Engineer

finds the quarterly progress reports to be incomplete, inaccurate or inadequate, the HMS or the General Engineer shall take all necessary steps, in writing, by telephone, or by personal visit, to reach mutual agreement with the PHA on corrective action. The HMS or the General Engineer shall document any follow-up actions taken, as well as the PHA responses, on the documentation. The HMS shall consult with the General Engineer on the need for additional on-site inspections if the progress reports indicate serious

problems.

- * 10-7. MODERNIZATION QUARTERLY REPORTING SYSTEM (MQRS). MQRS is a HUD microcomputer system, which provides information on PHA progress in implementing approved modernization programs and can be summarized at the Field, Regional and National levels.

a. Field Office Summary and Exception Reports.

- (1) The Field Office shall consolidate all Forms HUD-52826 into a Field Office Summary Report on the status of all CIAP funds approved after FFY 1974. Where a PHA does not submit its report(s), the Field Office shall use the PHA's report(s) from the previous quarter and shall not approve any fund requisitions. The Field Office shall include all funds reserved in a particular FFY; i.e., funds for incomplete as well as completed programs.
- (2) The Field Office also shall prepare a Field Office Exception Report showing, for each project with unobligated funds after the original fund obligation deadline date in the approved Project Implementation Schedule, the approved time extension date for fund obligation, if any, or the funds identified for recapture, and comments.
- (3) The Field Office shall forward its Summary and Exception Reports to the Regional Public Housing Director, within 65 calendar days after the end of each quarter.

- b. Field Office Fiscal Closeout Report. This MQRS-generated report tracks the fiscal closeout steps as required in Chapter 12. The Field Office also shall forward this report to the Region. *

12/89

10-4

c. Regional Office Summary Report.

- (1) The Regional Office shall consolidate the Field Office Summary Reports into a Regional Office Summary Report on the status of all CIAP funds approved after FFY 1974.
- (2) The Regional Office shall forward its Summary Report, along with the Field Office Summary and Exception Reports, to Headquarters, Director, Office of Public Housing, Attention: Project Management Division, within 75 calendar days after the end of each quarter.

*

10-8. TIME EXTENSIONS AND USE OF LEFTOVER FUNDS.

- a. Funds Obligated. "Funds obligated" means the cumulative amount of modernization commitments entered into by the PHA; i.e., contract execution for contract labor, materials or services; start and continuation of work for force account labor; and appropriate charging of administrative costs. Contract execution means execution of the contract by both the contractor and the PHA. For force account work, all funds for a group of sequentially-related work items are considered obligated when the first work item is started, such as roof insulation followed by roof replacement, but only where funds continue to be expended at a reasonable rate (see paragraph 10-9). However, when one work item is started and is not sequentially related to other work items, such as window replacement and kitchen remodeling, then only the funds for the one work item started are considered obligated.
- b. Original HUD-Approved Project Implementation Schedules. Following CIAP Application approval, the Field Office approves in the Schedule a PHA-established fund obligation deadline for each project (see paragraph 7-2). The PHA may continue to obligate funds up to the deadline approved in the original Schedule, without requesting a time extension.
- c. Valid Requests and Approval Authority. The PHA may request, and HUD may approve, a time extension of the fund obligation deadline, as set forth in its originally approved Project Implementation Schedule, based on a valid reason. These valid reasons and the level of HUD approval authority are summarized below: *

10-5

12/89

*

Valid Reason	HUD Approval Authority
Delay related to lead-based paint testing and abatement	Field Office/ OIP Manager
Need to use leftover funds from completed modernization program to fund emergency, special purpose, or homeownership modernization, supplement comprehensive modernization in progress, or fund comprehensive completed	Field Office/ OIP Manager
Unforeseen delays in contracting or contract administration	Field Manager OIP Manager

Litigation

Field Office/
OIP Manager

HUD or other institutional delay

Regional
Administrator

- d. Troubled PHAs. All time extension requests from large non-Indian PHAs, which have been designated as Troubled under Handbook 7460.7 REV-1 and which the Field Office recommends for approval, shall be forwarded to the Regional Office for review and decision.
- e. Right to Review. Headquarters reserves the right to require Headquarters review and decision on any PHA which, due to special circumstances, warrants Headquarters' level of attention.
- f. PHA Requests. Before the fund obligation deadline for a project, the PHA may submit to the Field Office a time extension request based on any of the valid reasons set forth in subparagraph c. The request shall include the following information:
Modernization Project Number and individual project number; FFY in which the funds were reserved; type of modernization; total funds reserved by HUD for the project; total funds obligated and unobligated for the project to date; requested extension date (date by which all funds will be obligated) and why the specific length of time is necessary; and *

12/89

10-6

* narrative statement explaining why the project should be granted a time extension, based on the one of the following valid reasons:

- (1) For delay related to lead-based paint, explain how fund obligation was delayed by the random testing results which indicated the need for 100 percent testing or other testing or abatement delays.
- (2) For need to use leftover (unobligated) funds, justify the work item(s) (under the appropriate type of modernization.
- (3) For unforeseen delays in contracting or contract administration, explain if there is a need to issue a change order which will increase the contract price; if so, explain why the change order and its cost. When this situation occurs, the funds for the contract have been obligated on or before the fund obligation deadline, but there are leftover funds which are unobligated and, therefore, identified for recapture. Such

leftover funds may be used to pay for a necessary change order. Alternatively, explain if there is a need to rebid the contract, such as all bids received were over budget or only a single bid was received; if so, explain how long it will take to revise the plans and specifications and why.

- (4) For litigation, explain what the litigation involved, how it delayed fund obligation, when it was initiated, and when it ended or is anticipated to end. If the litigation has not yet ended, the extension date requested shall be in terms of days or months after settlement, such as "30 calendar days after settlement." Any time extension based on litigation must reflect actual legal proceedings in court, not the threat of such proceedings.
- (5) For HUD or other institutional delay, such as the local utility company or local government, explain the nature and length of the delay. Any time extension based on HUD or other institutional delay must be in direct proportion to the delayed response. Delay by *

10-7

12/89

* the PHA Board of Commissioners does not constitute a valid other institutional delay.

- g. HUD Review and Action. The PHA's time extension request will be reviewed by the Field Office. Where the Field Office has approval authority, it also has disapproval authority. Where the Field Office does not have approval authority, it shall forward the request, with its recommendation, to the Regional Office for decision.
 - (1) Where the time extension request is approved, the PHA shall submit a revised Project Implementation Schedule showing the extension date as the date when all funds will be obligated for the project. If leftover funds are to be used at a new project, the requirements of paragraph 10-14b shall be met and the PHA shall submit any documents required under paragraph 3-6 for the CIAP Application.
 - (2) Where the time extension request is disapproved or the PHA fails to request a time extension and there are unobligated funds after the fund obligation deadline, the PHA is in Substantial Breach of its ACC since it has failed to prosecute diligently or proceed with the timely modernization of the project, as provided in

Section 507(5) of the ACC. Accordingly, the PHA shall not obligate any additional funds since the unobligated funds will be recaptured after audit and fiscal closeout of the Modernization Project. The Field Office shall not process fund requisitions for obligations which are incurred after the original fund obligation deadline or the revised deadline where the PHA had an approved time extension.

- 10-9. FUND EXPENDITURES. Although the time extension policy does not address a deadline for fund expenditure, HUD is concerned that, in some cases after fund obligation, funds are not being expended in a timely manner. See paragraph 3-7a(1)(a) regarding, beginning in FFY 1991, PHAs with prior approved, unexpended funds (unless *

12/89

10-8

* leftover from completed modernization) after the deadline date for program completion, as set forth in the latest HUD-approved Project Implementation Schedule, being eligible only for modernization under Group 1.

- a. Contract Labor. Where funds have been obligated through execution of a contract and partial payments are necessary, the PHA shall require the contractor to prepare a construction progress schedule and a schedule of amounts for contract payments. These documents should be consistent with the approved Project Implementation Schedule. The PHA is responsible for making progress payments to the contractor based on the PHA-approved payment schedule. If the quarterly progress reports show that funds expended are not increasing from quarter to quarter at a rate that would allow completion within the time frame set forth in the Project Implementation Schedule, the Field Office shall review the PHA to determine that payments are being made on the basis of the payment schedule and that the payment schedule and construction progress schedule are reasonable. Where deficiencies are found, future funding will be adversely affected.
- b. Force Account Labor. Where funds have been obligated through start of force account labor work, the PHA is expected to show reasonable progress through increasing fund expenditures each quarter at a rate which would allow completion within the time frame set forth in the Project Implementation Schedule. Where this is not the case, the Field Office shall review the force account work to determine the facts, including whether the previously reported fund obligation was overstated. Where deficiencies are found, future funding will be adversely affected.

Section 4. Budget Revisions

10-10. TOTAL FUNDING LIMITATION. The PHA shall not incur any CIAP cost in excess of the total approved program budget. HUD will not approve additional funds to cover any excess cost.

10-11. HUD-ESTABLISHED THRESHOLD. Based on an assessment of the PHA's past performance in preparing budget revisions and in-house technical capability, the Field Office may establish a dollar threshold over which the *

10-9

12/89

* PHA shall submit budget revisions for prior Field Office review and approval.

a. Criteria. In determining the appropriate dollar threshold for PHA submission, the HMS, in coordination with the General Engineer, shall consider the following criteria:

(1) Past Performance in Preparing Revisions. In the past the budget revisions were necessary to carry out the approved work.

(2) In-House Technical Capability. The PHA has experienced staff who are capable of reviewing budget revisions and ensuring that the approved budget amount for any project is not exceeded.

b. Notification to PHA. After completing the assessment, the HMS shall notify the PHA of the established dollar threshold over which budget revisions are required to be submitted for prior Field Office approval and the reasons. This notification shall be included in the letter to the PHA approving the CIAP application.

10-12. PHA CERTIFICATION.

a. PHAs with Thresholds. The PHA shall revise the budget to delete or substantially revise approved work items, add new work items, or incur CIAP costs in excess of the approved budget amount for any work item without prior Field Office review and approval, unless the budget revision (1) exceeds the dollar threshold that has been established by the Field Office (see paragraphs 7-1 and 10-11), (2) incurs costs in excess of the approved budget amount for any project, or (3) changes the method of accomplishment from contract to force account labor. Where HUD approval is not required, the designated PHA official shall certify in writing to the following and send a copy of the certification and the informal or formal budget revision to the Field Office:

(1) The revision is necessary to carry out the

approved work;

- (2) The revision does not result in the approved budget amount for any project being exceeded; and *

12/89

10-10

- * (3) The revision does not change the method of accomplishment from contract to force account labor.

- b. Recognized Performers. For alternative requirements for recognized non-Indian performers, as defined in Chapter 11 of the Field Office Monitoring of PHAs Handbook 7460.7 REV-1, refer to that Handbook. *

10-13. HUD REVIEW AND APPROVAL.

a. Type of Revision.

- (1) Informal Revision. If the proposed revision will have little effect on the overall modernization program, the PHA may submit a written request for an informal budget revision to the Field Office without revising the entire budget.

- (2) Formal Revision. If the proposed revision is major or when a combination of several approved informal revisions has resulted in substantial differences between the budget and actual implementation, the PHA shall submit a formal revision of the entire budget. Also, the PHA shall submit a Board Resolution, approving a major revision, where appropriate.

- b. Review and Approval. Where submitted by the PHA, the HMS shall coordinate the prompt review of all informal and formal budget revisions. Such review shall be documented and shall include the General Engineer and other Field Office staff, as appropriate. Within 10 working days of receipt, the HMS shall prepare a letter to the PHA for the signature of the Director, Housing Management Division or designee, indicating approval, with or without modification, or disapproval.

- * c. Monitoring. The HMS shall periodically review PHA budget revisions not approved by HUD to ensure that the PHA is meeting the criteria set forth in paragraph 10-11a. If deficiencies are found, the Field Office monitoring letter (see paragraph 10-17a(3)) may require the PHA to submit budget revisions over a reduced threshold to the Field Office for review and approval before adoption. *

10-14. OFFSETS BETWEEN WORK ITEMS OR PROJECTS. If the PHA plans to offset any increase in CIAP cost for one or more other work items, the following conditions shall apply to modernization programs approved after implementation of modernization as a separate project (on or after July 1, 1978 and under CIAP):

- a. If the offset involves work items in the same project or different projects that were included in the original Modernization Project ACC amendment, the budget shall be revised. No revised Form HUD-52540 or HUD-52541, Project Accounting Data, or ACC amendment is required.
- b. If the offset involves the addition of a project that was not included in the original Modernization
 * Project ACC amendment or deletion of a project that was originally included, the budget shall be revised, regardless of the PHA's threshold. The Field Office shall prepare a revised ACC amendment (Forms HUD-53009 or 53008 for loans or Forms HUD-53009A, B, C, or D * for grants). No revised Form HUD-52540 or HUD-52541 is required.
- c. The project being added must be under the same consolidated ACC as the other projects originally included the Modernization Project, with the following exception. Only Section 23 Leased Housing Bond-Financed Projects (BFPs) may be added to a Modernization Project composed exclusively of BFPs and only non-BFP projects may be added to a Modernization Project composed exclusively of non-BFPs. If a BFP is being added to a 985 Modernization Project, the BFP must meet the requirements of paragraph 4-9.
- d. For the project being added to a Modernization Project approved after FFY 1980, the PHA shall submit any document required under paragraph 3-6 for the CIAP Application.

Section 5. On-Site Inspections

10-15. INSPECTIONS BY PHA. The PHA shall provide, by contract or otherwise, adequate and competent supervisory and inspection personnel during modernization, whether the work is performed by contract or force account labor and with or without the services of an architect/engineer. Whether inspections are performed by an architect/engineer or an independent contractor, THE PHA SHALL HAVE THE FINAL RESPONSIBILITY FOR ENSURING

* WORK QUALITY AND PROGRESS. PHA failure to provide adequate inspections is evidence of lack of modernization capability and will adversely affect future funding. The PHA shall * state its plans for periodic inspections of the modernization work in the Modernization Organization and Staffing Plan, submitted as part of the CIAP Application. Before HUD approval of the CIAP Application, the Field Office and the PHA shall mutually determine in writing the number, type, qualifications and salaries of inspection personnel required.

10-16. INSPECTIONS BY ARCHITECT/ENGINEER. If the PHA is planning to hire an architect/engineer for certain modernization work, the PHA may modify the standard provisions of Form HUD-51915, concerning the services to be rendered during modernization (see paragraph 8-3).

10-17. MONITORING BY HUD. The Field Office shall periodically visit the PHA to examine records and review implementation of physical and management improvements. In addition, the Regional FHEO Compliance Division shall conduct compliance reviews and complaint investigations related to civil rights statutes, executive orders and regulations.

a. Work in Progress.

* (1) Frequency. After construction has started, the General Engineer shall visit the PHA and project site(s) at least four times a year for comprehensive modernization and at least twice a year for other modernization types. The HMS shall visit the PHA at least twice a year where there are management improvements. These frequencies are management goals, for which Headquarters may grant relief due to inadequate staff and travel resources. The FHEO staff shall visit the PHA at least once a year where there are equal opportunity-related physical or management improvements. More frequent monitoring visits shall be made if the scope of the rehabilitation is substantial (exceeds \$10,000 per unit) or if serious problems or deficiencies are identified in previous inspections or from review of the quarterly progress reports, budget revisions or fund requisitions.

(2) Checklist. The General Engineer and the HMS shall review the PHA's program during *

implementation, using the Monitoring Checklist in Appendix 18. The General Engineer and the HMS may add data elements, as appropriate. The General Engineer and the HMS shall discuss any

adverse findings with the PHA and include them in the monitoring letter.

- (3) Monitoring Letter. After each on-site inspection, the Field Office representative shall prepare a monitoring letter to the PHA, setting forth the modernization program(s) monitored, Field Office staff who monitored and date of visit, scope of monitoring, monitoring conclusions (both positive and negative), specific corrective action required, if any, due date of corrective action, and offer of technical assistance, if appropriate. When the monitoring visit is a team visit, a single letter should be sent to the PHA. In no case should the time

* between the visit and the date of the letter exceed 30 calendar days. The non-Indian Field Office shall send a copy of the monitoring letter to the Regional Public Housing Director. Where appropriate, the Field Office representative also shall prepare a trip report for AHMB files to record additional background information which was not included in the monitoring letter. *

- b. Construction Contract Completion. Under Section 5 of Chapter 9, the PHA is required to notify the Field Office of the scheduled final inspection. The General Engineer shall participate in the final inspection cost exceeds \$10,000 to ensure that all physical work has been completed in accordance with contract requirements and is of acceptable quality (see paragraph 9-29). As appropriate, the HMS and other staff also shall participate. In addition, the review shall evaluate the following program aspects: (1) the success of the PHA in implementing the management improvements; (2) the PHA's administration of the modernization program; (3) the success and adequacy of the physical work as outlined by the architect/engineer; and (4) the adequacy of any work performed by force account labor. The Field Office representatives shall prepare a final monitoring letter under subparagraph a(3).

12/89

10-14

Section 6. Corrective Action

10-18. HUD FOLLOW-UP. The Field Office AHMB shall take the following appropriate action to follow-up with the PHA on any corrective action required by the Field Office's monitoring letter (see paragraph 10-17a(3)):

- a. If the PHA fails to meet a target date for corrective action, the General Engineer or the HMS shall follow-up with a telephone call or written reminder.

- b. If the PHA has not responded within 30 calendar days after the date the PHA was required to take corrective action, the General Engineer or the HMS shall prepare
* a letter to the PHA for the signature of the Field Office Manager or designee. Where the corrective action involves equal opportunity-related physical or management improvements, the FHEO Division shall
* concur in the letter. The letter shall request the status of the required action and warn the PHA of the consequences of failure to comply, as set forth in paragraph 10-19.
- * c. The General Engineer or the HMS, and the FHEO representative, as appropriate, shall review the
* PHA's proposed corrective action. If the reviews indicate that the action is less than satisfactory, the General Engineer or the HMS shall prepare a letter to the PHA for the signature of the Field Office Manager or designee. The letter shall specify needed additional action and the due date.
- d. The Field Office may establish a new due date, subject to good faith efforts by the PHA to correct the deficiency. The Field Office may conduct a follow-up visit to verify corrective action taken or to provide technical assistance where the PHA has been unable to correct the deficiency.
- e. Where the PHA fails to make good faith efforts to correct the deficiencies, the Field Office shall notify the PHA Board of Commissioners and request a meeting.
- 10-19. HUD ACTION. Where the PHA is unable to correct an identified deficiency, such as lack of progress, noncompliance with applicable laws and regulations, and lack of continuing capacity, the Field Office shall

10-15

12/89

notify the PHA in writing of its intent to take one or more of the following actions:

- a. Impose additional requirements for PHA submission of contracting documents for prior HUD review and approval under Chapter 9.
- b. Disapprove any new application for CIAP funds or limit any new application to emergency modernization.
- c. Terminate all or part of the approved modernization program. In such case, the letter shall direct the PHA not to incur additional cost for the terminated program unless the Field Office specifically approves the additional cost. In terminating a partially completed program, the Field Office shall consider

what physical work is already underway, the amount of funds previously provided for that work, and the amount of additional funds needed to complete that work, including the PHA's outstanding contractual obligations. In such case, the Field Office shall reduce all HUD-established thresholds to zero, thereby requiring prior HUD approval. Termination of an approved program that is under ACC must be based on a declaration of substantial breach of default. See Chapter 11 regarding the recapture of modernization funds and Chapter 12 regarding the fiscal closeout of modernization programs.

- d. Initiate action to find the PHA in substantial default or breach of the terms and conditions of the ACC in order to invoke the remedies under the ACC, including notification to the Depositary Bank not to honor any further withdrawals from the General Fund bank account without prior HUD authorization.

CHAPTER 11. CANCELLATION/RECAPTURE OF CIAP FUNDS

11-1. INTRODUCTION. This Chapter provides instructions to the Field Office on the cancellation or recapture of CIAP funds. These instructions are consistent with those contained in Chapter VI of Handbook 1970.41, Low-Income Housing Program: Procedures for Accounting, Recording, and Reporting Budget Authority.

11-2. DEFINITIONS.

- a. Cancellation. The deobligation of all or part of the budget authority approved during the current FFY.
- b. Recapture. The deobligation of all or part of the contract, loan and budget authority approved in FFY 1986 or prior years for modernization loans or all or part of the grant budget authority approved during any previous FFY, beginning with FFY 1987.
- c. Reuse. The reobligation of budget authority previously cancelled or recaptured, where the budget authority was approved after modernization as a separate project (on or after July 1, 1978).

11-3. CURRENT FISCAL YEAR CANCELLATIONS. The Field Office may cancel and reuse any current FFY budget authority, as follows:

- a. ACC Not Amended. If Form HUD-52541, Project Accounting Data (PAD), has been approved and the fund reservation has been recorded in the Program Accounting System (PAS) by the Regional Accounting Division (RAD), but the ACC has not yet been amended, the Field Office may cancel the budget authority reserved by preparing and signing a revised PAD and the PHA disapproval letter. The Housing Management Specialist (HMS) shall immediately notify Regional or Chief Counsel to stop processing the ACC amendment for the original PAD. The Field Office shall distribute the revised PAD and the PHA disapproval letter in accordance with paragraph 4-6. As soon as the RAD records the cancellation, the Field Office may reuse the cancelled budget authority. The Field Office must reuse the cancelled budget authority by the end of the current FFY or the cancelled budget authority will be returned to RAD and treated as recaptured funds in the subsequent FFY.

-
- b. ACC Amended, No Funds Advanced. If, during a current FFY, the PAD has been approved, the fund reservation has been recorded in PAS by the RAD, and the ACC has been amended, but no funds have been advanced, the Field Office shall prepare and sign a revised PAD, the

disapproval letter to the PHA, and Form HUD-53001, Actual Modernization Cost Certificate (AMCC), indicating that no funds were advanced by HUD. The Field Office then shall distribute the revised PAD, the PHA disapproval letter, and the AMCC at the same time in accordance with paragraphs 4-6 and 12-6. The AMCC shall be attached to the ACC amendment and shall be deemed to further amend the ACC. Upon receipt of the documents, the RAD will record the cancellation and treat the budget authority as recaptured funds in the subsequent FFY.

11-4. PRIOR FISCAL YEAR RECAPTURES. Prior FFY recaptures will occur when the Field Office is terminating all or part of the PHA's modernization program before completion or is recapturing unobligated funds after completion of the PHA's modernization program. See Chapter 12 for procedures for fiscal closeout, including recapture, where the ACC has been amended and funds have been advanced.

a. ACC Not Amended. If the PAD has been approved and the fund reservation has been recorded in PAS (FFY 1987 and subsequent year funds) or the Assisted Housing Accounting System (AHAS) (FFY 1986 and prior year funds), but the ACC has not yet been amended, the Field Office shall prepare and sign a revised PAD and the PHA disapproval letter. For funds reserved in FFY 1987 and subsequent years, the Field Office shall use the 2/87 version of the PAD (Form HUD-52541); for funds reserved in FFY 1986 and prior years, the Field Office shall use the 11/85 version of the PAD (Form HUD-52540). The HMS shall immediately notify Counsel to stop processing the ACC amendment for the original PAD. The Field Office shall distribute the revised PAD and the PHA disapproval letter in accordance with paragraph 4-6. Upon receipt of the documents, the RAD will record the recapture in PAS or AHAS.

b. ACC Amended, No Funds Advanced. If the ACC has been amended, but no funds have been advanced, the Field Office shall prepare and sign a revised PAD, the PHA
* disapproval letter, and Form HUD-53001, Actual
Modernization Cost Certificate (AMCC), indicating *
that no funds were advanced by HUD. The Field Office
then shall distribute the revised PAD, the PHA
disapproval

12/89

11-2

letter, and the AMCC at the same time in accordance with paragraphs 4-6 and 12-6. The AMCC shall be attached to the ACC amendment and shall be deemed to further amend the ACC. Upon receipt of the documents, the RAD will record the recapture in PAS or AHAS.

c. ACC Amended, Funds Advanced. See Chapter 12.

CHAPTER 12. FISCAL CLOSEOUT OF MODERNIZATION PROGRAMS

- 12-1. INTRODUCTION. This Chapter provides instructions on the fiscal closeout of modernization programs that are completed or being terminated because of poor performance or other reasons. Program completion means that all authorized CIAP costs have been fully paid and no further CIAP funds will be expended for that particular modernization program.
- 12-2. FINAL BUDGET REVISIONS. When a modernization program is nearing completion, the PHA shall consult with the Field Office regarding the need for any final budget revisions.
- 12-3. PHA SUBMISSION OF FINAL, QUARTERLY REPORT AND ACTUAL MODERNIZATION COST CERTIFICATE. Upon completion or termination of a modernization program, the PHA shall submit to the Field Office, Attention: Chief, Assisted Housing Management Branch (AHMB), Form HUD-52826, Schedule/Report of Modernization Expenditures, and Form HUD-53001, Actual Modernization Cost Certificate (AMCC), as explained below:
- a. "Final" Quarterly Report. The PHA shall submit the quarterly report, marked "final", in an original and two copies.
 - b. AMCC. The PHA shall submit the AMCC in an original and one copy. A completed sample of the AMCC is attached as Appendix 21. Instructions for preparation of the form are contained on the reverse side of the form.
- 12-4. HUD REVIEW. Upon receipt of the required documents, the Field Office shall review the documents as follows:
- a. The amounts on the "final" quarterly report and the AMCC must agree as to funds approved, advanced, and expended (see funding limitation in paragraph 10-10).
 - * b. The amount of funds approved and advanced must agree with Departmental records, as contained in the Rapid Housing Payment System (RHPS). *
 - c. If the "final" quarterly report and the AMCC indicate that excess funds have been provided to the PHA, the Field Office shall direct the PHA to remit immediately the excess funds, without waiting for the audit, and then subsequently to submit a revised "final"

quarterly report and AMCC, showing that total funds advanced, obligated and expended are equal amounts. If the audit of the AMCC shows that the PHA overremitted funds, HUD will return the amount of the

overremittance to the PHA.

- * d. In addition, refer to paragraphs 10-17b regarding final inspections of completed construction contracts and modernization programs. Where there were equal opportunity-related physical or management improvements, the HMS shall forward the "final" quarterly report to the FHEO Division for review to ensure that such improvements were carried out in an acceptable manner. *

12-5. AUDIT VERIFICATION OF ACTUAL MODERNIZATION COST CERTIFICATE. When the submitted documents are correct, the HMS shall prepare a letter for the signature of the Field Office Manager or designee to the PHA, advising that the AMCC must be included as a financial statement in the next regularly scheduled fiscal audit conducted by the Independent Auditor (IA). The audit shall follow the requirements of 24 CFR Part 44 (Single Audit Act of 1984 (31 U.S.C. 7501-7507)). HUD reserves the right to conduct audits.

12-6. HUD APPROVAL OF ACTUAL MODERNIZATION COST CERTIFICATE. Upon acceptance of the fiscal audit, the Regional Inspector General for Audit (RIGA) shall furnish a copy of the audit report to the Field Office. The HMS and the Financial Management Analyst (FMA) shall review the audit report to determine if the audited costs agree with the costs shown

- * on the AMCC. If the audited AMCC indicates that there are still excess funds, the PHA shall remit the excess funds, directed by the Field Office. If the audited AMCC discloses unauthorized expenditures, the PHA shall take such corrective actions as HUD may direct. After all
- * audited costs have been reconciled, the HMS shall forward the original AMCC to the Director, Housing Management Division, for signature, indicating that the AMCC has been audited and is correct, and to the Field Office Manager for signature, indicating approval.

- a. Distribution. After signature, the HMS shall arrange for the original and copies of the approved AMCC to be distributed as follows:

- (1) To the PHA, one copy for records purposes.

12/89

12-2

- (2) To the Regional or Chief Counsel, one copy for attachment to the ACC amendment.

- (3) To the AHMB files, one copy for records purposes.

- (4) To the Regional Public Housing Director, one copy for informational purposes, where requested.

- (5) To the RIGA, one copy for audit and records

purposes.

- * (6) To the Regional Accounting Division (RAD) or Office of Finance and Accounting (OFA), the original in accordance with subparagraph c. *

- b. For modernization approved before modernization as a separate project (before July 1, 1978) the audited and approved AMCC shall be attached to the ACC amendment and shall be deemed to further amend the ACC, where necessary, to reduce the amount of loan authority for the modernization to the actual modernization cost. No revised Form HUD-5079B, Modernization List (Part II), Form HUD-52540, Project Accounting Data (PAD), or additional ACC amendment is required. No updates will be processed in the Assisted Housing Accounting System (AHAS).
- c. For modernization approved after modernization as a separate project (on or after July 1, 1978), the audited and approved AMCC shall be attached to the ACC amendment and shall be deemed to further amend the ACC, where necessary, to reduce the amount of the Modernization Project to the actual modernization cost.

- (1) Modernization Approved in FFY 1986 and Prior Years. Where there is a downward adjustment, the Field Office shall prepare a revised Form HUD-52540, PAD (11/85 version), showing the reduced contract, loan and budget authority amounts (refer to paragraph 4-3) and transmit it and the original of the audited and approved AMCC to the RAD. The RAD will adjust the obligation and reservation amounts in AHAS, as it would for any other decrease amendment, and then forward the AMCC to OFA. Where there is no downward adjustment, the Field Office shall forward the original of the AMCC directly to OFA. Recaptured budget authority will be available for reuse as

12-3

12/89

a capital grant only when reassigned by Headquarters.

- (2) Modernization Approved in FFY 1987 and Subsequent Years. Where there is a downward adjustment, the Field Office shall prepare a revised Form HUD-52541, PAD (2/87 version), showing the reduced budget authority amount and transmit the PAD and the original of the audited and approved AMCC to the RAD. The RAD will adjust the obligation and reservation amounts in the Program Accounting System (PAS), and then forward the AMCC to OFA. Where there is no downward

adjustment, the Field Office shall forward the original of the AMCC directly to OFA. Recaptured
* budget authority will be available for reuse as a capital grant only when reassigned by * Headquarters.

12-7. RECAPTURES AS PART OF FORGIVENESS. The Housing and Community Development Reconciliation Amendments of 1985 (P.L. 99-272) authorize the Secretary to forgive outstanding principal and interest on loans made by the Secretary to PHAs.

- a. Forgiveness is limited to loans held by HUD which were to be repaid using annual contributions. Forgiveness does not extend to debt evidencing financing through the sale of bonds, the Federal Financing Bank, or to PHA notes to HUD which would not be retired using debt service annual contributions, such as preliminary loans, administrative loans and portion of notes representing excess financing. The Act states that the cancellation of principal and interest payments shall not affect any other terms and conditions of the ACC.
- b. For modernization approved before modernization as a separate project (before July 1, 1978), it is unnecessary for the Field Office to send a copy of the audited and approved AMCC to RAD or OFA. OFA processed recaptures as part of forgiveness automatically at the end of FFY 1987.
- c. For modernization approved after modernization as a separate project (on or after July 1, 1978), where there is a downward adjustment under paragraph 12-6c, the Field Office shall forward the revised PAD and the original of the audited and approved AMCC to the RAD. The RAD then will forward the original of the audited

12/89

12-4

and approved AMCC to OFA. OFA will process recaptures as part of forgiveness automatically at the end of each FFY. Where there is no downward adjustment, the Field Office shall forward the original of the audited and approved AMCC directly to OFA. Upon receipt of the AMCC, OFA will determine the amount of excess financing (if any), reclassify the amounts of loans that represent excess financing (if any), record the AMCC amount in AHAS, and process contract and budget recaptures as part of forgiveness automatically at the end of each FFY.

12-5

12/89

APPENDIX 2. USE OF CIAP FUNDS FOR DRUG ELIMINATION ACTIVITIES

I. General

HUD strongly encourages all PHAs to take an active leadership role in eliminating illegal drugs from public housing projects. HUD recognizes that the elimination of drugs in public housing and the protection of public housing property require the cooperation of the local government and the provision of resources beyond that which are currently available to support the Public and Indian Housing Program.

II. Local Government Cooperation and Other Public/Private Resources

Although Federal funds provide primary support, public housing cannot be operated successfully without the involvement of the local government and local community. Accordingly, CIAP-funded improvements related to drug elimination shall not be funded in a vacuum without such local involvement. The PHA shall discuss its drug-related problems and proposed action plan with the local government and obtain a letter from the local government reaffirming local cooperation and assistance and explaining how the PHA's proposed drug elimination activities fit into local strategies and neighborhood improvement programs. Where possible, the primary source of funding for non-physical drug elimination activities should be the Drug Elimination Act.

III. PHA Drug Strategy

PHAs that wish to use CIAP funds for drug elimination activities shall develop a written drug strategy which: (1) assesses the nature and extent of the drug-related problems; (2) identifies current activities being undertaken by the PHA, State, tribal or local government, resident management corporation and resident council, or other organized groups of projects residents to address the problems; (3) sets forth a realistic strategy for responding to the problems on both a short-term and long-term basis; and (4) integrates the requested drug activities into the PHA's overall strategy, including management tools, enforcement strategies, and intervention and prevention programs. At Joint Review, the PHA shall provide its action plan and the letter from the local government under Item II. to HUD for review.

APPENDIX 2

IV. Cooperative Arrangements with Local Police Departments

Under the terms of the Cooperation Agreement between the local government and the PHA, the local government is responsible for providing the same level of services (police, fire, trash collection) to public housing as are provided to other neighborhoods. Therefore, under comprehensive modernization

only, CIAP funds may be used to pay for the cost of additional on-duty police only where such police will provide additional services over and above those for which the local government is already contractually obligated to provide under the Cooperation Agreement. The additional services shall be verifiable through time sheets and written work assignments. In such case, CIAP funds may be used as transfer payments to the local government for the salaries and employee benefit contributions of the additional on-duty police, but not for the related liability insurance or equipment which is the responsibility of the local government.

On-duty police are local government employees who are carrying out the full duties and responsibilities of the police department. Off-duty police who may be hired by the PHA as security guards generally do not carry out the full duties and responsibilities of the police department during the time they are temporary PHA employees.

V. Management Improvements - General

Under comprehensive modernization only, management improvements that are related to eliminating drugs and that are project specific or PHA-wide in nature are eligible CIAP costs where they are necessary to correct identified management problems and to sustain the physical improvements at the project being comprehensively modernized. Refer to paragraph 2-3 of this Handbook.

Management improvements are fundable only for the implementation period of the physical improvements, unless a longer period, up to a maximum of five years, is clearly necessary to achieve HUD-approved performance targets.

Where management improvements involve ongoing costs, HUD is not obligated to provide continued funding or additional operating subsidy after the end of the implementation period. The PHA is responsible for finding other funding sources, reducing its ongoing management costs, or terminating the management activities. Therefore, if the PHA wishes to continue the management improvement, the PHA should identify and begin to seek out other funding sources as soon as possible after CIAP funding approval.

VI. Eligible Management Improvements

Under comprehensive modernization only, examples of eligible management improvements related to drug elimination activities include:

- * Hiring of additional staff to coordinate the provision of appropriate social services, such as drug education and treatment referral programs, provided by local government

or other public and private entities.

- * Hiring of security guards during the implementation period of the physical improvements or longer (not to exceed five years).
- * Development and implementation of improved screening procedures for prospective residents.
- * Development of more timely and effective management techniques for dealing with disruptive residents and drug-related crime.
- * Organization and training of unarmed resident patrols to work cooperatively with the local police.
- * Development and implementation of improved communication and coordination with local law enforcement agencies.

VII. Ineligible Management Improvements

Examples of ineligible management improvements related to drug elimination activities include:

- * Hiring of additional staff to provide direct social services, such as drug education and treatment referral programs. This includes development of drug education materials and videos which are aimed at resident behavior modification or education.
- * Provision of materials and goods, such as "Just Say No" T-shirts, caps and buttons.
- * Payment of liability insurance for on-duty police, security guards, or resident patrols.
- * Purchase of controlled substances (illegal drugs) for any purpose, such as conducting a scam.

APPENDIX 2

VIII. Eligible Physical Improvements

Under special purpose, emergency, and comprehensive modernization, examples of eligible physical improvements related to drug elimination activities include:

- * Installation of security hardware and additional lighting.
- * Creation of defensible space through redesign of entrances, common areas or other structural elements.
- * Provision of fencing around the perimeter of the project.
- * Conversion of a dwelling unit into nondwelling space for

use by project management, resident patrols, security guards, or local police.

- * Stabilization of buildings through consolidating occupied units into a specific area and securing vacant units/floors.
- * On behalf of security guards or resident patrols, purchase of equipment, such as walkie-talkies, automotive vehicles, etc.
- * On behalf of security guards or resident patrols, purchase of uniforms, caps, shoes, bulletproof vests, flak jackets, etc., which are specific to their assignment and necessary to carry out their responsibilities.

Under emergency modernization, a determination as to the eligibility of the physical improvement (i.e., correction of an imminent threat to tenant life, health and safety) must be made on an individual work item basis.

IX. Ineligible Physical Improvements

Examples of ineligible physical improvements related to drug elimination activities include:

- * Purchase of weapons, guns, ammunition, night sticks, etc.
- * Purchase of any equipment, including automotive, or wearing apparel for on-duty police.

12/89

Page 4

APPENDIX 2

X. Percentage Limitation on Management Improvements

The Field Office may not approve more than 10% of the total comprehensive modernization costs (all stages) for management improvements, including drug elimination activities (both hard and soft costs) at a project to be comprehensively modernized.

Since, nationally, modernization needs far exceed available funds, it is essential that all CIAP funds be used for activities that will have a long-term beneficial effect on the improvement of public housing.

Page 5

12/89

APPENDIX 3

APPENDIX 3. LISTING OF DEVELOPMENT ACCOUNTS THAT MAY BE USED IN THE COMPREHENSIVE IMPROVEMENT ASSISTANCE PROGRAM

For work items to be funded with CIAP funds, the appropriate development account number that relates to an individual work item is entered on Form HUD-52825, Comprehensive Assessment/Program Budget. Listed below are the development accounts that may be used in CIAP.

Account Number	Development Account Title
1408	Management Improvements
1410.1	Nontechnical Salaries
1410.2	Technical Salaries
1410.4	Legal Expense
1410.9	Employee Benefit Contributions
1410.10	Travel
1410.19	Sundry (advertising costs only)
1415	Liquidated Damages
1430.1	Architectural and Engineering Fees
1430.2	Consultant Fees
1430.6	Permit Fees
1430.7	Inspection Costs
1430.19	Sundry Planning Costs
1440.1	Property Purchases
1440.2	Condemnation Deposits
1440.4	Surveys and Maps
1440.5	Appraisals
1440.6	Title Information
1440.8	Legal Cost-Site
1440.10	Option Negotiations
1440.12	Current Tax Settlements
1440.19	Sundry Site Costs
1450	Site Improvements
1460	Dwelling Structures
1465.1	Dwelling Equipment - Nonexpendable
1470	Nondwelling Structures
1475.1	Nondwelling Equipment - Office Furniture and Equipment

APPENDIX 3

Account Number	Development Account Title
1475.2	Nondwelling Equipment - Maintenance

	Equipment
1475.3	Nondwelling Equipment - Community Space
	Equipment
1475.7	Nondwelling Equipment - Automotive
	Equipment
1475.9	Nondwelling Equipment - Expendable (only in conjunction with HUD-approved force account labor)
1495.1	Relocation Costs - Moving Families and Individuals
1495.2	Moving Businesses
1495.3	Additional Relocation Payments - Individual and Families
1495.4	Small Business Displacement Payments
1495.5	Relocation Services

For definitions of the above accounts, refer to the Low-Rent Housing Accounting Handbook 7510.1. Additional guidance on Development Accounts 1408, 1410.9 and 1410.10 is provided below:

1408	Management Improvements. This account shall be charged with all costs incurred by the PHA for management improvements after modernization program approval, including non-technical salaries, technical salaries, employee benefit contributions, and consultant fees.
1410.9	Employee Benefit Contributions. This account also shall be charged with unemployment compensation, as required by State law, related to costs of terminating employees hired on a temporary basis for modernization.
1410.10	Travel. This account shall be charged with travel expense of PHA officials and employees traveling on official business in connection with (1) HUD-approved CIAP training, and (2) CIAP application development and implementation in the State of Alaska.

APPENDIX 4

APPENDIX 4. LISTING OF DEVELOPMENT ACCOUNTS THAT MAY NOT BE USED IN THE COMPREHENSIVE IMPROVEMENT ASSISTANCE PROGRAM

The following listing of development accounts that may not be used in the CIAP are defined in the Low-Rent Housing Accounting Handbook 7510.1.

Account Number	Development Account Title
1410.12	Publications
1410.14	Membership Dues and Fees
1410.16	Telephone and Telegraph
1410.18	Equipment Expended
1410.19	Sundry (other than advertising costs)
1420.1	Interest to HUD
1420.2	Interest on Notes - Non-HUD
1420.3	Interest on Bonds
1420.7	Interest - Income From Investments
1425	Initial Operating Deficit
1430.5	Cost Estimates
1430.8	Fee for HUD Services
1430.9	Housing Surveys
1440.3	Excess Property
1440.20	Site Net Income
1465.2	Dwelling Equipment -Expendable
1480	Contract Work in Progress
1482	Developer's Contract Price (Turnkey)

JOINT REVIEW CHECKLIST

Section I. Instructions: Complete Section I for the PHA being reviewed. Indicate whether the statements below are true (T) or false (F) by checking the appropriate column. If false, enter comments to explain. If a question is not appropriate to the PHA under review, enter "NA" (not applicable) in the Comments column.

Section I. PHA-Wide Information

A. PHA Name: _____

B. Dates of Joint Review: _____

C. HUD Staff participating:

Name	Title	Tel. Number

D. PHA Staff Contacted:

Name	Title	Tel. Number

E. Projects Included in Joint Review:

Name	Number	Mod Type	Estimated Cost

	T	F	Comments

F. Other Financial Resources

PHA operating funds/reserves are available to fund all or part of proposed modernization.

If true, how much? _____

CDBG, Section 8 administrative fees or other funds are available to fund all or part of proposed modernization,

If true, how much? _____

G. PHA Modernization Capability

All projects previously approved for modernization are meeting deadline dates in latest HUD-approved Project Implementation Schedules. Additional funds are not required to complete any previously approved programs.

On-site monitoring of previously approved programs indicates PHA compliance with HUD requirements, including procurement and contract administration.

Any problems/deficiencies identified in last monitoring visit have been corrected.

Established thresholds are appropriate for:

- * A/E contracts
- * Bid documents
- * Change orders
- * Management contracts
- * Budget revisions

12/89

Page 2

APPENDIX 8

	T	F	Comments
PHA is submitting quarterly progress reports, including narrative on management improvements, in timely manner. Funds left over from completed modernization are being recaptured or reprogrammed. PHA has capability to administer proposed modernization in timely manner.			
G. Program Administration PHA plans for organizing and staffing proposed modernization are adequate and appropriate. PHA plans are coordinated with			

previously approved modernization.
PHA needs full-time modernization
coordinator.

PHA needs full-time contract
administrator/construction manager.

PHA will reassign existing staff.

PHA will hire additional staff.

H. Other PHA Requirements

PHA is in compliance with civil
rights statutes, executive orders
and regulations.

PHA has plans to provide minority
and women's business or Indian
enterprise opportunity.

PHA is continuing to carry flood
insurance on other buildings,
where previously required for
modernization.

12/89

Page 3

APPENDIX 8

Section II. Instructions: Complete Section II for each individual
project being reviewed. Indicate whether the statements below are
true (T) or false (F) by checking the appropriate column. If false,
enter comments to explain. If a question is not appropriate to the
project under review, enter "NA" (not applicable) in the Comments
column.

Section II. Project Information For:

Name	Number	Mod Type	Estimated Cost		
			T	F	Comments
A. Physical Improvements					
Physical Needs Assessment is completed and of acceptable quality. All work items currently necessary to meet mandatory standards have been included. All work items exceeding mandatory standards which are necessary for long-term viability have been included. Energy audit has been updated and is of acceptable quality. Cost-effective energy conservation measures have been included. Lead-based paint testing has been completed. Lead-based paint abatement work items have been included.					

Work items needed to comply with physical accessibility requirements have been included. Work items needed to comply with environmental and historical preservation requirements have been included.

12/89

Page 4

APPENDIX 8

	T	F	Comments
<p>If project is located in flood hazard area, PHA has required flood insurance.</p> <p>If applicable, PHA plans to comply with elevation and flood proofing requirements.</p> <p>There are no duplicative work items in PHA's operating budget or previously approved modernization budgets and proposed modernization. Cost estimates are accurate. Proposed Project Implementation Schedule is reasonable.</p> <p>Where project failed Step 2 of viability review, project passes Step 3.</p> <p>Proposed modernization hard costs do not exceed 62.5% (nonelevator) or 69% (elevator) of computed TDC, based on published cost guidelines. PHA's proposed method of inspecting the physical work is adequate. Indicate method.</p> <p>Method of accomplishment (contract or force account) has been determined. Indicate method.</p> <p>Use of force account labor is appropriate.</p> <p>PHA need for A/E services for design work, preparation of bid documents, and inspection has been determined.</p>			

12/89

Page 5

APPENDIX 8

	T	F	Comments
<p>B. Management Improvements (must be completed for</p>			

comprehensive modernization)
 Management Needs Assessment for
 following areas is completed and
 of acceptable quality:

- * Management, financial and
 accounting control systems
 - * Qualifications of personnel
 employed in management of
 project
 - * Resident programs and services
 - * Resident and project security
 - * Resident selection and eviction
 - * Occupancy
 - * Rent collection
 - * Routine, emergency and
 preventative maintenance, and
 annual unit inspections
 - * Nondiscrimination
 - * Drug elimination
 - * Resident training
 - * Technical assistance to
 Resident Management Corp.
 - * Economic development
- Proposed management work items
 appropriately address identified
 problems.

12/89

Page 6

APPENDIX 8

	T	F	Comments
Where drug elimination activities are proposed, PHA has letter from local government regarding coordination and strategies. Where drug elimination activities are proposed, PHA has developed written action plan. Cost estimates are accurate. Proposed implementation schedule is reasonable. Proposed work items to be done, but not funded under CIAP, have been identified. Method of accomplishment (contract or force account) has been determined. Indicate method. PHA need for professional services has been determined. All open findings from previous reviews, audits and surveys have been addressed and satisfactory progress is being made. * Management review			

- * Maintenance review
- * Utilities review
- * Occupancy audit
- * Fiscal audit

C. Resident Consultation

PHA has made available to residents a copy of CIAP Application submitted to HUD.

12/89

Page 7

APPENDIX 8

	T	F	Comments
PHA has provided a copy of resident recommendations and PHA's evaluation of those recommendations to HUD at Joint Review. PHA has made efforts to hire residents. Explain.			
D. Other Project Requirements			
PHA plans for moving tenants comply with relocation requirements.			
Proposed unit conversion appears reasonable and complies with Handbook requirements.			
Proposed demolition/disposition appears justified, subject to Headquarters approval.			
Homeownership project will comply with all special requirements.			
Section 23 Leased Housing			
Bond-Financed project will comply with all special requirements.			

12/89

Page 8

COMPREHENSIVE IMPROVEMENT ASSISTANCE PROGRAM (CIAP)
WAGE DECISION GUIDE

This list of examples of work items provides guidance for the selection of the appropriate wage decision to issue for the work involved. This list is intended to clarify the difference between nonroutine maintenance (subject to HUD-determined wage rates) and development (subject to DOL-determined wage rates). HUD determined wage rates cover those repairs which are in the nature of "nonroutine maintenance" and which do not constitute "reconstruction."

Note: Items normally subject to HUD-determined wage rates would be subject to Davis-Bacon wage rates if part of the virtually complete remodeling of the rooms or areas in question.

This Guide provides examples of work items for wage rate purposes and should not be used as a guide for applying modernization standards.

WORK ITEMS	DOL DETERMINED WAGE RATES*	HUD DETERMINED WAGE RATES
Accessibility for the physically handicapped	X	
Initial installation of air conditioning sleeves	X	
Repair/replacement of air conditioning sleeves		X
Initial installation of closet doors	X	
Repair/replacement of closet doors		X
Initial installation of kitchen base and wall cabinets	X	
Repair/replacement of sink, cupboards or open shelving		X
Repair/replacement of ranges and refrigerators		X

* As prescribed by Davis-Bacon and Related Acts

12/89

WORK ITEMS	DETERMINED	DETERMINED
	WAGE RATES	WAGE RATES

Initial installation of new bathroom fixtures, and new plumbing equipment	X	
Repair/replacement of bathroom fixtures and plumbing equipment		X
Initial installation of bathroom wall tile or shower surrounds	X	
Replacement of bathroom wall tile or shower surrounds		X
Initial installation or total or substantial replacement of floor covering	X	
Minor repair/replacement of deteriorated floors		X
Repainting of interior and exterior surfaces		X
Initial installation of carpeting	X	
Repair/replacement of carpeting		X
Alteration of existing dwelling space to accommodate larger families or to meet the special needs of the elderly and handicapped	X	
Initial installation of individual apartment refuse compactors where feasibility study indicates installation to be cost-effective	X	
Repair/replacement of individual apartment refuse compactors		X
Initial installation of energy conservation controls, devices, and insulation	X	
Installation of additional insulation; repair/replacement of energy conservation controls and devices		X

12/89

WORK ITEMS	DETERMINED WAGE RATES	DETERMINED WAGE RATES
------------	--------------------------	--------------------------

Initial installation of storm windows and storm doors	X	
Repair/replacement of storm windows and storm doors		X
Initial installation of entrance canopies	X	
Repair/replacement of windows, doors and entrance canopies		X
Tuckpointing of exterior brick walls		X
Initial installation or total or substantial replacement of exterior siding	X	
Minor repair/replacement of exterior siding		X
Initial installation of gutters and downspouts	X	
Repair/replacement of gutters and downspouts		X
Initial installation of fixtures and upgrading of low capacity circuits	X	
Minor repair/replacement of electric wiring and replacement of outmoded fixtures		X
Conversion of heating plants from one type of fuel to another and major overhauling of heating plants	X	
Repair/replacement of element in heating plant		X
Repair/replacement of space heating equipment and hot water heaters		X

12/89

Page 3

APPENDIX 14

WORK ITEMS	DOL DETERMINED WAGE RATES	HUD DETERMINED WAGE RATES
------------	---------------------------------	---------------------------------

Initial installation or major repair/replacement of (underground) utility systems, such as gas, water, electric, sewer or heating	X		
Minor repair of PHA-owned underground utility systems			X
Initial installation of cathodic protection systems	X		
Repair/replacement of cathodic protection systems			X
Initial installation of drainage facilities	X		
Repair/replacement of drainage facilities			X
Major alteration of roof structure or total or substantial replacement roofing material	X		
Repair or partial replacement of roofing material			X
Initial installation of emergency standby generators	X		
Repair/replacement of emergency standby generators			X
Initial installation of fire and smoke detection and control equipment	X		
Repair/replacement of fire and smoke detection and control equipment			X
Initial installation of security equipment, including security screens, electronic crime detection equipment, etc.	X		
Repair/replacement of security equipment			X

12/89

Page 4

APPENDIX 14

	DOL	HUD
	DETERMINED	DETERMINED
WORK ITEMS	WAGE RATES	WAGE RATES

Alteration and major improvement of refuse disposal facilities, including

new equipment, required to meet Federal, State or local air pollution control standards	X		
Initial installation of mailboxes	X		
Repair/replacement of mailboxes			X
Conversion of existing dwelling space to nondwelling use, such as management, maintenance, community or laundry facilities	X		
New construction of nondwelling space, such as management, maintenance, community or laundry facilities	X		
Construction of new sidewalks, exterior steps and stoops, driveways, etc.	X		
Repair of sidewalks, exterior steps and stoops, driveways, etc.			X
Installation of traffic and parking barriers	X		
Hard surfacing of project streets, alleys, or parking lots previously surfaced with a loose aggregate	X		
Repair of damaged surfacing of projects street, alleys or parking lots			X
Construction of outdoor storage units	X		
Repair/replacement/repainting of outdoor storage units			X
Construction of retaining walls	X		
Repair/replacement of retaining walls			X
			12/89

Page 5

APPENDIX 14

WORK ITEMS	DOL	HUD
	DETERMINED	DETERMINED
	WAGE RATES	WAGE RATES
Development of outdoor recreational facilities and improvement of existing playground area	X	

Repair/replacement/repainting of outdoor recreational facilities		X
Initial installation of outdoor benches	X	
Repair/replacement/repainting of outdoor benches		X
Initial planting of trees and shrubs	X	
Replacement of trees and shrubs		X
Conversion of units from family to elderly occupancy	X	
Demolition of buildings followed by construction on the site (construction may be limit to landscaping with heavy equipment, creation of a playground, etc.)	X	
Demolition of buildings followed only by filling in the site and establishing a lawn		X

NOTE:

Work items subject to either type of wage decision should be segregated from those subject to the other type of wage decision so that each construction contract contains only a single wage rate determination. If only an incidental amount of work is subject to either type of wage decision, then that work should be included in the contract containing the substantial amount of work (see paragraph 6-8). In addition, work items normally subject to HUD-determined wage rates would be subject to DOL-determined wage rates if those work items were part of the virtually complete remodeling of the rooms or areas in question.

APPENDIX 17

PART II. INDIVIDUAL PROJECT EXPENDITURES

1. GENERAL. Prepare a separate Part II for each individual project included in the Modernization Project, except where two or more individual projects with separate project numbers are approved for Comprehensive Modernization, but are considered to be a single project because they are contiguous and constitute a single management entity. In such cases, the individual projects may be treated as one individual project for purposes of completing Part II of this form.
2. HEADING. Insert the PHA Name, Individual Project Number, Abbreviated Modernization Project Number, number of the Quarter and FFY for which the form is being submitted, and Page Number, e.g., Page 2 of 3.
3. COLUMNS. For each development account, enter the total modernization funds approved by HUD, obligated by the PHA, and actually expended by the PHA. The development accounts are the same as those on Part I of Form HUD-52825, Comprehensive Assessment/Program Budget.
4. TOTAL FUNDS EXPENDED-PLANNED. When the first quarterly report is submitted, enter the cumulative planned expenditures for each development account for the first year (4 quarters) of the implementation period. These planned expenditures shall remain the same until the fifth, ninth, thirteenth or seventeenth quarters of the implementation period, when planned expenditures for the second or a subsequent year of the implementation period shall be updated to show an additional year. For example, if the total planned expenditures are estimated to be \$100,000 for the first year and \$300,000 for the second year, the PHA would update the first year estimates when the fifth quarterly report is submitted to show \$400,000 total planned expenditures through the second year of implementation.

INSTRUCTIONS FOR ADAPTING FORM FOR USE FOR MODERNIZATION PROGRAMS APPROVED BETWEEN FFYS 1975 AND 1981

1. For modernization programs approved before modernization as separate project was implemented (July 1, 1978), the PHA shall insert, on Parts I and II, the Phase Number in lieu of the Abbreviated Modernization Project Number. The Phase Number is the FFY in which the modernization program was approved and the sequential number of the modernization program, e.g. 77-06.
2. On Part II, the development accounts are at a higher level of summary. The PHA shall enter the total modernization funds approved by HUD, obligated by the PHA and actually expended by the PHA which are consistent with the latest HUD-approved Form HUD-52990, Modernization Program Budget.
3. On Part II, the PHA shall enter the cumulative planned expenditures for the balance of the implementation year at the time the form is first submitted. Thereafter, the PHA shall

follow the instructions set forth in item 4 of Part II.

STATE CODES

The following is a list of the state codes. The applicable state code is the first two digits of the Control Number.

State or Possession	Code
Alabama	01
Alaska	02
Arizona	04
Arkansas	05
California	06
Colorado	08
Connecticut	09
Delaware	10
District of Columbia	11
Florida	12
Georgia	13
Hawaii	15
Idaho	16
Illinois	17
Indiana	18
Iowa	19
Kansas	20
Kentucky	21
Louisiana	22
Maine	23
Maryland	24
Massachusetts	25
Michigan	26
Minnesota	27
Mississippi	28
Missouri	29
Montana	30
Nebraska	31
Nevada	32
New Hampshire	33
New Jersey	34
New Mexico	35
New York	36
North Carolina	37
North Dakota	38
Ohio	39
Oklahoma	40
Oregon	41
Pennsylvania	42
Rhode Island	44
South Carolina	45
South Dakota	46
Tennessee	47
Texas	48
Utah	49
Vermont	50
Virginia	51

Washington	53
West Virginia.	54
Wisconsin.	55
Wyoming.	56
American Samoa	60
Canal Zone	61
Canton and	
Enderbury Isl(s).	62
Guam	66
Johnston Atoll	67
Midway Islands	71
Puerto Rico.	72
Ryukyu Islands	
South	73
Swan Islands	74
Trust Territories of	
Pacific Islands	75
Misc. Caribbean	
Islands (U.S.).	76
Misc. Pacific	
Islands (U.S.).	77
Virgin Islands	78
Wake Island.	79

HUD-52826 (4-82)

MONITORING CHECKLIST

PHA Name:

Dates of Review:

Modernization Project Number:

Individual Project Number:

Field Office Staff Conducting Review:

PHA Staff Participating:

Instructions: At a minimum, the Field Office General Engineer shall complete Sections I, II, III, and IV of this Checklist. Either the General Engineer or the Housing Management Specialist shall complete Section V of this Checklist. The Housing Management Specialist shall complete Section VI of this Checklist, where applicable.

ITEMS	YES	NO	NOT REVIEWED
I. Physical Work			
Site inspections being conducted by the PHA/architect are adequate to ensure that PHA interests are being preserved.	_____	_____	_____
Contractor is providing adequate supervision and direction of the work.	_____	_____	_____
Material and workmanship conform to contract requirements.	_____	_____	_____

12/89

ITEMS	YES	NO	REVIEWED
A/E is keeping PHA informed of work progress and endeavoring to guard against defects and deficiencies in the contractor's work.	_____	_____	_____
A/E's decisions and interpretations are consistent with intent of and reasonably inferable from the contract documents.	_____	_____	_____
A/E revises and approves or takes other appropriate action upon contractor's submittal of shop drawings and product data and samples, with reasonable promptness so as to cause no delay.	_____	_____	_____
Premises are being kept free from accumulation of waste materials or rubbish caused by the contractor.	_____	_____	_____
There are no observable safety violations.	_____	_____	_____
II. Procurement of A/E Services			
PHA properly used small purchase procedures to procure A/E services of \$25,000 or less.	_____	_____	_____
PHA properly used competitive proposal procedures to procure A/E services over \$25,000.	_____	_____	_____
PHA's publication of Request for Proposal (RFP) was adequate to receive at least three proposals.	_____	_____	_____
PHA performed the required cost analysis.	_____	_____	_____
PHA used Form HUD-51915, as modified by HUD, for the A/E contract.	_____	_____	_____
PHA entered into A/E contracts without prior HUD approval only where contracts were within the HUD-established threshold, or after it received HUD approval.	_____	_____	_____
Current A/E threshold of \$ _____ should be changed to \$ _____.	_____	_____	_____

12/89

ITEMS	YES	NO	NOT REVIEWED
Required PHA certifications for A/E contracts are correct and in PHA files.	_____	_____	_____
III. Procurement of Construction and Equipment Contracts			
PHA properly used small purchase procedures to procure construction and equipment contracts of \$25,000 or less, including documented record of request for quotes.	_____	_____	_____
PHA properly used sealed bids to procure construction and equipment contracts over 125,000.	_____	_____	_____
PHA made an effort to publicize Invitation for Bids (IFB) to minority business enterprises.	_____	_____	_____
PHA's publication of IFB was adequate to receive more than a single bid.	_____	_____	_____
Bid packages contained all required documents, including current wage rates.	_____	_____	_____
PHA issued IFBs without prior HUD approval only where bid documents were within the HUD-established threshold, or after it received HUD approval.	_____	_____	_____
Current threshold for bid documents of \$ _____ should be changed to \$ _____.	_____	_____	_____
Required PHA certifications for bid documents are correct and in PHA files.	_____	_____	_____
PHA/architect maintained a control log of all bid documents.	_____	_____	_____
PHA executed construction or equipment contracts only where PHA could properly certify under paragraph 9-11c of CIAP Handbook.	_____	_____	_____

12/89

Page 3

APPENDIX 18

ITEMS	YES	NO	NOT REVIEWED
All contract documents are properly			

executed and retained in PHA files,
e.g., bonding, DOL notification,
insurance, etc.

PHA sent copies of all executed contract
documents to the Field Office.

IV. Contract Administration

PHA/architect reviews sampling of
contractor's payroll reports and resolves
any discrepancies.

PHA-approved construction progress schedule
is reasonable and consistent with contract
and HUD-approved Project Implementation
Schedule.

PHA-approved schedule of amounts for
contract payments is reasonable for the
scheduled work.

PHA is requisitioning cash after inspecting
that work has been acceptably completed.

PHA is maintaining a separate contract
modifications register for each contract,
which includes all required information.

PHA issued contract modifications only
where such modifications were within the
HUD-established threshold, or after it
received HUD approval.

Current threshold for contract
modifications of \$ _____ should be
changed to \$ _____.

Required PHA certifications for contract
modifications are correct and in PHA
files.

PHA is properly maintaining a construction
log to record potential causes of delay.

12/89

Page 4

APPENDIX 18

ITEMS	YES	NO	NOT REVIEWED
PHA is properly preparing "findings of fact" in response to contractor requests for time extensions or disputes and claims.	_____	_____	_____

PHA is accepting project for early occupancy only where Handbook conditions are met.

PHA is notifying Field Office of scheduled final inspection.

PHA is submitting required settlement documents to Field Office.

PHA is making final payment to the contractor in accordance with Handbook requirements.

V. Program Administration

PHA has a system for monitoring funds obligated and expended by work item.

PHA has not obligated or expended funds for a work item in excess of latest approved budget amount for a work item.

PHA revised budget without prior HUD approval only where revisions were within the HUD-established threshold, or after it received HUD approval.

Current threshold for budget revisions of \$ _____ should be changed to \$ _____.

Required PHA certifications for budget revisions are correct and in PHA files.

PHA quarterly progress reports are timely and accurate (review and compare with Books of Account).

Administrative costs are properly documented with time sheets and reflect only direct changes.

12/89

APPENDIX 18

ITEMS	YES	NO	NOT REVIEWED
PHA is moving residents in accordance with relocation requirements.	_____	_____	_____
Units are being returned to occupancy in a timely manner.	_____	_____	_____

PHA has made efforts to hire residents to carry out modernization work.

VI. Management Improvement and Other Professional Service Contracts

PHA properly used competitive proposal procedures to procure management services.

PHA entered into management contracts and issued contract modifications without prior HUD approval only where contracts were within the HUD-established thresholds, or after it received HUD approval.

Current management contract threshold of \$ _____ and current management contract modification threshold of \$ _____ should be changed to \$ _____ and \$ _____ , respectively.

Required PHA certifications for management contracts and contract modifications are correct and in PHA files.

Contractor is performing satisfactorily under the terms of contract.

PHA is meeting established performance targets for improving management areas.

Completed management improvements are being sustained.

APPENDIX 22. COMPREHENSIVE PLAN FOR MODERNIZATION (CPM)

Purpose

The CPM is the most important source document for PHA planning for physical and management improvements under CIAP. The CPM is intended to be a flexible, dynamic document that serves as the master planning document for the PHA to upgrade its projects. The CPM is required for non-Indian PHAs With 500 units or more in management.

Components of an Approvable CPM

At a minimum, the CPM includes, but is not limited to, the following major elements:

1. Description of Basic Project Characteristics

The CPM contains a brief description of each project in the PHA's inventory so that baseline information on each project is readily available to PHA and HUD staff. Depending on the style or requested format by each Field Office, this information may be included as a cover to the general project physical and management needs assessment.

2. General Project Physical and Management Needs Assessment

The CPM contains a general physical and management needs assessment for each project in the PHA's inventory, regardless of whether the PHA plans to request CIAP funding within the next five years. The general needs assessment provides the basic information for the five-year funding request plan and sets forth strategies for addressing all identified needs. Such strategies may include unit conversion, partial demolition or disposition.

The general project physical needs assessment includes a description of the physical work currently needed to bring the project up to the modernization and life-cycle cost-effective energy conservation standards. The general needs assessment should not be confused with the detailed needs assessment that the PHA must prepare for Joint Review, using Form HUD-52827, as set forth in the Modernization Standards Handbook 7485.2 REV-1. The following items are considered in preparing the assessment:

- a. Potential hazards, including lead-based paint and asbestos;
and

- b. Section 504 compliance, including incorporating the results of the Transition Plan, where applicable, into the general physical needs assessment for each affected project.

The management needs assessment addresses the improvement areas set forth in paragraph 2-3b of this Handbook for each project in the PHA's inventory, but may reference PHA-wide needs.

3. Project Viability Reviews

The CPM contains a PHA-conducted project viability review for each project in the PHA's inventory in accordance with paragraph 3-9 of this Handbook. As part of the CIAP Application review process, the Field Office shall review the PHA's own viability determination to ensure that it is consistent with the Field Office's own viability determination for the project.

Based upon the results of the project viability review, the PHA must determine if there is a need for partial demolition or disposition of any project. If there is such a need, the PHA should discuss with the Field Office as to what the requirements are for a demolition or disposition application and how to proceed.

4. Five-Year Funding Request Plan

This portion of the CPM serves as the summary planning document which should assist the PHA in prioritizing its projects for funding requests over a five-year period. This summary is reflected on Form HUD-52824, Five-Year Funding Request Plan, reflects a five-year rolling base, and is updated annually. Each year of the five-year plan shall identify projects for funding by modernization type and the estimated amounts. The PHA is not required to include all projects in the five-year plan since the plan should reflect only what reasonably can be expected to be funded over the five-year period.

5. PHA Board Resolution, approving the CPM.

New CPM Requirement for FFY 1991 - Five-Year Management Improvement Goals

In addition to conducting the general management needs assessment by project, the PHA must evaluate the overall condition of its management operation and compare that evaluation to the Performance Indicators, currently set forth in Chapter 11 of the

Field Office Monitoring of PHAs Handbook 7460.7 REV-1. Once the PHA has evaluated its management operation against the Performance Indicators, and has identified specific management deficiencies through the management needs assessment, the PHA then shall establish annual to improve its overall management. All management improvements that will be undertaken by project should clearly relate to the management needs assessment and the Performance Indicators, as well as the requested physical improvements. For each area in which

management improvement funding is requested, the PHA shall establish baseline data and then an annual target for improvement for the area to be impacted by the requested management improvement funding. Progress against these targets will be reviewed in determining the PHA's management capability.

FFY 1990 will be a transition year for the PHA to evaluate its operation against the Performance Indicators and develop management improvement goals. However, these goals will be a requirement for the FFY 1991 CIAP Application process.

HUD Review and Approval of Original CPM

1. Field Office Review

In most cases, Field Office review of the original CPM has been completed. In those cases where review is still pending, the Field Office shall review the original CPM using the CPM Review Checklist at the end of this Appendix to ensure that the required major elements are present and that certain areas are properly addressed. In carrying out this review, the Field Office shall take the following steps:

- a. Determine the current approval status of all CPMs that have been previously submitted. Where HUD review is not completed, use the CPM Review Checklist.
- b. For those CPMs that have addressed all of the required major elements, contact the PHA, regarding any necessary updates to ensure consistency with its CIAP Application.
- c. Send written notice to PHAs With CPMs that are deficient in one or more areas and that must be corrected before funding of any additional modernization other than emergency. In addressing the identified deficiencies, the PHA also should consider any necessary updates to the CPM.

2. Field Office Recommendation

Based on review of the CPM and the results of Step 1 of the

APPENDIX 22

viability review conducted on each project, excluding those that have comprehensive modernization in progress, the Field Office, in most cases, has recommended approval of the original CPM to the Regional Office by the appropriate deadline date, except where the CPM was unsatisfactory or incomplete; i.e., the strategy developed was inconsistent with known physical or management problems; the proposed physical improvements would not bring all the PHA's projects up to the modernization and energy conservation standards; the proposed management improvements would not address all of the PHA's identified areas of deficiencies; the CPM was clearly unrealistic in its proposed

actions; or the PHA has not demonstrated that completion of the improvements would reasonably ensure the long-term viability of the projects at a reasonable cost.

Conditional Plan Approval

The Regional Office may have given conditional plan approval where the CPM appears generally reasonable, but one or more of the above deficiencies exist in the CPM or there were outstanding viability reviews on projects required to go to Step 2 or beyond. In such cases, the Field Office provided a schedule to the Regional Office for requiring the PHA to correct any identified deficiencies or for Field Office completion of the viability reviews.

Annual Updates to the Approved CPM

To use successfully the CPM in conjunction with the CIAP Application, it is necessary for the PHA to review and update annually the CPM as the first step in preparing the CIAP Application. It is strongly recommended that all updates to the CPM be done by the PHA, not a consultant, to ensure that the updates represent the PHA's own funding priorities and opinions. If the PHA wishes to employ a consultant to update its CPM, the cost is an eligible CIAP cost; however, the PHA shall ensure that its Board of Commissioners reviews and approves the update.

PHA's Responsibilities

At the beginning of each FFY, the PHA shall begin to prepare for the CIAP Application process by reviewing the CPM.

1. Five-Year Funding Request Plan

The PHA shall revise the five-year rolling base in the Five-Year Funding Request Plan component of the CPM to reflect the results of the previous year's funding approvals and to make adjustments for the projects affected by those funding

APPENDIX 22

decisions. For example, if a project was identified in the CPM as requiring funding and received funding to meet all currently identified physical and management improvement needs, that project should be removed from the five-year rolling base.

Similarly, if the project was identified in the CPM, but did not receive all funds requested, and many work items cannot be addressed, the unfunded portion of the request should be carried over into the current year.

Once the update of the five-year rolling base is completed, this element will serve as the basis for the PHA's current year funding request and will not need to be revised again until the conclusion of the current year funding cycle.

2. Physical and Management Needs for Projects Identified in the Current Year of the Five-Year Funding Request Plan

Once the PHA has revised the five-year rolling base, based on previous year funding approvals, the PHA then shall begin to review the projects listed in the current year and revise the general physical and management needs assessment in preparation for the CIAP Application process.

For example, a project has been rolled over from year 2 to year 1 (the current year) of the five-year funding request plan. However, the initial general physical and management needs assessment was conducted 4 years prior to the current year. Continued deterioration, inflation, and additional physical work items and management concerns necessitate an update of the general needs assessment before the CIAP Application is developed to ensure that the needs and associated costs are current. This update is only necessary for projects now in the current year of the five-year rolling base. However, it also may be advisable for the PHA to conduct this type of update for other projects.

3. Project Viability Review

The PHA shall re-evaluate its original determinations of viability for the projects now in the current year of the five-year rolling base to ensure that its original determinations are still applicable. If certain projects or buildings are now determined to be non-viable by the PHA, the PHA shall consider preparing a demolition or disposition application meeting the requirements of Section 18 of the Act. In such case, the PHA should consult with the Field Office on how to proceed.

APPENDIX 22

4. Five-Year Management Improvement Goals

The PHA shall revise its five-year management improvement goals to reflect the results of the previous year's funding approvals and to make adjustments to the projects affected by those funding decisions, as well as by PHA progress toward its established goals during the previous year. This update should serve as the basis for the PHA's current year funding request.

Field Office's Responsibilities

The Field Office shall review the CPM updates in conjunction with the CIAP Application. In accordance with Chapter 3 of the CIAP Handbook and the processing schedule established in the annual Notice of Fund Availability, the Field Office Assisted Housing Management Branch staff, including the General Engineer, Housing Management Specialist, and Financial Analyst shall review the updates to the CPM to ensure

consistency with the CIAP Application, as follows:

1. Five-Year Funding Request Plan

The Field Office shall review the current year's five-year funding request plan and compare it to the previous year's five-year funding request plan and funding approvals to ensure consistency of PHA priorities, proposed work and estimated costs. Where there are major changes in PHA priorities and other information, the Field Office shall request an explanation from the PHA.

2. Project Viability Review

The Field Office shall review the PHA's own viability determination for projects for which current year funds are requested, as well as the Field Office's previously conducted viability determination for those projects. The Field Office shall determine whether, given current circumstances, its prior determinations are still valid or require updating.

3. Five-Year Management Improvement Goals

The Field Office shall review the PHA's update of the five-year management improvement goals and determine whether they are realistic and consistent with prior year accomplishments.

12/89

Page 6

APPENDIX 22

COMPREHENSIVE PLAN FOR MODERNIZATION (CPM)
AHMB REVIEW CHECKLIST

PHA Name _____ No. of PHA Units _____
No. of PHA Projects _____

1. Does the CPM contain all of the major elements?
 - a. Has the PHA included a brief description of each project in its inventory?
 - b. General project physical and management needs assessment
 1. Has the PHA addressed each project in its inventory?
 2. Is there a standardized approach to the general physical needs assessment by project?
 3. Is the general physical needs assessment complete by project, addressing work needed to meet mandatory modernization and energy conservation standards?
 4. Does the general physical needs assessment address potential hazards, such as lead-based paint and asbestos?

APPENDIX 22

5. Does the general physical needs assessment address Section 504 compliance?
6. Are the strategies developed by the PHA consistent with known physical and management problems?
7. Is the management needs assessment complete by project?
5. Are PHA-wide management deficiencies and proposed solutions properly identified?

c. Project viability reviews

1. Is there a clear viability determination for each project?
2. If not, which projects have viability issues and what are the issues?
3. Is the PHA considering any demolition or disposition?

12/89

Page 2

APPENDIX 22

4. Does each viability review include a determination of financial feasibility?
5. Are there any differences between the PHA's and the Field Office's determinations? If so, identify the projects and attach an explanation.

d. Five-Year Funding Request Plan by Fiscal Year

1. Do the funds requested by fiscal year reflect what reasonably can be expected to be received over the five-year period?
2. Has the PHA included all of the projects in its inventory in the five-year rolling base? If not, how many projects are outside the current five-year period?
3. Is a total need identified for each of the five years? If yes, what are the funding levels requested for:

Year 1: \$ _____
 Year 2: \$ _____
 Year 3: \$ _____
 Year 4: \$ _____

Year 5: \$ _____

4. Do the estimated costs include amounts needed for management improvements? If yes, how much is requested for Year 1?

Year 1: \$ _____

Page 3

APPENDIX 22

e. Five-Year Management Improvement Goals

1. Has the PHA conducted an evaluation of its overall management operation relative to the Performance Indicators identified in Chapter 11 of the Field Office Monitoring of PHAs Handbook?
 2. Has the PHA established goals for the improvement of management deficiencies based on the baseline comparison to the Performance Indicators?
2. Does the PHA have the management and modernization capability to implement the improvements in the CPM in the time period identified? Include justification.

OTHER ISSUES RELATED TO HUD REVIEW OF THE CPM

1. What does the CPM show?
 - Level of effort
 - Thoroughness
 - Completeness of problem analysis
 - PHA involvement in the development/update of the CPM
2. Is the CPM coherent?
 - Language
 - Organization
3. Do the solutions presented match the problems?
4. Do the cost estimates appear reasonable?
5. Is the implementation plan realistic?

12/89

Page 4

APPENDIX 22

- Does the PHA have the capability to obligate (contract for) the work identified in the CPM?

- If not, how can the PHA increase its capability?

6. Does the PHA have a good implementation record from previous CIAP approvals?

- Timely obligations and expenditures
- Timely and accurate quarterly reports