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CHAPTER 7. PHA PROPOSAL REVIEW

Section 1. Introduction

- 7-1. GENERAL. This chapter establishes the procedures and responsibilities for Area Office review of a PHA proposal. These procedures apply to any PHA proposal submitted by a PHA whether it is located inside or located outside a central city allocation area.
- a. Exception. The ACC documents for a PHA located inside a central city allocation area are prepared by the Area Counsel upon completion of the PHA proposal review. The completed ACC documents are sent to the PHA and, within thirty (30) days, returned for execution by the Area Office. Upon receipt, the Area Office will review the ACC documents in accordance with the applicable provisions of this chapter and, if approvable, will return the executed ACC documents to the PHA within five (5) working days of receipt.
  - b. Staff Reviews. Each Division Director or Housing Division Branch Chief shall assign the PHA proposal to a technical specialist for review in accordance with the instructions provided in this chapter. Each reviewer shall immediately notify the PCR Supervisor if any missing or incomplete information is detected during technical processing. Following the staff review, the Division Director or Housing Branch Chief findings and recommendations shall be submitted to the PCR Supervisor by the established PHA proposal review date.
- 7-2. EXTENSION OF PHA PROPOSAL SUBMISSION DEADLINE. The MHR shall review any PHA request for an extension of the deadline date for submitting a PHA proposal. The purpose of this review is to determine whether the additional time requested by the PHA is reasonable and to ascertain the effect that such additional time would have on the number of housing units to be developed. The MHR shall prepare a letter for the Area Managers signature indicating that the additional time has either been approved or disapproved, including any reason for disapproval. Such an extension shall be limited to thirty (30) days from the initial deadline date for submission of a PHA proposal unless there are exceptional circumstances that would justify approval of some additional time.

7-3. STANDARD PROCESSING TIME. The standard processing time (SPT) is the number of calendar days from receipt of the PHA proposal by the PCR Unit to the date of the Field Manager's letter approving or disapproving the PHA proposal. The SPT for Field Office review and decision on a PHA proposal is fifty (50) days. Each Division or Branch is also given an SPT for its review and is responsible for notifying the PCR Supervisor if major problems are noted during technical processing that would delay completion of its review by the established PHA proposal review date. (See Chapter 3, Section 12 for statutory time-frame requirements). \*

7-4. STAFF RECOMMENDATIONS. Each Division Director or Housing Division Branch Chief shall complete the review checklist and forward it to the PCR Supervisor in accordance with the applicable SPT. The review checklist shall recommend that the PHA proposal either be:

- a. Approved. A recommendation of approval shall be made if the PHA proposal can be approved as submitted.
- b. Approved with Conditions. A recommendation for conditional approval shall be made if only minor corrections to the PHA proposal are required prior to approval. Major changes (e.g., developer's price, site, structure type, and units by number of bedrooms) to turnkey proposals shall not be authorized. If conditional approval is recommended, the review checklist shall be accompanied by a memorandum identifying the conditions that would have to be satisfied prior to PHA authorization to acquire the site or the PHA submission of the design documents.
- c. Disapproved. A recommendation of disapproval shall be made if the PHA proposal would require significant corrections to comply with the public housing program requirements. If accompanied by a memorandum identifying all reasons for disapproval and, if applicable, what actions would be required before the PHA proposal would be reconsidered by the Field Office.

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Section 2. Processing Control and Reports Unit Review

7-11. STANDARD PROCESSING TIME. The standard processing time (SPT) for the PCR Unit is three (3) calendar days from receipt of the PHA proposal by the PCR Unit to initiation of previous participation clearance, the Section 213 Review, the Intergovernmental Review, and Field Office staff reviews. \*

7-12. PHA PROPOSAL FILE. The original of all PHA proposal and review documents shall be maintained by the PCR Unit in a PHA proposal

file. This file should include a copy of the PCR Supervisor memorandum establishing the PHA proposal receipt date and the PHA proposal review date; a copy of the Section 213 and Intergovernmental Review letters; and the names of the Divisions \* and Branches requested to review the PHA proposal. In addition, all completed review checklists and, if applicable, any accompanying memoranda and letters in response to requests for previous participation clearance, and Section 213 and Intergovernmental Review comments shall be date stamped and retained in the PHA proposal file.

7-13. PHA PROPOSAL DISTRIBUTION. The PCR Unit shall make copies of the PHA proposal, or parts thereof, for each reviewing Division or Branch. The PCR Supervisor, within one (1) working day, shall send a form memorandum transmitting the PHA proposal and the applicable review checklist to each reviewer and establishing the:

a. PHA Proposal Receipt Date. The date the PHA proposal was received by the PCR Unit.

b. PHA Proposal Review Date. The date the completed review checklists, comments and recommendations are due in the PCR Unit from each Division or Branch. The review completion date shall provide sufficient time to receive, review and reconcile, as necessary, any comments received pursuant to Section 213 and Intergovernmental Review requirements. \*

7-14. SECTION 213 REVIEW. The PCR Supervisor shall prepare the Section 213 letter for the signature of the Director of the Housing Development Division to invite the Chief Executive Officer of the unit of general local government to submit comments in accordance with the requirements of 24 CFR Part 791. The letter shall transmit a copy of pages 1 through 3 of the Site, Design and Cost Report (HUD 52651A) and the site location map for each proposed site and shall indicate that the Field Office will consider comments received by the deadline date established for the comment period. Proposals involving 12 or fewer units are exempt from the requirement.

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7-15. PREVIOUS PARTICIPATION CLEARANCE. The PCR Supervisor shall initiate previous participation clearance in accordance with Chapter 3, \*  
\* Section 5. The process shall be completed within thirty (30) calendar days of proposal submission.

7-16. PHA PROPOSAL PROCESSING AND TRACKING. The PCR Unit shall monitor Field Office processing actions to determine that the reviews will be completed by the PHA proposal review date.

- a. Periodic Status. The PCR Supervisor shall contact each Division Director or Development Division Branch Chief periodically to ensure that their review recommendation will be submitted by the PHA proposal review date. The PCR Supervisor shall immediately notify the MHR of any missing information noted by the reviewers and any problems observed that would delay completion of the Field Office review.
- b. Final Recommendations. The PCR Supervisor shall forward the completed review checklists, comments and recommendations to the MHR immediately upon receipt. The PCR Supervisor shall also advise the MHR of any reviewers that have not submitted their recommendations by the established PHA proposal review date so that follow-up action may be initiated.

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### Section 3. Multifamily Housing Programs Branch Review

7-21. STANDARD PROCESSING TIME. The standard processing time (SPT) for the MHP Branch review of the PHA proposal is forty (40) calendar days from the PHA proposal receipt date to preparation of a PHA proposal approval (or disapproval) letter for the Field Manager's signature.

7-22. PHA PROPOSAL SCREENING: The MHR shall review the PHA proposal within three (3) calendar days to determine that all required documentation has been submitted and that the PHA proposal is generally consistent with all program requirements.

a. PHA Proposal. The PHA proposal for all development methods shall be reviewed to determine that:

- (1) the number of units, the housing type and household type, the development method, and the structure type are consistent with the Field Office request for a PHA proposal;
- (2) the required documentation for a PHA proposal identified in Chapter 6 for the selected development method has been submitted.
- (3) the PHA has incorporated any local conditions, project features, or other special requirements agreed to at the project planning conference;

(4) the PHA project development schedule does not exceed the SPTs for the selected development method; and

\* (5) the PHA has provided evidence of initiation of the Intergovernmental Review process as described in paragraph 3-72. \*

b. Turnkey Proposal. In addition to the requirements of subparagraph a, the RFP, Turnkey Developer's Packet and turnkey proposal shall be reviewed to determine that:

(1) the RFP is consistent with the requirements of paragraph 6-39;

(2) the standard Turnkey Developer's Packet was used, and any modifications made by the PHA are consistent with program and local requirements and agreements reached at the project planning conference;

(3) the proposal evaluation criteria (including any PHA optional criteria) are consistent with the requirements of paragraph 6-43;

(4) the turnkey proposal contains the documentation identified in paragraph 6-41;

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(5) the turnkey proposal is consistent with the REP and Turnkey Developer's Packet; and

(6) the PHA and turnkey developer project development schedules are consistent, reasonable, and do not exceed the applicable SPTs.

c. Stop Technical Processing. If any omissions or problems are detected during initial screening, the MHR shall advise the PCR Supervisor to notify all reviewers to stop technical processing and prepare a PHA proposal disapproval letter (paragraph 7-126).

7-23. INTERGOVERNMENTAL REVIEW. The MHR shall review any comments received from the state SPOC or affected entities. Objections shall be coordinated with other Field Office staff as appropriate (e.g.,

\* Valuation Chief, Environmental Clearance Officer, EMAS) to determine whether the PHA proposal should be approved. Any legal issues must be resolved to the satisfaction of the Field Office Counsel. \*

7-24. IMPACT ON SCHOOLS. The MHR shall review any PHA statement and letter from a school board concerning the impact of a proposed project on existing schools to ascertain whether the school system has the capacity to absorb the number of school aged children

expected to reside in the proposed project.

7-25. PRELIMINARY DEVELOPMENT COST BUDGET. After completion of Field Office reviews, the MHR shall prepare a draft preliminary Development Cost Budget, (Form HUD 52484) for use by the PHA. The purpose of this budget is to provide guidance to the PHA, based on the Field Office review, for subsequent project planning and development activities.

- a. Contingency Account. The amount in the contingency account (line 57) shall include two (2) percent of the TDC for all development methods. In addition, the contingency account shall include the unused amount for projected cost increases from the date of PHA proposal approval to the anticipated start of construction date.
- b. All Other Accounts. The amount identified for each of the other major accounts (totals) shall be based on the preliminary cost estimates developed by the responsible Housing Division Branches (Chapter 3, Section 14). Most of the required data will be obtained from A/E and Cost Branch and Valuation Branch PHA proposal review recommendations.

7-26. DEVELOPMENT MANAGER CONTRACT. If applicable, the MHR with assistance from other Field Office staff shall review the proposed PHA contract for employment of a development manager. In order to recommend approval, it must be determined that:

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- a. PHA Capacity. The PHA lacks sufficient staff to function as the development manager and the cost for such services would be off-set by not having to increase PHA staff expenses. In determining whether a separate development manager is necessary, consideration must be given to whether it would be cost efficient to add the development manager functions to contracts with other professionals (e.g., the PHA architect) who will be employed by the PHA for other project development activities.
  - b. Scope of Services. The services to be performed by the development manager are appropriate for the development method being used and are not duplicated in other PHA contracts for project development activities.
  - c. Qualifications. The development manager meets the qualification requirements identified in paragraph 3-19.
  - d. Compensation. The amount of compensation specified in the contract is reasonable for the services to be provided and does not exceed the limitation identified in paragraph 3-19.

7-27. EVALUATION OF REVIEW COMMENTS. The MHR shall evaluate the recommendations and findings submitted by all reviewers to determine that there are no recommendations for disapproval or conflicting comments. The MHR shall, to the extent possible, reconcile any differences and prepare a summary of the review comments. This summary shall include a discussion of any conditions for approval, reasons for disapproval, and recommendations of actions to be taken to resolve any negative findings. Upon completion of this evaluation, the MHR shall prepare a letter for the Field Manager's signature advising the PHA that the PHA proposal is approved (paragraph 7-122) or disapproved (paragraph 7-126).

7-28 thru 7-30. RESERVED.

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#### Section 4. Legal Division Review

7-31. STANDARD PROCESSING TIME. The standard processing time (SPT) for the Legal Division review of the PHA proposal is ten (10) calendar days from the PHA proposal receipt date to submission of the Area Counsel's recommendations and completed review checklist to the PCR Supervisor.

7-32. GENERAL. The Area Counsel is responsible for reviewing the PHA proposal, including contracts and other legal documents. The Area Counsel in order to recommend approval must determine that all statutory and legal requirements have been met and that the legal documents have been properly executed by the PHA and other parties. In addition, the Area Counsel shall also provide assistance in resolving any legal issues raised by the Area Office staff during technical processing.

7-33. PHA ELIGIBILITY. For a PHA located inside a central city allocation area, the Area Counsel must determine that the PHA is eligible to participate in the public housing program and that the PHA proposal is consistent with the approved organization documents, Cooperation Agreement, and any other required local authority. This review is not necessary for a PHA located outside a central city allocation area, since this determination was made during the application review.

7-34. ANNUAL CONTRIBUTIONS CONTRACT. The Area Counsel shall review the ACC and related documents to determine that the authorized PHA official and bank representative have signed all necessary documents.

a. PHAs Located Outside Central City Allocation Areas. The Area Counsel shall review the following documents which will be submitted with the PHA proposal by a PHA located outside a central city allocation area:

- (1) Form HUD 53010, Annual Contributions Contract;
- (2) Form HUD 274, Designation of Depositary for Direct Deposit for Loan or Grant Funds;
- (3) Form HUD 51999, General Depositary Agreement;
- (4) Form HUD 9204, Project Loan Note;
- (5) Form HUD 9201, Permanent Note;
- (6) Form HUD 5412, Note Signature Certificate; and

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(7) PHA Board Resolution.

b. PHAs Located Inside Central City Allocation Areas. The ACC and related documents will not be submitted with a PHA proposal by a PHA located inside a central city allocation area. However, if it is determined upon completion of the Area Office review that the PHA proposal is approvable, the Area Counsel will prepare the ACC and related documents pursuant to paragraph 5-15.

7-35. TITLE AND SITE INFORMATION. The Area Counsel shall review the title information submitted by the PHA to determine that a good title can be obtained. The site option agreement, purchase contract, or other site control document, shall be reviewed to determine that the PHA or developer has site control for a period of at least sixty (60) days, including extension options, from the date of PHA proposal submission.

7-36. PHA CONTRACTS. The Area Counsel shall review any PHA contracts (e.g., PHA architect's contract, development manager's contract) to determine that the standard contract forms or formats were used. Any modifications to the standard contract forms or attachments to the contracts shall be reviewed for legal acceptability and consistency with the terms of the ACC.

7-37 thru 7-40. RESERVED.

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Section 5. Economic and Market Analysis Division Review

- 7-41. STANDARD PROCESSING TIME. The standard processing time (SPT) for the EMAD Division review of the PHA proposal is thirty-five (35) calendar days from the PHA proposal receipt date to submission of the EMAD Director's recommendations and completed review checklist to the PCR Supervisor.
- 7-42. STATISTICAL DATA. The EMAD Director, within five (5) working days of receipt of the PHA proposal, shall develop and provide statistical data required by the AHM Branch to complete its evaluation of the PHA proposal. The AHM Chief shall be provided with statistical data relating to the number of eligible renter households in the community to be served by the proposed project. This data shall be provided for a broad range of incomes levels for eligible households in the community and shall identify the proportion of eligible households by household type for each income level.
- 7-43. SITE AND NEIGHBORHOOD. The EMAD Director, in order to recommend approval, must determine that the proposed site for newly constructed or rehabilitated projects will promote greater choice of housing opportunities and avoid undue concentration of assisted persons in areas containing a high proportion of low-income persons. The EMAD Director, in consultation with the FHEO Director, shall establish the neighborhood boundaries and shall identify the availability of any statistical data to be used in making the site and neighborhood determination.
- 7-44. HAP CONSISTENCY. The EMAD Director, in accordance with 24 CFR 891, shall review the PHA proposal and any comments received from the unit of general local government. In order to recommend approval, the EMAD Director must make a final determination that the PHA proposal is consistent with any applicable HAP and AHOP.
- a. Three-Year HAP Goals. The EMAD Director shall determine whether the units exceed the three-year HAP goals or meet the requirements of paragraph b.
- (1) PHAs located outside central city allocation areas. The EMAD Director as part of the application review (paragraph 5-13) made a preliminary determination of the consistency of the number of units by housing type and household type with the applicable HAP goals. Unless there is a change in the units identified in the PHA application no determination is required.

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- (2) PHAs located inside central city allocation areas. The EMAD Director shall review the PHA proposal to determine that it, taken together with previously funded assisted housing applications and proposals:
  - (a) would not exceed the three-year HAP goals for HUD assisted rental housing by housing type or household type, and
  - (b) would permit approval of assisted housing during the three-year HAP period that would be proportionate to the three-year HAP goals for HUD assisted rental housing by household type.
- b. Exceeds Three-Year HAP Goals. If a CDBG applicant has not been required to emphasize a household type other than the household type identified in the PHA proposal, the EMAD Director may make a final determination of consistency and recommend approval of a PHA proposal that exceeds the three-year HAP goals for HUD assisted housing by housing type or household type only if:
  - (1) the number of units would exceed the HAP goals by twenty (20) percent or less, and the unit of general local government submits a written statement indicating that it would have no objection to HUD approval of the PHA proposal; or
  - (2) the number of units would exceed the HAP goals by more than twenty (20) percent, and the unit of general local government submits a HAP amendment for Area Office approval.
- c. Local Government Comments. The EMAD Director shall review any comments submitted by the unit of general local government to determine if there is any objection to approval of the PHA proposal on the basis that it is inconsistent with the HAP. If there is an objection, the EMAD Director shall determine that the PHA proposal is not consistent with the HAP, unless the EMAD Director can otherwise demonstrate that it is consistent based on substantial evidence available to the Area Office.

7-45. SECTION 213 COMMENTS FROM NON-HAP COMMUNITIES. The EMAD Director in accordance with 24 CFR 891, shall review the PHA proposal and any comments received from the unit of general local government. In order to recommend approval, the EMAD Director must make a determination that there is a need for the proposed housing.

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Section 6. Fair Housing and Equal Opportunity Division Review

7-51. STANDARD PROCESSING TIME. The standard processing time (SPT) for the FHEO Division review of the PHA proposal is ten (10) calendar days from the PHA proposal receipt date to submission of the FHEO Director's recommendations and completed review checklist to the PCR Supervisor.

7-52. PHA COMPLIANCE WITH FHEO REQUIREMENTS. For a PHA located outside a central city allocation area, the FHEO Director shall confirm that the initial FHEO finding (paragraph 4-24) is still valid. Specifically, the FHEO Director must determine that there have not been any adverse changes in PHA compliance with the civil rights or equal opportunity requirements subsequent to the PHA submission of the public housing application. In the case of a PHA located inside a central city allocation area, the FHEO Director in order to recommend approval must determine that the PHA is in compliance with the fair housing and equal opportunity requirements (paragraph 4-24).

7-53. SITE LOCATION. The FHEO Director shall review the PHA housing opportunities statement and the proposed project area to determine that they comply with the applicable civil rights laws and housing opportunities requirements identified in paragraph 3-77. In making this determination, the FHEO Director shall use generally available statistical data which describes the racial composition of the area surrounding the site and the racial composition of schools serving the project area.

7-54. TURNKEY DEVELOPER'S CERTIFICATION. The FHEO Director shall review the certification of the turnkey developer (and the developer's contractor, if applicable) to determine that all FHEO requirements (Chapter 3, Section 4) will be met during

project development. The FHEO Director shall also notify the PCR Supervisor of any known acts of non-compliance with civil rights and equal opportunity requirements by the turnkey developer or the developer's contractor.

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### Section 7. Assisted Housing Management Branch Review

7-61. STANDARD PROCESSING TIME. The standard processing time (SPT) for the AHM Branch review of the PHA proposal is fifteen (15) calendar days from the PHA proposal receipt date to submission of the AHM Chief's recommendations and completed review checklist to the PCR Supervisor and the AE Chief.

7-62. PHA ADMINISTRATIVE CAPABILITY. The AHM Chief shall confirm that the initial AHM Branch finding on PHA management capability and progress on any short range goals is still valid. Specifically, the AHM Branch shall determine whether there have been any subsequent Area Office management reviews of the PHA that would necessitate a reconsideration of the PHA management capability.

7-63. PHA FIDELITY BOND. The AHM Branch shall review the PHA fidelity bond certification. The purpose of this review is to determine that the PHA has the required fidelity bond and any other insurance coverage required by Chapter 3, Section 3.

7-64. DEMONSTRATION OF FINANCIAL FEASIBILITY. The AHM Branch shall review the PHA demonstration of financial feasibility to determine whether the PHA has demonstrated that the proposed project is expected to be financially feasible when it is placed in management.

a. PHAs Eligible under PFS. The following procedure shall be used for all PHAs (excluding PHAs in Alaska, Guam, Puerto Rico, or the Virgin Islands) eligible under the Performance Funding System(PFS):

- (1) The PHA estimates of operating expense and operating income shall be reviewed to determine that they are reasonable. In making this determination, consideration is to be given to the income range data developed by the EMAD Director.
- (2) If the operating income for the first PHA fiscal year after the end of the initial operating period (EIOP) would exceed the operating expense for the same

period, the project shall be determined to be financially feasible.

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- (3) If the operating income would be less than the operating expense for the same period, the following procedure shall be used:
  - (a) Determine the amount of operating subsidy which could be provided under PFS. In making this determination, consideration should be given to including the proposed project in either a consolidated ACC or in a separate ACC.
  - (b) If the operating income (including the amount of operating subsidy that could be made available under PFS) would exceed the operating expense for the same period, the project shall be determined to be financially feasible.
- b. PHAs Not Eligible under PFS. The following procedure shall be used for PHAs in Alaska, Guam, Puerto Rico or the Virgin Islands:
  - (1) The procedure identified in paragraphs a(1) and (2), above shall be used.
  - (2) If the operating income would be less than the operating expense for the same period, the following procedure shall be used:
    - (a) Determine the amount of operating subsidy for which the project would be eligible using the non-PFS formula established for a specific PHA by the Assistant Secretary for Housing for the current year.
    - (b) If the operating income (including the amount of operating subsidy that could be made available) would exceed the operating expense for the same period, the project shall be determined to be financially feasible.
- c. Infeasible Projects. If a project does not meet the financial feasibility requirements, the AHM Branch shall identify modifications that the PHA will be required to make before the financial feasibility demonstration can be reconsidered. The AHM Branch shall also make recommendations for consideration by the PHA to increase project income and

decrease expenses.

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7-65. PROJECT OPERATION. The AHM Branch shall review the proposed location and project description to determine that the project will provide for economical PHA operation. In making this determination, AHM shall identify the amount of maintenance, management, and community space currently available in the neighborhood of the proposed project (including the amount available in adjacent public housing projects) and the adequacy of non-dwelling space, including the amount planned for the proposed project. Within five (5) working days of receipt of the PHA proposal, the AHM Branch recommendations shall be forwarded to the AE Branch with a copy to the PCR Unit.

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#### Section 8. Architectural and Engineering Branch Review

7-71. STANDARD PROCESSING TIME. The standard processing time (SPT) for the AE Branch review of the PHA proposal is ten (10) calendar days from the PHA proposal receipt date to submission of the AE Chief's recommendations and completed review checklist to the PCR Supervisor and the Cost Chief. The timely completion of this review is critical to permit consideration of the AE Branch and AHM Branch recommendations and findings by the Cost Chief.

7-72. STAFF ASSIGNMENT. The AE Chief shall assign the PHA proposal to a design representative for review. The AE Chief shall also advise the design representative of the architectural assistance to be provided to the PHA architect or the turnkey developer's architect during project design.

- a. AE Branch Review. The design representative is responsible for all AE Branch reviews and preparing recommendations for the AE Chief. Every effort should be made to designate a design representative who will be able to provide assistance

and perform all AE technical reviews from the project planning conference to contract award.

b. Architectural Assistance. The design representative, to the extent authorized by the AE Chief, shall provide assistance to the PHA or turnkey developer's architect and shall perform periodic reviews of the design and construction documents as they are being prepared. In determining the amount of assistance to be provided, the AE Chief shall consider the following:

- (1) the size of the proposed project;
- (2) the complexity, including any previous use, of the proposed design;
- (3) the familiarity of the architect with HUD design requirements; and
- (4) the architect's previous experience and performance.

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7-73. PHA ARCHITECT'S CONTRACT. The design representative shall review the proposed PHA architect's contract. The purpose of this review is to determine that the appropriate contract is being used and that the scope of the PHA architect's services is sufficient to assure the PHA of receiving a project that will meet or exceed the program design and construction standards.

7-74. PROJECT DESCRIPTION. The design representative shall review the architectural exhibits (i.e., outline specifications, schematic drawings, utility combinations and, if applicable, special engineering reports or rehabilitation work write-ups) and obtain assistance from other specialists in the AE Branch to determine that the proposed project concept is consistent with the agreements reached at the project planning conference and the following:

- a. Design and Construction Standards. The PHA proposal shall be reviewed to ensure that the design concepts are consistent with the requirements of the MPS and the public housing program standards (Chapter 3, section 11).
- b. Non-Dwelling Space. The schematic drawings shall be reviewed to determine that the amounts of management, maintenance, and community space proposed are consistent with the limitations identified in Chapter 3, Section 10. The comments of the AHM Chief shall be considered when making this determination.

- c. Architectural Treatment. The schematic drawings shall be reviewed to determine that the unit and building floor plans meet the functional planning and design criteria of the MPS and the public housing program standards (Chapter 3, Section 11). The design and selection of the exterior treatment shall be reviewed to determine that it is aesthetically pleasing and complements development in the neighborhood.
- d. Development Schedule. The PHA project development schedule (including the turnkey developer or PHA architect estimates of time) shall be reviewed to determine that the estimated time required to prepare design documents and construction documents, and to construct the proposed project is reasonable and is consistent with the applicable SPTs established in this Handbook.

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- e. Energy Savings. The PHA proposal documents shall be reviewed to ensure that the proposed design provides for cost effective energy conservation features (e.g., use of double glazed insulating windows, insulated exterior doors, and solar energy).
- 7-75. SITE PLAN. The design representative shall evaluate the proposed site plan for a new construction project to determine that it will provide for efficient and economical use of the site. This determination shall be made after considering the following:
- a. Public Utilities. Whether the accessibility of public facilities and services (paragraph 3-74) to the site and the siting of buildings will result in reasonable costs for utility extensions. The assurances as to the availability of utilities, including extensions by local agencies, shall be reviewed to determine that they are acceptable and demonstrate that utilities will be available in time for construction or occupancy and will be adequate to serve the proposed project.
  - b. Sheets. Whether the site is accessible to vehicular traffic and whether existing or proposed access streets are adequate to serve the proposed project residents.
  - c. Topography. Whether the structures, in relation to the topography, are sited to take advantage of existing site features and to avoid excessive costs for grading, retaining walls and special treatment of foundations.
  - d. Site Treatment. Whether the siting of dwelling and

non-dwelling structures and the treatment of open spaces and recreational areas are consistent with good planning and the placement (i.e., exposure) of structures will promote energy conservation.

7-76. SPECIAL SITE STUDIES. It may be necessary to have special engineering studies (e.g., subsurface investigations, environmental evaluations) performed for the AE Branch to make a final determination that the site is suitable for the proposed project. In such instances, the AE Branch shall identify any conditions that must be satisfied prior to acquisition of the site.

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7-77. DENSITY. The AE Branch shall review the PHA statement on the proposed density level to determine that the density is consistent with local and program requirements and provides for efficient and economical use of the proposed site. If applicable, the PHA demonstration for use of high-rise elevator structures shall be, reviewed to determine that it complies with the requirements of paragraph 3-75 and justifies approval of the use of high-rise elevator structures.

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#### Section 9. Cost Branch Review

7-81. STANDARD PROCESSING TIME. The standard processing time (SPT) for the Cost Branch review of the PHA proposal is fifteen (15) calendar days from the PHA proposal receipt date to submission of the Cost Chief's recommendations and completed review checklist to the PCR Supervisor and the Valuation Chief. The timely completion of this review is critical to permit consideration of the AE Branch and Cost Branch recommendations and findings by the Valuation Chief.

7-82. PHA ARCHITECT'S CONTRACT. The, Cost Branch shall review the compensation included in the PHA Architect's contract and, if applicable, the turnkey developer's amount for architectural and engineering services. The purpose of this

review is to determine that the fees for all project architectural services are reasonable compared to the fees for similar projects in the area.

7-83. DWELLING CONSTRUCTION AND EQUIPMENT COST. For PHA proposals involving new construction, the Cost Branch shall review the estimates for dwelling construction and equipment to determine that the estimates do not exceed the adjusted project prototype cost. This is determined as follows:

- a. Base Project Prototype Cost. For a PHA located outside a central city allocation area, the base project prototype cost will have been previously determined when the Area Office request for PHA proposals was prepared (paragraph 5-12). The PHA proposal shall be reviewed to determine that the unit distribution is still valid. If changes are required (e.g., a reduced number of units because of the site, or because two or more turnkey proposals have been submitted), a revised base project prototype cost shall be developed for each PHA proposal with the same unit prototype cost previously used. For a PHA located inside a central city allocation area, the base project prototype cost shall be determined in accordance with paragraph 5-12 based on the number of units identified in the PHA proposal.
- b. Prototype Cost Adjustment Factor. The Cost Branch, using a commercial construction cost index (e.g., Boeckh or Marshall Swift) shall determine the percentage of actual changes (increases or decreases) in construction costs between the month of publication of the unit prototype cost (used to develop the base project prototype cost)

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and the month of receipt of the PHA proposal. The base project prototype cost shall be multiplied by the prototype cost adjustment factor to determine the maximum amount that may be approved for dwelling construction and equipment at the PHA proposal stage.

- c. PHA Proposal Cost Limitation. Any PHA proposal exceeding the adjusted base project prototype cost shall be rejected as unresponsive. However, in making this determination, consideration may be given to a PHA proposal that is less than 110% of the adjusted base project prototype cost provided that there is an increase in dwelling construction and equipment costs for the project attributable to:

- (1) changes in the MRS, the public housing program

standards, or local building requirements, which were not considered when the applicable unit prototype cost schedule was developed; or

- (2) the development of low-density housing on scattered sites.

7-84. PROJECT CONSTRUCTION COST (IMPROVEMENTS). For PHA proposals involving new construction or rehabilitation, the Cost Branch shall review the estimated construction cost for improvements to determine that the cost is reasonable compared to the cost for similar projects in the same prototype area. This includes the cost estimates for site improvements, dwelling construction and equipment, and non-dwelling construction and equipment. In determining that the cost estimates are reasonable, the Cost Branch shall consider the cost of comparable projects maintained in its "data bank", or, in the absence of recent data, generally available cost data for moderate income housing constructed in the area. Consideration shall also be given to changes in construction cost, as indicated by a commercial construction cost index, subsequent to the construction start date for the comparable projects used by the Cost Branch.

7-85. TOTAL DEVELOPMENT COST. For a PHA proposal involving rehabilitation or existing housing, the TDC may not exceed ninety (90) percent of what the TDC would be for a comparable newly constructed project (hypothetical project) that the Area Office would approve for development by the PHA. Accordingly, for PHA proposals involving rehabilitation or existing housing, the Cost Branch shall develop an estimated TDC for a hypothetical

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project for use by the Valuation Branch. This estimate shall be developed as follows:

- a. Dwelling Construction and Equipment Cost. The procedure identified in paragraph 7-83 shall be used to estimate the dwelling construction and equipment cost for the hypothetical project.
- b. Total Development Cost. The estimated dwelling construction and equipment cost shall be multiplied by 175% to determine the estimated TDC for the hypothetical project.

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Section 10. Valuation Branch Review

7-91. STANDARD PROCESSING TIME. The standard processing time (SPT) for the Valuation Branch review of the PHA proposal is thirty (30) calendar days from the PHA proposal receipt date to submission of the Valuation Chief's recommendations and completed review checklist to the PCR supervisor.

7-92. STAFF ASSIGNMENT. The Valuation Chief shall assign the PHA proposal to a staff appraiser for review. The Valuation Chief shall also indicate the types of value findings (e.g., "as-is" value, fully improved value) to be made by the appraiser.

a. Valuation Branch Review. The staff appraiser is responsible for completing all Valuation Branch reviews and preparing recommendations for the Valuation Chief. This includes the review and recommendations as to the acceptability of the appraisal records prepared by fee appraisers.

\* b. Fee Appraisers. The Valuation Chief should make every effort to determine whether the PHA's contractor for appraisal services/fee appraiser (paragraph 3-15) will be required prior to the scheduled project planning conference so that this may be discussed with the PHA. However this determination shall be made no later than two (2) working days after receipt of the PHA proposal. The Housing Director is authorized to approve the use of fee appraisers if condemnation or acquisition of one to four family properties is involved. In all other instances in which the Valuation Chief determines that use of a fee appraiser is warranted, a memorandum shall be prepared from the Housing Director to the Field Office Manager setting forth the justification and providing space for Field Office Manager approval of the use of a the appraiser. \*

c. Notification to PHA. When use of a fee appraiser is authorized, the Valuation Chief shall immediately prepare a letter for the Housing Director's signature authorizing the PHA to solicit open and full competition for appraisal services. The letter shall:

(1) if the PHA requests, provide the names of potential commercial sources for appraisal services.

(2) identity required changes to the guideform appraisal agreement (HB 1378); \*

(3) advise the PHA that assistance may be obtained from

the Valuation Chief or staff appraiser (name and telephone number); and

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- (4) Include appropriate information about the applicability of the Uniform Relocation Act (URA) and the name and phone number of the CPD Relocation Specialist who should be contacted to provide advice and guidance materials on the URA.

7-93. SITE INFORMATION. The Valuation Branch shall review the Preliminary site Report (Form HUD 52651-A) and attachments and any related recommendations from the AE&C Branch. In order to recommend approval, the Valuation Chief must make the following determinations:

- a. Suitability. The site must be suitable for the intended use.
- b. HUD Standards. The site must comply with the site and neighborhood standards identified in paragraph 3-74 through 3-76.
- c. Special Conditions. Any special conditions that must be satisfied prior to site acquisition (e.g., site engineering studies or zoning changes) by the PHA or turnkey developer.

7-94. ENVIRONMENTAL CLEARANCE. The Valuation Chief shall initiate environmental clearance processing in accordance with the requirements of Chapter 3, Section 7. For most PHA proposals, this requires preparation of Forms HUD-4128, Environmental Assessment for Subdivisions and Multifamily Projects, or 4128.1, compliance and LAC Conditions Record, whichever is applicable. If the use of a fee appraiser has been authorized, the fee appraiser shall provide whatever available environmental information that can be determined to the Valuation Chief, who is responsible for preparing Forms HUD-4128 or 4128.1 and making a determination of a Finding of No Significant Impact (FONSI) or an Environmental Impact statement (EIS) is required.

7-95. APPRAISALS. The Valuation Branch shall complete, or if authorized the PHA shall have the PHAs contractor for appraisal services/fee appraiser complete, an appraisal for each site or improved property to be acquired by the PHA or the turnkey developer.

- a. General. The appraiser shall visit each site and shall notify the PHA of the day and time that the site visit will be made. The PHA shall notify the owner of the scheduled site visit so that the owner has an opportunity to accompany the appraiser and the PHA representative.
- b. Procedure. The appraiser, unless otherwise specified in This section, shall use the procedures in the applicable HUD

Handbooks:

- (1) HB 4150.1, Valuation Analysis for Home Mortgage Insurance (one to four family properties);
- (2) HB 4465.1, Valuation Analysis for Project Mortgage Insurance; and

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- (3) HB 4480.1, multifamily Underwriting Reports and Forms catalog.

c. Format. The appraiser shall use one of the following forms:

- (1) Fannie Mae Form 1004, Uniform Residential Appraisal Report (one to four family properties); or
- (2) Form HUD-92264, Project Income Analysis and Appraisal (five or more family properties and vacant sites).

d. Fee Appraisals. Unless the Field Office determines otherwise pursuant to subparagraph 3-15(d), the Valuation Branch shall review the appraisal report prepared by the fee appraiser to determine that proper procedures were followed in arriving at the value conclusion. Modifications or supplementary reports may be required to obtain an acceptable appraisal and environmental information.

e. Memorandum of Appraisal. The staff appraiser shall prepare a memorandum from the Valuation Chief to the Housing Director (Attn: PCR supervisor) reporting the appraisal findings of the staff or fee appraiser. The memorandum shall identify:

- (1) the street address of the site;
- (2) the dimensions and square footage of the site; and
- (3) if applicable, a physical description of any improvements.

7-96. HIGHEST AND BEST USE. Generally, the appraised value must reflect the "as-is" value of the property. The Valuation Branch shall consider all readily marketable uses for which the property is suitable when appraising either a vacant or improved property. The highest use to be considered in determining the market value shall be the most profitable use permitted by current zoning of the property and building codes and for which the property is adaptable and readily marketable.

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7-97. URBAN RENEWAL LAND. The procedures in Handbook 4555.1, Rental Housing in Urban Renewal Areas for Project Mortgage Insurance, Section 201, shall be used to determine the appraised value of urban renewal land. However, the PHA price for acquisition of urban renewal land shall be determined in accordance with Section 107 of the Housing Act of 1949.

7-98. IMPROVED SITES. The appraiser, when appraising an improved property, must determine whether the existing structures contribute to the market value of the property in its "as-is" condition and must give consideration to the PHAs intended use.

a. PHA Use. The PHA proposal will indicate whether the PHA intends to:

- (1) use the existing structures in their "as-is" condition, including minor repairs;
- (2) rehabilitate the existing structures; or
- (3) demolish or remove the existing structures, to permit development of newly constructed housing.

b. "As-Is" Value. Generally, the "as-is" value can be determined using the market data and income approaches to value. However, a replacement cost approach may be required if, due to the age or condition of the existing improvements, the replacement cost would be a more meaningful value limitation. The "as-is" value of improved properties shall be determined using the applicable valuation procedures (paragraph 7-95) and consideration of the highest and best use of the property (paragraph 7-96).

c. "Cost to Cure Deficiencies." If the existing improvements are inferior to those of available comparables, it may be necessary to establish the "as-repaired" value of the property to arrive at the "as-is" value. In such instances, the following procedure shall be followed:

- (1) Determine the "as-repaired" value using established valuation procedures (paragraph 7-95) based on the highest and best use of the property (paragraph 7-96);

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- (2) Determine the estimated "cost to cure deficiencies" --i.e., the estimated cost to bring the property up to local building codes and zoning requirements;
  - (3) Deduct the "cost to cure deficiencies" from the "as-repaired" value to determine the "as-is" value;
  - (4) If the property has a negative value, the "as-is" value shall be the value of the land as if vacant, minus the cost of removing the existing structures;
  - (5) If the property has a neutral value, the "as-is" value shall be the value of the land as if vacant; and
  - (6) If the property has a positive value, the "as-is" value will be the value of the property for its highest and best use as currently improved.

7-99. VACANT SITES. Generally, the market data approach should be sufficient to determine the market value of vacant sites. The appraiser shall determine the value on the basis of the highest and best use of the site (paragraph 7-96). However, the valuation procedures established in HB 4465.1 and HB 4480.1 shall be modified as follows:

- a. Form FHA 2264. The appraiser shall complete Section J of the Project Income Analysis and Appraisal (Form FHA 2264) for all sites. However, if the site will be used for a project to be developed under the conventional method, Items 8 and 9 and Items 14(1) through 14(4) shall not be completed. The "as-is" value is the amount shown in Item 14(7).
- b. Off-Site Facilities. The following procedure shall be used to determine the increase in site value attributable to off-site facilities:
  - (1) the total cost of providing off-site facilities shall be obtained from the Cost Branch; and
  - (2) if the cost is nominal (i.e., the "as-is" value plus the "off-site" cost does not exceed the value of the site fully improved) a separate finding of value is not required; or

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- (3) if the cost is not nominal, a finding of value fully improved is required. The value contribution of the off-site facilities shall be determined by subtracting the "as-is" value from the value of the site fully improved. The lower of the value contribution or the estimated cost of off-site facilities is the maximum amount that can be approved (paragraph 3-136).

7-100. UNIFORM ACT. The Valuation Chief, in conjunction with the CPD Director, shall determine whether the requirements of Title II and Title III of the Uniform Act apply to the acquisition of the site or property. If the Uniform Act requirements are applicable, the Valuation Chief shall ensure compliance as required by Chapter 3, Section 9.

7-101. TURNKEY DEVELOPER'S PRICE. The valuation Branch shall make a preliminary determination of the reasonableness of the turnkey developer's price.

- a. Purpose. The preliminary estimate of project replacement cost is a measure of the reasonableness of a turnkey developer's price. This estimate shall be used as a guide, but not as an absolute limitation, in evaluating the reasonableness of a turnkey developer's price.
- b. Procedure. The replacement cost worksheet shall be used to make a preliminary determination of the reasonableness of a turnkey developer's price. In making this determination, the following shall be used:
- (1) the average construction loan interest rate prevailing in the private market;
  - (2) the construction period determined to be reasonable by the AE Branch;
  - (3) the site or property appraised value established by the Valuation Branch;
  - (4) a ninety (90) percent loan limited by replacement cost;
  - (5) a ten (10) percent Builder and Sponsor Risk Allowance (BSPRA); and

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- (6) the estimated amounts for insurance, taxes, title

and recording fees, legal and organization costs,  
based on comparable HUD-insured projects.

7-102. ONE TO FOUR FAMILY PROPERTIES. The Valuation Branch shall review the documentation submitted by the PHA for rehabilitation (conventional method) or purchase (acquisition method) of one to four family properties. In order to recommend approval, the Valuation Branch shall determine:

- a. Neighborhood. The neighborhoods identified by the PHA are within the general locations identified in any applicable HAPs. In making this review, consideration shall also be given to the likelihood of the PHA selecting properties that will comply with the site and neighborhood standards.
- b. Availability of Housing. The PHA demonstration of the availability of housing shall be reviewed to determine that:
  - (1) housing is available in the identified neighborhoods;
  - (2) the price range for such housing is generally within the ninety (90) percent cost limitation, including the estimated cost of minor repairs or rehabilitation; and
  - (3) there is a reasonable expectation that the housing will be available within the one-year PHA acquisition plan.

7-103. TOTAL DEVELOPMENT COST. The Valuation Branch shall review the estimated TDC (including relocation costs) for a PHA proposal involving rehabilitation or existing housing to determine that it does not exceed ninety (90) percent of the Cost Branch estimate for a comparable newly constructed project (paragraph 7-85).

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#### Section 11. Mortgage Credit Branch Review

7-111. STANDARD PROCESSING TIME. The standard processing time (SPT) for the Mortgage Credit Branch review of the PHA proposal is thirty-five (35) calendar days from the PHA proposal receipt date to submission of the Mortgage Credit Chief's recommendations and completed review checklist to the PCR Supervisor.

7-112. PREVIOUS PARTICIPATION. The Mortgage Credit Branch shall review the previous participation report prepared by the Participation and Compliance Division (Office of the Assistant Secretary for Housing) to determine whether there are any adverse findings. If there are any adverse findings regarding the principals, the Mortgage Credit Branch shall prepare a letter for the Housing Director's signature in accordance with established procedures recommending whether or not the PHA proposal should be approved.

7-113. PHA REQUEST FOR ADVANCES. The Mortgage Credit Branch shall review the Request for Approval of Advances for Non-Permanently Financed Projects (Form HUD 5216) to determine that the PHA amounts in columns (2) and (3) are reasonable and necessary for the three-month period (Chapter 3, section 14). In making this determination, the Mortgage Credit Chief shall consider the cost estimates developed by the Cost and Valuation Branches. The Mortgage Credit Chief shall resolve any discrepancies with the other Branch Chiefs, if necessary, and shall complete column (5).

7-114. PHA REQUISITION FOR FUNDS. The Mortgage Credit Branch shall review the Requisition for Funds (Form HUD 5402) to determine that the amount is consistent with the amount determined to be approvable (paragraph 7-113). Total advances may not exceed the amount of funds available for advances-- i.e., the bottom line in column (5) of Form HUD 5216.

7-115. DISTRIBUTION OF REQUISITION DOCUMENTS. The Mortgage Credit Branch shall be provided with an executed copy of the ACC and related documents when signed by the Housing Director. Upon receipt of the executed ACC:

- a. Forms HUD 5216 and HUD 5402. The Mortgage Credit Chief will process and sign the Request for Approval of Advances for Non-Permanently Financed Projects (Form HUD 5216) and the Requisition for Funds (Form HUD 5402).
- b. Dispatch Requisition and Related Documents. The Mortgage Credit Chief shall send the signed Form HUD 5402 and documents identified below to the Regional Financial Management Specialist for review. The Regional Financial

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Management Specialist shall obtain the approval of the Associate Regional Counsel for Private Market Financing and, upon completing the review, shall forward the Form HUD 5402 to the Assistant Secretary for Administration (Attention: Office of Finance and Accounting) accompanied by an original signature copy of each of the following documents:

- (1) Form HUD 53010, Annual Contributions Contract;

- (2) Form HUD 274, Designation of Depositary for Direct Deposit for Loan or Grant Funds;
- (3) Form HUD 51999, General Depositary Agreement;
- (4) Form HUD 9204, Project Loan Note;
- (5) Form HUD 9d-01, Permanent Note; and
- (6) Form HUD 5412, Note Signature Certificate.

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Section 12. Proposal Approval and ACC Execution

7-121. STANDARD PROCESSING TIME. The standard processing time (SPT) for mailing the Field Manager's letter approving or disapproving the PHA proposal is fifty (50) calendar days from the PHA proposal

\* receipt date. (See Chapter 3, Section 12 for statutory time frame requirements). \*

7-122. PHA PROPOSAL APPROVAL LETTER. For each PHA proposal recommended for approval, the MHR, upon completion of the Field Office review, shall prepare a letter for the Field Manager's signature notifying the PHA that its PHA proposal has been approved. This letter shall be signed by the Field Manager but shall not be dated or dispatched until Congressional notification has been completed (paragraph 7-124).

a. All Development Methods. The letter shall also state;

- (1) the project number;
- (2) the number of units, housing type, household type, and development method;
- (3) the appraised value for the site, including any conditions that may affect the appraisal;
- (4) any conditions that must be satisfied by the PHA prior to acquiring the site or property;
- (5) any conditions that must be satisfied by the PHA architect or turnkey developer's architect with the submission of the design documents (or construction documents);
- (6) the PHA is authorized to execute the PHA architect's contract;

- (7) the attached preliminary development cost budget, prepared by the Field Office, establishes the maximum amounts for each account until the PHA obtains Field Office approval of its first budget to be submitted with the design documents; and
- (8) if applicable, the PHA is authorized to pay the fee appraiser.

b. Conventional Method. The letter, in addition to the information identified in subparagraph a, shall state:

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- (1) if applicable, the deadline date for PHA issuance of notices for relocation benefits under the Uniform Act;
  - (2) the PHA is authorized, subject to fulfillment of any conditions identified by the Area Office, to schedule closing on the site;
  - (3) the deadline date for PHA submission of the site acquisition documents; and
  - (4) the deadline date for PHA submission of the design documents.

c. Turnkey Method. The letter, in addition to the information identified in subparagraph a, shall state:

- (1) the PHA is authorized to advise the selected turnkey developer that the PHA proposal has been approved;
- (2) the PHA is required to advise the developer of any special site studies that must be submitted by the developer with the design documents;
- (3) if applicable, the PHA should notify the selected developer to issue an initial notice to all eligible site occupants advising them that the Area Office approved the turnkey proposal; and
- (4) the deadline date for submission of design documents.

d. Acquisition Method. The letter, in addition to the information identified in subparagraph a, shall state:

- (1) the PHA is authorized, subject to fulfillment of any conditions identified by the Field Office, to schedule closing on the property;

- (2) the deadline date for PHA submission of the site acquisition documents or the approved acquisition schedule for one to four family properties;
- (3) if applicable, the deadline date for PHA issuance of notices for relocation benefits under the Uniform Act; and
- (4) if the PHA proposed to acquire one to four family properties. the PHA shall be authorized to:

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- (a) execute purchase agreements for properties within the neighborhood identified in the PHA proposal and within the price ranges established by the Area Office; and
  - (b) employ a fee appraiser (from those identified by the Area Office) to prepare property appraisals for submission with the request for Area Office authorization to acquire a specific property.
- e. PHAs Located Inside Central City Allocation Areas. The letter shall state that the ACC and related documents identified in paragraph 5-15 are enclosed. These are to be signed by the PHA as soon as possible and, upon receipt by the Area Office, they will be reviewed by the Area Counsel in accordance with paragraph 7-34 and, if acceptable, executed by the Housing Director and returned to the PHA.
- 7-123. PROJECT ACCOUNTING DATA. For a PHA located inside a central city allocation area, the PCR Supervisor shall:
- a. Prepare Form HUD-52540. The PCR Supervisor shall prepare a Project Accounting Data (Form HUD-52540) for each PHA proposal to be approved and shall provide the MHR with the completed PAD to be included with the PHA proposal approval letter for signature by the Area Manager.
  - b. Obtain RAD Confirmation. The PCR Supervisor upon receipt of the signed Form HUD-52540 and the PHA proposal approval letter, shall send copies of each to the Regional Accounting Division (RAD) Director. The RAD Director shall reserve the funds as of the date the Form HUD-52540 is received and, within twenty-four (24) hours, shall notify the Housing Director by telegram or facsimile of the project number, number of units, amount of loan, contract, and budget

authority reserved and the reservation date.

\*7-124. CONGRESSIONAL NOTIFICATION. For each PHA proposal to be approved from a PHA located inside a central city allocation area, the PCR Unit shall prepare the Congressional Notification (Form HUD-416.2). Upon receipt of the RAD confirmation, the PCR Unit shall send a copy of the Form HUD-416.2 by facsimile transmission and a second copy by air mail to the Assistant Secretary for Legislation and Congressional Relations. The PHA proposal approval letter, or other announcement of approval, shall not be released until five (5) working days have elapsed from the date of transmission of the facsimile. \*

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7-125. DISPATCH OF APPROVAL DOCUMENTS. The PCR Unit, after Congressional Notification has been completed, shall notify the MHR and the Mortgage Credit Chief that the approval documents may be dated and dispatched.

a. PCR Unit. The PCR shall mail the PHA proposal approval letter to the PHA and copies to the Chief Executive Officer and the A-95 Clearinghouse. The PHA letter shall also include the following:

- (1) the original of the ACC executed by the Housing Director;
- (2) the approved PHA architect's contract;
- (3) the approved Preliminary Site Report;
- (4) the preliminary Development Cost Budget prepared by the Area Office; and
- (5) the approved Request for Approval of Advances for Non-Permanently Financed Projects (Form HUD 5216).

b. Mortgage Credit Branch. The Mortgage Credit Branch shall dispatch the approved requisition documents in accordance with paragraph 7-115.

7-126. PHA PROPOSAL DISAPPROVAL LETTER. If, upon completion of the Area Office review, it is determined that a PHA proposal cannot be approved, the MHR shall prepare a letter for the Area Manager's signature notifying the PHA that its PHA proposal has been disapproved.

a. PHAs Outside Central City Allocation Areas. The letter shall state the reasons why the PHA proposal cannot be approved and shall notify the PHA that:

- (1) the project is terminated; and
- (2) in order to be considered for future funding the PHA must submit a new Application for a Public Housing Project (Form HUD 52470).

b. PHAs Inside Central City Allocation Areas. The letter shall state the reasons why the PHA proposal cannot be approved and shall notify the PHA that:

- (1) the "set-aside" is terminated; and
- (2) the PHA will be given consideration for funding during the next fiscal year.

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7-127. PROJECT TERMINATION. For each PHA proposal to be disapproved, the PCR unit shall:

- a. PHAs Located Outside Central City Allocation Areas. Upon receipt of the PHA proposal disapproval letter, a Project Accounting Data (Form HUD 52540) shall be prepared and submitted for the Area Manager's signature. A copy of the PHA proposal disapproval letter and Form HUD 52540 indicating that the project is terminated shall be sent to the RAD. Upon receipt of the RAD confirmation that the funds have either been cancelled or recaptured, the PCR Supervisor shall notify the MHP Chief so that processing may be started for pipeline applications.
- b. PHAs Located Inside Central City Allocation Areas. Since funds for PHA proposals from such PHAs were not reserved, it is not necessary to process a Form HUD 52540. However, upon receipt of the PHA proposal disapproval letter, the PCR Supervisor shall notify the MHP Chief so that processing may be started for pipeline applications.

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