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U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
RENEWAL AND HOUSING MANAGEMENT

FORN HANDBOOK URBAN RENEWAL HANDBOOK

CIRCULAR

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SUBJECT: Proclaimer Certificate Relative to Establishment
of Fair Reuse Value

1. PURPOSE. This Circular provides a proclaimer certificate to be used in certain circumstances in the establishment of fair reuse value for project land. In these circumstances RAO review of the appraisals and concurrence in the reuse value is no longer required.
2. REVISED PART I (OR COMBINED PARTS I AND II) LOAN AND GRANT APPLICATION REQUIREMENTS. Urban Renewal Handbook RHM 7214.1, Chapter 2, Section 2, allows estimation of land disposal proceeds for noncritical project land in lieu of reuse appraisals, and requires submission with the Land Disposal Report (Checklist Code R 225 in RHM 7206.1, Chapter 2, Section 1), of copies of those appraisals or appraisal reports which are conducted. Submission of those appraisals or appraisal reports which have been conducted with the Part I (or combined Parts I and II) Loan and Grant Application is no longer required.
3. ESTABLISHMENT OF FAIR REUSE VALUE FOR PROJECT LAND.
 - a. Proclaimer Procedure. Urban Renewal Handbook RHM 7214.1, Chapter 4, Section 1, requires submission of two reuse appraisals and HUD concurrence in fair value for project land. In certain circumstances, submission of appraisals and RAO concurrence in fair reuse value is no longer required and the proclaimer set forth in the Appendix may be utilized in lieu of the former procedure. The proclaimer procedure may be used for all parcels except those:

-
- (1) For which RAO concurrence in value has been sought.
 - (2) For which there is a public reuse or nonprofit institutional reuse proposed.
 - (3) Which are to be sold under Section 113 of the Housing Act of 1949, or sold for historic preservation.
 - (4) For which the higher appraisal exceeds the lower appraisal by more than 15 percent.
 - (5) For which the lower appraisal exceeds \$500,000.
 - (6) For which the total amounts of the fair reuse value determinations would be less than the amount for disposition proceeds in the latest approved financing plan, thereby necessitating an increase in the project capital grant.
 - (7) For which the fair reuse determination is not between the higher and lower appraisals.
- b. Establishment of Fair Reuse Value. The LPA shall establish the fair reuse value of properties in the circumstances covered above with RAO concurrence. * It shall be prepared to fully justify and substantiate the determination of fair reuse value at any time that it may be challenged. All other procedures and documentation described in Urban Renewal Handbook RHM 7214.1, shall apply, including Regional Office clearance of Form HUD-6004 (or HUD-6004A), Redeveloper's Statement for Public Disclosure and Redeveloper's Statement of Qualifications and Financial Responsibility.
- (1) Residential Use. When residential use is involved and the LPA is utilizing the proclaimer procedure, the LPA shall determine that the reuse appraiser is acceptable to the local FHA Insuring Office, and submit a request to the local FHA Insuring Office three months prior to an offering for:

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Cancellation
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SUBJECT: Proclaimer Certificate Relative to LPA Staff Appraisal
and Reuse Value of Fragments of Property

1. PURPOSE. This Circular provides for a proclaimer certificate to be used in the establishment of fair reuse value of fragment or jib parcels comprising vacant land not separately buildable in accordance with the Urban Renewal Plan of project land when appraised by an LPA staff appraiser under the procedure set forth in Simplification Circular No. 12, RHM 7200.1, Revised Urban Renewal Program Requirements.
2. PROCLAIMER CERTIFICATE REGARDING LPA STAFF APPRAISAL AND REUSE VALUE OF FRAGMENTS OF PROPERTY. The proclaimer certificate set forth in the Appendix shall be submitted in lieu of the appraisals required in Simplification Circular No. 12, RHM 7200.1, when the reuse value of fragments of project land has been appraised by LPA staff. In these circumstances HUD concurrence in the reuse value is no longer required.



U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

URBAN RENEWAL HANDBOOK

CIRCULAR

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Simplification Circular No. 8
Office of the Assistant Secretary for
Renewal and Housing Management

Information
Cancellation
Date:

SUBJECT: REVISED PART I LOAN AND GRANT APPLICATION REQUIREMENTS

1. PURPOSE. This Circular revises submission requirements in Urban Renewal Handbook RHM 7214.1, Chapter 2, Section 2, for Code No. R 225 of the Part I Loan and Grant Application.
2. REVISED LAND DISPOSAL REPORT. In Urban Renewal Handbook RHM 7214.1, Chapter 2, Section 2, the information under the heading "Land Disposal Report" is rescinded and replaced by the following:

The Land Disposal Report (Checklist Code No. R 225) shall include:

- (1) Tabulation of land disposal estimates. The tabulation shall cover all land designated for acquisition. Appendix 6, 7214.1, Land Marketing and Redevelopment, shall be used as the format for submitting this tabulation.
- (2) Preliminary plat showing tentative disposal parcels, including approximate boundaries, areas in square feet, redevelopment uses, including rights-of-way, dedications for streets, and similar uses, and existing and new easements for public utilities.
- (3) Statement regarding each parcel to be disposed of for a public or nonprofit institutional use determined to be a critical parcel, or to be disposed of to a redeveloper to whom the land has special adaptability and value (see 7214.1, Land Marketing and Redevelopment, Chapter 4, Section 3). Include dedications for streets and

similar uses, if appropriate (see RHM 7214.1, Land Marketing and Redevelopment, Chapter 4, Section 3). The statement shall include:

- (a) Disposal parcel number or other identification of the land.
- (b) Name of proposed redeveloper.
- (c) Proposed date by which the redeveloper will acquire the land.
- (d) Estimated disposal price.
- (e) Estimated date by which the LPA will submit its request for HUD concurrence in the proposed disposal.

A critical parcel is a reuse parcel which must be redeveloped for the specified reuse in order to complete the project and to otherwise accomplish the objectives of the project.

For parcels determined to be critical or special adaptability parcels, the LPA shall submit with the Part II Loan and Grant Application, an executed contract of sale for each parcel in accordance with the requirements of Chapter 4 below.

- (4) If the project area is eligible under Section 113, and the land utilization study and first reuse appraisal do not provide evidence of adequate marketability for land designated for industrial and commercial purposes, the LPA may support its Loan and Grant Application by a statement of its intention to dispose of the land to a qualified public agency or nonprofit corporation for subsequent disposal to redevelopers. The statement submitted with the Part I Loan and Grant Application shall be supported by evidence that:

LAND MARKETING AND REDEVELOPMENT

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CHAPTER 1. INTRODUCTION

1. SCOPE. This issuance establishes policies and requirements applicable to the marketing, disposition and redevelopment of real property under all urban renewal projects and Neighborhood Development Programs receiving HUD financial assistance under Title I of the Housing Act of 1949, as amended.
2. PURPOSE. This issuance has been prepared to (a) simplify, clarify, and improve the organization of existing policies and requirements, (b) place greater reliance on each Agency to manage its own day-to-day operations by minimizing the need for the Agency to obtain advance HUD concurrence in routine actions, and (c) orient HUD monitoring and evaluation activities toward actual Agency progress in achieving performance goals.
3. OBJECTIVES. Realization of the redevelopment contemplated by the Urban Renewal Plan is a principal objective of the urban renewal process. In seeking this objective, the Agency shall:
 - a. Schedule and coordinate land marketing activities with land acquisition, relocation, demolition and the installation of site improvements, so that the disposition of land can be consummated and redevelopment can get underway as soon as the land is physically ready for development.
 - b. Publicize the availability of sites, affording potential redevelopers the opportunity to make their interest known.
 - c. Conduct the disposal of project land in a fair and equitable manner that is open to public scrutiny.
 - d. Adopt effective methods to prevent redevelopers from speculating in project land.
4. DEFINITIONS. For the purposes of this issuance, the following terms have the following meanings:
 - a. Agency -- This term means the particular agency to which HUD financial assistance is made available for a specific urban renewal project or Neighborhood Development Program. It is synonymous with the term Local Public Agency (LPA) as used elsewhere in the Urban Renewal Handbook and Neighborhood Development Program Handbook.
 - b. Fair Reuse Value -- This term means the fair market value of the property for its highest and best uses permitted under the Urban Renewal Plan.

- c. Disposal for Public Use -- This term means a disposal to the Federal government, a State, a local government, any political subdivision thereof, any of their agencies or instrumentalities, or retention by the Agency.
 - d. Disposal for Nonprofit Institutional Use -- This term means a disposal to a nonprofit scientific, educational, public health, public welfare, charitable, hospital or other ele-emosynary institution, which will operate the redevelopment for a nonprofit insitutional use, e.g., a hospital, church, library, school, or playground. Acquisition of land by a nonprofit institution for investment or resale is not considered a nonprofit institutional use. The nonprofit institution must be exempt from Federal taxation under the Internal Revenue Code.
 - e. Critical Parcel -- This term means a parcel which must be redeveloped for a specified reuse in order to successfully accomplish the objectives of, and complete, the project.
5. MANDATORY REQUIREMENTS. Except where specifically designated as optional or advisory, or prohibited by State law, the policies and requirements of this issuance, 7214.1 REV, are mandatory. As used herein, the terms "may" and "should" denote optional and advisory provisions.
6. BUDGET DEFICIENCIES. HUD assumes no obligation to pay any share of a budget deficiency resulting when (a) the total cost of real estate services and related disposition expenses exceed the amount set forth in the approved project budget for such purposes, or (b) total land disposal proceeds are less than the estimated proceeds set forth in the approved budget. For specific details with respect to budget revisions, the Agency should refer to applicable program regulations or contact HUD.
- 7.-9. RESERVED

CHAPTER 2. REAL ESTATE SERVICES

10. ECONOMIC AND MARKET ANALYSIS STUDY (EMAS). An EMAS is required during the initial NDP action year except when all land is intended for institutional or public uses, or when HUD determines that the data and information at hand are clearly sufficient in amount, timeliness, validity, and detail as to make additional study for the proposed private development unnecessary. An EMAS shall be undertaken whenever doubt exists as to the absorption and the redevelopment potential of the land over a reasonable period of time. When marketability problems are foreseeable, land acquisition should be postponed until the EMAS results are known and evaluated. The EMAS shall be updated and revised as necessary. Detailed guidelines for preparing an EMAS are contained in Appendix 1.
11. LAND USE AND MARKETABILITY STUDY (LUMS). A Land Use and Marketability Study is similar to an EMAS. However, it is normally associated with the older conventional urban renewal projects, while the EMAS is associated with NDP's. For general details as to the scope of services and related procedural information for a LUMS, see Paragraph 10 above and Appendix 1.
12. TRANSIENT HOUSING STUDY. As required by Section 106(g) of the Housing Act of 1949, as amended, the Urban Renewal Plan for a conventional urban renewal project shall not permit the new construction of a hotel or other transient housing on project land, unless the need for such housing has earlier been established on the basis of an appraisal or market study, providing a competent independent analysis of the local supply of such housing. For disposals under the Neighborhood Development Program, such analysis and determinations as to the need for transient housing shall be made prior to the disposal.
13. PLATS AND LEGAL DESCRIPTIONS. If practicable, required land surveys or plats and legal descriptions should be prepared prior to obtaining the reuse appraisals. They should reflect the bearings and dimensions of each disposal parcel and each area subject to different land use controls or redevelopment requirements under the Urban Renewal Plan, be certified in accordance with local legal requirements, and be suitable for filing in the land records of the locality. The plat should indicate existing and proposed easements and the outline and location of any structures. A certified tabulation, showing the area of each parcel in square feet, should be placed on the plat or attached to it.

14. REDEVELOPMENT CONSULTANT. The scope of services and frequency of consultation to be provided by a redevelopment consultant will depend upon the nature of the disposal problems and may cover the following kinds of activities:
- a. Recommending specific land uses, controls and restrictions; correlating land uses with EMAS; analyzing impediments to land disposal in the Urban Renewal Plan and proposing appropriate solutions.
 - b. Preparing and implementing a sales program, including sales brochures, direct mail solicitation, other forms of advertising and other methods of stimulating redeveloper interest; guiding the Agency in the use of real estate brokers, including basis for their participation and compensation; recommending administrative staff organization of Agency for carrying out its land disposal effort; and advising Agency as to the means for making the land attractive for sale.
 - c. Interpreting and evaluating the EMAS, appraisals, market analyses, and other studies; preparing special studies; and recommending as to the need for additional studies or appraisals.
 - d. Scheduling and coordinating land acquisition, relocation, demolition, installation of project improvements and supporting facilities, and other actions, in order to develop and maintain a market and provide for orderly and expeditious disposition within the capacity of the market to absorb the land and the new facilities to be provided.
 - e. Advising on the choice of disposal methods; evaluating bidding documents and proposed forms of disposal agreements from the viewpoint of their effect upon the marketability of the land and the availability to developers of adequate mortgage financing.
15. USE OF REAL ESTATE BROKERS. If the Agency utilizes private real estate brokers to sell project land by means of open non-exclusive sales listings, it should widely publicize the availability of such listings. All brokers indicating an interest should be advised promptly and simultaneously as to new listings. If the Agency believes that the granting of an exclusive sales listing would measurably improve its disposition program, it may do so, if permitted by State and local law. The justification for the Agency's determination to grant an exclusive sales listing shall be fully documented in its files.
-

- a. Eligibility of Broker for Commission. To be eligible for a sales commission the broker must be employed by and represent the Agency through a clearly established arrangement, whether by written contract or other method deemed acceptable under the circumstances applicable to the specific sale and comply with the requirements of subparagraph b below. The Agency shall not pay a sales commission if any of the following circumstances applies:
- (1) The sale property is for public or public housing reuse, or is sold to a public body.
 - (2) The broker or his agents or employees has an interest in the purchaser or is employed by the purchaser, whether by contract, salary, or other means.
 - (3) The Agency has employed the broker, or his employer or employee, to appraise the property for disposition purposes or provide consultant services involving the disposal of the property
- b. Equal Opportunity Requirements. The contract with the broker shall contain (or the broker shall certify to) the following requirements:
- (1) Equal Employment Opportunity requirements contained in paragraph 8 of Form HUD-621B, Contract for Professional or Technical Services.
 - (2) Equal Housing Opportunity requirements as follows: "The Broker agrees that neither he nor any of his sales or rental personnel, employees, or others authorized to act for him will, in violation of Title VIII of the Civil Rights Act of 1968 (The "Fair Housing" Title of Public Law 90-284) or Executive Order 11063, decline to show or will discriminate in the sale or rental of any property now or hereafter listed with him.

"It is further agreed that the Broker will:

- (1) instruct his staff in the policies of nondiscrimination and applicable laws;
- (2) prominently display the Fair Housing Poster in all offices in which sale or rental activity takes place;
- (3) use the approved Equal Housing Opportunity logo, slogan, or statement in all advertising in conformance with the Advertising Guidelines for Fair Housing.

"The Broker agrees that noncompliance by him or any employee of his organization with the laws, executive orders, or regulations against discrimination in the sale or rental of any property or with the provisions of this paragraph (or certification) will be proper basis for barring the Broker from participation in the selling, renting or managing of properties in HUD-assisted urban renewal areas."

- c. Commission Rates. Real estate commissions shall not exceed payments prevailing in the locality for equivalent services, except that in difficult marketing situations, HUD may, on a case-by-case basis, approve a fully justified request for higher rates. To be eligible as a project cost, such higher rates must be approved by HUD in writing in advance of payment. Commissions shall only be paid after the conveyance and shall be based on services actually rendered.
- d. Evaluation of Offers on Net or Gross Price Basis. The Agency shall dispose of project land in a manner expected to produce the highest return to the project consistent with the requirements of the Urban Renewal Plan. Usually this means the evaluation of bids on the basis of net disposal proceeds (gross price less sales commission). However, when the Agency determines that the overall highest net return to the project is most likely to be obtained through the use of brokers who will not participate adequately except on a gross bid award basis, the Agency may utilize this method if permissible under State law. In either event, for project budget purposes, sales commissions shall be treated as a disposition expense rather than a reduction in disposal proceeds.

16. SELECTION OF APPRAISERS AND CONSULTANTS.

- a. General. Appraisers and consultants shall be selected on the basis of their qualifications to perform the particular services to be required. If the reuse appraisals involve difficult problems of marketability, the reuse appraiser should be qualified to provide the required market analysis as well as the appraisal. Economic and marketing consultants shall be thoroughly experienced in all phases of the redevelopment process, including real estate sales, financing, brokerage, construction, packaging, appraising, leasing, and sales promotion relating to the types of private reuses proposed in the Urban Renewal Plan. Selection need not be by competitive bidding unless required by State or local law. The Agency shall select its appraisers and consultants without regard to race, color, religion, sex or national origin.

- b. HUD Selection Role. If requested, HUD will assist the Agency in selecting appraisers and consultants and in preparing the scope of services to be provided under the contract. Advance HUD approval is required for appraisers of the reuse value of residential land to be developed under HUD housing programs.
- c. Consultant Employed with Other Public Agency. Arrangements for paid consultation or other assistance from a member of another public agency shall be made in accordance with Chapter 2 of HUD Handbook 7217.1, LPA Administration, between the two agencies involved rather than directly with the public employee.
- d. Evidence Supporting Contracts. Along with a copy of the contract itself, the Agency's files shall contain a full record of all actions with respect to its selection of an appraiser or consultant and its award of the contract, including:
- (1) Resolution, motion, or similar action of the governing body of the Agency authorizing the contract.
 - (2) If more than one appraiser or consultant was considered, identification of all who were considered, summary of the bids or proposals received, and, if the low bid was not accepted, the considerations which governed the selection of the contractor. If only one appraiser or consultant was considered, explanation of the basis for the selection.
 - (3) Statement of the actions taken to ascertain the prevailing rates in the locality for equivalent services, and the basis for the Agency's determination of the compensation provided in the contract.
 - (4) Signed statement by the contractor setting forth his technical qualifications and general experience for performing the services, specific experience in appraising properties of the type involved, his registration or license number if required by State or local law, and other information pertinent to establishing his professional qualifications.
- e. Clearance of Contractor. The Agency shall not enter into any contract with an individual or firm whose name appears on the HUD-maintained list of debarred, suspended and ineligible bidders. When requesting clearance, the Agency shall furnish HUD the name and address of the proposed contractor, including that of any officer, partner, director, trustee, member of governing body, participant in a joint venture, or other person holding an interest of more than 10 percent in the contractor.

17. GUIDEFORM AGREEMENT FOR REUSE APPRAISAL SERVICES. Reuse appraisal contracts shall be prepared in accordance with Form HUD-324, Form of Contract for Reuse Appraisal of Redevelopment Sites. Prior HUD concurrence is required for any substantive changes in the provisions of this form. (If the Agency has any doubt as to whether HUD concurrence is required, it shall consult with the HUD Area Office.) If the Agency obtains any special market analyses or engineering reports on project land, they shall be made available to the reuse appraiser.
18. USE OF REUSE APPRAISER FOR OTHER REAL ESTATE SERVICES. The Agency shall ensure that its reuse appraiser is not permitted to act as a broker or redeveloper for land which he has appraised for disposition purposes for the Agency.
19. COMPENSATION. The fee for appraisal or other real estate services shall be in a lump-sum amount or separate lump-sum amounts for specified services, based upon the prevailing rates in the community for equivalent services. The fee shall cover all services, supplies, and expenses of the contractor. Compensation shall not be based upon the amount of valuation or other findings of the contractor. Per diem compensation is permitted only for consulting or advisory services on an intermittent or temporary basis or for court testimony.
- 20.-21. RESERVED

CHAPTER 3. DETERMINATION OF DISPOSAL PRICE

22. MINIMUM DISPOSAL PRICE. Unless sold for low or moderate income housing at the Section 107 valuation, or dedicated, as authorized for certain public purposes, urban renewal land shall be disposed of at a price not less than its fair reuse value. The fair reuse value shall reflect both the advantages created by the project and the requirements and limitations on land uses to be imposed on the redeveloper by the Urban Renewal Plan.
23. NUMBER OF APPRAISALS. Except as described in subparagraphs a, b and c below, each disposal parcel must be appraised independently by at least one competent professional appraiser in private practice. If the fair reuse value of a parcel exceeds \$25,000, or if the Agency believes more than one appraisal is desirable, it shall obtain two appraisals of the parcel. If two or more appraisals are obtained, one may be performed by a competent staff appraiser of the Agency. The provisions of this paragraph assume that all Agency appraisals will be reviewed (see paragraph 33) by a fully qualified real property appraiser.
- a. If the parcel to be appraised is a fragment of vacant land not separately buildable in accordance with the Urban Renewal Plan, one appraisal by a qualified appraiser in private practice or on the staff of the Agency is sufficient.
 - b. HUD shall, upon request from the Agency, determine the fair reuse value of property to be sold for low or moderate income housing under the Section 107 valuation (see paragraph 24 below). There will be no fee charged to the urban renewal project for such HUD appraisal.
 - c. If the parcel is fully (100%) eligible as a project improvement and dedicated in accordance with paragraph 29 below, it need not be appraised.
24. SECTION 107 APPRAISAL OF SITES FOR LOW OR MODERATE INCOME HOUSING. As described in paragraph 23b above, HUD will determine the value of property to be sold for low or moderate income housing under the provisions of Section 107 of the Housing Act of 1949, as amended.
- a. Definition of Section 107 Valuation. The Section 107 valuation is the maximum price that would be paid for the property by a well-informed, prudently acting buyer, who is motivated solely by the objective of meeting the housing needs of low or moderate income families or individuals rather than by profit or gain, and who is not controlled or directed or influenced in his decisions, by persons or firms seeking to derive profit or gain from the undertaking.

- b. Objective. The objective of the valuation analysis is to estimate the price for the project property that would be equally as attractive to the assumed kind of buyer as the most attractive available purchase of a substitute or alternative property suitable for the same purpose.
- c. Location of Alternative Sites. Each alternative property to be considered must be in a location which is suitable for serving the low or moderate income families or individuals of the community. Where the jurisdiction in which the buyer may purchase a site is limited, the location of the comparison sites shall be similarly limited.
- d. Recent Sales and Current Offerings. The appraiser shall consider recent sales and asking prices, and the estimated current available market prices based on such data, for suitable alternative properties.
- e. Other Factors to be Considered. In comparing the project site with suitable alternative properties, the appraiser shall consider, and make appropriate allowances for, among other things:
- (1) Differences in the prices of the alternative properties.
 - (2) Differences in the cost of developing or rehabilitating the properties, whether the difference is attributable to location, topography, bearing quality of the soil, or other consideration (allowing appropriate adjustments for the impact of income taxes on development costs versus land payments).
 - (3) Differences in the costs of operating and maintaining the properties, after development.
 - (4) Appropriate differences in the degree to which the properties would serve the needs and desires of the prospective low or moderate income occupants or affect their other living costs, such as transportation to place of employment. Such adjustments must also be justifiable in terms of the differences in rentals and occupancy charges that would result.
- f. Factors Not to be Considered. In comparing properties, the appraiser will not consider:
- (1) The availability of special financing, tax abatement, or other public subsidies for low or moderate income housing.

- (2) Any limits established for the maximum income of families or individuals eligible to occupy low or moderate income housing.
- g. Documentation in Appraisal Report. The appraisal report shall contain the data, analyses and reasoning by which the appraiser reached his opinion of the Section 107 valuation of the project property. All assumptions of the appraiser with respect to changes to be made in the condition of the project property and with regard to project improvements and public facilities to be installed shall be stated in the appraisal report.
25. SALES SUBJECT TO REHABILITATION. The minimum disposal price for property to be disposed of subject to rehabilitation by the purchaser is the greater of (a) its fair reuse value, or (b) 120 percent of the estimated fair reuse value of the land, if cleared. If the 120 percent test price is not obtainable, it is to be assumed that rehabilitation is not feasible. If the Agency believes there are special circumstances which warrant a waiver of this requirement, it shall submit its request, with justification, to HUD. Waivers will only be granted on a case-by-case basis. (The 120 percent rule does not apply to properties sold for low and moderate income housing in accordance with the provisions of Section 107, or to properties sold for restoration and maintenance by the purchaser for historic or architectural purposes.)
26. DISPOSAL PRICE FOR HISTORIC OR ARCHITECTURAL PURPOSES. The minimum disposal price for property to be disposed of for restoration and maintenance by the purchaser for historic or architectural purposes is its fair reuse value. The fair reuse value shall, of course, reflect both the advantages created by the project and the conditions and restrictions to be imposed upon the development and use of the property in accordance with the Urban Renewal Plan.
27. FAIR REUSE VALUE FOR PUBLIC OR NONPROFIT INSTITUTIONAL USE. The fair value of land to be devoted to a public or nonprofit institutional use shall be based on its value for the most suitable alternative private use or uses which are compatible with the land uses permitted by the Urban Renewal Plan for the remainder of the urban renewal area. If the characteristics of the parcel would make it undesirable for private development (e.g., highway right-of-way), the value shall be consistent with the private-use value of adjacent land having characteristics appropriate for private redevelopment.
28. DISPOSAL PRICE OF EASEMENTS FOR PUBLIC UTILITIES. An Agency may grant or reserve, without charge, easements in project land for public utility service lines required to serve project land. These

easements may be provided regardless of the eligibility of the service lines as a project improvement. However, any portion of a right-of-way for an easement in excess of the requirements for the project (and any easement that does not serve the project) shall be sold at not less than its fair reuse value.

29. DISPOSAL PRICE OF LAND FOR PROJECT IMPROVEMENTS. The Agency may dedicate, without charge, the land or interest in land that is fully (100%) eligible as a project improvement, as determined in accordance with the provisions of RHA 7209.1, Site Preparation and Project Improvements. Land in excess of the amount eligible for project improvement purposes must be sold at not less than its fair reuse value. In addition, in the case of a project improvement park (or certain other project improvements), if the improvement is only partially eligible (a range of 10% to 80% based on relative benefit as determined in accordance with RHA 7209.1), the dedication benefits applied to the required land shall reflect the same ratio. For example, if the project improvement park is determined to be 40% eligible, the land for such park shall be sold at not less than 60% of its fair reuse value.
30. DISPOSAL PRICE FOR FEDERAL-AID HIGHWAY USE. As soon as the Agency learns that project land is to be included in the tentative right-of-way of a proposed Federal-aid highway project, it shall discontinue further site clearance work on such land until the State Highway Department (SHD) enters an agreement (see paragraph 45c) to reimburse the Agency for the cost of acquisition, as determined in accordance with subparagraph a below, for all project land which it subsequently acquires from the Agency as part of the right-of-way.
- a. Land Not Cleared Prior to Highway Notice. Except as provided in subparagraph b below, all project land required for a highway project receiving Federal financial assistance shall be sold to the SHD at its cost of acquisition to the Agency, including applicable settlement and clearance costs and relocation expenses as determined in accordance with the HUD Relocation Handbook, 1371.1 (REV). Costs attributable to parcels lying partly within the right-of-way shall be prorated on the basis of the ratio of land area in the right-of-way portion of the parcel to the total land area of the parcel, regardless of the location of improvements. (As an alternative to this parcel by parcel determination, the total cost of acquisition of the right-of-way may be determined by prorating acquisition costs on the basis of the ratio of land area in the right-of-way to the total land area of the project, or appropriate segment thereof, regardless of the location of improvements.)
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- b. Land Acquired and Cleared Prior to Highway Notice. Project land which is acquired and cleared (or under contract for clearance) before the Agency receives notice of a Federal-aid highway project (either written documentation of its approximate location or a request for conveyance of the right-of-way) may be sold at its fair reuse value as approved mutually by the Agency and the SHD.
31. VALUE OF RIGHT TO REMOVE IMPROVEMENTS. If an existing building or other improvement is to be sold for removal to a site already owned by the purchaser, it shall be sold at its "value for removal at a purchaser's expense." A minimum of one appraisal or engineer's estimate by a professional in private practice or qualified individual on the staff of the Agency or other public body shall be obtained. However, for a package disposal consisting of both a site in the project area and a structure for removal to such site, the provisions of paragraph 23 apply to the entire package.
32. REVIEW OF APPRAISALS.
- a. Evaluation by Reviewer. The appraisals and related market analyses shall be reviewed by a competent staff appraiser or private professional appraiser under contract to the Agency. The review appraiser shall require the appraisers to make all necessary corrections in their reports, particularly those needed to ensure substantial consistency in factual data therein. The reviewer shall determine the acceptability and adequacy of the appraisal reports, including the data and analyses furnished by the appraisers to support their opinions of value and the correctness of their estimates. The review shall include an on-site inspection of the property and of comparable properties considered by the appraisers in deriving their valuations.
- b. Report of Reviewer. If the reviewer finds the appraisal reports acceptable and properly documented, he shall determine for each parcel his opinion of its fair reuse value. Such value shall not be less than the lowest acceptable appraisal amount. The reviewer's findings shall be set forth in a written report which shall identify the appraisal reports reviewed and explain the basis for his conclusion as to the fair reuse value of each parcel.
33. CERTIFICATION OF FAIR REUSE VALUE.
- a. Acceptance of Review Appraiser's Determination. The Agency shall study the review appraiser's fair reuse value determination and his report thereon. With respect to properties

for which the Agency accepts the reviewer's report and valuations, the governing body of the Agency shall adopt a resolution or motion, or an authorized official acting under a general resolution shall make a certification, which:

- (1) Identifies each property by parcel number, square footage and proposed reuses.
- (2) Specifies the amount established as the fair reuse value for each property.
- (3) Certifies that the work of the appraisers and the review appraiser has been performed in a competent manner in accordance with State law and HUD policies and requirements.

b. Disagreement with Review Appraiser's Determination. If the Agency disagrees with the review appraiser's determination of the fair reuse value of a property, it shall submit to HUD all appraisal reports and related market analyses on the property, the report of the review appraiser, and a statement of the determination of fair reuse value proposed by the Agency and its justification therefor. HUD will then determine the fair reuse value of the property.

c. Submission Requirements. Promptly after the Agency establishes the fair reuse value of a parcel, it shall submit to HUD on a confidential basis, (1) a certified copy of the resolution, motion, or certification establishing fair reuse value, and (2) a list of all appraisal report valuations, applicable dates therefor, and names of the appraisers. If a certification by an authorized official is used, a copy of the general resolution authorizing such use, shall be filed with HUD.

34. UPDATING DETERMINATION OF FAIR REUSE VALUE.

a. Current Appraisal Evidence. The Agency's appraisal evidence shall be current at the time of the disposal. New appraisal evidence is required if any of the appraisals, upon which the determination of the fair reuse value has been based, would be more than 18 months old at the time of execution of the disposal agreement. New appraisal evidence is also required if there has been any significant change in the market, condition or proposed reuse of the property, or the Urban Renewal Plan.

- b. Procedure for Updating Fair Reuse Value. When appropriate, the Agency shall have its appraisals brought up to date or supplemented or it shall obtain new appraisals. New appraisal evidence shall be reviewed in accordance with paragraph 30 above, and the updated fair reuse value shall be established in accordance with paragraph 31.

35.-36. RESERVED

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CHAPTER 4. PREPARATION FOR DISPOSAL

SECTION 1. GENERAL

37. AGENCY LAND DISPOSITION SCHEDULE. The Agency shall establish its own progress schedule detailing its timetable for all activities necessary to carry out the marketing and disposition of project land. The schedule shall be updated as necessary, and in any case, not less frequently than every twelve months. (The schedule should be consistent with the land disposal aspects of the Agency's Annual Administrative Staff Expense Budget as described in RHA 7218.1, Chapter 3, and the urban renewal progress schedules described in RHA 7217.1, Chapter 1, Section 10.) The primary purpose of the schedule is to enable the Agency to manage its own disposal program. However, a copy of the schedule, along with subsequent changes, shall be maintained in the Agency's files as a means of facilitating HUD review of the Agency's disposal progress (see paragraph 81a (7)). The schedule shall identify:
- a. A sales promotion timetable as described in paragraph 38 below.
 - b. The timing of appraisals, market studies, land surveys, and the determinations of fair reuse value of disposal parcels.
 - c. A Housing Development Schedule as described in paragraph 52a.
 - d. A timetable for offerings, executions of disposal agreements, approval of redeveloper financing and construction plans, conveyances and completion of redevelopments.
38. SALES PROMOTION. As early as possible, the Agency shall establish a guide and timetable for organizing and carrying out its sales promotion activities. It shall indicate the anticipated timing and extent of advertising, the proposed use of brochures and other sales promotion materials, and any plans for using the services of real estate consultants and brokers. The Agency should initiate promotional efforts to interest prospective redevelopers before the price and other terms and conditions of sale and method of selection have been determined. The sales promotion timetable shall be updated as frequently as necessary.
- a. Advertising Signs. The Agency shall erect at least one "For Sale" or "For Lease" sign on each buildable parcel or group of parcels available for disposal. Each sign should be clearly lettered and of weatherproof construction. The message should be brief, and may include such items as the number of acres, uses permitted, and name, phone numbers and address of the Agency. Signs on parcels which have already been sold or leased should encourage public interest in unsold project

land. One method to achieve this is to banner the previous signs with information concerning the successful sale or lease. The reasonable cost to purchase or lease a land disposition sign is an eligible project cost.

- b. Maintenance of Project Land. The appearance of project land is an important factor directly related to its marketability, particularly with respect to project sites located within undeveloped areas. See Chapter 1 of RHA 7211.1 for a description of maintenance items which are eligible as project costs.
 - c. Equal Opportunity Requirements. All sales promotion by or in behalf of the Agency shall comply with (1) DHUD Fair Housing Poster regulations contained in 24 CFR 110 (37 F.R. 3429-30), and (2) DHUD Advertising Guidelines for Fair Housing (37 F.R. 6700-1), and all applicable rules and orders issued thereunder with respect to the sale or lease of a dwelling or site for construction of a dwelling.
39. RECORDATION OF URBAN RENEWAL PLAN CONTROLS. As soon as feasible, the land use controls contained in the Urban Renewal Plan shall be recorded in the public land records so that the appropriate covenants run with the land in the project, appear in subsequent assurances of title, and are legally enforceable.
- a. Recordation of Urban Renewal Plan. The Urban Renewal Plan may be so developed, that with the addition of appropriate acknowledgements, it can be recorded, thereby directly advising prospective purchasers as to the restrictions, benefits and objectives of the Plan in relation to each disposal parcel. The Agency shall determine whether to record the entire Plan or only specific portions. Amendments of Urban Renewal Plan controls and also the land use controls contained in NDP Land Disposition Supplements shall also be recorded promptly.
 - b. Declaration of Restrictions. A declaration of restrictions may be used to provide a recordable document specifying the land use controls of the Urban Renewal Plan. It may cover all or only a portion of the project land. The declaration must conform in all respects to the Urban Renewal Plan, be recorded in the locality's land records, give constructive notice of its provisions, and be legally enforceable. A declaration shall not embellish the Plan or further limit the permitted uses.
40. GENERAL REQUIREMENTS OF DISPOSAL AGREEMENTS.
- a. HUD Guideforms. HUD guideform disposal agreements contain many mandatory provisions required to protect the interest of the project and meet statutory requirements. Generally, these requirements are not duplicated in this handbook, and

accordingly, it is important that Agency personnel review each guideform to be used and retain a copy as an appendix to this handbook.

b. Performance Requirements.

(1) Policy. The time permitted for the performance of each obligation in the disposal agreement shall be specified. Such times shall be tailored to meet the circumstances, avoiding unnecessary risks, yet preventing procrastination or speculation. The Agency shall not transfer title to, or possession of, land for private redevelopment until it has received satisfactory plans for the redevelopment of the land and evidence that the redeveloper has the financing needed to complete the redevelopment.

(2) HUD Concurrence Requirements. The Agency shall obtain prior HUD concurrence in any disposal agreement which allows a period of 18 months, or more, between execution of the agreement and delivery of the deed. After execution of the disposal agreement, the Agency shall obtain prior HUD concurrence in the extension of the period between execution of the agreement and delivery of the deed (or transfer of possession in the case of a long-term lease), if the new date for delivery of the deed is either 18 months after the date of execution of the disposal agreement or six months after the date originally specified for delivery of the deed. Such requests for concurrence shall be accompanied by adequate documentation (financing commitments, etc.) evidencing the intent of the redeveloper to fulfill his obligations.

c. Project Improvements. The obligations of the Agency and the redeveloper for the installation of any project improvements after the agreement is executed shall be specified in the disposal agreement.

d. Equal Opportunity Requirements. The HUD guideform disposal agreements contain language designed to provide equal opportunity in construction employment and in the disposition, use, and occupancy of the property and the improvements provided on the property. This language (see also paragraph 44 below) is mandatory.

e. Lead-based Paint Prohibition. All disposal agreements must contain language to the following effect:

"The Redeveloper shall comply with the regulations issued by the Secretary of Housing and Urban Development set forth in 37 F.R. 22732-3 and all applicable rules and orders issued thereunder which prohibit the use of lead-based paint in residential structures undergoing federally assisted construction or rehabilitation and require the elimination of lead-based paint hazards."

- f. Rehabilitation Requirements. A disposal agreement covering property sold subject to rehabilitation to make it conform to the Urban Renewal Plan and applicable codes shall contain a work write-up detailing the work that must be performed by the buyer.
- g. Design Objectives. Provisions for Agency review and approval of a redeveloper's plans from a design viewpoint, and design objectives to be used as criteria for the Agency's review, may be included in the disposal agreement. The basis for such approval shall be as explicit as possible.
- h. Flood Insurance. Each disposal agreement covering project property situated in an area identified by HUD as subject to special flood hazards, and in which the sale of flood insurance has been authorized under the National Flood Insurance Act of 1968, shall (unless the improvements to be constructed on the property will be covered under an adequate State policy of self-insurance satisfactory to the Secretary of HUD) contain language to the following effect:

"The Redeveloper and its successors and assigns shall keep the Improvements now existing or hereafter erected on the Property insured, during their anticipated economic or useful life, under the national flood insurance program in an amount at least equal to the redevelopment cost of the Property (less estimated land cost) or to the maximum limit of coverage made available with respect to the particular type of Property under the National Flood Insurance Act of 1968, whichever is less. Prior to conveyance of the Property to the Redeveloper by the Agency, the Redeveloper shall furnish the Agency a copy of a flood insurance policy specifying such coverage or a binding commitment to provide such a policy: Provided, That if such coverage is not available to the Redeveloper at the time of conveyance, the Redeveloper shall furnish such evidence of insurance within 15 days of the date it becomes available."

- 41. GOOD FAITH DEPOSIT. A land disposal agreement with a private redeveloper or nonprofit institution must be adequately secured
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by a good faith deposit in cash or certified check, faithful performance surety bond, or pledge of negotiable bonds of the Federal government or any of its instrumentalities. Surety bonds must be from a company listed in the current U.S. Treasury Department Circular 570 and within the underwriting limits specified for the company in the Circular.

- a. Amount and Duration of Deposit. The amount of the deposit or other security shall not be less than five percent of the estimated fair reuse value of the land, and except as provided in subparagraph d below, it shall not be more than ten percent of such value. Except as provided in subparagraph b below, it shall be held until completion of the redevelopment or until the conditions described in subparagraph (e), Section 3, Form HUD-6209A, have been met.
- b. Small Redevelopment. If the parcel is to be redeveloped with a one-family dwelling or other development of like magnitude, the agreement may permit the deposit to be applied on the purchase price if the purchaser demonstrates at the time of conveyance that he has entered into a contract for the redevelopment of the land and has the necessary cash and financing to redevelop the land. A surety bond is not required in these cases.
- c. Postponement of Deposit for Sale for Low or Moderate Income Housing. In the disposal of a site to a nonprofit corporation, a limited dividend corporation, or a cooperative, the good faith deposit may be postponed for a period of 180 days from the date of execution of the agreement, provided the contract recites that the land will be used for the construction or rehabilitation of low or moderate income housing. One extension may be granted for a period not to exceed 90 days provided substantial progress has been made in the development of the housing package. The contract shall require that after 180 days, or 270 days, as the case may be, and in any event prior to conveyance, the redeveloper shall meet the good faith deposit requirement or the conditions described in subparagraph (3), Section 3, Form HUD-6209A, or the contract shall be terminated.
- d. Critical Parcels. The disposal agreement with a private redeveloper of a critical parcel shall require the redeveloper to furnish a faithful performance surety bond or make a good faith deposit of at least 20 percent of the agreed upon price. The amount of the bond or deposit shall constitute liquidated damages in the event of a breach of the agreement by the redeveloper.

42. STAGED TAKEDOWNS. If various segments of a property are to be conveyed on separate dates, a schedule shall be annexed to and made part of the agreement, setting forth the legal description, date of conveyance and amount to be paid for each segment. The determination of the dates and payments for the various conveyances shall be coordinated with the Agency's appraisals and determination of fair reuse value. The amount to be paid for a segment shall be its fair reuse value (as of the date of conveyance) rather than a prorata share of the total purchase price (although, cumulatively, the purchaser pays only the total contract price for the entire property). The good faith deposit shall be based upon the fair reuse value of the entire property. A map outlining the segments should be annexed to the agreement. The Agency shall obtain prior HUD concurrence in any staged takedown which exceeds three years from the date of execution of the disposal agreement.
43. GUIDEFORM FOR STANDARD DISPOSAL CONTRACT (FORM HUD-6209). Form HUD-6209, Standard Form of Contract for Sale of Land for Private Redevelopment, shall be used for all disposals to a private redeveloper of project land having a reuse value of \$60,000, or more, (except "turnkey" public housing projects).
- a. Description of Guideform. The guideform actually consists of three separate forms as follows:
- (1) Form HUD-6209A. This form, Part I of Standard Form of Contract for Sale of Land for Private Redevelopment, includes provisions applicable to a particular contract -- names of the parties, identification of Urban Renewal Plan, sale price, special terms and conditions required in the transaction, etc.
 - (2) Form HUD-6209B. This form, Part II of Contract for Sale of Land for Private Redevelopment, includes provisions which are generally applicable to all sales contracts. Modifications of Part II provisions can be set forth in Part I. If HUD insurance or subsidies for housing are to be provided, section 307 of the form cannot be changed.
 - (3) Form HUD-6209C. This form is entitled, Instructions and Explanatory Notes.
- b. Modifications and Additions to Guideform. All substantive modifications and additions to the provisions of this guideform require advance HUD concurrence. Usually, this is done by submitting Part I of the proposed contract; HUD concurrence shall then be subject to the condition that Form HUD-6209B will be used as Part II of the contract.
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44. GUIDEFORM FOR DISPOSAL UNDER \$60,000 (Form HUD-6214). Form HUD-6214, currently entitled, Guideform of Contract for Sale of Land Having a Reuse Value Under \$30,000 (sic) to Individual, Corporate, and Other Purchasers, may be used for sales to private redevelopers of land with a fair reuse value under \$60,000 (except for "turnkey" public housing projects). All substantive modifications and additions to the provisions of this guideform require advance HUD concurrence. The following equal opportunity requirements are applicable:
- a. Sales at \$10,000 or Less. If the sale price of the property is \$10,000 or less, the contract shall contain the introductory statement and paragraphs (a) and (b) of Section 802 of Form HUD-6209B, together with the following paragraph:

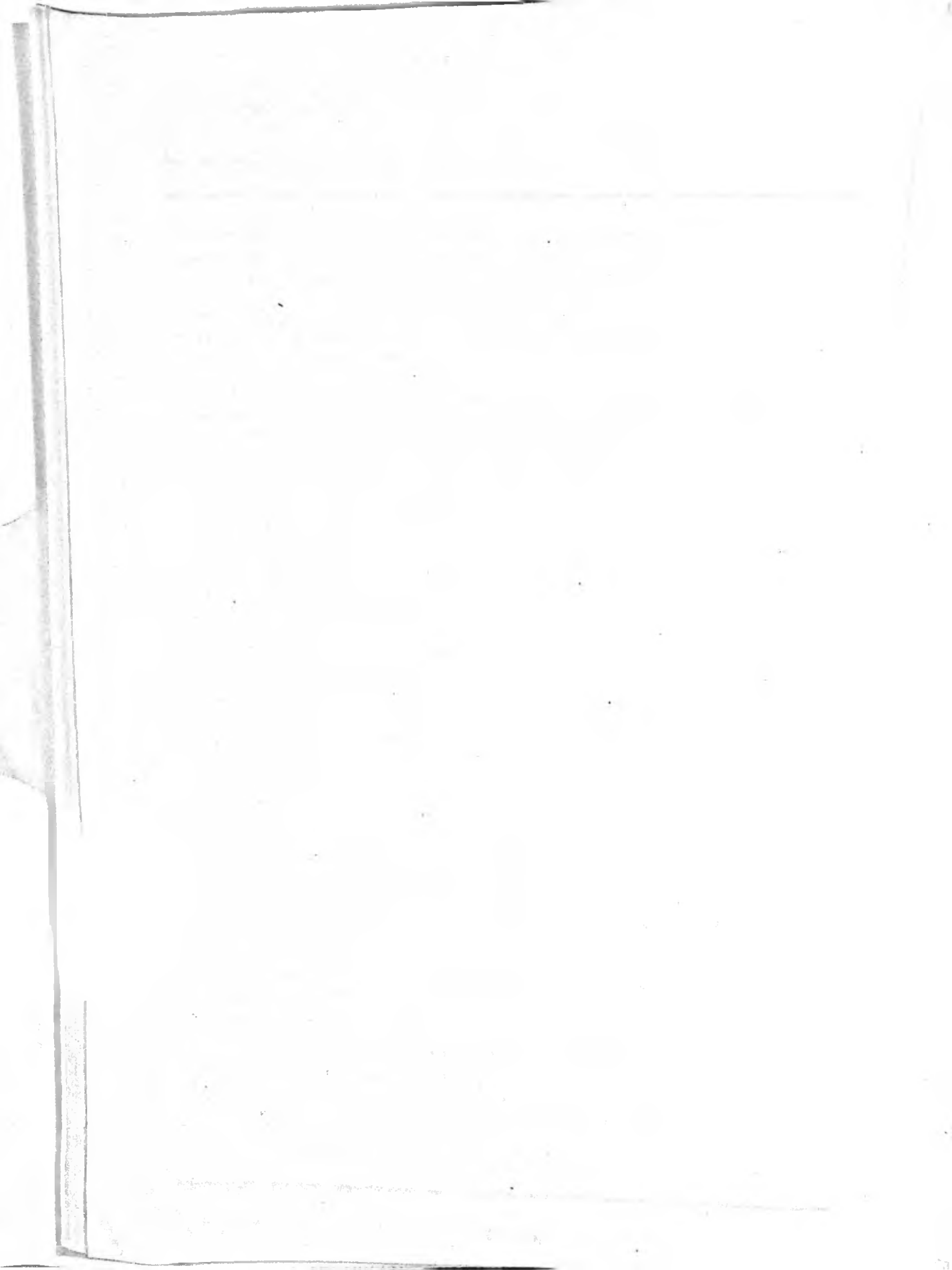
"(c) The Redeveloper will include the provisions of paragraphs (a), (b) and (c) in every contract, and will require the inclusion of these provisions in every subcontract entered into by any of its contractors, so that such provisions will be binding upon each such contractor or subcontractor, as the case may be. For the purpose of including such provisions in any construction contract or subcontract, as required hereby, the term 'Redeveloper' and the term 'Agency' may be changed to reflect the name or description of the parties to such contract or subcontract."
 - b. Sales Over \$10,000. If the sale price is more than \$10,000, the contract shall contain the provisions of Section 802 of Form HUD-6209B.
45. GUIDEFORM FOR DISPOSAL TO PUBLIC BODY (FORM HUD-6213). Except as provided in subparagraphs a through d below, Form HUD-6213, Guide Form of Contract for Sale of Land For Redevelopment by a Public Body, shall be used for disposals of project land to a public entity, e.g., State, city, school district or LHA. All substantive modifications and additions to the provisions of this guideform require advance HUD concurrence.
- a. Resolution of Retention. If the governing body of the Agency is the same as that of the locality, an agreement and conveyance may be accomplished by a resolution or other document meeting State and local legal requirements. Such document shall contain the elements of Form HUD-6213 as well as the necessary recitals, testimonium and acknowledgement clauses. After execution, it shall be recorded in the public land records.

- b. Cooperation Agreement. If, during the early planning of a project, the Agency agrees to sell project land to another public body, it may use a cooperation agreement. Such agreement shall contain the elements of Form HUD-6213 except that the stated price shall be a minimum estimated price subject to later adjustment in accordance with the Agency's appraisals and appraisal review. After execution the agreement shall be recorded in the public land records.
- c. Federal-Aid Highway Agreement. Suggested language for a memorandum of understanding covering the sale of urban renewal land for Federal-aid highway purposes is contained in the Federal Highway Administration's Policy and Procedure Memorandum 80-1.
- d. Sales Agreement with General Services Administration. GSA Form 1992, Contract for the Sale of Land in an Urban Renewal Area to the United States, has been jointly approved by GSA and HUD and may be used for disposals of project land to GSA.

46. DISPOSAL OF INDUSTRIAL OR COMMERCIAL LAND UNDER SECTION 113.

- a. Section 113 Disposal. The Secretary of Commerce may designate an economically distressed area as a "redevelopment area" under the Area Redevelopment Act or successor legislation. Under Section 113 of the Housing Act of 1949, as amended, urban renewal land in such a "redevelopment area" may be sold or leased for industrial or commercial reuses at its fair reuse value to an eligible public agency or nonprofit corporation, which may retain the land for an interim period without commencing improvements thereon.
- b. Eligible Nonprofit Corporation. For the purpose of Section 113, a nonprofit corporation is a corporation organized under the laws of the United States, or of any State or territory thereof, authorized to do business, including the acquisition and disposal of real property, in the State or territory in which the project is located, and which does not contemplate the distribution of gains, profits, or dividends on invested capital to its stockholders or any other person.
- c. Special Covenants. The disposal of land to a public agency or nonprofit corporation under Section 113 shall be subject to covenants requiring that:
 - (1) The land shall only be used in accordance with the Urban Renewal Plan. Subsequent purchasers or lessees shall also be subject to this covenant.

- (2) Subsequent purchasers or lessees of the land shall be obligated to begin and complete within a reasonable time the improvements required by the Urban Renewal Plan.
- d. Temporary Uses. If Section 113 disposal is contemplated and the Agency desires to specify permitted temporary uses, these use limitations may be included in the Urban Renewal Plan.
- e. Resale Price. If the public agency or nonprofit corporation subsequently disposes of the property at a profit, it may keep the entire profit, unless the Agency under the terms and conditions of its disposal contract, is entitled to participate therein.
- 47.- 49. RESERVED



SECTION 2. RESIDENTIAL SALES

50. URBAN RENEWAL PLAN PROVISIONS. The Urban Renewal Plan shall not contain provisions limiting the rentals or sale prices of housing, or the maximum income of families or individuals for admission to the housing. However, it may indicate the intention to make the property available for development of new or rehabilitated housing for families or individuals of low- or moderate-income, and any intention to provide tax abatement or other public subsidy for the housing.
51. GENERAL COORDINATION WITH HUD HOUSING PROGRAMS. The following coordination requirements are applicable to proposed residential redevelopments for which HUD mortgage insurance or housing assistance payments will be required. For coordination requirements relating to rehabilitation areas, see HUD Handbook 7210.1, Rehabilitation.
- a. Preliminary Consultation. As early as practicable, the Agency shall consult with HUD, including if applicable, the HUD Insuring Office, to obtain information and guidance with respect to the suitability and marketability of project land for housing, estimated residential construction costs, maximum income limits for admission to occupancy under available HUD subsidized programs, HUD mortgage insurance limits, etc.
- b. Coordination on Land Pricing. In processing applications for insurance, HUD determines a maximum dollar amount which it will attribute to the land for insurance purposes. To coordinate this processing with the Agency's establishment of the fair reuse value of land to be developed under HUD housing programs, the Agency shall, (1) obtain HUD approval (from the HUD Insuring Office, if applicable) of the individuals performing the reuse appraisals of the housing sites, and (2) at the time it seeks a HUD market reservation, the Agency shall seek concurrence in the amount which it has established, or proposes to establish, as the fair reuse value of the land. If the Agency and the HUD Area or Insuring Office are unable to agree on the value to be attributed to the land, the Agency may request the HUD Regional Office to resolve the matter.
- c. Request for HUD Market Reservation. The Agency may request from HUD a market reservation committing HUD to insure, subject to appropriate conditions, certain dwelling units to be constructed on an urban renewal site scheduled to be offered for sale. The exact timing of the request shall be coordinated with the responsible HUD office. The Agency's submission shall be accompanied by its request for concurrence

in the fair reuse value of the property and all related documentation, including the appraisals and identification of maximum number of dwelling units permitted by the Urban Renewal Plan. A HUD market reservation will identify:

- (1) The maximum number of dwelling units at various rentals or sales prices which HUD is prepared to insure or for which it will provide subsidy payments over a specified period of time.
 - (2) The maximum dollar amount that HUD is willing to attribute to the land for mortgage insurance purposes.
- d. Notice to Redevelopers. The Agency shall notify all prospective redevelopers that the minimum acceptable sale price for the land (fair reuse value) is also the amount which HUD will attribute to the land for purposes of HUD mortgage insurance and that it will represent the value of the land for use in cost certification, if required. Any other conditions for HUD mortgage insurance shall also be contained in the notice. The notice shall be included in any public announcements and bidding documents covering the proposed sale. If such announcements or bidding documents are not used, it shall be included in a written statement provided to each potential redeveloper prior to entering negotiations or as soon as the information is available.
- e. Coordination After Selection of Redeveloper. To minimize delays after the selection of the redeveloper, continuing coordination among the Agency, HUD and the redeveloper is very important. After his selection, the redeveloper is allowed a reasonable period of time for completing his plans, arranging for financing, and obtaining approval of his application for mortgage insurance and, if applicable, subsidy payments.

52. COORDINATION ON LOW AND MODERATE INCOME HOUSING REQUIREMENTS.

- a. Housing Development Schedule. The Agency shall prepare a schedule for the preparation and disposition of land for low- and moderate-income housing at a rate that reflects statutory requirements, including the provisions of Section 105(f) and (h) of the Housing Act of 1949, as amended (see RHA 7207.1), local needs, including relocation requirements, and the objectives of the Urban Renewal Plan. Periodically, HUD and the Agency shall jointly examine this schedule to determine whether reasonable and continuing progress is being made.
- b. Identification of Subsidized Housing Needs. To help insure the availability of HUD housing subsidies when required, the Agency

shall periodically furnish HUD an updated twelve-month forecast of its subsidized housing needs. This forecast shall identify the proposed sites, numbers of units and types of housing programs required, and the approximate dates on which reservations or other fund set asides will be needed. The report shall also identify the basis of the requirement, i.e., relocation needs, requirements under Section 105(f) and (h), or project closeout requirements.

53. DISPOSAL FOR LOW OR MODERATE INCOME HOUSING AT SECTION 107 VALUATION.

- a. Low-Rent Public Housing. A "low-rent public housing project" is a project assisted under the United States Housing Act of 1937, or under a State or local program determined by HUD to have the same general purposes as the Federal program. Urban renewal land made available for such "low-rent public housing" other than for leased public housing under Section 23 of the Housing Act of 1937, must be sold at the Section 107 valuation. Such disposals also qualify for the special noncash grant-in-aid credit specified in Section 107(b) of the Housing Act of 1949, as amended.
- b. Other Housing Programs Eligible for Disposal at Section 107 Valuation. Urban renewal land may be sold to an eligible redeveloper (see Paragraph 55) at the Section 107 valuation or \$500 per dwelling unit, whichever is greater, for low or moderate income rental housing to be developed under any of the housing programs listed below. In the rare instance when the fair reuse value of the property is less than the Section 107 valuation, the property shall be sold at its fair reuse value. The eligible programs are:
- (1) Section 221(d)(3) BMIR, or Section 236 of the National Housing Act.
 - (2) Leased low-rent public housing under the provisions of Section 23 of the United States Housing Act of 1937, as amended. (Such sales do not qualify for the Section 107(b) noncash grant-in-aid credit.)
 - (3) Rent supplement provisions under Section 101 of the Housing and Urban Development Act of 1965, as amended.
 - (4) A State or local housing program determined by HUD to have the same general purposes as the above. Prior to any such disposal the Agency shall obtain HUD approval of the transaction. Requests for approval shall include:

- (a) Copy of the proposed regulatory agreement or other provisions to limit and control rents, charges, requirements for admission to occupancy, and methods of operation.
 - (b) Evidence that the proposed limitations on rents and on income for admission to occupancy are adequate to restrict occupancy to families or individuals of low- or moderate-income.
 - (c) Determination of the governing body of the Agency that the proposed purchaser is an eligible purchaser as defined in Paragraph 55, including evidence reasonably needed to support the determination.
- c. Rehabilitation Housing Programs. Disposals for housing to be developed under Section 221(h)(1) or Section 235(j)(1), or under any rental housing program involving rehabilitation, are ineligible for the benefits of the Section 107 valuation unless approved in advance by HUD. Such approvals will only be granted on a case-by-case basis and only after adequate justification that the benefits of the Section 107 valuation are necessary to make the project feasible. In the case of rehabilitation sales housing, the proposed disposal must contain adequate assurance that, if the purchaser resells the housing within three years after his purchase from the Agency, the benefits of the Section 107 valuation will be passed through to a new low- or moderate-income purchaser or recaptured for the benefit of the project.
- d. Housing Programs Ineligible for Section 107 Valuation. Housing developed under Section 221(d)(4) or Section 235(i) of the National Housing Act is not eligible for the Section 107 valuation.
- e. Restrictive Use Covenants. If a parcel is disposed of at the Section 107 valuation, the disposition documents, including the deed, must contain restrictive use covenants that will insure that the low or moderate income tenants receive the benefits of the special land pricing, i.e., the rents or charges must not reflect any value for the land in excess of its sales price. Such restrictions must include limitations on the rents and other charges, incomes of occupants, and methods of operation of the housing. The restrictions are to run for the term of the mortgage or the Urban Renewal Plan, whichever is greater.

54. TURNKEY LOW-RENT PUBLIC HOUSING SALES. Under the "turnkey" method, a developer may enter into a contract with an LHA under which he builds or rehabilitates in accordance with plans and specifications prepared by his own architect and to a standard of good design, quality, and workmanship, and the LHA agrees to purchase the completed building for low income occupancy. This contract is backed up by a financing assistance commitment (Annual Contributions Contract) from HUD to the LHA. When the development is completed, the closing takes place and the LHA acquires title to the property. Detailed instructions on the turnkey process are provided in 7425.1, Low-Rent Public Housing Turnkey Handbook. In disposing of an urban renewal site for turnkey housing, the Agency shall follow normal disposition procedures with the following modifications:

- a. Use of Form HUD-6216. Form HUD-6216, Contract for Sale of Land to Redeveloper for "Turnkey" Low-Rent Public Housing Project, shall be used. It contains safeguards to insure that the site is developed for low-rent public housing and that the special sale price determined under Section 107 (see Paragraph 24) will be passed through to the LHA by the redeveloper. Any changes in the contract must be concurred-in by HUD.
- b. Conversion to "Turnkey" from Conventional Public Housing. If the Agency and LHA have already executed a contract of sale (Form HUD-6213) and desire to convert to the turnkey method, the Agency shall not release the LHA from its contractual obligations, until a contract of sale (Form HUD-6216) between the Agency and the "turnkey" redeveloper has been executed.
- c. Memorandum of Understanding. When desirable, the Agency and LHA shall execute a memorandum of understanding, spelling out the responsibilities of each party during each phase, identifying the price of the site and their intent that the site shall be used for "turnkey" low-rent public housing. Later, upon HUD approval of Form HUD-6004 (see Paragraph 69), the Agency and LHA may update the memorandum of understanding to include:
 - (1) Specific approval of the selected redeveloper and tentative approval of the proposal for consistency with the Urban Renewal Plan.
 - (2) Agency agreement to convey the site to the redeveloper upon the execution of the LHA-Redeveloper Contract of

Sale and the Agency-Redeveloper sales contract, subject to approval by the LHA and the Agency of preliminary drawings and specifications for consistency with the Urban Renewal Plan.

(3) A proposed schedule of timing for further actions.

- d. Acceptance of Proposal. The Agency advertises for redevelopers in cooperation with the LHA and in accordance with the disposition documents. The Agency receives redevelopers' proposals and reviews them with the LHA. The LHA, with HUD concurrence, determines which proposal, if any, is acceptable. The Agency obtains from the LHA a certified copy of the executed contract of sale between the redeveloper and the LHA. This agreement should be received before the Agency executes a sales contract with the redeveloper (Form HUD-6216).
- e. Certificate of Completion. When redevelopment is completed, the Agency shall obtain a letter from the LHA which states that title has been conveyed from the redeveloper to the LHA and the redeveloper has satisfactorily completed the construction. A certified copy of the letter shall be submitted to HUD in support of Form HUD-6212, Request for Section 107(b) Noncash Local Grant-in-Aid Credit.

55. REDEVELOPERS ELIGIBLE TO PURCHASE LAND AT SECTION 107 VALUATION.

To be eligible to purchase project land at the Section 107 valuation, the redeveloper must be one of the following.

- a. Eligible for a mortgage insured under Section 221(d)(3) for rent supplement purposes, Section 221(h)(1), Section 235(j)(1), or Section 236 of the National Housing Act and acceptable to HUD for that purpose. However, a "builder-seller mortgagor," who enters into a written agreement to sell the housing project to a nonprofit corporation upon completion of construction at a price not to exceed the certified actual cost of the project as approved by HUD, must agree that in the event that the conveyance to the nonprofit corporation is impossible, he will operate the project as a HUD limited-dividend mortgagor until a proper conveyance to a HUD-approved nonprofit corporation can be effected.
- b. A limited-dividend corporation, a nonprofit corporation or association, a cooperative, or a public body or agency, which is regulated or supervised under State law by a State or political subdivision of a State or agency thereof, under a

regulatory agreement or otherwise, as to rents, charges, requirements for admission to occupancy, and methods of operation, in a form and manner approved by HUD. The following definitions are applicable:

- (1) "Limited-Dividend Corporation" -- A corporation restricted as to the distribution of income by the laws of the State of its incorporation, formed exclusively for the purpose of providing housing, and regulated as to rents, charges, rate of return, and operating methods in a manner satisfactory to HUD.
 - (2) "Nonprofit Corporation or Association" -- A corporation or association organized for purposes other than making a profit for itself or for persons identified with it and which is in no manner controlled by, or under the direction of, persons or firms seeking to derive profit from its activities.
 - (3) "Cooperative" -- Either a nonprofit cooperative ownership housing corporation, or an investor-sponsor of a cooperative. A nonprofit cooperative ownership housing corporation is one in which permanent occupancy is restricted to the members, and eligibility for membership and transfers of membership are subject to controls satisfactory to HUD. An investor-sponsor of a cooperative is a special type of limited-dividend corporation organized to build or rehabilitate a project and to transfer it to a cooperative. If the housing project is not sold to a cooperative within two years after completion, the investor-sponsor must operate the project as a limited-dividend corporation, as defined above.
56. ILLUSTRATIVE PLANS. The Agency may obtain illustrative plans, including certain drawings, specifications and estimates, as a basis for determining the feasibility of developing low and moderate income housing.
- a. Part I of Agreement. Form HUD-6124, Guideform of Contract for Architectural Services for Preparation of Illustrative Plans for Low- and Moderate-Income Housing, is available from HUD and may be used as Part I of the proposed agreement. It may be modified as appropriate, however, the maximum scope of services that are eligible as a project cost are those outlined in Section 1 of the guideform.

- b. Part II of Agreement. Form HUD-621B, Contract for Professional or Technical Services, shall be used as Part II, Terms and Conditions, of the agreement.

- c. Ownership of Drawings. The contract with the architect must contain language allowing the Agency or person authorized by the Agency to use the drawings in any of its urban renewal projects without additional payment. In the event the architect is selected to carry through with the job, the total fees paid to him shall not include any duplicate payments.

57.-62. RESERVED

CHAPTER 5. DISPOSAL OF LAND

63. METHOD OF DISPOSAL. The Agency may dispose of urban renewal land by sale or lease in accordance with any method permitted by State and local law, including fixed-price competition, sealed bids, public auction, predetermined prices for subdivision lots, negotiation, and related variations and combinations. Special requirements applicable to disposals by leasing are contained in Appendix 2. Prior to the offering, the governing body of the Agency shall by resolution, motion, or similar action:
- a. Approve each offering, and the method of selecting the redeveloper.
 - b. Approve the price, or minimum price, and determine that such price is not less than fair reuse value.
64. INELIGIBLE REDEVELOPERS. The following persons or organizations are ineligible to be a redeveloper or to have any financial interest in a redeveloper:
- a. A member of the governing body of the Agency or municipality or an employee of the Agency or municipality who exercises responsibility concerning the project.
 - b. An individual or firm that was retained by the Agency as a reuse appraiser of land in the project area, or, at any time after the invitation for proposals, was performing consultant services for the Agency in connection with the project.
 - c. A private individual or firm that has provided or proposes to provide a local grant-in-aid to the project, except:
 - (1) A nonprofit institution which will develop the land for nonprofit institutional use, as defined in paragraph 4 above.
 - (2) An eligible Section 112 donor. (See RHA 7216.1, Local Grants-in-Aid, Section 3, Chapter 2).
 - d. A private individual or firm from whom the same property (same property is defined as property that comprises 50 percent or more of the reuse parcel and in which the prospective redeveloper held more than 20 percent of the ownership at the time of its acquisition by the Agency) was acquired, unless the redeveloper is:

- (1) A nonprofit institution which will develop the land or rehabilitate the property for nonprofit insitutional use, or
 - (2) the successful bidder in a fixed-price competition, sealed-bid offering, or public auction.
65. ACCEPTANCE OF HIGHEST RESPONSIBLE BID. In all competitive offerings, except for "fixed-price competition" in which disposal price is not a criterion, the Agency must accept the highest bid which meets the bidding requirements, provided it equals or exceeds the approved minimum price. This does not preclude the establishment of criteria, such as design standards, provision for low or moderate income housing, sales and rental amounts, or other factors necessary to qualify a bidder. A two-stage offering by which proposals are selected on the basis of factors other than price, to compete later on the basis of price, is also acceptable.
66. INVITATION FOR PROPOSALS. The invitation for proposals or bids is the formal public notice of the offering of the land. It should be accomplished through publication in one or more newspapers of general circulation in the locality and through mailing notices to all persons and firms that have signified a bona fide interest in acquiring any of the land in the offering. Publications shall be in compliance with the HUD "Advertising Guidelines for Fair Housing" contained in 37 F.R. 6700-1. The objective of the invitation is to inform potential redevelopers of the proposed disposal in sufficient time to prepare and submit their proposals. The information contained in the invitation, as a minimum, should include:
- a. Identification of land to be offered.
 - b. A general description of the types of redevelopment permitted.
 - c. Identification of the kind of disposal (sale or lease) and the disposal method, including criteria and procedures for making selection.
 - d. The cutoff date for the receipt of proposals, if established. This is required in the case of fixed-price competition, sealed bid, and public auction disposal methods.
 - e. Instructions on how to obtain further information about the terms and conditions of the disposal and procedures for submitting proposals. The instructions shall state the amount of any fee charged by the Agency for the offering documents.
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67. OFFERING DOCUMENTS. The offering documents shall contain all the terms and conditions of the offering. They must be readily available to all prospective redevelopers promptly after publication or issuance of the first invitation for proposals. Unless the market is limited to the local community, sets of offering documents also shall be available for mailing to prospective redevelopers. The Agency may make a small charge sufficient to limit requests to bona fide prospects and to restrict costs. The offering documents should normally contain:
- a. The Urban Renewal Plan, or appropriate extracts. Declaration of Restrictions, if any. Also, clear statement of any other restrictions imposed by Agency or Urban Renewal Plan.
 - b. A description of the property for which proposals are invited, including:
 - (1) Legal or other description sufficient to identify clearly the boundaries and area of the land involved, together with a map or plat showing the location of the land in the project area.
 - (2) Location of existing and proposed streets and utilities to serve the property, to the extent determined.
 - (3) Information on general grades and elevations.
 - (4) Information on test borings and their analysis to the extent available; and on location and type of existing basements, foundation walls, footings, abandoned utilities, and the extent and character of fill.
 - c. A statement as to kinds of proposals that may be submitted (sale, lease, or both) and a description of the method of selecting redevelopers, including criteria and procedures for making selection.
 - d. Price or minimum price, if applicable. If the disposal is for residential reuse involving a HUD housing program, the documents shall contain a statement that the price has been concurred in by HUD and is (1) the minimum amount acceptable for the land, (2) the amount that will be attributed to the land for HUD mortgage insurance purposes and, if applicable, (3) the amount that will represent the fair market value for

- HUD cost certification. Other information from the HUD market reservation shall also be provided.
- e. Proposed form of contract of sale or lease.
 - f. Proposed time schedule for the provision of streets, utilities, and other public improvements affecting the disposition parcel.
 - g. Statement of equal opportunity requirements covering employment and the disposition, use, and occupancy of housing and related facilities provided on the sites. These requirements are contained in the guideform disposal agreements referenced in Chapter 4.
 - h. Provision for broker's fees, if contemplated.
 - i. Statement of requirements for the submission of proposals, including place, cutoff date and time, and documentation required as to the redeveloper's proposal, including his qualifications and financial responsibility and the good faith deposit or bid bond requirements.
 - j. All forms to be used by the redeveloper in submitting proposals, including the appropriate Form HUD-6004 or HUD-6004A, Redeveloper's Statement for Public Disclosure and Redeveloper's Statement of Qualifications and Financial Responsibility.
 - k. Statement describing carrying charges, if any, that may be charged against the selected redeveloper prior to transfer of title and payment of the purchase price or the initial lease rental.
 - l. Unless land is to be leased, the proposed form of deed by which the Agency will convey title to the land.
 - m. Statement as to the disposition to be made of redevelopers' proposals that are not accepted.
68. REDEVELOPER'S STATEMENT (FORM HUD-6004 OR 6004A). Except as provided in subparagraph b below, the Agency must obtain a completed Form HUD-6004 or 6004A from every redeveloper. The purposes of these forms are set forth in paragraphs 69-71 below.
- a. Description of Form. Form HUD-6004 consists of two parts, Redeveloper's Statement for Public Disclosure (Part I) and Redeveloper's Statement of Qualifications and Financial Responsibility (Part II). Form HUD-6004A, a "short form" bearing the same title, may be used if the redeveloper is an

- individual or two persons as joint owners, and the reuse value is under \$60,000. For all other disposals, Form HUD-6004 shall be used.
- b. Exception for Public Entity. If the redeveloper is a public entity, the Redeveloper's Statement for Public Disclosure (Part I) is not required unless residential redevelopment or rehabilitation is contemplated, and the Redeveloper's Statement of Qualifications and Financial Responsibility (Part II) is not required, regardless of proposed use.
- c. Modifications to Form. The appropriate Redeveloper's Statement for Public Disclosure (Part I) shall be used without modification. However, the Agency may modify the Redeveloper's Statement of Qualifications and Financial Responsibility (Part II) to require additional information or evidence.
69. HUD CLEARANCE OF REDEVELOPER. The Agency shall not enter into any disposal agreement with a redeveloper whose name appears on the HUD-maintained list of debarred, suspended, and ineligible bidders.
- a. Request for Clearance. Prior to authorizing a disposal, the Agency shall submit to HUD one copy of Part I of Form HUD-6004 or 6004A, Redeveloper's Statement for Public Disclosure. Also, if a redeveloper's answer to item 8b of Part II of Form HUD-6004 is affirmative, the entire Part II, Redeveloper's Statement of Qualifications and Financial Responsibility, shall be submitted to HUD.
- b. Exceptions to Clearance Requirement. This clearance submission requirement is not applicable to public entities or corporations required to file periodic reports with the Federal Securities and Exchange Commission under Section 13 of the Securities Exchange Act of 1934.
- c. Prompt Disposal After Clearance. If the Agency has not executed the disposal agreement within 120 days after HUD clearance of the redeveloper, it shall resubmit its request for clearance.
70. REDEVELOPER'S QUALIFICATIONS. Before authorizing a disposal, the Agency shall determine on the basis of all pertinent data, including the Redeveloper's Statement of Qualifications and Financial Responsibility (Part II of Form HUD-6004 or 6004A), that the redeveloper possesses the qualifications and financial resources to acquire and develop the land in accordance with the Urban Renewal Plan and the proposed disposal agreement. Banks and other information sources should be checked, and at least one credit report

should be obtained from a reliable credit reporting agency. Even though a public entity need not submit Part II of Form HUD-6004, the Agency also must ascertain the financial ability and legal authority of any public redeveloper to acquire and develop the property in accordance with the Plan and the disposal agreement.

71. PUBLIC DISCLOSURE OF PROPOSED DISPOSAL. Before authorizing a disposal agreement, the Agency shall give public notice of its intention and make available for public examination the Redeveloper's Statement for Public Disclosure (Part I of Form HUD-6004 or 6004A), together with the proposed disposal agreement.
- a. Publication of Notice. If the information relates to the redevelopment or rehabilitation of 10 or fewer dwellings by one redeveloper, the notice may be published by posting it in the office of the Agency. Otherwise, the public notice shall be published in at least one newspaper of general circulation in the locality, at least ten days before the date of execution of the disposal agreement. It may be combined with some other notice, such as the notice of a public hearing on the proposed disposal, however, if combined with another notice, it shall call attention clearly to the fact that it is a notice of information on a proposal to dispose of project real property. A public notice may include more than one proposed disposal.
- b. Contents of Notice. The public notice shall contain:
- (1) Name, address, and office hours of the Agency.
 - (2) Name of the project, and general description of its location.
 - (3) Name of the redeveloper with whom the Agency proposes to enter into a disposal agreement and statement that the Agency has a proposal from the redeveloper to enter into an agreement for the purchase (or lease) of project real property.
 - (4) Statement that the Agency governing body proposes to consider execution of the proposed agreement on or after the date specified in the notice.
 - (5) Statement that the proposed redeveloper named in the notice has filed with the Agency a Redeveloper's Statement for Public Disclosure. (If the proposed redeveloper is a public entity, and residential redevelopment or rehabilitation is not involved, the notice shall,
 - (a) identify the public redeveloper as an exception to

this requirement, and (b) either identify the real property involved or state that a description of the real property is available for public examination at the office of the Agency.)

- (6) Statement that the Redeveloper's Statement for Public Disclosure discloses, among other things, the name of the redeveloper, and, as the case may be, the names of its officers and principal members, shareholders and investors, and other parties having an interest of 10 percent or more in the redeveloper.
- (7) If residential redevelopment or rehabilitation is contemplated, statement that the Redeveloper's Statement for Public Disclosure furnishes the redeveloper's estimates of (a) the cost thereof, and (b) the sales prices or rentals for the housing involved.
- (8) Statement that the Redeveloper's Statement for Public Disclosure and the proposed disposal agreement are available for public examination at the office of the Agency during its regular office hours.

72. PUBLIC HEARING ON PROPOSED DISPOSAL. The Agency or other authorized public body may hold a public hearing on the proposed disposition. If required by State or local law, a public hearing must be held.

73. ACTION ON UNACCEPTABLE PROPOSALS.

- a. Proposal Accepted. After a successful redeveloper has been selected, the Agency shall notify all other prospective redevelopers whose proposals were not accepted, and return to them any deposits in accordance with the invitation for proposals.
- b. Proposal Partially Acceptable. If the Agency receives a satisfactory proposal for some but not all of the land covered by the invitation for proposals, it shall assure itself that the remaining land will be in parcels that are readily marketable. This may require reassignments of tentatively sold parcels, or rejection of some otherwise acceptable proposals or bids.
- c. No Proposal Accepted. Land for which no acceptable proposal has been received shall be reoffered by the Agency.

74. GUIDEFORM DEED FOR SALE OF LAND FOR PRIVATE REDEVELOPMENT (FORM HUD-6209D). Form HUD-6209D, Guide Form of Deed for Sale of Land for

Private Redevelopment, illustrates the manner in which the various land covenants, reverter provisions, and provisions relating to certificates of completion and handling of recaptured project land, as provided for in the guideform sales contract, Form HUD-6209, are placed in a deed. While this guideform deed is a special warranty deed, Agencies may continue to use quitclaim or full covenant and warranty deeds in accordance with their present practice. In addition, local practice may require the use of testimonium and acknowledgement clauses which differ from those in the guideform deed.

75. TRANSFERS OF INTEREST PRIOR TO COMPLETION OF REDEVELOPMENT. The Agency is required by the Loan and Grant Contract to furnish HUD with documentary data regarding any proposed transfer of interest prior to completion of redevelopment and not to approve such a transfer until HUD has advised in writing that it has no objection. Transfers include transfers of stock interests, as defined in Section 502 of Form HUD-6209B.
- a. Capture of Profit by Project. To prevent speculation, the difference between (1) the original purchase price paid by the developer plus his actual out-of-pocket costs reasonably attributable to the redevelopment and (2) the price realized upon transfer, must be paid over to the project in the form of an increase in the disposal proceeds for the property. Since the primary purpose of this requirement is to deny a redeveloper a profit from the holding of land, the Agency shall not deny the redeveloper the recovery of an actual out-of-pocket expense reasonably related to the redevelopment, including the cost of sales promotion, merely because the Agency questions the redeveloper's judgment in incurring the expense or because the expense does not result in a tangible asset.
- b. Redetermination of Purchase Price. If HUD determines that (1) an unreasonable period of time has elapsed since preparation of the appraisal evidence on which the transferor's purchase price was based, (2) the market or demand in the area has materially increased, or (3) the redevelopment obligations of the transferee would be materially different from the transferor's, it shall require new appraisal evidence and an updated establishment of fair reuse value. The amount so established, or the purchase price to the transferor, whichever is greater, shall represent the price realized upon transfer. However, no redetermination of the purchase price is required if the transferor retains at least 20 percent of the interest being transferred, and the redevelopment obligations remain substantially the same.
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- c. Submission to Agency. In order to process a proposed transfer of interest, the Agency shall require the redeveloper and the proposed transferee to submit the following:
- (1) A detailed report on the reasons for the proposed transfer and its terms.
 - (2) Redeveloper's Statement for Public Disclosure and Redeveloper's Statement of Qualifications and Financial Responsibility, executed by the proposed transferee. (Prior to consenting to the transfer, the Agency must comply with the public disclosure requirements of Paragraph 71, with respect to the proposed transferee.)
 - (3) All proposed agreements, instruments and legal documents to be used in effecting the transfer. (These documents shall not have been executed.)
 - (4) A detailed breakdown of the redeveloper's costs attributable to the holdings proposed to be transferred for which the proposed transferee will reimburse the redeveloper. The breakdown shall be prepared and certified by a certified public accountant.
 - (5) A certificate executed by an appropriate officer of the redeveloper, stating that the redeveloper will realize no profit from the proposed transfer, and that the breakdown of costs submitted in support of the proposed transfer is accurate and correct. The certification shall contain a statement indicating that the signatories have full knowledge of 18 U.S.C. 1001.
 - (6) A statement executed by an appropriate officer of the redeveloper granting permission to the Agency and to the Federal government to inspect and audit the books and records of the redeveloper.
- d. Submission to HUD. If the proposed transfer of interest is acceptable to the Agency, it shall request HUD approval prior to the execution of any documents, submitting a copy of all materials submitted by the redeveloper and the proposed transferee, and, in addition:
- (1) Statement of Agency, (a) indicating that it has reviewed the information submitted by the redeveloper and the proposed transferee, (b) outlining the advantages to the project of the proposed transfer and, (c) recommending approval of the proposed transfer.

- (2) Opinion of Agency counsel indicating that the proposed transfer and the instruments intended to effect the transfer conform to all applicable local, State, and Federal legal and contract requirements.

76. RETENTION OF LAND TO PERMIT EARLY CLOSEOUT OF PROJECT. If, after having exhausted all reasonable promotional efforts, the Agency does not expect to be able to dispose of the remaining unsold project land because of circumstances beyond its control and a closeout of the urban renewal project would in the financial interest of the Federal Government, HUD may, in accordance with Handbook 7222.1, Project Completion, permit the Agency to retain the land for subsequent disposition for uses in accordance with the Urban Renewal Plan.
- a. Special Covenants. The retention of such land shall be subject to covenants requiring that:
- (1) The land shall be used only in accordance with the Urban Renewal Plan, and subsequent purchasers or lessees shall be subject to the same covenant.
 - (2) Subsequent purchasers or lessees of the land shall be obligated to begin and complete within a reasonable time the improvements required by the Urban Renewal Plan.
 - (3) The Agency and all its successors and assigns, in the performance of redevelopment or rehabilitation pursuant to the Urban Renewal Plan, shall comply with the equal opportunity requirements outlined in HUD guideforms for disposal contracts and leases.
- b. Reporting Requirements. Reporting requirements governing early closeout retentions are contained in HUD Handbook 7222.1. In particular, HUD approval is required prior to the post-closeout disposition of any project land.

77.-78. RESERVED

CHAPTER 6. RECORDS, REPORTS, AND MONITORING

79. MAINTENANCE OF RECORDS. The Agency shall maintain all records and reports, including copies of resolutions, reuse appraisals certifications, disposal agreements, offering documents, the Redeveloper's Statement for Public Disclosure (with affidavit of the publication of the notice publicizing it), and other documents concerning its land disposition activities, for at least three years after the project is completed and closed out. For the Neighborhood Development Program, which is funded on an annual basis, such records shall be maintained for at least three years after completion of the total program. A running record in summary form shall be kept showing major actions and items of information on each disposal parcel as follows:
- a. Parcel number or other identification.
 - b. Square footage of land area.
 - c. Reuse.
 - d. Appraisal report values and applicable dates.
 - e. Amount established as fair reuse value and date of approval.
 - f. Type of disposal (sale or lease) and method of selecting redeveloper.
 - g. Date of acceptance of disposal agreement by redeveloper.
 - h. Date of execution of disposal agreement by Agency.
 - i. Date of transfer of title, if by sale.
 - j. Date of transfer of possession, if by lease.
 - k. Term of lease.
 - l. Disposal price (or capital value of leased land).
 - m. Amount of real estate broker's sales commission.
80. NOTICE TO HUD WHEN DISPOSAL DOCUMENTS ARE EXECUTED. The Agency shall notify HUD when a sales agreement has been fully executed, a deed or lease has been delivered, a parcel has been dedicated, or a parcel is retained by the Agency for project use. This information, including dates of execution of documents, square footage and parcel reuse, may be consolidated and forwarded to HUD on a quarterly basis.

- a. Contents of Notice. The notice shall specify (1) the date of execution, retention or dedication, (2) type of agreement (contract, deed, resolution, or other agreement), (3) parcel number or description, (4) square footage of land area, (5) reuse, (6) disposal price, and (7) statement that the execution, retention, or dedication has been accomplished in accordance with the provisions of 7214.1 REV, HUD guideforms and all special conditions, if any, provided by HUD.
 - b. Opinion of Counsel. Accompanying the notification shall be an opinion of Counsel which states that the documents:
 - (1) Have been properly executed, delivered, and/or transfer of title or possession has occurred, in accordance with Federal, State and local law.
 - (2) Are valid and binding in all respects in accordance with the terms thereof.
 - (3) Are legally enforceable.
 - c. Submission of Executed Documents. Except for leases, the executed documents shall not be submitted, unless requested by HUD. When a lease is executed and delivered to the redeveloper, a certified copy shall be submitted to HUD accompanied by an Opinion of Counsel which includes the same statements as required for executed agreements or deeds.
81. HUD MONITORING OF AGENCY PERFORMANCE.
- a. HUD Examination of Agency Operations and Records. HUD staff shall make periodic site visits to examine Agency operations and records and to evaluate Agency disposition performance, including compliance with HUD policies and requirements. HUD may also require the Agency to submit necessary records and reports to the HUD Area Office for in-house evaluation purposes. HUD reviews will include, but are not limited to, the following:
 - (1) Reuse Appraisals and Marketing Reports. Review reuse appraisal (including review appraisal) and marketing reports -- not only for technical compliance with any contractual provisions but more importantly, for the validity of the appraisal estimates and the adequacy of the evidence and reasoning used.
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- (2) Contracts for Personal Services. Review the Agency's procedures for selecting appraisers, marketing and redevelopment consultants, real estate brokers and other persons providing technical services, including the terms and conditions of employment. Review the qualifications of those selected and determine if they have sufficient expertise to perform at the level required and are free from any conflict of interest.
 - (3) Real Estate Expertise. Evaluate the adequacy of the Agency's real estate expertise -- on its staff and under contract -- to carry out its land disposition functions.
 - (4) Sales Promotion. Review the Agency's adherence to its sales promotion timetable (paragraph 38), including all forms of advertising and the use of real estate brokers. Assess the effectiveness of the Agency's efforts to solicit prospective redevelopers.
 - (5) Low and Moderate Income Housing. Review the adequacy of, and Agency compliance with, its Housing Development Schedule (see paragraph 52a).
 - (6) Selection of Redevelopers. Review procedures for selecting redevelopers, including the methods of selection, provisions of invitations to bid, offering documents, disposal agreements and deeds. Determine whether disposal prices are not less than prescribed minimums (usually fair reuse value). For competitive price offerings, evaluate whether highest responsible bid was accepted. Examine whether mandatory provisions of HUD guideforms are included. Review the adequacy of the terms and conditions of disposal agreements and the Agency's and redeveloper's compliance therewith.
 - (7) Disposal Progress. Review current and past progress of the Agency in achieving its own disposal objectives and goals as outlined in its land disposition schedule (see paragraph 37), obstacles to future land disposition, the overall adequacy of the Agency's disposition schedule and its capacity to meet such schedule. Review reasons for slippage where goals are not met and the Agency's proposed actions for correcting problems encountered. Assess the Agency's probable future progress.
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- (8) Public Disclosure Statements. Review Redeveloper's Statements for Public Disclosure and evidence of proper publication of such disclosures.
 - (9) Transfer of Interest. Review all transfers of a re-developer's interest made prior to completing redevelopment to insure there has been no speculative profit.
 - (10) Agency Certifications. Review the accuracy and completeness of required Agency resolutions and certifications.
- b. HUD Actions Based Upon Monitoring Reviews. Using all information available, HUD will evaluate the Agency's current and past land disposition performance, including compliance with HUD policies and requirements, and assess its capacity to carry out its land disposition program in a timely manner. If HUD determines that irregularities exist, it will take appropriate action, including the determination that specified expenditures are not eligible for Federal financial assistance or the invoking of other sanctions as provided for in the loan and grant contract and under law. HUD will also take such other actions as it deems to be in the best interest of the project, including, but not necessarily limited to, requiring the Agency to:
- (1) Obtain additional reuse appraisals or marketing reports, utilize the services of specific appraisers or consultants, or discontinue the use of specific unqualified appraisers or consultants.
 - (2) Hire additional personnel experienced in real estate disposition activities.
 - (3) Engage in specified sales promotion activities, including, but not limited to, the utilization of private real estate brokers.
 - (4) Obtain advance HUD concurrences in specified Agency activities.

APPENDIX 1. GUIDELINES FOR ECONOMIC AND MARKET
ANALYSIS STUDY

1. PURPOSE. The Economic and Market Analysis Study (EMAS) is designed to provide information which will assist the Agency to indicate the potentially most effective and successfully marketable reuses for project land. It assists the Agency in determining appropriate and successful land reuses for the urban renewal area.
2. AVOIDING DUPLICATION. Duplication of analytic work previously carried out for the area shall be avoided. Appropriate parts of other studies of the area which are satisfactory to the Agency should be reproduced in the EMAS; findings developed in such studies shall be identified and summarized; and the scope of services shall be conformed accordingly.
3. SCOPE OF SERVICES. The contractor shall carry out an accurate, appropriately detailed market study of the urban renewal land, and shall consult with the Agency in preparing the study. The study shall include the conclusions and recommendations of the contractor, together with the data and analyses on which they are based, as to:
 - a. Type and character of the redevelopment uses for which the land is best suited, including appropriate allocation of land to each recommended use.
 - b. Any alternative uses or variations of the recommended uses which also would be suitable, including suggested allocations of land to such uses.
 - c. Suitability and marketability of the land for uses identified by the Agency as being desirable.
 - d. Marketability and probable rate of absorption of the land for each use for which the land is found to be suitable.
 - e. Identification of markets (local, regional or national) to be approached for sales purposes and the media to be used.
 - f. Identification of any obstacles to land disposal or redevelopment that should be overcome.

- g. Identification of any special studies, including feasibility of achieving objectives by rehabilitation, detailed market analyses, or engineering investigations of subsoil conditions, needed for the appraisal of the land or refinement of the land use proposals.
4. RELATIONSHIP OF PROPOSED REUSES TO LOCAL ECONOMY. This section shall include an investigation and analysis of major sectors of the local economy as to their survival and growth potential and also as to their susceptibility to cyclical and secular changes in the national economy. To the extent necessary, the EMAS shall deal with the relationship of the local economy to the regional and national economies.
5. ANALYSIS BY EACH REUSE. The EMAS shall describe the current and foreseeable land market, and its extent and characteristics for each principal reuse and subclassifications of uses. Ranges of various residential units, and commercial and industrial uses, shall be stated so that realistic density or use projections can be made. Each principal reuse shall be treated in a separate section. Each reuse section shall treat its subject extensively within its own context, and with the exception of appendix data, be self-contained as a report on its limited market.
6. SPECIFICITY AS TO PROPOSED USES. The EMAS findings shall be as specific as possible. Broad generalized use categories such as "residential," "commercial" and "industrial" are not adequate. Within each use category there are numerous alternative uses, and among alternative uses, there are broad ranges of use intensities. For example, a retail commercial use may be a neighborhood, sub-regional or regional shopping center; the nucleus of such a center may be a major department store. If commercial office space is suggested, it may be luxury, high-rise type, catering to a national market or less-expensive, low-rise, aimed at local firms. Industrial uses may be warehousing and distributing -- heavy manufacturing and assembly which require single story development or light assembly and manufacturing which permit multi-story development.
7. ANALYSIS OF REDEVELOPMENT POTENTIAL. The EMAS shall contain an analysis of the prospective redevelopment potential of the urban renewal sites for each category of reuses being considered by the Agency and for alternative reuses of equal or superior promise for redevelopment. The analyses shall consider with regard to each category of use the following:

- a. Current inventory of competitive space, noting characteristics as to type, quality, price and availability. Appropriate consideration shall be given to additional amounts under development or proposed for development.
 - b. Amounts of competitive space, by type, quality and price, developed and successfully absorbed during the past several years.
 - c. Anticipated future levels of absorption of the various uses by type, category, and price levels.
 - d. Basic economic characteristics of the locality and its potential for growth and development within the context of changes that are expected to occur in the area, regional and national economies.
 - e. Prospective demand from the standpoint of the SMSA market (sub-regional market, if no SMSA), the locality market, and the locality sector in which renewal effort is being carried out; the need for replacement of obsolescent and noncompetitive facilities and for maintenance of required vacancy levels.
8. TRANSLATION OF USE CATEGORIES TO LAND REQUIREMENTS. Prospective demand estimates for additional facilities shall be identified by price (rent) level, and by type of construction and land coverage associated with such prices and use requirements. The anticipated land requirements shall be stated in terms of acreage, and the prices that such acreage would warrant and support.
8. ADEQUACY OF DOCUMENTATION. The analysis of data leading to a description of the effective demand shall be shown. The forecast with its analytical basis shall be explained and defended. Appropriate submarkets shall be explored and analyzed. If rehabilitation is probable, the feasibility of rehabilitation shall be reflected. In providing the forecast of total demand and rate of demand, the supporting analysis would necessarily consider the existing and prospective sources of "competitive" sites.



APPENDIX 2. DISPOSAL BY LONG-TERM LEASE

1. AUTHORITY TO LEASE. Project land may be disposed of by long-term lease if the Agency is authorized to do so under State and local law and is able to, (a) pay into the project accounts the capital value of the leased land or (b) enter into a definitive loan agreement with HUD in order to borrow the funds needed to pay the capital value of the land into the project accounts. An Agency's invitation to prospective redevelopers may permit proposals to lease, proposals to purchase, or both.
2. DEFINITIONS.
 - a. Long-Term Lease. A lease for a period of time, usually more than 40 years but in no event less than 25 years. A lease for less than 25 years or for temporary and interim use of the land is not an authorized disposal.
 - b. Annual Rent. The amount stated in the lease agreement as payable by the lessee for the use of the land each year of the lease.
 - c. Public Charges. Charges, in addition to annual rent, required under the lease agreement to be paid by the lessee for real estate taxes or their equivalent, and other taxes, assessments, and similar charges levied on the land.
 - d. Capital Value. The value of the land imputed from the annual rent.
 - e. Definitive Loan. A loan provided under a Federal contract to enable the Agency to finance the payment of the capital value of the leased land, or the unpaid portion thereof, into the project accounts. This loan may be obtained by the sale in the open market of bonds which are secured by the full faith and credit of the United States, or through a direct loan made by HUD. (See 7215.1, Financing and Financial Reports, chapter 4, section 5.)
3. SMALL LOT PROHIBITION. When definitive loan financing is used, leasing shall not be used for the disposal of small subdivision lots for individual housing units or small scale industrial or commercial lots. This prohibition also applies to the leasing of a larger tract of land for subdivision into small lots.

4. STANDARD FORM OF LEASE AGREEMENT (FORM HUD-3150). Form HUD-3150, Standard Form of Lease Agreement, shall be used for each lease of urban renewal land.
- a. Description of Standard Form. Form HUD-3150 consists of two parts as follows.
- (1) Form HUD-3150A. This form, Part I of Standard Form of Lease of Land for Private Redevelopment, contains provisions applicable to a particular transaction, e.g., names of parties, amount of rent, lease term, identification of the Urban Renewal Plan, and description of land involved.
- (2) Form HUD-3150B. This form, Part II of Standard Form of Lease of Land for Private Redevelopment, contains provisions which are of general applicability. Modifications of the provisions of Part II are set forth in the appropriate portion of Part I.
- b. Modifications to Standard Form. Except as provided in subparagraphs (1) through (4) below, all substantive modifications or additions to the standard form require prior HUD concurrence. However, if HUD insurance or subsidies will be used, sections 5 and 12 of Form HUD-3150A, and sections 203, 507, 801, 802, 803, 901(f), 1101, 1102, 1103, 1201, 1203, and 1401 of Form HUD-3150B cannot be waived.
- (1) Site Preparation. The site preparation standards in Section 301 of Part II shall be modified if necessary to conform them to the standards set forth in the applicable demolition and site preparation contracts.
- (2) Commencement of Annual Rent. The standard form provides for the annual rent to commence with the commencement of the lease term, which ordinarily begins on the date on which the lessee is granted possession of the leased premises. However, the standard form may be modified to defer commencement of the annual rent for the period deemed necessary for the redeveloper to secure approval of construction plans and construction financing. During such period a reduced monthly amount should be charged to cover the Agency's direct costs for the land involved, such as taxes and maintenance charges.
- (3) Description of Land. Schedule A to Part I shall contain a legal description of the parcel covered by the lease. If the parcel is part of a larger tract which has been

- subdivided (to facilitate mortgage financing or for other purposes) and which is covered by several leases with the redeveloper, Schedule A shall include reference to the other leases and to the parcels covered by those leases.
- (4) Option to Purchase. Section 1201 may be modified to provide for payment of a purchase option fee as described in paragraph 8 below.
5. DETERMINATION OF MINIMUM ANNUAL RENT. The minimum annual rent is the greater of, (a) the fair annual rental value, or (b) an amount sufficient to pay the principal and interest on any definitive loan which may be used to finance the payment of the capital value of the land into the project accounts. The fair annual rental value is based upon the fair reuse value of the land in fee at the time of the lease and the current annual rate of rent applicable to the locality.
6. DETERMINATION OF CAPITAL VALUE. The capital value shall be determined by dividing the annual rent by the current annual rate of rent. The capital value of the actual annual rent determined in this way provides a valid basis for comparing the proposed lease with offers to purchase. The capital value must not be less than the fair reuse value of the land in fee at the time the lease agreement is executed.
7. PURCHASE OPTION.
- a. Minimum Option Price. The lease agreement may provide for an option by the lessee to purchase the fee title to the leased land. The purchase price may escalate in accordance with an appropriate schedule, provision for fair reuse value determination, or other test. However, at no time shall it be less than the capital value of the land at the time the lease agreement is executed. Compensation, in excess of the capital value of the land, which is paid to the Agency as a result of an escalation clause, shall be treated as disposal proceeds and returned to the project or NDP, if received prior to project closeout.
- b. Periodic Payments Toward Purchase Price. Rent payments under the lease agreement may not be applied in any way to the subsequent purchase of the land by the lessee. However, the lease agreement may provide for specified periodic payments, in addition to the annual rent, to be credited as payments on the purchase option price. The lease may provide for the refund of such payments if the purchase option is not exercised.

- c. Definitive Loan Requirement. If a definitive loan will be used, the lease agreement shall provide that the redeveloper will actually pay not less than the larger of, (1) the purchase option price stated in the lease agreement, or (2) the amount, as described in subsection b of section 1201 of Form HUD-3150B, which is required to redeem outstanding definitive loan bonds.
8. PURCHASE OPTION FEES AND BONUS PAYMENTS. A lease agreement may provide for an initial payment of a lump-sum amount to the Agency for any of the purposes outlined in subparagraphs a, b and c below. A payment of this nature shall be treated as disposal proceeds and returned, in addition to capital value, to the project.
- a. Consideration for a purchase option granted to the redeveloper.
- b. Compensation for incremental land value increases which may take place between lease execution and exercise of the purchase option.
- c. Consideration, in addition to annual rents and public charges, as a bonus for entering into an agreement to lease.
9. SUBMISSION REQUIREMENTS. Prior to execution of a long-term lease agreement, the Agency shall submit for HUD concurrence the following:
- a. The proposed lease agreement. Usually, this may be accomplished by submitting Part I, which also contains any modifications and additions to Part II. HUD concurrence shall then be subject to the condition that Form HUD-3150B will be used as Part II of the contract.
- b. Statement of the fair reuse value of the land, the current annual rate of rent applicable to the community, and the minimum annual rent.
- c. Certified copy of resolution of governing body or certification by authorized official, stating that the proposed capital value of the land is not less than its fair reuse value and that the minimum annual rent is not less than the fair annual rental value. If a purchase option is provided, the resolution or certification shall state that the option price is not less than the proposed capital value of the land.
- d. If definitive loan financing will not be used, adequate documentation of alternative financing sufficient to insure payment of the capital value of the land into the project accounts.

APPENDIX 3. LIST OF AVAILABLE HUD GUIDEFORMS

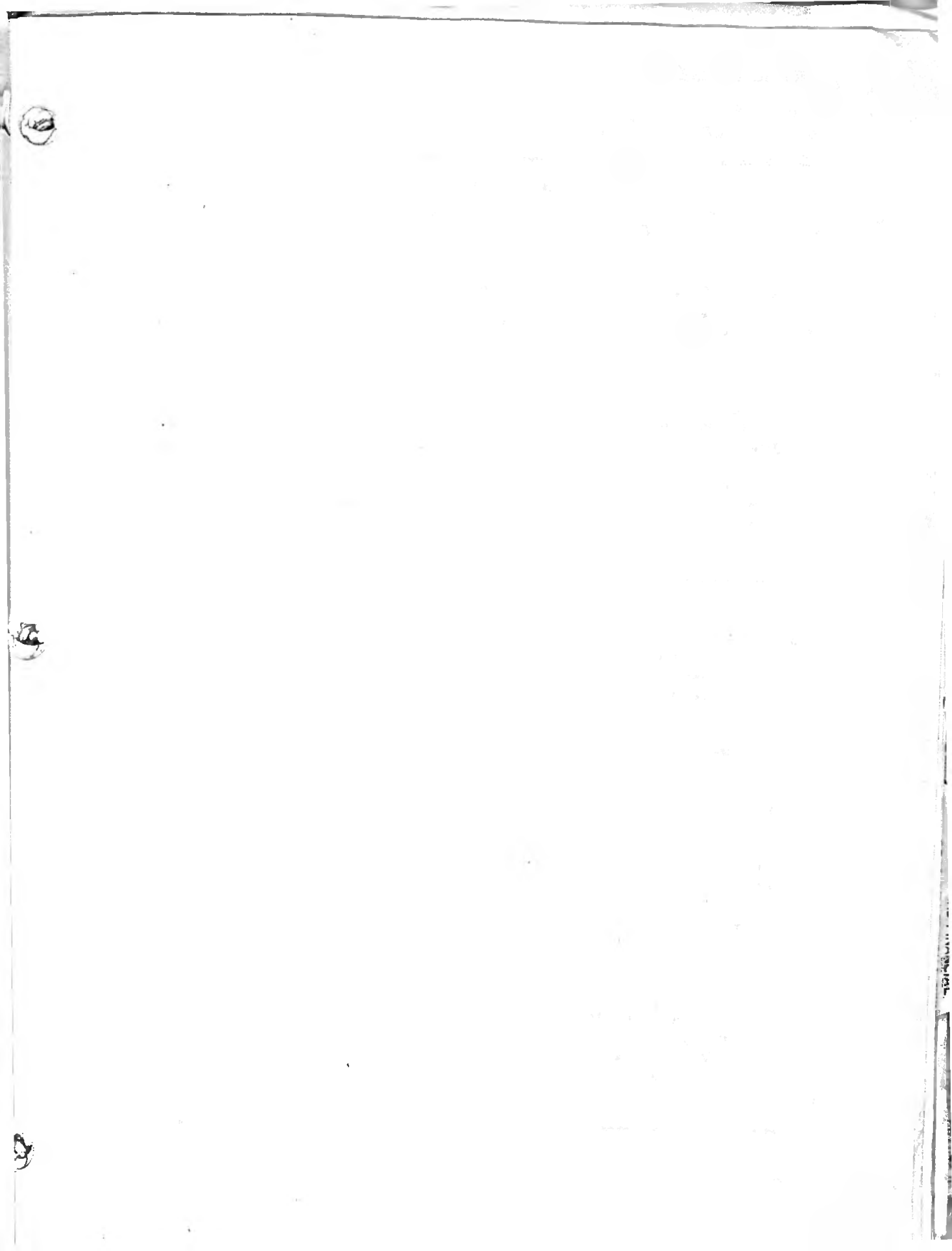
1. Form HUD-324, Form of Contract for Reuse Appraisal of Redevelopment Sites.
2. Form HUD-621, consisting of:
 - a. Form HUD-621A, Guide Form of Part I of Contract for Professional or Technical Services.
 - b. Form HUD-621B, Contract for Professional or Technical Services -- Part II - Terms and Conditions.
3. Form HUD-3150, consisting of:
 - a. Form HUD-3150A, Part I of Standard Form of Lease of Land For Private Redevelopment.
 - b. Form HUD-3150B, Part II of Standard Form of Lease of Land For Private Redevelopment.
4. Form HUD-6004 (long form) and Form HUD-6004A (short form) both entitled, Redeveloper's Statement for Public Disclosure (Part I) and Redeveloper's Statement of Qualifications and Financial Responsibility.
5. Form HUD-6124, Guide Form of Contract for Architectural Services for Preparation of Illustrative Plans for Low- and Moderate-Income Housing (Part I). This form is used in conjunction with Form HUD-621B.
6. Form HUD-6209, consisting of:
 - a. Form HUD-6209A, Part I of Standard Form of Contract For Sale of Land for Private Redevelopment.
 - b. Form HUD-6209B, Terms and Conditions, Part II of Contract for Sale of Land For Private Redevelopment.
 - c. Form HUD-6209C, Instructions and Explanatory Notes for Form HUD-6209, Standard Form of Contract for Sale of Land for Private Redevelopment.
7. Form HUD-6209D, Guide Form of Deed for Sale of Land For Private Redevelopment.
8. Form HUD-6213, Guide Form of Contract For Sale of Land For Redevelopment by a Public Body.

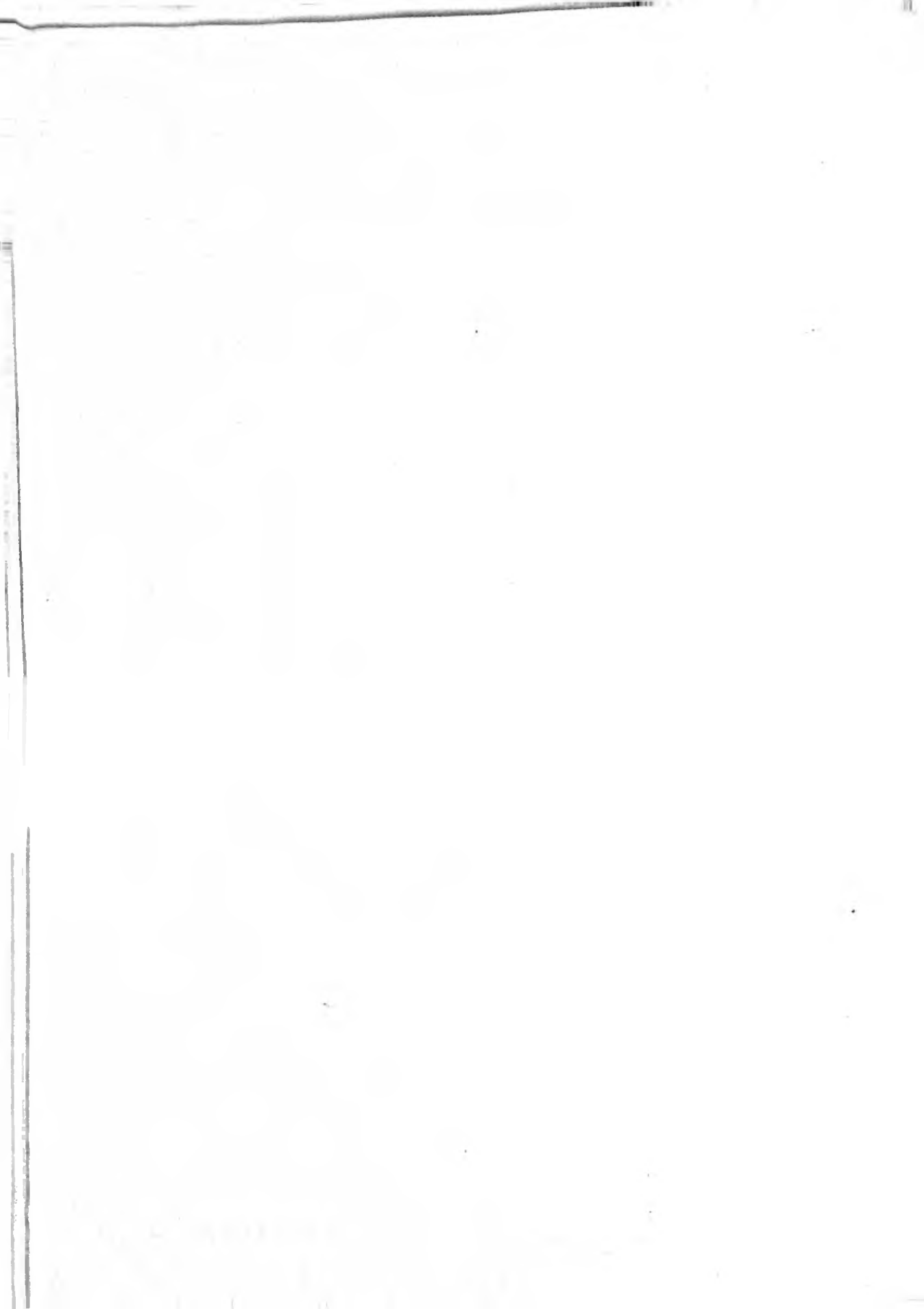
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9. Form HUD-6214, Guide Form of Contract for Sale of Land Having a Reuse Value Under \$30,000 to Individual, Corporate, and Other Purchasers. (This form may now be used for sales under \$60,000.)
10. Form HUD-6216, Contract For Sale of Land to Redevelopers for "Turnkey" Low-Rent Public Housing Project.





CHAPTER 1. LAND MARKETING POLICY AND GENERAL REQUIREMENTS

SECTION 1. OBJECTIVES AND POLICY

1. SUBMISSION REQUIREMENTS. As a convenient overview of general LPA submission requirements in the marketing process, Appendix 1 to RHM 7214.1 provides a summary listing, and sequence, of the items to be submitted to HUD. In addition, Appendix 2 provides a chart of the required number of copies.
2. LAND DISPOSAL PREPARATIONS. Realization of the redevelopment contemplated by the Urban Renewal Plan is the principal objective of the LPA's land disposal activities. The LPA shall schedule its preparations for disposal, including sales promotion activities, so that it will be in a position to consummate disposals and to get the redevelopment underway by the time the land is acquired and made ready for redevelopment. The LPA shall:
 - a. Afford potential redevelopers the opportunity to make their interest known.
 - b. Consummate disposals of project land in a fair and equitable manner and assure that they are open, in one way or another, to public scrutiny. The disposal methods described in RHM 7214.1, Land Marketing and Redevelopment, Chapter 4, provide ways to achieve this purpose.
 - c. Adopt effective measures to prevent redevelopers from speculating in landholding.
3. LOCAL GRANTS- IN-AID. Land may not be disposed of to a private redeveloper who has provided or proposes to provide a local grant-in-aid to the project, except in the case of (1) a non-profit institution which will redevelop the land for nonprofit institutional use as defined in RHM 7214.1, Land Marketing and Redevelopment, Chapter 4, Section 3, or (2) a Section 112 eligible donor (see RHM 7216.1, Local Grants-in-Aid, Chapter 2, Section 3).
4. DISPOSAL PRICE
 - a. Fair Value Requirement. Each disposal of land, except disposals under Section 107 for low-income housing, shall be at a price that is not less than the fair value of the land for uses in accordance with the Urban Renewal Plan.

The value shall reflect both the advantages created by the project and the requirements and limitations on land uses to be imposed on the redeveloper by the Urban Renewal Plan.

- b. Public or Nonprofit Institutional Use. When land is to be devoted to a public or nonprofit institutional use, the fair value of the land shall be based on its value for the most suitable alternative private use or uses for the land. An assumed private use must be compatible with the land uses permitted by the Urban Renewal Plan for the remainder of the urban renewal area. A valuation so derived always shall leave the project at least as well off financially as it would be if the land had been designated for private redevelopment.
 - c. Adjustment for Project Improvements. In some cases it may be appropriate to assume that the project improvements would differ from those actually to be provided. In such cases, it may be necessary to adjust the private-use value to take into account the estimated difference in the cost for project improvements.
 - d. Parcels Undesirable for Private Development. If the characteristic of the parcel would make it undesirable for private development, the value shall be consistent with the private-use value of adjacent land having characteristics appropriate for private redevelopment, as, for example, in determining value for a highway right-of-way.
5. USE OF APPRAISERS AND REAL ESTATE CONSULTANTS. The LPA shall avail itself of the services and specialized skills of appraisers, market analysts, special legal counsel, and real estate marketing consultants to the extent, and in the manner, reasonably necessary to make informed judgments.
 6. STATE AND LOCAL LAW. If any State or local law prevents the LPA from complying with a requirement of RHM 7214.1, Land Marketing and Redevelopment, the LPA shall inform the Area Office of the conflicting provisions and its proposal for eliminating the conflict.

* justify and substantiate the determination of fair reuse value for parcels for which the proclaimer procedure is used at any time that it may be challenged. All other procedures and documentation described in Urban Renewal Handbook RHM 7214.1, shall apply, including Area Office clearance of Form HUD-6004 (or HUD-6004A), Redeveloper's Statement for Public Disclosure and Redeveloper's Statement of Qualifications and Financial Responsibility. When residential use is involved and the LPA is utilizing the proclaimer procedure, the LPA shall determine that the reuse appraiser is acceptable to the local HUD-FHA Insuring Office, and submit a request to the local Insuring Office three months prior to an offering for: *

- (1) An Insuring Office market reservation of the number of dwelling units an Insuring Office is willing to issue commitments to insure.
- (2) The maximum dollar amount an Insuring Office is willing to attribute to the land for mortgage insurance purposes.

The request will include the amount the LPA designates to be the fair reuse value together with the appraisals, maximum number of units permitted by the urban renewal plan and related documentation. In the case of Section 107(a) valuation subject to the Valuation Circular dated 10/28/68, the LPA should follow the proclaimer procedure after receipt of the Insuring Office price.

If the LPA and the local Insuring Office are unable to agree as to value consistent with Section 3b above (or if the value under Section 107(a) is less than \$500 per dwelling unit), the matter will be referred to HUD for resolution.

- c. Procedure for Project Land Not Covered by Proclaimer. For parcels of project land to be disposed of which are not covered by the proclaimer procedure, as described above, the procedure in Urban Renewal Handbook RHM 7214.1, Chapter 4, Section 1, for prior HUD concurrence in fair value is still applicable.

- * 4. THIRD APPRAISAL WITHOUT HUD CONCURRENCE. In cases where the highest acceptable appraisal exceeds the lowest acceptable appraisal by more than 15 percent, or, for each parcel for which the lowest acceptable appraisal is less than \$7,500, where the highest acceptable appraisal exceeds the lowest acceptable appraisal by more than 25 percent, the LPA may contract for a third appraisal without HUD approval to obtain the third appraisal provided Form HUD-324, Form of Contract for Reuse Appraisal of Redevelopment Sites, is used without modification and sufficient funds are available in the budget for such appraisal. After *

* receipt of the third appraisal, the LPA, at its option, is permitted to use any two of the three appraisals which are within 15 percent of each other or, for each parcel for which the lowest acceptable appraisal is less than \$7,500, which are within 25 percent of each other. With regard to such two appraisals, the LPA may use the proclaimer procedure as it would have been used if the two appraisals to be used had been the two original appraisals.

If after the third appraisal no two of the three appraisals are within 15 percent of each other, or for each parcel for which the lowest acceptable appraisal is less than \$7,500, are within 25 percent of each other, the HUD concurrence procedure should be used.

*

APPENDIX - PROCLAIMER CERTIFICATE
RELATIVE TO ESTABLISHMENT OF FAIR REUSE VALUE

(INSTRUCTIONS: Submit one signed copy with a copy of the general resolution to HUD. Retain one signed copy in LPA files, together with any supporting documentation necessary to support the certification.)

I, _____, the duly appointed, qualified, and acting /Executive Director/ of /Name of Local Public Agency/, herein called the "Local Public Agency," hereby certify that I have been authorized, by Resolution No. _____, duly adopted by the /Governing Body/ of the Local Public Agency at a /regular/special/ meeting on _____ (Date) _____, as set forth in the minute book on file at _____, to make the following certification and that the statements contained herein are true and correct to the best of my knowledge and belief:

- * 1. Each parcel in /Name/ Urban Renewal Area, Project No. _____, listed in this proclaimer certificate has been appraised by at least two qualified, independent, professional real estate appraisers and a written and signed copy of each such appraisal is contained in the Local Public Agency files. *
- /a. The procedures in the RHM Handbook calling for coordination with FHA on the establishment of reuse value for residential property have been followed./
2. Each such appraisal has been reviewed by /Names/ /a qualified Local Public Agency staff appraiser or a qualified real estate appraiser under contract to the Local Public Agency/ and all corrections, revisions, or additions requested by such reviews have been made by the original appraisers.
3. The reviewer has prepared a written report which indicates that the appraisals are complete and consistent in the factual data contained therein, comply with existing statutory and administrative requirements of the U.S. Department of Housing and Urban Development and are acceptable for the determination of fair value.
4. Based upon such appraisals and the review thereof, the Local Public Agency has established the fair value, for the reuse indicated, of the parcels listed below within the _____ urban renewal area and all documentation related to such determination is contained and readily available in the Local Public Agency files.

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- * 5. The sum of the following is not less than the amount included for disposition proceeds in the latest approved financing plan as approved by HUD on _____ (Date) _____ :
- a. Sales proceeds from the sale of property previously conveyed.
 - b. Fair reuse values previously approved by HUD for properties not conveyed.
 - c. Fair reuse values previously established by the LPA for property not conveyed but included in prior proclaimer certificates.
 - d. Fair reuse values established by the LPA for property included in the proclaimer being filed.
 - e. The disposition prices of the remaining properties to be conveyed as those prices were estimated for the purpose of the above mentioned approved financing plan.

LISTING OF PARCELS TO BE SOLD

PARCEL NUMBER	AREA IN SQUARE FEET	USE

*

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Any false statement made knowingly herein may subject the signer to civil penalties under Section 231 of Title 31 of the United States Code and, if such statements are made willfully and knowingly, to conviction for a felony under Section 1001 of Title 18 of the United States Code.

Date

/Name of Executive Director/
Executive Director
/Name of Local Public Agency



APPENDIX - PROCLAIMER CERTIFICATE
RELATIVE TO LPA STAFF APPRAISAL
AND REUSE VALUE OF FRAGMENTS OF PROPERTY

(INSTRUCTIONS: Submit one signed copy with a copy of the general resolution to HUD. Retain one signed copy in LPA files, together with any supporting documentation necessary to support the certification.)

I, _____, the duly appointed, qualified, and acting /Executive Director/ of /Name of Local Public Agency/, herein called the "Local Public Agency," hereby certify that I have been authorized, by Resolution No. _____, duly adopted by the /Governing Body/ of the Local Public Agency at a /regular/special/ meeting on _____ (Date) _____, as set forth in the minute book on file at _____, to make the following certification and that the statements contained herein are true and correct to the best of my knowledge and belief:

1. Parcel No. _____, in the /Name of Urban Renewal Project/ Area Project No. _____, containing an area of _____ square feet, has been found by /Name of Staff Appraiser/ to possess a fair value of \$ _____.
2. /Name of Staff Appraiser/ is a qualified real estate appraiser on the staff of the Local Public Agency.
3. Written valuation data, supporting the fair value so determined, was prepared by or under the supervision of the above-named staff appraiser, was completed no later than _____, 19____, and is in the custody of the Local Public Agency. Such written valuation data also contains the finding that Parcel No. _____ is a fragment or jib parcel comprising vacant land not separately buildable in accordance with the Urban Renewal Plan.
4. The Governing Body of the Local Public Agency has on _____, 19____, adopted a resolution approving the above-named staff appraiser's valuation as the fair value of said Parcel No. _____ for its disposition by sale or lease or by retention by the Local Public Agency.

Any false statement made knowingly herein may subject the signer to civil penalties under Section 231 of Title 31 of the United States Code and, if such statements are made willfully and knowingly, to

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conviction for a felony under Section 1001 of Title 18 of the United States Code.

Date

/Name of Executive Director/
Executive Director
/Name of Local Public Agency/

CHAPTER 1. LAND MARKETING POLICY AND GENERAL REQUIREMENTS

SECTION 2. REAL ESTATE SERVICES

1. TYPES OF REAL ESTATE SERVICES. Real estate services obtained by contract in carrying out the land disposal program in the planning and execution stages include:
 - a. Land utilization and marketability study and consulting services (see RHM 7214.1, Land Marketing and Redevelopment, Chapter 2, Section 2). HUD concurrence in the contract is required.
 - b. First appraisal of land for use in accordance with Urban Renewal Plan (see RHM 7214.1, Land Marketing and Redevelopment, Chapter 2, Section 2). HUD concurrence in the contract normally is not required.
 - c. Special market analyses, if required (see RHM 7214.1, Land Marketing and Redevelopment, Chapter 2, Sections 2 and 3). HUD concurrence is required.
 - d. Engineering investigations of subsoil conditions, if needed (see RHM 7214.1, Land Marketing and Redevelopment, Chapter 2, Sections 2 and 3). Procedures for contracting for these services are in RHM 7217.1, LPA Administration, Chapter 2.
 - e. Second appraisal of land for disposal, to be obtained in the planning stage for disposals to be consummated before submitting the Part II or Combined Part I-II Loan and Grant Application, and in the execution stage for the remainder of the land (see RHM 7214.1, Land Marketing and Redevelopment, Chapter 2, Section 3). HUD concurrence in the contract normally is not required.
 - f. Supplements to existing appraisals, if needed to update the first appraisal or to conform either or both of the appraisals to changes in the land use plan (see RHM 7214.1, Land Marketing and Redevelopment, Chapter 2, Section 3). HUD concurrence normally is not required.
 - g. Appraisals in addition to the first and second appraisals, when needed by either the LPA or HUD for evaluating a disposal (see "Additional Appraisals" below).

- h. Land marketing study and consulting service, if needed (see RHM 7214.1, Land Marketing and Redevelopment, Chapter 2, Section 3). HUD concurrence is not required.
- i. Services of real estate brokers, to be obtained in the execution stage if used in marketing land. Listings or other arrangements for participation of brokers on an open non-exclusive basis do not require HUD concurrence. HUD concurrence is required for an agreement giving a broker an exclusive listing or an exclusive right to sell.
2. SELECTION OF APPRAISERS AND CONSULTANTS. Appraisals shall be obtained from professional appraisers in private practice, unless HUD has concurred in the procurement of appraisals from a different source. An LPA staff appraiser, however, determined by the LPA to be qualified, may appraise "fragments" of property that are not separately buildable in accordance with the Urban Renewal Plan. In such cases, the LPA staff appraisal report may be submitted in lieu of the private appraisal reports required in RHM 7214.1, Land Marketing and Redevelopment, Chapter 4, Section 1, in support of a request for HUD concurrence in a proposed sales price. Appraisers, real estate consultants, and market analysts shall be selected on the basis of their qualifications to perform the particular services to be provided under the contract. The selection of appraisers and consultants need not be by competitive bidding unless required by State or local law.
3. SELECTION OF APPRAISERS FOR RESIDENTIAL LAND APPRAISALS. Selection of reuse appraisers for residential land appraisals for the reuse value of residential land shall be performed only by contract appraisers acceptable both to the LPA and to the HUD-FHA Insuring Office. For this purpose, the LPA shall furnish to the Insuring Office, for its concurrence, a list of acceptable appraisers of residential land. Appropriate distinction may be made between acceptable appraisers for single-family and for multifamily residential reuse. Insuring Office concurrence is not required for the reuse appraisers of any nonresidential property. The LPA shall furnish an information copy of the list, and any subsequent changes mutually agreed upon between the LPA and Insuring Office, to the Area Office.
4. AWARD OF REAL ESTATE SERVICE CONTRACTS WITHOUT CONCURRENCE. The LPA may contract for appraisal and other real estate services of the types designated above as not requiring HUD concurrence provided the contract does not necessitate an increase in the budget line item for the service involved. The LPA's files shall contain a full record of its actions, as required below in paragraph 6.

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5. CONTRACTS REQUIRING PRIOR HUD CONCURRENCE. For contracts requiring HUD concurrence, the LPA shall submit:
- a. Two copies of the proposed contract.
 - b. Explanation of the deviations from Form HUD-324, if the contract is for appraisal services.
 - c. Explanation of the need for any services specified in the contract but not required by HUD.
6. EVIDENCE SUPPORTING REAL ESTATE SERVICE CONTRACTS. The LPA shall maintain in its files a full record of all actions with respect to its selection of the appraiser or consultant and its award of the contract, including:
- a. Resolution of the governing body of the LPA authorizing the contract.
 - b. If more than one appraiser or consultant was considered, identification of all who were considered, summary of the bids or proposals received, and, if the low bid was not accepted, the considerations that governed the selection of the contractor.
 - c. If only one appraiser or consultant was considered, explanation of the basis for the selection.
 - d. Statement of the actions taken to ascertain the prevailing rates in the locality for equivalent services, and the basis for the LPA's determination of the compensation provided in the contract.
 - e. Signed statement by the contractor setting forth his qualifications and experience background for performing the services. If State or local law requires registration or licensing of the contractor, the statement shall show registration or license number. The statement of an appraiser shall include citation of specific experience in appraising properties of the type involved.
 - f. Signed statement of the contractor that no conflict of interest is involved in the performance of the services. The statement of an appraiser shall conform to the conflict-of-interest provision of Form HUD-324.
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7. EVIDENCE SUPPORTING APPRAISAL CONTRACTS FOR APPRAISERS DESIGNATED BY HUD. Only Items d, e, and f in paragraph 6 above are required for appraisal contracts with appraisers designated by HUD.
8. EQUAL EMPLOYMENT OPPORTUNITY REQUIREMENT. All third-party contracts shall include the mandatory paragraphs relating to nondiscrimination in employment. For language to be used for appraisal services see Form HUD-324. Form of Contract for Reuse Appraisal of Redevelopment Sites. For other real estate services, see Form HUD-621B, Contract for Professional or Technical Services Part II. The term "appraiser" should be changed to "consultant" when different services are required.
9. CONTRACTS OR AGREEMENTS WITH PUBLIC AGENCIES. Arrangements for the procurement of real estate services from another public entity shall be made in accordance with RHM 7217.1, LPA Administration, Chapter 2.
10. CONSULTATION AND ASSISTANCE FROM OTHER LPA'S ON LAND DISPOSITION PROGRAM. Where an LPA wishes consultation and assistance from another LPA Executive Director or staff member for the purpose of expediting the land disposition program in planning or execution, the costs incurred will be considered eligible expenses to the project requiring the service. Arrangements for the services shall be in accordance with RHM 7217.1, Chapter 2, between Local Public Agencies and not the individual(s) involved.
 - a. Short-term Visits. It is intended that the type of service to be provided is that which the Area Office cannot supply and is not to be a substitute for professional consultants. Relatively short-term visits are visualized.
 - b. Documentation. Before proceeding with the arrangements given above, the LPA shall have obtained and have on file:
 - (1) A resolution of the governing body determining the need for on-the-job disposition consultant service.
 - (2) A written opinion by counsel for each affected LPA that such contractual arrangements for consultation are authorized under State and local law.
 - c. Use of Area Office in Finding This Expertise. Should the requesting LPA not have knowledge of an available individual having the expertise or skill necessary in the particular field desired, it shall confer with the Area Office for assistance in finding such individual.

11. COMPENSATION. Compensation for reports shall be a lump sum or separate lump-sum amounts for specific services. Lump-sum fees shall include all services, supplies, and expenses of the contractor. Compensation for reports or consulting services shall not be contingent on, nor based on, the amount of valuations or other findings of the contractor. Per diem compensation may be provided for consulting or advisory services on an intermittent or temporary basis or for court testimony. Real estate brokerage commission rates shall be at rates not exceeding those customary in the locality for equivalent services.
12. ADDITIONAL APPRAISALS.
- a. LPA Request for Additional Appraisal. HUD may require additional appraisal, it shall obtain HUD concurrence before contracting for the appraisal.
 - b. Designation of Appraisers. Appraisals in addition to the two required for each disposal parcel shall be obtained from appraisers designated by the Area Office when HUD requests the appraisal, and from appraisers selected by the LPA when the LPA initiates the request.
 - c. HUD Designation of Appraisers. When HUD requires an additional appraisal, HUD will advise the LPA of its designation of appraisers and the scope of their services. HUD will approve a revision of Form HUD-6220, Project Expenditures Budget, if necessary to cover the cost of additional appraisals that it requires.
 - d. Effect of Proclaimer Procedure. See Circular RHM 7214.1, Proclaimer Certificate Relative to Establishment of Fair Reuse Value, for certain revised requirements concerning additional appraisals.



CHAPTER 2. PREPARATION FOR LAND MARKETING

SECTION 2. PLANNING STAGE

1. LAND USE STUDY TO GUIDE FORMULATION OF URBAN RENEWAL PLAN.

Forecasting the reuse potential of the land is an essential first step in planning the project. To provide a realistic basis for the formulation of the Urban Renewal Plan, the LPA shall obtain a land utilization and marketability study by contract with a competent real estate appraiser or consultant. The only exceptions to this requirement are projects in which all of the land is to be redeveloped for public or nonprofit institutional uses.

- a. Timing. The study shall be contracted for so that the study will begin not later than the planning work.
- b. Sound Basis for Selecting New Land Uses. The scope of the services shall be devised so that the report and consultations of the contractor will furnish the LPA and its planners a sound basis for selecting the new land uses.
- c. Conferences between Consultant and LPA. The contract shall obligate the appraisers or consultant to confer with the LPA and its planners on any land use and land marketability questions affecting the formulation of the Urban Renewal Plan.
- d. Content of Land Use Marketability Study. The contract also shall require the contractor to furnish the LPA a land utilization and marketability study. The specifications for the study generally shall conform to the following outline but may include modifications or additional requirements to adapt the general requirements to the particular project. The report shall include the conclusions and recommendations of the contractor, together with the data and analyses on which they are based, as to:
 - (1) Type and character of the redevelopment use or uses for which the land is best suited.
 - (2) Appropriate allocation of land to each recommended use.
 - (3) Any alternative uses or variations of the recommended uses that also would be suitable, including suggested allocations of land to such uses if selected.

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- (4) Marketability and probable rate of absorption of the land for each use for which the land is found to be suitable.
 - (5) Suitability and marketability of the land for any use or uses identified by the LPA as being desirable.
 - (6) Need for any further studies of the feasibility of achieving the objectives of urban renewal by rehabilitation efforts in any part or parts of the project area.
 - (7) Identification of any obstacles to land disposal or redevelopment that should be overcome in formulating the Urban Renewal Plan.
 - (8) Identification of any special studies, detailed market analyses, or engineering investigations of subsoil conditions needed for the appraisal of the land or refinement of the land use proposals.
2. SPECIAL MARKET ANALYSES. The proposed Urban Renewal Plan must be supported by evidence of marketability sufficient to justify a conclusion that the land is marketable for redevelopment in accordance with the Plan and can be disposed of within a reasonable time. The land utilization and marketability study, as well as the subsequent appraisals of the project land, in most cases should satisfy this requirement. However, if the formulation of the Urban Renewal Plan involves difficult land use determinations or questions as to the marketability of either the land or the contemplated redevelopment, a special market analysis may be necessary.
- a. Transient Housing Study. If the Urban Renewal Plan, or an amendment thereof, permits new construction of hotel or other transient housing accommodations on any land to be made available by the project for redevelopment, an appraisal or a separate market study must provide a competent independent analysis of the local supply of such housing.
 - b. Engineering Investigation of Subsoil Conditions. When the marketability or value of land for contemplated uses depends on an engineering investigation of subsoil conditions, the engineering investigation shall be made as soon as practical. If right of entry on the land to make the investigation cannot be obtained without cost or at a reasonable cost, the analysis of subsoil conditions usually may be deferred until the land is acquired. If it is necessary to defer an engineering investigation, the appraisals obtained in the planning stage may be made on a plausible assumption as to soil conditions.

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- c. Use of Report by Appraiser. When a special market analysis or engineering report is obtained, the report shall be made available to the appraiser who appraises the land affected by the report.
3. APPRAISALS. When the LPA has determined proposed land uses to be permitted under the proposed Urban Renewal Plan, the LPA shall obtain an appraisal or estimate of appraisal of the land. (See Paragraph 7 of this Section.) The appraisal report shall be prepared in accordance with Form HUD-324, Form of Contract for Appraisal of Redevelopment Sites. Any revision of the scope of services or other provision of Form HUD-324 shall be made only after receiving the concurrence of the Area Office.
- a. If the appraisal involves a difficult problem of marketability, the LPA shall obtain the services of an appraiser who is qualified to provide the required market analysis as well as the appraisal.
- b. The appraisal provides the principal basis for the LPA's estimate of proceeds from land disposal to be entered on Form HUD-6200, Project Cost Estimate and Financing Plan. The appraisal also shall be used by the LPA to ascertain whether the analysis or conclusions of the appraiser justify any revision of the proposed Urban Renewal Plan.
- c. If a site is to be made available for low or moderate income housing, see RHM 7214.1, Land Marketing and Redevelopment, Chapter 3, Sections 2 and 3, for special Valuation Standards.
- d. Selection of reuse appraisers for residential land shall be performed by appraisers acceptable to the LPA and the HUD-FHA Insuring Office. See RHM 7214.1, Land Marketing and Redevelopment, Chapter 1, Section 2, for policies relating to employment of appraisers and other consultants.
- e. For number of copies of each report or appraisal to be submitted, see RHM 7214.1, Land Marketing and Redevelopment, Appendix 2.
4. CONSULTATION WITH HUD-FHA AND OTHER HOUSING OFFICIALS. If the project contemplates residential development, the LPA shall follow the policies and procedures in Section 4 of this Chapter. At mid-planning conference for projects that will involve predominantly residential reuses, the LPA shall arrange for representatives from the LHA, and HUD specialists for low and moderate income housing to be present to furnish expert advice about the suitability of providing low and moderate income housing in the project area.

5. SUBDIVISION OF PROJECT LAND. The LPA shall prepare a preliminary subdivision plat of the project land. The plat may be based on the Property Map (see RHM 7208.1, Real Estate Acquisition, Chapter 3) or other available information obtained without surveying the land. The plat shall show the boundaries of areas according to redevelopment use and any preliminary subdivision of these areas into disposal parcels. The approximate dimensions of each parcel or area shall be shown. Public utility easements, both existing and newly created, that will encumber the project land shall be shown. The plat shall also provide a tabulation showing for disposal parcel:
- a. Parcel number.
 - b. Area in square feet.
 - c. Use permitted by the Urban Renewal Plan.
6. LAND DISPOSAL REQUIREMENTS IN URBAN RENEWAL PLAN.
- a. LPA Review and Approval of Redevelopers' Proposals from a Design Viewpoint. When design quality is a desired objective, provisions for LPA review and approval of developers' proposals from a design viewpoint, and any design objective to be used as a criteria for this review, may be incorporated in the Plan. The basis for approval should be made as explicit as possible.
 - b. Provisions Concerning Housing. The Urban Renewal Plan shall not contain provisions limiting rentals or sale prices of the housing, or the maximum income of families or individuals for admission to the housing. However, the Plan may indicate the intention to make the property available for development of new or rehabilitated housing for moderate-income occupants, and any intention to provide tax abatement or other public subsidy for the housing to be provided.
 - c. Post Office Department Use. In the disposition of land to a private redeveloper for Post Office Department use there shall be full coordination between the LPA and the Post Office Department early in the negotiation stage to determine whether the proposed postal facilities conform to the controls of the Urban Renewal Plan.

7. ESTIMATE OF REUSE VALUE IN LIEU OF APPRAISAL. The LPA may estimate the proceeds from disposal of all or any part of the non-critical project land in order to accelerate the planning process, and to obtain information for the Cost Estimate and Financing Plan (Form HUD-6200). In lieu of an appraisal, this may be done by evaluating opinions of reuse value obtained from well-informed brokers, appraisers, developers, HUD-FHA Insuring Office valuation personnel, and others competent to make a judgment of the value of project land for uses in accordance with the Urban Renewal Plan. The LPA shall ensure that amounts based on the estimate and submitted with the Land Disposal Report are reasonable.
- a. Costs for Valuation Opinions. In cases where the LPA cannot obtain the valuation opinions without incurring fees or costs, the LPA shall submit a request to the Area Office for prior concurrence in the proposed expenditure.
 - b. Appraisals for Critical and Special Adaptability Parcels. Although not more than one reuse appraisal generally is required during the planning stage, two reuse appraisals are still required during the planning stage for critical and special adaptability parcels.
8. LAND DISPOSAL EXPENSE. The estimate of land disposal costs is entered on Form HUD-6220, Project Expenditures Budget, is broken down on Form HUD-6121, Data Supporting Project Expenditures Budget (see RHM 7218.1, Budgets and Budget Reports, Chapter 2, Section 3).
9. ACTION AFTER HUD APPROVAL OF PART I OR COMBINED PART I-II LOAN AND GRANT APPLICATION.
- a. Critical Parcels for Public or Nonprofit Institutional Uses. No later than the submission of the Part II or combined Part I-II Loan and Grant Application, the LPA shall submit its proposals for the disposal of any land for public or nonprofit institutional uses that have been determined to be of critical importance to the project. Any disposal of land for low-rent public housing project is construed to be of critical importance to the project. The disposal proposals shall be submitted in accordance with the requirements of RHM 7214.1, Land Marketing and Redevelopment, Chapter 4, Section 3.
 - b. Special Adaptability Parcels. A similar submission is required for any land having special adaptability and value for the use of only one private redeveloper (see RHM 7214.1, Land Marketing and Redevelopment, Chapter 4, Section 3) unless the disposal is relatively insignificant.

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- (a) There exists (or is being organized) a qualified public agency or nonprofit corporation which is willing to acquire the land and which has, or will have, legal authority to acquire and hold project land and to dispose of it for redevelopment.
- (b) The public agency or nonprofit corporation has (or can reasonably be expected to have) adequate financial resources to acquire the land at its fair value and to hold it until it can be disposed of for redevelopment.
3. ESTIMATED PROCEEDS FROM PROJECT LAND. The estimated proceeds from project land shall be justified in Code No. R 226, Cost Estimate and Financing Report, in a statement in support of the Project Cost Estimate and Financing Plan. (See Circular RHM 7215.1, Revised Part I Loan and Grant Application Requirements, for additional detail.)

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Good Faith Deposit or Surety Bond

A land disposal agreement with a private redeveloper or nonprofit institution must be adequately secured by a good faith deposit, faithful performance surety bond, or pledge of negotiable bonds of the Federal government or any of its instrumentalities at market value.

The amount of the deposit or other security shall be not less than 5 percent, and ordinarily not more than 10 percent, of the estimated fair value of the land. The required security deposit shall not be so large as to restrict competitive interest or to impair the probably recovery from the disposal of the land.

A surety bond shall be required to be from a company listed in the current U. S. Treasury Department Circular 570 and within the underwriting limits specified for the company in the Circular.

The agreement shall provide that the deposit or other security shall be held until completion of the redevelopment in accordance with the terms of the agreement, except that the agreement may provide that the deposit will be applied on the purchase price, or will be returned to the redeveloper, at any time after the LPA has conveyed title to the property to the redeveloper and the redeveloper has submitted to the LPA the following:

- (1) Copy, certified by the redeveloper to be true and correct, of the commitment or commitments obtained by the redeveloper for the mortgage loan or loans to assist in financing the construction of the improvements.
- (2) Evidence satisfactory to the LPA that the interim mortgage loan to assist in financing the construction of the improvements has been initially closed.
- (3) Copy, certified by the redeveloper to be true and correct, of the contract between the redeveloper and the general contractor for the construction of the improvements.
- (4) Copy, certified by the redeveloper to be true and correct, of the contract bond provided by the general contractor in connection with the contract for the construction of the improvements, which contract bond shall be in a penal sum equal to not less than 10 percent of the contract price under the construction contract.

* A contract for the disposal of land may be executed with a non-profit corporation, a limited-dividend corporation, or a cooperative, with postponement of the payment of a good-faith deposit for a period of up to 180 days from the date of execution, provided the contract recites that the land will be used for construction or rehabilitation of low- or moderate-income housing units. One extension may be granted *

- * for a period not to exceed 90 days provided substantial progress has been made in the development of the housing package. The contract shall require that after 180 days or 270 days, as the case may be, and in any event prior to conveyance, the redeveloper shall meet the good-faith deposit requirements unless he has submitted the substitute documentation which may be accepted by the LPA in lieu of a good-faith deposit, or the contract will be terminated. In any event, the good-faith deposit, or its substitute, will be required prior to conveyance of the land or property.

If the parcel is to be redeveloped with a one-family dwelling or other development of like magnitude, the agreement may permit the deposit to be applied on the purchase price if the purchaser demonstrates at the time of conveyance that he has entered into a contract for the redevelopment of the land and has the necessary cash and financing to redevelop the land. A surety bond is not required in these cases.

A disposal agreement may permit the redeveloper to terminate the agreement and recover his good faith deposit if, after preparing satisfactory plans and making a diligent effort to obtain financing, he is not able to secure financing for the redevelopment on a basis that generally would be regarded as satisfactory by builders and real estate developers. For residential redevelopment, satisfactory financing may be defined to mean an HUD-FHA Insuring Office commitment in the full amount permitted by law under Section 220 of the National Housing Act. *

Other Requirements

The LPA shall not be obligated to transfer title to, or possession of, land for private redevelopment until the redeveloper has furnished the LPA satisfactory plans for the redevelopment of the land and provided satisfactory evidence that he has the cash and financing needed to complete the redevelopment.

The obligations of the LPA and the redeveloper for the installation and construction of any project improvements after the agreement is executed shall be specified in the disposal agreement.

By, law, HUD must take appropriate measures to prevent speculation in land holdings, and to secure construction of improvements on project land sold or leased to redevelopers. LPA's are charged with these responsibilities by the terms of their Loan and Grant Contracts.

The basic requirement imposed by the law and the Loan and Grant Contract is that redevelopers shall perform all redevelopment work contracted for, and shall not be permitted to hold project land without so performing in order to benefit by increments in value that result solely from redevelopment work performed by others and from general market conditions. This requirement applies to all disposition transactions and is effective until completion of construction.

No disposal agreement shall obligate the LPA to pay for any Federal documentary stamps to be placed on the conveyance.

A disposal agreement with a public body or a nonprofit association for an historic structure that is to be relocated at project expense (see RHM 7207.1, Project Planning, Chapter 2) shall provide that the redeveloper will renovate and maintain the property for historic purposes.

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Provisions for LPA review and approval of redevelopers' proposals from a design viewpoint, and any design objectives to be used as review criteria, may be included in the disposal document if not already part of the Urban Renewal Plan. Such provisions, if included in the disposal documents, must be consistent with the controls in the Urban Renewal Plan. The basis for approval should be made as explicit as possible.

Detailed HUD requirements are contained in Part II of the Guide Form of Contract for Disposition of Land for Private Redevelopment (Form HUD-6209B).

LPA's are required to use Article V of Part II in all redevelopment contracts unless the Regional Office concurs in an LPA proposal to use different contract language.

Article V also details requirements to be imposed by LPA's in granting their consent to proposed transfers prior to completion of redevelopment. The requirements of Section 503(b)(1), (2), (3), (4), (5), in Article V are mandatory.

* All disposal agreements and instruments for private redevelopment, including agreements with nonprofit or limited dividend corporations or associations, shall contain a reverter provision similar to Section 704 of Guide Form HUD-6209B. Regional Office concurrence is required for the use of alternative language to Section 704. This policy is not applicable when the Redeveloper is a public body. *

Guide Form of Deed for Sale of Land for Private Redevelopment

To assist LPA's in marketing project land, Form HUD-6209D, Guide Form of Deed for Sale of Land for Private Redevelopment may be obtained from the Regional Office.

This Guide Form deed has been developed to illustrate to LPA's the manner in which the various land covenants, reverter provisions, provisions relating to certificates of completion, and provisions relating to LPA handling of recaptured project land as provided for in the Guide Form of Contract for the Sale of Project Land for Private Redevelopment (HUD-6209A and B.) are placed in a deed.

While the Guide Form HUD-6209D is a special warranty deed, LPA's may continue to use quitclaim or full covenant and warranty deeds in accordance with their present practice. In addition, local practice may require LPA's to use forms of testimonium and acknowledgment clauses which differ from those which appear in the Guide Form deed.

HUD Approval of Proposed Transfers

LPA's are required by their Loan and Grant Contracts (a) to furnish HUD with copies of documentary data regarding proposed

transfers prior to completion of redevelopment which the LPA wishes to approve, and (b) not to proceed further until HUD has advised in writing that it has no objection. Transfers include transfers of stock interests, as defined in Section 502 of Form HUD-6209B.

Additional detailed requirements and procedures must be observed and followed by LPA's in order to secure HUD approval of proposed transfers prior to completion of redevelopment.

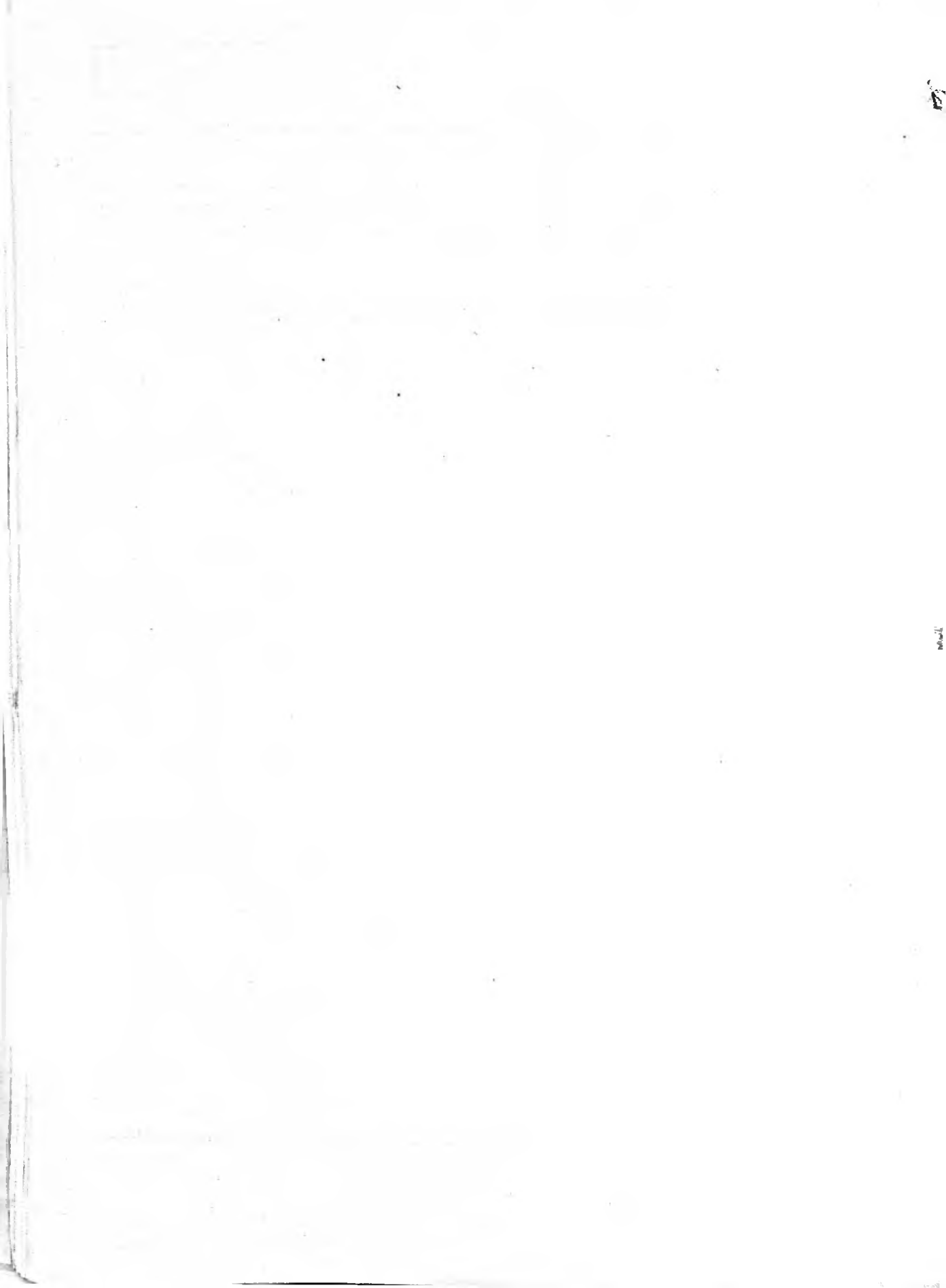
- (1) The LPA shall require the redeveloper and the proposed transferee to submit the following:
 - (a) A detailed report on the reasons for the proposed transfer and its terms.
 - (b) Redeveloper's Statement of Qualifications and Financial Responsibility, and Redeveloper's Statement for Public Disclosure, executed by the proposed transferee.
 - (c) All proposed instruments and legal documents to be used in effecting the transfer. (These documents shall not be executed.)
 - (d) A breakdown, in detail, of the redeveloper's costs attributable to the holdings proposed to be transferred for which the proposed transferee will reimburse the redeveloper. The breakdown shall be prepared and certified by a certified public accountant.
 - (e) A certificate executed by an officer of the redeveloper having knowledge of the facts, to the effect that the redeveloper will realize no profit from the proposed transfer, and that the breakdown of costs submitted in support of the proposed transfer is accurate and correct. The certification shall contain a statement indicating that the signatories have full knowledge of 18 U.S.C. 1001.
 - (f) A statement executed by an appropriate officer of the redeveloper granting permission to the LPA and to the Federal government to inspect and audit the books and records of the redeveloper.
- (2) The LPA shall submit to the Regional Office two copies of all materials submitted by the redeveloper and the proposed transferee, and, in addition:
 - (a) Statement of LPA indicating that it has reviewed the information submitted by the redeveloper and the proposed transferee, and outlining the advantages to the project of the proposed transfer and any other reasons relevant to the LPA's desire to approve the proposed transfer.

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- (b) Opinion of IPA counsel indicating that the proposed transfer and the instruments intended to effect the transfer conform to all applicable local, State, and Federal legal and contract requirements.
- (c) Such additional information as the Regional Office may request based on its review of the information submitted by the IPA.

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CHAPTER 3. LOW- OR MODERATE-INCOME HOUSING

SECTION 2. DISPOSAL FOR LOW-RENT PUBLIC HOUSING USE

Land may be made available for use as a site for a low-rent public housing project at a price equal to its fair value as determined under the special provisions of Section 107 of the Housing Act of 1949, as amended.

"Low-rent public housing project" means a project assisted under the United States Housing Act of 1937, or under a State or local program determined by HUD to have the same general purposes as the Federal program.

- * When low-rent public housing not designated as a relocation resource is planned in the urban renewal project and the Urban Renewal Plan provides for sufficient land to construct such housing, evidence that a low-rent public housing program reservation has been issued is required with the Part II Loan and Grant Application or Amendment. In cases where low-rent public housing is designated as a relocation resource, an executed contract of sale and evidence that an Annual Contributions Contract has been executed is required with the Part II Loan and Grant Application or Amendment. *

For general submission requirements for disposal for low-rent public housing uses, see RHM 7214.1, Land Marketing and Redevelopment, Chapter 4, Sections 3 and 4.

SITE SELECTION FOR LOW-RENT PUBLIC HOUSING

In order to encourage housing for low-income families, it is HUD policy to use the urban renewal program to provide sites for low-rent public housing. The location of public housing shall meet all applicable requirements of Title VI of the Civil Rights Act of 1964, Executive Order 11063, and pertinent Department regulations and requirements as set forth in the Low-Rent Housing Preconstruction Handbook, RHM 7410.1, Chapter 1, Section 1. As a condition prior to concurrence in a disposal price for land for low-rent public housing, the Regional Office will determine that the site location meets the site selection requirements outlined in the Low-Rent Housing Preconstruction Handbook, RHM 7410.1, Chapter 1, Section 1.

FAIR VALUE FOR LOW- AND/OR MODERATE-INCOME HOUSING

Fair value of project property for such use is defined as being the maximum price that would be paid for the property by a well-informed, prudently-acting buyer who is motivated solely by the objective of meeting housing needs of low- or moderate-income families or individuals, rather than by profit or gain, and who is not controlled or directed, or influenced in his decisions, by persons or firms seeking to derive profit or gain from the undertaking.

Appendix 5 to RHM 7214.1, Land Marketing and Redevelopment, is for the guidance of appraisers in estimating fair value of such property.

DISPOSAL TO PRIVATE REDEVELOPER FOR THE "TURNKEY" METHOD

The "turnkey" method of developing low-rent public housing permits a private developer or builder to construct or rehabilitate housing on a site or property owned by the developer, and authorizes the LHA to acquire the completed development.

The benefits of Section 107 valuation, and noncash local grant-in-aid credits, are available for urban renewal project land sold by an LPA to a redeveloper for "turnkey" low-rent public housing.

Appendix 9 to RHM 7214.1, Land Marketing and Redevelopment, provides a description of the "turnkey" process and the responsibilities, including submission requirements for the LPA during each phase of development.

General Requirements for "Turnkey" Sale

In order to sell urban renewal sites or properties to a private developer under the "turnkey" method as described in Appendix 9 to RHM 7214.1, Land Marketing and Redevelopment, the normal policies and submission requirements shall apply except as modified below and in Appendix 9 to RHM 7214.1. If the LPA complies with these, and each of the following requirements, such a sale to a private redeveloper may be made:

- (1) The sale shall be made at a Section 107(b) price, concurred-in by HUD.
- (2) The HUD approved contract Form HUD-6216 shall be used. (This contract contains the appropriate safeguards designed to insure development for low-rent public housing and that the special land price will be made available to the LHA by the redeveloper. The basic structure of the contract may not be changed, and minor changes shall be accompanied by written justification and concurred-in by the Regional Office.)
- (3) The LPA receives from the LHA a certified copy of the HUD executed contract of sale between the redeveloper and the LHA. (This agreement should be received prior to execution of the HUD approved form of contract by the LPA.)
- (4) The public disclosure requirements of RHM 7214.1, Land Marketing and Redevelopment, Chapter 4, Section 4, shall be met.

For any required item for which the number of copies is not shown in Appendix 2, the LPA shall submit two copies. Additional copies may be requested, when necessary, for a particular situation.

Request for Concurrence in Price

* A request for concurrence in a proposed sales price shall be accompanied by the reports listed below, unless the reports have been previously submitted. (See RHM 7214.1, Land Marketing and Redevelopment, Appendix 2 for the required number of copies to be submitted and Circular RHM 7214.1, "Proclaimer Certificate Relative to Establishment of Fair Reuse Value" for effect of proclaimer procedure on this requirement.)

- (1) Appraisal reports by two independent reuse appraisers.
- (2) LPA staff appraisal report for fragments of property appraised by an LPA staff appraiser (see RHM 7214.1, Land Marketing and Redevelopment, Chapter 1, Section 2).
- (3) Reports on market analysis, Land Utilization and Marketability Studies, engineering reports on the land, and other analyses and data obtained by the LPA on the marketability of the land.

If the property is for private residential redevelopment or rehabilitation, the LPA shall report on its consultations with the local HUD-FHA Insuring Office regarding acceptable values and market. The Area Office will arrange for formal Insuring Office review. The minimum price concurred in by the Area Office also will be the amount the Insuring Office will attribute to the land for mortgage insurance purposes.

The Area Office formally will advise the LPA as to the Insuring Office market reservation--that is, the maximum number of dwelling units, in different types of structures, at various ranges of sales prices and rentals, for which the Insuring Office is willing to insure mortgages in the area, and the expiration date of the reservation.

If the Insuring Office market reservation is adverse, the Area Office will not concur in the proposed sales price until a favorable market is anticipated. (See RHM 7214.1, Land Marketing and Redevelopment, Chapter 2, Section 4.) *

Proposed Form of Disposition Agreement, Deed and/or Lease

If Form HUD-6209, Guide Form of Contract for Disposition of Land for Private Redevelopment, will be used, the LPA need submit only Part I of the form, with any anticipated additions and exceptions. For other guide forms see RHM 7214.1, Land Marketing and Redevelopment, Chapter 2, Section 3.

The proposed agreement, deed and/or lease to be submitted shall be complete in all respect, except for the insertion of the name of the redeveloper, dates, formalities of execution and the proposed price, or lease rental. (See RHM 7214.1, Land Marketing and Redevelopment, Chapter 2, Section 3 for policies and guide forms available.)

- * The Area Office will arrange for any necessary Insuring Office review.

Submission of the proposed disposition agreement, deed and/or lease may be postponed if the "Competition-Negotiation Combination" method of disposition has been selected. In such event, the LPA shall submit, for HUD review and concurrence, a statement of terms and conditions which it proposes to incorporate in its offering documents.

Declaration of Restrictions

If proposed by the LPA, in accordance with applicable requirements in RHM 7214.1, Land Marketing and Redevelopment, Chapter 2, Section 3, any declaration of restriction must be submitted to the Area Office for concurrence.

Description of Method of Disposition

This statement shall be submitted only if the LPA proposes to depart or deviate in any material respect from any of the disposition procedures stated in this Chapter. The statement shall describe and justify the departure or deviation.

If the LPA contemplates inviting proposals, or entering into a disposal agreement, on the basis that the redeveloper will take possession of portions of the land covered by the agreement in successive stages over a period of time of more than 3 years, the LPA shall submit to the Area Office, or incorporate in the proposed form of disposal agreement, a schedule showing a date or time, description, and value of the land, for which title or possession will be taken in the first stage, and successive stages. *

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APPENDIX - PROCLAIMER CERTIFICATE
RELATIVE TO LPA STAFF APPRAISAL
AND REUSE VALUE OF FRAGMENTS OF PROPERTY

(INSTRUCTIONS: Submit one signed copy with a copy of the general resolution to HUD. Retain one signed copy in LPA files, together with any supporting documentation necessary to support the certification.)

I, _____, the duly appointed, qualified, and acting Executive Director of Name of Local Public Agency, herein called the "Local Public Agency", hereby certify that I have been authorized, by Resolution No. _____, duly adopted by the Governing Body of the Local Public Agency at a Regular/special meeting on _____ (Date), as set forth in the minute book on file at _____, to make the following certification and that the statements contained herein are true and correct to the best of my knowledge and belief:

1. Parcel No. _____, in the Name of Urban Renewal Project Area, containing an area of _____ square feet, has been found by Name of Staff Appraiser to possess a fair value of \$ _____.
2. Name of Staff Appraiser is a qualified real estate appraiser on the staff of the Local Public Agency.
3. Written valuation data, supporting the fair value so determined, was prepared by or under the supervision of the above-named staff appraiser, was completed no later than _____, 19____, and is in the custody of the Local Public Agency. Such written valuation data also contains the finding that Parcel No. _____ is a fragment or jib parcel comprising vacant land not separately buildable in accordance with the Urban Renewal Plan.
4. The Governing Body of the Local Public Agency has on _____, 19____, adopted a resolution approving the above-named staff appraiser's valuation as the fair value of said Parcel No. _____ for its disposition by sale or lease or by retention by the Local Public Agency.

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Any false statement made knowingly herein may subject the signer to civil penalties under Section 231 of Title 31 of the United States Code and, if such statements are made willfully and knowingly, to conviction for a felony under Section 1001 of Title 18 of the United States Code.

Date

[Name of Executive Director]

Executive Director

[Name of Local Public Agency]

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- (i) An FHA market reservation of the number of dwelling units FHA is willing to issue commitments to insure.
- (ii) The maximum dollar amount FHA is willing to attribute to the land for mortgage insurance purposes.

The request will include the amount the LPA designates to be the fair reuse value together with the appraisals, maximum number of units permitted by the urban renewal plan and related documentation. In the case of Section 107(a) valuation subject to the Valuation Circular dated 10/28/68, the LPA should follow the proclaimer procedure after receipt of the FHA established price.

If the LPA and the local FHA Insuring Office are unable to agree as to value consistent with Section 3a above (or if the value under Section 107(a) is less than \$500 per dwelling unit), the matter will be referred to RAO for resolution.

- c. Procedure for Project Land Not Covered by Proclaimer. For parcels of project land to be disposed of which are not covered by the proclaimer procedure, as described above, the procedure in Urban Renewal Handbook RHM 7214.1, Chapter 4, Section 1, for prior HUD concurrence in fair reuse value is still applicable.

- 4. THIRD APPRAISAL WITHOUT HUD CONCURRENCE. In cases where a higher appraisal exceeds a lower appraisal by 15 percent or more, the LPA may contract for a third appraisal without HUD concurrence, provided Form HUD-324, Form of Contract for Reuse Appraisal of Redevelopment Sites, is used without modification and sufficient funds are available in the budget.

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APPENDIX - PROCLAIMER CERTIFICATE
RELATIVE TO ESTABLISHMENT OF FAIR REUSE VALUE

(INSTRUCTIONS: Submit one signed copy with a copy of the general resolution to HUD. Retain one signed copy in LPA files, together with any supporting documentation necessary to support the certification.)

I, _____, the duly appointed, qualified, and acting Executive Director of Name of Local Public Agency , herein called the "Local Public Agency", hereby certify that I have been authorized, by Resolution No. _____, duly adopted by the Governing Body of the Local Public Agency at a regular/special meeting on _____ (Date) _____, as set forth in the minute book on file at _____, to make the following certification and that the statements contained herein are true and correct to the best of my knowledge and belief:

1. Each parcel listed in this proclaimer certificate has been appraised by at least two qualified, independent, professional real estate appraisers and a written and signed copy of each such appraisal is contained in the Local Public Agency files.
 - a. The procedures in the RHM Handbook calling for coordination with FHA on the establishment of reuse value for residential property have been followed.
2. Each such appraisal has been reviewed by Names a qualified Local Public Agency staff appraiser or a qualified real estate appraiser under contract to the Local Public Agency and all corrections, revisions, or additions requested by such reviews have been made by the original appraisers.
3. The reviewer has prepared a written report which indicates that the appraisals are complete and consistent in the factual data contained therein, comply with existing statutory and administrative requirements of the U. S. Department of Housing and Urban Development and are acceptable for the determination of fair value.
4. Based upon such appraisals and the review thereof, the Local Public Agency on _____ (Date) _____ adopted a resolution

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establishing the fair value, for the reuse indicated, of the parcels listed below within the _____ urban renewal area and all documentation related to such determination is contained and readily available in the Local Public Agency files.

5. The total amount of the fair reuse values together with the values for other dispositions by the Local Public Agency would not be less than the amount entered as estimated total proceeds from project land in the Project Cost Estimate and Financing Plan, as approved by HUD on _____ (Date) _____, thereby necessitating an increase in the project capital grant.

6. The Governing Body of the Local Public Agency on _____ (Date) _____, adopted a resolution establishing the fair value, for the reuse indicated, of each parcel within the _____ urban renewal area and data on such value is contained and readily available in the Local Public Agency files.

PARCEL			VALUE									
NO.	AREA IN SQ. FT.	USE	FIRST APPRAISAL			SECOND APPRAISAL			THIRD APPRAISAL			
			NAME	DATE	VALUE	NAME	DATE	VALUE	NAME	DATE	VALUE	

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URBAN RENEWAL HANDBOOK

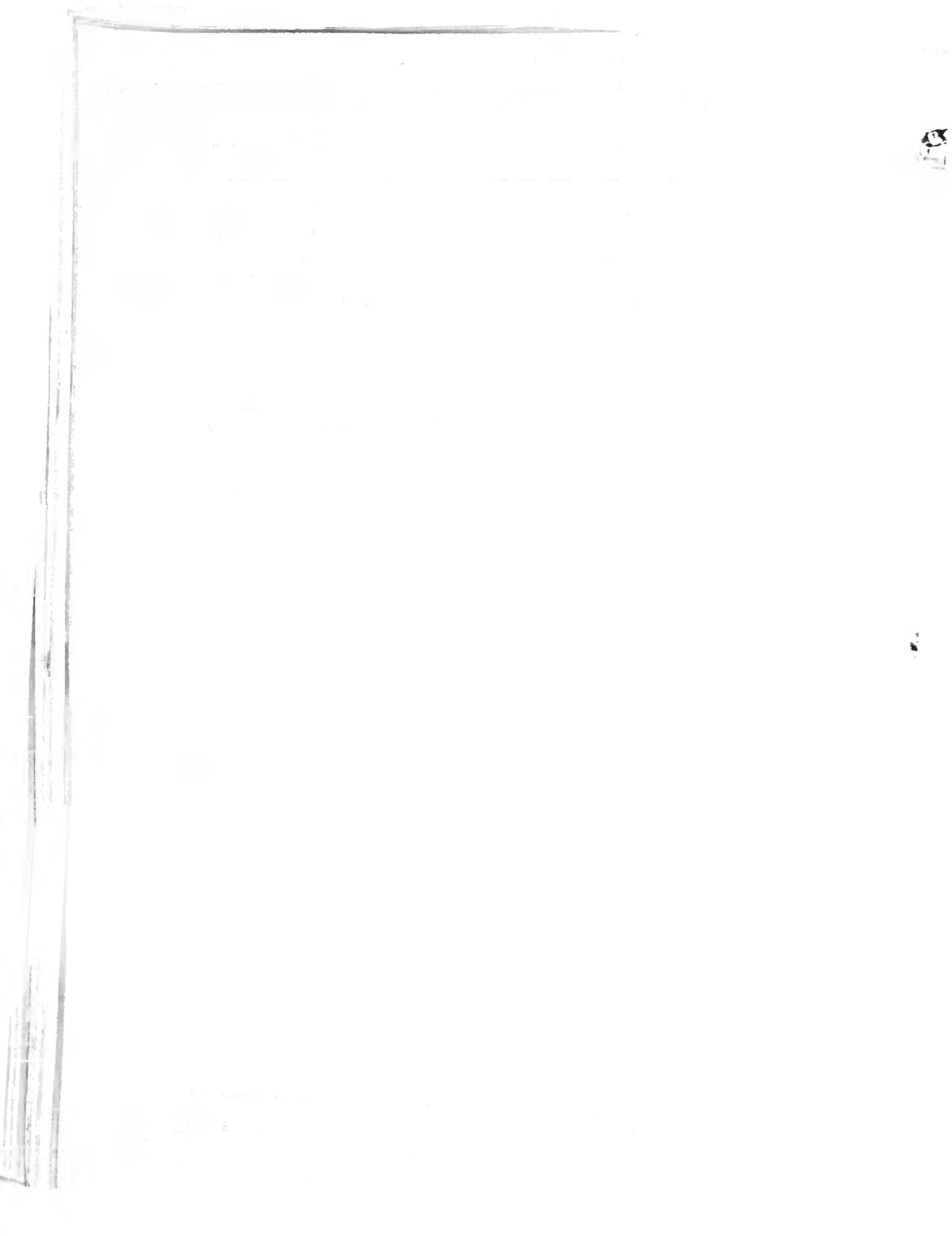
RHM 7214.1

Any false statement made knowingly herein may subject the signer to civil penalties under Section 231 of Title 31 of the United States Code and, if such statements are made willfully and knowingly, to conviction for a felony under Section 1001 of Title 18 of the United States Code.

Date

 Name of Executive Director
Executive Director
 Name of Local Public Agency

FINANCIAL AND FINANCIAL
RECORDS - OMA 7912



If, using Section 107 valuation, the LPA intends to select a redeveloper competitively on the basis of design, level of rents to be achieved, or other similar criteria, the standard method of "Fixed-Price Competition" shall be used. (See Section 2 of this Chapter.)

In this case, the disposition documents must limit the rents, incomes of occupants, and methods of operation for the housing, so as to assure achievement of the moderate-income housing objective.

(2) Sale under Section 107 for Low-Rent Public Housing

The LPA may use this method for selling or leasing land to an LHA or other eligible public entity who qualifies under RHM 7214.1, Land Marketing and Redevelopment, Chapter 3, Section 2.

* If land is to be provided for low-rent public housing not designated as a relocation resource, evidence that a low-rent public housing program reservation has been issued is required with the Part II Loan and Grant Application. In cases where land is to be provided for low-rent public housing that is to be used as a relocation resource, an executed contract of sale and evidence that an Annual Contributions Contract has been executed are required with the Part II Loan and Grant Application. (See RHM 7206.1, Project Applications, Chapter 2, Section 2, Code No. R-310.) *

For general requirements pertaining to disposal for public or nonprofit institutional use, see item 4 below.

(3) Sale of Industrial or Commercial Land Under Section 113

The LPA may sell or lease land, in a redevelopment area designated by the Department of Commerce, at fair value for industrial or commercial uses in accordance with the Urban Renewal Plan, to an eligible public agency or nonprofit corporation that is not obligated to commence improvements within a reasonable time.

For the purpose of Section 113, a nonprofit corporation is a corporation organized under the laws of the United States, or of any State or territory thereof, authorized to do business, including the acquisition and disposal of real property, in the State or territory in which the project is located, and which does not contemplate the distribution of gains, profits, or dividends on invested capital to its stockholders or any other person.

All Contracts for Loan and Grant must contain provisions permitting the special Section 113 disposal procedures in redevelopment areas whenever the Department of Commerce has made the required certification. Existing contracts may be modified to include the special Section 113 disposal procedures upon request to the LPA.

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LAND MARKETING AND REDEVELOPMENT
CHAPTER 4 SECTION 3

The disposal of land to a public agency or nonprofit corporation under Section 113 shall be subject to covenants requiring that:

- (a) The land shall be used only in accordance with the Urban Renewal Plan, and that subsequent purchasers or lessees shall be subject to the same covenant.
- (b) Subsequent purchasers or lessees of the land shall be obligated to begin and complete with a reasonable time the improvements required by the Urban Renewal Plan.

If Section 113 disposal is contemplated, and the LPA desires to specify permitted temporary uses, these use limitations may be included in the Urban Renewal Plan.

When a sale or retention is made under Section 113, there is no HUD requirement as to the resale price that the purchaser may receive. The purchaser may sell the land and/or property for more than the original purchase price with profit accruing to the purchaser, unless the LPA under the terms of its contract with the purchaser, entitled to participate in the profit.

For general requirements pertaining to disposal for public or nonprofit institutional use, see item 4 below.

(4) Disposal for Public and Nonprofit Institutional Uses

These requirements apply to selection of a public or nonprofit redeveloper for the development of land or property for public and institutional uses, other than land to be used for project improvements, easements, and right-of-way for a Federal-aid highway.

Disposal for a public use includes retention by the LPA and disposal to the Federal government, a State, a local government, a political subdivision thereof, or any of their agencies or instrumentalities. (See below for disposal by dedication and for easements.)

Disposal of land for nonprofit institutional use includes disposal to a nonprofit scientific, educational, public health, public welfare, charitable, hospital or other eleemosynary institution. The institution must be exempted from Federal taxation under the Internal Revenue Code. The use of the land must be for a nonprofit institutional use, such as a hospital, church, library, school, or playground. Acquisition of land by a nonprofit institution for redevelopment or rehabilitation, for investment or resale, is not considered to be intended for an institutional use.

* If the feasibility of a project depends upon a public or institutional use, assurance of the disposal and redevelopment shall be submitted with the Part II Loan and Grant Application. If land is to be provided for low-rent public housing not designated as a relocation resource, an executed reservation is required. In cases where land is to be provided for low-rent public housing that is to be used as a relocation resource, an executed contract of sale and evidence that an Annual Contributions Contract has been executed are required. (See RHA 7206.1, Project Applications, Chapter 2, Section 2, Code No. R-310.) *

Assurances that the redeveloper will acquire and redevelop the land shall be provided by the redeveloper in the disposal agreement or in a cooperation agreement.

In the case of a public use, some other form of assurance that the public redeveloper will acquire and redevelop the land may be approved by HUD if it will protect the interest of the project.

For specific requirements involving disposal for public or non-profit institutional uses, see also items 2 and 3 above, and items 5, 6, 7 below.

(5) Disposal for Project Improvements and Easements for Public Utilities

LAND FOR PROJECT IMPROVEMENTS - The LPA shall dedicate the land required for a project improvement, whether the improvement is financed with project funds or provided as a noncash local grant-in-aid. The deed of dedication also may include the project improvements provided by the project on the land.

Land or an interest in land required for a project improvement that is fully eligible as a project cost may be dedicated without payment. The LPA must obtain payment of not less than the fair value for any land which is in excess of the amount which would be necessary for a fully eligible project improvement, whether or not the actual improvement is to exceed the size or capacity required for the project.

In the case of an opening or widening of a boundary street, payment shall be one-half the fair value of any project land provided for the street in excess of land provided from property across the street. Exception will be considered by HUD if more than one-half of the street improvement is eligible.

Each dedication of land for a project improvement shall be to the entity that will be responsible for the operation and maintenance of the project improvement. If the LPA is the responsible entity, the LPA may retain the land.

EASEMENTS FOR PUBLIC UTILITIES - An LPA may grant or reserve, for public utility use, easements in project land for public utility service lines required to serve project land. These easements may be provided without regard to the eligibility of the public utility facilities as a project improvement. The easements may be granted or reserved without payment and without HUD concurrence.

Any portion of a right-of-way for an easement in excess of requirements for the project shall be sold at not less than fair value.

Grants of easements for utility facilities that do not serve the project shall be processed as disposals of land for public use, rather than in the manner described above.

For general requirements pertaining to disposal for public or nonprofit institutional use, see item 4 above.

(6) Sale for Right-of-Way for Federal-Aid Highway

If there is no Federal participation by the Bureau of Public Roads (BPR) in sharing the cost of acquiring the right of way, inside or outside the project area, the land may be sold at a price not less than the value of the land for public use, or the land may be dedicated to the extent that the right-of-way is eligible as part of a project improvement.

If, however, there is any Federal participation by the BPR in sharing the cost of acquiring the right-of-way, inside or outside the project area, when the right-of-way carries a U.S. highway designation, the right-of-way must be sold at the cost of acquisition plus the cost of site clearance.

Before the LPA acquires land designated in the Urban Renewal Plan as right-of-way for a Federal-aid highway, the LPA shall enter into an agreement with the State or other public entity which is to acquire the right-of-way, for disposal of the project land at cost of acquisition and site clearance. A suggested agreement form, to be used by the LPA and the State highway department, is included in BPR's 6/7/63 Policy and Procedure Memorandum 21-4.1(1), issued by the Department of Commerce.

If an amendment to the Urban Renewal Plan changes the use of land already acquired to right-of-way for a Federal-aid highway, the land already acquired may be sold for the highway use at its fair value. No improvements on the land at the time the LPA approves the amendment to the Urban Renewal Plan shall be demolished unless the public entity which is to acquire the right-of-way agrees to purchase the property at its fair value and to pay the cost of site clearance.

(13) Sale of a Small Not Separately Useable Parcel to an Abutting Property Owner

Preference in purchasing project land at not less than fair value, for use in accordance with the Urban Renewal Plan, may be afforded to an abutting property owner to enable him to bring his property into conformance with the Property Rehabilitation Standards.

(14) Exchange of Land to Adjust Lot Lines and/or Minimize Severance Damage

When disposal of project land is for the purpose of adjusting lot lines, the LPA may negotiate for the sale of small tracts to an owner of abutting land, as part of an agreement to acquire from the same owner other parts of the same abutting land for the project.

When the purpose of disposal is to offset or minimize severance damage to the remaining property of the owner, the LPA may negotiate for disposal of a sufficient tract for such purpose.

EARLY LAND DISPOSITION

In exceptional cases, early land disposition may be permitted under a Letter of Consent or Early Land Acquisition Contract, which provides for early land disposition, or as described under "Submission Requirements" below, when the following conditions are met:

- (1) The uses must be public or otherwise very particularly appropriate for early disposition.
- (2) The governing body of the locality must give its prior consent to the disposition by resolution, including specifically the land use provisions and controls thereof, and must declare its intention to approve an Urban Renewal Plan including those provisions and controls for the part of the project involved in the early disposition.
- (3) An Urban Renewal Plan in at least preliminary form must exist sufficient to describe the land uses in surrounding the part of the area to be disposed of prior to plan approval.
- (4) The redeveloper to whom the land is sold shall not be granted a right to veto other provisions of the Urban Renewal Plan ultimately considered and adopted.

Submission Requirements

If early land disposition was not authorized by a Letter of Consent or Early Land Acquisition Contract, two copies of evidence of compliance with conditions 1 through 4 above shall be submitted to the Area Office for approval, together with justification for early land disposition request.

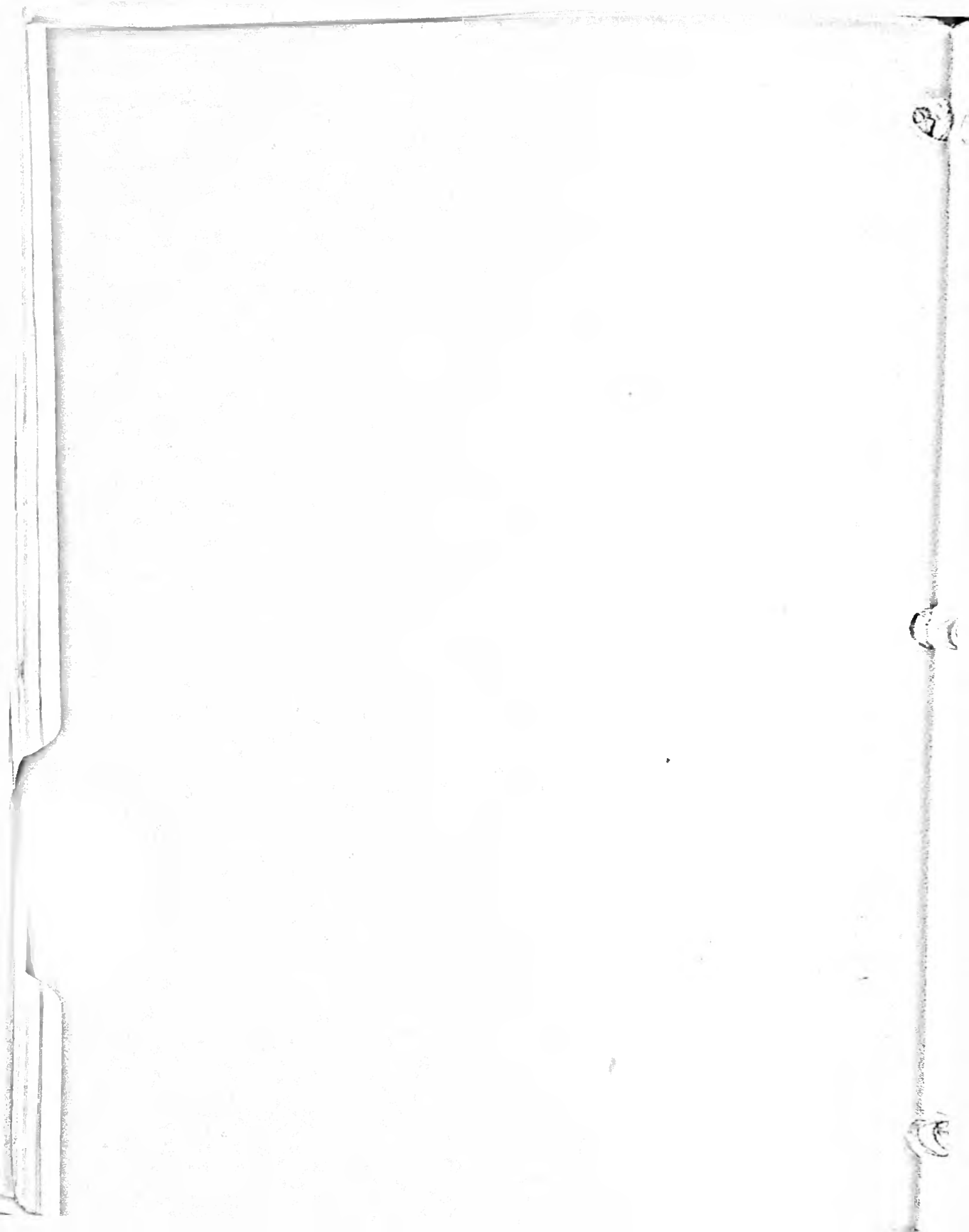
If early disposition was authorized by the Letter of Consent or Early Land Acquisition Contract, evidence that conditions 2 through 4 above have been complied with, shall be submitted to the Area Office for approval.

After approval, the LPA shall dispose of the land under the policies and procedures applicable to the type of redeveloper involved.

Application Requirements For Early Acquisition-Disposition

If early disposition is proposed by the LPA, the early acquisition application shall include the following additional submission requirements:

- * (1) With the Land Disposal Report, See RHM 7206.1, Project Applications, Chapter 2, Application Code No. R-225, submit:
 - (a) Identification of properties proposed for early land disposition. The Report should provide the square footage, reuse, estimated value, and purchaser of each parcel.
 - (b) Justification for early disposition. The use must be for a public use or otherwise very particularly appropriate, in order, generally, to justify early disposition.
 - (c) Resolution by governing body of the locality declaring its intention to (1) dispose of the land and (2) approve an Urban Renewal Plan containing the land use provisions and controls applicable to the sale.
 - (d) Statement which recognizes that the redeveloper(s) may not be granted a right to veto other provisions of the Urban Renewal Plan ultimately considered and adopted.
- (2) With Form HUD-6220, Project Expenditures Budget, see RHM 7206.1, Project Applications, Chapter 2, Code No. R-226, Item e, * submit estimates for disposal expenses for reuse appraisals, and sundry costs.



* SECTION 3-1. JANUARY 1, 1978, THROUGH JUNE 30, 1978,
INTEREST RATE FOR AMENDATORY CONTRACTS
AND REDETERMINATIONS ON EXISTING CONTRACTS

1. GENERAL. This Section provides the interest rates on urban renewal advances and loans applicable to contracts and amendments authorized during the period January 1, 1978, through June 30, 1978, as well as certain interest rate redeterminations.
2. INTEREST RATE FOR AMENDATORY CONTRACTS AND REDETERMINATIONS ON EXISTING CONTRACTS. After taking into consideration the "going Federal rate" as determined by the Secretary of the Treasury acting pursuant to Section 110(g) of the Housing Act of 1949, as amended, and the rate determined by the Secretary of the Treasury as being the rate per annum equal to the average yield to maturity on all outstanding obligations of the United States having a maturity of approximately five years from November 1, 1977 (the "Treasury five and one-half year rate"), the following rates have been established:
 - a. Rate for Amendatory Contracts. For amendatory contracts authorized during the subject six-month period, the "going Federal rate" of seven and one-eighth (7-1/8%) percent.
 - b. Rates for Redetermination on Existing Contracts:
 - (1) For existing contracts which require a redetermination at the higher of the "going Federal rate" or the "Treasury five and one-half year rate," the latter rate of seven and one-half (7-1/2%) percent.
 - (2) For redeterminations which do not require the higher of the two rates, the "going Federal rate" of seven and one-eighth (7-1/8%) percent.
 - c. Appendix 1 Gives Requirements in Tabular Form: The requirements for amendments to existing contracts and the requirements for contract redeterminations have been set forth in tabular form in Appendix 1, Urban Renewal Interest Rates for Advances and Temporary Loan Contracts, January 1, 1978, through June 30, 1978. *



FINANCING AND
FINANCIAL REPORTS

7215.1

Urban Renewal Interest Rates for Advances and Temporary Loan Contracts
January 1, 1978, through June 30, 1978

	The Interest Rate Is:	And is Applicable to:	And the Contract Should Include the Following Interest Rate Redetermination Provisions		
			The Rate Shall Be Redetermined:	Calculation of Rate	Which Shall Be Applicable to:
<p>Part I</p> <p>For all contracts outstanding on January 1, 1978, which are amended pursuant to allocation orders issued during the period January 1 through June 30, 1978</p>	<p>(a)</p> <p>7-1/8% ("the going Federal rate")</p>	<p>(b)</p> <p>Temporary loans and advances made during this period and all unrepaid advances and direct loans outstanding on December 31, 1977, for NDP</p>	<p>(c)</p> <p>Each succeeding six-month interval starting January 1 and July 1</p>	<p>(d)</p> <p>The "going Federal rate" in effect on January 1 and July 1 of the six-month period for which the redetermination is made</p>	<p>(e)</p> <p>All unrepaid advances and temporary loans outstanding on the day before the redetermination plus all advances and temporary loans made during the period for which the redetermination is made</p>
<p>Part II</p> <p>For redeterminations in interest rates to be made on January 1, 1978, for (a) original contracts executed pursuant to allocation orders issued during each period designated below which contracts were never amended subsequent to the indicated period; and (b) for contracts whose most recent amendment was authorized by allocation order executed during each period designated below:</p>					

Part II (Continued)	The Interest Rate Is:	And Is Applicable to:	And the Contracts for which a Redetermination is Being Made under Part II Should Continue to Carry the Following Interest Rate Redetermination Provisions	
			The Rate Shall Be Redetermined:	Calculation of Rate
A. January 1, 1970, through December 31, 1977	7-1/8%	All unrepaid advances and temporary loans outstanding on December 31, 1977, plus all advances and loans made during the period January 1 through June 30, 1978	Each succeeding six-month interval starting January 1 and July 1	The "going Federal rate" in effect on January 1 or July 1 of the six-month period for which the redetermination is being made
B. September 24, 1966, through December 31, 1969	7-1/2%	Same as Part II A above	Same as Part II A above	Same as Part II A above

The Interest Rate Is:	And Is Applicable to:	And the Contract for which a Redetermination Is Being Made under Part II Should Continue to Carry the Following Interest Rate Redetermination Provisions		
		The Rate Shall Be Redetermined:	Calculation of Rate	Which Shall Be Applicable to:
(a)	(b)	(c)	(d)	(e)
Part II (Continued)				
C. January 1, 1966, through September 23, 1966		No redetermination this period. Next redetermination is to be made on July 1, 1982		-----
D. July 1, 1966, through September 23, 1966		No redetermination this period. Next redetermination is to be made on January 1, 1983		-----
E. July 1, 1965, through December 31, 1965		No redetermination this period. Next redetermination is to be made on January 1, 1982		-----
F. September 3, 1964, through December 31, 1964, and January 1, 1965, through June 30, 1965		No redetermination this period. Next redetermination is to be made on July 1, 1980		-----
G. January 1, 1959, through September 2, 1964		No redetermination this period. Next redetermination is to be made on July 1, 1981		-----
H. Prior to January 1, 1959		No Redetermination		-----
Part III				
Definitive Loans				----- See Footnote 2 -----

a. A rate per annum equal to the average yield to maturity on all outstanding obligations of the United States having a maturity of approximately five years from November 1 next preceding the January 1 on which the redetermination is being made, or the yield to maturity on the July 1 redetermination, as determined by the Secretary, upon the advice of the Secretary of the Treasury, such average yield to be estimated on the basis of daily closing market bid quotations or prices for the month of November or May, as applicable, and adjusted to the nearest one-eighth of one (1/8 of 1%) per cent.

b. Every Loan and Grant Contract authorized by allocation orders issued during the current applicable six-month period which obligates the Government to contract for a definitive loan at a future date shall require that such definitive loan bear interest at a rate which shall be the highest of:

or The "going Federal rate" determined pursuant to the provisions of Title I of the Housing Act of 1949, as amended, and specified by the Secretary of the Treasury as being applicable to the six-month period in which a specific definitive loan is authorized by an allocation order in conjunction with a specific lease of project lands and in terms specific as to the rate of interest to be borne by such definitive loan; or

b. The rate of interest for project temporary loans under Title I as determined by the Secretary as being applicable to the six-month period described in paragraph a above; or

c. The maximum rate of interest which the local public agency will be able to pay from the proceeds of the annual rents under the specific lease of project lands to which such specific definitive loan is related, which maximum rate shall be based on the assumption that such definitive loan (1) is in a principal amount equal to the capital value inured to the project lands described in such lease, and (2) is payable, as to both the principal and interest, in substantially equal amounts in accord with the principles of level debt service over a period of forty years from the date of such specific lease, and which rate shall be adjusted downward by at least one-eighth of one (1/8 of 1%) percent.

And the Contracts for which a Redetermination Is Being Made under Part III Should Continue to Carry the Following Interest Rate Redetermination Provisions Which Shall Be Applicable to:	
The Interest Rate Is:	And Is Applicable to:
(a)	(b)
(c)	(d)
(e)	(e)

Part IV

Definitive Loans

See footnote 2

¹A rate per annum equal to the average yield to maturity on all outstanding obligations of the United States having a maturity of approximately five years from November 1 next preceding the January 1 on which the redetermination is being made, or the May 1 next preceding the July 1 redetermination, as determined by the Secretary, upon the advice of the Secretary of the Treasury, such average yield to be estimated on the basis of daily closing market bid quotations or prices for the month of November or May, as applicable, and adjusted to the nearest one-eighth of one (1/8 of 1%) percent.

²Every Loan and Grant Contract authorized by allocation orders issued during the period July 1, 1972, through December 31, 1972, which obligates the Government to contract for a definitive loan at a future date shall require that such definitive loan bear interest at a rate which shall be the highest of:

- a. The "going Federal rate" determined pursuant to the provisions of Title I of the Housing Act of 1949, as amended, and specified by the Secretary of the Treasury as being applicable to the six-month period in which a specific definitive loan is authorized by an allocation order in conjunction with a specific lease of project lands and in terms specific as to the rate of interest to be borne by such definitive loan; or
- b. The rate of interest for project temporary loans under Title I as determined by the Secretary as being applicable to the six-month period described in paragraph a above; or
- c. The maximum rate of interest which the local public agency will be able to pay from the proceeds of the annual rents under the specific lease of project lands to which such specific definitive loan is related, which maximum rate shall be based on the assumption that such definitive loan (1) is in a principal amount equal to the capital value imputed to the

project lands described in such lease, and (2) is payable, as to both the principal and interest, in substantially equal amounts in accord with the principles of level debt service over a period of forty years from the date of such specific lease, and which rate shall be adjusted downward by at least one-eighth of one (1/8 of 1) percent.

* * * * *

And the Contracts for which a Redetermination Is Being Made under Part III Should Continue to Carry the Following Interest Rate Redetermination Provisions Which Shall Be Applicable to:				
The Interest Rate Is:	And Is Applicable To:	The Rate Shall Be Redetermined:	Calculation of Rate	(e)
(a)	(b)	(c)	(d)	(e)
Part III (Continued) B. September 24, 1966, through December 31, 1969	Same as Part III A above	Same as Part III A above	A rate which shall be the higher of (1) the "going federal rate" in effect on January 1 or July 1 of the six-month period for which the redetermination is being made or (2) the average rate for United States obligations having a maturity of approximately five years which rate is to be calculated as described in footnote 1 to this table	Same as Part III A above
C. January 1, 1966, through June 30, 1966	All unrepaid advances and temporary loans outstanding on June 30, 1971, plus all advances and loans made during the 5-1/2 year period July 1, 1971, through December 31, 1971	The contract will require a redetermination on January 1, 1977	Same as Part III B above	Same as Part III A above

The Interest Rate Is:	And Is Applicable to:	And the Contracts for which a Redetermination is Being Made under Part III Should Continue to Carry the Following Interest Rate Redetermination Provisions Which Shall Be Applicable to:	The Rate Shall Be Redetermined:	Calculation of Rate:	Which Shall Be Applicable to:
(a)	(b)	(c)	(d)	(e)	(f)
Part III (Continued) D. July 1, 1966, through September 29, 1966	5-3/4%	All unrepaid advances and temporary loans outstanding on December 31, 1971, plus all advances and loans made during the 5-1/2 year period January 1, 1972, through June 30, 1977	The contract will require a re-termination on July 1, 1977	Same as Part III B above	Same as Part III A above
E. July 1, 1965, through December 31, 1965	No redetermination this period.	No redetermination this period.	Next redetermination is to be made on July 1, 1976	-----	-----
F. September 3, 1964, through December 31, 1964, and January 1, 1965, through June 30, 1965	No redetermination this period.	No redetermination this period.	Next redetermination is to be made on January 1, 1975	-----	-----
G. January 1, 1959, through September 2, 1964	No redetermination	These contracts or amendments provided for a single redetermination five years after their authorization — Such redetermination has been made.	-----	-----	-----
H. Prior to January 1, 1959	-----	-----	-----	-----	-----

CHAPTER 1. DEVELOPING THE FINANCING PLAN

SECTION 1. CALCULATING AND SHARING PROJECT COST

The planning of the financing of a project involves seven basic steps:

- (1) Estimating the cost of planning the project and determining whether to use Federal funds or other types of funds to meet these costs. (See 7215.1, Financing and Financial Reports, Chapter 2.)
- (2) Estimating Gross Project Cost, which is the sum of:
 - (a) Costs to be paid in cash (Item 1 of Gross Project Cost: Project Expenditures). These costs are identified in 7218.1, Budgets and Budget Reports, Chapter 2, Section 1.
 - (b) Cost of noncash local grants-in-aid (Item 2 of Gross Project Cost). These costs are identified in 7216.1, Local Grants-in-Aid, Chapter 2, Section 1.
- (3) Calculating Net Project Cost by obtaining the difference between Gross Project Cost and the proceeds realized from the disposition of land.
- (4) Determining how Net Project Cost is to be shared. This involves:
 - (a) Determining the Federal Government's share. The LPA may elect to finance the project under a formula in which the Federal share is based on two-thirds of Net Project Cost or on three-fourths of Net Project Cost, depending on which basis the project capital grant is established. (See "Alternative Project Capital Grant Formulas," below.)
 - (b) Determining the LPA's share. The LPA may provide its one-third or one-fourth share of Net Project Cost in the form of noncash local grants-in-aid (identified above) and cash grants-in-aid (see 7216.1, Local Grants-in-Aid, Chapter 1). If the LPA provides more than its share of a given project's Net Project Cost, the Federal Government's share is adjusted downward and an appropriate adjustment is made when the project is pooled with the succeeding projects. (See "Sharing and Pooling of Net Project Costs" below.)
- (5) Estimating the amount of relocation payments, which are reimbursed in full by the Federal Government. (See 7212.1,

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Relocation, Chapter 3, Section 1, and 7215.1, Financing and Financial Reports, Chapter 1, Section 2.)

- (6) Estimating the amount of rehabilitation grants, which are reimbursed in full by the Federal Government. (See 7215.1, Financing and Financial Reports, Chapter 1, Section 2.)
- (7) Estimating the amount of funds which the LPA will have to borrow to obtain working capital. (See 7215.1, Financing and Financial Reports, Chapter 4.)

BASIC FINANCING FORM

The calculations of Gross and Net Project Costs and of the total amount to be borrowed are made on Form HUD-6200, Project Cost Estimate and Financing Plan.

MANAGEMENT AND INVESTMENT OF FUNDS

Policies governing the investment of funds are set forth in 7215.1, Financing and Financial Reports, Chapter 5.

ALTERNATIVE PROJECT CAPITAL GRANT FORMULAS

The project capital grant is the Federal Government's share of Net Project Cost and is determined for each project on one of the following bases.

Project on Two-Thirds Grant Basis

A project capital grant is based on two-thirds of Net Project Cost unless the project qualifies for a three-fourths grant under one of the categories listed below. Costs eligible for inclusion in Item 1 of Gross Project Cost for a project on a two-thirds grant basis are set forth in 7218.1, Budgets and Budget Reports, Chapter 2, Section 1.

Project on Three-Fourths Grant Basis

A project capital grant is based on three-fourths of Net Project Cost for a project in a municipality having a population, according to the most recent decennial census, of:

- (1) 50,000 or less; or
- (2) More than 50,000 and located in a redevelopment area designated by the Department of Commerce.

Costs eligible for inclusion in Item 1 of Gross Project Cost for a project in this category are the same as for a project on a two-thirds grant basis. (See 7218.1, Budgets and Budget Reports, Chapter 2, Section 1.)

Project on Three-Fourths Grant Basis With Limited Project Costs

A project capital grant is based on three-fourths of Net Project Cost for a project (regardless of the population size of the municipality in which it is located) for which Item 1 of Gross Project Cost excludes the costs of survey, planning, administration, legal, and certain other expenses. Costs eligible for inclusion in Item 1 of Gross Project Cost for a project in this category are set forth in 7218.1, Budgets and Budget Reports, Chapter 2, Section 2.

A community electing to receive such a three-fourths capital grant will be expected to continue on this basis. However, in order to permit communities to determine through experience if the three-fourths grant with limited project costs is feasible in the light of local conditions, each community may--without committing itself to continue under that basis--initiate one new project under, or convert one existing project to, the three-fourths grant basis with limited project costs.

Conversion of Project in Planning to Three-Fourths Grant Basis With Limited Project Costs

An existing project may be converted to such a three-fourths grant basis at any time until a Contract for Loan and Grant has been executed for the project.

If the LPA has received a Federal advance for project planning, preparation of a General Neighborhood Renewal Plan, or a Feasibility Survey in the area of a project to be undertaken on such a three-fourths grant basis, it shall:

- (1) Within 30 days of the approval of the conversion, repay the unobligated balance of Federal funds advanced.
- (2) At the earliest feasible date prior to the tendering of a Contract for Loan and Grant, repay the remainder of the Federal advance and all accrued interest.

To apply for a conversion, the LPA shall submit the following to the Regional Office:

- (1) Letter requesting conversion and recommending the effective date (original and one copy).

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FINANCING AND FINANCIAL REPORTS
CHAPTER 1 SECTION 1

- (2) Resolution of the governing body of the LPA requesting conversion to the three-fourths grant basis with limited project costs (two certified copies).

SHARING AND POOLING OF NET PROJECT COSTS

All projects in a municipality for which a Contract for Loan and Grant has been authorized must be pooled, regardless of whether they are under the same formula or are undertaken by the same LPA; that is, Net Project Costs for all such projects must be pooled and the sharing of local and Federal grants-in-aid must be calculated accordingly. The amount of relocation payments or rehabilitation grants shall be excluded from the computation of Gross and Net Project Costs. Neither the relocation grant nor the rehabilitation grant is included in the project capital grant.

First Completed Project

The maximum project capital grant for the first completed project is the least of:

- (1) The difference between the Net Project Cost and the local grants-in-aid actually made.
- (2) Two thirds (or three-fourths) of the Net Project Cost.
- (3) The dollar amount stated in the Contract for Loan and Grant.

More Than One Project

For the purposes of estimating the project capital grant at the time a Contract for Loan and Grant is approved, a project shall be pooled only with other projects in the municipality already under a Contract for Loan and Grant.

For the purpose of determining the project capital grant payment at the time of project completion, the calculation shall take into account only those other projects (a) which have been completed, or (b) which are being processed for completion and for which a final determination as to the amount of project capital grant payable has been made. The maximum project capital grant payable at the time of project completion is the least of:

- (1) An amount calculated as follows:
 - (a) The total of the Net Project Cost of this project plus the Net Project Cost of all other projects in the municipality that have been or are about to be completed.

- (b) Less the total of the local grants-in-aid provided for all projects in (a) above, including local grants-in-aid to be provided, the estimated costs of which have been accepted by HUD.
 - (c) Less the total of the project capital grants paid or determined to be payable for the other projects that have been or are about to be completed.
- (2) The difference between:
- (a) Two-thirds (or three-fourths) of the Net Project Cost of this project plus two-thirds (or three-fourths) of the Net Project Cost of all other projects that have been or are about to be completed; and
 - (b) The sum of the project capital grants which have been paid or determined to be payable for the other projects that have been or are about to be completed.
- (3) The dollar amount stated in the Contract for Loan and Grant.

A similar calculation is used for estimating the Project Capital Grant at the time a Contract for Loan and Grant is authorized. All other projects in the municipality which are being or have been carried out under Contract for Loan and Grant are included in the pool. The latest approved estimates are used for projects which are not completed or are about to be completed.

The following is a simplified example of pooling of projects on a two-thirds capital grant basis:

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CHAPTER 1 SECTION 1

(Dollars in Thousands)

	Project A	Project B	Both Projects
Project Expenditures	\$ 800	\$1,000	\$1,800
Plus: Noncash local grants-in-aid	200	0	200
GROSS PROJECT COST	<u>\$1,000</u>	<u>\$1,000</u>	<u>\$2,000</u>
Less: Recovery from disposition of land	<u>700</u>	<u>700</u>	<u>1,400</u>
NET PROJECT COST	\$ 300	\$ 300	\$ 600
Less: Local grants-in-aid provided	<u>200</u>	<u>---</u>	<u>200</u>
Project capital grant payable	\$ 100	\$ 300	\$ 400

Since Project A is the first project to be completed, the LPA is required to provide a minimum of one-third of Net Project Cost, or \$100 thousand. In this example, it chooses to provide more than the minimum.

The local grants-in-aid for Project B may be less than one-third of the Net Project Cost, since the local grants-in-aid provided for both Projects A and B equal at least one-third of the aggregate Net Project Costs of the two projects.

The local grants-in-aid for both projects must equal at least one-third of the aggregate Net Project Costs of the two projects.

The project capital grant payable for Project A cannot exceed the difference between the Net Project Cost and the local grants-in-aid actually made with respect to Project A even though the amount is less than two-thirds of the Net Project Cost.

The project capital grant for Project B may exceed two-thirds of the Net Project Cost, since the project capital grants for both projects do not exceed two-thirds of the aggregate Net Project Costs. It may not exceed the difference between the \$400 thousand of aggregate grants for both projects and the \$100 thousand of grants paid for Project A.

The project capital grants for both projects cannot exceed two-thirds of the aggregate Net Project Costs of both projects or the difference between the aggregate Net Project Cost for both projects and the aggregate local grants-in-aid provided for both projects.

CHAPTER 1. DEVELOPING THE FINANCING PLAN

SECTION 2. SUBMISSION REQUIREMENTS FOR AMENDATORY
LOAN AND GRANT APPLICATIONS

1. ITEMS TO BE SUBMITTED. If a major change in the project cost estimate is made during project execution which requires an amendment of the Contract for Loan and Grant to increase the amount of the loan commitment, the capital grant, relocation grant, or rehabilitation grant, the following shall be submitted with the Amendatory Loan and Grant Application:
 - a. Revised Form HUD-6200, with narrative supporting statement. If additional noncash grant-in-aid credit for communitywide or general benefit facilities, or for expenditures of educational institutions or hospitals with respect to the acquisition of land, buildings, or structures within one mile of the urban renewal project boundary, is provided for in the proposed revised financing plan, such credit may be claimed only for pooling credit purposes. Such additional credits may not be used to reduce local cash grants-in-aid from project accounts nor to reduce the cash contribution to the project which the LPA is required to make.
 - b. If required, proposed (with Amendatory Application for Loan and Grant, Part I) and executed (with Amendatory Application for Loan and Grant, Part II) cooperation agreements, or other binding commitments, between the LPA and other entities reflecting the intention of the latter to provide the local grants-in-aid.
 - c. Certifications by donors of the starting dates of noncash local grant-in-aid work already commenced, not previously submitted.
 - d. If a major change in the Section 107 credit is to be made or if such credit is to be claimed for the first time, proposed (with Amendatory Part I Loan and Grant Application) and executed (with Amendatory Part II Loan and Grant Application) cooperation agreements between the LHA and other entities, which provide for the continuing local contribution to the low-rent public housing project.

2. EFFECT OF CIRCULARS RHM 7202.3 AND 7202.4. Circular RHM 7202.3, Policies Governing Grant Increases, and Circular RHM 7202.4, Preventing Requests for Grant Increases Through Adequate Budgeting and Project Monitoring Techniques, contain additional submission requirements for Amendatory Loan and Grant Applications.
3. AUTHORIZATION TO OBTAIN PROJECT TEMPORARY LOAN.
 - a. Adoption of Resolution. Following the approval by the Federal Government of a Contract for Loan and Grant, and prior to the initiation of the LPA's request for a project temporary loan, the governing body of the LPA shall hold a meeting for the purposes of adopting:
 - (1) A Basic Note Resolution (Form HUD-9101), which authorizes the LPA to issue a Project Loan Note for deposit with the Government.
 - (2) A Master Resolution (Form HUD-9000), which authorizes the sale, issuance, and delivery, from time to time, of Project Notes and the execution of Requisition Agreements securing such Notes.
 - b. Documentation. Each time a Project Loan Note is issued pursuant to the Basic Note Resolution, it shall be accompanied by an opinion of the LPA's attorney based upon Form HUD-9105, Suggested Form of Opinion of Local Public Agency's Attorney Respecting Issuance of Project Loan Note, and a General Certificate, Form HUD-9009. One certified copy of the Basic Note Resolution and an executed Project Loan Note must be transmitted to the Regional Office prior to the initiation by the LPA of the first request for a project temporary loan. In addition, one certified copy of the Master Resolution must be transmitted to the Regional Office prior to initiation of the first private financing transaction. A certified copy of the Master Resolution must be provided to each Bond Counsel designated in connection with a particular issue of Project Notes. (See Chapter 4, Section 2)

TYPE OF ELIGIBLE FACILITY	DETERMINATION OF RELATIVE BENEFIT
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(2) Streets, exclusive of freeways and expressways (curbs, gutters, sidewalks, traffic lights, and bridges will be treated the same as the facility of which they are a part.)

- | | |
|--|---|
| <p>* (a) Boundary streets outside the project area for urban renewal projects with Loan and/or Grant Contracts approved prior to 10/1/69.</p> | <p>No more than 50 percent of the cost of a street meeting the "Conformance With Local Standards" criteria in RHM 7209.1, Site Preparation and Project Improvements, Chapter 1, except where frontage outside the project receives no benefit due to a natural or artificial barrier such as a lake, stream, ravine, cliff, bluff, or railroad line. Land in public or institutional use is not considered a natural barrier.</p> |
| <p>(b) Boundary streets outside the project area for urban renewal projects with Loan and/or Grant Contracts approved on or after 10/1/69.</p> | <p>Same as interior streets (see RHM 7209.1, Site Preparation and Project Improvements, Chapter 1).</p> |
| <p>(c) Streets outside project, only when feasibility of project would be jeopardized without access provided.</p> | <p>Same as interior streets (see RHM 7209.1, Site Preparation and Project Improvements, Chapter 1), except that any benefit to abutting property must be deducted.</p> |
| <p>(d) Ramps, interchanges, and other similar connections with major highways, when designed and located especially to serve the project.</p> | <p>Project requirements divided by actual size, except that benefit to areas other than project area must be deducted.</p> |
| <p>(e) Vehicular and pedestrian overpasses and underpasses, other than those eligible as a project improvement.</p> <ol style="list-style-type: none"> 1. Part of another facility. 2. Not part of another facility. | <p>Same as facility of which it is a part.</p> <p>Project use divided by total use.</p> |

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LOCAL GRANTS-IN-AID
CHAPTER 2 SECTION 2

TYPE OF ELIGIBLE FACILITY	DETERMINATION OF RELATIVE BENEFIT
(3) Water distribution facilities, including related items such as booster pumps, closure of loops, and storage tanks, other than those eligible as project improvements.	Capacity required for project divided by total designed capacity.
(4) Sanitary sewers, other than those eligible as project improvements, including related items such as lift stations, interceptors, local treatment plants, and additions to local treatment plants.	Same as water distribution facilities.
(5) Electric and gas distribution facilities, including essential related items.	Same as water distribution facilities.
(6) Parks and playgrounds, other than those qualifying as an eligible project improvement.	
<p>All parks and playgrounds may include related items eligible for local parks and playgrounds (see RHM 7209.1, Site Preparation and Project Improvements, Chapter 1). Those serving residential areas may also include permanent and fixed improvements, such as playground equipment, comfort stations, tennis courts, and softball diamonds.</p>	
<p>A playground, as a part of a park for which credit is being allowed, is not eligible for a separate credit allowance.</p>	
(a) In residential areas.	Project families in service area divided by total families in service area.

TYPE OF ELIGIBLE FACILITY	DETERMINATION OF RELATIVE BENEFIT
(b) In other than residential areas.	Area of project in service area divided by total service area.
(7) Finished grading and landscaping only when part of an eligible supporting facility.	Same as supporting facility of which they are a part.
(8) Flood control and flood protection work other than those qualifying as project improvements (see RHM 7209.1, Site Preparation and Project Improvements, Chapter 1).	Project area to be protected divided by total area to be protected.
(9) Offstreet public parking facilities.	Demand from the portion of the service area within the project area divided by the greater of (1) capacity of the parking facility, or (2) total demand for parking spaces within the service area. Demand may be computed on the basis of the parking space requirements established in the Urban Renewal Plan for the various types of permitted uses, or on the basis of a single factor of parking space per dwelling unit and, for nonresidential uses, on the basis of a single factor of building floor area per parking space. However, only one of the above methods may be used to determine parking demand in a project area. Service area is determined by the distance people might be expected to walk between destination and parking facility. The cost of any parking spaces reserved for special users and not available to the public at large shall be deducted from the total cost of the parking facility before the application of the percentage of relative benefit.

TYPE OF ELIGIBLE FACILITY	DETERMINATION OF RELATIVE BENEFIT
<p>(10) Railroad spurs only when:</p> <p>(a) They cannot otherwise be provided;</p> <p>(b) They serve more than one disposition parcel; and</p> <p>(c) Added disposition proceeds exceed or equal additional project cost.</p>	Benefit to project divided by total benefit.
<p>(11) Public fallout shelters for shelters located in structures that are also used for nonshelter purposes. The eligible cost attributable to the shelter shall not include any costs which would otherwise have been incurred for the nonshelter use.</p>	Demand from portion of service area within project area divided by the greater of (1) capacity of shelter, or (2) total demand for shelter within its service area. This determination shall be separate from that for any eligible nonshelter use.
<p>* (12) Subway and other rapid transit stations (but not main trackage, tunnels, and other components of the system or any commercial facilities provided in such stations).</p>	Project benefit or use divided by total service area benefit or use.

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U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

URBAN RENEWAL HANDBOOK

CIRCULAR

RHM 7215.1

Simplification Circular No. 9
Office of the Assistant Secretary for
Renewal and Housing Management

2/19/70

Cancellation
Date: ADD

SUBJECT: REVISED PART I LOAN AND GRANT APPLICATION REQUIREMENTS

1. PURPOSE. This Circular establishes revised submission requirements for Code No. R 226, Cost Estimate and Financing Report.
2. REVISED COST ESTIMATE AND FINANCING REPORT. In Urban Renewal Handbook RHM 7215.1, Chapter 1, Section 2, the information under the heading "Part I Loan and Grant Application" is rescinded and replaced by the following:

With the Part I Loan and Grant Application (see RHM 7206.1, Project Applications, Chapter 2, Section 1, Checklist Code No. R 226) the LPA shall submit the following:

- (1) Form HUD-6200, Project Cost Estimate and Financing Plan.
- (2) Narrative statement in support of estimates shown on Form HUD-6200, Supporting Schedule 2 through 6. These statements shall include:

Supporting Schedule 2:

- (a) Estimated net cost of site clearance work. The statement shall be supported by data as to quantities involved, the types of units and unit prices used for estimating purposes, and the estimated recovery from salvable material. The basis for unit prices shall be described. Estimates which include compensation to a private utility company for removal or relocation of its lines must be supported by legal opinion that the LPA is obligated to provide the compensation.

Supporting Schedule 3:

- (b) Estimated cost of project or site improvements, including historic or architectural preservation activities. The statement shall identify and generally describe the scope, character and general design features of proposed improvements. The estimated cost of the improvements and the eligible portions thereof shall be explained. Reasonably accurate estimates are necessary even though plans will be of a preliminary nature. Identification of any improvement to be financed in whole or in part by special assessments or by Federal grant or subsidy, and explanation of how total costs in Column (c) have been adjusted to reflect such financing. Statement as to the portion, if any, of the capital cost of any public utility proposed for credit which was or will be financed with revenue bonds payable solely from service charges. (See RHM 7216.1, Local Grants-in-Aid, Chapter 2, Section 2.)

For each improvement, the types of units used for estimating purposes, the quantities involved, and the unit prices used shall be given. The basis for the unit prices used shall be described. Costs should be adjusted from those currently applicable to those expected to exist at the time the work is scheduled to be placed under contract. The percentage of change to accomplish this adjustment is to be clearly shown in the data submitted.

Supporting Schedule 4:

- (c) Estimated cost of supporting facilities. Identification of any facility to be financed in whole or in part by special

assessments or by Federal grant or subsidy (including any Federal funds received by the donor or applicant through a State or any other entity), and explanation of how total costs in Column (c) have been adjusted to reflect such financing. Statement as to the portion, if any, of the capital costs of any public utility proposed for credit which was or will be financed with revenue bonds payable solely from service charges. (See RHM 7216.1, Local Grants-in-Aid, Chapter 2, Section 2.)

- (d) Evidence that each facility (other than a communitywide or general benefit facility), to the extent of allowance claimed, is necessary to serve or support uses of land in the project area established in the Urban Renewal Plan, including statements from the providing entity relative to the services to be provided by the facility, the area to be served, and anticipated portion of services in the project area. (See RHM 7216.1, Local Grants-in-Aid, Chapter 2, Section 2.)
- (e) Evidence that each communitywide or general benefit facility is used predominantly for eligible purposes, and contributes materially to the objectives established in the Urban Renewal Plan. This shall include a statement from the providing entity relative to the uses of the facility and showing that such uses and the uses of the project area are compatible and bear a definite relationship to each other. (See RHM 7216.1, Local Grants-in-Aid, Chapter 2, Section 2.)

NOTE: If, when Part I is submitted, enrollment in a school proposed as a local grant-in-aid is not expected to

be on the basis of proximity, district, or service area, the statement from school officials submitted in support of Schedule 4 shall identify the assignment method to be used and include information pertinent to the percentage of cost proposed by the LPA as a local grant-in-aid. (See RHM 7216.1, Local Grants-in-Aid, Chapter 2, Section 2.)

Supporting Schedule 5:

- (f) If Section 107 noncash local grant-in-aid credit for low-rent public housing or Section 112 expenditures of educational institutions or hospitals is claimed, breakdown of credit claimed in terms of the categories listed in RHM 7216.1, Local Grants-in-Aid, Chapter 2, Section 3.

Supporting Schedule 6:

If the Net Project Cost of one or more other projects is to be pooled with this project, breakdown by project as shown on the latest approved Form HUD-6200, Line A-13.

- (3) Narrative statement in support of estimates of proceeds from project land. The statement shall identify the source of the estimates and describe the basis for estimating the reuse value.
- (4) The following data in support of Sharing of Net Project Cost (Form HUD-6200, Lines A-14 through A-26):
- (a) Evidence that funds necessary for provision of local grants-in-aid are available or will be available when needed, including description of arrangements between the LPA and other entities and the method used or to be used to raise the funds.

-
- (b) Proposed cooperation agreements, or other binding commitments, between the LPA and other entities reflecting the intention of the latter to provide the local grants-in-aid. Each cooperation agreement or other binding commitment shall include the assurance that the supporting facility or Section 112 grant-in-aid will be operated on a nondiscriminatory basis.
- (c) Certification by donors of (i) starting dates of construction of project improvements and supporting facilities already commenced as noncash local grants-in-aid, and (ii) dates of commencement of site clearance works already commenced as a noncash local grant-in-aid but not incidental to the provision of Item 2 improvements and facilities. If the cost of any of the items listed in RHM 7216.1, Local Grants-in-Aid, Chapter 2, Section 2, is to be claimed for credit in connection with construction of an Item 2 improvement or facility, the certification shall include, for each cost incurred prior to the starting date of construction and prior to approval of the Survey and Planning Application, identification of each item claimed, its cost, and the date on which its cost was incurred.

Journal

Monday, 1st of January 1875

Woke up at 7 o'clock. The weather was very cold. I went to the office at 8 o'clock. There was a great deal of business to do. I finished at 5 o'clock. I went to the theatre at 7 o'clock. The play was very good. I went to bed at 10 o'clock.

Tuesday, 2nd of January 1875
Woke up at 7 o'clock. The weather was very cold. I went to the office at 8 o'clock. There was a great deal of business to do. I finished at 5 o'clock. I went to the theatre at 7 o'clock. The play was very good. I went to bed at 10 o'clock.

Wednesday, 3rd of January 1875
Woke up at 7 o'clock. The weather was very cold. I went to the office at 8 o'clock. There was a great deal of business to do. I finished at 5 o'clock. I went to the theatre at 7 o'clock. The play was very good. I went to bed at 10 o'clock.

Thursday, 4th of January 1875
Woke up at 7 o'clock. The weather was very cold. I went to the office at 8 o'clock. There was a great deal of business to do. I finished at 5 o'clock. I went to the theatre at 7 o'clock. The play was very good. I went to bed at 10 o'clock.

Friday, 5th of January 1875

Saturday, 6th of January 1875

Sunday, 7th of January 1875

CHAPTER 2. SURVEY AND PLANNING FUNDS

SECTION 1. PLANNING ADVANCE

The Federal Government will advance funds to cover necessary expenditures for survey and planning activities in preparation of an urban renewal project. For a project on a three-fourths capital grant basis with limited project cost, however, the LPA must use its own funds to cover survey and planning expenditures.

The total amount of a planning advance may not exceed the expenditures of the LPA which are necessary, as demonstrated by the HUD-approved survey and planning budget (see 7218.1, Budgets and Budget Reports, Chapter 1), to carry out the activities for which the advance is made.

Funds will be advanced only pursuant to a Contract for Planning Advance, executed by the LPA and the Federal Government after approval of a Survey and Planning Application (see 7206.1, Project Applications, Chapter 1, Section 1).

REQUISITION FOR ADVANCE PAYMENT

After execution of a Contract for Planning Advance, the LPA may requisition funds to meet costs incurred for work under the contract and in accordance with the latest approved budget. The requisition shall normally be limited to the net cash requirements of the LPA for a 6-month period.

Requisitions should be submitted approximately 2 weeks before the beginning of the requisition period, to allow time for processing.

SUBMISSION OF DOCUMENTS

To requisition advance funds, the LPA shall submit the following documents to the Regional Office:

- (1) Form HUD-6123, Requisition for Advance Payment, in a signed original and 3 conformed copies.

Form HUD-6123 must not postdate the date of the certificate of LPA counsel concerning the requisition.

- (2) With the first requisition under a Contract for Planning Advance, opinion and certificate of LPA counsel respecting the requisition, in a signed original, substantially in conformity with Form HUD-3029.

- (3) Form HUD-6206, Schedule of Urban Renewal Insurance Coverages, in an original and one copy, with the first advance requisition requiring insurance certification, and with subsequent advance and temporary loan requisitions only if insurance coverage has been modified, the expiration date of a policy changed, or a renewal policy issued. Include in each schedule all insurance coverages for all urban renewal projects.

HUD APPROVAL

Upon approval of the requisition, a check will be mailed to the LPA. The check will be in the amount of the approved requisition, less any inspection fees owed the Government.

If the approved requisition amount is less than the amount requested by the LPA, the Regional Office will provide the LPA with an explanation of the difference.

REPAYMENT OF ADVANCE

A planning advance must be repaid, with interest, from any funds, whether federal or local, which become available for undertaking the project or projects involved, as soon as funds become available to the LPA and before any other expenditures are made from the funds.

Disposal of Advance Balances

Upon receipt of the approved project expenditures budget, any remaining balance of planning advance funds shall be either (1) transferred to the Project Expenditures Account, or (2) remitted to the Regional Office.

If receipt of an approved project expenditures budget is not anticipated, any balance of planning advance funds remaining upon completion of the LPA's planning expenditures shall be promptly remitted to the Regional Office.

Remittances to HUD shall be in the form of a check or money order payable to "Department of Housing and Urban Development-OS."

Repayment of Outstanding Advances

An amount sufficient to repay in full any outstanding advances plus interest must be included in the amount of the first request for Federal funds under the Contract for Loan and Grant.

If the first funds available to the project come from a direct Federal temporary loan, the amount due will be deducted by HUD before payment. If first funds are obtained from any source other than the Federal Government, HUD will bill the LPA for the amount due.



CHAPTER 2. SURVEY AND PLANNING FUNDS

SECTION 2. NON-FEDERAL FINANCING

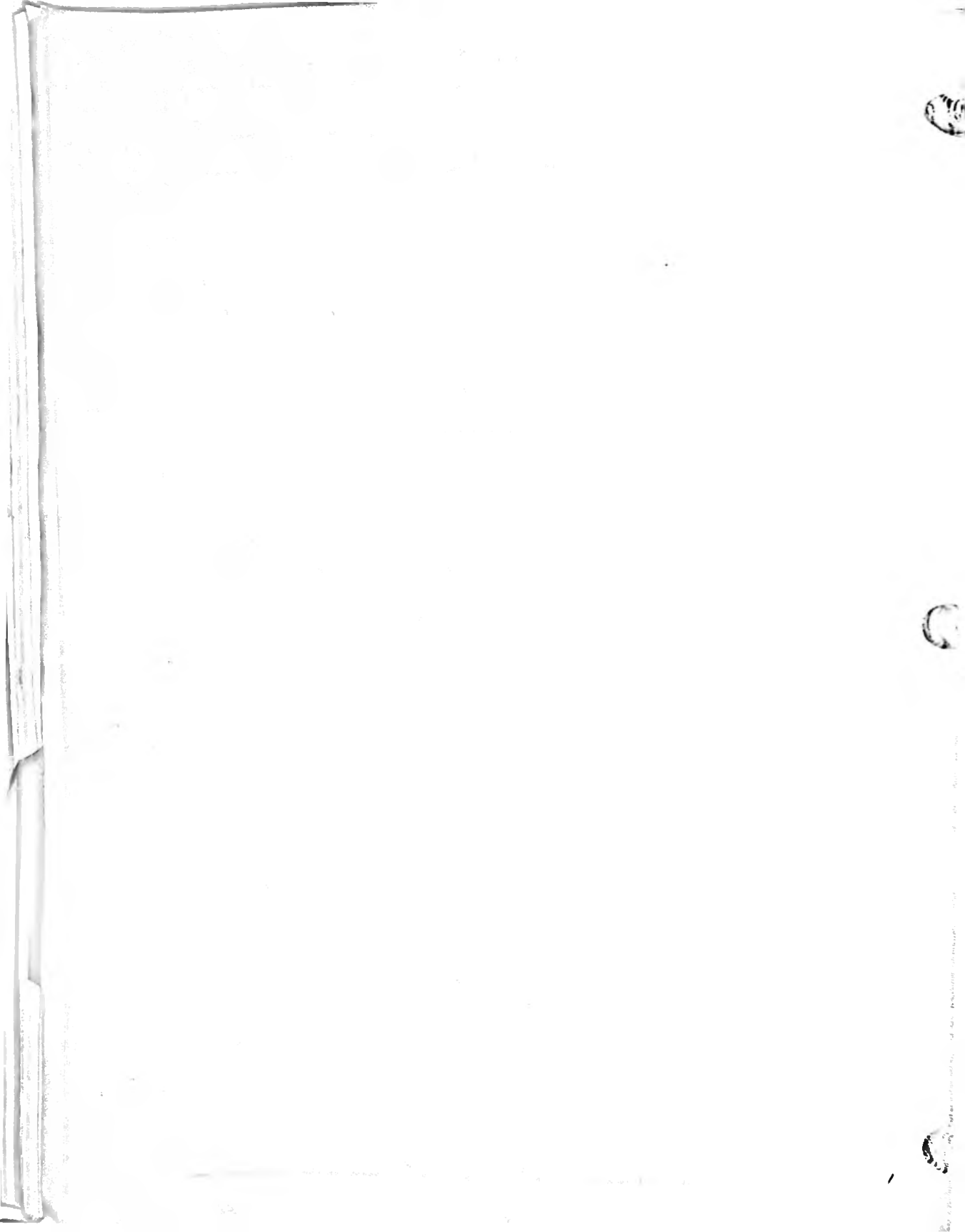
PROJECT ON THREE-FOURTHS CAPITAL GRANT BASIS WITH LIMITED PROJECT COSTS

Survey and planning costs are not included in the Gross Project Cost of a project on a three-fourths capital grant basis with limited project costs. The LPA shall therefore use its own funds to meet such costs.

PROJECT ON TWO-THIRDS CAPITAL GRANT BASIS, OR ON THREE-FOURTHS BASIS IN SMALL MUNICIPALITY OR IN REDEVELOPMENT AREA

An LPA may finance, with its own funds, survey and planning work for a project on a two-thirds capital grant basis, or on a three-fourths basis in a small municipality or in a redevelopment area designated by the Department of Commerce. In such case, it shall submit a Survey and Planning Application (see 7206.1, Project Applications, Chapter 1, Section 1). Upon approval of the application, HUD will issue a Letter To Proceed and an approved survey and planning budget. The Letter To Proceed will contain the terms and conditions under which survey and planning costs incurred in accordance with the approved budget will be eligible for inclusion in Gross Project Cost.

Survey and planning costs incurred prior to the receipt of a Letter To Proceed will not be included in Gross Project Cost.

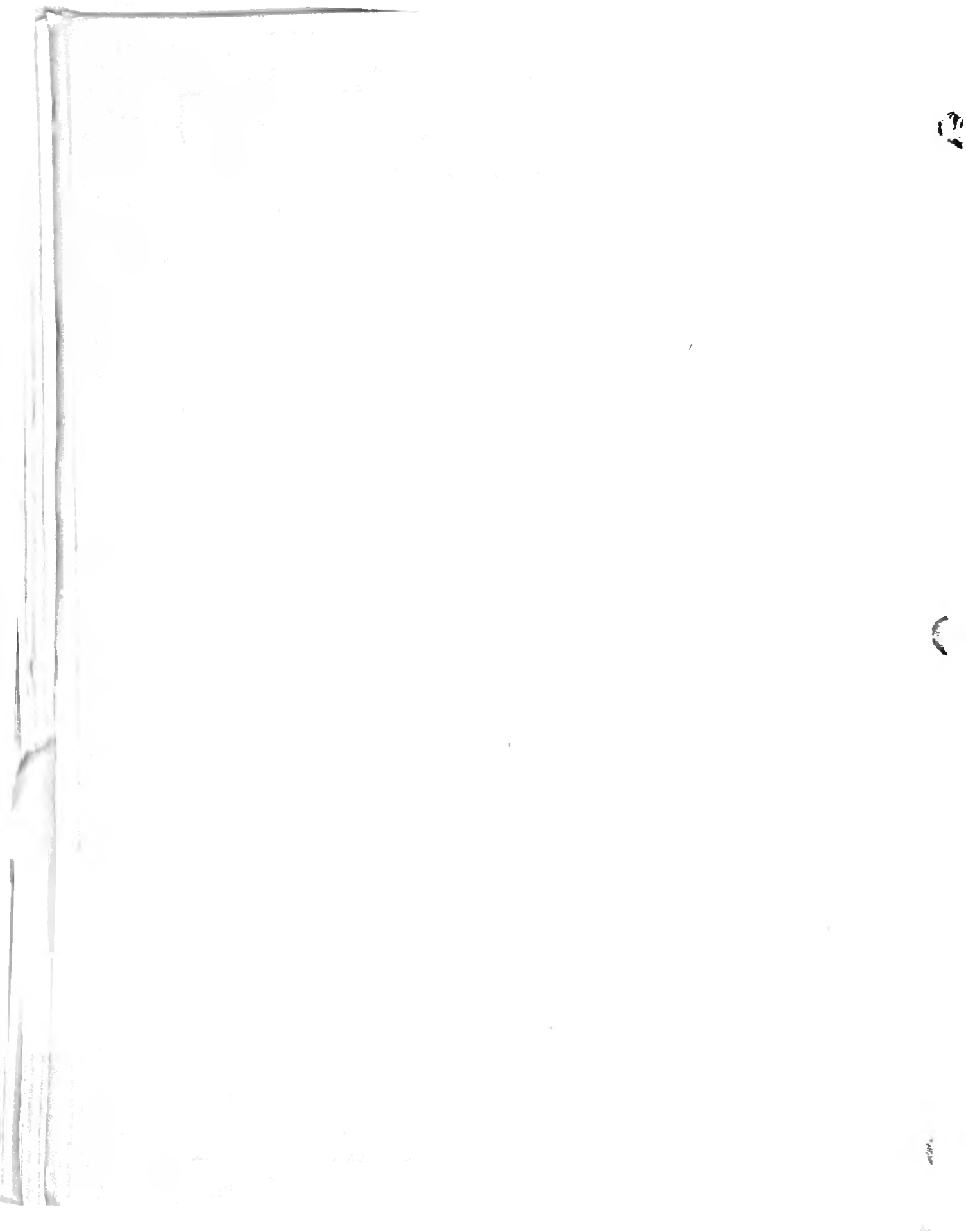


CHAPTER 3. FEDERAL GRANTS

SECTION 1. INTRODUCTION

Federal grant funds under a two-thirds or a three-fourths grant contract, relocation grants, and rehabilitation grants are payable in installments termed progress payments. Payments may be made at varying stages during project execution:

- (1) Project capital grant progress payments. Periodic payments during project execution; the payments may aggregate up to 75 percent of the latest approved estimate of the grant payable. (See Section 2 of this Chapter.)
- (2) Major completion grant payment. A payment at the time the project is substantially completed. This payment, with progress payments, may equal 95 percent of the latest approved estimate of the total project capital grant. (See Section 3 of this Chapter.)
- (3) Final capital grant payment. The final payment at the time of financial settlement at completion of project. This payment covers the remainder of the Federal capital grant payable. (See 7222.1, Project Completion, Chapter 2.)
- (4) Relocation grant payments. Periodic reimbursements, in full, to the LPA for relocation payments, properly made. (See Section 2 of this Chapter.)
- (5) Rehabilitation grant payments. Periodic reimbursements, in full, to the LPA for rehabilitation grants properly made. (See 7210.1, Rehabilitation, Chapter 1, Section 3.)



CHAPTER 3. FEDERAL GRANTS

SECTION 2. CAPITAL GRANT PROGRESS PAYMENTS, RELOCATION GRANT
PAYMENTS, AND REHABILITATION GRANT PAYMENTSPOLICY

A project capital grant progress payment, a relocation grant payment, or a rehabilitation grant payment may be made only if, in the determination of HUD, the proposed payment is advisable, if it is within Federal budgetary limitations, and, in the case of a project capital grant progress payment, if it is in accordance with the following:

- (1) The LPA is making satisfactory progress in the provision of local grants-in-aid, in accordance with the financing plan and cooperation agreements, and is not in default under the Contract for Loan and Grant.
- (2) At least 25 percent, based on estimated cost, of the real estate to be acquired for the project, exclusive of donated land, has been acquired.
- (3) The aggregate of all progress payments will not exceed 75 percent of the latest approved estimate of the total capital grant for the project.
- (4) Excessive cash balances will not result.
- (5) If the project involves rehabilitation activities, satisfactory progress is being made with respect to the activities set forth in 7210.1, Rehabilitation, Chapter 1, Section 1. As a minimum, the following criteria shall have been met:
 - (a) Notices have been sent to every owner and occupant of property not to be acquired explaining the general nature and objectives of the project.
 - (b) Any neighborhood organization provided for in the Part I Loan and Grant Application has been formed and is functioning.
 - (c) Final property surveys are being conducted in accordance with the approved schedule.
 - (d) Notices of improvements required to meet Property Rehabilitation Standards have been or are being sent promptly to owners of properties which have been surveyed.

COMPUTATION OF CAPITAL GRANT PROGRESS PAYMENT

The amount of project capital grant progress payments shall be computed in accordance with the following formula:

- Step 1. Divide the total disbursement to date for Item 1 costs by the estimate of total Item 1 costs as shown in the latest approved project expenditures budget.
- Step 2. Multiply the latest accepted estimate of the total project capital grant by the percentage obtained in Step 1.
- Step 3. Take 75 percent of the amount obtained in Step 2. This amount is the cumulative total that is eligible as project capital grant progress payments.
- Step 4. To obtain the specific amount eligible at any given time, deduct from the cumulative total all previous progress payments.

RELOCATION GRANT PAYMENT

A relocation grant payment will be made as a reimbursement only for relocation payments which have been made or recognized in accordance with the Regulations Governing Relocation Payments (see 7212.1, Relocation, Chapter 3, Section 1.)

REHABILITATION GRANT PAYMENT

A rehabilitation grant payment will be made as a reimbursement only for the amount of rehabilitation grants that have been made and expended for work that has been fully and satisfactorily completed and for which all costs have been paid. The amount of reimbursement shall not exceed the actual cost of the rehabilitation work completed with grant funds or the amount of the approved grant, whichever is the lesser.

REQUISITIONS

The submission of a requisition shall be timed so as to avoid unnecessary administrative expenses involved in the processing of frequent requisitions for relatively small amounts. They shall be timed so that the payment may be used to refinance or retire outstanding loans.

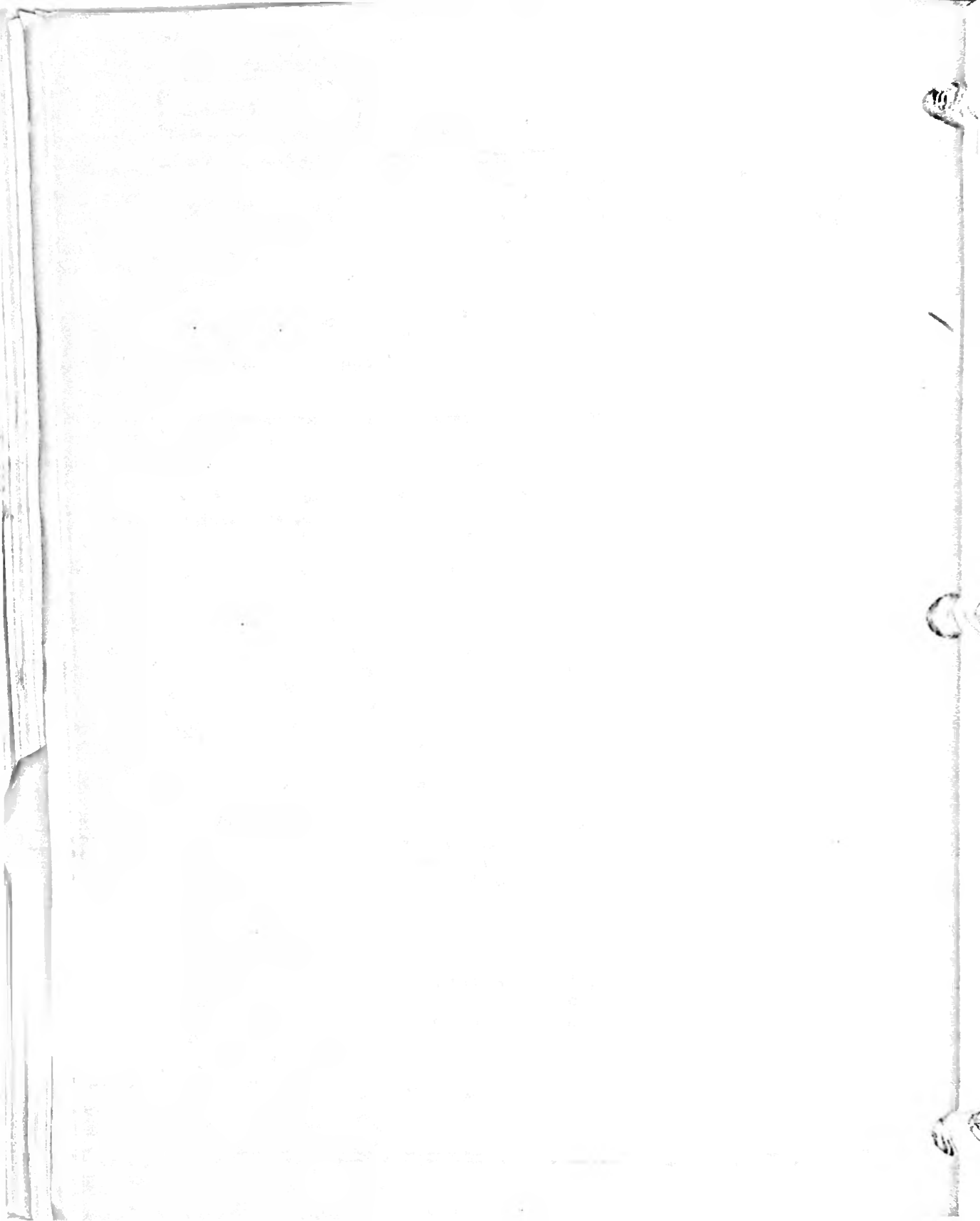
The documents to be submitted are shown in Section 4 of this Chapter. Rehabilitation grant payments shall be requisitioned from the Regional Office on Form HUD-6262, Requisition for Section 115 Rehabilitation Grant Reimbursements, original and three copies.

DISPOSITION OF PROCEEDS

Upon receipt of a grant payment, it shall be deposited in the Project Temporary Loan Repayment Fund, if a Contract for Loan and Grant is in force, or in the Project Receipts Account, if a Capital Grant Contract is in force.

HUD may apply any portion of the payment against outstanding direct temporary loans, or any other amount due HUD in connection with the project.

(See also "Transfer of Funds from Project Temporary Loan Repayment Fund to Project Expenditures Account." 7215.1, Financing and Financial Reports, Chapter 4, Section 4.)



CHAPTER 3. FEDERAL GRANTS

SECTION 3. MAJOR COMPLETION GRANT PAYMENT

A major completion grant payment will be made if, in the determination of HUD, the payment is deemed advisable and the following criteria have been met:

- (1) Land Acquisition. Title to all land and interest therein, except streets to be vacated, has been vested in the LPA and at least 90 percent of the total value of the land purchased or to be purchased has been paid for.
- (2) Relocation. At least 95 percent of the relocation program has been accomplished; the LPA is carrying out its relocation program with satisfactory dispatch; and there are no prospects of unreasonable delay in completing the program.
- (3) Site Clearance. All demolition and site clearance work has been accomplished except for buildings still necessary for public use, those occupied by tenants still to be relocated, and those whose continued use is essential to completion of the project.
- (4) Land Disposition.
 - (a) Sixty percent by value of all project land to be disposed of, exclusive of land to be dedicated, has been conveyed (i.e., title passed, possession of leasehold taken by lessee, or land retained by LPA) to redevelopers, and at least another 30 percent by value of all project land to be disposed of, exclusive of land to be dedicated, either has been conveyed or is under disposition contract.
 - (b) No redeveloper is in default under the terms of his contract with the LPA or of his deed or lease.
- (5) Project Improvements. The amount of contracts awarded, or work orders issued, for the installation of project improvements shall total at least 50 percent, by value, of all improvements, and there are no prospects of unreasonable delay in completing the remainder.
- (6) Supporting Facilities. Provision of supporting facilities shall be proceeding in accordance with the needs of the project and there are no prospects of unreasonable delay in providing the facilities which are not yet in place.

(7) Completion of Project Expenditures. All Item 1 expenditures can be completed within 1 year.

(8) Rehabilitation. If the project involves rehabilitation, this work must meet the requirements for project completion (see 7222.1, Project Completion, Chapter 1).

COMPUTATION OF MAJOR COMPLETION GRANT PAYMENT

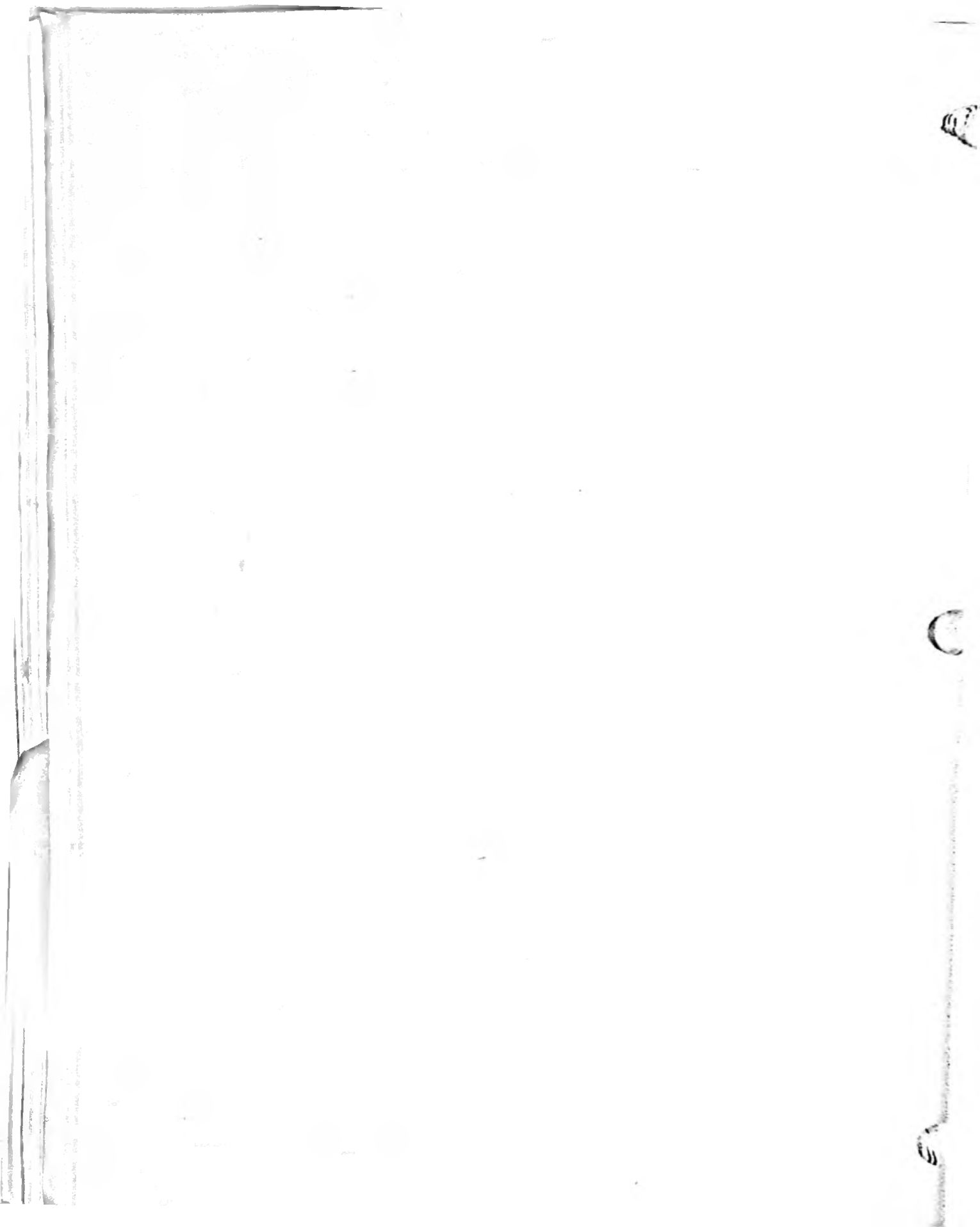
The major completion grant payment shall be computed in accordance with the following formula:

- Step 1. Determine an adjusted Gross Project Cost by adding (a) total Item 1 disbursements through the date of the calculation, and (b) the allowable portion of the cost of noncash local grant-in-aid work already paid for by the donor.
- Step 2. Determine an adjusted Net Project Cost by deducting from the adjusted Gross Project Cost the sum of (a) the sale price of project land sold, (b) the capital value of land retained by the LPA, (c) the estimated or approved capital value of land leased for redevelopment, (d) the expected disposition proceeds from project land under disposition contracts, and (e) 120 percent of the expected disposition proceeds from any remaining project land to be disposed of.
- Step 3. Calculate the adjusted total project capital grant on the basis of adjusted Net Project Cost by taking the least of the following three: (a) two-thirds of the adjusted Net Project Cost (or three-fourths if on a three-fourths grant basis), (b) the difference between the adjusted Net Project Cost and local grants-in-aid actually provided (i.e., cash local grants-in-aid deposited in the Project Expenditures Account and the cost of noncash local grant-in-aid work already paid for by the donor), and (c) the maximum project capital grant amount stipulated in the Contract for Loan and Grant.
- Step 4. Multiply the adjusted total project capital grant by 0.95.
- Step 5. Subtract the total amount of all project capital grant progress payments previously made.

If the project is pooled with another project that is completed, the LPA shall discuss the proposed computation with the Regional Office.

JUSTIFICATION OF REQUISITION FOR MAJOR COMPLETION

The LPA shall submit a statement supporting the conclusion that the project has reached major completion, and also a step-by-step computation of the amount of the major completion grant payment (see Section 4 of this Chapter).



CHAPTER 3. FEDERAL GRANTS

SECTION 4. SUBMISSION OF REQUISITION FOR GRANT PAYMENT

This Section covers the submission of requisitions for a relocation grant payment, a project capital grant progress payment, or a major completion grant payment. For the submission requirements covering a requisition for a rehabilitation grant payment, see 7210.1, Rehabilitation.

The LPA shall submit to the Regional Office the documents shown in the following table.

If it is anticipated that a transfer of a portion or all of the requested grant payment from the Project Temporary Loan Repayment Fund to the Project Expenditures Account will be needed, the requisition shall be accompanied by the transfer documents shown in 7215.1, Financing and Financial Reports, Chapter 4, Section 4.

Form No.	Documents to be Submitted Title	Reference	Number of Copies to be Submitted		
			Relocation Grant Payment (a)	Project Capital Grant Progress Payment (b)	Major Completion Grant Payment (c)
HUD-259	Requisition for Capital Grant Payment		Orig. + 3	Orig. + 3	Orig. + 3
HUD-693	Justification of Requisition for Project Capital Grant Progress Payment			Orig. + 2	Orig. + 2
HUD-3089	Narrative statement of justification of requisition for major completion grant payment				
HUD-6220	Opinion and Certificate of LPA Counsel (with first requisition only)			Orig.	
	Project Expenditures Budget (Required only if latest approved budget on Form HUD-6220 (or if HUD-6200) is not on the basis of completing the project in 1 year)	7218.1 chapter 2 section 3			Orig. + 4

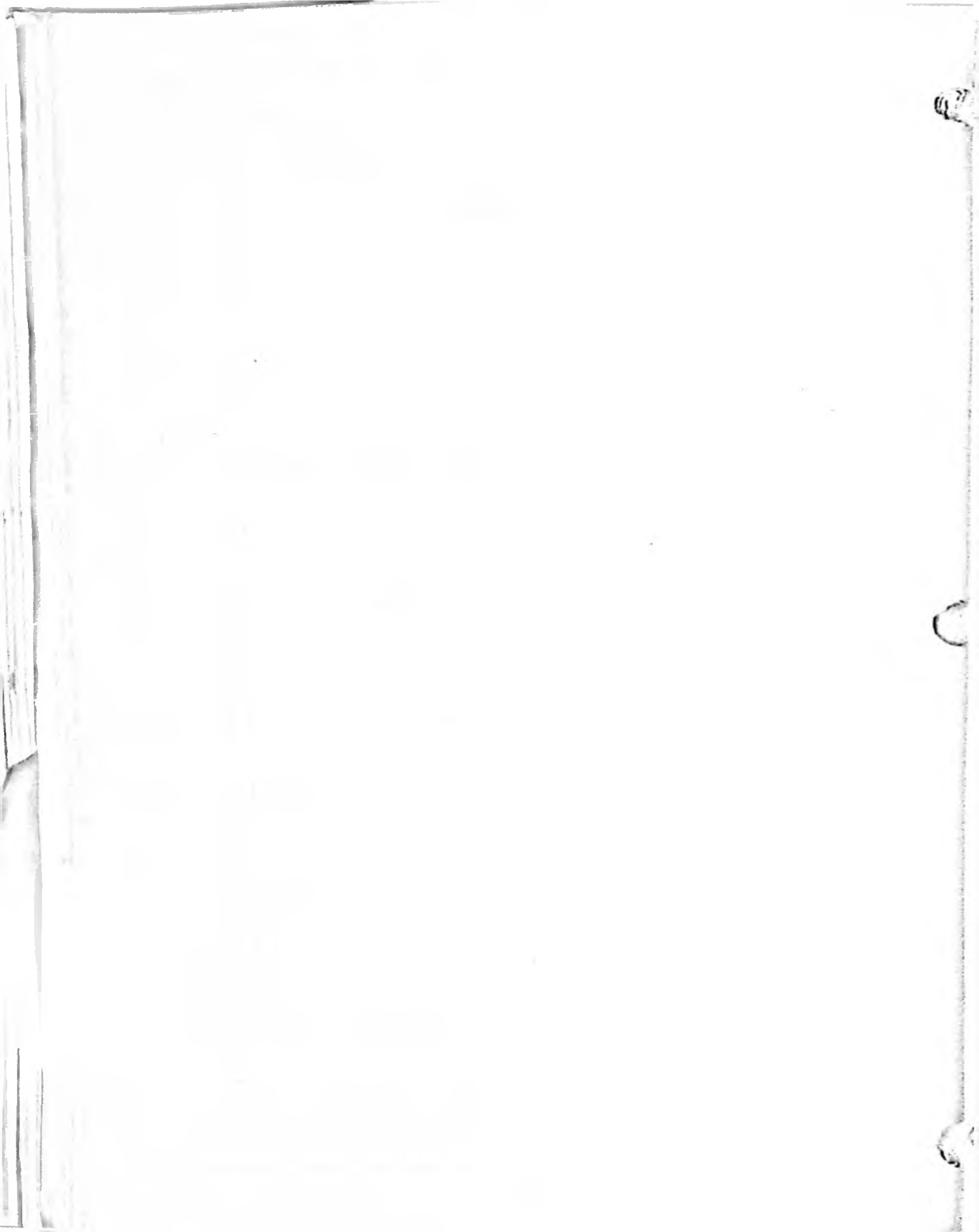
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RHA 7215.1

FINANCING AND FINANCIAL REPORTS
CHAPTER 3 SECTION 4

Form No.	Documents To Be Submitted Title	Reference	Number of Copies To Be Submitted		
			Relocation Grant Payment (a)	Project Capital Grant Progress Payment (b)	Major Completion Grant Payment (c)
HUD-6251	Project Balance Sheet	7215.1 Chapter 4 Section 6	Orig. + 2	Orig. + 2	Orig. + 2
HUD-6252	Budgetary Cash Position and Requirements	7215.1 Chapter 4 Section 6	Orig. + 2	Orig. + 2	Orig. + 2



CHAPTER 3. FEDERAL GRANTS

SECTION 5. PREPARING REQUISITIONS FOR CAPITAL GRANT PAYMENTS

1. PURPOSE. This section provides instructions for preparing Form HUD-259, Requisition for Grant Payment, with respect to capital grant payments.
2. PREPARATION INSTRUCTIONS.
 - a. Block I and Block II are for HUD use only.
 - b. Block III. Starting in space 18, enter the project number as shown on the contract.
 - (1) Field 9. Starting in space 33, enter the requisition number, beginning with 1, and continuing in numerical sequence for each subsequent requisition.
 - (2) Field 10. Starting in space 38, enter the date the requisition is submitted. The date shall be expressed in numeric elements in the following order:
 - (a) Columns 1* and 2 — enter the month number, beginning with "01" for January and progressing in numerical sequence for each subsequent calendar month.
 - (b) Columns 3* and 4 — enter the day of month, beginning with "01" and progressing in numerical sequence for each subsequent calendar day.
 - (c) Columns 5 and 6 — enter the last two digits of the year in which the requisition is submitted.
 - c. Block IV. Enter the official name, address, and zip code of the grantee.

*NOTE: It is important that a zero be inserted in those columns when the number designation of the month and/or day is 9 or less.

CHAPTER 3 SECTION 5

- d. Block V. Enter the name, address, and zip code of the designated depository exactly as shown on the most recent executed HUD-274, Designation of Depository for Direct Deposit of Loan and/or Grant Funds. Also, show the bank account number exactly as shown on the HUD-274.
- e. Block VI. Enter an "x" in the appropriate square to designate whether the requisition constitutes a progress or final payment. If the requisition constitutes a major completion grant payment, enter an "x" in the "Progress payment" square and type "Major completion" in this block. An "x" in the final payment block will result in an entry by HUD cancelling any outstanding obligation as well as any undisbursed commitment on HUD's accounting records. Consequently, it is extremely important that the final payment block be marked only at the appropriate time.
- f. Block VII. Leave blank.
- g. Block VIII. Enter the HUD contract number exactly as shown in the contract.
- h. Block IX. Leave lines a through h blank.
- (1) Line i. Enter the amount of Federal grant payment now requested.
- i. Block X. This block is to be used by the grantee to certify to HUD that, among other things, the information contained on the form is true and correct. Following is the information that must be entered in each section.
- (1) Section a and b. Enter the name and telephone number, respectively, of the person most familiar with the requisition. This information is essential in expediting the processing in the event the HUD approving official has any questions relating to the document.
- (2) Section c. The grantee official authorized to certify the propriety and accuracy of requisitions shall sign in ink in the space so provided.
- (3) Section d. Enter the title of the official signing in section c.
- j. Blocks XI, XII, and XIII. HUD use only.

* CHAPTER 4. BORROWING FUNDS TO MEET PROJECT COSTS

SECTION 1. DIRECT FEDERAL LOANS

1. CIRCUMSTANCES UNDER WHICH DIRECT FEDERAL LOANS WILL BE MADE. Under a Contract for Loan and Grant, the LPA may borrow funds directly from the Federal Government at the interest rate specified in the contract. This type of a loan is evidenced by a Project Loan Note. The issuance of the Project Loan Note shall be authorized by the adoption of a Basic Note Resolution (Form HUD-9101) by the LPA at the same time the execution of a Contract for Loan and Grant is authorized (see Chapter 1, Section 2). Since the LPA may also borrow funds on the open market under a federally secured loan (see Section 2 of this Chapter), the use of direct Federal loans is limited. A direct Federal loan will generally be made only when a private loan is not feasible. Among the circumstances which may justify the making of a direct loan are the following:
 - a. The LPA does not have the legal power to engage in private financing.
 - b. The LPA is unable to furnish the form of no-litigation certificate required for the issuance of Project Notes.
 - c. There is not sufficient time for orderly completion of the private financing transaction before the loan funds will be needed.
 - d. The amount of the loan required is not sufficiently large to justify private financing. A private loan of less than approximately \$200,000 is not desirable.
 - e. A project completion is imminent and a short-term direct loan will avoid incurring unnecessary interest costs after the anticipated completion date.
2. DURATION OF REQUISITION PERIOD AND AMOUNT OF LOAN. The requisition period shall be limited to 3 months. The amount of the loan shall be based on the cash needs for project expenditures, relocation payments, and rehabilitation grants, less anticipated cash income, during that period. In addition, both cash on hand at the opening of the loan period and cash required as a working balance at the end of the loan period shall be considered in calculating the amount of the loan. The calculation is made on Form HUD-6208, Certificate of Cash Needs (see Section 6 of this Chapter). If calculation of the amount of the loan anticipates receipt of a capital grant payment *

- * or land proceeds, the LPA shall file a request for consent to transfer funds from the Project Temporary Loan Repayment Fund, in which they are initially deposited, to the Project Expenditures Account (see Section 4 of this Chapter).
3. REQUISITIONING FUNDS. To requisition loan funds, the LPA shall submit the following documents:
- a. Form HUD-656, Requisition for Project Temporary Loan Payment (original and three copies).
 - b. Form HUD-6208, Certificate of Cash Needs (original and two copies) (see Section 6 of this Chapter).
 - c. Form HUD-6251, Project Balance Sheet (original and two copies) (see 7218.1, Budgets and Budget Reports, Chapter 2, Section 4).
 - d. Form HUD-6252, Budgetary Cash Position and Requirements (original and two copies) (see Section 6 of this Chapter).
4. HUD APPROVAL. Upon approval of the loan requisition, a check will be mailed to the LPA. The check will be in the amount approved less any sums due HUD. The date borne by the check will be entered by HUD on the Project Loan Note as the date on which the loan was made and will be the date from which interest on the Note will accrue. If the funds are to be used for the purpose of paying all or a portion of the principal of and interest on maturing Project Notes, a check in the appropriate amount will be made available to the Paying Agent for the maturing Notes three days prior to the maturity date of such Notes (see Chapter 4, Section 2). *

* CHAPTER 4. BORROWING FUNDS TO MEET PROJECT COSTS

SECTION 2. FEDERALLY SECURED, PRIVATE SHORT-TERM LOANS

1. BASIS FOR BORROWING ON OPEN MARKET. Under a Contract for Loan and Grant, the LPA may borrow funds on the open market by issuing short-term notes called "Project Notes" which are secured by the Federal Government. They are secured by the LPA's pledge of its temporary loan rights under the contract. By resolution, the governing body of the LPA authorizes the issuance of a note called a "Project Loan Note." It deposits this Note with the Federal Government as evidence of its obligation in respect to loans made under the Contract. The principal amount of the Project Loan Note cannot exceed the maximum Project Temporary Loan. The Federal Government commits itself to repay at maturity the principal of and interest on the Project Notes. This commitment to repay is based on Section 102(c) of Title I, and the full faith and credit of the United States is pledged to the payment of the Project Notes. The pledge is evidenced by an incontestable payment agreement appearing on each Project Note. Unless the LPA arranges through a new financing transaction, or otherwise, to repay the outstanding Project Notes, the Federal Government deposits with the Paying Agent an amount sufficient to repay the principal of and interest on the maturing Project Notes.
2. DEFINITIONS.
 - a. Local Issuing Agency-- the term used to denote either the Local Public Agency or the Local Housing Authority in documents used in both the urban renewal and the low-rent housing programs.
 - b. Project Loan Note (Form HUD-9107)-- the note issued by a Local Public Agency at the time a contract is executed with the Federal Government, for deposit with the Government, to evidence the Local Public Agency's obligation for loans or advances made by the Government pursuant to the contract.
 - c. Project Notes (Form HUD-9010) -- short-term notes to be sold on the private market by the Local Issuing Agency, which are secured by a pledge by the Local Issuing Agency of its loan rights under the contract with the Federal Government.
3. CONVERSION TO NEW FINANCING DOCUMENTS AND PROCEDURES. The short-term notes sold on the private market to provide temporary financing for urban renewal projects were originally called "Preliminary Loan Notes." Since such obligations have now been renamed "Project Notes," proceedings for the issuance of such Notes must be made consistent with and make appropriate references to certain documents and *

- * terminology previously used in connection with the issuance of Preliminary Loan Notes. For example, if there are outstanding Preliminary Loan Notes at the time a financing transaction is initiated, the documents prescribed herein must be revised to properly reflect the maturing Preliminary Loan Notes and the outstanding Project Temporary Loan Note and, where applicable, the relevant documents must make consistent references to both Local Public Agency and Local Issuing Agency. The Project Temporary Loan Note has been replaced by the "Project Loan Note." The issuance of the Project Loan Note shall be authorized by the adoption of a "Basic Note Resolution" (Form HUD-9101) by the LPA at the same time the execution of a Contract for Loan and Grant is authorized. Each time a Project Loan Note is issued to the Government, it shall be accompanied by an opinion of the LPA's attorney based upon Form HUD-9105, Suggested Form of Opinion of Local Public Agency's Attorney Respecting Issuance of Project Loan Note, and a "General Certificate," Form HUD-9009. If a Resolution was initially adopted authorizing the issuance of Project Temporary Loan Notes for a particular project, a new Basic Note Resolution authorizing the issuance of a Project Loan Note shall be adopted as soon as practicable. Section 6 of Form HUD-9101 authorizes the exchange of a new Project Loan Note for all Project Temporary Loan Notes authorized by previous resolutions. Accordingly, a Project Loan Note shall be immediately issued by the LPA and the amount of outstanding loans from the Government to the LPA in respect to the particular project will be entered by the Government on the "Statement of Payments and Repayments" appearing on the Note. Each Project Loan Note will set forth the maximum Project Temporary Loan on its face. Since the Project Loan Note is an "open end" form of note which is continually held by the Government after its issuance, there is no longer any need to acquire a Note executed by the LPA to be held in "escrow" by the Government in connection with each individual private financing transaction. Pursuant to the terms of the Project Loan Note, loans made by the Government to the LPA will be recorded on the Note as they are made. Repayments of principal will also be recorded on the Note as made.
4. ADOPTION OF A MASTER RESOLUTION. Prior to the initiation of private financing, the governing body of the LPA shall adopt a "Master Resolution" (Form HUD-9000) authorizing the sale, issuance and delivery from time to time of Project Notes and the execution of Requisition Agreements (see Chapter 1, Section 2, under the heading "Authorization To Obtain Project Temporary Loan"). If, for any reason, a Master Resolution cannot be adopted, a resolution must be adopted authorizing the sale of a specific issue of Project Notes and the execution of a Requisition Agreement. (Form HUD-9016 shall be used for this purpose.) The procedures set forth herein are *

- * predicated upon the assumption that a Master Resolution can normally be utilized. In cases where a Master Resolution cannot be utilized, these procedures and the forms prescribed herein must be modified accordingly.
5. DURATION OF LOAN PERIOD. When borrowing on the private market, the LPA shall generally borrow for a period of from 3 to 13 months. The length of the period shall be determined after taking into consideration (1) the estimated amount of funds required in each month, and (2) the relationship between added interest costs over a longer period and added administrative costs from more frequent borrowings for shorter periods. The loan requisition period shall end, insofar as possible, shortly after the anticipated date of receipt of major proceeds to the project, in order that the proceeds may be promptly utilized to repay all or part of the outstanding loan. The loan requisition period shall not extend beyond the estimated project completion date.
6. AMOUNT OF LOAN. The amount of the loan shall be computed by subtracting the items indicated below from the estimated gross cash needs for project expenditures, relocation payments, and rehabilitation grants during the requisition period, plus cash required as an opening working balance for the following period.
- a. Cash estimated to be available at the opening of the requisition period, including invested funds.
 - b. Other cash expected to become available during the requisition period in time to be utilized for project costs, including:
 - (1) Federal grant payments.
 - (2) Cash local grant-in-aid payments.
 - (3) Proceeds from disposition of land.
 - (4) Other income, such as proceeds from interest on invested project funds.

If calculation of the amount of the loan anticipates receipt of capital grant payments or land proceeds that are to be used to pay project costs, the Regional Office will authorize the LPA to transfer funds from the Project Temporary Loan Repayment Fund, in which they are initially deposited, to the Project Expenditures Account (see Section 4 of this Chapter). *

CHAPTER 4 SECTION 2

7. BOND COUNSEL. The consolidated Notice of Sale (see "Advertising of Project Notes," below) shall stipulate that the respective issues of Project Notes shall be subject to approval by attorneys designated by the purchaser, and that the purchaser shall pay the fees or charges of any attorneys so designated.
8. SUBMISSION OF CERTIFICATE OF CASH NEEDS AND RELATED DOCUMENTS. Not later than 5 weeks preceding the Scheduled Advertising Date shown in the Private Financing Schedule (Appendix 1), the LPA shall transmit to the Regional Office (see Form HUD-9102 for Guide Form of Letter):
- a. One executed copy and two conformed copies of Form HUD-6208, Certificate of Cash Needs.
 - b. One executed copy and two conformed copies of Form HUD-6251, Project Balance Sheet.
 - c. One executed copy and two conformed copies of Form HUD-6252, Budgetary Cash Position and Requirements.
 - d. If applicable, a requisition for capital grant progress payment (Forms HUD-259 and HUD-693) prepared in accordance with instructions in this Handbook 7215.1, Chapter 3, Section 2, and Chapter 4, Section 6.
 - e. If applicable, a separate requisition requesting a relocation grant payment.
 - f. A report on the current status of any pending or threatened litigation which might affect the projects to be financed.

The Associate Regional Counsel for Private Market Financing is responsible for arranging for the publication in The Daily Bond Buyer of a notice of the Project Notes being offered, as well as for the printing of the Project Notes. Therefore, the LPA shall, in its letter to the Regional Office transmitting the above documents (Form HUD-9102), authorize the Regional Office to arrange for the publication of the notice in The Daily Bond Buyer and to instruct the publisher to bill the LPA directly for its pro rata share of the cost, and shall authorize the Regional Office to arrange for the printing of the Project Notes at the LPA's expense.

9. REQUISITION FOR PROJECT TEMPORARY LOAN PAYMENT. If the Regional Office approves the scheduling of the proposed transaction, no later than 3 weeks prior to the Scheduled Advertising Date, the LPA will receive for execution from the Regional Office the Requisition for

- * Project Temporary Loan Payment (Form HUD-656) completed as to the exact amount to be borrowed. Within 5 working days, the original and three copies of the signed requisition shall be returned to the Regional Office, addressed to the attention of the Associate Regional Counsel for General Program Services.
10. ADVERTISING OF PROJECT NOTES. The Regional Office will then prepare the documents necessary in connection with advertising the sale of the Project Notes.
- a. Publication in The Daily Bond Buyer. Information concerning all Project Notes to be advertised on the same date will be published by The Daily Bond Buyer in a consolidated Notice of Sale. The Regional Office will prepare and transmit to The Daily Bond Buyer the information required to advertise the sale of the pertinent Notes pursuant to a consolidated Notice of Sale. The Daily Bond Buyer will transmit an executed copy of the affidavit of publication to the Regional Office, and will transmit two copies to the LPA. The LPA shall hold one copy for subsequent transmittal to Bond Counsel. (See "Submission of Documents to Bond Counsel," below.) If two or more Bond Counsel are designated for a particular issue, additional executed copies of the affidavits of The Daily Bond Buyer shall be obtained and transmitted to each Bond Counsel.
- b. Local Advertisement. If local publication of the Notice of Sale is required by State or local law or by local policy, Form HUD-9001, Notice of Sale -- Project Notes, shall be used for that purpose. The Regional Office will forward to the LPA two completed copies of Form HUD-9001. The LPA shall check any locally published notice of sale as soon as it becomes available and notify the Regional Office of any irregularity. Upon local publication (on the date of publication, if possible), the LPA shall obtain three dated and executed copies of the publisher's affidavit of publication. One copy shall be promptly transmitted to the Regional Office and one copy shall be held for subsequent transmittal to Bond Counsel. If two or more Bond Counsel are designated for a particular issue, additional executed copies of the affidavit of the local publisher shall be obtained and transmitted to such Bond Counsel. At the same time the Regional Office transmits a copy of completed Form HUD-9001 to the LPA, it will also transmit two copies of Form HUD-9002, Form of Proposal, completed except for the portions to be completed by the bidder. The LPA shall reproduce the Form of Proposal and the Notice of Sale and distribute them to local banks and investment houses and to prospective purchasers of the obligations. *

* The LPA shall promptly furnish copies of the Form of Proposal to persons who may inquire, and shall add the names of those who make inquiries to its mailing list of prospective purchasers. The Regional Office will furnish copies of the Form of Proposal to persons who may inquire of the Regional Office. No changes shall be made on Form HUD-9002 without the concurrence of the Regional Office.

- c. Location of Public Bid Opening. The LPA shall furnish the Regional Office a designated room number for inclusion in the LPA's address to be set forth in the Notice of Sale, to be published locally and in The Daily Bond Buyer. The room number shall not be changed prior to the bid opening. If a room number cannot be designated, the precise location of the public bid opening within the building located at the address to be given in the Notice of Sale must be indicated as specifically as possible. To further assure the timely delivery of all bids to the proper location, appropriate measures should be taken on bid opening days to assure the delivery of bids to the proper location. For example, signs could be posted in a conspicuous place at the building's main entrance directing messengers to the location indicated in the Notice of Sale.

11. SALE OF NOTES AND AUTHORIZATION OF TRANSACTION.

- a. Bid Opening Day. One hour prior to the hour specified for bid opening, the LPA shall check the local telegraph office for undelivered telegrams and shall request immediate delivery of any such telegrams. On the hour specified for bid opening, the awarding official on behalf of the LPA shall formally declare the bidding closed. The LPA shall open all bids and supplements to bids which are received prior to the designated bid opening hour and shall leave all late bids and supplements unopened. The LPA shall make the award on the basis of the completed bids that were received on time. After the award has been made, the LPA shall open any late telegraphic bids and supplements, clearly marking each envelope and its contents "Late Bid." (See "Handling of Late Telegraphic Bids," below.) Late bids or supplements submitted other than by telegram shall be returned to the bidder unopened, with an explanation of the reasons for the action. The LPA's decision as to the successful bidders must be made and the Regional Office's concurrence by telephone in this decision must be obtained as soon as possible on the same day that the bids are opened. As soon as the LPA has made its decision with regard to the awards, it shall provide the Regional Office with the following information by telephone: *

- * (1) Name and address of each bidder, including those bidders who have submitted irregular or incomplete bids.
- (2) Name and address of Bond Counsel, if any, designated by the successful bidder in each bid submitted.
- (3) Name and address of the Paying Agent named by the successful bidder in each bid submitted.
- (4) Aggregate principal amount of the Project Notes bid for by the successful bidder in each bid submitted.
- (5) Interest rate specified by each bidder for each bid submitted.
- (6) Premium, if any, offered by each bidder in each bid submitted.
- (7) Total number of Project Notes specified by each successful bidder in each bid submitted.
- (8) Project Note denominations specified by each successful bidder in each bid submitted.
- (9) Indication of the bids which the LPA desires to accept.

Upon concurrence of the Regional Office, which will be given by telephone, the LPA shall send a telegram of acceptance to each successful bidder. The telegram shall be signed by the LPA officer who is authorized to make the award and shall be confirmed by letter. A copy of each confirming letter shall be furnished to the Regional Office. The telegram accepting the bid shall be dispatched within 1 hour of receipt of HUD telephonic concurrence in the award. Bidders will ordinarily assume, in the absence of a notice of award during the day the bids are opened, that they were unsuccessful.

- (b) Handling of Late Telegraphic Bids. If a telegraphic bid or supplement to a bid is rejected solely because it is negligently delivered subsequent to the specified bid opening hour, the LPA shall file a claim with the Western Union Telegraph Company for the total difference in interest costs, including premium, between the successful bid and the late bid. Claims filed by an LPA with Western Union shall be accompanied by a copy of

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- * the telegraphic bid; however, the original telegram shall be retained by the LPA. The claim shall point out the precise time the wire was submitted to Western Union by the sender and any instructions given by the sender relating to the "deadline" for delivery. (Normally, telegraphic bids are submitted to Western Union with specific instructions to deliver the telegram by a certain time. Such instructions are usually set forth in the copy of the telegram delivered to the addressee.) If possible, the claim shall also indicate the manner in which Western Union was negligent in failing to deliver the telegram prior to bid opening and shall set forth, in detail, the computation of damages without reference to any possible legal limitation of Western Union's liability. The claim shall request payment of the entire amount of damages. All amounts recovered from Western Union by the LPA shall be treated as a reduction of interest expenses for the project involved. Any questions concerning the filing of a claim with Western Union shall be referred to the Associate Regional Counsel for General Program Services, Regional Office, and the Associate Regional Counsel shall be furnished copies of all correspondence relating to such claims. In addition, the concurrence of the Regional Counsel shall be obtained prior to the final settlement of any claim filed with Western Union.
- c. Authorization to Transfer Funds. On the day following bid opening, if an award is made, the Regional Office will prepare a letter to the LPA authorizing the transfer of funds from the Project Temporary Loan Repayment Fund to the Project Expenditures Account in the amount approved in the Certificate of Cash Needs.
- d. Authorization Meeting of LPA Governing Body. If for any reason a "Master Resolution" has not been adopted, as soon as practicable after the award of the bids, the governing body of the LPA shall hold a meeting for the purpose of adopting the resolution authorizing the transaction. The Regional Office will provide the necessary forms together with instructions as to their completion and distribution. Form HUD-9016, Resolution Authorizing the Sale, Issuance and Delivery of Project Notes, shall be used. The Basic Note Resolution (Form HUD-9101) must be adopted before adoption of the above-referenced resolution. The resolution shall authorize the issuance, sale and delivery of the particular Project Notes and the execution of the particular Requisition Agreement. The Minutes of the Meeting shall be prepared in accordance with Forms HUD-9011 through 9014. *

- * e. Documents for Closing of Loan Transaction. Promptly following the award of Notes, the Regional Office will send to the LPA the documents required by the Regional Office and Bond Counsel for the completion of the loan transaction (see "Completion of Loan Transaction," below).

12. COMPLETION OF LOAN TRANSACTION.

- a. Submission of Documents to Regional Office. Not later than 9 working days prior to the Closing Date, the LPA shall complete, execute, and submit to the Associate Regional Counsel for General Program Services the following documents. The letter transmitting the completed documents shall be prepared in accordance with Form HUD-9108, Guide Form of Letter From LPA to HUD Regional Office Transmitting Private Financing Documents After Sale of Project Notes.
- (1) Three counterparts of the "Requisition Agreement" (Form HUD-9003), duly executed on behalf of the LPA by its proper officers. If more than one Bond Counsel has been designated to render an approving opinion on the Project Notes, one additional counterpart of the Requisition Agreement, duly executed on behalf of the LPA, shall be transmitted for each additional Bond Counsel.
 - (2) If required by Bond Counsel, one signed and dated "Certificate As To Legislation" (Form HUD-9006), signed by the LPA's Attorney.
 - (3) The Project Notes, each of which has been duly executed on behalf of the LPA, under seal, and all of which have been arranged and grouped in separate groups corresponding to the Paying Agent named in the Notes of the particular group.
 - (4) One properly signed and dated original and two signed and dated copies of each "Letter of Instructions" (Form HUD-9004), from the LPA to each Paying Agent for the Project Notes. If more than one Bond Counsel has been designated to render an approving opinion on the Project Notes, one additional signed and dated copy of each Letter of Instructions shall be transmitted for each additional Bond Counsel.
 - (5) Three executed, but undated, copies of the "Signature Certificate and Receipt" (Form HUD-9005) for each Paying Agent. If a Paying Agent is Paying Agent for more than *

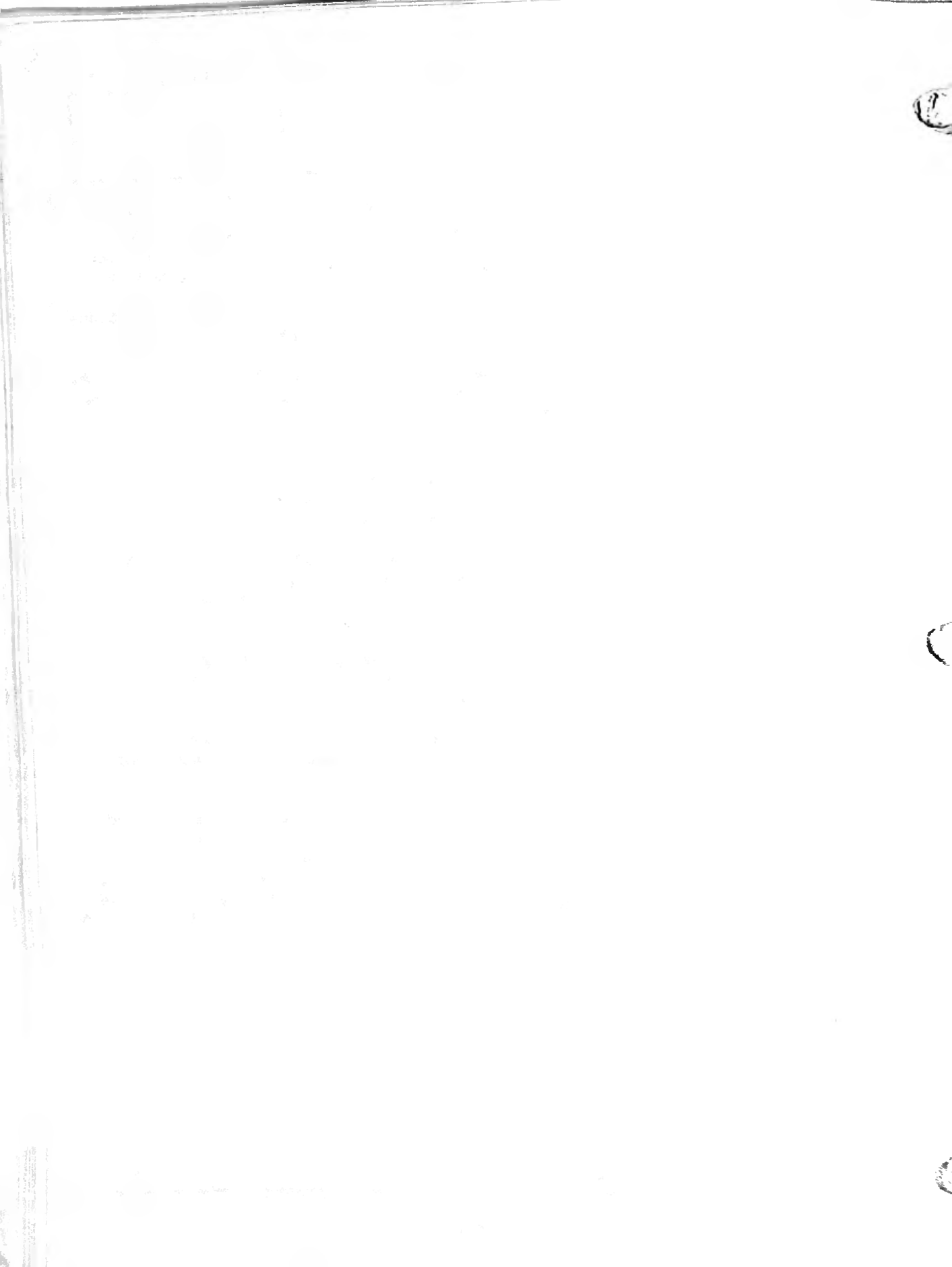
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one purchaser in respect to the series of Notes, an additional executed, but undated, copy shall be furnished for each additional purchaser. The Signature Certificate and Receipt will be dated and become effective on the Closing Date. Accordingly, the LPA shall notify both HUD and the Bond Counsel immediately of any factual changes, such as the development of litigation, which may render the use of the Certificate inappropriate as of its effective date.

- (6) One unsealed, stamped envelope addressed to the LPA for use by each Paying Agent in returning to the LPA a copy of the accepted Letter of Instructions.
- (7) Any other documents which are required by Bond Counsel prior to the issuance of the approving opinion, as specified by the Regional Office.
- b. Submission of Documents to Bond Counsel. At the same time the LPA submits the Note transcript documents to the Regional Office, it shall submit to each Bond Counsel an executed copy of the affidavits of publication received from The Daily Bond Buyer and, if any, from the local publishers. If required by Bond Counsel, the LPA shall assure that Bond Counsel is furnished one duly certified transcript of all proceedings taken for the organization of the LPA, one duly certified copy of the charter or bylaws of the LPA, and one duly certified copy of each change in or amendment of such charter or bylaws. Each certified copy shall be accompanied by duly certified extracts of the LPA's minutes pertaining to the particular charter, bylaws, change, or amendment. The LPA shall request Bond Counsel to return the transcript documents after they have served the purpose of Bond Counsel.
- c. Completion of HUD Action. When the Regional Office has received the required documents and has completed its action with respect to them, it will:
- (1) Approve the Requisition (Form HUD-656) and execute the Requisition Agreement (Form HUD-9003).
 - (2) Transmit one fully executed copy of the Requisition Agreement to the LPA.
 - (3) Transmit to each Paying Agent:

*

- * (a) Three executed copies of the Letter of Instructions with two counterparts of the Signature Certificate and Receipt. (If more than one Bond Counsel has been designated with respect to the particular group of Notes to be handled by the same Paying Agent, an additional executed copy of the Letter of Instructions will be transmitted for each Bond Counsel. If the Paying Agent is Paying Agent for more than one purchaser of the particular group of Notes, an additional copy of the Signature Certificate and Receipt will be transmitted for each additional purchaser.)
- (b) All of the Project Notes as executed by the LPA.
- The Paying Agent will receive all of the above documents by the Friday preceding the Closing Date.
- (4) Complete and transmit to each Bond Counsel, as early as possible and at least 5 working days prior to the Closing Date, the documents required prior to the issuance of the approving opinion.
- (5) Forward a letter to the Paying Agent for any maturing Notes listing the amounts the Paying Agent will receive in payment of the maturing Notes, and requesting the Paying Agent to telegraph to the Regional Office a notification that payment for the maturing Notes has been received in accordance with Paragraph 8 of the Letter of Instructions.
- d. Closing of Loan Transaction. When the Paying Agent is prepared to accept responsibility under the Letter of Instructions, it will return to the LPA a copy of that Letter showing its acceptance. In the absence of unanticipated and unresolved questions, the Paying Agent will disburse the proceeds from the sale of the Project Notes in accordance with the Letter of Instructions. *





DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PROJECT NOTES

Issued to Finance Renewal Projects

PRIVATE FINANCING SCHEDULE

Group No. (1)	Advertising Date ¹ (2)	Bid Opening Date ¹ (3)	Project Note (Closing) Date ¹ (4)	Project Note Maturity Date ¹ (5)
74-1	11-20-73	12-04-73	1-02-74 (Wed.)	1-04-74
74-2	12-18-73	1-02-74 (Wed.)	1-29-74	2-01-74
74-3	1-22-74	2-05-74	3-05-74	3-08-74
74-4	3-05-74	3-19-74	4-16-74	4-19-74
74-5	4-02-74	4-16-74	5-14-74	5-17-74
74-6	5-07-74	5-21-74	6-18-74	6-21-74
74-7	6-04-74	6-18-74	7-16-74	7-19-74
74-8	7-02-74	7-16-74	8-13-74	8-16-74
74-9	7-30-74	8-13-74	9-10-74	9-13-74
74-10	9-03-74	9-17-74	10-16-74 (Wed.)	10-18-74
74-11	10-01-74	10-16-74 (Wed.)	11-12-74	11-15-74
74-12	11-04-74 (Mon.)	11-19-74	12-17-74	12-20-74
75-1	12-03-74	12-17-74	1-14-75	1-17-75
75-2	12-31-74	1-14-75	2-11-75	2-14-75
75-3	1-28-75	2-11-75	3-11-75	3-14-75
75-4	3-04-75	3-18-75	4-15-75	4-18-75
75-5	4-01-75	4-15-75	5-13-75	5-16-75
75-6	5-06-75	5-20-75	6-17-75	6-20-75
75-7	6-03-75	6-17-75	7-15-75	7-18-75
75-8	7-01-75	7-15-75	8-12-75	8-15-75
75-9	7-29-75	8-12-75	9-09-75	9-12-75
75-10	8-26-75	9-09-75	10-07-75	10-10-75
75-11	9-23-75	10-07-75	11-05-75 (Wed.)	11-07-75
75-12	11-03-75 (Mon.)	11-18-75	12-16-75	12-19-75

¹Dates in Columns (2), (3), and (4) are Tuesdays unless otherwise specified. Dates in Column (5) are Fridays unless otherwise specified.

NOTICE: This Schedule is subject to change.



SECTION 3-1. JANUARY 1, 1977, THROUGH JUNE 30, 1977,
INTEREST RATE FOR AMENDATORY CONTRACTS
AND REDETERMINATIONS ON EXISTING CONTRACTS

1. GENERAL. This Section provides the interest rates on urban renewal advances and loans applicable to contracts and amendments authorized during the period January 1, 1977, through June 30, 1977, as well as certain interest rate redeterminations.

2. INTEREST RATE FOR AMENDATORY CONTRACTS AND REDETERMINATIONS ON EXISTING CONTRACTS. After taking into consideration the "going Federal rate" as determined by the Secretary of the Treasury acting pursuant to Section 110(g) of the Housing Act of 1949, as amended, and the rate determined by the Secretary of the Treasury as being the rate per annum equal to the average yield to maturity on all outstanding obligations of the United States having a maturity of approximately five years from November 1, 1976 (the "Treasury five and one-half year rate"), the following rates have been established:

a. Rate for Amendatory Contracts. For amendatory contracts authorized during the subject six-month period, the "going Federal rate" of six and five-eighths (6-5/8%) percent.

b. Rates for Redetermination on Existing Contracts:

(1) For existing contracts which require a redetermination at the higher of the "going Federal rate" or the "Treasury five and one-half year rate," the former rate of six and five-eighths (6-5/8%) percent.

(2) For redeterminations which do not require the higher of the two rates, the "going Federal rate" of six and five-eighths (6-5/8%) percent.

c. Appendix Gives Requirements In Tabular Form: The requirements for amendments to existing contracts and the requirements for contract redeterminations have been set forth in tabular form in Appendix I, entitled "Urban Renewal Interest Rates for Advances and Temporary Loan Contracts, January 1, 1977, through June 30, 1977."

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Urban Renewal Interest Rates for Advances and Temporary Loan Contracts
January 1, 1977, through June 30, 1977

	And the Contract Should Include the Following				
	The Interest Rate Is:	And Is Applicable to:	The Rate Shall Be Redetermined:	Interest Rate Calculation of Rate	Which Shall Be Applicable to:
	(a)	(b)	(c)	(d)	(e)
<p>Part I</p> <p>For all contracts outstanding on January 1, 1977, which are amended pursuant to allocation orders issued during the period January 1 through June 30, 1977</p>	6-5/8% ("the going Federal rate")	Temporary loans and advances made during this period and all unrepaid advances and direct loans outstanding on December 31, 1976 for NPD	Each succeeding six-month interval starting January 1 and July 1	The "going Federal rate" in effect on January 1 and July 1 of the six-month period for which the redetermination is made	All unrepaid advances and temporary loans outstanding on the day before the redetermination plus all advances and temporary loans made during the period for which the redetermination is made
<p>Part II</p> <p>For redeterminations in interest rates to be made on January 1, 1977, for (a) original contracts executed pursuant to allocation orders issued during each period designated below which contracts were never amended subsequent to the indicated period; and (b) for contract whose most recent amendment was authorized by allocation order executed during each period designated below:</p>					

	The Interest Rate Is:	And Is Applicable To:	And the Contracts for which a Redetermination Is Being Made under Part II Should Continue to Carry the Following Interest Rate Redetermination Provisions	
			The Rate Shall Be Redetermined:	Which Shall Be Applicable To:
	(a)	(b)	(c)	(d)
Part II (Continued)				
A. January 1, 1970, through December 31, 1976	6-5/8%	All unrepaid advances and temporary loans outstanding on December 31, 1976, plus all advances and loans made during the period January 1 through June 30, 1977	Each succeeding six-month interval starting January 1 and July 1	The "going Federal rate" in effect on January 1 or July 1 of the six-month period for which the redetermination is being made
B. September 24, 1965, through December 31, 1969	6-5/8%	Same as Part II A above	Same as Part II A above	All unrepaid advances and temporary loans on the day before the redetermination is made plus all advances and temporary loans made during the six-month period for which the redetermination is made
				Same as Part II A above
				A rate which shall be the higher of (1) the "going Federal rate" in effect on January 1 or July 1 of the six-month period for which the redetermination is being made or (2) the average rate for United States obligations having a maturity of approximately five years which rate is to be calculated as described in footnote I to this table

The Interest Rate Is:	And Is Applicable to:	The Rate Shall Be Redetermined:	Calculation of Rate	And the Contracts for which a Redetermination is Being Made under Part II Should Continue to Carry the Following Interest Rate Redetermination Provisions which Shall Be Applicable to:
(a)	(b)	(c)	(d)	(e)
Part II (Continued) C. January 1, 1966, through September 23, 1966	6-5/8% All unpaid advances and temporary loans outstanding on December 31, 1976, plus all advances and loans made during the 5-1/2 year period January 1, 1977, through June 30, 1982	The contract will require a redetermination July 1, 1982	Same as Part II B, Column (d) above	Same as Part II B, Column (e) above
D. July 1, 1966, through September 23, 1966	-----	-----	-----	-----
E. July 1, 1965, through December 31, 1965	-----	-----	-----	-----
F. September 3, 1964, through December 31, 1964, and January 1, 1965, through June 30, 1965	-----	-----	-----	-----
G. January 1, 1959, through September 2, 1964	-----	-----	-----	-----
H. Prior to January 1, 1959	-----	-----	-----	-----
Part III Definitive Loans	-----	-----	-----	-----
				See Footnote 2

¹A rate per annum equal to the average yield to maturity on all outstanding obligations of the United States having a maturity of approximately five years from November 1 next preceding the January 1 on which the redetermination is being made, or the May 1 next preceding the July 1 redetermination, as determined by the Secretary, upon the advice of the Secretary of the Treasury, such average yield to be estimated on the basis of daily closing market bid quotations or prices for the month of November or May, as applicable, and adjusted to the nearest one-eighth of one (1/8 of 1%) percent.

²Every Loan and Grant Contract authorized by allocation orders issued during the current applicable six-month period which obligates the Government to contract for a definitive loan at a future date shall require that such definitive loan bear interest at a rate which shall be the highest of:

- a. The "going Federal rate" determined pursuant to the provisions of Title I of the Housing Act of 1949, as amended, and specified by the Secretary of the Treasury as being applicable to the six-month period in which a specific definitive loan is authorized by an allocation order in conjunction with a specific lease of project lands and in terms specific as to the rate of interest to be borne by such definitive loan; or
- b. The rate of interest for project temporary loans under Title I as determined by the Secretary as being applicable to the six-month period described in paragraph a. above; or
- c. The maximum rate of interest which the local public agency will be able to pay from the proceeds of the annual rents under the specific lease of project lands to which such specific definitive loan is related, which maximum rate shall be based on the assumption that such definitive loan (1) is in a principal amount equal to the capital value imputed to the project lands described in such lease, and (2) is payable, as to both the principal and interest, in substantially equal amounts in accord with the principles of level debt service over a period of forty years from the date of such specific lease, and which rate shall be adjusted downward by at least one-eighth of one (1/8 of 1%) percent.

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
HOUSING MANAGEMENT

CIRCULAR

HM 7215.1

1/14/72

Interest Rates on Urban Renewal Advances
and Loans Applicable to Contracts and
Amendments Authorized during the Period
January 1, 1972, through June 30, 1972,
Cancellation
Date:

SUBJECT: and Certain Interest Rate Redeterminations

1. **PURPOSE.** This Circular provides the interest rates on urban renewal advances and loans applicable to contracts and amendments authorized during the period January 1, 1972, through June 30, 1972, as well as certain interest rate redeterminations.

2. **INTEREST RATE FOR NEW AND AMENDATORY CONTRACTS AND REDETERMINATIONS ON EXISTING CONTRACTS.** The Secretary of Housing and Urban Development, after taking into consideration the "going Federal rate" as determined by the Secretary of the Treasury acting pursuant to Section 110(g) of the Housing Act of 1949, as amended, and the rate determined by the Secretary of the Treasury as being the rate per annum equal to the average yield to maturity on all outstanding obligations of the United States having a maturity of approximately five years from November 1, 1971 (the "Treasury five and one-half year rate"), has established the following interest rates.

a. **Rate for New and Amendatory Contracts.** For new and amendatory contracts authorized during the subject six-month period, the "going Federal rate" of five and three-eighths (5-3/8%) percent.

b. **Rates for Redetermination on Existing Contracts.**

(1) For existing contracts which require a redetermination at the higher of the "going Federal rate" or the "Treasury five and one-half year rate," the latter rate of five and three-fourths (5-3/4%) percent.

(2) For redeterminations which do not require the higher of the two rates, the "going Federal rate of five and three-eighths (5-3/8%) percent.

c. **Appendix Gives Requirements in Tabular Form.** The requirements for amendments to new and existing contracts and the requirements for contract redeterminations have been set forth in tabular form in Appendix 1, entitled "Urban Renewal Interest Rates for Advances and Temporary Loan Contracts, January 1, 1972, through June 30, 1972."

3. SECTION 702 OF THE EMERGENCY HOME FINANCE ACT. Since the "going Federal rate" for the subject six-month period is not in excess of six (6%) percent, Section 702 of the Emergency Home Finance Act of 1970 is inapplicable to the foregoing interest rate determinations and redeterminations.

Urban Renewal Interest Rates for Advances and Temporary Loan Contracts
January 1, 1972, through June 30, 1972

		And the Contract Should Include the Following Interest Rate Redetermination Provisions Which Shall Be Applicable to:		
The Interest Rate is:	And Is Applicable to:	The Rate Shall Be Redetermined:	Calculation of Rate	(e)
(a)	(b)	(c)	(d)	(e)
<p>Part I</p> <p>For Original Contracts authorized by allocation orders issued during the period January 1 through June 30, 1972, and amendments to such contracts authorized during the period January 1 through June 30, 1972</p>	<p>Temporary loans and advances made during this period and all unpaid advances and direct loans outstanding on January 1, 1972, for NDP</p>	<p>Each succeeding six-month interval starting January 1 and July 1</p>	<p>The "going Federal rate" in effect on January 1 and July 1 of the six-month period for which the redetermination is made</p>	<p>All unpaid advances and temporary loans outstanding on the day before the redetermination plus all advances and temporary loans made during the period for which the redetermination is made</p>
<p>Part II</p> <p>For all contracts outstanding on January 1, 1972, which are amended pursuant to allocation orders issued during the period January 1 through June 30, 1972</p>	<p>Same as Part I, Column (b) above</p>	<p>Same as Part I, Column (c) above</p>	<p>Same as Part I, Column (d) above</p>	<p>Same as Part I, Column (e) above</p>

		And the Contracts for which a Redetermination is Being Made under Part III Should Continue to Carry the Following Interest Rate Redetermination Provisions Which Shall Be Applicable		
The Interest Rate Is:	And Is Applicable to:	The Rate Shall Be Redetermined:	Calculation of Date:	(e)
(a)	(b)	(c)	(d)	(e)
<p>Part III</p> <p>For Redeterminations in Interest rates to be made on January 1, 1972, for (a) original contracts executed pursuant to allocation orders issued during each period designated below which contracts were never amended subsequent to the indicated period; and (b) for contracts whose most recent amendment was authorized by allocation order executed during each period designated below:</p> <p>A. January 1, 1970, through December 31, 1971</p>				
5-3/8%	All unrepaid advances and temporary loans outstanding on December 31, 1971, plus all advances and loans made during the period January 1 through June 30, 1972	Each succeeding six-month interval starting January 1 and July 1	The "going Federal rate" in effect on January 1 or July 1 of the six-month period for which the redetermination is being made	All unrepaid advances and temporary loans on the day before the redetermination is made plus all advances and temporary loans made during the six-month period for which the redetermination is made

And the Contracts for which a Redetermination Is Being Made under Part III Should Continue to Carry the Following Interest Rate Redetermination Provisions Which Shall Be Applicable				
The Interest Rate Is:	And Is Applicable to:	The Rate Shall Be Redetermined:	Calculation of Rate:	to:
(a)	(b)	(c)	(d)	(e)
Part III (Continued) B. September 28, 1966, through December 31, 1969	Same as Part III A above	Same as Part III A above	A rate which shall be the higher of (1) the "going Federal rate" in effect on January 1 or July 1 of the six-month period for which the redetermination is being made or (2) the average rate for United States obligations having a maturity of approximately five years which rate is to be calculated as described in footnote 1 to this table	Same as Part III A above
C. January 1, 1968, through June 30, 1966	All unrepaid advances and temporary loans outstanding on June 30, 1971, plus all advances and loans made during the 5-1/2 year period July 1, 1971, through December 31, 1976	The contract will require redetermination on January 1, 1977	Same as Part III B above	Same as Part III A above

And the Contracts for which a Redetermination is Being Made under Part III Should Continue to Carry the Following Interest Rate Redetermination Provisions Which Shall be Applicable to:			
The Interest Rate Is:	And Is Applicable to:	The Rate Shall Be Redetermined:	Calculation of Rate
(a)	(b)	(c)	(d)
Part III (Continued)			(e)
D. July 1, 1966, through September 23, 1966	All unrepaid advances and temporary loans outstanding on December 31, 1971, plus all advances and loans made during the 5-1/2 year period January 1, 1972, through June 30, 1977	The contract will require a re-termination on July 1, 1977	Same as Part III A above
E. July 1, 1965, through December 31, 1965	No redetermination this period.	Next redetermination is to be made on July 1, 1976	-----
F. September 3, 1964, through December 31, 1964, and January 1, 1965, through June 30, 1965	No redetermination this period.	Next redetermination is to be made on January 1, 1975	-----
G. January 1, 1959, through September 2, 1964	No redetermination -- These contracts or amendments provided for a single redetermination five years after their authorization -- Such redetermination has been made.	Next redetermination is to be made on July 1, 1975	-----
H. Prior to January 1, 1959	No redetermination	No Redetermination	-----

The Interest Rate Is:	And Is Applicable to:	And the Contracts for which a Redetermination is Being Made under Part III Should Continue to Carry the Following Interest Rate Redetermination Provisions Which Shall Be Applicable
(a)	(b)	The Rate Shall Be Redetermined:
		Calculation of Rate
		(c)
		(d)
		(e)

See Footnote 2

Part IV

Definitive Loans

1A rate per annum equal to the average yield to maturity on all outstanding obligations of the United States having a maturity of approximately five years from November 1 next preceding the January 1 on which the redetermination is being made, or the May 1 next preceding the July 1 redetermination, as determined by the Secretary, upon the advice of the Secretary of the Treasury, such average yield to be estimated on the basis of daily closing market bid quotations or prices for the month of November or May, as applicable, and adjusted to the nearest one-eighth of one (1/8 of 1%) percent.

2Every Loan and Grant Contract authorized by allocation orders issued during the period January 1, 1972, through June 30, 1972, which obligates the Government to contract for a definitive loan at a future date shall require that such definitive loan bear interest at a rate which shall be the highest of:

- a. The "going Federal rate" determined pursuant to the provisions of Title I of the Housing Act of 1949, as amended, and specified by the Secretary of the Treasury as being applicable to the six-month period in which a specific definitive loan is authorized by an allocation order in conjunction with a specific lease of project lands and in terms specific as to the rate of interest to be borne by such definitive loan; or
- b. The rate of interest for project temporary loans under Title I as determined by the Secretary as being applicable to the six-month period described in paragraph a above; or
- c. The maximum rate of interest which the local public agency will be able to pay from the proceeds of the annual rents under the specific lease of project lands to which such specific definitive loan is related, which maximum rate shall be based on the assumption that such definitive loan (1) is in a principal amount equal to the capital value imputed to the

project lands described in such lease, and (2) is payable, as to both the principal and interest, in substantially equal amounts in accordance with the principles of level debt service over a period of forty years from the date of such specific lease, and which rate shall be adjusted downward by at least one-eighth of one (1/8 of 1%) percent.

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Interest Rates on Urban Renewal Advances
and Loans Applicable to Contracts and
Amendments Authorized During the Period
January 1, 1970, Through June 30, 1970,

**Cancellation
Date:**

SUBJECT: and Certain Interest Rate Redeterminations

NOTE: This Circular waives the provisions in those existing contracts which require a rate redetermination on January 1, 1970, pending further study.

The Secretary of Housing and Urban Development, after taking into consideration the "going Federal rate" as determined by the Secretary of the Treasury acting pursuant to Section 110(g) of Title I, as amended, and the rate determined by the Secretary of the Treasury as being the rate per annum equal to the average yield to maturity on all outstanding obligations of the United States having a maturity of approximately five years from November 1, 1969, has made the following determinations:

1. The rate of interest to be specified in original contracts for advances and temporary loans authorized by allocation orders issued during the period January 1, 1970, through June 30, 1970, (which rate shall also apply to amendments to such contracts when such amendments are authorized through June 30, 1970) pursuant to Section 102(a) and (d) of the Housing Act of 1949, as amended; and
- * The interest rate to be specified in amendments to contracts for advances and temporary loans authorized by allocation orders issued during the period January 1, 1970, through June 30, 1970, which amendments pertain to contracts authorized and executed pursuant to allocation orders issued prior to January 1, 1970, and to be effective on the date of the first such amendment; shall be:
 - a. For each designated category:
 - (1) 6-3/8 percent for advances and temporary loan payments made by the Government through June 30, 1970, under such original contracts and such amendatory contracts if the amendment provides for any increase in advance or loan funds; *

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- * (2) 6-3/8 percent for any amendatory contract, irrespective of whether or not the amendment provides for additional advance or loan funds if the original contract was authorized prior to September 3, 1964, and has not been authorized to be amended subsequent to September 2, 1964;
- (3) The interest rate(s) currently in the contract if the amendatory contract does not provide for additional advance or loan funds and is not included in subparagraph a(2) above. *
- b. A redetermined rate which shall initially become effective July 1, 1970, and shall be redetermined at six-month intervals. The redetermined rate shall be no less than the "going Federal rate" determined pursuant to the provisions of Title I of the Housing Act of 1949, as amended, and effective each January 1 and July 1 of the year in which the redetermination is being made.
- The redetermined rate for the period July 1, 1970, through December 31, 1970, shall apply to advances and temporary loans under such contracts unrepaid on June 30, 1970, and advances and temporary loans made during that period. Such rate shall be redetermined at six-month intervals thereafter and each successive redetermined rate shall become effective in relation to unrepaid advances and temporary loans and advances and temporary loans to be made by the Government.
2. The provisions in contracts for advances and temporary loans which were authorized by allocation orders issued during the period September 23, 1966, through December 31, 1969, and any contracts authorized to be amended by allocation orders issued during the same period requiring interest rate redeterminations on January 1, 1970, are hereby waived and the interest rate therein will continue at 6 percent per annum. A redetermination for such contracts will be made at a later date.
3. The provisions in original loan contracts and amendatory loan contracts authorized during the period July 1, 1964, through December 31, 1964, which require an interest rate redetermination effective January 1, 1970, are hereby waived and the interest rate therein will continue at 4-1/8 percent per annum. A redetermination will be made at a later date.
4. Contracts executed prior to January 1, 1959, and all amendments to such contracts, except those contracts authorized to be amended by allocation orders issued after September 2, 1964, do not require
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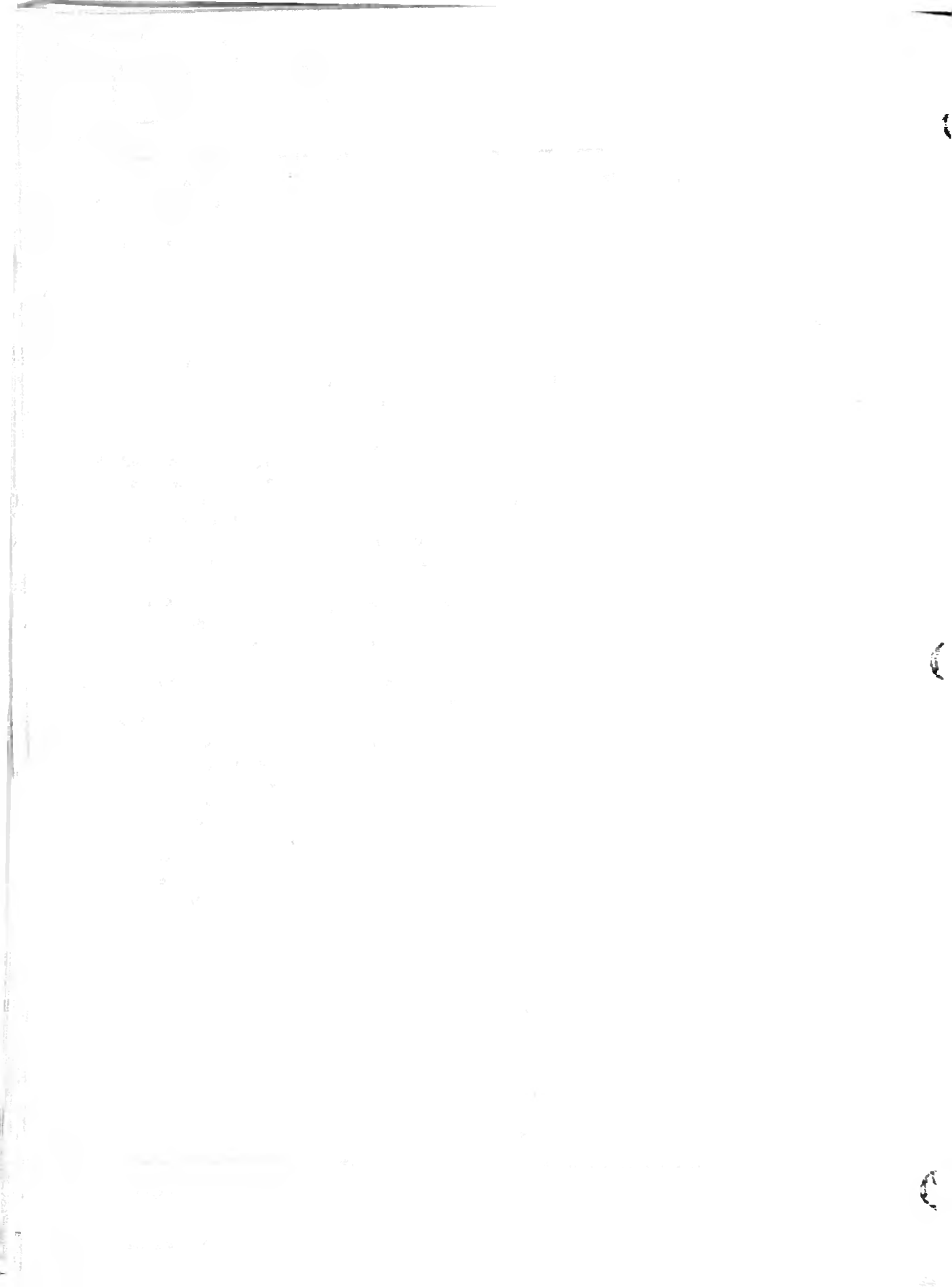
interest rate redeterminations. However, the redetermination required on January 1, 1970, by those contracts authorized to be amended by allocation orders issued during the period September 3, 1964, through December 31, 1964, is hereby waived and the interest rate therein will continue at 4-1/8 percent per annum. A redetermination for such contracts will be made at a later date.

5. In addition, every Loan and Grant Contract authorized by allocation orders issued during the period January 1, 1970, through June 30, 1970, which obligates the Government to contract for a definitive loan at a future date shall require that such definitive loan bear interest at a rate which shall be the highest of:
 - a. The "going Federal rate" determined pursuant to the provisions of Title I of the Housing Act of 1949, as amended, and specified by the Secretary of the Treasury as being applicable to the six-month period in which a contract for a specific definitive loan is authorized by an allocation order in conjunction with a specific lease of project lands and in terms specific as to the rate of interest to be borne by such definitive loan; or
 - b. The rate of interest for project temporary loans under Title I as determined by the Secretary as being applicable to the six-month period described in paragraph 5a above; or
 - c. The maximum rate of interest which the local public agency will be able to pay from the proceeds of the annual rents under the specific lease of project lands to which such specific definitive loan is related, which maximum rates shall be based on the assumption that such definitive loan (1) is in a principal amount equal to the capital value imputed to the project lands described in such lease, and (2) is payable, as to both the principal and interest, in substantially equal annual amounts in accord with the principles of level debt service over a period of 40 years from the date of such specific lease, and which rate shall be adjusted downward by at least 1/8 of one percent and not more than 1/4 of one percent to a multiple of 1/8 of one percent.

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Interest Rates on Urban Renewal Advances
and Loans Applicable to Contracts and
Amendments Authorized During the Period
July 1, 1969, Through December 31, 1969,

**Cancellation
Date:**

SUBJECT: and Certain Interest Rate Redeterminations

The Secretary of Housing and Urban Development, after taking into consideration both the "going Federal rate" as determined by the Secretary of the Treasury acting pursuant to Section 110(g) of Title I, as amended, and the interest rate determined pursuant to subparagraph 1 b (2) below, has made the following determinations:

1. The rate of interest to be specified in original contracts for advances and temporary loans authorized by allocation orders issued during the period July 1, 1969, through December 31, 1969, (which rate shall also apply to amendments to such contracts when such amendments are authorized through December 31, 1969) pursuant to Section 102(a) and (d) of the Housing Act of 1949, as amended; and

The interest rate to be specified in amendments to contracts for advances and temporary loans authorized by allocation orders issued during the period July 1, 1969, through December 31, 1969, which amendments pertain to contracts authorized and executed pursuant to allocation orders issued prior to September 23, 1966, and to be effective on the date of the first such amendment; shall be:

- a. 6.0 percent for advances and temporary loan payments made by the Government under such original or amendatory contracts through December 31, 1969;
- b. A redetermined rate which shall initially become effective January 1, 1970, and shall be redetermined at six-month intervals.

A redetermined rate shall be the higher of

- (1) The "going Federal rate" determined pursuant to the provisions of Title I of the Housing Act of 1949, as amended, and effective each January 1 and July 1 of the year in which the redetermination is being made; or

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- (2) A rate per annum equal to the average yield to maturity on all outstanding obligations of the United States having a maturity of approximately five years from the November 1 next preceding the January 1 on which the redetermination is being made, or the May 1 next preceding the July 1 redetermination, as determined by the Secretary, upon the advice of the Secretary of the Treasury, such average yield to be estimated on the basis of daily closing market bid quotations or prices for the month of November or May as applicable, and adjusted to the nearest 1/8 of one percent.

The redetermined rate for the period January 1, 1970, through June 30, 1970, shall apply to advances and temporary loans under such contracts unrepaid on December 31, 1969, and advances and temporary loans made during that period. Such rate shall be redetermined at six-month intervals thereafter and each successive redetermined rate shall become effective in relation to unrepaid advances and temporary loans and advances and temporary loans to be made by the Government.

2. Contracts for advances and temporary loans which were authorized by allocation orders issued during the period September 23, 1966, through June 30, 1969, and any contracts authorized to be amended by allocation orders issued during the same period require interest rate redeterminations on July 1, 1969. The redetermined interest rate shall be 6.0 percent per annum.

The redetermined rate of 6.0 percent shall apply to advances and temporary loans unrepaid on June 30, 1969, and to advances and temporary loans made by the Government during the period from July 1, 1969, through December 31, 1969.

3. All original loan contracts and all amendatory loan contracts authorized during the period January 1, 1964, through June 30, 1964, require an interest rate redetermination effective July 1, 1969, except for (a) original loan contracts which were authorized to be amended by allocation orders issued after September 2, 1964, and (b) those amendments referred to in paragraph 4 below.

The redetermined interest rate shall be 6.0 percent per annum and shall be applied to both the amounts unrepaid as of June 30, 1969, and loan payments made thereafter, except that such rate shall be applied only to the amount of loan payments made after June 30, 1969, under amendments to original loan contracts executed during the period January 1 through June 30, 1959.

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4. Contracts executed prior to January 1, 1959, and all amendments to such contracts, except those contracts authorized to be amended by allocation orders issued after September 2, 1964, do not require interest rate redeterminations.
 5. In addition, every Loan and Grant Contract authorized by allocation orders issued during the period July 1, 1969, through December 31, 1969, which obligates the Government to contract for a definitive loan at a future date shall require that such definitive loan bear interest at a rate which shall be the highest of:
 - a. The "going Federal rate" determined pursuant to the provisions of Title I of the Housing Act of 1949, as amended, and specified by the Secretary of the Treasury as being applicable to the six-month period in which a contract for a specific definitive loan is authorized by an allocation order in conjunction with a specific lease of project lands and in terms specific as to the rate of interest to be borne by such definitive loan; or
 - b. The rate of interest for project temporary loans under Title I as determined by the Secretary as being applicable to the six-month period described in paragraph 5a above; or
 - c. The maximum rate of interest which the local public agency will be able to pay from the proceeds of the annual rents under the specific lease of project lands to which such specific definitive loan is related, which maximum rates shall be based on the assumption that such definitive loan (1) is in a principal amount equal to the capital value imputed to the project lands described in such lease, and (2) is payable, as to both the principal and interest, in substantially equal annual amounts in accord with the principles of level debt service over a period of 40 years from the date of such specific lease, and which rate shall be adjusted downward by at least 1/8 of one percent and not more than 1/4 of one percent to a multiple of 1/8 of one percent.

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CHAPTER 4. BORROWING FUNDS TO MEET PROJECT COSTS

SECTION 4. TRANSFER OF FUNDS FROM PROJECT TEMPORARY LOAN REPAYMENT
FUND TO PROJECT EXPENDITURES ACCOUNTPOLICY

If the LPA has or knows that it will receive funds which must be deposited in the Project Temporary Loan Repayment Fund, HUD will consent to their transfer to the Project Expenditures Account in order to pay project costs, when this will avoid unnecessary costs of borrowing loan funds.

The amount of the transfer shall not exceed the unutilized borrowing authority. If an underrun in the budget appears probable, the amount shall not exceed the estimated decreased unutilized borrowing authority.

When a direct Federal loan is outstanding, the amount of the transfer, when added to the cash in and investments made from the Project Expenditures Account, shall not exceed the cash requirements for the next 90 days. When a direct Federal loan is not outstanding, the amount of the transfer, when added to the cash in and investments made from the Project Expenditures Account, shall not exceed the cash requirements for 1 year.

With respect to each transfer, HUD will reduce the unutilized borrowing authority under the Contract for Loan and Grant by the amount of the transfer. If different interest rates for loan borrowings are specified in the contract because it was amended to provide additional loan authority, the reduction will first be applied against the loan authority provided in the most recent contract amendment.

REQUEST FOR CONSENT TO TRANSFER FUNDS

To transfer funds, the LPA shall submit to the Regional Office the following:

- (1) Form HUD-6205, Request for Consent to Transfer Funds, in an original and 5 copies.
- (2) Forms HUD-6251, Project Balance Sheet, and HUD-6252, Budgetary Cash Position and Requirements, in an original and 2 copies each. (See Section 6 of this Chapter.)

The request shall be submitted at least 2 weeks before the funds will be needed.

DEPOSIT OF CHECK

After approval of Form HUD-6205 by HUD, the LPA shall draw a check in the authorized amount of the Project Temporary Loan Repayment Fund and deposit the check in the Project Expenditures Account. The approved Form HUD-6205 shall be attached to the Contract for Loan and Grant.

CHAPTER 4. BORROWING FUNDS TO MEET PROJECT COSTS

SECTION 5. DEFINITIVE LOAN TO FINANCE
IMPUTED CAPITAL VALUE OF LEASED LAND

The purpose of a definitive loan is to finance or refinance the capital value of project land which has been disposed of by long-term lease. The policies and requirements relating to the long-term lease of project land are set forth in 7214.1, Land Marketing and Redevelopment, Chapter 2, Section 3.

AUTHORIZATION FOR DEFINITIVE LOAN FINANCING

If a lease agreement is acceptable and definitive loan financing may be needed, the Regional Office will furnish the LPA with an appropriate amendment to the Contract for Loan and Grant authorizing a definitive loan to be made when needed. The LPA may execute the lease agreement and deliver it to the redeveloper only after the LPA executes and returns the contract amendment to the Regional Office. If, however, the LPA has notified the Regional Office that it contemplates additional leasing within a given 6-month period, the Regional Office, in order to minimize the number of contract amendments, may authorize the use of a single composite amendment for all contract amendments authorized during a 6-month period. In this event, in respect to each specific lease agreement the Regional Office will provide the LPA with a letter stating that HUD either has executed or will execute an allocation order authorizing an amendment to the Contract for Loan and Grant for a definitive loan at a specified rate of interest to fund the lease and the LPA may execute the lease agreement without awaiting the tender of a contract amendment, providing the LPA governing body resolves that it will include this amendment in a composite contract amendment at the end of the 6-month period.

TYPES OF DEFINITIVE LOAN

The LPA may borrow funds through private financing by sale in the open market of bonds that are secured by the full faith and credit of the United States.

The LPA also may borrow funds directly from the Federal Government. However, a direct definitive loan may be made only when the sale of bonds in the open market is not feasible for any of the following reasons:

- (1) The LPA does not have the legal power to engage in private financing.

- (2) Private financing cannot be arranged at an interest rate lower than the definitive loan interest rate. (See "Interest Rate" below.)
- (3) Conditions in the open private market are not appropriate for the sale of bonds.
- (4) The amount of loan required is not large enough to justify private financing.

INTEREST RATE

The interest rate specified in the contract amendment authorizing the making of a definitive loan will be the highest of the following:

- (1) The going Federal rate specified by the Secretary of the Treasury as being applicable to the 6-month period in which the contract amendment is authorized.
- (2) The interest rate for temporary loans determined by HUD as being applicable to the 6-month period described in (1) above.
- (3) The maximum interest rate which the LPA could pay and still be able to repay from annual rents a 40-year loan on the amount of the total capital value of the lease, less 1/8 of 1 percent, adjusted downward to the nearest 1/8 of 1 percent.

The applicable interest rate relating to (1) and (2) above is announced, and the precise formulas are given, in a Circular that is issued on or about January 1 and July 1 of each year.

AMOUNT OF DEFINITIVE LOAN

The actual amount of a definitive loan will be determined by subtracting from the capital value of the leased land the portion, if any, of annual rents received by the LPA before the actual loan is made and which can be applied as partial payment of the capital value of the leased land. The portion of annual rents that can be applied is the amount that remains after the following costs have been paid and/or charged against the rent proceeds:

- (1) An amount calculated by applying the average rate of interest of direct project temporary loans or preliminary loan notes outstanding for the project to the capital value of the leased land for the applicable period of time.

- (2) All costs entailed in marketing the definitive loan bonds. In the case of financing in the private market, these costs include, but are not limited to, bond counsel fees; costs of advertising, printing, signature, and examination of bonds; and initial paying agent fees.
- (3) All amounts required for the initial funding of the definitive loan bond amortization schedule.
- (4) A reserve equal to the annual rent for 1 year.

The total amount of a bond issue offered for sale in the private market will be rounded to the nearest \$5,000. The principal amount maturing each year will be expressed in multiples of \$5,000.

TIMING IN MAKING DEFINITIVE LOAN

Under the definitive loan agreement, HUD reserves the right at its own convenience to make a direct Federal definitive loan, to require the marketing of a private loan, or to refinance a direct Federal loan on the private market. It also reserves the right to determine the maturity date of the bonds and the date on which the bonds are to be sold.

The actual loan generally will be made when HUD determines that sufficient improvements have been placed on the leased land to secure adequately the repayment of the loan.

REPAYMENT OF DEFINITIVE LOAN

Annual rents shall be used to repay a definitive loan as rapidly as possible. The Regional Office will furnish to the LPA the amortization schedules for the repayment of the definitive loan. The schedule will show the dates and amounts to be applied each year to retire the principal of the definitive loan. These amounts will be the maximum available from annual rents after provision is made:

- (1) To pay interest.
- (2) To pay annual estimated paying agent fees.
- (3) To pay the LPA for costs of administration, an amount of \$100 per annum for each lease.
- (4) If a reserve equal to the annual rent for 1 year has not been accumulated from rents received before the date on which the definitive loan is made, a portion of the annual rent received after the definitive loan is made will be set aside as long as necessary to establish the full reserve.

REDEMPTION OF BONDS WITH FUNDS RECEIVED FROM EXERCISE OF OPTION TO PURCHASE

The purchase price paid to the LPA by the lessee to exercise an option to purchase the fee title to the leased land shall be applied first to the redemption of the bonds that are outstanding (see 7214.1, Land Marketing and Redevelopment, Chapter 2, Section 3).

USE OF RESERVES

The reserve shall be used to pay interest, principal, paying agent fees, and LPA administrative costs whenever any such payments otherwise could not be made from annual rent because of a delinquency or default in rent payments by the lessee. Reserve funds available at the time of final payment on a definitive loan will be applied to the payment of interest and principal of the terminal bonds.

CHAPTER 4. BORROWING FUNDS TO MEET PROJECT COSTS

SECTION 6. SUPPORTING DOCUMENTATION TO REQUESTS
FOR APPROVAL OF FINANCING TRANSACTIONS

1. DOCUMENTS IN SUPPORT OF FORM HUD-656, REQUISITION FOR PROJECT TEMPORARY LOAN PAYMENT
 - a. Direct Federal Loan. In support of each submission of a Requisition for a Project Temporary Loan Payment for a direct Federal loan, the LPA shall submit the following documents:
 - (1) Form HUD-6208, Certificate of Cash Needs (original and two copies). (See Section 2 of this Chapter.)
 - (2) Form HUD-6251, Project Balance Sheet (original and two copies). (See 7218.1, Budgets and Budget Reports, Chapter 2, Section 4.)
 - (3) Form HUD-6252, Budgetary Cash Position and Requirements (original and two copies).
 - b. Federally Secured, Private Short-Term Loan. In support of each submission of a Requisition for a Project Temporary Loan Payment for a federally secured, private short-term loan, the LPA shall submit the documents set forth in Section 2 of this Chapter.
- * 2. DOCUMENTS IN SUPPORT OF FORM HUD-259, REQUISITION FOR CAPITAL GRANT PAYMENT, AND FORM HUD-6205, REQUEST FOR CONSENT TO TRANSFER FUNDS. *
In support of each submission of a (1) requisition for a relocation grant, project capital grant progress, or major completion grant payment, or (2) request for consent to transfer funds, the LPA shall submit the following documents:

Form HUD-6251 (original and two copies).
Form HUD-6252 (original and two copies).
3. INSTRUCTIONS FOR PREPARING SUPPORTING DOCUMENTS.
 - a. Form HUD-6252, Budgetary Cash Position and Requirements, is designed to show, by budget classification (1) the status of the latest approved project expenditures budget as of the end of the prior month; (2) estimated additional costs to be incurred during the remainder of the current loan requisition period; and (3) if accompanying a loan requisition, the estimated costs to be incurred during the subsequent loan

requisition period, together with the estimated available balance of the latest approved budget at the end of the subsequent loan requisition period.

(1) Entries in Form HUD-6252 shall be rounded as follows:

(a) Expenditures and accrued costs shown in Column (b), to the nearest dollar.

(b) Estimates of costs to be incurred shown in Columns (d) and (e), to the nearest one hundred dollars.

(2) For a project on a three-fourths capital grant basis with limited project costs, enter zero for all columns, Lines 1 through 7.

(3) When supporting a request for a capital grant progress payment on a project carried out under a contract for a capital grant only, no entry shall be made in Columns (d) and (e), but estimated costs to be incurred for the 12-month period from the date through which expenditures shown in Column (b) were recorded shall be entered in Column (f).

(4) The following instructions are in addition to those appearing on HUD-6252.

(a) Column (b), Costs Incurred to End of Prior Month.

1 Heading — Enter date of last day of prior month.

2 Columnar Data — From trial balance of LPA accounting records as of end of prior month, enter those costs for which disbursements have been made or which have been entered in the accounts as payable for goods or services received.

3 Line 17 — This amount should equal total Item 1 project costs as shown on Form HUD-6251 opposite Accounts 1401 through 1475.

(b) Column (d), Remainder of Current Loan Requisition Period Ending.

1. Heading — From Form HUD-6208 for current loan period, date current loan period ends as shown in Block B.
 2. Columnar Data — LPA source data, estimate of costs to be incurred from date shown in heading of Column (b) to beginning of loan requisition period shown in Block B of covering Form HUD-6208. Complete Line 1 only when in support of the first requisition for cash after entering execution.
- (c) Column (e), Subsequent Loan Requisition Period Ending.
Complete this column only if Form HUD-6252 is in support of Form HUD-656.
1. Heading — This date shall be the same as is entered in Block B, Line 2, of Form HUD-6208, which HUD-6252 supports. See instructions for determining Loan Requisition Period below.
 2. Columnar Data — LPA source data, estimates of costs to be incurred during the period for which the new loan is requested. Interest costs of the required new loan shall be excluded from these estimates (Line 12). Proceeds of the ensuing loan, or receipts designated for loan repayment, will be available prior to the close of the loan period, for payment of accrued interest on the requested new loan.
- (d) Column (f), Total Estimated Costs.
1. Columnar Data — When submitted in support of a loan requisition, sum of Column (d) and Column (e).
 2. When submitted in support of Form HUD-259,
Requisition for Capital Grant Payment, under a Contract for Loan and Grant, or in support of Form HUD-6205, Request for Transfer of Funds (which is not included in a request for loan or capital grant payment), Columns (d) and (f) should be the same. When submitted in support of Form HUD-259, under a contract for capital grant only, no entry will appear in Column (d) or (e), but a 12-month estimate of costs to be incurred shall be entered in Column (f).

(e) Column (g), Estimated Budgetary Balance.

1 Columnar Data — When the balance of any line item(s) in Column (g) indicates a need for budget revision that cannot be covered to project completion by a transfer from Contingencies, a review of the total budgetary status of the project shall be made and a request for revision (and, where required, an application for contract amendment) shall be submitted immediately. Complete Line 1 only when in support of first requisition for cash after entering execution.

b. Form HUD-6208, Certificate of Cash Needs. The following instructions are in addition to those appearing on HUD-6208.

(1) Supporting Schedule 1, Estimated Cash and Investments to be on Hand at Start of Loan Requisition Period to Meet Project Expenditures, Relocation Payments, and Rehabilitation Grants.

(a) Line (2) — Form HUD-6251, Schedule A-1 (PEA) Total.

(b) Line (6)(a) — Form HUD-6251, sum of Accounts 2111, 2113, 2135, and 2139.

(c) Line (7) — Line (5) minus sum of 6(a) and 6(b).

(2) Supporting Schedule 2, Cash and Investments on Hand to Repay Outstanding Loans.

(a) Line (2) — Carry sum of Lines (1) and (2) to "Total" column.

(b) Line (3) — Accompanying Form HUD-6205.

(3) Block B, Loan Requisition Period.

(a) For direct Federal financing — Enter estimated date when receipt of Federal loan funds is expected. This should be not later than two weeks following date of submission of Form HUD-656.

(b) For private financing — Enter on the first line the date shown in the Private Financing Schedule, Column 4. (Section 2 of this Chapter, Appendix 1.)

- (c) Enter on the second line the date shown in Column (5) of the Private Financing Schedule, during the month in which the loan is anticipated to mature.
- (4) Block C. Estimated Cash Needs to Meet Project Expenditures, Relocation Payments, and Rehabilitation Grants.
- (a) Line C-3 — LPA's estimate of cash local grants-in-aid to be received during loan requisition period.
- (b) Line C-4 — LPA's estimate of other cash to be received during loan requisition period, including the amount to be transferred from Project Temporary Loan Repayment Fund. (Note: Transfers during the current period from TLRP are already included in Line C-2 through entry on Line 4 of Schedule 1.)
- (5) Block D. Estimated Cash Needs to Repay Outstanding Loans.
- (a) Line D-1 — Form HUD-6251, Accounts 2121 and 2122. Omit direct loans unless these loans are to be refinanced.
- * (b) Line D-3 — Form HUD-259 (submitted or to be submitted). * HUD will make the final decision on whether anticipated disposition proceeds during the requisition period included in Line D-3 should be treated as definitely assured income.
- (6) Block E. Estimated Cash to be Borrowed.
- (a) Line E-1 — The entry on Line E-1 shall be rounded to a multiple of five thousand dollars.
- (b) Line E-2 — LPA's estimate of escrow interest at contract rate. The entry on Line E-2 shall be rounded to the next highest dollar.
- (c) Line E-3 — Sum of Lines E-1 and E-2. Enter this amount on Form HUD-656, Block C, for a federally secured, private loan.

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CHAPTER 4. BORROWING FUNDS TO MEET PROJECT COSTS

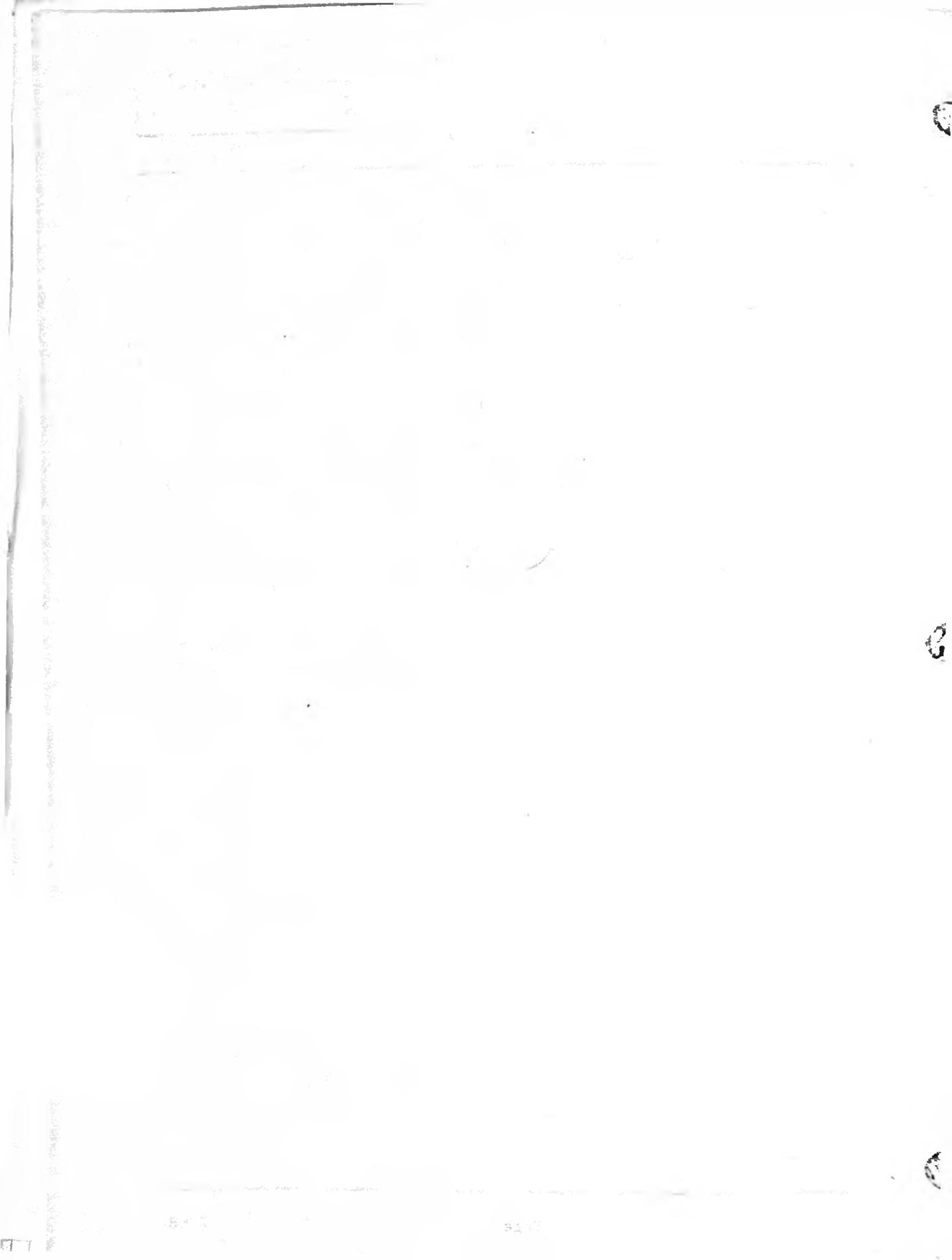
SECTION 7. REPORT ON CHANGES FROM LATEST APPROVED PROJECT COST
ESTIMATE AND FINANCING PLAN

During the execution stage of an urban renewal project, the LPA shall report to the Regional Office, semiannually, and with the LPA's request for final audit, any changes from the latest approved project cost estimate and financing plan (Form HUD-6200).

The report is prepared on Form HUD-6250, Report on Budgetary Status, Schedule A of which reflects any changes from the latest approved project estimate and financing plan and the effect of such changes on Net Project Cost and the sharing of Net Project Cost. The report includes Form HUD-6251, which shows the project assets, liabilities, and capital as reflected in the LPA's accounting records.

The major objective of Schedule A to Form HUD-6250 is to enable the LPA to determine the need for a request for a contract amendment, well in advance of submitting it to the Regional Office, to avoid delays in, or cessation of, project activities.

Instructions for the preparation of the report are set forth in 7218.1, Budgets and Budget Reports, Chapter 2, Section 4.



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CHAPTER 5. INVESTMENT OF FUNDS AND COLLATERALIZATION
OF DEPOSITS

SECTION 1. INVESTMENT OF FUNDS

1. INVESTMENT OF FUNDS — GENERAL

- a. Monies on deposit in the Project Expenditures Account in excess of those monies necessary for the daily operation of the Local Public Agency for a period of 90 days shall be invested.
- b. The Local Public Agency may also invest monies in its Project Expenditures Account which are in excess of its estimate of cash needs for the next 30 days.
- c. Amounts in the Project Temporary Loan Repayment Fund may be invested only after:
 - (1) There has been transferred to the Project Expenditures Account the amount of funds which will avoid unnecessary borrowing.
 - (2) Direct Federal Loans have been repaid out of the balance remaining, following such transfer.
 - (3) It has been ascertained that sufficient funds will be available for the full repayment, when due, of the principal and interest on outstanding loans.

2. HUD CONSENT TO INVEST. HUD consents to the investment of funds, in accordance with the provisions of this Chapter, subject to the following requirements:

- a. All funds must be placed in the Project Expenditures Account or Project Temporary Loan Repayment fund before they may be invested.
- b. Funds shall be invested in approved securities which have a maturity date on or prior to the date the funds are needed for disbursement, or in time and savings accounts in insured institutions.
- c. Before the depository bank of the Local Public Agency is utilized in the making of investments, a written agreement will have been executed (See Appendix 1).

3. CONSIDERATION IN CHOOSING THE INVESTMENT.

- a. HUD has approved the investment of Local Public Agency funds in U. S. Treasury obligations and, if permitted by State law, in obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States, and in time or savings accounts to the extent that all unsecured deposits in such accounts are insured under Federal plans, namely, the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or the National Credit Union Share Insurance Fund, or are collateralized as provided in Section 2 of this Chapter. *
- b. The determination of the best type of investment depends on many factors. The objective, of course, is to obtain the highest return. The rate of return from U. S. Treasury obligations usually varies with the length of the period to maturity — the longer the period the greater the rate of return. Savings deposits usually have a constant rate of return; however, there may be certain periods related to the time of deposit or the time of withdrawal for which no interest is credited.
- c. In choosing an investment, the Local Public Agency should consider the administrative work involved, particularly on investments for a very short period. Substantial amounts should be invested even for less than 30 days. However, for small amounts, the yield may not be worth the effort involved. The average yield for periods of 30 days and over is greater than for shorter periods. This, together with the longer investment period, results in a substantially higher return than for investments of like amounts for less than 30 days.
- d. Another factor in considering the administrative work involved is that of estimating the amounts available for investment. If investments are made in time and savings deposits, including time deposit open accounts, and the investments can be withdrawn on short notice without loss of interest, the Local Public Agency can keep all its funds in excess of the current month's needs invested without attempting to predict its cash position at any time in the
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future. However, if the Local Public Agency is investing in U. S. Treasury obligations, it will have to decide which of the funds will be invested in short-term obligations, in medium-term obligations, and in long-term obligations in order to obtain the greatest return.

4. APPROVED INVESTMENT SECURITIES. The following is a listing and discussion of the securities in which funds may be invested:
- a. U. S. Treasury Bills. Treasury Bills with a maturity of 91 days and 182 days are issued weekly, and Bills with a maturity of approximately 12 months are issued monthly. These Bills are issued on a discount basis and are redeemed at par upon maturity. They are available by purchase at any time after issuance from the investment departments of banks or from security dealers. Purchases may be made conveniently using the Local Public Agency's depository bank. Treasury Bills may also be acquired by noncompetitive subscription on the issue date from a Federal Reserve Bank or Branch in amounts not in excess of \$200,000 at the average price of all accepted tenders. Detailed information is contained in the weekly or monthly announcements that may be received regularly upon application.
 - b. U. S. Treasury Certificates, Notes, and Bonds. These securities are issued periodically by the Treasury Department through Federal Reserve Banks and Branches. Announcements of the sales of new issues which are usually furnished to banks may be obtained upon application to a Federal Reserve Bank or Branch. Outstanding issues of U. S. Treasury Certificates, Notes, and Bonds may be purchased by the depository from banks and purchased from or sold to dealers in investment securities at the market price which, on any given day, may be more or less than the face amount.
 - (1) U. S. Treasury Certificates mature in not more than one year from the issue date and bear interest at fixed rates payable at maturity.
 - (2) U. S. Treasury Notes mature in not less than one nor more than seven years from the issue date and bear interest at fixed rates payable semiannually.
 - (3) U. S. Treasury Bonds mature in not less than five years from the issue date and bear interest at fixed rates payable semiannually. Many issues of Bonds are redeemable on call by the Treasury

CHAPTER 5 SECTION 1

Department before maturity. The "yield" values of such issues may be computed to the call date which may be as much as five years prior to the maturity date.

Notes and bonds when purchased may not have a maturity date beyond one year of the date of purchase.

- c. Other Obligations. Obligations described in this subparagraph which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States Government are approved for investment only to the extent authorized by State law. The obligations may be purchased at the offering price on original subscription from recognized security dealers and dealer banks and institutions. Outstanding issues may be purchased or sold at any time at the prevailing market price from the same.
- (1) Government National Mortgage Association (GNMA) obligations, participations, or other instruments as authorized pursuant to 12 USCA 1723c, and any trust certificates or other securities guaranteed by GNMA pursuant to 12 USCA 1721(g).
 - (2) Federal National Mortgage Association (FNMA) obligations, participations, or other instruments as authorized pursuant to 12 USCA 1723c.
 - (3) Federal Land Bank Bonds issued by the 12 Federal Land Banks under authority of the Federal Farm Loan Act (12 USCA 941).
 - (4) Banks for Cooperative Debentures issued under authority of the Federal Farm Loan Act (12 USCA 1134m).
 - (5) Federal Intermediate Credit Bank. Debentures issued under the authority of the Federal Farm Loan Act (12 USCA 1045).
 - (6) Federal Home Loan Bank Consolidated Obligations issued under authority of the Federal Home Loan Bank Act (12 USCA 1435).
 - (7) Tennessee Valley Authority Bonds issued by the TVA under the authority of the Tennessee Valley Authority Act of 1933, as amended (16 USCA 831n-1, -3, and -4).
-

5. ESTIMATING AMOUNTS AVAILABLE FOR INVESTMENT.

- a. Where it is necessary to estimate the amounts that will be available over a period of time, the Local Public Agency will have to take into account its current cash position and anticipated cash receipts (including maturing investments) and disbursements. Any determination is based on certain assumptions which may later prove to be at variance with the real situation. A review of past experience as to anticipated actual cash requirements for a similar period will generally reveal reasons for any significant differences and will help to eliminate a repetition of avoidable errors. Nevertheless, it is well to recognize that there is a general tendency in making estimates to assume that the cash will be required to be on hand before it is actually used.
- b. The Local Public Agency shall, not less than each calendar quarter, prepare a statement showing an estimate of amounts available for investment. These statements are to be retained and available for audit.

6. SECURING THE MOST ADVANTAGEOUS BANKING SERVICES.

- a. There are differences in interest rates paid by banks for time deposits and savings accounts. In some cases, banks are willing to quote special interest rates on time deposits in order to acquire the Local Public Agency's bank account. Accordingly, it would be desirable for the Local Public Agency to visit all the approved banks in the community in an effort to secure the most advantageous banking service possible. An effective way of achieving the best offer would be to advertise for competitive bids for the Local Public Agency's bank account. Such advertisement could also request quotations of interest rates on short-term time deposits (e.g., 30, 60, 90, and 120 days) to be secured with approved securities. Under such an arrangement, the Local Public Agency may be relieved of much of the administrative burden of searching the market for suitable short-term investments. Of course, market rates should also be reviewed to ensure that the bank's interest rate payments compare favorably with other available investments.
- b. Time deposit open accounts available in the Local Public Agency's depository may be established for the investment of funds where it is determined to be advantageous. It must be provided in the rules governing a time deposit open account that any amount contained in the account may

CHAPTER 5 SECTION 1

be withdrawn in full without penalty or service charge after the giving of notice not to exceed 30 days. Further, the amount on deposit in such an account must be collateralized as provided in Section 2 of this Chapter.

- c. The utilization of minority owned financial institutions is encouraged to the maximum feasible extent.
7. CONDITIONS UNDER WHICH AN LPA MAY NOT INVEST. The Local Public Agency shall not invest its funds if the investment will:
 - a. Result in any increase in the cost of the project.
 - b. Delay or otherwise adversely affect the undertaking of project work or the payment of project costs.
 - c. Adversely affect a Local Public Agency's ability to pay principal and interest on project loans when due.

Under no circumstances, shall the Local Public Agency invest funds in commercial bank certificates of deposit.

8. DEPOSITS OF EARNINGS AND PRINCIPAL. All net earnings and the amount of the original investment shall hereafter be deposited in the Account or fund from which the funds were withdrawn. All net earnings shall be considered as other income, and will reduce project costs.

SECTION 2. COLLATERALIZATION OF DEPOSITS

- I. GENERAL. Local Public Agencies shall require their depositaries to continuously and fully secure all deposits — regular, savings, and time, for amounts in excess of the amount insured, by the pledging or setting aside of collateral of the type and in the manner as is prescribed by the State law for the security of public funds. Such collateral shall at all times be of a market value at least equal to the amount of the deposits so secured. In states such as Virginia, Washington, and New York, where protection is given by a State Statute that provides a cross guarantee among all banks holding public deposits, the deposits of Local Public Agencies shall be considered to be protected in a manner and to an extent equivalent to the market value of collateral equaling the amount of the deposit.

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CHAPTER 4. BORROWING FUNDS TO MEET
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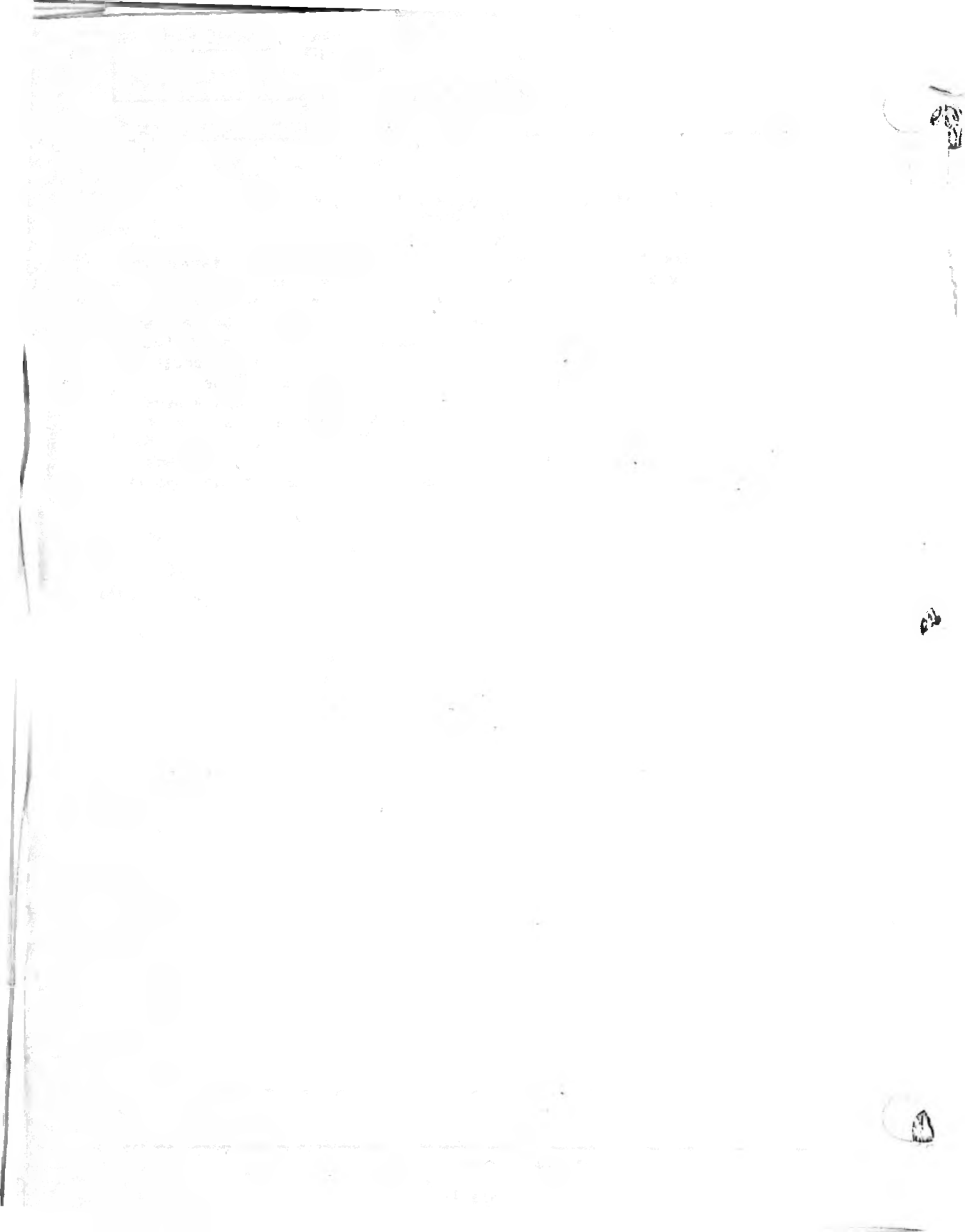
SECTION 8. PRIVATE MARKET BORROWING
RATES IN EXCESS OF THE
CONTRACT INTEREST RATE

1. GENERAL. Section 507 of the Housing and Urban Development Act of 1968, Public Law 90-488, provides that if the interest rate on loans obtainable from sources other than the Government is greater than the Project Temporary Loan Interest Rate specified in the Loan and Grant Contract (herein called the "Contract Rate"), the Secretary of Housing and Urban Development may permit the Local Public Agency to obtain such loans and the Secretary may make a supplemental grant to the Local Public Agency in the amount of the difference between the interest cost of the loans from such sources and the interest cost at the Contract Rate.

WAIVERS. Accordingly, whenever funds for a particular project can only be obtained on the private market at interest rates in excess of the Contract Rate, the Secretary of Housing and Urban Development will execute a waiver in substantially the same form shown in appendix 1, section 8 of this chapter. This waiver permits the affected Local Public Agency to award a bid or bids to private purchaser at an interest rate in excess of the Contract Rate and commits the Government to make a supplemental grant to the Local Public Agency in an amount equal to the difference between the interest cost at the Contract Rate and the interest cost paid at the higher rate at which the Preliminary Loan Notes and Notes are actually sold. No part of the supplemental grant to be required to be contributed by the LPA as a local contribution.

REQUISITION AGREEMENT. Pursuant to the Requisition Agreement (HUD-9003), which is normally executed by the Government and the Local Public Agency in connection with the sale of Preliminary Loan Notes, the Government will make payment of the supplemental grant on the agreed date directly to the Paying Agent in accordance with the Requisition Agreement.

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CHAPTER 4. BORROWING FUNDS TO MEET
PROJECT COSTSSECTION 8. PRIVATE MARKET BORROWING
RATES IN EXCESS OF THE
CONTRACT INTEREST RATE

1. GENERAL. Section 507 of the Housing and Urban Development Act of 1968, Public Law 90-488, provides that if the interest rate on loans obtainable from sources other than the Government is greater than the Project Temporary Loan Interest Rate specified in the Loan and Grant Contract (herein called the "Contract Rate"), the Secretary of Housing and Urban Development may permit the Local Public Agency to obtain such loans and the Secretary may make a supplemental grant to the Local Public Agency in the amount of the difference between the interest cost of the loans from such sources and the interest cost at the Contract Rate.
2. WAIVERS. Accordingly, whenever funds for a particular project can only be obtained on the private market at interest rates in excess of the Contract Rate, the Secretary of Housing and Urban Development will execute a waiver in substantially the same form as shown in appendix 1, section 8 of this chapter. This waiver permits the affected Local Public Agency to award a bid or bids to a private purchaser at an interest rate in excess of the Contract Rate and commits the Government to make a supplemental grant to the Local Public Agency in an amount equal to the difference between the interest cost at the Contract Rate and the interest cost calculated at the higher rate at which the Preliminary Loan Notes or Project Notes are actually sold. No part of the supplemental grant shall be required to be contributed by the LPA as a local grant-in-aid.
3. REQUISITION AGREEMENT. Pursuant to the Requisition Agreement (Form HUD-9003), which is normally executed by the Government and the Local Public Agency in connection with the sale of the Notes, the Government will make payment of the supplemental grant on a specified date directly to the Paying Agent(s) named in the Requisition Agreement.

FINANCING AND FINANCIAL REPORTS
CHAPTER 4 SECTION 8

4. PROCEDURES FOR WAIVERS AND AMENDMENTS. When the waiver and the amendment to the Requisition Agreement are used in connection with a private market financing transaction, the following procedure shall be followed:
- a. Prepare a revised Form HUD-6220, Project Expenditures Budget, and, following line 21, on line 22, show the following:
 - (1) "Excess Interest Incurred Pursuant to Sec. 507"
(Payable by HUD to the Paying Agent).
 - (2) Opposite thereto, in column "c," enter the amount of the supplemental grant shown on the waiver.
 - (3) Approval of the revised budget need not be obtained from the LPA Board unless other line items have to be revised.
 - b. Establish the following accounts in the general ledger maintained for the project:
 - R 1503 Excess Interest Incurred Pursuant to Section 507
 - R 2705 Supplemental Grant (Section 507)
 - c. Interest shall be accrued at the contract interest rate(s) and shall be recorded as provided in current instructions.
 - d. The additional interest (in the amount of the supplemental grant) which will be paid by HUD directly to the Paying Agent for the maturing notes shall be accrued and recorded as follows:
 - Dr. R 1503 Excess Interest Incurred Pursuant to
Section 507
 - Cr. R 2132 Accrued Interest--Other Notes and Loans
Payable
-

- e. Upon payment of the additional interest to the Paying Agent by HUD the following entry shall be made in the amount of the supplemental grant payment:

Dr. R 2132 Accrued Interest--Other Notes and Loans
Payable

Cr. R 2705 Supplemental Grant (Section 507)

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W A I V E R

TO BE ATTACHED TO CONTRACT NO. _____
BY AND BETWEEN THE UNITED STATE OF
AMERICA AND THE _____ OF
_____.

WHEREAS, the United States of America (herein called the Government") has entered into a Loan and Grant Contract with the _____ (herein called the "Local Issuing Agency"), numbered Contract No. _____, dated _____, (herein called the "Contract"); and

WHEREAS, Section 301(C) of Part II of the Contract permit Local Issuing Agency, with the prior written consent of the Government to obtain loan funds from sources other than the Government at interest rates lower than the Project Temporary Loan Interest Rate specified in the Contract (herein called the "Contract Rate"); and

WHEREAS, Section 507 of the Housing and Urban Development Act of 1968, Public Law 90-488, provides that if the interest rate on loans for purposes permitted by the Contract, obtainable from sources other than the Government, is greater than the Contract Rate, the Secretary of Housing and Urban Development may permit the Local Issuing Agency to obtain such loans and may make a supplemental grant to the Local Issuing Agency in the amount of the difference between the interest cost of the loans from such sources and the interest cost at the Contract Rate; and

WHEREAS, the lowest interest rate(s) bid at the _____ bid opening for the purchase of the Local Issuing Agency's _____ Series _____ Project Notes to be dated _____ in the total principal amount of \$ _____, is (are) as follows: \$ _____ at _____ percent per annum with a premium of \$ _____ by _____; \$ _____ at _____ percent per annum with a premium of \$ _____ by _____; \$ _____ at _____ percent per annum with a premium of \$ _____ by _____; and

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CHAPTER 4, SECTION 8
APPENDIX 1

WHEREAS, the interest rate(s) so bid exceed(s) the Contract Rate and the Local Issuing Agency has requested that the Government waive the provisions of Section 301(c) of Part II of the Contract to the extent necessary to permit the Local Issuing Agency to accept the said bid(s) and, in addition, that the Government make a supplemental grant in accordance with Section 507 of the Housing and Urban Development Act of 1968; and

WHEREAS, the Government recognizes that the Local Issuing Agency's endeavor to obtain funds from sources other than the Government is desirable and in the public interest and the Government is therefore willing to extend such waiver and make such supplemental grant.

NOW, THEREFORE, the Government, acting by and through the Secretary of Housing and Urban Development, hereby:

(a) Waives the provisions of Section 301(C) of Part II of the Contract to the extent necessary to permit the Local Issuing Agency to accept the aforesaid bid(s); and

(b) Acknowledges, by the execution of this waiver and its subsequent acceptance by the Local Issuing Agency, that it is committed to make a supplemental grant to the Local Issuing Agency in the amount of the difference, calculated without reference to any and all premiums bid, between the interest cost resulting from acceptance of the aforementioned bid(s) and the interest cost at the Contract Rate, said supplemental grant in no event to exceed \$ _____; Provided, that no part of the amount of said supplemental grant shall be required to be contributed by the Local Issuing Agency as a local grant-in-aid.

IN WITNESS WHEREOF, the United States of America has caused this waiver to be duly executed this _____ day of _____, 19 _____.

UNITED STATES OF AMERICA
Secretary of Housing and Urban Development

By _____





CHAPTER 1. CASH GRANTS-IN-AID

1. GENERAL. The required local share must equal one-third or one-fourth of the Net Project Cost and must be contributed in the form of local grants-in-aid. Local grants-in-aid consist of (1) cash payments, (2) land donations, and (3) credits for certain non-Federal expenditures for supporting facilities, project improvements, and activities that serve and benefit the urban renewal project and therefore are called noncash grants-in-aid. After the total amount of the local grants-in-aid required as a local contribution to an urban renewal projects has been calculated (see RHM 7215.1, Financing and Financial Reports, chapter 1, section I), the LPA must determine the portion, if any, that will be contributed to the project in the form of cash.
2. TIMING. The entire cash local grant-in-aid shall be paid into the project accounts no later than the date on which the LPA is expected to become eligible for the first project capital grant progress payment, as set forth in RHM 7215.1, Financing and Financial Reports, chapter 3, section 2. An exception will be authorized only if the LPA can demonstrate that funds cannot be made available by that date. The project financing plan shall provide for payment at the earliest dates possible. HUD will not agree to defer payment of any part of the anticipated cash grant-in-aid to the conclusion of the project.
3. DEFICIT CASH GRANTS-IN-AID. Any deficit in the local share at project completion must be provided as a local cash grant-in-aid.
4. OPTIONAL CONTRACT PROVISION. HUD may require a special provision which may be included in the Contract for Loan and Grant to provide that:
 - a. The local cash paid into project accounts will be treated as a grant-in-aid only to the extent necessary to discharge the local grant-in-aid obligation of the LPA at project completion.
 - b. Any excess is to be treated as a repayable local noninterest-bearing loan to the project.
5. DELINQUENT CASH LOCAL GRANTS-IN-AID. If HUD does not approve a capital grant payment because the entity is delinquent in providing a cash local grant-in-aid, HUD may approve a temporary loan but will disallow interest on an amount equivalent to the delinquent cash grant-in-aid.

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LOCAL GRANTS-IN-AID
CHAPTER 1

6. COOPERATION AGREEMENTS. If a cash local grant-in-aid is to be obtained by the LPA from another entity, the Loan and Grant Application shall be supported by a cooperation agreement or other binding commitment between the LPA and the entity, reflecting the intention of the entity to provide the cash local grant-in-aid.
- a. Payment Requirements. The agreement shall provide that the entire sum shall be paid into project accounts on or before a specified date. If the sum is to be paid in installments, the agreement shall specify the amounts and date each installment is due. The timing of these payments shall conform to the requirements for the contribution of cash local grants-in-aid.
- b. Submission Requirements. Submission requirements with respect to cooperation agreements are contained in RHM 7215.1, Financing and Financial Reports, chapter 1, section 2.

* 7. ROYALTIES

- a. Sale of Coal Deposits. Where a project in any municipality includes an area affected by an underground mine fire or by a coal mine subsidence and where it is necessary in such project to remove any underlying coal deposits in order to stabilize the soil or to control the underground mine fire, then any royalties received by the project from the removal and sale of such coal deposits shall be credited to the project as a local grant-in-aid made by such municipality.
- b. Use of Proceeds. Royalties credited to the project as a cash grant-in-aid in excess of that needed to finance the local share of such project shall be used as a pooling credit to other projects. If no other project exists, the surplus credit (cash) will be refunded to the municipality, if a project activity, without interest and less prorated administrative costs. *

CHAPTER 2. NONCASH LOCAL GRANTS-IN-AID

SECTION 1. GENERAL ELIGIBILITY

ELIGIBLE ITEMS

The following may be eligible as noncash local grants-in-aid:

- (1) Donations, at cash value, of land or other real property in the project area. (See RHM 7208.1, Real Estate Acquisition, chapter 4, section 1, and section 3 of this chapter.)
- (2) Site clearance work, at cost. (See RHM 7209.1, Site Preparation and Project Improvements, chapter 2.)
- (3) Certain project improvements. (See RHM 7209.1, Site Preparation and Project Improvements, chapter 1.)
- (4) Public buildings or other supporting facilities, which are of direct benefit to the project. (See section 2 of this chapter.)
- (5) Certain communitywide or general benefit public facilities which contribute materially to a project or projects. (See section 2 of this chapter.)
- (6) Certain expenditures by or in behalf of an eligible college, university, or hospital. (See section 3 of this chapter.)
- (7) The local contribution in the form of tax exemption or tax remission with respect to a low-rent public housing project on a site transferred from the urban renewal project to the low-rent public housing project. (See section 3 of this chapter.)
- * (8) Model Cities supplemental funds may be used to defray all or a portion of the non-Federal contribution for a public facility, which serves an urban renewal area, to the extent the facility serves the urban renewal area. *

INELIGIBLE ITEMS

The following are ineligible as noncash local grants-in-aid:

- (1) Any item not provided in accordance with the timing requirements in sections 1 and 3 of this chapter.

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LOCAL GRANTS-IN-AID
CHAPTER 2 SECTION 1

- (2) The amount of Federal subsidy (including any Federal funds received by the donor or applicant through a State or any other entity) for any otherwise eligible item except as stated in paragraph (8) above.
- (3) Any public utility the capital cost of which is wholly financed with local bonds or obligations payable solely out of revenues derived from service charges.
- (4) Any public improvement or facility, which serves the entire community except a public school or public facility referenced in item (5) above. (See Section 2 of this chapter.)
- (5) Any expressway or freeway..
- (6) Schools, recreational centers, utility distribution systems, or other facilities which will be under private ownership or control.
- (7) Donations of land in existing streets, alleys, and other public rights-of-way.
- (8) Repairs, maintenance, replacement, painting, and decorating work of a normal maintenance character. Reconstruction, in whole or in part, of existing and necessary improvements of a project improvement nature or similar improvements which qualify as public facilities may be eligible, however, provided such work is necessary to restore the improvement to acceptable current standards.
- (9) Administrative, technical, legal, or similar personal services contributed to the project, except engineering services specified below under "Costs Incident to Provision of Noncash Local Grant-in-Aid."
- (10) Survey and planning work.
- (11) Publicly owned housing.

COSTS INCIDENT TO PROVISION OF NONCASH LOCAL GRANT-IN-AID

Costs incident to the provision of an eligible noncash grant-in-aid are eligible for consideration if the following criteria are met:

- (1)a. The costs are directly related to the construction of the facility, i.e., cost of site acquisition and clearance, preparation of plans and specifications, direct supervision of construction work, and fixed and permanently installed equipment. See Attachment "A" to Form HUD-6202a for examples of eligible and ineligible items of equipment. *

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b. The use of city-owned equipment directly used in behalf of an eligible activity will be evaluated in accordance with the following methodology effective September 5, 1968.

1. Where the city has an established rate generally used by all departments for accounting purposes to amortize the cost of city-owned equipment, such rate (less overhead, administration, and legal) will be allowed.
 2. Where the city has an established rate used to charge other city departments for the use of city-owned equipment, such rate (less overhead, administration, and legal) will be allowed.
 3. Where the city does not have an established rate per the above paragraphs (1) and (2), the established commercial rate to the city (less overhead and profit) will be allowed as the cost for the use of the same type of city-owned equipment. Where the amount of overhead and profit is not predetermined, an amount equal to 20 percent of the established commercial rate to the city rate will be deducted for such costs.
 4. Where the city has neither an established rate per the above paragraphs (1) and (2), nor an established commercial rate per the above paragraph (3), the current or "going" commercial rate (less overhead and profit) will be allowed as the cost for the use of the same type of city-owned equipment. Where the amount of overhead and profit cannot be readily obtained, an amount equal to 30 percent of the current commercial rate will be deducted for such costs.
- c. The above methodology is not retroactive, but Certificates of Cost (HUD Form 6202) that have not been approved as of the above effective date may be resubmitted by the requesting entity to include such costs.
- (2) Costs of fixed and permanently installed equipment are incurred on or after the earliest of the three dates specified in this Section under "Timing."
 - (3) The costs represent expenditures actually incurred by the providing entity.



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LOCAL GRANTS-IN-AID
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Local Library GRANT-IN-AID FURNISHED BY PRIVATE ENTITIES

The LPA may obtain local grants-in-aid from a private entity only in the form of (1) cash grants, (2) donations of land or other real property to a project, and (3) certain expenditures by or in behalf of an eligible educational institution or hospital under Section 112 of Title I (See Section 3 of this Chapter).

Assistance in the form of public buildings or other public facilities is eligible for consideration as local noncash grants-in-aid only when furnished by a State, municipality, or other public body.

A facility gratuitously dedicated by a private entity to public use is not thereby eligible for noncash grant-in-aid credit.

EFFECT OF SPECIAL ASSESSMENT FINANCING

Any portion of the cost of a supporting facility or project improvement which is financed by special assessment against land acquired as part of the project is ineligible as a noncash local grant-in-aid. If a special assessment against such land is involved, the amount of non-cash local grant-in-aid credit to be claimed for the improvement or facility shall be computed as follows:

- (1) Apply the percent of direct benefit to the project from the improvement or facility to its total cost.
- (2) Subtract the total amount of the special assessment against project-acquired land from the amount obtained in (1) above.

Any portion of the cost of a supporting facility or project improvement which is financed by special assessment against land which is not to be acquired is eligible as a noncash local grant-in-aid if the LPA demonstrates that the assessment will not impair the feasibility of improving individual properties. (See 7210.1, Rehabilitation, Chapter 1, Section 7.)

TIMING

Supporting facilities and project improvements provided as noncash grants-in-aid will be eligible for consideration if construction is commenced on or after one of the following dates:

- (1) Date of execution of a Contract for Planning Advance, or date of HUD concurrence in the commencement, without such assistance, of surveys and plans.

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LOCAL GRANTS-IN-AID
CHAPTER 2 SECTION 1

- (2) Date of approval by HUD, after approval by the governing body of the locality, of a General Neighborhood Renewal Plan for the area in which the project is located.
- (3) Date 3 years prior to date of HUD authorization of a Contract for Loan and Grant for the project.
- * (4) Date 4 years prior to date of HUD authorization of a Contract for Loan and Grant for:
 - (a) A project for which a Survey and Planning Application was accepted for processing by HUD but not approved by HUD on or before December 24, 1969; or
 - (b) A project covering an urban renewal area which was included in a NDP Application accepted for processing by HUD but not approved by HUD on or before December 24, 1969, and for which a Contract for Loan and Grant was authorized by HUD after December 24, 1969. *

Construction of a supporting facility or project improvement commences as of the date the contractor physically moves on the site and begins work on a contracted item with a commitment of men and resources sufficient to indicate an intention and purpose to continue the work to completion. Generally, this involves a major work item such as excavating for a building, grading for streets or street improvements, or trenching for utilities. A ceremonial ground-breaking would not be considered start of construction.

These timing requirements do not apply to the acquisition of the site on which the supporting facility or project improvement is constructed, nor to clearance of the site, unless clearance is a part of the construction contract.

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CHAPTER 2. NONCASH LOCAL GRANTS-IN-AID

SECTION 2 SUPPORTING FACILITIES

PRINCIPLES COVERING ELIGIBILITY OF COST

These principles apply only to supporting facilities that are of direct benefit to the project; for communitywide facilities, see "Communitywide or General Benefit Supporting Facilities" in this Section, below.

No part of the cost of a supporting facility is eligible if the project receives less than 10 percent of the direct benefit from the facility. See RHA 7224.1, Other Renewal Assistance--GNRP, Chapter 1, for special conditions which apply in GNR Areas.

The full cost of a supporting facility is eligible if the project receives more than 80 percent of the total direct benefit from the facility.

If the project receives from 10 percent to 80 percent, inclusive, of the direct benefit from the facility, the portion of the total cost of the facility which may be credited as a noncash local grant-in-aid is based on the percentage of benefit to the project.

The foregoing rationale respecting less than 10 percent and more than 80 percent is not applicable to a Campus Type School.

A supporting facility may be provided by one or more public entities, but the portion of the cost of a facility defrayed or estimated by the Secretary to be defrayed with any grant or subsidy from the United States or any agency or instrumentality (including any Federal funds received by a donor or applicant through a State or any other entity) shall not be eligible for inclusion as a local grant-in-aid.

Flood Protection Work

Flood protection work undertaken with local funds that services both a project area and other areas may be eligible as a supporting facility. For any Federal flood protection work, only the local expenditures (for land, easements, rights-of-way, and any cash contribution) may be eligible for credit.

The flood protection work must meet the requirements specified for flood protection work as a project improvement (see RHA 7209.1, Site Preparation and Project Improvements, Chapter 1). It is not necessary, however, that the work or the benefits of the work be restricted to the project area.

DETERMINATION OF ELIGIBILITY AND BENEFIT

The methods of determining relative benefit of types of eligible supporting facilities are given in this Section, below.

Calculations of relative benefit developed from estimates of the number of families expected to reside in the project area shall be based on one or both of the following, as appropriate:

- (1) Extent of residential redevelopment which marketability studies and FHA reviews indicate as appropriate for the area.
- (2) Number of families expected to reside in areas for which rehabilitation activities, including code enforcement, have been carried out.

In no case shall the calculation of benefit assume residential redevelopment in excess of that possible under the maximum densities established in the Urban Renewal Plan.

HUD DETERMINATIONS

The eligibility of an item as a supporting facility will be determined by HUD with approval of the Loan and Grant Application.

HUD will make a determination as to the percentage of benefit to be credited. The percentage determined will be applied to the allowable actual or estimated cost of the facility in approving a certificate of cost of the local grant-in-aid and at financial settlement of the project, unless changes must be made in the percentage for reasons covered below. If a supporting facility has been completed for 5 years or more at the time of final approval of the Loan and Grant Application, allowance will be made for deterioration and obsolescence up to that time.

If the documentation submitted with the Part I Loan and Grant Application is not firm and adequate, the facility will be disallowed or the percentage of benefit set at the most conservative figure indicated by the information available. In either case, the determination will be reconsidered upon later submission of additional data.

A revision will be made subsequently in the percentage of benefit for a supporting facility if:

- (1) It is established that one or more of the significant facts presented by the LPA in support of its approval were in error; or

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- (2) The basis of the percentage of credit has been affected by a change in any of the following:
- (a) Urban Renewal Plan
 - (b) Type, size, or capacity of the facility.
 - (c) Boundaries of the area to be served by the facility.
 - (d) Conditions in service area, whether inside or outside the project.
 - (e) Planning criteria; i.e., family characteristics, family sizes, number of rooms per dwelling unit, floor area ratio, parking ratio, etc.

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DETERMINING RELATIVE BENEFIT OF SUPPORTING FACILITIES

TYPE OF ELIGIBLE FACILITY	DETERMINATION OF RELATIVE BENEFIT
(1) Public Buildings	
* (a) New or reconstructed kindergarten, elementary, junior high, and high schools	Expected enrollment from project area * divided by higher of (1) designed capacity, or (2) total enrollment expected when Urban Renewal Plan has been carried out. (See also heading "Alternative Method of Computing Relative Benefit of Schools," in this Section.)
* (b) Additions to existing schools of types listed above	Expected enrollment from project area divided by higher of (1) designed capacity of addition, or (2) total additional enrollment expected to use the school when Urban Renewal has been carried out. (See also heading "Alternative Method of Computing Relative Benefit of Schools," in this Section.)
(c) Campus Type Schools As herein defined, the total Campus Type School facility will accomplish the consolidation of several schools of a previously normal size and will eliminate de facto segregation on the basis of race, color, creed or national origin.	Number of pupils expected from the project area after the Urban Renewal Plan has been carried out multiplied by the "per pupil cost" of building the campus type school. The <u>per pupil cost</u> will be obtained by dividing the "eligible total cost" of the facility by the higher of (1) the designed capacity, or (2) the total enrollment expected after the Urban Renewal Plan has been carried out. *
(d) District police or fire station and police and fire communication systems	Service area within project area divided by total service area.
(e) Branch library	Project families in service area divided by total families in service area.
(f) Neighborhood center	Project families in service area divided by total families in service area.

TYPE OF ELIGIBLE FACILITY	DETERMINATION OF RELATIVE BENEFIT
(2) Streets, exclusive of free-ways and expressways (Curbs, gutters, sidewalks, traffic lights, and bridges will be treated the same as the facility of which they are a part.)	
(a) Boundary streets outside the project area	No more than 50 percent of the cost of a street meeting the "Conformance With Local Standards" criteria in RHA 7209.1, Site Preparation and Project Improvements, Chapter 1, except where frontage outside the project receives no benefit due to a natural or artificial barrier such as a lake, stream, ravine, cliff, bluff, or railroad line. Land in public or institutional use is not considered a natural barrier.
(b) Streets outside project, only when feasibility of project would be jeopardized without access provided	Same as interior streets (see RHA 7209.1, Site Preparation and Project Improvements, Chapter 1), except that any benefit to abutting property must be deducted.
(c) Ramps, interchanges, and other similar connections with major highways, when designed and located especially to serve the project	Project requirements divided by actual size, except that benefit to areas other than project area must be deducted.
(d) Vehicular and pedestrian overpasses and underpasses, other than those eligible as a project improvement	
1. Part of another facility	Same as facility of which it is a part.
2. Not part of another facility	Project use divided by total use.

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TYPE OF ELIGIBLE FACILITY	DETERMINATION OF RELATIVE BENEFIT
(3) Water distribution facilities, including related items such as booster pumps, closures of loops, and storage tanks, other than those eligible as project improvements	Capacity required for project divided by total designed capacity.
(4) Sanitary sewers, other than those eligible as project improvements, including related items such as lift stations, interceptors, local treatment plants, and additions to local treatment plants	Same as water distribution facilities.
(5) Electric and gas distribution facilities, including essential related items	Same as water distribution facilities.
(6) Parks and playgrounds, other than those qualifying as an eligible project improvement	
<p>All parks and playgrounds may include related items eligible for local parks and playgrounds (see RHA 7209.1, Site Preparation and Project Improvements, Chapter 1). Those serving residential areas may also include permanent and fixed improvements, such as playground equipment, comfort stations, tennis courts, and softball diamonds</p>	
<p>A playground, as a part of a park for which credit is being allowed, is not eligible for a separate credit allowance.</p>	
(a) In residential areas	Project families in service area divided by total families in service area.

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TYPE OF ELIGIBLE FACILITY	DETERMINATION OF RELATIVE BENEFIT
(b) In other than residential areas	Area of project in service area divided by total service area.
(7) Finished grading and landscaping only when part of an eligible supporting facility	Same as supporting facility of which they are a part.
(8) Flood control and flood protection work other than those qualifying as project improvements (see RHA 7209.1, Site Preparation and Project Improvements, Chapter 1).	Project area to be protected divided by total area to be protected.
(9) Offstreet public parking facilities	<p>Demand from the portion of the service area within the project area divided by the greater of (1) capacity of the parking facility, or (2) total demand for parking spaces within the service area. Demand may be computed on the basis of the parking space requirements established in the Urban Renewal Plan for the various types of permitted uses, or on the basis of a single factor of parking space per dwelling unit and, for nonresidential uses, on the basis of a single factor of building floor area per parking space. However, only one of the above methods may be used to determine parking demand in a project area. Service area is determined by the distance people might be expected to walk between destination and parking facility. The cost of any parking spaces reserved for special users and not available to the public at large shall be deducted from the total cost of the parking facility before the application of the percentage of relative benefit.</p>

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TYPE OF ELIGIBLE FACILITY	DETERMINATION OF RELATIVE BENEFIT
<p>(10) Railroad spurs only when:</p> <ul style="list-style-type: none"> (a) They cannot otherwise be provided; (b) They serve more than one disposition parcel; and (c) Added disposition proceeds exceed or equal additional project cost 	<p>Benefit to project divided by total benefit.</p>
<p>(11) Public fallout shelters for shelters located in structures that are also used for nonshelter purposes. The eligible cost attributable to the shelter shall not include any costs which would otherwise have been incurred for the nonshelter use.</p>	<p>Demand from portion of service area within project area divided by the greater of (1) capacity of shelter, or (2) total demand for shelter within its service area. This determination shall be separate from that for any eligible nonshelter use.</p>

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Noncash local grant-in-aid credit may also be claimed for certain types of supporting facilities whose benefits are communitywide or general in nature (herein simply referred to as "communitywide facilities") rather than of special benefit to project areas but which contribute materially to the objectives of the Urban Renewal Plan or plans for a project or projects.

Location of Facilities

To be eligible for such noncash grant-in-aid credit, a communitywide facility must either:

- (1) Be located within the urban renewal project to whose objective it contributes, or
- (2) Be located within one-quarter of a mile of such urban renewal project boundary.

Types of Facilities Eligible

To be eligible for such credit, communitywide facilities must be of a type not otherwise eligible as a local grant-in-aid and must be of one or more of the following four types:

Type 1. A facility used by the public predominantly for cultural, exhibition or civic purposes. These may include public auditoriums, concert halls, theaters, central libraries, museums, exhibition halls, art galleries, meeting halls, or band shells, or settings for historic sites (except those eligible under clause 2 of Section 110(d) of the Housing Act of 1949, as amended).

Type 2. A city hall. This is defined as the building, or portion thereof, which is used as the headquarters of government (where the governing body meets regularly) of the locality in which the urban renewal project is located and which is predominantly used for municipal purposes.

Type 3. A public safety building. This is a building, or portion thereof, used predominantly for central fire or police headquarters. If the building also contains a district fire or police station serving the project area, the LPA may also claim credit for the district portion. (See item (1)(d) under "Determining Relative Benefit of Supporting Facilities," above.)

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- * Type 4. A building, or portion thereof, constructed or rehabilitated by or on behalf of a public university, which is or will be devoted predominantly to the treatment of physical or mental disabilities and illness or to medical research. *

Additional Principles Covering Eligibility

No part of the cost of a communitywide facility is eligible if less than 10 percent of its space by volume, exclusive of service areas, is used predominantly for one or more of the eligible uses listed above.

The full cost of a communitywide facility is eligible for the 25 percent (\$3,500,000 maximum) credit if more than 80 percent of its space by volume, exclusive of service areas, is used predominantly for one or more of the eligible uses listed above.

If from 10 percent to 80 percent, inclusive, of the space by volume, exclusive of service areas, of a communitywide facility is used predominantly for one or more of the eligible uses listed above, the portion of the total cost of the facility to which the 25 percent credit (\$3,500,000 maximum) is applied is based on the percentage of such use or uses.

Ineligible Facilities

The following facilities are ineligible for the communitywide category local grant-in-aid credit:

- (1) Any general purpose government buildings, except city halls and public safety buildings.
- (2) Facilities used predominantly for sports and recreational activities.
- (3) Stadiums, gymnasiums, and skating rinks.
- (4) Hospitals, except those meeting the Type 4 definition.
- (5) College or university buildings, except those meeting the Type 1 or 4 definitions.
- (6) Facilities of the type listed in this Section under the heading "Determining Relative Benefit of Supporting Facilities."
- (7) Any facilities the construction of which began before November 3, 1963.

Predominant Use

That portion, or portions, of a building will be eligible for consideration under the communitywide category which is used predominantly for one or more of the eligible uses listed above. Where the same space is used for eligible and ineligible uses, the predominant use of that space is determined on an annual time basis, i.e., the percentage of the time the space is utilized annually is determined for each use. No part of a building is eligible unless more than 10 percent of its space is used predominantly for eligible purposes. As used herein "predominant" or "predominantly" means more than one-half.

Amount of Credit

The total amount of credit claimed for any one facility shall be 25 percent of its costs, irrespective of the number of urban renewal projects it benefits, provided that the maximum credit allowable for each facility is \$3,500,000. All structures or portions thereof in a group or complex which are of the same type shall be considered one "facility" for the purpose of determining maximum credit. (See "Types of Facilities Eligible" above for the four types.)

For example:

- (1) A city builds three buildings as a part of a complex--an auditorium, a museum, and a concert hall. The three buildings constitute one facility and are subject to a single \$3,500,000 maximum credit.
- (2) The city also builds two public safety buildings as a part of the same complex described in (1). The project is now entitled to a separate \$3,500,000 maximum credit for the public safety buildings.

Costs incident to the provision of an eligible facility are the same as those specified in Section 1 under "Costs Incident to Provision of Facility."

Contribution to Objectives of Urban Renewal Plan

With the Part I Loan and Grant Application, the LPA must demonstrate that the communitywide facility contributes materially to the objectives of the Urban Renewal Plan. Such evidence must be more than the mere geographic relationship between the facility and the urban renewal project. The uses of the facility and the uses of the project area must be compatible and must bear a definite relationship to each other which is clearly demonstrated in the documentation.

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Pooling

Credits for expenditures for communitywide facilities are pooled in the same way as other noncash local grants-in-aid in the locality's urban renewal program.

HUD Determinations

The eligibility of an item as a communitywide facility will be determined by HUD at the time of approval of the Loan and Grant Application.

A 25 percent fixed apportionment of benefits, subject to the \$3,500,000 maximum, will be applied to the allowable actual or estimated cost of the facility in the approval of a certificate of cost of the local grant-in-aid (Form HUD-6202) and at financial settlement, unless the eligibility of the facility must be redetermined because it is established that one or more of the significant representations made by the LPA in support of its claim for eligibility were in error or that the eligibility of the facility has been affected by a change in the Urban Renewal Plan, type of facility, or location of the facility.

If the documentation submitted with the Part I Loan and Grant Application is not firm and adequate, the facility will be disallowed; however, such a determination will be reconsidered upon later submission of additional data.

ALTERNATIVE METHOD OF COMPUTING RELATIVE BENEFIT OF SCHOOLS

Strict adherence to the standard method of computing the relative benefit of schools may penalize some communities which are instituting positive programs for eliminating de facto segregation.

HUD will permit the community to elect an alternate method of determining credit for a new, reconstructed, or enlarged school, if, in order to achieve a better racial balance, the community plans to assign and transport pupils from the project area to schools outside the area and vice versa. Under this alternative, the percentage of credit may be determined on the assumption that pupils will be assigned on the basis of proximity, district, or service area, even though school officials assign pupils on another basis in order to achieve racial balance.

Not more than one method for determining local grant-in-aid credit may be applied in any project or in prorating the benefit of a school facility to more than one project.

If, when the Part I Loan and Grant Application is submitted, enrollment in a school proposed as a local grant-in-aid is not expected to be on the basis of proximity, district, or service area, the statement from school officials submitted in support of Schedule 4 of Form HUD-6200, Project Cost Estimate and Financing Plan, shall identify the assignment method to be used and include information pertinent to the percentage of cost proposed by the LPA as a local grant-in-aid. If the alternate method described above is used, the statement shall identify the assumed district or service area and the basis for the estimate of the number of pupils to come from that district or service area and from the project area.

When Form HUD-6202, Certificate of Cost of Noncash Local Grant-in-Aid, is submitted, Block 10 shall identify any changes in the method of distributing pupils which might affect the most recent determination of local grant-in-aid credit for the school.



CHAPTER 2. NONCASH LOCAL GRANTS-IN-AID**SECTION 3. GRANTS-IN-AID OTHER THAN SUPPORTING FACILITIES**PROJECT IMPROVEMENTS

Eligible project improvements listed in 7209.1, Site Preparation and Project Improvements, Chapter 1, may be provided as noncash local grants-in-aid. Their eligibility is unaffected by whether they are provided as Item 1 or Item 2 of Gross Project Cost.

- * Costs for restoration of properties of historic or architectural value, exclusive of property acquisition costs, are eligible only for properties which (1) are located within the urban renewal area, (2) were acquired by the public body with historic or architectural preservation as a significant objective of the acquisition, and (3) are publicly owned at the time the expenditure for restoration is incurred. The expense must have been made by a public donor. Restoration costs are eligible as noncash grants-in-aid in all Title I projects, subject to the same general conditions and requirements and eligible project costs specified in 7209.1, Site Preparation and Project Improvements, Chapter 1. *

Timing and cost factors incident to construction are applicable in the same manner as discussed in Section 1 of this Chapter. Certifications are applicable in the same manner as indicated in 7215.1, Financing and Financial Reports, Chapter 1, Section 2.

The LPA also may offer as a noncash local grant-in-aid that portion of the cost of an oversized project improvement which is properly allocable to the project. The portion of the total cost that is allocable to the project shall be based on the ratio of the size or capacity meeting the policy on conformance with local standards set forth in 7209.1, Site Preparation and Project Improvements, Chapter 1, to the total size or capacity of the improvement. No part of the cost is eligible if the ratio is less than 10 percent, and the full cost is eligible if the ratio is more than 80 percent.

DONATIONS OF LAND OR OTHER REAL PROPERTY

A donation of land or other real property is eligible as a noncash local grant-in-aid, if:

- (1) The donation occurs after HUD approval of survey and planning activities; and
- (2) A public hearing for the project has been held in accordance with 7206.1, Project Applications, Chapter 3.

The date of donation is the date on which the real property is transferred to the project by deed. If the LPA owns the real property, it is the date on which the property is transferred to the project.

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The cash value of the real property, at the time of donation, is the amount allowable (see 7208.1 Real Estate Acquisition, Chapter 4, Section 1).

SITE CLEARANCE WORK

Project site clearance work is eligible only if it is commenced subsequent to HUD approval of survey and planning activities.

Commencement of project site clearance work is the date on which the work was commenced either under a contract or by force account.

A certification by the donor as to the starting date of site clearance work already begun must be submitted with the Loan and Grant Application (see 7215.1, Financing and Financial Reports, Chapter 1, Section 2).

The net cost to the donor, after allowing for salvage, is the amount creditable.

Special insurance and bonding provisions relating to site clearance and construction work being provided as a noncash local grant-in-aid by an entity other than the LPA are set forth in 7217.1, LPA Administration, Chapter 4, Section 2.

* The costs for moving structures which will be restored and maintained for historic or architectural purposes are eligible as noncash grants-in-aid subject to the same general conditions and requirements and eligible project costs specified in 7209.1, Site Preparation and Project Improvements, Chapter 1. *

EXPENDITURES OF EDUCATIONAL INSTITUTIONS OR HOSPITALS UNDER SECTION 112

Expenditures made by or in behalf of an eligible educational institution or hospital for land acquisition, demolition, and relocation may be offered as Section 112 noncash local grants-in-aid with respect to a project that meets the eligibility requirements in 7205.1, Area Eligibility, Chapter 2, for a college, university, or hospital project. Only expenditures by or in behalf of the institution or hospital which qualified the project as such a category "C" project or which could have qualified it as such a category "C" project are eligible.

Eligible Donors

To be eligible as noncash local grants-in-aid, expenditures for land acquisition, demolition, and relocation must have been made by one of the following:

- (1) The eligible educational institution or hospital directly.
 - (a) An eligible educational institution must be one which (i) provides an educational program for which it awards a baccalaureate degree, or provides for not less than a 2-year program which is acceptable for full credit toward such a degree, or is a graduate or professional school, and (ii) is accredited by a nationally recognized

accrediting agency or association or, if not so accredited, is an institution whose credits are accepted, on transfer, by not less than three accredited institutions for credit on the same basis as if transferred from an institution so accredited. No part of the net earnings of the educational institution shall inure to the benefit of any private shareholder or individual.

- (b) An eligible hospital must be either a public or a non-profit hospital which is licensed by the State in which the hospital is located. No part of the net earnings of the hospital shall inure to the benefit of any private shareholder or individual.
- (2) A private redevelopment corporation or a municipal or other public corporation, acting in behalf of the educational institution or hospital. An eligible private redevelopment corporation must be either:
- (a) A nonprofit organization which is wholly owned or controlled by one or more eligible educational institutions or hospitals or which has been constituted as an instrumentality of such institutions or hospitals; or
 - (b) An organization which operates in behalf of an eligible educational institution or hospital on a nonprofit basis found acceptable by HUD.
- (3) A public authority, established by a State, which leases the land and any remaining structures to an educational institution for educational uses or to a hospital for hospital uses.

Development Plans

When noncash local grant-in-aid credit is claimed for expenditures by an eligible donor in connection with land outside the urban renewal project area, the following requirements shall apply:

- (1) The land must be within an area covered by a development plan proposed by the educational institution or hospital, or by a private redevelopment corporation or a municipal or other public corporation acting in behalf of the educational institution or hospital.

- (2) The portion of the area covered by the development plan which includes the land for which credit is claimed must be (a) blighted or deteriorating, and (b) of sufficient size to constitute a stable area in itself, or in conjunction with the educational institution, hospital, and/or the urban renewal project, after the plan is carried out.

The minimum criteria for determining blight or deterioration are that one or more of the following types of deficiencies must be present to the extent that living conditions in the area are being affected adversely:

- (1) Unsatisfactory standards of maintenance or repair.
- (2) Inadequate alterations.
- (3) Inadequate plumbing, heating, or electrical facilities.
- (4) Inadequate, obsolete, or unsafe building layouts, such as presence of fire hazards, shared bathroom facilities, or dwelling units or bedrooms without privacy of access.
- (5) Conversions to incompatible types of uses, such as rooming-houses among family dwellings or introduction of mixed uses.
- (6) Overcrowding or improper location of structures on the land.
- (7) Unsafe, congested, poorly designed, or otherwise deficient streets.
- (8) Inadequate public utilities or recreational and community facilities contributing to unsatisfactory living conditions or economic deterioration.
- (9) Incompatible land uses creating adverse influences on residential properties or living conditions in the area.
- (10) Overoccupancy of buildings.
- (11) General characteristics of obsolescence tending to reduce neighborhood stability, as evidenced by an unusual number of movements in and out of the area.
- (12) Other significant conditions which are clear evidence of neighborhood obsolescence or decline.

If demolition or rehabilitation by the donor already has taken place, evidence of previous blight or deterioration may be provided by a written statement from the donor describing conditions prevailing prior to the demolition or rehabilitation.

- (3) The development plan must show that land for which credit is claimed is to be developed or redeveloped, or, when appropriate, that structures on the land are to be rehabilitated, for educational or hospital uses as defined in 7205.1, Area Eligibility, Chapter 2. If the grant-in-aid credit is to include expenditures for demolition or relocation, the plan shall also show that the land is to be cleared for redevelopment or that the buildings or structures are to be rehabilitated.
- (4) The plan shall show that actions will be taken by the donor, together with such public actions as may be necessary, which will:
 - (a) Eliminate blight and deterioration existing in the area covered by the plan.
 - (b) Result in conditions that will be compatible with the plan for the urban renewal project area.
- (5) The development plan must be approved, after public hearing, by the governing body of the locality under authority of applicable State or local law. Such authority might be derived either from legislation enacted specifically for this purpose or from existing legislation providing for approval of urban renewal plans. The public hearing may be held either by the governing body of the locality, by the LPA, or by any local public body directed or authorized by State or local law to hold the hearing.

Expenditures in connection with properties located within an urban renewal project area shall not be deemed to be ineligible for noncash local grant-in-aid credit solely on the basis that the redevelopment or rehabilitation of the properties took place prior to approval of the Urban Renewal Plan or development plan, so long as the expenditure was made within or subsequent to the applicable "7-year prior" or "5-year prior" period. (See "Timing of Expenditures," below.)

Acceptance of Development Plan by HUD

Before claims for noncash grant-in-aid credit may be approved, the development plan must be found acceptable by HUD.

- (1) The local approvals must include a determination that the plan conforms to the general plan for the development of the locality as a whole. (See 7204.1, Community Requirements, Chapter 2.)
- (2) The development plan shall be sufficiently complete to show:
 - (a) Proposed land uses, including:
 - (1) Specific types of educational or hospital uses for any land involved in claims for noncash grant-in-aid credit.
 - (2) Public uses, if any, including community and recreational facilities, both existing facilities which are to be retained and those which are to be provided.
 - (b) Public street layout, specifically identifying any changes in existing layout.
 - (c) Zoning changes, if any, required to carry out the plan.
 - (d) Land acquisition required to carry out the plan, together with anticipated extent to which existing structures will be demolished and cleared or rehabilitated.
 - (e) General character, including densities, of any housing facilities (other than dormitories) to be provided by the donor.
 - (f) Extent and general location of off-street parking facilities to be provided.
 - (g) Any other actions required to eliminate blight in the area.

Timing of Expenditures

An expenditure may be eligible if made not more than 7 years prior to the date of authorization by HUD of a Contract for Loan and Grant for the urban renewal project. However, for projects for which a Contract for Loan and Grant was authorized prior to September 25, 1963, the expenditure may be eligible if made not more than 5 years prior to the submission of an application for financial assistance for the urban renewal project.

* An expenditure may be eligible if made not more than 8 years prior to date of HUD authorization of a Contract for Loan and Grant for:

- (a) A project for which a Survey and Planning Application was accepted for processing by HUD but not approved by HUD on or before December 24, 1969; or
- (b) A project covering an urban renewal area which was included in a NDP application accepted for processing by HUD but not approved by HUD on or before December 24, 1969, and for which a Contract for Loan and Grant was authorized by HUD after December 24, 1969.

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Law Library



An expenditure may be eligible if made prior to the approval of an Urban Renewal Plan or a development plan (see "Development Plans" above), provided that it is consistent with the plan when it is prepared and receives the necessary local and HUD approvals.

All eligible expenditures must have been made prior to the final Federal capital grant payment for the urban renewal project. (See 7222.1, Project Completion, Chapter 2.)

Expenditures for Land Acquisition

The date of land acquisition, as evidenced by the date of delivery of the deed or the date of delivery of possession under a contract of sale, whichever is earlier, must be within or subsequent to the applicable "7-year prior" or "5-year prior" period described under the preceding heading.

Expenditures may include only the direct cost of the real property to the eligible donor. Cost of recording the deed of conveyance, and any other overhead or administrative or indirect cost in connection with the land acquisition, will not be allowed. "Cost of the real property" may be the full amount of the purchase price (including the amount of any mortgage given or assumed by the purchaser or to which the property was subject when title was taken), less any part of the purchase price which had been paid in advance of the applicable "7-year prior" or "5-year prior" period, as a good faith deposit or otherwise.

Acquisition may be from the LPA, provided that the acquisition or disposition of the property by the LPA is not in connection with carrying out a project for which the LPA has received, or contracted to receive, an urban renewal capital grant.

The property must consist of parcels which are:

- (1) Within the area of the urban renewal project to which the credit is to be applied; or
- (2) Wholly within one mile of one boundary of the project.

The property must be retained for redevelopment or rehabilitation for educational or hospital uses (as defined in 7205.1, Area Eligibility, Chapter 1) in accordance with the Urban Renewal Plan if such property is within the project area, or, if the property is outside the project area, in accordance with the approved development plan. The redevelopment or rehabilitation may take place after completion of the project to which the noncash local grant-in-aid credit is being allowed on the basis of a certification that:

- (1) What is to be done will be in accordance with the approved Urban Renewal Plan or the approved development plan.
- (2) The redevelopment or rehabilitation will take place within a reasonable time.
- (3) Funds to carry out the work are or will be available.

No credit will be allowed for the acquisition of properties which are not to be redeveloped or rehabilitated for educational or hospital uses.

When rehabilitation is proposed, property acquisition expenditures are eligible only if such rehabilitation will involve either:

- (1) Alteration of a structure to accommodate a new use; or
- (2) The correction of serious deficiencies in a deteriorated or deteriorating structure.

In either case, rehabilitation must involve physical alteration or improvement beyond repairs, replacement, painting, decorating, or similar normal maintenance work.

Expenditures for Demolition

Demolition must involve buildings or structures for which acquisition expenditures are being allowed as a noncash local grant-in-aid and which are to be cleared and redeveloped for educational or hospital uses under the Urban Renewal Plan or the development plan. This means that the applicable "7-year prior" or "5-year prior" provision will be measured from the time of acquisition rather than the time of demolition.

Demolition may be by written contract under competitive bidding, by force account, or under a construction contract for the redevelopment provided:

- (1) If under demolition contract, the noncash local grant-in-aid would be only the actual net cost accruing to the donor under such contract. This means that the value of any materials or equipment transferred without charge to the donor under such contract must be deducted from the amount of the contract.
- (2) If by force account, the amount allowed as a noncash local grant-in-aid would be only the net cost of the work after allowance for salvage value accruing from materials or equipment through their sale or their use by the donor.

- (3) If as part of a construction contract for redevelopment, there is satisfactory evidence that the amount claimed represents the cost of the demolition work to the contractor.

Demolition activities whose cost would be eligible for consideration for noncash local grant-in-aid credit shall be the demolition or removal of buildings and structures, including removal of slabs on grade, removal of foundations to required elevations, breaking up of basement slabs to prevent seepage, filling of basements with suitable material, removal of debris, and putting land in safe condition.

Expenditures for Relocation

Relocation must be from buildings and structures for which acquisition expenditures are being allowed as a noncash local grant-in-aid. This means that the applicable "7-year prior" or "5-year prior" provision will be measured from the time of acquisition rather than the time of relocation.

Relocation must be from properties which are to be cleared and redeveloped or rehabilitated under the Urban Renewal Plan or the development plan.

Payments to site occupants in the project area will not be excluded from consideration because they could have been made by the LPA in the undertaking of the project.

Expenditures may include:

- (1) Actual disbursements made to displaced site occupants (tenants and owners) and business concerns within the limits established in 7212.1, Relocation, Chapter 3, Section 1.
- (2) Direct cost incurred by the donor for rental of a relocation office, salaries and wages of employees engaged full time in relocation activities, and brokerage fees paid in connection with the finding of relocation resources.

Certification of Expenditures

A certified statement by the LPA that expenditures made by the donor are within categories allowable under HUD requirements will be required as a basis for determining allowable noncash local grant-in-aid credits. (See Section 6 of this Chapter.)

Submission Requirements

Before credit may be recognized for either actual expenditures or estimates of expenditures by the donor in the financial plan for the project on Form HUD-6200, Project Cost Estimate and Financing Plan, the LPA shall submit to the Regional Office four copies of the following:

- (1) Evidence that the local governing body determinations specified in 7205.1, Area Eligibility, Chapter 2, for a college, university, or hospital project have been made.
- (2) Evidence that the donor is eligible under the pertinent definitions given above. In the case of a private institution or redevelopment corporation, this evidence shall consist of:
 - (a) Certified copy of the articles of incorporation of the institution or corporation.
 - (b) Certified copy of the Tax Exemption Certificate issued by the Internal Revenue Service, if such a certificate has been issued.
- (3) Donor's assurance of nondiscrimination. (See Section 4 of this Chapter.)
- (4) When Form HUD-6200 includes noncash local grant-in-aid credit for actual expenditures:
 - (a) Identification of all properties involved in sufficient detail to establish their location in relation to the project area and that use of the properties, after their redevelopment or rehabilitation, does or will constitute an eligible educational use or hospital use, as the case may be.
 - (b) Certification by the donor that the expenditures were made within the applicable "7-year prior" or "5-year prior" period.
- (5) When Form HUD-6200 includes an estimate of expenditures for noncash local grant-in-aid credit:
 - (a) Certification by the donor that all properties involved in such estimates are either within the project area or wholly within one mile of one of its boundaries.

- (b) Evidence, comparable to that normally required in connection with proposed noncash local grants-in-aid, that the donor has, or will have, financial resources to cover the proposed expenditures.
 - (c) Cooperation agreement, or other binding commitment, between the LPA and the donor establishing that the proposed expenditures will be made within the project execution period.
- (6) If any of the expenditures involve properties outside the project area:
- (a) Development plan which has been approved under State or local law after public hearing, covering such properties together with the date and manner of its approval.
 - (b) Information on the public hearing with respect to the development plan, similar to that required in RHM 7206.1, Project Applications, Chapter 2.
 - (c) Evidence that the area covered by the development plan is or was a blighted or deteriorating area.

If the documentation is submitted before execution of the Contract for Loan and Grant, it should be included in the Part I or Combined Part I-II Loan and Grant Application, and the actual and/or proposed expenditures for noncash local grant-in-aid credit shall be reflected in Form HUD-6200.

If the documentation is submitted after execution of the Contract for Loan and Grant, it should be included in an Amendatory Application * for Loan and Grant (see RHM 7206.1, Project Applications, Chapter 2), and the actual and/or proposed expenditures for noncash local grant-in-aid credit reflected in a revised Form HUD-6200.

When the Urban Renewal Plan provides for the disposition of land in the project area to the educational institution or hospital, the LPA shall submit a commitment on the part of the sponsor to acquire the land (see RHM 7214.1, Land Marketing and Redevelopment, Chapter 4, Section 3).

Pooling

Credits for Section 112 expenditures are pooled in the same way as other noncash local grants-in-aid in the LPA's urban renewal program. (See RHM 7215.1, Financing and Financial Reports, Chapter 1, Section 1.)

SECTION 107 CREDIT FOR PUBLIC HOUSING

Noncash local grant-in-aid credit may also be claimed for the local contribution, in the form of tax exemption or tax remission, with respect to a low-rent public housing project on real property acquired as part of the urban renewal project.

Amount of Credit

The amount of Section 107 noncash local grant-in-aid credit that may be claimed for low-rent public housing shall be equal to one-half (or one-third in the case of a project on a three-fourths capital grant basis) of the difference between (1) the cost to the project of the real property, including the cost of land clearance, and project improvements, and a share, prorated on an area basis, of administrative, interest, and other project costs, and (2) its sales price.

For a project on a three-fourths capital grant basis with limited project costs, the "cost to the project" of the low-rent public housing site or property, for the purpose of computing the credit may include administrative and other costs incurred after Federal recognition of the project and which would be eligible Item 1 project costs if the project were on a two-thirds capital grant basis.

Criteria for Determining Cost of Site

(1) Cost of Land

Cost of land shall include the price paid by the LPA or the cash value of donated land for all parcels entirely within the boundary of the low-rent public housing site, plus a portion, prorated on a land area basis, of the amount charged to the project for any parcels partially within and partially outside the site. However, the cost of any land with the boundary of the site that is to be used (a) for a boundary street, or (b) for a project improvement wholly or partially benefiting other areas, shall be excluded from the cost of land, but may be included in the cost of project improvements (see item (3) below). Incidental costs, such as costs of appraisals, legal fees, and other acquisition expenses, are to be included in other project costs (see item (4) below).

(2) Cost of Clearance

Cost of clearance shall include the cost incurred for clearing all parcels entirely within the boundary of the low-rent public housing site, plus a portion, prorated on a land area basis, of the cost of clearing parcels falling partially within and partially outside the site.

(3) Cost of Project Improvements

- (a) Cost of all urban renewal project improvements which are entirely within, or serve only, the low-rent public housing site shall be included in the cost of the site. The cost of land for these improvements shall be included in the cost of land (see item (1) above).
- (b) Cost of all improvements, including the cost of land, in streets bounding the low-rent public housing site shall be divided equally between that site and other areas to be served. When the streets also comprise boundary streets of the urban renewal project, the boundary street limitations listed in 7209.1, Site Preparation and Project Improvements, Chapter 1, shall apply.
- (c) Cost of such items as grading shall be established on the basis of the portion of the total cost of the work done for the entire urban renewal project site that is applicable to the low-rent public housing site.
- (d) If a project improvement wholly or partially benefiting the low-rent public housing site is constructed, only the cost of that portion of the improvement which directly benefits and does not exceed the needs of the low-rent public housing project shall be included in the cost of the site. The basis for computing the cost of the improvement shall be the size or capacity of the actual improvement constructed, and not the size or capacity of the hypothetical improvement which would have been needed to serve the low-rent public housing site alone.

(4) Administrative, Interest, and Other Project Costs

All Item 1 project costs other than those in the categories identified above shall be prorated, on a land area basis, between the low-rent public housing site and the remainder of the urban renewal project. For this purpose, the term "cost" refers to costs as of the estimated project completion date. For a project on a three-fourths capital grant basis with limited project costs, the term "cost," for the purpose of computing the Section 107 credit, may include administrative and other costs which are incurred after Federal recognition of the project and which would be eligible Item 1 project costs if the project were on a two-thirds capital grant basis.

Determination of Sales Price of Site

The disposition price of the low-rent public housing site shall be determined in accordance with 7214.1, Land Marketing and Redevelopment, Chapter 4, Section 3.

Timing

If the low-rent public housing project is federally assisted, a Contract for Loan and Grant, based upon the credit estimates submitted with the Part I Loan and Grant Application, will not be executed until:

- (1) An Annual Contributions Contract has been executed between the Local Housing Authority and HUD.
- (2) A cooperation agreement between the Local Housing Authority and the locality has been executed, providing for the continuing local contribution to the low-rent public housing project.

If the low-rent public housing project is State or locally assisted, a Contract for Loan and Grant, based upon the credit estimates submitted with the Part I Loan and Grant Application, will not be executed until:

- (1) An agreement equivalent to an Annual Contributions Contract has been executed between the public housing agency and the State or locality.
- (2) A cooperation agreement between the public housing agency and the State or locality has been executed, providing for the continuing local contribution to the low-rent public housing project.

CHAPTER 2. NONCASH LOCAL GRANTS-IN-AID

SECTION 4. NONDISCRIMINATION REQUIREMENTS

1. GENERAL. A supporting facility offered as a noncash local grant-in-aid whether or not it is located within a project area, must serve all persons without regard to race, color, creed, or national origin.
2. REQUIREMENTS. An educational institution or hospital whose expenditures for land acquisition, demolition, or relocation are offered for Section 112 noncash local grant-in-aid credit must be operated without regard to race, color, or national origin. In the case of an educational institution the nondiscrimination requirement relates to policy in the admission and treatment of students. In the case of a hospital, the nondiscrimination requirement relates to policies regarding patients, interns, residents, and student nurses and other trainees and to the privilege of physicians, dentists, and other professionally qualified persons to practice in the hospital.
3. REQUIREMENTS FOR ADDITIONS OR IMPROVEMENTS OF EXISTING FACILITY. If the noncash grant-in-aid credit relates to an addition or improvement to an existing facility or institution, the nondiscrimination requirement nevertheless applies to the entire facility or institution.
4. ASSURANCES OF NONDISCRIMINATION. The LPA shall submit satisfactory assurances that each supporting facility proposed as a noncash local grant-in-aid, and each institution on whose behalf Section 112 credits are claimed, will be operated on a nondiscriminatory basis in accordance with the requirements set forth above. In the case of a supporting facility whose policies in this regard are the subject of a court decree, the LPA shall obtain specific instructions from the Area Office concerning the form of the assurance. The assurances shall be in the form of a statement or cooperation agreement, as appropriate, from the providing entity or donor, and shall be submitted in accordance with the requirements below.
 - a. Supporting Facility.
 - (1) The LPA shall obtain the required assurance (see Appendix 1) from the local governing body, or other entity providing the supporting facility, no later than the LPA's request for HUD approval of Form HUD-6202, Certificate of Cost of Noncash Local Grant-in-Aid. The

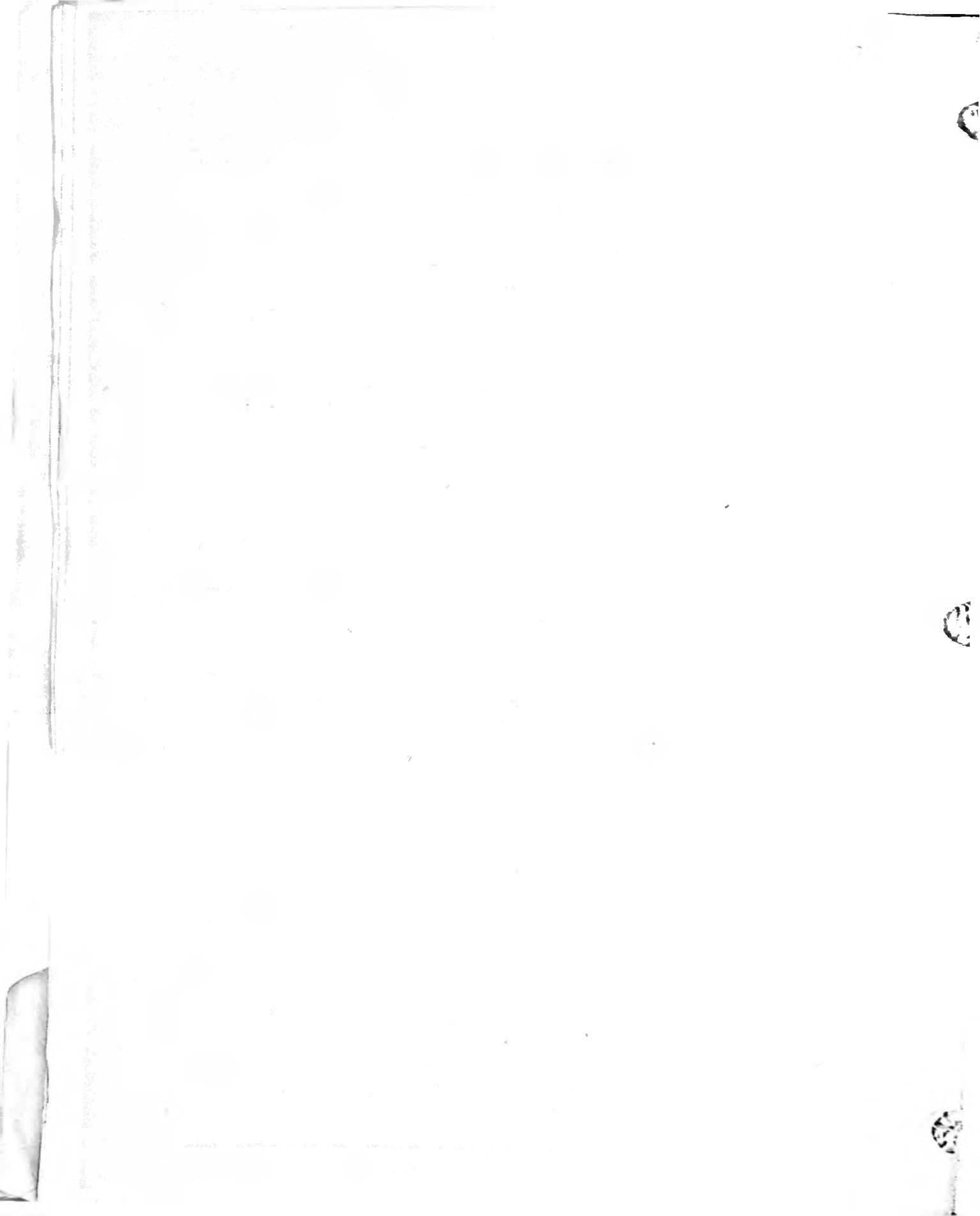
providing entity's statement of assurance may be submitted to HUD as an attachment.

- (2) With Part I or Combined Part I-II Loan and Grant Application the assurance from the providing entity shall be combined with the statement required in Checklist Code No. R-226a(2). The assurance also shall be incorporated in the proposed cooperation agreement, or other binding commitment, between the LPA and other entity reflecting the intention of the latter to provide the local grant-in-aid.
 - (2) With a Part II or Combined Part I-II Loan and Grant Application the assurance shall be included in the executed cooperation agreement, or other binding commitment, between the LPA and the providing entity (Checklist Code No. R-305).
- b. Section 112 Credits. The LPA shall include the donor's statement of assurance (see Appendix 1) with the documentation required by HUD prior to inclusion of Section 112 credits in the financing plan. (See Section 3 of this Chapter under "Submission Requirements.") The submission by a providing entity or donor of an assurance of nondiscrimination shall not preclude any requirement by HUD, prior to the tentative or final determination of allowance of noncash local grant-in-aid credit, for further substantiating evidence of the policies of the providing entity or donor.

APPENDIX-SUGGESTED FORM OF NONDISCRIMINATION ASSURANCE
BY DONOR OF NONCASH LOCAL GRANT-IN-AID

The following language may be incorporated in a resolution of the governing body, or in any other official representation, of the providing public entity, educational institution, or hospital:

(Name of donor /public entity, educational institution, or hospital/) recognizes that Title VI of the Civil Rights Act of 1964 and the regulations and policies of the Department of Housing and Urban Development effectuating the Title and Executive Order 11063 prohibit discrimination on the ground of race, color, creed, or national origin in the policies and practices of any public facility, and on the ground of race, color, or national origin in the policies of any educational institution, or hospital responsible for proposed credit to the locality's share of the cost of an urban renewal project receiving financial assistance from the United States. (Name of donor) hereby assures the United States and the Secretary of Housing and Urban Development that / (Identity of public facility) will be available to and serve all persons without regard to race, color, creed, or national origin. / the policies and practices of (Name of educational institution) in the admission and treatment of students do not and will not discriminate on the ground of race, color, or national origin. / the policies and practices of (Name of hospital) with respect to the admission and treatment of patients and the admission of interns, residents, student nurses and other trainees, and physicians and other professionally qualified persons to privileges in the hospital do not and will not discriminate on the ground of race, color, or national origin. /



CHAPTER 2. NONCASH LOCAL GRANTS-IN-AID

SECTION 5. CONTRACT REQUIREMENTS

LABOR AND BIDDING REQUIREMENTS

The labor and competitive bidding provisions of the Federal aid contract are not applicable to (1) noncash local grant-in-aid work, (2) the procurement of materials, equipment, supplies, or services forming a part of the cost of a noncash local grant-in-aid, or (3) contracts for such work, materials, equipment, supplies, or services.

CONTRACT AWARD AND ADMINISTRATION

HUD will neither review nor approve proposed contract documents, bidding or award procedure, or the administration of contracts pertaining to project improvements and site preparation work or force account work provided as noncash local grants-in-aid. In other respects, however, HUD responsibility with respect to such improvements and work remains the same as if undertaken as an Item 1 expenditure from project funds.

Relative to the provision of supporting facilities, HUD will exercise no role in either the preparation of contract documents or their administration, or in bidding or award procedures.

HUD will not accept unreasonable costs.

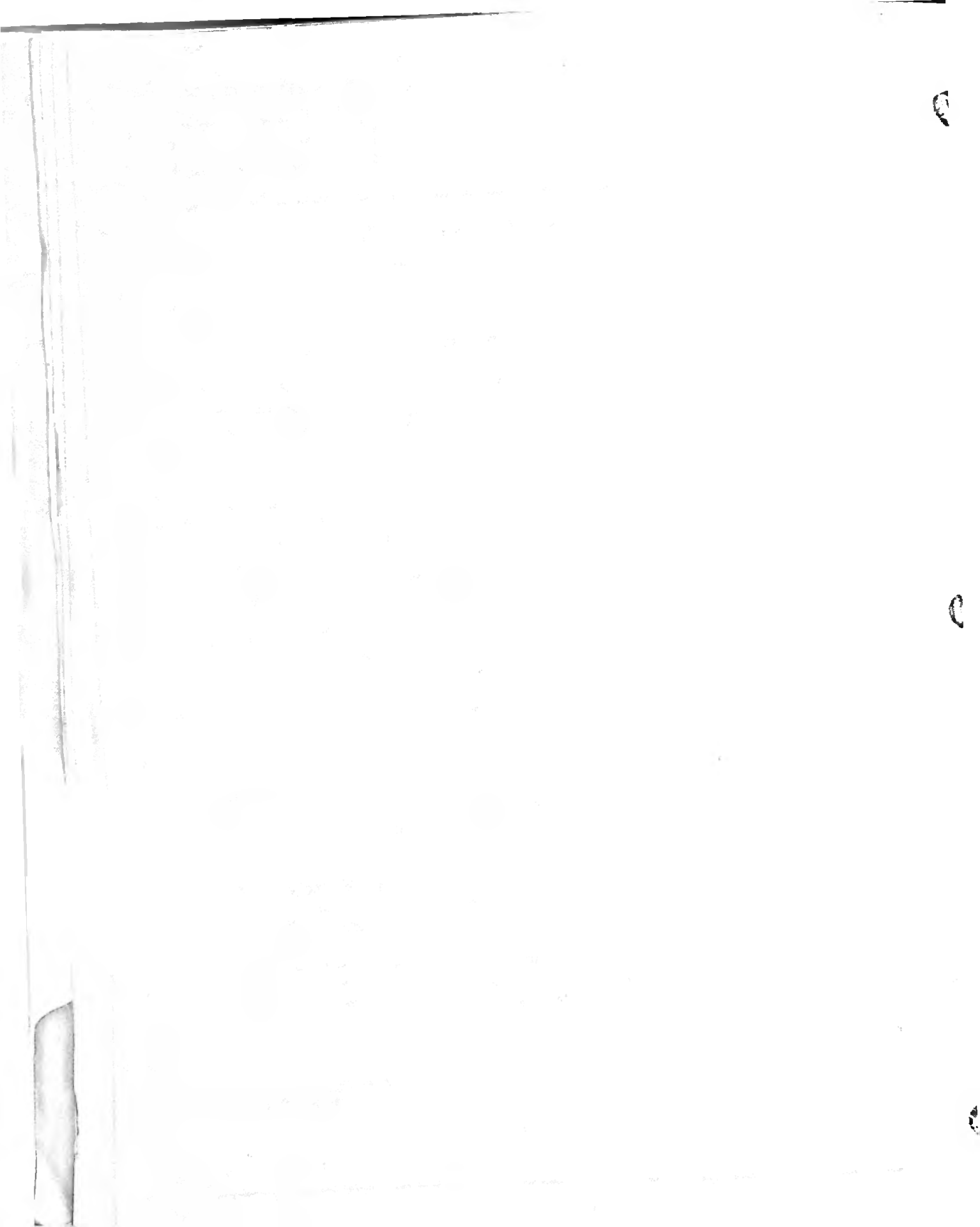
CHANGES IN THE URBAN RENEWAL PLAN OR COSTS

The LPA is responsible for assuring that no changes in the basic elements of the Urban Renewal Plan or in the Cost Estimate and Financing Report are made except in accordance with provisions of its Contract for Loan and Grant applicable laws.

The LPA shall make appropriate arrangements for donors to notify it of any proposed changes in sufficient time for the LPA to carry out its contractual and legal obligations with respect to such changes.

The LPA shall make arrangements with donors of grant-in-aid work for HUD representatives to visit such work when deemed necessary to assure that the work will conform to the approved Urban Renewal Plan and to the commitments made in support of the approved Loan and Grant Application.

The LPA shall notify the Regional Office promptly when substantial changes affecting noncash grants-in-aid occur. (See Section 2 of this Chapter, under "HUD Determinations.")



CHAPTER 2. NONCASH LOCAL GRANTS-IN-AID

SECTION 6. CERTIFICATIONS

1. ACTUAL COSTS OF NONCASH LOCAL GRANTS-IN-AID. Upon completion of any work, improvement, or facility, the LPA shall submit to the Area Office an original and two copies of Form HUD-6202, Certificate of Cost of Noncash Local Grant-in-Aid. Form HUD-6202 is not required to be submitted for land donated to the project. The donor's certificate on Form HUD-6202 shall be signed by the fiscal or other authorized officer of the entity providing the grant-in-aid. The donor's official auditor shall certify on Form HUD-6202 that all costs listed in Block 5, Column (c), were incurred in connection with the grant-in-aid being provided.
2. ESTIMATED COSTS OF NONCASH LOCAL GRANT-IN-AID. HUD may accept estimated costs of uncompleted facilities and project improvements offered as noncash local grants-in-aid, for the purpose of completing a project, if all the following conditions are met:
 - a. One or more of the uncompleted facilities or project improvements will not, under reasonable expectations, be completed within thirty days after the estimated final settlement date.
 - b. The field work on the HUD final audit has been completed.
 - c. With respect to each uncompleted facility:
 - (1) Complete working drawings and specifications have been prepared for the construction of the facility.
 - (2) Construction contracts have been let, or work orders issued, for work the value of which is at least two-thirds of the total estimated cost of the facility.
 - d. With respect to each uncompleted project improvement:
 - (1) The project improvement has to be deferred because it should be provided during or after construction by the redeveloper.
 - (2) Complete working drawings and specifications have been prepared.

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- (3) Two-thirds by value of all project improvements (Item 1 plus Item 2) has been completed or is under contract or work order.
3. DOCUMENTS TO BE SUBMITTED BY LPA. For each uncompleted facility and for each uncompleted project improvement, the LPA shall submit the following:
- a. Original and two copies of Form HUD-6202, including appropriate signature on the donor's certificate. (All Forms HUD-6202 for such uncompleted facilities or project improvements shall be submitted at the same time.)
 - b. Original and one copy of a certificate by the donor:
 - (1) Indicating that final or complete working drawings and specifications have been prepared.
 - (2) Identifying, by name and address, the agency or firm of individual that has prepared the estimate of costs.

The LPA shall arrange with the donor to make available for inspection a complete set of working drawings and specifications.
 - c. An original and one copy of a statement showing:
 - (1) For those project improvements for which the estimate is based partially or wholly on complete working drawings and specifications, justification as to why the improvements are to be deferred until redevelopment.
 - (2) In tabular form, data indicating that two-thirds of the value of all project improvements (Item 1 plus Item 2) is completed or under contract or work order.
 - (3) Donor's statement regarding nondiscrimination, if not previously submitted. (See Section 4 of this Chapter.)
4. HUD ACTION ON FORM HUD-6202. After submission of a Form HUD-6202 for a facility which is included in the Project Financing Plan, the LPA shall be notified of its receipt by the Area Office. If within 90 days of submission of such an acknowledged HUD-6202, the Area Office has not returned the HUD-6202 to the LPA with a request for additional information relative thereto or otherwise disapproved such HUD-6202, the subject HUD-6202 shall be considered to be accepted subject to audit at project closeout.

5. ADDITIONAL REQUIREMENT FOR CONSTRUCTION OF SEWERAGE.

- a. Anti-Pollution Certification. Forms HUD-6202 for any grant-in-aid involving the construction of sewerage must include a finding from the State health department, or its equivalent, that the sewerage to which the certificate pertains does not contribute to the pollution of local waterways.
- b. Reduction of Pollution. In the event that such a finding cannot be made, evidence shall be submitted showing that the sewerage constructed provides for the reduction of pollution to the lowest level practicable for the facility, together with a statement from the LPA or the providing entity that water pollution control needs have been considered and all practicable preventative or corrective measures have been taken.

6. SECTION 112 EXPENDITURES. The LPA shall submit to the Area Office a certified statement that expenditures made by or in behalf of an eligible college, university, or hospital under the provisions of Section 112 are within the allowable categories for determining noncash local grant-in-aid credit. (See Section 3 of this Chapter.)

- a. The statement may be by principal items only, such as land acquisition, demolition, and relocation, but must be supported by identification of all properties to be acquired. It may be based in whole or in part upon the donor's certification, which must be obtained by the LPA in all cases with respect to all allowable expenditures.
- b. The LPA's certified statement may cover only expenditures for which noncash local grant-in-aid credit is being claimed, except that, if no claim is being made for demolition expenditures, the statement must establish either that no profit has accrued to the donor as a result of demolition operations, or the amount of any profit. If a profit has accrued to the donor as a result of demolition operations, the amount of the profit is to be deducted by the LPA in computing the grant-in-aid credit claimed.
- c. The donor's statement regarding nondiscrimination if not previously submitted is required as an attachment to the LPA certified statement. (See Section 4 of this Chapter.)

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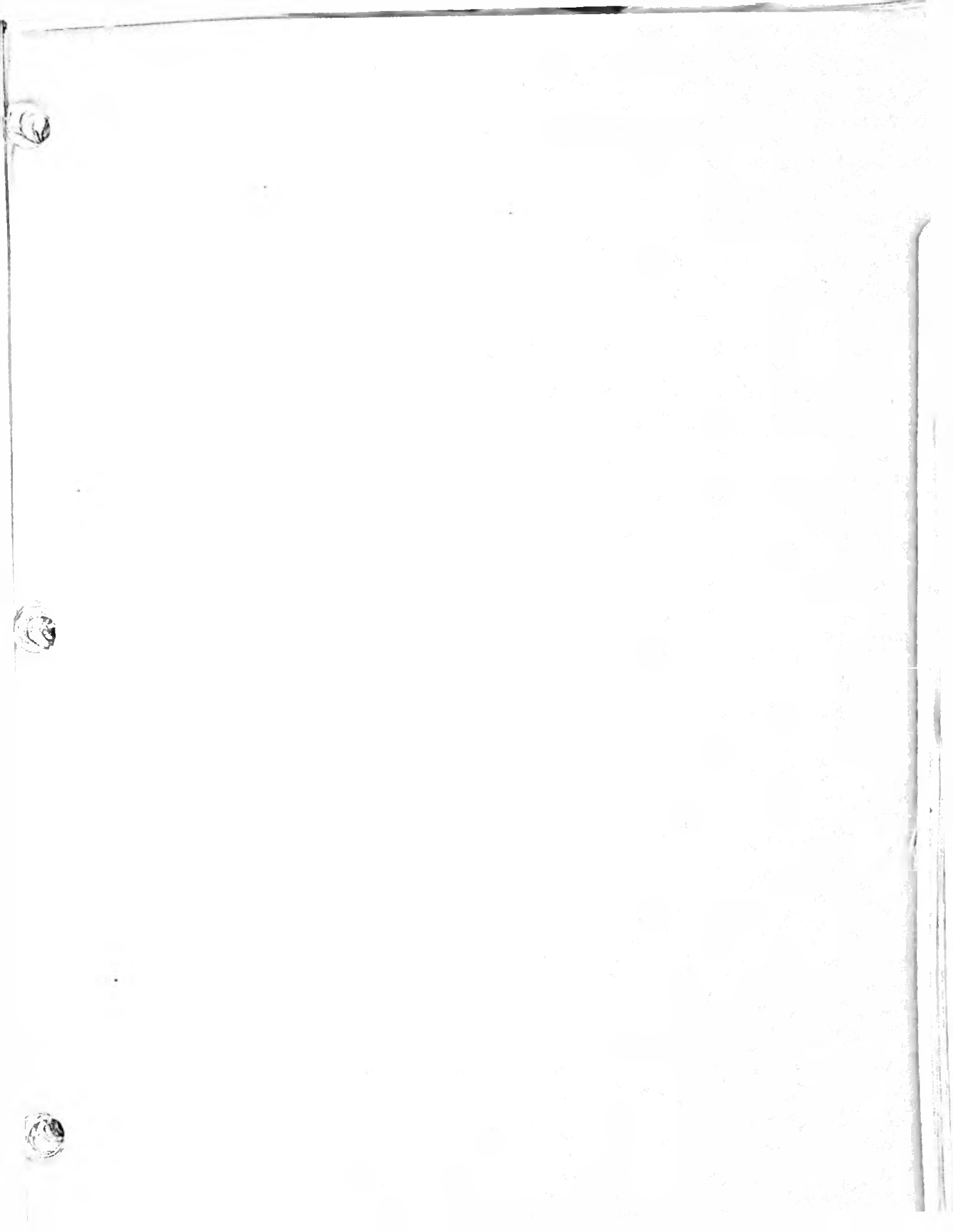
LOCAL GRANTS-IN-AID
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7. SECTION 107 CREDIT FOR LOW-RENT PUBLIC HOUSING. Form HUD-6212, Request for Section 107 Noncash Local Grant-in-Aid Credit, shall be submitted to the Area Office, in an original and two copies, after the field work on the HUD final audit has been completed. The computations listed on Form HUD-6212 shall include costs estimated as of the project completion date.

8. REVISED CERTIFICATIONS. A revised certificate shall be submitted if, subsequent to HUD approval, any changes have occurred which affect the eligibility of an allowance for the particular noncash local grant-in-aid. If the changes do not require any revisions in the portion of Form HUD-6202 labeled "To Be Completed By Donor," the new form may be submitted without the donor's participation by:
 - a. Leaving Blocks 5-10 blank.
 - b. Entering under the Donor's Certificate "For Blocks 5-10, see Donor's Certificate dated _____, 19__, on Form HUD-6202 approved by HUD _____, 19__."
 - c. Leaving blank the Certificate of Donor's Auditor.
 - d. Completing the balance of the form.

9. RELATIONSHIP TO OTHER FINANCIAL DOCUMENTS. Changes in the cost of percentage of benefit of a noncash local grant-in-aid may require revisions of Forms HUD-6200, Project Cost Estimate and Financing Plan, and HUD-6220, Project Expenditures Budget, or an amendment of the Contract for Loan and Grant.

10. RECORDING OF NONCASH LOCAL GRANTS-IN-AID. Upon receiving evidence of HUD approval, the LPA shall enter the approved cost of noncash local grants-in-aid in the project accounts. Any subsequent revision of this approved cost shall be reflected by appropriate entries in the project accounts.





CHAPTER 1. LPA ADMINISTRATION

SECTION 1. AUDITS

1. POLICY. HUD policy is that each Local Public Agency shall be audited biennially with respect to its federally-assisted urban renewal program. The audit should, if possible, coincide with the fiscal year of the LPA. Independent Public Accountants (IPAs) shall be engaged by all LPAs, except those listed in paragraph 3 below, to conduct the biennial audits.
2. AUDITS BY INDEPENDENT PUBLIC ACCOUNTANTS.

- a. DEFINITION AND QUALIFICATIONS OF INDEPENDENT PUBLIC ACCOUNTANTS

An Independent Public Accountant, as the term is used herein, must be a Certified Public Accountant and/or a licensed or registered public accountant, and must have no business relationship with the LPA except the performance of audits. Such an IPA must be certified, licensed or registered by a regulatory authority of a State or other political subdivision of the United States. In States which do not regulate the use of the title "public accountant," only Certified Public Accountants can be used to make the audits.

- b. ELIGIBLE PROJECT COST. The cost of an audit performed by an IPA is an eligible project cost. This cost shall be reflected in the administrative staff expense budget. Until such time as the administrative staff expense budget is adjusted to accommodate this expense, payment for IPA services may be made from project contingency funds. There will be no refund or reduction of the inspection and service fee collected by HUD because of IPA audit work.
- c. SELECTION OF INDEPENDENT PUBLIC ACCOUNTANTS. The LPA shall secure the services of an IPA. (See Appendix 1 for sample audit contract.) The LPA shall obtain proposals from at least three IPAs unless prohibited by State law. In selecting the best proposal, qualifications of the IPAs and their fees are prime considerations. The audit hourly rates charged for members of the IPA firm should be comparable to the prevailing rates in the community.
- d. HUD APPROVAL OF CONTRACT. After the contract is signed by both the IPA and the LPA, the LPA will send an original and three copies of the contract and a copy of the selected proposal to the Regional Inspector General for Audit (RIGA) for his concurrence. The RIGA will then forward the original and two

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copies of the contract to the Area Director for his approval. The contract will become effective upon approval by the Area Director, and he will return the original and one copy to the LPA.

e. CONDUCT OF THE IPA AUDIT.

- (1) The minimum scope of audit and the form of audit report which will be acceptable to HUD is set forth in the HUD Audit Guide for the Urban Renewal Program for Use by Independent Public Accountants, HUD Handbook IG 7217.1.
- (2) At the conclusion of the audit, the IPA shall arrange an exit conference with appropriate officials of the LPA. At that time, the IPA shall report the results of the audit, and the local public officials concerned with the audit shall be requested to comment upon any audit findings. Such comments shall be incorporated into the audit report.
- (3) Within 120 days after receipt of notification from the LPA to proceed with the audit, or such shorter period of time as may be mutually agreeable to the LPA and the IPA, the IPA shall prepare the audit report and distribute it simultaneously to the RIGA and the LPA, as follows:
 - (a) 19 copies to the RIGA.
 - (b) Number of copies required by the audit contract to the LPA Executive Director, plus a copy to the LPA governing body.

- f. HUD ACCEPTANCE OF IPA AUDITS. It shall be the responsibility of the RIGA to recommend acceptance or nonacceptance of the audit report to the Area Office Director. The Area Office Director or his designee shall inform the LPA of HUD's acceptance of the audit report. The RIGA will inform the LPA and the IPA of any significant deficiencies in the audit report which need correction before the report can be accepted by HUD.
- g. PAYMENT OF THE IPA. The LPA shall not pay the IPA for the completed audit until the LPA has received notice from HUD that the IPA audit report is acceptable to HUD. However, in the event that the withholding of payment to the IPA, pending HUD acceptance of the audit report, shall cause the IPA to sustain demonstrable financial hardship, the LPA is authorized to make a partial payment to the IPA, after receipt of the audit report, no greater than 80% of the contractual amount due the IPA for the audit.

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- h. RESOLUTION OF AUDIT FINDINGS. The LPA shall take corrective action on any deficiencies and errors described in the audit report, in consultation with the Area Office.
- i. AUDITS BY STATE AUDITING OFFICIALS. Audits may be performed by State auditing officials in lieu of IPAs, provided that the requirements of this section are met. In such cases, the State auditing officials shall follow the IPA audit guide. The cost of such audits may be included in project costs if it is the normal practice of the State to bill for such services. As in the case of IPA audits, HUD shall notify the LPA and the State auditing officials of any significant deficiencies in the audit report which need correction before the report can be accepted by HUD.
- j. IPA AUDITS OF COMBINED AUTHORITIES. In those cases where the local public agency is a combined Urban Renewal Authority and Public Housing Authority, the local public agency shall use the same IPA to audit both Authorities. There shall be a mutually agreeable and reasonable sharing of costs of the audit between the two Authorities. The audit period should end on the same date for both Authorities so that the IPA can prepare common workpaper schedules such as salaries, legal fees, revolving fund expenses and pro-rations, that apply to both Authorities. If the Urban Renewal Authority and the Public Housing Authority operate on different fiscal years, for the purpose of timing the audit, the fiscal year of the Public Housing Authority shall be used.
3. AUDITS BY HUD AUDITORS.
- *a. HUD auditors will conduct audits of problem LPAs where for specific, significant reasons HUD determines that a HUD audit is advisable. *
- b. In those cases where a HUD audit rather than an IPA audit is to be made, the Area Office shall so notify the LPA in writing.
- c. The HUD auditor will discuss all findings on matters within the jurisdiction of the LPA with appropriate LPA officials.

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- h. RESOLUTION OF AUDIT FINDINGS. The LPA shall take corrective action on any deficiencies and errors described in the audit report, in consultation with the Area Office.
- i. AUDITS BY STATE AUDITING OFFICIALS. Audits may be performed by State auditing officials in lieu of IPAs, provided that the requirements of this section are met. In such cases, the State auditing officials shall follow the IPA audit guide. The cost of such audits may be included in project costs if it is the normal practice of the State to bill for such services. As in the case of IPA audits, HUD shall notify the LPA and the State auditing officials of any significant deficiencies in the audit report which need correction before the report can be accepted by HUD.
- j. IPA AUDITS OF COMBINED AUTHORITIES. In those cases where the local public agency is a combined Urban Renewal Authority and Public Housing Authority, the local public agency shall use the same IPA to audit both Authorities. There shall be a mutually agreeable and reasonable sharing of costs of the audit between the two Authorities. The audit period should end on the same date for both Authorities so that the IPA can prepare common workpaper schedules such as salaries, legal fees, revolving fund expenses and prorrations, that apply to both Authorities. If the Urban Renewal Authority and the Public Housing Authority operate on different fiscal years, for the purpose of timing the audit, the fiscal year of the Public Housing Authority shall be used.
3. AUDITS BY HUD AUDITORS.
- a. HUD auditors will conduct all audits of the following LPAs:
- (1) Combined LPA-LHAs which have more than 5,000 public housing dwelling units in management;
 - (2) LPAs for which the authorized cumulative amount of grants for all urban renewal related activities exceeds \$25 million;
 - (3) Problem LPAs where for specific, significant reasons HUD determines that a HUD audit is advisable.
- b. In those cases where a HUD audit rather than an IPA audit is to be made, the Area Office shall so notify the LPA in writing.
- c. The HUD auditor will discuss all findings on matters within the jurisdiction of the LPA with appropriate LPA officials.
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The comments of the LPA officials on the audit findings will be given recognition in the audit report.

- d. Following each audit, the Area Office will transmit a copy of the audit report by letter to the LPA executive director and a copy of the audit report and the transmittal letter will be transmitted to the head of the LPA governing body for information.
- e. The findings contained in the audit report may not have been subject to full administrative review by the Area Office. Subsequent to this review and to consideration of any comments the LPA may submit, the LPA will be notified by the Area Office of the administrative determinations on which it will be required to take further action.

4. REPAYMENT OF DISALLOWED COSTS.

- a. Repayment Within Specified Period. If any costs have been disallowed, the LPA will be required to pay into the appropriate project cash account a sum equal to the disallowed amount within a period to be specified by the Area Office.
- b. Interest on Disallowed Costs Not Repaid Within Specified Period.

If interest on funds to finance project activities is included in Gross Project Cost and if repayment is not made by the specified time, the amount disallowed will be increased by interest at the rate set forth in the applicable Federal aid contract. In the case of a Capital Grant Contract involving a project financed with funds borrowed from non-Federal sources, the amount disallowed will be increased by interest at the rate usually paid by the LPA on such borrowed funds. Interest will begin to accrue as an increment to the disallowance as of the date the LPA is first notified to make repayment, and will continue to accrue until the original disallowance, plus interest, has been repaid. Interest on a disallowed item will not be charged in the case of a project whose costs are being financed entirely by moneys of the LPA and whose project costs include an amount in lieu of carrying charges for funds being used for project purposes in accordance with Section 110(e) of Title 1.

5. CLOSING OF AUDIT REPORTS. When all necessary corrective actions on the audit findings and recommendations have been completed, the Area Office will send a written confirmation of that fact to the LPA executive director. If disallowed expenditures have not been repaid within the specified time, this letter will also advise
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that interest has begun to accrue as an increment to the disallowed amounts. A copy of the letter will be transmitted to the head of the LPA governing body for information.



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Sample Contract Between Local Public Agency
and Independent Public Accountant for Audit Services

This Agreement, entered into as of the ____ day of ____ 19____,
by and between the _____,
(Full name of LPA)
(Hereinafter called the Local Public Agency), and _____,
(Full name of Account-
ant or Accounting firm), Independent Public Account-
ant of _____ with offices at
(Address of main offices, including State)
_____, (hereinafter called the "Contractor"),
WITNESSETH:

WHEREAS the Local Public Agency entered into a contract (contracts) with the United States of America ("Government") acting by and through the Secretary of Housing and Urban Development ("Secretary") for financial assistance under Title I of the Housing Act of 1949, as amended, 42 United States Code Section 1450; and

WHEREAS, pursuant to said contract(s), the Secretary and the Comptroller General of the United States or his duly authorized representatives have the right to audit the books and records of the Local Public Agency pertinent to its operations with respect to such financial assistance; and

WHEREAS the Secretary has authorized the Local Public Agency to procure an audit by an Independent Public Accountant in lieu of such audit by the Secretary, subject to his prior approval of the specific contract for audit entered into between the Local Public Agency and the Independent Public Accountant; and

WHEREAS the Local Public Agency desires the Contractor to conduct and perform such an audit;

NOW, THEREFORE, Local Public Agency and the Contractor do mutually agree as follows:

1. The Contractor shall audit the accounts and records of the Local Public Agency for the ____ month period ending ____ 19____, in accordance with generally accepted auditing standards and the auditing and reporting provisions of HUD Handbook IG 7217.1, Audit Guide for the Urban Renewal Program for Use by Independent Public Accountants, or such other applicable requirements as the Secretary may hereafter establish for said Program, herein called the Audit Guide. The audit performed shall be sufficient in scope to enable the Contractor to express an opinion in the audit report on the financial statements of the Local Authority.

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(NOTE: If this Agreement is to cover only a final project audit to be conducted at a time other than during a normal biennial audit, delete this paragraph and substitute in its place the following paragraph:

1. The Contractor shall audit the accounts and records pertaining to Project No. _____, Contract No. _____, in accordance with generally accepted auditing standards and the auditing and reporting provisions of HUD Handbook IG 7217.1, Audit Guide for the Urban Renewal Program for Use by Independent Public Accountants, or such other applicable requirements as the Secretary may hereafter establish for said Program, herein called the Audit Guide. The audit performed shall be sufficient in scope to enable the contractor to express an opinion in the audit report on the financial statements for the Project.)

2. If the Contractor determines that the Local Public Agency's books and records are not in sufficiently satisfactory condition for performing an audit, the Contractor shall disclose this deficiency to the Local Public Agency. If, the Local Public Agency cannot get its books and records ready for audit within 15 days, the Contractor shall notify the Secretary by written communication addressed to the Regional Inspector General for Audit, Regional Office, Department of Housing and Urban Development, _____

(Address of Regional Office)

with a copy to the Area Director, Area Office, Department of Housing and Urban Development, _____.

(Address of Area Office)

await further instructions from the Regional Inspector General for Audit before continuing the audit.

3. Upon completion of the audit, an audit report consisting of those elements described in the Audit Guide shall be simultaneously submitted to the Regional Inspector General for Audit (17 copies) and to the Local Public Agency (___ copies to the Executive Director and 1 copy to the Local Public Agency governing body) as joint addressees.

4. The audit report shall be submitted within 120 days after receipt of notification from the Local Public Agency to proceed with the audit.

5. The Local Public Agency agrees to pay the Contractor as compensation for the services and report mentioned herein, a lump-sum fee of \$_____, inclusive of all costs and expenses. The fee is based on the following:

a. Partner(Principal): \$____ per hour; estimated man-days ____\$____

b. Senior(Manager): \$____ per hour; estimated man-days ____\$____

- c. Semi-Senior \$ _____ per hour; estimated man-days _____ \$ _____
- d. Junior \$ _____ per hour; estimated man-days _____ \$ _____
- e. Other (describe)
 Total _____ \$ _____

It is estimated that _____ man-days will be required to perform the audit.

Such fee shall be payable after receipt and acceptance by the Secretary of the audit report.

6. Changes in the scope of the services of the Contractor to be performed under this Agreement, including any increase or decrease in the amount of the Contractor's compensation and any change in the time limitation for submission of the Contractor's report, which are mutually agreed upon by and between the Local Public Agency and the Contractor, shall be incorporated into written amendments subject to the same concurrence requirements as this Agreement.

7. The Contractor certifies that its principal officer(s) or member(s) is a Certified Public Accountant and/or Licensed or Registered Public Accountant, certified, licensed or registered by a regulatory authority of a State or other political subdivision of the United States. A statement identifying such certification or license shall be attached to this Agreement.

8. The Contractor covenants that during the period to be covered by audit he shall have no interest, direct or indirect, with respect to the Local Public Agency which creates a conflict of interest. The Contractor further covenants that in the performance of this Agreement no person having such interest shall be employed. Conflicts of interest include, but are not limited to:

- a. Family relationships with officials of the Local Public Agency.
- b. Where the accountant during the period covered by the audit was connected as an officer or employee of the Local Public Agency.
- c. Where the Contractor has an interest in the urban renewal project areas, or any parcels therein, covered by the audit.

9. No member, officer or employee of the Local Public Agency, no member of the governing body of the locality in which the Local Public Agency's project is situated, and no other public official of such locality or localities who exercises any responsibilities or functions with respect to the Local Public Agency's project, during this tenure or for one year thereafter, shall have any interest, direct or indirect, in this Agreement or the proceeds thereof.

10. No member of or Delegate to Congress of the United States shall be admitted to any share or part of this Agreement or to any benefit that may arise therefrom.

11. The Contractor warrants that he has not employed any person to solicit or secure this Agreement upon any agreement for a commission, percentage, brokerage, or contingent fee. Breach of this warranty shall give the Local Public Agency the right to terminate this Agreement, or, in its discretion, to deduct from the Contractor's fee the amount of such commission, percentage, brokerage, or contingent fee.

12. The Contractor shall not assign or transfer any interest in this Agreement except that claims for monies due or to become due from the Local Public Agency under the Agreement may be assigned to a bank, trust company, or other financial institution. If the Contractor is a partnership, this Agreement shall inure to the benefit of the surviving or remaining members of such partnership.

13. The Contractor shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, age, or national origin. The Contractor shall take affirmative action to ensure that applicants are employed, and employees are treated during employment, without regard to race, color, religion, sex, age, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notice to be provided by the Local Public Agency setting forth the provisions of this nondiscrimination clause. The Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

14. For a period of three years after final payment under this Agreement, the Contractor shall make its workpapers, records, and other evidence of audit available to the Secretary and to the Comptroller General of the United States or his duly authorized representatives. The Secretary and the Comptroller General shall be entitled to reproduce any or all of such documents at their expense for which provision shall be made at the time the need for reproduction arises.

15. All of the reports, information, data, etc., prepared or assembled by the Contractor under this Agreement are confidential and the Contractor agrees that they shall not be made available to any individual or organization without the prior written approval of the Local Public Agency.

16. The Contractor shall comply with all applicable laws, ordinances, or codes of the State or local governments, in performing any of the work embraced by this Agreement.

17. If, through any cause, the Contractor shall fail to fulfill in timely and proper manner his obligations under this Agreement, or if the Contractor shall violate any of the covenants, agreements, or stipulations of this Agreement, the Local Public Agency shall thereupon have the right to terminate this Agreement by giving written notice to the Contractor of such termination and specifying the effective date thereof, at least five days before the effective date of such termination. In such event, all finished or unfinished documents, data, and reports prepared by the Contractor under this Agreement shall, at the option of the Local Public Agency, become its property and the Contractor shall be entitled to receive just and equitable compensation for any satisfactory work completed on such documents.

Notwithstanding the above, the Contractor shall not be relieved of liability to the Local Public Agency for damages sustained by the Local Public Agency by virtue of any breach of the Agreement by the Contractor, and the Local Public Agency may withhold any payments to the Contractor for the purpose of setoff until such time as the exact amount of damages due the Local Public Agency from the Contractor is determined.

18. The Secretary's approval of this Agreement shall be evidenced by the signature of the Area Director at the end thereof. This Agreement shall not be in full force and effect until and unless the Secretary's approval of this Agreement has been obtained.

IN WITNESS WHEREOF, the Local Public Agency and the Contractor have executed this Agreement the day and year first above written.

(Name of Local Public Agency)

BY _____

(Name of Independent Public Accountant)

BY _____

URBAN RENEWAL HANDBOOK

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Concurred:
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

(Regional Inspector General for Audit) Date

(Name of Regional Office)

Approved:

(Area Director) Date

(Name of Area Office)

CHAPTER 1. LPA MANAGEMENT
SECTION 2. RETENTION OF PROJECT RECORDS

Generally, all project records are to be maintained and kept until project completion and final audit. Minimum requirements respecting the retention of certain records by an LPA are given in 7208.1, Real Estate Acquisition, Chapter 4, Section 3; and 7212.1, Relocation, Chapter 3, Section 2. Land acquisition records are to be kept for three years following project completion, and relocation records are to be kept until project completion.

In addition to Federal requirements, there may be State or local laws which will affect LPA determinations respecting records disposal. Also, there may be in a given municipality an archivist vested by law with certain responsibilities for public records. In areas where such an official does function, his advice on the matter should be sought.



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CHAPTER 1. LPA MANAGEMENT
SECTION 3. LPA TRAINEE PROGRAM

PURPOSE OF PROGRAM

The LPA Trainee Program, developed by HUD and the National Association of Housing and Redevelopment Officials, is designed to assist LPA's in attracting and training recent college graduates for beginning professional and technical positions.

QUALIFICATIONS OF TRAINEES

An LPA trainee must possess qualifications for a professional or technical position in urban renewal and must:

- (1) Be a recent college graduate.
- (2) Have the necessary academic training and any required work experience for the position to which he is appointed.
- (3) Have a demonstrated potential for advancement in urban renewal.

ELIGIBILITY OF TRAINEE SALARIES AS PROJECT COST

In order for LPA trainee salary costs and related expenses to qualify as an eligible urban renewal project cost, the selection, hiring, and training of the trainee must meet pertinent HUD requirements. Specific authorization from HUD is not required to hire a trainee.

An LPA with an approved project budget may incur obligations or costs for trainee salaries without further HUD action, provided there is available authority under the appropriate expenditure classification of the budget.

If the LPA must obtain HUD approval of a revised budget before it can incur obligations or costs for trainees, or if the LPA proposes to hire trainees under an initial budget to be submitted hereafter, the number of trainees proposed to be hired should be listed on Form HUD-6221, Summary of Annual Administrative Staff Expense Budget. No justification for the hiring of trainees is required to be submitted to HUD in support of the requested budget.

THE TRAINING PROGRAM

The purpose of the LPA training program is to provide the trainee with a broad understanding of urban development, a detailed knowledge of the procedures of urban renewal, and an intimate knowledge of the

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local urban renewal processes and their impact in the community. Each participating LPA shall include in its training program the elements outlined below:

- (1) The trainee shall be in training status for a period of not less than six months nor more than 12 months.
- (2) The LPA director shall designate himself or another professional member of his staff as responsible for the programming and the operation of each trainee's training program.
- (3) The trainee shall receive a variety of orientation assignments within the LPA or related city departments, in other LPA's, or in the Regional Office. At least one month of the training period shall be spent in assignments in organizational units other than the one to which the trainee is assigned. These assignments should usually be undertaken after the trainee has had some opportunity to become acquainted with the subject matter of the field in which he is employed. His assignment to another LPA for at least one week is urged.
- (4) The trainee shall do substantial outside reading in the general urban renewal field plus such other fields as the LPA may consider appropriate. The LPA should consult the Regional Office concerning reading material. At least one written book report shall be required.
- (5) The trainee shall attend a Regional Office Workshop.

Should the trainee complete his scheduled training during a period in which no Regional workshop is held, the trainee shall be deemed to have completed his training if the LPA stipulates that the trainee will attend the next workshop. However, the Certificate of Completion of Training will not be issued until the trainee has attended the workshop.

DOCUMENTATION OF TRAINEE'S PROGRAM

The basic written documentation of the trainee's program shall be the responsibility of the designated professional staff member. The required documentation shall include:

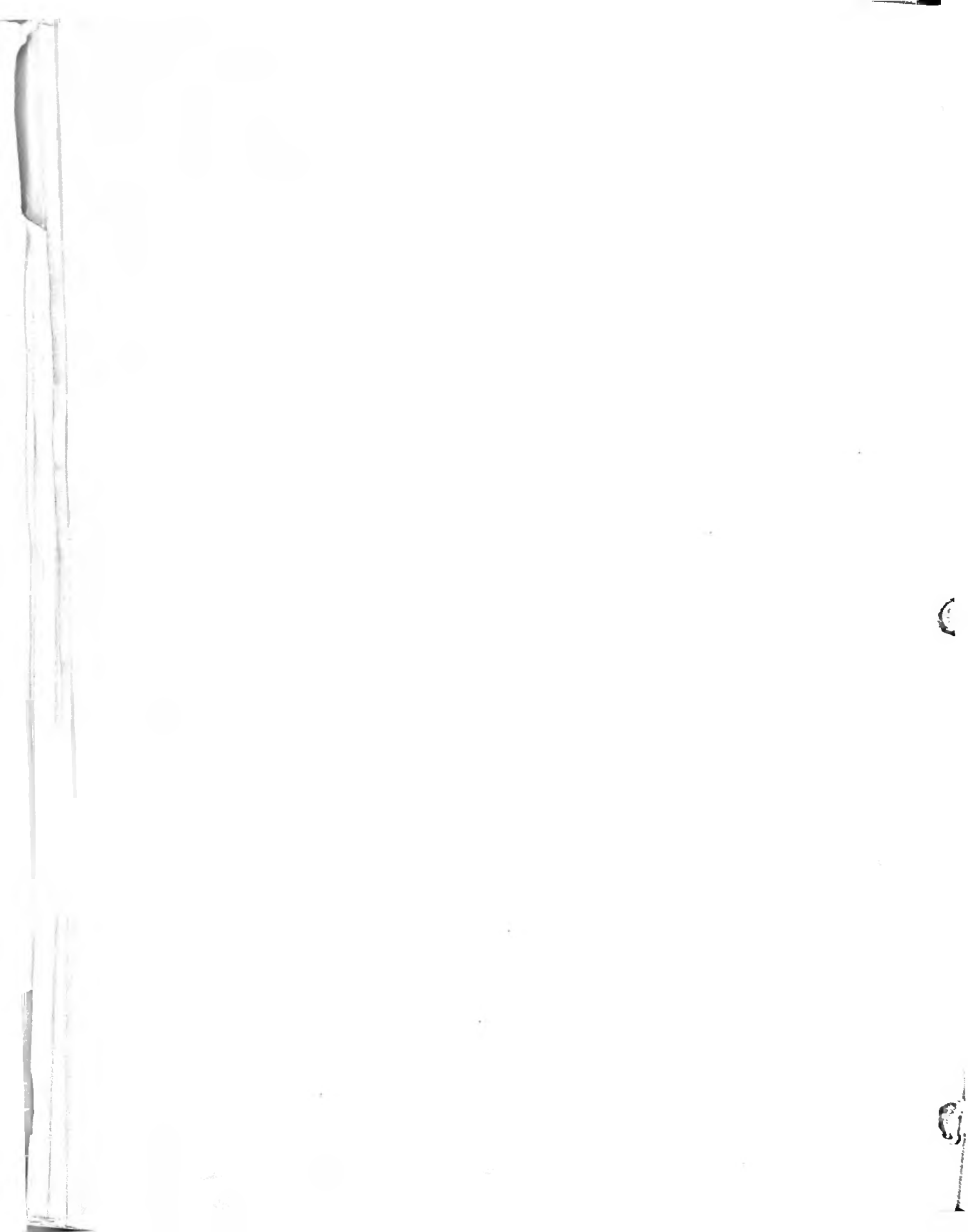
- (1) The training plan.
- (2) Evaluation of the trainee's progress and potential for advancement.

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- (3) At least three written reports by the trainee, prepared at three different phases of his training.
- (4) Formal approval or disapproval by the LPA director of the trainee's completion of the program.

A Certificate of Completion of Training will be awarded by the Regional Office to trainees who successfully complete the training program.



Section 4. LOCAL ADMINISTRATIVE PRACTICES

1. PERSONNEL POLICY. Each local agency shall formally adopt and comply with a statement of personnel policies comparable with pertinent local public practices. The statement shall cover such matters as personnel, compensation, annual and sick leave, travel, and shall clearly set forth the rights of the local agency and the employee in connection with the termination of services. Such established policies must be used in preparing budgets submitted for HUD approval. They will also be used by auditors in determining the acceptability of costs. Additional explanatory material is included in Guide RHM G 7217.2. A sample personnel policy is shown as Appendix 1. The Area Office, upon request, will assist in the preparation of personnel policies suitable for the particular organizational requirements of a local agency.
2. LOCAL PUBLIC PRACTICE
 - a. Adoption of Local Government Policies. Local government means the government of the city, county, or other political subdivision which established the local agency or for which it was established. In the case of a regional authority or agency, local government means the municipality, county, or other political subdivision in which the local agency central office is located.
 - (1) When the local agency is a unit of the local government and its administrative practices are governed by State or local regulations similarly applicable to all other employees of that governing unit, the local agency must follow the local regulations with respect to administrative practices, subject to the specific limitations in this Chapter. A copy of the applicable policies must be retained in the local agency's office and must remain available for HUD review.
 - (2) When a local agency is independent of overriding controls by a local governmental body, it may adopt the policies of the municipality or county in which it is located, subject to the limitations in this Chapter. A copy of the Board resolution and applicable policies must be retained in the local agency's office and be available for HUD review.
 - b. Establishment of Independent Policies
 - (1) Adoption and Approval. When a local agency adopts policies other than those of the municipality or county, the policies so adopted must be established in writing, approved by resolution of its governing body (i.e Board, Commission,

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or Council), and be retained in the local agency's office as above.

- (2) Independent Policies. The independent policies adopted must conform to the requirements and limitations set forth in this Chapter.
- c. Review of Policies of Other Local Public Bodies. Consideration may be given to the review of the policies and practices administrative staffs of the public schools, public hospitals, and other independent public bodies in the locality. Such review does not normally include Federal practice, but it may include practice of those offices of county and State governments which are located within the area served by the local agency.
3. COMPARABILITY DOCUMENTATION. Comparability documentation covering all positions shall be retained on file for HUD examinations and audit; and should be complete including identification of the source of supporting material and the basis or reasoning for establishing such comparability. Final determinations of position and salary comparability must be made by formal action of the local agency governing body. If a local agency is conducting both a low-rent housing program and an urban renewal program, and/or non-federally assisted projects or other activities, salaries of employees shall be established and comparability determined on the basis of total responsibilities carried and duties performed in all activities. Salaries shall be charged or prorated to respective programs on an equitable basis in accordance with HUD policy.
4. COMPENSATION. The personnel policy should contain, in an appendix, a schedule of positions showing the salary or, if applicable, the beginning salary; any intermediate salaries; and the maximum salary for each administrative position.
- a. Establishment of schedules meeting Federal minimums. The agency shall establish schedules of salary and wage rates for agency employees at rates not less than the minimum levels prescribed by the Federal Government pursuant to the labor standards provisions of the applicable Loan and Grant or Annual Contributions Contract.
- b. Rates. Salary and wage rates shall be consistent with the compensation practices of other public bodies in the locality for positions similar in responsibility and required competence. For those positions for which no comparable public positions exist in the locality, comparisons must be made with salaries for similar work in the county and/or State government. In

cases where the kinds of employees required for federally assisted activities are not found in the other activities of the State or local government, compensation will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor market in which the employing government competes for the kind of employees involved. Compensation surveys providing data representative of the labor market involved will be an acceptable basis for evaluating reasonableness.

- c. Duty hours; Overtime, Part-Time. The salary and wage rate schedule shall include provisions concerning weekly hours of work and payment, if any, for overtime work, and provisions if appropriate, establishing the number of hours to be worked by each part-time employee.
 - d. Board Member Compensation. Allowable costs shall not include compensation for the services of members of the local agency governing body.
 - e. Cost of Part-Time Professional or Technical Services. Allowable costs shall not include the cost of part-time professional or technical services provided by an employee paid for full-time services by another Federal or local governmental agency or unit unless prior concurrence has been obtained from HUD.
5. HOURS OF WORK, OVERTIME, COMPENSATORY TIME, AND HOLIDAYS. Policies covering hours of work, overtime, compensatory time, leave without pay, emergency leave, and holidays for administrative and supervisory employees shall be established to conform with local public practice. Applicable Federal and local law requirements must be met for maintenance employees.
6. ANNUAL, SICK, AND OTHER LEAVE. The local agency shall adopt and comply with a clear statement of policy covering absences from work. Leave policies and practices established by the local agency shall be comparable with those of other public bodies in the locality.
- a. Limitations on Leave. If other public bodies in the locality have no established leave policies or accepted practices relative to annual leave or sick leave, the local agency may adopt a leave policy which would provide for each permanent employee to be credited each pay period with a stated amount of sick leave and annual leave, not to exceed 13 days annually for sick leave and not to exceed the following for annual leave:
 - (1) For employees with less than three years of local agency service--13 days annually.
 - (2) For employees with more than three but less than 15 years local agency service--20 days annually.

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- (3) For employees with 15 or more years of local agency service--
26 days annually.
- b. Carryover of Leave. If public practice in the locality includes a limitation on the amount of accrued unused sick or annual leave that may be carried over as a balance at the end of any year, the local agency shall adopt a comparable limitation. If pertinent public practice does not include such limitations, the local agency may provide for a cumulative maximum carryover of 30 days of unused annual leave at the beginning of any leave year. Unlimited sick leave may be accrued.
- c. Unallowable Leave Payments. In the absence of conclusive evidence of pertinent local public practice to the contrary, the local agency policy shall not provide for:
- (1) Payments for unused sick leave and compensatory leave.
 - (2) Payments for unused annual leave except upon separation of an employee from the local agency. Payments upon separation shall be based on the amount of annual leave carried over at the beginning of the current year plus the amount of annual leave earned and unused during the current year to the date of separation.
- d. Advance Sick Leave. In the absence of conclusive evidence of pertinent local public practice to the contrary, the local agency's policy shall provide that advance sick leave granted to an employee, whose accrued sick leave may be exhausted, must be repaid in full from future leave earnings of the employee or, in the event of termination of employment, withheld from wages and/or terminal leave payments due. Where withholdings are insufficient to repay advanced sick leave, the employee shall be required to reimburse the local agency in cash. In order to preclude creating undue hardship, precaution should be taken when advancing sick leave to limit the amount of the advance to a reasonable amount which can be expected to be repaid.
- e. Court Leave. Court leave may be granted under the following conditions:
- (1) A summons or subpoena must be legally served for acting as a witness or for jury duty. When an employee is actually summoned, he should immediately inform the Executive Director or the Chairman of the Board.
 - (2) The pay of any employee who has received a subpoena for jury duty or as a witness will continue at the regular rate. In the absence of conclusive evidence of local public

practice to the contrary, all reimbursement received shall be turned over to the local agency to be credited against regular salary. Payment to the employee by the Court for travel expense at the prevailing rate may be retained by the employee.

- f. Military Leave. An employee who leaves his position to enter military service in time of war or any period of national emergency as declared by the President in connection with national defense or by reason of being drafted shall be carried on the rolls of the local agency in a military leave status. Upon his honorable discharge from military service, he shall be entitled to be restored to his same position or to a position equally acceptable to him for which he is qualified, provided he applies for reemployment within 90 days after his discharge or before the expiration of any statutory right to reemployment, if later. Military leave of absence with pay, in accordance with the number of calendar days each calendar year permitted by existing State and Federal law, may be granted to permanent employees who are reservists of the Armed Forces or members of the National Guard engaged in active duty, training, or military aid to enforce the law.
- g. Voting Leave. Insofar as practicable, without interfering seriously with operations, the local agency shall excuse employees who desire to vote or register in any election or in referendums on civic matters in their community for a reasonable time in accordance with local public practice. In any event, time off in excess of one day shall be charged to annual leave or, if annual leave is exhausted, then to leave without pay.

7. TRAVEL REGULATIONS

- a. Establishment and Adoption by Local Agency. The local agency shall adopt regulations governing reimbursement of travel expenses to its members and employees. The travel regulations established and adopted by the Board of a local agency shall be outlined clearly so that employees and governing body officials who are required to perform official travel will know exactly what reimbursement for official travel they are entitled to receive. These regulations shall be consistent with the following policies and limitations:
- (1) Reimbursement for travel expenses shall be comparable with local public practice and shall cover only travel costs which are necessary to enable the local agency to operate its program economically and efficiently. Documentation supporting comparability with local public practice shall be maintained in the local agency's files.

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- (2) If the officially adopted policy of the local government provides a per diem allowance in lieu of subsistence expense, the local agency shall adopt a per diem allowance which is below or equal to the allowance provided in such policy but in no event greater than \$25 per day.
- (3) If the officially adopted policy of the local government provides for reimbursement of actual subsistence expense, the local agency shall adopt an actual subsistence policy with a maximum allowance which is below or equal to the maximum provided in such policy but in no event greater than \$40 per day. Actual subsistence expense reimbursement must be supported by receipts and other documentation of actual expenses. Receipts are to be secured for all expense items of more than \$10. Other documentation includes a listing of each item, the date, place, and amount related thereto.
- (4) If the officially adopted policy of the local government provides for reimbursement on a per diem basis or on actual expense basis, each being applicable under specified conditions, the local agency may adopt a similar policy with maximum limits below or equal to such policy but in no event more than \$25 per diem or \$40 actual expenses. The method to be used must be determined officially by the governing body of the local agency prior to the travel.
- (5) If the local government has not officially adopted a travel policy, the local agency may adopt either a policy providing for per diem or a policy providing for reimbursement of actual expenses or a combination of both under specified conditions (e.g. per diem for employees and actual for Board Members) limited to \$25 per diem and \$40 reimbursement per day for actual expenses.
- (6) Notwithstanding the requirements in subparagraphs (2), (3), (4), and (5) above, the local agency may adopt a reimbursement policy which differs from the officially adopted policy of the local government provided such policy will clearly be more economical than the officially adopted policy and within the stated maximums. If the local agency is uncertain as to whether a policy is more economical, it may request a determination from the Area Office.

b. Official Authorization of Each Trip

- (1) Local agency travel regulations shall require that each trip to a destination outside the jurisdiction of the local agency, except to the Area or Regional Office, which is to be charged wholly or in part to a HUD-assisted low-rent

housing or urban renewal program be specifically authorized by a resolution of the local agency governing body approving the trip as essential to the conduct of the programs involved. This requirement can be met through the local agency governing body's approval of the annual budget which includes travel without the necessity for obtaining Board approval for each individual trip. Unanticipated and unscheduled travel expenses by the local agency members or employees must be authorized by a resolution by the local agency Board. There may be instances, however, where the local agency receives short notice of an out-of-town conference to be held before the next regularly scheduled Board meeting. To comply with the above requirement, the governing body of the local agency can adopt a resolution revising its personnel policy along the following lines:

"In those instances when the need for essential travel outside the jurisdiction of the local agency (except to the Regional or Area Office) arises prior to the next regular Board meeting, the Executive Director shall receive verbal approval from a majority of the Board members, or at the discretion of the Board, from the Chairman of the Board. Such action shall be documented and included in a resolution and shall be approved at the next regular Board meeting."

- (2) Compliance with the requirement regarding unanticipated and unscheduled travel expenses by the local agency may also be met by the local board through the exercise of the option of delegating the authority of approving each trip outside the jurisdiction of the local agency to the Executive Director, who would evaluate the need for the travel request with respect to HUD local agency policies and approved budgetary limitations.
- c. Reimbursement of Transportation Costs. Transportation costs of persons authorized to travel on official business shall be reimbursed for the cost of coach or tourist-class airlines accommodations or first-class rail and Pullman accommodations if determined to be more economical. The difference in cost between first-class air accommodations and less-than-first-class air accommodations is unallowable except when less-than-first-class air accommodations are not available. Costs of taxi fares, telephone calls, secretarial services, and similar items, necessarily incident to the performance of official business, shall also be considered reimbursable items.
- d. Reimbursement for Use of Privately Owned Vehicles. If the local government has officially adopted a policy governing reimbursement to its employees for use of privately owned vehicles, local agency

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regulations may also authorize similar reimbursement for its employees, subject to the following limitations:

- (1) The local agency shall reimburse employees on a mileage basis at a rate not in excess of that paid by the local government. Vouchers for reimbursement shall be supported by detailed mileage records.
- (2) If the local government provides for reimbursement by means of flat monthly allowances, the local agency may use this method. However, the amounts of these allowances must be established on a reasonable and economical basis in relation to the official use made of the employee's vehicle. The determination of allowances shall be reviewed periodically (at least every six months) to ensure that the allowances are in keeping with the actual amount of official use made of the vehicle. The basis for these determinations shall be maintained in the local agency files.
- (3) If the local government has not adopted a policy governing reimbursement to its employees for use of privately owned vehicles, the local agency may nevertheless provide for such reimbursement. In that case, the local agency regulations shall be subject to the following limitations:

- (a) For official use of privately owned vehicles, the following "sliding rule" will be used:

<u>Miles Per Month</u>	<u>Reimbursement Per Mile</u>
First 500	11 cents
501 to 1,000	8 cents
over 1,000	7 cents

For official travel by local agencies in Alaska, Hawaii, Guam, Puerto Rico, and the Virgin Islands, a maximum of a straight 12 cents per mile is allowed.

- (b) A flat monthly allowance commensurate with the amount of official travel incurred shall be computed at a rate not in excess of 10 cents per mile. The amount of these allowances must be established on a reasonable and economical basis in relation to the official use made of the employee's vehicle. The determination of allowances shall be reviewed periodically (at least every six months) to ensure that the allowances are in keeping with the actual amount of official use made of the vehicle. The basis for these determinations shall be maintained in the local agency files.

- (c) Flat monthly allowances shall be made only to employees requiring regular use of a vehicle in the performance of their official duties and when agency owned vehicles are not available for such use.
- e. Travel Expense of Applicants; Moving Expense of New Employees. Project costs may include (1) travel expense for employment interviews incurred by applicants for permanent professional and supervisory positions of the local agency, and (2) moving expenses incurred by new local agency employees, including their immediate families, household goods and personal effects, for such positions. The incurring of these expenses shall be authorized in each case in advance by official Board action and shall be limited to those employees who do not live within a reasonable commuting distance from the place of employment. Specific action is required with respect to each individual applicant or employee concerned. The resolution or other official action shall include a determination that the expense is reasonable and necessary in the particular case. Reimbursement for travel expense shall be on a basis which does not exceed that provided for regular employees in the local agency travel regulations.
- f. Travel Expense for Appearance Before Legislative Body
- (1) The policies and expense limitations above shall apply to all out-of-town travel costs and per diem allowances authorized in accordance with the following. Project costs may include travel expense for appearance of a local agency official or employee before a committee or subcommittee of a Federal or State legislature to discuss matters related to specific low-rent public housing or urban renewal activities of the local agency, provided that with respect to appearances before a Federal committee, either of the following occurs:
- (a) His appearance is at the specific request of the committee or subcommittee.
- (b) His appearance is as an expert witness, either in company with or as a representative of the principal executive officer (or other official) of the municipality whose testimony has been specifically requested by the committee or subcommittee.
- (2) As soon as it becomes known that a local agency official or employee will appear before a Federal or State committee or subcommittee, the local agency shall notify the Area Office Director. In the case of appearances before

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a Federal committee or subcommittee, the Area Director, through the Regional Office, shall notify the Assistant Secretary for Renewal and Housing Management.

g. Travel Day Defined

- (1) Where a travel policy provides for a per diem allowance, it is the usual practice for such policy to state that for travel in excess of 24 hours, reimbursement for the day of departure and for the day of return shall be computed at the rate of one-fourth the established daily amount for each of the periods listed below, or fraction thereof:

12:00 Midnight	-	6:00 A. M.
6:00 A. M.	-	12:00 Noon
12:00 Noon	-	6:00 P. M.
6:00 P. M.	-	12:00 Midnight

For example, if an employee is away from his official station from 8:30 P. M. Monday to 10:45 A. M. Thursday of the same week, computation will be as follows:

8:30 P. M. Monday until Midnight Monday	1/4 day
12:01 A. M. Tuesday until Midnight Tuesday	1 day
12:01 A. M. Wednesday until Midnight Wednesday	1 day
12:01 A. M. Thursday until 6:00 A. M. Thursday	1/4 day
6:00 A. M. Thursday until 10:45 A. M. Thursday	1/4 day
Total Per Diem Allowable	2 3/4 days

- (2) In addition, for travel of less than 24 hours duration, it is common practice to provide that no per diem allowance will be paid except under certain specified conditions. For example, if travel required departure prior to 6:00 A. M. or return after 8:00 P. M. of the same calendar day, and exceeded 6 hours, an allowance would be paid at the rate of one-fourth the established daily amount for each 6-hour period or fraction thereof.
- (3) If the local agency's travel policy provides for reimbursement for actual subsistence expense, the policy might also contain a provision allowing reimbursement for any travel of less than 24 hours duration under conditions similar to that described above for travel under a per diem allowance, except that payment would be made for actual expenses incurred, rather than on a quarter-day basis. Under these circumstances, the policy would not provide for reimbursement for meals normally eaten before departure time or after return.

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8. EMPLOYEE BENEFIT PROGRAMS. Employee Benefits set forth in the personnel policy often include such items as Social Security coverage, retirement plan, group health insurance, life insurance, and workmen's compensation depending upon local law, local practice, and the desires of the local agency. Detailed information on employee benefits may be found in Handbooks RHM 7217.1, Chapter 6, and RHM 7401.1, Chapter 6.
9. NONDISCRIMINATION IN EMPLOYMENT OR EQUAL EMPLOYMENT OPPORTUNITY. The personnel policy adopted by the local agency shall reflect the Annual Contributions Contract and/or the Loan and Capital Grant Contract requirements prohibiting discrimination against any employee or applicant for employment because of race, religion, sex, color, or national origin. This policy shall require the adoption and implementation of an affirmative action plan to provide equal employment opportunity and shall apply to all personnel actions including, but not limited to, recruitment, hiring, upgrading, promotion, demotion, or transfer, and layoff or termination. In order to make the policy generally known in the community, the local agency must (in addition to the position requirements) insert in all solicitations or advertisements for employees a statement that all qualified applicants will receive due consideration for employment without regard to race, religion, sex, color, or national origin.
10. POLITICAL ACTIVITY. Section 12(a) of the Hatch Act restricts the political activities of local agency officers and employees if their principal employments are in connection with an activity of the local agency which is financed in whole or in part by Federal funds. These restrictions are enforced by the U. S. Civil Service Commission.
- a. The restrictions prohibit:
- (1) Use of official authority or influence for the purpose of interfering with or affecting the result of an election or a nomination for office.
 - (2) Directly or indirectly coercing, attempting to coerce, commanding, or advising any other officer or employee to pay, lend, or contribute anything of value to any party, committee, organization, agency, or person for political purposes.
 - (3) Active participation in political management or in political campaigns.
- b. Persons exempt from Section 12(a)
- (1) Section 12(a) is not applicable to persons whose positions with the local agency do not constitute their principal
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employment. Although the question as to which is the "principal employment" is to be determined by the Civil Service Commission, in general, if substantially more than half of the employee's or member's time is devoted to other employment and substantially more than half of his income is derived from it, he is not subject to the Hatch Act.

- (2) In addition, the following persons are exempt from that provision of the Hatch Act which deals with taking active part in political management or political campaigns:
- (a) The Governor or the Lieutenant Governor of a State, or an individual who is authorized by law to act as Governor, or the mayor of any city.
 - (b) Duly elected heads of executive departments of any State or municipality who are not classified under a State or municipal merit or civil service system.
 - (c) Officers holding elective offices.
- c. Certain officers may hold two public positions, one subject to and one exempt from certain provisions of the Hatch Act. For example, the mayor of a city might also be the Executive Director of a local agency. The Civil Service Commission has indicated that these persons are subject to all the political activity restrictions of Section 12(a) if their employment with the local agency is their principal employment as defined above. An officer or employee of a local agency who is in doubt as to whether he is subject to or exempt from any of the provisions of Section 12(a) may present the matter in writing to the Civil Service Commission, Washington, D. C. 20006 for consideration.
- d. Examples of Prohibited Activities. Direct or indirect participation in any of the following types of political activity is in contravention of the prohibitions of the Hatch Act as construed by the Civil Service Commission:
- (1) Serving on or for any political committee, party, or similar **organization**, or serving as a delegate or alternate to a caucus or party convention.
 - (2) Soliciting or handling political contributions.
 - (3) Addressing or organizing or serving as officer of a political club.
 - (4) Addressing or taking an active part in preparing, organi-

- zing, or conducting a political meeting or rally.
- (5) Engaging in political conferences or canvassing a district or soliciting political support for a party, faction or candidate.
 - (6) Taking an active part in primary or regular elections, such as soliciting votes or helping to get out the voters on election days.
 - (7) Acting as an election officer in a capacity which may involve partisanship or partisan political management.
 - (8) Publishing or being connected editorially or managerially with any newspaper generally known as partisan from a political standpoint.
 - (9) Writing for publication or publishing any letter or article, signed or unsigned, in favor of or against any political party or candidate.
 - (10) Becoming a candidate for nomination or election to any public office, which is to be filled in an election in which party candidates are involved.
 - (11) Distributing campaign literature or material.
 - (12) Initiating or circulating political petitions.
 - (13) Becoming prominently identified with any political movement, party, or faction, or with the success or failure of any candidate for election to public office.
- e. Exceptions to political restrictions. Section 12(a) expressly reserves the right of officers or employees to vote as they may choose and to express their opinion on all political subjects and candidates. Section 18 of the Hatch Act states an exception relating to elections not specifically identified with National or State issues or political parties. This Section provides that the Hatch Act does not prohibit political activity in connection with (1) any election and the preceding campaign if none of the candidates is to be nominated or elected at such election as representing a party any of whose candidates for presidential elector received votes in the last preceding election at which presidential electors were elected, or (2) any question that is not specifically identified with any National or State political party, such as questions relating to constitutional amendments, referendums approval of municipal ordinances, and others of a similar character.

- f. Enforcement jurisdiction and procedures. Anyone who has reason to believe that an officer or employee of a local agency has committed a violation of the Hatch Act should report such violation to the Area Office Director.

- g. Availability of pamphlet from Civil Service Commission. The pamphlet entitled "Political Activity of Federal Officers and Employees," commonly referred to as "Pamphlet 20," is available from the Civil Service Commission. The pamphlet contains more detailed information concerning the applicability of the Hatch Act to local agency officers and employees.

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APPENDIX 1. SAMPLE PERSONNEL POLICY

PERSONNEL POLICY OF

 Name of Local Agency

(The local agency may modify this model statement as necessary to conform to pertinent local public practice.)

1. BASIC PRINCIPLES

- a. Merit System. The employment of personnel and all actions affecting employees shall be based solely on merit, ability, and justice.
- b. Nondiscrimination. There shall be no discrimination against employees or applicants for employment on account of race, creed, color, national origin, sex, or any political or union affiliation.
- c. Politics. All members, officers, and employees of the local agency whose employment as such constitutes their principal employment, are subject to the provisions of Section 12(a) of the Hatch Act. If any individual who is also engaged in some other employment or occupation is doubtful as to his status under the Hatch Act, he may present the matter in writing to the United States Civil Service Commission for a ruling.
- d. Nepotism. The employment of more than one member of the same immediate family shall be avoided insofar as possible.

2. ORGANIZATION

- a. Organization plan.^{1/} All positions shall be established in accordance with an organization plan clearly setting forth areas of responsibility and authority.
- b. Delegation of authority. Every employee shall be given the authority necessary to perform his assigned duties.

3. POSITION CLASSIFICATION

- a. Establishment of classes. All positions shall be grouped in

^{1/} Some local agencies may wish to insert at this point the position titles, responsibilities, and duties of the permanent staff. If this is done, paragraph 3, Position Classification, may be omitted.

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- classes, each class to include those positions sufficiently alike to justify common treatment in selection and compensation.
- b. Class titles. A descriptive title shall be assigned to each class of position. This title shall serve also as the title of each position allocated to that class and of the incumbent of each such position.
 - c. Class specifications. A composite statement of the duties, responsibilities, and entrance qualification standards of each class of position shall be set forth in writing.
 - d. Classification plan. A Classification Plan, consisting of (1) a list of position classes, (2) specifications for each class, and (3) an organization chart showing each position, shall be made a part of and attached to this policy statement.
 - e. Position description. The duties and responsibilities of every position shall be set forth in writing. Every employee shall be given a copy of his job description.

4. COMPENSATIONa. Determination of rates

- (1) For technical staff and maintenance personnel, appropriate compensation rates shall be paid on the basis of prevailing rates in the locality, pursuant to the HUD assistance contracts.
- (2) For all other employees, appropriate compensation rates shall be determined on the basis of pertinent local public practice. Public practice, as referred to here, shall consist primarily of the related regulations of the municipal or county government and of such local public bodies as public schools, public hospitals, or other institutions supported by public funds.

- b. Class salary ranges. For employees other than those whose compensation is set in accordance with paragraph 4a(1) above, a salary range shall be assigned to each class of position and the rate of compensation for each employee shall be within the bracket established for the class to which his position has been allocated. Initial appointments shall generally be made at the minimum rate of a class salary range.

- c. Periodic pay increases. Employees other than those whose compensation is set in accordance with paragraph 4a(1) above, whose services warrant it, shall be eligible to receive periodic increases within their class salary range by action of the Board on the recommendation of the Executive Director, subject to budget limitations.
- d. Compensation plan. A Compensation Plan showing the salary range for each class, the intermediate rates within each range, and the system for making periodic within-range increases shall be established by the Board and shall be made a part of and attached to this policy statement. This plan shall be subject to necessary revisions from time to time to reflect changes in responsibility or economic conditions or for other valid reasons.
5. AUTHORITY TO EFFECT PERSONNEL ACTIONS. Authority to appoint, promote, transfer, demote, suspend, and separate personnel shall be vested in the Executive Director and such other officials as are formally designated to act for him, except that personnel actions relating to the key employees as determined by the Board shall be reserved for Board action on the recommendation of the Executive Director.
6. SELECTION OF APPLICANTS. Persons desiring employment shall file written applications setting forth their qualifications, experience, references, and other information as may be required.
7. CHANGES OF STATUS OF EMPLOYMENT
- a. Promotions. Vacated or newly established positions shall be filled to the fullest extent consistent with efficient operations, by the promotion of qualified employees.
- b. Demotions. An employee shall be subject to demotion under the following conditions:
- (1) If he has been found unsuited for his present position but may be expected to give satisfactory service in a lower paying position.
 - (2) If his position has been either abolished or reallocated to a lower paying class and he cannot be transferred to a position of equal pay. It shall be clearly indicated on all papers that the transaction in no way reflects on the employee's performance or ability.
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c. Transfers

- (1) Employees shall be transferred within the organization as far as practicable to positions where their highest skills will be best utilized.
- (2) When transfers of personnel are necessitated by organizational changes, every effort shall be made to place the affected employees in positions which will permit them to retain their salaries.
- (3) In making transfers within the organization, due consideration shall be given to the desires of the employees involved.

d. Suspensions. An employee may be suspended from duty without pay for a period not to exceed fifteen working days:

- (1) For disciplinary reasons, or
- (2) Pending investigation of charges where the presence of the employee at work constitutes a hazard either to the local agency or to himself. If investigation does not bear out the charges and the employee is retained, he shall be paid for the period of suspension.

8. SEPARATIONS

- a. Resignations. An employee who desires to terminate his employment shall submit a written resignation at least two weeks in advance, setting forth his reason for resigning.
- b. Dismissals. An employee who gives unsatisfactory service or who is guilty of substantial violation of regulations shall be subject to dismissal without notice. In such cases the employee, if he desires, shall be given a hearing before the Executive Director, and, if necessary to resolve the case, before the governing body.
- c. Reduction in Force
 - (1) If it is necessary to reduce personnel, the selection of employees to be retained shall be based primarily on their relative efficiency and the necessity of the job entailed. Other things being equal, length of service shall be given consideration.
 - (2) At least two weeks' notice prior to dismissal shall be given an employee except for persons employed for a specific period.

- d. Leave payments. No terminal leave or severance payments shall be made except for authorized unused annual leave balances.

9. WORKING HOURS ^{1/}

- a. Regular work week. The regular work week shall consist of _____ hours for maintenance personnel and _____ hours for staff personnel. From Monday through Friday, the work day for staff personnel shall begin at _____ a.m. and end at _____ p.m.; and for maintenance personnel the work day shall be as necessary to provide adequate coverage of maintenance operations--a schedule of work hours shall be prominently posted.
- b. Overtime. Overtime work shall be avoided as far as possible but may be required by the Executive Director in the interest of efficient operation, in which case the employee shall be granted compensatory time off within 60 days or shall be paid at the rate of 1½ times the normal rate of pay. The principal executive staff shall not be compensated for overtime work. Maintenance personnel shall be paid for overtime work in accordance with the provisions of the HUD assistance contracts.

10. ABSENCE FROM WORK. The following regulations, consistent with pertinent local public practice, are established:

- a. The following holidays with pay shall be observed:
(List of holidays)
- b. Annual leave
- (1) Annual leave with pay shall be earned by all regular full-time employees at the rate of _____ days per month.
- (2) Annual leave not taken by employees may be accumulated, not to exceed _____ working days in addition to that accrued in the current calendar year.
- (3) Employees, generally, shall be encouraged to take annual vacations to the extent of the amount of earned annual leave.

^{1/} If any part-time positions are established, include a paragraph fixing for each such position the number of hours to be served each pay period by the incumbent.

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- (4) An employee who is permanently separated shall be paid in a lump sum for any accumulated annual leave at his current rate of pay, except where his dismissal is due to malfeasance. Separation for purposes of this subparagraph shall include entering military service under the conditions set forth in paragraph 10f below.
- (5) In no event shall an employee be paid for annual leave not taken, except as provided in paragraph 10b(4) above.

c. Sick Leave

- (1) Employees may be paid for leave taken because of illness or accident. Sick leave shall be accumulated at the rate of _____ days per month.
- (2) Sick leave may be accumulated not to exceed _____ days.
- (3) In no event shall an employee be paid for sick leave not taken.
- (4) Advances of unearned sick leave may be granted at the discretion of the local agency not to exceed 15 days in any one calendar year.
- (5) A doctor's certificate shall be required for any period of sick leave in excess of three days.

d. Leave without pay. Leave without pay may, where necessary, be granted, not to exceed two months in any one calendar year.

e. Absence without authorization

- (1) Absence without proper authorization or approval may be considered sufficient cause for suspension or dismissal of the employee at the discretion of the local agency.
- (2) If an employee is absent without proper authorization, deduction shall be made from his pay for the period of absence.

f. Military leave. An employee who leaves his position to enter military service in time of war or any period of national emergency as declared by the President in connection with national defense or by reason of being drafted, shall be carried on the rolls in a military leave status.

Upon his honorable discharge from military service, he shall be entitled to be restored to his same position or to a position equally acceptable to him for which he is qualified, provided he applies for reemployment within 90 days after his discharge or before the expiration of any statutory right to reemployment, if later.

Military leave of absence with pay, in accordance with the number of calendar days each calendar year permitted by existing State and Federal law, will be granted to permanent employees who are reservists of the Armed Forces or members of the National Guard engaged in active duty, training, or military aid to enforce the law.

g. Court leave

- (1) Summons. A summons or subpoena must be legally served and may be for serving as a witness or for jury duty. All employees when actually summoned, shall immediately inform the Executive Director.
- (2) Reimbursement. The pay of any employee who has received a subpoena for jury duty or as a witness will continue at the regular rate. All reimbursement received shall be turned over to the local agency to be credited against regular salary. Payment by the Court to the employee for travel expense at the prevailing rate may be retained by the employee.

11. HEALTH AND SAFETY

- a. Employees shall be provided safe, sanitary, and healthful working conditions.
- b. Employees shall be covered by Workmen's Compensation Insurance.

12. EMPLOYEE RELATIONS. Employees shall have the right to designate representatives of their own choosing. Employees shall be free to join, or refrain from joining, employee unions. In so doing, employees shall be ensured freedom from restraint, interference, discrimination, or reprisal.

13. TRAINING

- a. In-service training shall be provided to aid employees to gain efficiency in their work.
- b. Employee training shall be a function of every supervisor.

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14. GRIEVANCES

- a. Right of employees. Employees shall have the right to present grievances, individually, as a group, or through their designated representatives. In so doing, employees shall be assured of freedom from restraint, interference, discrimination, and reprisal. Such grievances shall be presented only through the established lines of authority.
- b. Supervisory responsibility. Supervisors at all levels shall receive and act promptly on employees' complaints.
- c. Appearance before Executive Director. Any employee shall have the right to appear before and present his grievance to the Executive Director as a final appeal.

15. PERFORMANCE RATINGS

- a. Employees shall receive annual performance ratings.
- b. Performance ratings shall be noted in employee service records and shall be considered in effecting personnel actions.

16. SERVICE RECORDS. A service record shall be maintained for every employee and shall contain complete information pertinent to his employment, including dates of employment and pay changes.

17. TRAVEL

- a. Employees or Commissioners of the local agency may perform official travel upon authorization by the Board. Each trip to a destination outside of the jurisdiction of the local agency (except to the Regional or Area Office and to nearby communities to carry out normal operating functions) shall specifically have prior authorization by resolution of the Board approving the trip as essential to the conduct of its programs. Local agency attendance at conferences, conventions, and meetings shall be limited to the number of persons necessary to cover the meeting adequately.
- b. Transportation costs for employees or Commissioners authorized to travel on official business of the local agency shall be paid by the local agency. Air line (tourist or coach) or first class rail and Pullman accommodations (lower berth, roomette, or parlor car seat), if advantageous, shall be the standard means of transportation.

Costs of taxi fares, telephone calls, telegrams, secretarial services, and similar items necessarily incident to the performance of official business, shall be considered reimbursable items.

- c. In addition to reimbursable costs as outlined above, an allowance for subsistence in lieu of actual expenses shall be paid at a rate not to exceed \$_____ per day for employees of the local agency and at a rate not to exceed \$_____ per day in the case of Commissioners of the local agency and consultants who receive no compensation. In computing the subsistence allowance, no allowance shall be paid for travel of less than 24 hours' duration, except if such travel required departure prior to 8:00 a.m. or return after 6:00 p.m., and exceeded six hours, in which case an allowance shall be paid at the rate of one-fourth the established daily amount for each six-hour period, or fraction thereof. For travel in excess of 24 hours, the allowance paid for the day of departure and for the day of return shall be computed at the rate of one-fourth the established daily amount for each of the periods listed below, or fraction thereof:

12:00 Midnight	-	6:00 a.m.
6:00 a.m.	-	12:00 Noon
12:00 Noon	-	6:00 p.m.
6:00 p.m.	-	12:00 Midnight

(If actual expense method is used, revise accordingly.)

- d. Reimbursement for use of a privately owned automobile for authorized out-of-town travel shall be limited to the cost of common carrier service permitted herein. Where it has been determined and recorded in a Board resolution that travel by private car is more advantageous to the local agency than travel by common carrier, reimbursement shall be made at the rate of ____¢ per mile (but in no event shall such mileage allowance exceed common carrier cost). This determination is not required in connection with reimbursement for trips to nearby communities to carry out normal operating functions. Whenever automobile travel is involved, signed records of car expenditures and mileage, or of mileage only in the case of a privately owned automobile, shall be submitted and approved before payment. If two or more persons travel in the same automobile, only one of these persons shall be reimbursed for mileage or for car expenditures.
- e. All travel expenses shall be recorded, signed by the traveler, and approved by the Executive Director, prior to reimbursement.

18. RETIREMENT. All permanent employees are eligible to participate in the retirement plan. Participation is optional with employees as of the effective date of the retirement plan, but participation by any person hired after that date shall be a condition of employment.
19. BONUSES AND PRESENTS. Project costs shall not include the cost of any bonus payments or Christmas or other presents in cash or any other form.
20. ENTERTAINMENT EXPENSES. Project costs shall not include expenses incurred for the provision of entertainment and incidental food and beverages.
21. ADMINISTRATION. The Executive Director shall have the primary responsibility of enforcement of the provisions and purposes of this personnel policy.
22. AMENDMENT. Amendment of the above provisions shall be by resolution of the Board of Commissioners.

LOCAL ADMINISTRATIVE PRACTICES

Section 5. MISCELLANEOUS ADMINISTRATIVE PRACTICES PROVISIONS

1. MEMBERSHIP IN ORGANIZATIONS

- a. Expenditures for agency membership dues and fees in organizations will be considered eligible project costs if:
- (1) The organization furnishes technical or professional information, training, workshops, or other services beneficial to federally sponsored public housing and urban renewal activities.
 - (2) The membership is specifically authorized by official action of the local agency's board or an authorized official of the local agency.
- b. HUD approval is required for inclusion in project costs of agency membership dues and fees. For an organization which has not already been found to qualify under the criteria stated above, it will be necessary for the local agency to submit a justification for inclusion of the dues and fees in project costs on the basis of these criteria.
- c. Project costs shall not include the costs of individual membership of officials and employees in any organization, nor shall project costs include expenditures for membership in an organization any substantial part of whose activities involve the promotion of legislation.

2. MEETINGS, CONVENTIONS, CONFERENCES, SEMINARS. Attendance at conferences, conventions, meetings, seminars, institutes, or workshops shall be limited to the number of persons necessary to cover the meeting adequately as authorized in advance by Board action. When more than one traveler is authorized to attend such meetings, the local agency records shall be documented with justification to support the approval of multiple coverage.

- a. Per Diem and Travel Costs. The policies and expense limitations outlined herein shall apply to all out-of-town travel costs and per diem allowances.
- b. Expenses in connection with authorized out-of-town travel for attendance of local agency officials and employees at conferences, conventions, and committee meetings of organizations which have a broad interest in low-rent housing and/or urban renewal activities at a National, regional, or local level are allowable costs. Also allowable are costs incurred for out-

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of-town travel for attendance at training conferences, seminars, institutes, or workshop meetings. However, attendance at these latter meetings must afford the conferees an opportunity to discuss the means of improving techniques and the current developments in their respective fields of skill or to exchange new ideas for improving operational efficiency.

- c. Out-of-town travel costs and per diem allowances for attendance of representatives of the governing body of the locality at urban renewal or low-rent housing workshop meetings or seminars are allowable costs when authorized by official Board action and concurred in by HUD, provided the meeting agenda is related to problems which require joint local agency and municipal or State solutions and attendance is limited to the minimum number of representatives necessary to cover the meeting adequately for the local government. Meetings and seminars which are devoted solely to broad and general interest range in housing and renewal activities are excluded from this provision.
 - d. Out-of-town travel costs and per diem allowances for attendance at training conferences, seminars, or meetings, the purpose of which is to provide the conferees with elementary knowledge in their respective fields are not allowable.
3. REGISTRATION FEES AND MEALS. Project costs may include registration fees for representatives of the local agency at meetings, conventions, and seminars in accordance with the policies set forth above. The amount of such registration fee must not exceed the specific fee covering attendance at a particular meeting, convention, seminar, or conference and shall not be in lieu of periodic membership dues and fees. Charges to project costs must be supported by copies of the official agenda and a paid receipt for the registration fee. Project costs shall not include that portion of the registration fee covering meals for personnel who receive per diem in lieu of subsistence.
 4. EXPENSES FOR MEETINGS; FOOD COSTS. Charges to project costs of expenses for holding regular or special local agency business meetings shall be limited to the rental of meeting rooms where adequate free space is not available, and to transportation costs of those persons whose attendance is necessary. In addition, project costs may include food costs when local public practice permits payment for food at such meetings, provided:
 - a. Minutes of the meeting are recorded.
 - b. Food costs are reasonable and are incurred in conformity with an officially adopted policy of the local agency for the convening of meetings at which food is to be served.

- c. Food costs do not exceed for each person the price of meals regularly served by local establishments for periodic group meetings.
 - d. Each voucher for food served at such meetings is specifically approved by the local agency governing body, or, if the local agency is a municipality, by the chief executive officer of the organizational unit administering the program activities. The cost of meals for guests of the local agency whose attendance is not necessary to the conduct of local agency operations is not allowable as a project cost.
5. PUBLICATIONS. Project costs may include subscriptions to and purchase of newspapers, periodicals, and other publications which have specific information of value to the local agency in the operation of its program. Subscriptions and purchase of such material shall be limited to the reasonable need of local agency officials and employees.
6. BONUSES, PRESENTS, ENTERTAINMENT EXPENSES. Project costs shall not include the cost of any bonuses or presents in any form, or expenses incurred for the provision of entertainment, meals, or incidental food and beverages (except as authorized above), regardless of local public practice.



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CHAPTER 1. LPA MANAGEMENT
SECTION 6. PROJECT PHOTOGRAPHS

1. TIMING OF PHOTOGRAPHS. Photographs of professional quality shall be taken of the project area prior to submission of the Part I or Combined Part I-II Application for Loan and Grant.
 2. ELIGIBLE COSTS. The cost of project photography and photographs may be included in project costs, except in connection with a project on a three-fourths capital grant basis with limited project costs.
 3. PHOTOGRAPHS TO BE TAKEN. The LPA shall take the following photographs:
 - a. An overall photograph showing the entire project area, including, whenever possible, a prominent landmark suitable for identification (one to three photographs).
 - b. A series of closeup photographs illustrating existing blighting conditions and structures considered to be subject to clearance or rehabilitation (three to five photographs). Whenever possible, a prominent landmark shall be included. If the photographs include people, they shall be representative and unposed.
 - c. Closeup exterior and interior photographs of properties of historic or architectural value which the LPA proposes to restore or move.
 - d. Photographs of architectural drawings or scale models illustrative of the project area after completion of the project (three to five photographs).
 4. IDENTIFICATION OF PHOTOGRAPHS. The following information shall be typed on a slip of paper attached to the back of each photograph:
 - a. Project number.
 - b. Name of locality.
 - c. Address (if shot of individual building).
 - d. Date taken.
 - e. Photographer's name and address.
-

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- f. For exterior shots, the position and direction of the camera shall be indicated by identifying streets or landmarks, or by marks on an accompanying map.
5. SPECIFICATIONS FOR PHOTOGRAPHS. The LPA shall retain one negative and two prints of each photograph. Prints shall be black and white, 8" x 10", medium weight, glossy finish, and unmounted. Each negative shall be placed in a separate protective paper jacket.
6. RETENTION OF PROJECT PHOTOGRAPHS. The LPA shall retain project photographs in its files for at least 3 years after project closeout.

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CHAPTER 1. LPA MANAGEMENT

SECTION 7. DISPOSITION OF LPA PERSONAL PROPERTY

This Section sets forth policies and requirements governing the disposition of office furniture, equipment, and other personal property owned by the project. Such property may be disposed of either by sale or retention by the LPA.

DETERMINATION OF FAIR VALUE

The LPA shall first determine the fair value of the property, by applying the formula of cost less depreciation at rates not in excess of those based on the average useful lives shown in Appendix 1.

RETENTION OF PROPERTY BY LPA

If the LPA decided initially to retain the property for its use in another project or activity, it may do so by depositing to the credit of the project an amount equal to the fair value of the property.

SALE OF PERSONAL PROPERTY

Property With Fair Value Less Than \$100

If the fair value of the property to be disposed of is less than \$100, the LPA shall make such informal inquiry of prospective purchasers as it deems necessary to insure a fair return; document in the permanent LPA record all such inquiries and offers; and issue an appropriate bill of sale, a copy of which shall be retained in the record.

If the LPA elects to reject all offers, it need not sell the property. In such case, it shall deposit to the credit of the project an amount equal to the highest offer received.

Property With Fair Value From \$100 to \$500

If the fair value of the property to be disposed of is \$100 or more, but not more than \$500, the LPA shall solicit at least three bids, orally or in writing, from prospective purchasers; document in the permanent LPA record all bids received; and issue an appropriate bill of sale, a copy of which shall be retained in the record.

If the LPA elects to reject all bids, it need not sell the property. In such case, it shall deposit to the credit of the project an amount equal to the highest bid received.

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Property With Fair Value Greater Than \$500

If the fair value of the property to be disposed of is more than \$500, at least 15 days prior to awarding of a sales contract for the property to be disposed of, the LPA shall place advertisements in newspapers or in circular letters to prospective purchasers and shall post notices in public places describing the property, stating where it may be inspected, and specifying the bid opening and closing dates and the date, time, and place of the public bid opening.

If the LPA wishes to bid on the property, it shall submit a sealed bid within the bidding period specified in the advertisements and notices. Such bid shall be considered with all other bids received.

Bids shall be opened publicly at the specified time and place. The award shall be made to the highest bidder. A tabulation of all bids received shall be made and retained with a copy of the sales contract as a part of the permanent LPA record.

DESTRUCTION, ABANDONMENT, OR DONATION

Personal property shall not be destroyed, abandoned, or donated until every effort has been made to dispose of it by sale or retention. If it has no scrap or salvage value and a purchaser cannot be found, a statement shall be prepared for the property accountability records. This statement shall list the names of prospective bidders solicited and shall state the circumstances governing the destruction, abandonment, or donation, and the date of such action.

* DEPRECIATION SCHEDULE FOR LPA-OWNED TEMPORARY PROJECT IMPROVEMENTS

If the LPA intends to construct or install temporary project improvements (as defined in Chapter 1, RHA 7207.1, Site Preparation and Project Improvements) it shall be required to utilize any equipment which is salvageable in another project without any charge to such project. *

APPENDIX 1 - TABLE OF USEFUL LIVES OF OFFICE FURNITURE AND EQUIPMENT

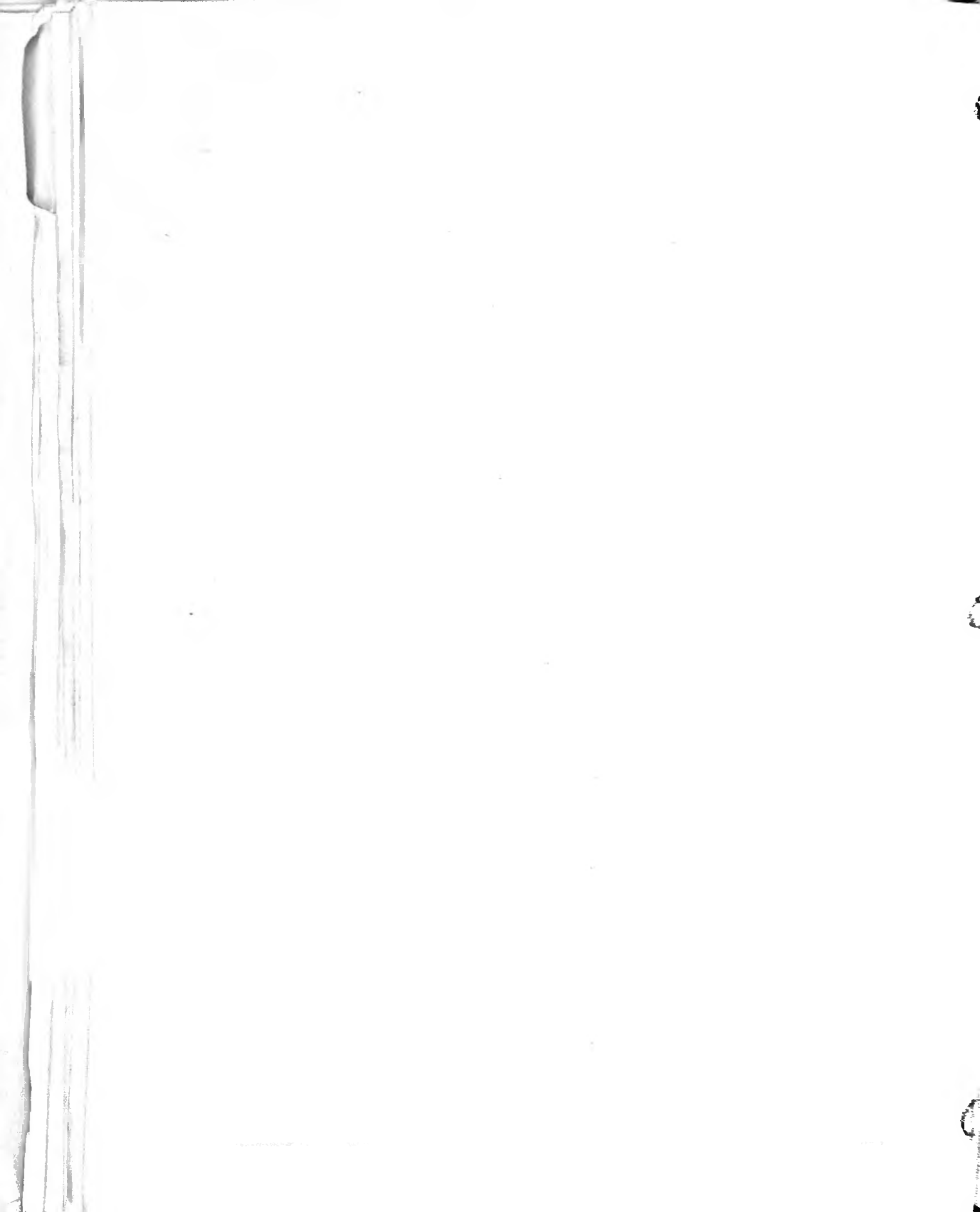
A composite life of about 15 years has been found applicable to office equipment. Where the equipment is segregated into groups, the following lives are recognized:

	Years
Safes	50
Furniture, fixtures, and filing cases	20
Mechanical equipment	8

Item lives are given in the following list:

Average useful life (years)

Adding machines	10	Dictation machines	6
Addressing and mailing machines	15	Duplicating machines	10
Billing machines	8	Fans, electric	10
Binders, looseleaf	20	Folding and sealing machines .	10
Blueprinting machines	15	Helmets, rescue	6
Bookkeeping machines	8	Hospital equipment	15
Cabinets and files	15	Lamps, desk and floor	10
Calculators	10	Linoleum	8
Call system and annunciators .	14	Lockers	25
Cases:		Lunchroom equipment	15
Book	20	Mirrors	20
Display	20	Money machines	10
Chairs:		Numbering machines	10
Bentwood	5	Photographing machines	16
Heavy	16	Pneumatic-tube systems	20
Check perforators	10	Racks and stands	15
Check writers	8	Rugs, carpets, and mats	10
Cleaners, electric vacuum	6	Safes and vaults	50
Clocks:		Scales, counter and mail	10
Time	15	Settees	13
Time-stamping	10	Shades, window	10
Wall	20	Signs, board	10
Coolers, water	10	Tables	15
Credenzas	20	Typewriters	5
Desks	20	Wardrobes	20



CHAPTER 1. LPA MANAGEMENT

SECTION 8. DISTRIBUTION OF LPA ADMINISTRATIVE COSTS

This Section sets forth a procedure for the distribution of administrative costs between programs, projects, and activities of an LPA which is (1) administering other federally assisted activities in addition to an urban renewal project or activity, or (2) administering more than one urban renewal project or activity at the same time.

ADOPTION OF DISTRIBUTION METHOD

The LPA shall formally adopt a method, consistent with the requirements of this Section, for segregating and distributing its administrative costs that will result in an equitable and realistic allocation of expense, as related to current workload, to each program, project, and activity being administered. The method adopted shall provide for the distribution of expense to be made not less frequently than once each month.

When the LPA is also a Local Housing Authority carrying out a low-rent housing program, the method adopted for the allocation of administrative costs must be acceptable to both the Regional Housing Assistance Office and Renewal Assistance Office.

DEFINITIONS

The following definitions shall apply to this procedure:

Project

Unless otherwise indicated, the term "project" includes an urban renewal project; a low-rent public housing project; preparation or completion of a Community Renewal Program; preparation of a General Neighborhood Renewal Plan; a Feasibility Survey; and any other federally assisted program, project, or activity being administered by the local agency, hereinafter referred to as the LPA.

Central Office Costs

Central Office costs include all salary and nonsalary expense incurred for the operation and maintenance of the Central Office of the LPA in administering the projects within its jurisdiction.

Project Costs

Project costs include all salary and nonsalary expense incurred for employees assigned directly to and working on the site of an urban renewal project or a low-rent public housing project being undertaken,

and materials, contractual services, etc., used solely on and for the benefit of such a project.

Salary Costs

Salary costs include salaries, wages, employee benefits (such as health insurance provided by the LPA), and retirement benefits.

Nonsalary Costs

Nonsalary costs include all other expenses, such as travel costs, communications (i.e., telephone and telegraph service), postage, rents, utilities, contracts for common services (such as janitorial and window-cleaning services, and maintenance of office equipment), furniture, fixtures, equipment, and expendable supplies.

Direct Expense

The direct expense category includes:

- (1) All salary costs that can reasonably be identified with activity in connection with specific projects. It includes costs incurred both (a) for employees whose time is devoted wholly to services in connection with a single project, and (b) for employees whose time is divided between two or more projects and whose work is of such a nature that reasonably accurate estimates of time devoted to each project can be made by the employees or their supervisors.
- (2) The cost of those items of furniture, fixtures, and equipment that must be separately inventoried, such as desks, chairs, tables, and office machines.

Indirect Expense

The indirect expense category includes:

- (1) All salary costs that cannot reasonably be identified with activity in connection with specific projects. Examples are salary costs incurred for switchboard operators, receptionists, messengers, janitors, and other personnel who provide common services and whose time cannot feasibly be segregated between duties performed for the benefit of specific projects.
- (2) All nonsalary costs, except those incurred for furniture, fixtures, and equipment.

ALLOCATION OF EXPENSE

All project costs shall be charged directly, as incurred, to the project involved. If a project employee is assigned to provide services for more than one project, his salary costs shall be allocated to the respective projects on the basis of estimates of the percentage of time devoted to each. Records of these estimates shall be maintained in the LPA files for audit purposes. Project costs shall not be combined with Central Office costs for the purpose of computing the basis for allocation of the latter between projects.

Central Office costs shall be allocated in the following manner:

- (1) Direct expense shall be charged to the projects to which it is attributable.

Salary costs of those employees whose services were devoted wholly to one project shall be so charged.

Salary costs of those employees whose services were devoted to more than one project shall be distributed between the respective projects on the basis of estimates of time attributable to each. Records of these estimates shall be retained in the LPA files for audit purposes.

In the event there is a change in administrative workload due to a temporary reduction of activity for any one project, salary costs normally attributable to that project shall continue to be charged to the project pending resumption of normal activity or a redetermination of staffing and salaries appropriate to the change in workload.

Nonsalary costs of furniture, fixtures, and equipment shall be selectively charged, as incurred, in such a manner as will achieve a reasonable distribution of cost between the projects benefiting from their use. Although it is permissible to divide the cost of a number of items of furniture, fixtures, or equipment purchased in a single lot when allocating charges to projects, the cost of each item must be charged to a specific project in order to avoid difficulty in the maintenance of inventory and in the computation of credit at the time of project completion.

- (2) Indirect expense shall be allocated to projects on a pro rata basis in the same proportion as the charges for direct salary costs for the same period.

MUNICIPALITY SERVING AS LPA

When an urban renewal project or activity is undertaken by a municipality serving directly as the LPA, no part of the salary costs of elected officials shall be eligible for inclusion in project costs. However, project costs may include, in appropriate part, salary costs of regular municipal employees who have been assigned to work directly on the project or activity. Charges for these costs must be supported by timecards or similar records.

Salary costs of appointed principal executives of the municipality, such as bureau, department, or office heads, are not eligible for inclusion in project costs, except for the appropriate portion of such costs of the official assigned direct responsibility for the organizational unit administering the urban renewal program.

Overhead and other administrative costs of the municipality not incurred directly as a result of an urban renewal project or activity shall also be excluded from project costs.

SUBMISSION TO REGIONAL OFFICE

A description of the distribution method adopted by the LPA, which may consist of a copy of the LPA procedure, shall accompany the initial application for the first urban renewal project or activity of the LPA. Thereafter, the LPA shall furnish the Regional Office with a copy of any amendment affecting the expense distribution method, at the time the amendment is proposed for adoption. The Regional Office will communicate any objections to the LPA within 30 days; otherwise it should be assumed that the proposal is satisfactory.

CHAPTER 1. LPA MANAGEMENT

SECTION 9. ACKNOWLEDGEMENT OF FEDERAL FINANCIAL ASSISTANCE

Federal participation in the financing of an urban renewal project or activity shall be acknowledged by project signs erected in an urban renewal project as soon as possible after the effective date of a Contract for Loan and Grant and in a notation in any book, pamphlet, plan, report or map prepared by the LPA.

PROJECT SIGNS

Project signs shall include:

- (1) Name of project.
- (2) Name of LPA.
- (3) Nature of Federal financial participation by means of the following phrase: "Renewal of this area is being carried out with financial aid from Renewal Assistance Administration, U. S. Department of Housing and Urban Development."

Optional additional information may include the name of the redeveloper; that of the contractor; that of the architect; project number; the dollar amount of Federal participation; and the dollar amount of local participation.

Project signs shall be weatherproof and shall be carefully maintained until renewal of the area has been completed.

Signs shall have a background of red, white, and blue in 3 equal horizontal segments. Size and number of signs on each project shall be appropriate to the site, and adequate to mark it clearly. Signs shall not be smaller than 4' x 6' nor larger than 8' x 8', except to meet special or local requirements.

No other information shall be included on project signs.

BOOKS, PAMPHLETS, PLANS, REPORTS, AND MAPS

The following notation shall be included in each book, pamphlet, plan, report, or map prepared by the LPA:

The preparation of this /book, pamphlet, plan, report, map/ was financed in part through a Federal /advance, loan, grant, loan and grant/ from the Renewal Assistance Administration, U. S. Department

of Housing and Urban Development, under the provisions of Title I of the Housing Act of 1949, as amended.

The following are exempt from this requirement:

- (1) Material prepared for exclusively internal use within the LPA.
- (2) Material prepared for exclusively internal use within the LPA and the Federal Government; for example, application documentation.
- (3) Material prepared for distribution to project residents; for example, informational material concerning relocation or rehabilitation.
- (4) Land disposal promotional material.
- (5) Any other material that will not be available for public distribution.

This acknowledgment shall be included on the front cover or title page (or, in the case of maps, in the same block) that contains the name of the LPA. Gummed stickers or similar nonpermanent means for incorporating the acknowledgment shall not be used.

A requirement for similar notation shall be included in each contract for professional or technical services executed by the LPA that provides for or will result in the preparation of material of the kind that requires the acknowledgment notation described above.

CHAPTER 1. LPA ADMINISTRATION
SECTION 10. PROGRESS SCHEDULES

1. SCOPE. This section sets forth requirements for scheduling urban renewal progress in all urban renewal projects.
2. REQUIREMENTS. For all projects in planning and execution, the LPA shall establish progress schedules which clearly portray the schedule of activities to be performed and which provide a means to measure actual accomplishment against the schedule. The schedules shall provide for detailed activities during the annual administrative budget year and reflect overall activity to project completion. The schedules shall be maintained on a current basis, be utilized by the LPA to supervise progress, and be available for review by representatives of HUD on a periodic basis. The progress schedules are not a part of the annual administrative budget proposals but must be maintained as a prerequisite to budget approval.
3. ADDITIONAL REQUIREMENTS FOR CERTAIN LPA'S. LPA's with two or more projects in simultaneous execution, having a total of more than \$5 million in undisbursed grant allocations on or after July 1, 1971, shall develop and maintain schedules based on a formal management system utilizing sequential event control (e.g. a PERT-Program Evaluation and Review Technique-Network). In setting up such systems the LPA may consider seeking assistance from management consultants, often other public bodies (including HUD), and from educational institutions. But if these systems and the schedules they produce are to be effective management tools they must become integral parts of LPA operations. Consequently the LPA should develop its employee's knowledge of and ability to use these techniques and should not employ outside assistance after the first year or two.



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SECTION 11. PRINCIPLES AND STANDARDS FOR COSTS APPLICABLE
TO GRANTS AND CONTRACTS WITH LOCAL GOVERNMENTS1. PURPOSE.

- a. This section sets forth the principles and standards for determining the allowable cost of urban renewal programs administered by local governments under grants from and contracts with HUD, and for local governmentwide cost allocation plans where HUD is the "cognizant" Federal agency. For purposes of this section, "local government" means any political subdivision of government below the State level, including cities, towns, counties, municipal corporations, authorities or districts, and multilocality entities established by these subdivisions, to perform a single function or a group of related activities. "Local government: does not include public hospitals, junior colleges, or universities.
- b. This section provides HUD guidelines for implementation of Office of Management and Budget Circular A-87, dated May 9, 1968, with regard to local governments. The principles set forth in that circular are for the purpose of cost determination and are not intended to identify the circumstances or dictate the extent of HUD and local financing of the urban renewal grant or contract. The principles are designed to provide HUD-assisted programs with the means of making uniform cost determinations for those costs recognized under these principles except where restricted by law. This section is to be used in conjunction with HEW document "A Guide for Local Government Agencies," which implements OMB Circular A-87 for the Federal Government, in accordance with the direction of the Office of Management and Budget (formerly the Bureau of the Budget).

2. IMPLEMENTATION. The principles and standards contained herein became effective January 1, 1970.
3. APPLICABILITY. The principles and standards stated herein apply to all HUD urban renewal grants and contracts administered by local governments, departments, and agencies which are part of a local government, unless restricted or prohibited by law.
 - a. The statutory restrictions precluding full compliance are as follows:
 - (1) Those three-fourths grant projects which are authorized by section 103(a) 2(c) of the 1949 Housing Act are precluded by Section 110(e) of that Act from allowing overhead expenses as urban renewal gross project cost, except with

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respect to staff services in connection with programs of code enforcement and voluntary rehabilitation and repair (including community organization).

- (2) Noncash grant-in-aid credit is restricted by section 110(d) (2) and (3) of the 1949 Housing Act to the actual cost of providing the noncash grants-in-aid.

b. Exceptions or waivers not due to statutory restrictions from the provisions of this section can be granted only by the Office of Management and Budget and must be requested through the Secretary, D/HUD. The principles will be effective as follows:

- (1) For contracts with local governments dated prior to January 1, 1970, revised budgets approved after that date, in accordance with existing program requirements, may include costs incurred after that date as stated herein. Recovery of such costs from HUD grants is subject to the availability of funds.
- (2) Contracts with local governments dated on or after January 1, 1970, shall contain provisions for allowance of costs stated herein, if requested by the recipients, in accordance with the guidelines stated below.

4. GENERAL GUIDELINES. To establish uniformity in implementing the provisions of OMB Circular A-87, the Office of Management and Budget has designated the Department of Health, Education, and Welfare (HEW) as the Federal agency responsible for preparing implementing guidelines. These implementing guidelines are to be followed by local governments seeking recovery of costs in accordance with the standards of OMB Circular A-87. "A Guide for Local Government Agencies," (HEW document OASC-8), was prepared with the participation of HUD and other Federal agencies.
5. DETERMINATION OF ALLOWABLE COSTS. The allowable administrative and service costs stated in the HEW guidelines as "Standards for Selected Items of Costs," and such other urban renewal costs as may be allowed by the Assistant Secretary for Community Planning and Development, D/HUD, may be charged as either direct or indirect costs. There is no universal rule for classifying costs as direct or indirect under every local government's accounting system. To assure that duplicate charges are not made, an item of cost should be consistently applied as either direct or indirect costs. Guides for the application of allowable administrative costs, as direct or indirect charges to the urban renewal program, are presented below in paragraphs 6 and 7.

6. DIRECT COSTS. Direct costs are those that are identified specifically with a particular cost objective. They may be charged directly to a specific grant or contract or to cost objectives used for the accumulation of costs for eventual distribution to a particular grant or contract. Typical direct costs chargeable to grants or contracts are:
- a. Compensation of employees for time and effort devoted specifically to the execution of the grant program.
 - b. Cost of materials acquired, consumed or expended specifically for the purpose of the grant program.
 - c. Equipment and other approved capital acquisitions necessary to accomplish the purpose of the grant or contract.
 - d. All items of expense incurred specifically to carry out the purpose of the grant program.
 - e. Services of State or local agencies, other than the agency responsible for the grant program, which are furnished specifically for the grant program.
7. INDIRECT COSTS.
- a. Indirect costs are those incurred for a common or joint purpose benefiting more than one cost objective, and not readily assignable to the cost objective specifically benefited, without effort disproportionate to the results achieved. Charges for indirect costs normally will include items such as the cost of maintaining buildings, utilities, or administrative salaries incurred for the benefit of the urban renewal program as well as other activities of the grantee. Costs incurred by agencies other than the grantee, including but not limited to such central service functions as payroll, motor pool, procurement, personnel administration, etc., may be included in allowable charges of the urban renewal program, if the program benefits from such service. The local government shall fully document its indirect cost distribution in a "local governmentwide cost allocation plan." Distribution of indirect costs within a grantee agency will be documented in an "indirect cost proposal." See pages 1 through 3 of OASC-8 "A Guide for Local Government Agencies" for further clarification of these terms and usage.

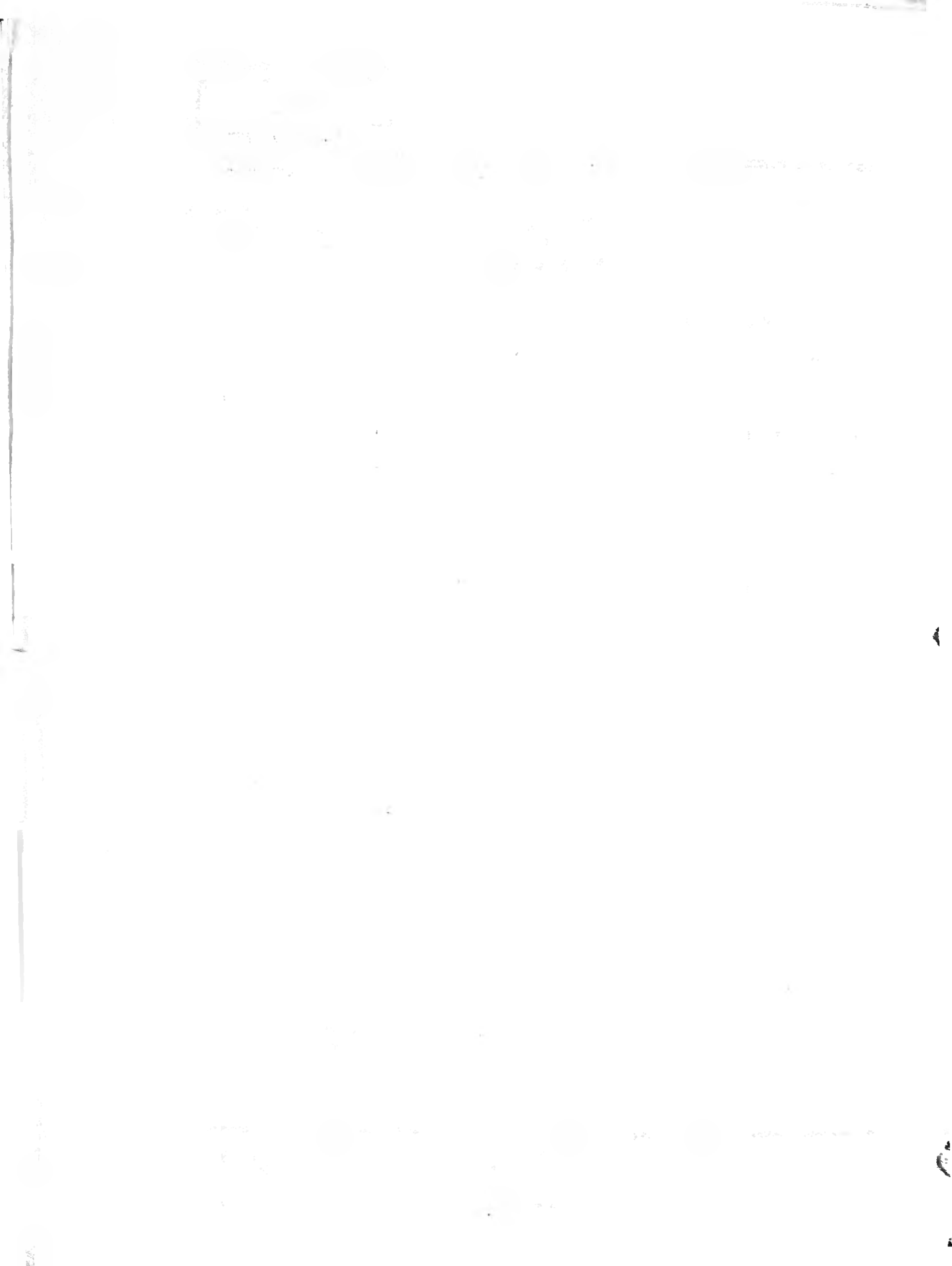
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- b. Charges for indirect costs necessary for the urban renewal program are allowable, provided the distribution computation is fully documented in accordance with OASC-8. As noted therein, a local government seeking recovery of indirect costs must prepare and fully support charges for indirect costs by preparation of a local governmentwide cost allocation plan and indirect cost proposal. The cost allocation plan is not to be submitted for review and approval, prior to seeking recovery for costs allocated therein. However, the fully documented cost allocation plan must be retained by the local government for audit by the "cognizant" Federal agency. A listing of "cognizant" Federal agencies (OASC-9) for counties and municipalities in the urban renewal program has been furnished to HUD Regional Administrators.
- c. Each annual budget submitted for an urban renewal grant in which recovery of indirect costs is sought by the local government shall contain a certification similar to that shown in appendix 1 of this section.
- d. Where another Federal agency has given prior approval to a local governmentwide cost allocation plan or indirect cost proposal, a copy of that approval notification shall be attached to the budget submission.

8. RESPONSIBILITIES.

- a. HUD Area and Regional Offices. Grantees shall consult the HUD Area Office Director, or the HUD Regional Administrator where Area offices have not been established, who is responsible for providing technical assistance for meeting the provisions of this section, to local governments in the area under his jurisdiction, including the response to inquiries concerning the provision herein. He is responsible also for resolving any differences between what the local government believes to be an appropriate distribution of indirect costs and the distribution of costs considered to be correct by HUD audits of local governmentwide cost allocation plans and local government agency indirect cost proposals.
- b. HUD Office of Audit will audit the cost allocation plans for those local governments for which HUD has been assigned cognizance. The HUD auditor will discuss his findings with the local government, and where differences are not resolved he will submit the differences to the Area Office Director or Regional Administrator for resolution.

- c. Other Federal Agencies and Model Cities. A division of Federal responsibility was made for approval of cities' Cost Allocation Plans and Indirect Cost Proposals, which established a single Federal agency as the "cognizant" agency in cities with a population over 50,000. This has resulted in some cities with urban renewal programs being assigned to Federal agencies other than HUD. As a result, each such city should secure information from HUD, such as the name of the Federal agency responsible for its indirect cost matters.



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Sample Form

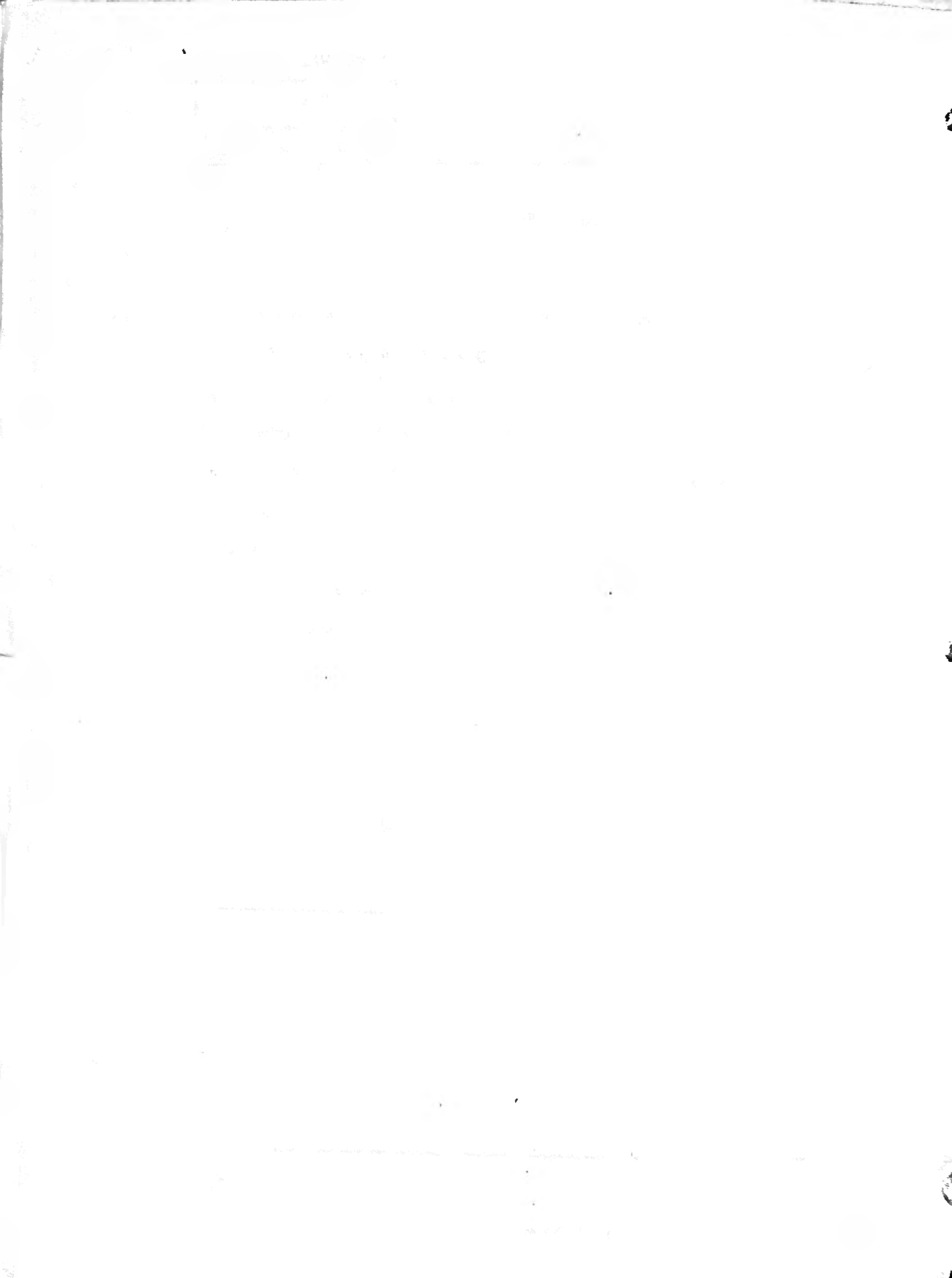
CERTIFICATION

I hereby certify that indirect costs included in the attached budget submission or application for HUD grant are correct and are based on a cost allocation plan prepared in accordance with "A Guide for Local Government Agencies," OASC-6, issued by the U. S. Department of Health, Education, and Welfare. I certify also that procedures were utilized (a) to prevent costs from being allocated to HUD programs as indirect costs that have already been treated as direct costs, and (b) to assure that consistent and equitable treatment was accorded similar costs. Details of the development of indirect costs are fully documented and are available for audit. To the best of my knowledge all costs are and have been equitably allocated or distributed.

Signed: _____

(Official submitting budget or application)

Date: _____



CHAPTER 2. LPA CONTRACTS FOR PROFESSIONAL AND TECHNICAL SERVICES

1. GENERAL. This Chapter contains requirements relating to the procurement of professional and technical services of accountants, architects, engineers, landscape architects, lawyers, planners, surveyors, title companies, urban designers, and other persons performing similar services. The employment of real estate appraisers, option negotiators, and other real estate consultants is covered in RHM 7208.1, Real Estate Acquisition, Chapter 2, and RHM 7214.1, Land Marketing and Redevelopment, Chapter 1, Section 2.
 2. REQUIREMENTS. The following general requirements apply to contracts or agreements covered by this Chapter:
 - a. Contract must be in writing.
 - b. Contract may be negotiated.
 - c. Contract must state the maximum compensation or reimbursement to be paid.
 - d. Proposed contract which includes planning services or legal services involving litigation shall be submitted to the Area Office for concurrence prior to execution. (See paragraph 6. below.) The Area Office may authorize the LPA to execute contracts for planning services without prior HUD concurrence.
 3. CONTRACT FORMS AND SUPPORTING DOCUMENTATION.
 - a. Forms to be Used. Form HUD-621A, Part I--Agreement, may be used as a guide in preparing Part I of a contract for professional or technical services. Form HUD-621B, Part II--Terms and Conditions, contains those provisions which are mandatory requirements for each contract.
 - b. Directions When Not Using Form HUD-621A. If Form HUD-621A is not used in preparing Part I of the contract, the LPA shall follow the guide form as closely as possible, making only such modifications as may be necessary to adapt it to individual circumstances. The LPA shall insure that paragraphs relating to area covered, scope of services, data to be furnished the contractor, time of performance, compensation, and method of payment are drafter so as to reflect specific local objectives and conform to applicable State and local law.
-

- c. Surveys Related Project Eligibility. If the contract provides for the conduct of surveys or studies on conditions of deterioration, blight, or other factors related to project eligibility or to any proposed clearance, including spot clearance in a rehabilitation area, the LPA shall include in Part I of the contract a provision that all survey data, working papers, photographs and negatives, and research material for these surveys and studies shall become the property of the LPA upon completion of the contract.
- d. Documentation in Files. LPA negotiations with proposed contractors must be adequately documented by records in the LPA files which provide:
- (1) Explanation of how the amount of compensation to be paid the contractor was determined.
 - (2) If more than one contractor was considered, identification of others considered, summary of bids or proposals received, and, if the low bid or proposal is not accepted, statement of the considerations governing the selection of the contractor.
 - (3) If only one contractor was considered, explanation of the basis for selection.
4. CONTRACT OR AGREEMENT WITH OTHER PUBLIC AGENCY.
- a. LPA is Integral Part of Local Government. When the LPA is an integral part of the local government, a written agreement or understanding shall be used to obtain professional or technical services from another unit of that government. Under such an agreement, reimbursement shall be limited to costs computed on either of the following two bases, plus incidental expenses actually required and incurred:
- (1) Direct payroll costs determined by timecard records or by some other suitable method of cost accounting; or
 - (2) Estimated unit cost formula.
- b. LPA is Not Unit of Local Government. When the LPA obtains professional or technical services from an agency of the government of which it is not a unit, it shall use a contract or other written agreement. Compensation may be based on reimbursement for actual cost, or on estimated cost based on acceptable account procedures.

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5. CONTRACT WITH PRIVATE CONTRACTOR. Compensation for professional and technical services of a private contractor shall be within the limits of the approved budget and shall not exceed that customarily paid for services of equivalent scope and quality within the locality. Professional or technical services provided on a part-time basis will not be eligible for inclusion in Gross Project Cost in any case where such services are provided by an individual who is paid for full-time services by another Federal or local governmental agency or unit. A contract for planning a project improvement to be provided as a noncash local grant-in-aid shall cover any construction supervision to be offered as an Item I project expenditure (see RHM 7218.1, Budgets and Budget Reports, Chapter 2, Section 1).
6. PROCEDURE FOR OBTAINING HUD CONCURRENCE.
- a. Submission Requirements. The LPA shall submit two copies of each proposed contract for the following services:
- (1) Contracts for or with Project Area Committees.
 - (2) Legal services involving litigation (see RHM 7205.1, Community Requirements, Chapter 3).
- b. Form HUD-621B. If the proposed contract incorporates the provisions of Form HUD-621B, only Part I shall be submitted.
- c. Other Contracts. Contracts for planning, urban design, or similar services shall be submitted for HUD concurrence only if the contracts necessitate an increase in the budget line item for the service involved.



CHAPTER 3. LABOR STANDARDS

SECTION 1. APPLICABILITY OF REQUIREMENTS

Federal labor standards provisions apply to salary and wage rates, fringe benefits, hours of work, "kickbacks," classifications of labor, qualifications for employment, overtime compensation, health and safety measures, equal employment opportunity, and other related matters.

CONTRACT REQUIREMENTS

Federal labor standards provisions must be included in all LPA contracts or agreements for site clearance, project improvements or rehabilitation demonstration work, or subcontracts under any of these, unless the contract or agreement is for work which is:

- (1) Estimated to cost \$2000 or less.
- (2) To be performed by a public body using a work force permanently employed by that public body.
- (3) To be performed by a redeveloper in his capacity as such.

In addition, any work to be provided as a noncash grant-in-aid is not subject to the Federal labor standards.

EQUAL EMPLOYMENT OPPORTUNITY REQUIREMENTS

All LPA contracts or agreements for site clearance, project improvements, or rehabilitation demonstration work, for the disposition of project land for private redevelopment or to a public body, or for construction on project land retained by the LPA, or subcontracts under any of these, are also subject to equal employment opportunity requirements.

Executive Order 11246

Executive Order 11246 prohibits discrimination in employment because of race, color, religion, sex or national origin. All of the above mentioned contracts are subject to the Executive Order unless the contract:

- (1) Is for a project for which a Contract for Loan and Grant was executed prior to, and not amended on or after, July 22, 1963.

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- (2) Does not exceed \$10,000, or, if a contract for standard commercial supplies or raw materials, does not exceed \$100,000. (Contracts shall not be divided into smaller than usual amounts to avoid applicability of the equal employment opportunity clause.)
- (3) Is a subcontract, other than a subcontract for the performance of construction work at the site of construction, below the second tier of subcontracts. (A contract of the LPA is a prime contract; therefore, this exemption begins with the third level of subcontract.)
- (4) Is with a public body using a work force permanently employed by that public body.
- (5) Is for the disposition of project land to (a) a Federal agency, or (b) an LHA for use as a site for federally assisted low-rent public housing. Subcontractors, however, will be subject to the Executive Order unless the subcontract falls within one of the exempt categories set forth above.

HUD Equal Employment Opportunity Requirements

All contracts exempt from Executive Order 11246 for the reasons cited above, are subject to HUD equal employment opportunity requirements.

LANGUAGE IN CONTRACTS

Federal labor standards provisions are contained in Form HUD-3200, Federal Labor Standards Provisions. The guide forms of contracts for site clearance and project improvements already include such language. If the LPA does not use a guide form of contract for work subject to Federal labor standards, or if a guide form of contract does not exist (such as a contract for rehabilitation demonstration work), it shall attach Form HUD-3200 to the contract and make it a part thereof.

The guide forms of contracts for site clearance, project improvements, and for the disposition of project land for private redevelopment or to a public body, also include the appropriate language regarding equal employment opportunity.

In order to clarify the matter, however, the appropriate language for inclusion in contracts is set forth below. Executive Order 11375 amends Executive Order 11246, effective October 13, 1968, by deleting "race, creed, color or national origin" and substituting "race, color, religion, sex or national origin."

Contracts Subject to Executive Order 11246

All LPA contracts subject to Executive Order 11246 must include the following language:

(a) The Contractor will not discriminate against any employee or applicant for employment because of race, creed, color, or national origin, and after October 13, 1968, because of race, color, religion, sex or national origin. The Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, creed, color, or national origin, and after October 13, 1968 without regard to race, color, religion, sex or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Agency setting forth the provisions of this nondiscrimination clause.

(b) The Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without regard to race, creed, color, or national origin, and after October 13, 1968 without regard to race, color, religion, sex or national origin.

(c) The Contractor will send to each labor union or representative of workers with which the Contractor has a collective bargaining agreement or other contract or understanding, a notice, to be provided, advising the labor union or worker's representative of the Contractor's commitments under Section 202 of Executive Order 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(d) The Contractor will comply with all provisions of Executive Order 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(e) The Contractor will furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor or the Secretary of Housing and Urban Development thereto, and will permit access of his books, records, and accounts by the Local Public Agency, the Secretary of Housing and Urban Development, and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

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(f) In the event of the Contractor's noncompliance with the nondiscrimination clauses of this Contract or with any of such rules, regulations, or orders, this Contract may be canceled, terminated, or suspended in whole or in part and the Contractor may be declared ineligible for further Government contracts or federally assisted construction contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(g) The Contractor will include the provisions of paragraphs a through g in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Contractor will take such action with respect to any subcontract or purchase order as the Local Public Agency or the Department of Housing and Urban Development may direct as a means of enforcing such provisions, including sanctions for noncompliance: Provided, however, that in the event the Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the Local Public Agency or the Department of Housing and Urban Development, the Contractor may request the United States to enter into such litigation to protect the interests of the United States.

Contracts Subject to HUD Requirements

All contracts that are exempt from Executive Order 11246 are subject to HUD equal employment opportunity requirements and must include the following language:

(a) The Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. The contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Local Public Agency setting forth the provisions of this nondiscrimination clause.

(b) The Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.

(c) The Contractor will cause the foregoing provisions to be inserted in all subcontracts for any work covered by this contract so that such provisions will be binding upon each subcontractor, provided that the foregoing provisions shall not apply to contracts or subcontracts for standard commercial supplies or raw materials.



CHAPTER 3. LABOR STANDARDS

SECTION 2. DETERMINATION OF PREVAILING SALARIES OF TECHNICAL PERSONNEL

1. REQUIREMENT. Following the execution of a Contract for Loan and Grant, salaries prevailing in the locality, as determined or adopted (subsequent to a determination under applicable State or local law) by HUD, are the minimum salaries that may be paid to technical personnel employed on the project. Such technical personnel include planners, engineers, architects, landscape architects, draftsmen, and surveyors (chief of party, instrumentman, rodman, and chainman).
2. DETERMINATION BY HUD. If no determination of prevailing salaries has been or is to be made under State or local law, the LPA shall so state in the Part I or Combined Part I-II Loan and Grant Application for the first project, and shall request HUD to make the determination. (See RHM 7206.1, Project Applications, Chapter 2, Code No. R-202.) The LPA will receive HUD's determinations on Form HUD-647, Determination of Prevailing Salaries of Technical Positions. The determinations will suffice for the duration of all urban renewal projects to be undertaken in the locality unless changes in the prevailing salary rates necessitate new determinations, in which case the LPA will be notified of the changes.
3. ADOPTION OF DETERMINATIONS MADE UNDER STATE OR LOCAL LAW. When prevailing technical salaries are to be determined by the LPA or any other public agency under State or local law, the LPA shall submit a signed copy of Form HUD-648, Request for Adoption of Salary Determinations Made Under State or Local Law, and two signed copies of Form HUD-648A with the Part I or Combined Part I-II Loan and Grant Application for the first project. (See RHM 7206.1, Project Applications, Chapter 2, Code No. R-202.) The LPA will receive HUD's adoption of the local determinations on a completed Form HUD-648. The LPA shall request adoption of new salary determinations made under State or local law when the determinations reflect changed salary rates.
4. INSTRUCTIONS FOR PREPARING FORM HUD-648.
 - a. In Block D, enter "public" or "private" for the type or class of employee covered.
 - b. In Block E, cite State or local laws pursuant to which the determination has been made and attach a certified copy of the ordinance or resolution embodying the determination.

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- c. In Block L, enter the salary rates for only such classifications as are included in the determinations made under State or local law. HUD will make the determination on Form HUD-647 with respect to classes of personnel or job classifications not covered by the local determination.
5. DETERMINATIONS INCLUDED IN CONTRACTS. Each determination and each adoption of a local determination by HUD shall be made a part of each contract to be entered into by the LPA involving the employment in the execution of a project of any of the technical personnel covered by the determination or adoption.

CHAPTER 5. CITIZEN PARTICIPATION

SECTION 3. GUIDELINES FOR REVIEW OF PAC
SUBMISSIONS AND ADVICE AND
ASSISTANCE TO PACS

1. PURPOSE. This section sets forth Regional and Area Office instructions and guidelines that implement current HUD policy relating to citizen participation as described in sections 1 and 2.
2. REVIEW OF REPORTS ON CITIZEN PARTICIPATION. The Area Director shall be responsible for insuring that there is a review of the Reports on Citizen Participation submitted by the LPA under Checklist Codes No. R 117 and R 217. Policy and technical issues shall be referred to the Community Services Advisor and other appropriate Area Office staff as necessary. The Community Services Advisor shall retain a copy of each Report on Citizen Participation.
 - a. Information on Project Area Committees. The following guidelines shall be used in evaluating reports on Project Area Committees (PACS) submitted by the LPA's.
 - (1) Checklist Code No. R 117
 - (a) Establishment and Composition. Each report must show that the PAC will be established in cooperation with local residents and groups and that it will represent a fair cross section of residents of the urban renewal area. This means that the PAC should include representatives from all ethnic groups, income levels, and geographic areas in the project area. The establishment of the PAC should be scheduled as early as possible during the Survey and Planning stages. Proposed resident involvement must not be confined to narrow, special-interest groups or quasi-professional associations. Special efforts should be planned to include poor persons who may not be members of existing community groups which are being brought into the PAC.

- (b) Structure and Access. The report must show that the structure of the PAC will be acceptable to the residents. It must also indicate that the PAC will have access to relevant decision-makers. For example, if the project director and his staff actually draw up the Part I Application, the PAC should have access to it, not just to a lower level community organization specialist. The PAC should have access to these officials at appropriate points in the decision-making process so that the PAC's views can be presented before, not after, decisions are made.
- (c) Role in Planning and Execution. The role of the PAC should be collaborative rather than duplicative or competitive with the LPA, in the planning and execution of the project. The report must describe the expected role of the PAC in the planning and execution of the project. The PAC should be involved in early stages of the decision-making process relating to formulation of the Part I Application, while options are still open respecting the specific types of renewal action to be undertaken. Specific activities which may be undertaken by the PAC during Survey and Planning stages, include meeting with the LPA in regard to important decisions; conducting information programs to keep all project residents informed of the proposed activities; and participating in social surveys and followup programs, as well as in relocation and rehabilitation surveys. The report also should indicate proposed training programs to enable residents to fill a variety of subprofessional and other roles in the project during the execution stages.
- (d) Information. The report must show that adequate information will be given to the PAC. Detailed and precise information will be required. Statistics, studies, and reports that local officials use to draw up the Part I Application should be available to the PAC. The PAC must receive information sufficiently in advance of the time decisions are actually made, in order to evaluate data and to
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formulate alternative proposals, if necessary. LPA's can help to assure an adequate exchange of information by holding periodic progress review meetings with the PAC, including presentation of problems and potential solutions by LPA staff and consultants.

- (e) Technical Assistance. The report must describe the proposed office space, staff, and secretarial assistance to be given to the PAC. Technical assistance may be provided by assigning members of the LPA staff to work with the PAC or by contracting with consultants who will provide services to the PAC. Consultants must be mutually acceptable to the PAC and the LPA. The additional cost of providing staff or consultant services to the PAC should be modest in proportion to the total planning cost. A PAC which is actively involved in close collaboration with the LPA in the formulation of the urban renewal plan will require more technical assistance than a PAC which merely reviews project plans developed by the LPA. Technical assistance funds may not be used for the preparation of alternative plans, but sufficient funds should be provided to assure that the PAC can understand feasible alternatives and can advance suggestions of its own. The LPA may contract with the PAC to prepare the urban renewal plan if the PAC has the legal capacity and administrative competence to do so. The local governing body is, of course, primarily responsible for approval of the plan. In such cases, the planning cost should be no greater than the cost normally incurred for planning under a third party contract.

(2) Checklist Code No. R 217

- (a) Establishment and Composition. The report must state when the PAC was established. The ethnic, income-level, and geographic composition of the PAC should be indicated, describing groups represented, as well as unaffiliated individuals. Existing neighborhood groups must have a role in

the PAC, and newly-formed groups should not be excluded from membership. Resident involvement must not be confined to narrow, special-interest groups or quasi-professional associations. Special efforts should have been made to assure that the PAC adequately represents the very poor, who may not be members of existing community groups which are part of the PAC.

- (b) Structure and Access. The report must describe the organizational structure of the PAC. The PAC should have access to relevant decision-makers at appropriate times. The report must describe the actual means provided to the PAC for such access to the LPA, e. g., joint meetings, informational sessions, hearings, etc. The frequency of meetings of the PAC must be indicated. A rigid schedule of meetings is not necessary, but the PAC should meet sufficiently often in order to maintain continuous and active involvement. Location of meetings must be indicated. It should be a convenient location so that the greatest number of PAC members and/or other area residents can attend. Meetings in the project site office might be appropriate.
- (c) Role in Planning and Execution. The role of the PAC should be collaborative, rather than duplicative or competitive with the LPA, in the planning and execution of the project. The report must describe activities undertaken by the PAC during the Survey and Planning stages. It must also indicate the significant issues with which the PAC dealt during this stage, the recommendations made by the PAC, and the results of those recommendations. The report also must describe the proposed activities to be undertaken by the PAC during the execution stage of a project. Such activities may include a referral system in conjunction with the social survey; technical assistance to residents in planning various types of self-help projects such as cooperative laundries, furniture repair, furniture moving, day care, etc.; activities in conjunction with the property management program; cooperative rehabilitation activities;
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relocation aides; and programs to train residents to fill various subprofessional and other positions in connection with the project.

- (d) Information. The report must describe the type of information given to the PAC during the Survey and Planning stages, as well as that proposed to be given during the execution of a project. Detailed and precise information will be required. Statistics, studies, and reports that local officials use should be available to the PAC. The PAC must receive information sufficiently in advance of the time decisions are actually made, in order to evaluate data and to formulate alternative proposals, if necessary. The report must describe any meetings held with the PAC and the problems and potential solutions presented to the PAC by the LPA and/or consultants.
- (e) Technical Assistance. The report must describe the office space, staff and secretarial assistance given to the PAC during Survey and Planning stages, as well as that proposed to be given during the execution stages. The report must indicate the type and form of technical assistance given and must identify any consultants who are hired. If the PAC prepared the urban renewal plan, the report must indicate that technical assistance may be provided by assigning members of the LPA staff to work with the PAC or by contracting with the consultants, who will provide services to the PAC. Consultants must be mutually acceptable to the PAC and the LPA. The additional cost of providing staff or consultant services to the PAC should be modest, in proportion to the total project cost. A PAC which is actively involved in close collaboration with the LPA, in the execution of the urban renewal plan, will require more technical assistance than a PAC which merely reviews project activities executed by the LPA. Technical assistance funds should be sufficient to assure that the PAC can participate meaningfully during the execution stage.

- b. Action Following Review of Report. The acceptability of the LPA report relating to citizen participation will be based upon the criteria described in paragraph 2a.
- (1) Deficiencies in Reports Relating to PAC. If deficiencies are found in a report relating to a PAC, the Area Director shall insure that technical assistance shall be given the LPA in resolving difficulties and/or in facilitating measures that will meet citizen participation requirements. Except in the case of minor deficiencies, applications which do not meet citizen participation requirements will not be approved until these requirements are fulfilled.
 - (2) Failure to Establish a PAC. If a PAC is not established in an urban renewal project involving residential rehabilitation, the LPA's application shall not be approved until the requirement is fulfilled.
 - (3) Timely Processing of Applications. So as not to delay the processing of applications, the Area Director shall assign the appropriate staff to work with the LPA, prior to submission of applications to help assure that all requirements relating to citizen participation are satisfactorily fulfilled.
 - (4) Recommendation to Area Director. Upon completion of the review of a Report on Citizen Participation, a memorandum shall be prepared recommending approval or disapproval of an application, based on the acceptability of the Report on Citizen Participation. A copy of the memorandum shall be retained by the Community Services Advisor.
3. ADVICE AND ASSISTANCE TO LPA.
- a. General. The Area Director shall utilize appropriate staff of the Housing Programs Management Branch and the Program Manager, to provide advice on policy and general technical assistance on citizen participation matters.
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- b. Preapplication and Midplanning Conferences. Advice and assistance regarding citizen participation requirements shall be furnished to the LPA at the preapplication and midplanning conferences.
- c. Onsite Visits. An Area Office representative shall attend a meeting of each PAC at least once during the first year the PAC is established. The purpose of the visit will be to determine whether the PAC has been established in accordance with HUD policy. The visit may be made by the Community Services Advisor or by the Community Development Representative (Renewal) with appropriate consultation with the Community Services Advisor. A report on the activities of the PAC and its relationship with the LPA shall be submitted to the Program Manager with a copy retained by the Community Services Advisor. Appropriate Area Office staff also should assure that the LPA's are providing project residents with the fullest opportunity to participate in project activities and are providing them appropriate information, access to decision makers, and to technical assistance. Area Office staff should attend citizen meetings and review PAC and LPA organizational arrangements, as necessary, to insure implementation of HUD policy.
4. PROJECTS FOR WHICH ESTABLISHMENT OF A PAC IS OPTIONAL. RHM 7217.1, LPA Administration, chapter 5, section 2, requires the establishment of a PAC for each project involving residential rehabilitation and encourages establishment of PAC's for all other projects. Accordingly, upon receipt of all LPA applications for projects that are not subject to the PAC requirement, the Area Director shall insure that appropriate staff members are informed of the applications, so that steps are taken to encourage the establishment of PAC's for those projects. The following factors shall be given special attention in this regard:
- a. The possibility that rehabilitation activities will be proposed at a later date.
- b. The presence of difficult relocation or other problems involving residents of the project area.

- c. The undertaking of project activities, such as social surveys and property management activities which might be materially assisted by a PAC.
- d. The expressed desire of local residents to participate in the urban renewal process through the establishment of a PAC.

5. ENCOURAGING CITIZEN INVOLVEMENT IN PROJECT

ACTIVITIES. The Area Director shall assure that the LPA is aware of project activities which are particularly appropriate for citizen involvement. The following suggested activities are in addition to the PAC's involvement in the general planning of the urban renewal project:

- a. Social Surveys. In the analysis of neighborhood problems and in the establishment of programs to help ameliorate those problems, citizen participation can greatly contribute to the success of these activities and can aid citizen groups in developing information about area problems. Citizens can help plan and administer social surveys and can play important roles in the implementation of a problem referral system. Salaries for residents, who are employed as interviewers, are an eligible project cost. (See RHM 7213.1, Social Development, chapter 1.)
- b. Property Management. Citizens can be employed in a variety of property management services. A PAC can help set up training programs for residents in order to enable them to fill the available program management jobs. The PAC can also contribute to the development of property management policies, especially those regarding needed municipal services. (See RHM 7211.1, Property Management, chapter 1.)
- c. Rehabilitation. Citizens can aid in making rehabilitation surveys, by distributing information regarding assistance that is available for rehabilitation activities and by encouraging rehabilitation activities through the formation of special rehabilitation subcommittees or other means. (See RHM 7210.1, Rehabilitation, chapter 1.)

- d. Relocation. Citizens can aid in making relocation surveys, in distributing information regarding relocation assistance and in a variety of services to reduce hardships for those displaced from a renewal area. (See RHM 7212.1, Relocation).
6. REPORT ON PAC'S. It is important that the Central Office be informed of the status and progress of the PAC's. For this reason, a report shall be submitted summarizing PAC information that is submitted by LPA's and which contains evaluations of the PAC's which have been established. The report shall be submitted on a quarterly basis, beginning with January 1 of each year, with copies to the Area Director; the Special Assistant for Citizen Participation in the Office of the Deputy Assistant Secretary for Community Development; and the Director, Counseling and Community Services Division, in the Office of the Assistant Secretary for Housing Management.

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SECTION 3. HEALTH INSURANCE

1. APPROVABLE FORMS OF HEALTH INSURANCE. Five major forms of health insurance may be obtained to protect against health care expenses. They are hospital expense, surgical expense, regular medical expense, major medical expense, and disability income protection. The first four help insured persons pay hospital and doctors' bills as well as the cost of other medical care services. Disability income insurance provides benefits which help replace income lost as a result of sickness or accident. These forms may be combined to achieve the type and degree of protection desired.
2. NONAPPROVABLE FORMS OF HEALTH INSURANCE. Several types of special risk policies supply coverage for risks or hazards of a special or limited nature which are inappropriate for general applicability. As such, employer contributions for these forms of coverage shall not be eligible operating expenses. Examples of special risk policies are:
 - a. Flight Insurance. A form of policy to cover aviation accidents on public passenger planes for the duration of a one-way or round-trip flight. The cost of such coverage shall not be reimbursable as an actual subsistence expense for travel.
 - b. Travel Accident Policies. Various forms of travel accident policies are sold on an annual premium basis. They provide benefits for specified kinds of travel accidents. Some cover loss of life only, with high indemnity limits.
3. PARTICIPATION. A local agency may provide health insurance coverage as part of and within the cost of coverages below:
 - a. Public Plan. When a local agency is required to participate or elects to participate in a State or locally governed public health insurance plan, local agency contributions shall be charged in accordance with the employee-employer sharing formula applicable to other public members. When a local agency is not permitted to participate in a public health insurance plan, it may establish a comparable private health insurance plan. In this event, the type and extent of coverage, as well as the employee-employer sharing formula, shall not exceed the basis applicable to the public plan.
 - b. Private Plan. When a local agency elects not to participate in a public health insurance plan, it may establish an approvable form of health insurance plan for its employees through a private insurer, under the following provisions:

- (1) Not more than fifty percent (50%) of the total premium expense of the plan shall be an eligible charge to a HUD-aided low-rent public housing or urban renewal program, and
- * (2) Effective January 1, 1971, the total annual charges to the HUD-aided program shall not exceed 3 percent of the combined annual compensation of participating employees in local agencies with more than ten participants, or 3-3/4 percent of the combined annual compensation of participating employees in local agencies with ten or less participants, and
- (3) Participants shall contribute that portion of the excess premium not covered in (1) or (2) above. In the event the limitation of 3 (or 3-3/4) percent is insufficient to provide a 50 percent local agency contribution, then the local agency contribution for each participating employee shall be a reduced percentage equal to the percentage which the 3 (or 3-3/4) percent limitation bears to the total premium cost of the plan. For example:

Total Annual Premium Cost		\$7500.00
50% of Premium Cost		3750.00
3% of Salaries		3000.00
Reduced LA percentage:		
<u>3% of Salaries</u>	=	$\frac{3000}{7500}$ =
Total Premium Cost		40%

In such case, the employee cost would be 60%.

- (4) The plan may cover the individual employee and his family provided family coverage is defined to exclude children who have attained age 23 and children who are no longer dependents of the employee. (Note: The age 23 limitation need not be applicable to dependent children who are incapable of self-support because of a physical or mental incapacity, or who are classified as students within the meaning of the particular medical-care plan provisions.)
- (5) The salaries of participants referred to herein shall be those actual salaries of employees at the time the plan is approved.

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CHAPTER 3 SECTION 3

CLASSIFICATION OF LABORERS AND MECHANICS

If, after receipt of a wage determination, it is found that any class of laborers or mechanics which is not listed in the wage determination is to be employed upon the work involved, the LPA shall require that such laborers or mechanics be classified or reclassified conformably to the wage determination. A report of any such classification or reclassification shall be submitted to the Regional Office. If the interested parties cannot agree on the proper classification or reclassification, the LPA shall submit a request to the Regional Office, in the same manner as above, for a final determination by the Department of Labor. The request shall be accompanied by the recommendation of the LPA as to the proper classification or reclassification.

If it becomes necessary to use workmen in a labor classification not covered by the determination and the interested parties cannot agree on the proper classification or reclassification, the rate recommended by the LPA may be used pending a final determination by the Department of Labor. The request to the Regional Office for a final determination on a retroactive basis shall include the date of the bid opening of the contract involved. The wage rate will be determined by the Department retroactively to the date of original determination, and any necessary wage adjustment shall be made to the beginning date of employment of the workers under that classification.

DETERMINATIONS FOR APPRENTICES

If any wage rates are specified in the determination for apprentices, they shall apply only to persons employed in a bona fide apprenticeship program registered with a state apprenticeship agency which is recognized by the Department of Labor, or, if no such recognized agency exists in a State, in a program registered with the Department of Labor.

DETERMINATIONS INCLUDED IN CONTRACTS

The schedule of prevailing wage rates determined by the Department of Labor shall be included in the bidding documents and made a part of each contract respecting which the determination has been made.

All actions modifying an original wage determination prior to the award of the contract or contracts for which the determination was sought shall be applicable thereto. However, a modification received by the Regional Office later than 10 days before the bid opening shall not be effective except when the Regional Office finds that there is a reasonable time for the LPA to notify bidders of the modification and notifies the LPA accordingly.

POSTING OF WAGE RATES

- The following shall be posted at conspicuous points on the project site:
- * (1) Department of Labor poster WHPC Publication 1240, available from its Regional or District Offices of Wage and Hour and Public Contracts Divisions or the Superintendent of Documents, Government Printing Office, Washington, D. C. 20402.
 - (2) Wage rate determination, attached to poster. *
 - (3) Statement of all deductions, if any, permitted by law to be made from unpaid wages actually earned by the laborers and mechanics, attached to poster.

The LPA shall require each contractor to make the required postings after the contract has been awarded and right of access to the site has been obtained.

PAYROLLS

The LPA shall obtain from each contractor and subcontractor one certified copy of each payroll, on Form WH-347, which shall be made available for inspection by the Department of Labor. The principal certification is included on the rear side of this form. Contractors desiring to attach printed certifications to their own payrolls should be advised to use Form WH-348 for this purpose. In this case, contractors' payroll forms must contain all the information required on Form WH-347.

The LPA shall continue to furnish contractors and architect-engineers with sample copies of the form at the preperformance conference.

- * Form WH-348 is for sale by the Superintendent of Documents, Government Printing Office, Washington, D. C. 20402 at a cost of \$1.25 per pad of 100. Form WH-347, the optional payroll form, replacing Form SOL-184, may be obtained from the Superintendent of Documents in pads of 100 (including one copy of the instruction sheet, Form WH-347 Inst., with each pad) and will cost \$1.72 per pad. *

CHAPTER 3. LABOR STANDARDS**SECTION 4. ENFORCEMENT OF LABOR STANDARDS**

The LPA is responsible for detecting all cases of noncompliance with the labor standards provisions of each contract, including salary and wage rates, fringe benefits, hours of work, "kickbacks," classifications of labor, qualifications for employment, overtime compensation, health and safety measures, and equal employment opportunity.

AFFIRMATIVE ACTION PROGRAMS

A contractor subject to Executive Order 11246 or to HUD equal employment opportunity requirements, is obligated to take affirmative action to ensure that employees and applicants for employment are not discriminated against because of race, color, religion, sex, or national origin. The LPA is responsible for reviewing contractor performance to ensure that this requirement is being met. Those required to prepare and submit their affirmative action programs in writing are employers having:

- (1) Prime contracts of \$100,000 or more on projects costing \$1 million or more.
- (2) Subcontracts of \$100,000 or more on projects costing \$1 million or more, where such subcontracts will employ the higher-paid trades (such as plumbers, electricians, or iron workers), and have little or no minority-group representation locally.
- (3) Contracts or subcontracts which are not covered by items (1) or (2) above, but which, because of location or other special factors, are specifically identified by HUD.

Form HUD-907, Instructions for Contractors Regarding Affirmation Action under Executive Order 11246, defines and explains affirmative action requirements to members of the public. To facilitate early orientation, all potential bidders for a contract subject to the Executive Order are to be supplied with information copies of HUD-907 at the time of bid offering. Potential bidders are also to be advised at this time of HUD policy as to submittal of written affirmative action programs, whenever there appears some likelihood that the requirement may be imposed.

The LPA shall also provide a copy of Form HUD-907 to each prime contractor and each nonexempt subcontractor either with the contract

award or at the preconstruction conference, whichever occurs earlier in the program involved.

Generally speaking, the contractor shall deliver his written affirmative action program to the LPA within 15 days from receipt of Form HUD-907.

The LPA shall submit two copies of each written affirmative action program submitted by the prime contractor and subcontractors to the Regional Office. These are to be forwarded to HUD only when the LPA is satisfied that they are adequate, but in no event later than 30 days after the contractor or subcontractor has received his "action" copy of Form HUD-907.

PRECONSTRUCTION CONFERENCES

Before work is commenced on a contract, a preconstruction conference shall be called by the LPA for the purpose of discussing the labor standards provisions of the contract. The conference shall be held, as appropriate between:

- (1) The LPA and the redeveloper, for a contract for the sale of land for private redevelopment.
- (2) The redeveloper, his prime construction contractor (if the redeveloper does not serve as his own prime contractor), and subcontractors.
- (3) The LPA, the prime contractor, and subcontractors, for a contract involving site clearance, project improvements, rehabilitation demonstration work, or construction on project land retained by the LPA.

The LPA shall participate in all conferences between the redeveloper and his contractors.

TIMING OF PRECONSTRUCTION CONFERENCES

Whenever practicable, the LPA's conference with the redeveloper should be held at the time the disposition agreement is executed. A primary objective of this conference is to emphasize the importance of the redeveloper selecting construction contractors whose commitment to equal employment practices can be assured; therefore, it is important that the conference be held as early as possible.

All other conferences should be held sufficiently in advance of the assembly of the work force to permit effective implementation of equal employment objectives, including those involving advertising,

recruitment, and selection. In determining the appropriate time for the conference, the LPA should evaluate such factors as the normal lead time between the award of the contract and the beginning of work, whether the contractor will employ his own work force, or will sub-contract, the type of construction skills needed, and the speed with which construction skills can be obtained from nondiscriminatory sources.

It may be necessary to schedule more than one conference involving the prime contractor and subcontractors, in the event that additional subcontractors are selected following the initial conference. It is more important that the initial conference be held in advance of the assembly of the work force, as indicated above, than that all potential subcontractors participate in the same conference.

ATTENDANCE AT CONFERENCES

The LPA shall notify the Regional Office of a proposed conference, so that a Regional Office representative may participate, when the conference involves or results from (1) an LPA prime contract, including a land disposition contract, for an amount exceeding \$100,000, or (2) a land disposition contract which is itself \$100,000 or less, but for which the costs of resulting construction may reasonably be expected to exceed \$100,000.

The LPA executive director should conduct those conferences which are most critical in terms of potential size of the construction work force, past performance of the contractors involved, or similar factors. Other LPA representatives should include the officials in charge of land disposition, redevelopment, or site clearance and project improvements, as appropriate to the nature of the contract.

The LPA should request the redeveloper to send, as his representatives at the conferences, officials who will have authority to enforce contract terms.

Prime construction contractors and their subcontractors should be represented by officials who will be directly responsible for the selection of the work force and for supervision over construction workers.

If a contract is with a redeveloper who has obtained a commitment for FHA mortgage insurance, the LPA shall invite the FHA Insuring Office to send a representative to the conference.

CONFERENCE AGENDA

The LPA official conducting the conference shall:

- (1) Review the contract provisions pertaining to labor standards and the "Anti-Kickback Act Regulations" to assure that they are fully understood by the prime contractor and all sub-contractors.
- (2) Review the wage rate determinations and the schedule of classifications for the contract and determine whether any additional classifications or reclassifications must be made. Extreme care shall be taken to assure that the classifications used accurately describe the work to be performed.
- (3) Review the contract provisions pertaining to equal employment opportunity to assure that the requirements are fully understood and that all hiring practices are in conformance with the contract provisions. The review shall include the following:
 - (a) Summary by LPA representative of the contractor's obligation (i) to take positive action to assure that his procedures provide for, and his officers and employees practice, nondiscriminatory action in all employment matters, and (ii) to include the equal employment opportunity contract provisions in all sub-contracts, except those specifically exempted from the requirements of Executive Order 11246. With respect to Item (i), it is not sufficient for a contractor to assume that there is no discrimination in his organization simply because there have been no formal complaints from applicants or employees.

It is expected that a contractor's affirmative action program will include actions suited to carrying out the principles listed in Form HUD-907 to show that top management of the company intends to, and will exert positive effort to assure equal opportunity in employment.

If hiring is restricted by agreement to members of a union which discriminates, the contractor should make every effort to persuade the union to change its policy.

In summarizing and explaining the contract requirements, the LPA representative should note that Executive Order 11246 requires that the contractor provide equal employment opportunity in all aspects of his employment. Although primary emphasis will be given to assuring that the requirements are met on work performed under the federally assisted construction contract, the non-

discrimination clause applies to administrative, supervisory, professional, and clerical personnel and employees engaged in construction work outside of urban renewal project areas as well as direct construction employment under the contract.

- (b) Discussion of recruitment sources normally used by the contractor and of any problems anticipated in obtaining a work force from nondiscriminatory employment sources. Discussion of action to be taken with respect to discriminatory sources, including referral to an appropriate Federal, State, or local agency, to resolve such problems. Discussion of alternative sources for obtaining skilled workers, including special training programs.
 - (c) Statement by LPA representative that all contractors will be subject to continuing surveillance and that a contractor will be informed of any violations coming to the attention of the LPA or representative of the Federal Government and given an opportunity to comply. The contractor shall be advised that voluntary compliance is desired by the Government, but that sanctions may be imposed if the contractor fails to comply.
- (4) Explain the way in which any applicable fringe benefit requirements can be satisfied.
 - (5) Ascertain whether any apprentices will be employed on the project. If apprentices will be employed, the LPA must obtain evidence indicating that the apprentices are participating in a bona fide and properly registered apprenticeship program. In addition, the limitation on the ratio of apprentices to journeymen shall be explained to the prime contractor and subcontractors.
 - (6) Point out that the applicable Department of Labor wage poster and the applicable wage determinations, including any approved additional classifications, must be posted in a prominent and easily accessible place at the site of the work, together with a statement showing all deductions to be made from the wages earned by persons employed under the applicable determinations.
 - (7) Emphasize the fact that all contract provisions pertaining to labor standards and the "Anti-Kickback Act" must be included in all subcontracts and lower tier subcontracts. Also, the contractor shall specifically be advised that he
-

is fully responsible for any acts of omission or commission by any of his subcontractors in violation of these provisions.

- (8) Explain the requirements concerning the submission of two certified copies of weekly payrolls, each payroll to contain the "Weekly Statement of Compliance."
- (9) Point out that the payrolls and basic payroll records of the contractor and each subcontractor covering all laborers and mechanics employed upon work under the contract must be maintained during the course of the work and preserved for three years thereafter, during which time they must be available for inspection by authorized representatives of HUD, the LPA, and the Department of Labor.
- (10) Indicate that employee interviews will be conducted periodically in the normal course of site inspection activities.
- (11) Point out that, under the contract, breach of the labor standards provisions by the contractor or any subcontractor is a sufficient basis for termination of the contract and may also be grounds for debarment under applicable regulations issued by the Department of Labor.

REPORT ON PRECONSTRUCTION CONFERENCE

The LPA shall prepare a report on each preconstruction conference, except a conference attended by a Regional Office representative. The report shall include the following information:

- (1) Project number and name.
- (2) Type of contract (for example, land disposition, project improvement).
- (3) LPA contract number and name of contractor.
- (4) Amount of contract.
- (5) Date and place of conference.
- (6) Names, titles, and organizational identification of all participants at conference.
- (7) Concise summary of matters discussed, including potential problems.

A copy of the report shall be retained in the LPA files for a period of three years from the date of completion of the contract. If the contract is subject to Executive Order 11246, an original and two copies of each report prepared by the LPA shall be forwarded to the Regional Office, so as to reach the Regional Office by the tenth of the succeeding month.

If a Regional Office representative attends a conference, he will prepare the conference report and provide a copy to the LPA.

POSTERS AND NOTICES TO UNIONS

The following information relating to specific provisions of the equal employment opportunity contract clause is provided primarily for the information of the LPA, but may also be used in answering questions raised by contractors.

Poster HUD-901

* The contract clause provides that the LPA will furnish to the contractor a notice which the contractor is required to post in conspicuous places, setting forth the provisions of the clause. The poster may * be obtained from the Regional Office. The LPA shall request that the prime contractor transmit the poster to his subcontractors, and shall furnish a sufficient quantity of posters for this purpose.

The contract clause also provides that the LPA will furnish a notice, which the contractor is required to send to each labor union or other representative of workers with which he has a collective bargaining agreement or similar understanding, setting forth the contractor's commitments under Executive Order 11246.

Poster HUD-902

The LPA shall supply copies of a Poster HUD-902 for posting at employment sites by its contractors who, because of contract amount or other exemption, are not now subject to Executive Order 11246, but are subject to the Department's equal employment opportunity requirements imposed by the LPA in its contracts for services.

EMPLOYEE INTERVIEWS AND PAYROLL INSPECTIONS

To assure compliance with contracts containing labor standards provisions, the LPA shall conduct routine interviews with laborers and mechanics employed on the project during the period in which site clearance or project improvement activities are being performed under such contracts. The interviews shall be conducted monthly with a

random sample of either 10 percent or five of the employees employed by each contractor or subcontractor, whichever number is greater. Each employee interviewed shall be asked all the questions set forth on Form HUD-11, Record of Employee Interview (Labor Standards), and the form shall be completed, in an original only, for each interview conducted.

Information obtained in employee interviews shall be compared with the certified payrolls submitted by each contractor, at which time the payroll examination portion of Form HUD-11 shall be completed. Each completed interview form shall be retained by the LPA for a period of three years from the date of completion of the contract.

NONCOMPLIANCE WITH LABOR STANDARDS

If a violation of the labor standards stipulated by the contract or applicable regulations or statutes results in underpayment of salaries or wages and the underpayment is found to be nonwillful and to total less than \$500, restitution shall be required to be made to all the employees involved, pursuant to the contract. The LPA shall advise the contractor in writing of all instances of noncompliance and require that the contractor take corrective action. A copy of this advice shall be sent to the Regional Office and the LPA shall retain final contract payments pending compliance. Computation of back salary or wages may be made by the LPA or the employer may be requested to make the computation, subject to verification by the LPA. In either case, the employer shall be required to submit two certified copies of a supplemental payroll to the LPA specifying the exact amount of restitution paid to each employee. A copy of each certified supplemental payroll shall be retained by the LPA for a period of three years from the date of completion of the contract.

If underpayments total \$500 or more or are willful, upon discovery of the underpayments, the LPA shall immediately submit a written report to the Regional Office setting forth all of the known facts, and await advice as to any further action required. The same procedure shall be followed in all cases where a violation of the "Anti-Kickback Act" has been disclosed.

In addition to determining, as a part of normal contract administration responsibilities, whether a contractor is meeting his contract obligations, the LPA is responsible for:

- (1) Reporting to the Regional Office any complaint received from an employee or applicant for employment with the LPA or with a contractor or subcontractor subject to Executive Order 11246 or to HUD equal employment opportunity requirements.

- (2) Cooperating in special compliance reviews or investigations of complaints, as requested by the Regional Office or as prescribed in subsequent HUD policies and requirements.
- (3) Carrying out sanctions against a contractor as required by HUD or the Department of Labor.
- (4) Furnishing information as required by HUD or the Department of Labor.

REPORTING COMPLAINTS TO HUD

The following instructions apply to any complaint of discrimination because of race, color, religion, sex, or national origin received from an employee or applicant for employment with the LPA or with an LPA contractor or subcontractor subject to the Executive Order or to HUD requirements.

The LPA shall assist a complainant, if necessary, by providing information as to the manner in which a complaint is to be prepared. The LPA shall advise the complainant that the complaint must be submitted in writing and shall assist a complainant if necessary, in reducing the complaint to writing. The complaint must include the following information:

- (1) Name, address, and telephone number of the complainant.
- (2) Name, address, and telephone number of authorized representative, if any.
- (3) Name and local address of the contractor committing the alleged discrimination.
- (4) Description of the acts considered to be discriminatory.
- (5) Other pertinent information.
- (6) Signature of the complainant (optional) and his authorized representative, if any.
- (7) Name of LPA employee who assisted in preparing the complaint, if applicable.

The LPA shall promptly forward the complaint to the Regional Office. For a complaint received directly, the Regional Office will request the LPA to furnish project identification and additional information as required.

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SEMIANNUAL LABOR STANDARDS ENFORCEMENT REPORT

The LPA shall submit to the Regional Office semiannual reports of compliance with and enforcement of Federal labor standards, on Form HUD-12, Labor Standards Enforcement Report. The reports shall cover the period of January 1 through June 30 or July 1 through December 31, and shall be dispatched in time to reach the Regional Office by the 8th of the month following the close of the reporting period.

CHAPTER 4. INSURANCE AND BONDING

SECTION 1. LPA COVERAGES

This Section prescribes insurance and bonding coverages which shall be secured by the LPA pursuant to approval of a contract for urban renewal assistance.

Insurance coverages shall be secured from financially sound mutual or stock insurance companies at the lowest practicable cost.

In arriving at the lowest practicable cost, the LPA shall estimate the cost of policies with mutual companies by:

- (1) Deducting from the gross deposit premium any anticipated dividend, based on the dividend-paying record of the company.
- (2) Adding the loss of interest on that amount of the mutual company policy premium which is in excess of the premium that would be charged by a stock company.

If the LPA does not maintain insurance and bonding coverages in accordance with HUD requirements, to the extent of deficiency of coverage, no uninsured losses, or expenses in connection therewith, shall be included in project costs.

ELIGIBILITY OF COSTS

The premiums for LPA insurance and bonding coverages may be included in project costs of a project on a two-thirds grant basis or on a three-fourths basis in a small municipality. Insurance or bonding premiums are not eligible for inclusion in project costs of a project on a three-fourths grant basis with limited project costs.

When an LPA proceeds, with non-Federal funds, with survey and planning of an urban renewal project on the basis that survey and planning costs will be included in subsequent project costs, the LPA shall comply with HUD requirements.

PRORATION OF COSTS

In the determination of the premium charge to urban renewal project funds when other LPA operations are involved, the proration shall be made on the basis of the actual charge when this charge can be determined. The amount of premium for workmen's compensation insurance shall be derived by applying the appropriate premium rate to the allowable salaries. The amount of premiums for fidelity bonds shall be based on the increased amount of bond required for urban renewal operations.

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Separate insurance policies covering such operations shall be provided whenever separate coverage may be obtained without increasing the overall cost.

Whenever it is necessary to insure such operations jointly with other operations of the LPA and costs cannot be distributed on the basis of computed actual charges, the premium charges shall be prorated on the same basis that other LPA overhead expenses are to be prorated to the project.

COVERAGE UNDER CONTRACT FOR PLANNING ADVANCE OR LETTER TO PROCEED

Workmen's Compensation

The LPA shall provide workmen's compensation insurance coverage for all personnel.

Public Liability

The LPA shall carry owners', landlords', and tenants' public liability insurance (bodily injury only) on the business conducted from the office, with limits of \$50,000 for one person and \$100,000 for more than one person involved in one accident. Limits of liability may be increased to \$300,000/\$500,000, at the discretion of the LPA. The policy shall bear an endorsement as follows:

It is agreed that the company shall not contend in the event of any claim that the named insured is not liable in tort by virtue of the fact that it is a governmental instrumentality or public body.

Automobile

Automobiles Not Owned by LPA

The LPA shall carry blanket employees' nonownership automobile liability and property damage insurance with limits of \$50,000/\$100,000 for bodily injury and/or death and \$5,000 for property damage. Limits of liability for bodily injury and/or death may be increased to \$300,000/\$500,000, at the discretion of the LPA. A hired-car endorsement shall be added on an "if any" basis without any additional premium, unless hired cars are actually used. The policy shall bear the endorsement required on public liability policies as quoted above. Medical expense coverage is not permissible.

Automobiles Owned by LPA

The LPA shall carry automobile liability and property damage insurance with limits of \$50,000/\$100,000 for bodily injury and/or

death and \$5,000 for property damage on all automobiles owned by the LPA and used in connection with urban renewal operations. Limits of liability for bodily injury and/or death may be increased to \$300,000/\$500,000, at the discretion of the LPA. The policy shall bear the endorsement required on public liability policies as quoted above. Medical expense coverage is not permissible.

Fire and theft or material damage, excluding collision, insurance shall be maintained on each automobile purchased with urban renewal funds. If collision insurance is considered advisable, it may be purchased with a \$100 deductible clause.

Fire

The LPA shall carry fire and extended coverage on furniture and fixtures purchased with urban renewal funds if the value exceeds \$5,000. Fire and extended coverage on furniture and fixtures with a lesser value purchased with urban renewal funds may be carried at the discretion of the LPA.

Fidelity Bonds

The LPA shall maintain fidelity bond coverage for certain of its employees on the standard forms prescribed by HUD. All such coverages shall be obtained from a surety company listed in Treasury Department Circular 570. Depending on the form of coverage which can be obtained at the lowest cost, the LPA shall use either Form HUD-6, Position Fidelity Schedule Bond, or Form HUD-4, Blanket Position Bond. For use with the latter form, there are also provided Form HUD-8, Application-Questionnaire, and Form HUD-5, Additional Indemnity Rider. Instructions for the use of these forms are contained in Form HUD-7, Instructions for Use of Standard Form of Position Fidelity Schedule Bond and Blanket Position Bond.

If the LPA presently has fidelity bond coverage in effect on the forms in effect prior to those above, this coverage shall be maintained until the anniversary date. At that time, new coverage shall be obtained as prescribed above.

Premiums for bonds not written on HUD standard form are not eligible for inclusion in project costs.

Designation of Check-Signer and Countersigner

A resolution of the LPA governing body shall designate the check-signer and countersigner and any alternates, and shall provide that the bank or banks which are depositories of funds provided for the urban renewal program shall honor checks signed by the designated persons

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without ascertaining whether or not the first designated check-signer or countersigner was available when the check was signed.

Amounts of Coverage

Under either form of fidelity bond, the following coverages shall be maintained under the administrative title of the position:

- (1) Position with authority to sign or countersign checks--the lesser of (a) the total of all the LPA's activities under advance contract or Letter To Proceed, or (b) \$25,000. If a check-signing machine is used which is not operated under the direct supervision of the authorized signer or countersigner, the machine operator shall be bonded in the same amount as a check-signer.
- (2) Positions with authority to certify vouchers--between \$5,000 and \$25,000.
- (3) Positions which handle or control funds, checks, or securities--between \$1,000 and \$10,000.
- (4) Positions having control of property--between \$1,000 and \$5,000.

No person shall be bonded under more than one position. An employee who performs more than one function requiring bonding shall be bonded under the position requiring the larger coverage.

If a blanket bond is used in an amount less than the amount required for a specific position, the additional indemnity rider shall be used to provide the additional coverage required for that position.

Increases or decreases in the amount of a bond shall conform to the HUD requirements or shall have been approved by the Regional Office. When a change is made, the LPA shall make a report to the surety, with a copy to the Regional Office.

Action in Event of Loss

Upon discovery of a fraudulent or dishonest act by an employee covered by the bond, the LPA shall make a report to the surety bonding the employee. When the evidence of a loss is inconclusive, the report shall indicate that fact and state that the case is being investigated. The report shall not make any accusations which cannot be substantiated. In no event shall the employee involved be named before the loss is definitely established.

If the investigation confirms the loss, the LPA shall provide the surety with an itemized proof of loss within the period allowed by the bond.

Upon discovery of a loss, the employee or employees involved shall be immediately relieved of financial or property accountability. A copy of each report made to the surety shall be forwarded to the Regional Office.

Settlement of Losses

Settlements for losses under the bond shall be handled by the LPA subject to approval of final settlement by the Regional Office.

COVERAGE UNDER CONTRACT FOR LOAN AND GRANT

All coverages and related requirements described above as applicable to urban renewal activities under advance contracts shall continue during operations under a Contract for Loan and Grant, and the additional coverage specified below shall be procured.

Fidelity Bonds

The amount of fidelity bond for each position authorized to sign or countersign checks shall be increased so that the amount will be not less than \$25,000 and not more than \$50,000, at the discretion of the LPA. The amount of coverage for other positions shall be increased proportionately.

Owners', Landlords', and Tenants' Form of Public Liability Insurance

Owners', landlords', and tenants' form of public liability insurance (bodily injury only), with limits ranging between \$50,000/\$100,000 and \$300,000/\$500,000--the amount within this range to be determined at the discretion of the LPA--covering all property as acquired, shall be obtained by the LPA at the time of acquisition of the first parcel of project property. If it is contemplated that the demolition or disposition of existing buildings will be deferred and that the existing buildings or vacant land will be temporarily leased or operated, coverage shall be extended to include the operation or leasing of the land and buildings except when an entire building, other than a residence or vacant land is leased to one lessee as described in Section 3 of this Chapter.

The policy shall be endorsed to:

- (1) Include owners' protective liability coverage. This coverage applies to operations under site clearance and project improvement contracts.

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- (2) Permit pro rata cancellation of any of its coverage at any time before the Regional Office has reviewed the policy and has determined that it conforms to the requirements of the Contract for Loan and Grant.
- (3) Bear the tort endorsement described above under the sub-heading "Public Liability."
- (4) If there are elevators in buildings acquired or held by the LPA as part of the project, include elevator coverage for the period these buildings are to be owned or held.
- (5) If the LPA has any contracts under which it has given a "hold harmless" agreement to the contractor, include contractual liability coverage. This coverage may be added by submitting to the insurance carrier a copy of that part of the contract pertaining to the "hold harmless" agreement.

The cost of any comprehensive coverage shall not be included in project costs.

Manufacturers' and Contractors' Form of Public Liability Insurance Coverage of LPA Force Account Labor

If site clearance work is to be performed with LPA force account labor, manufacturers' and contractors' public liability and property damage insurance, with limits ranging between \$50,000/\$100,000 and \$300,000/\$500,000 for bodily injury--the amount within this range to be determined at the discretion of the LPA--and of \$50,000 for property damage, shall be obtained by the LPA prior to commencement of the demolition work. This type of insurance may be covered by a separate policy or included in the owners', landlords', and tenants' form of public liability policy.

Fire Insurance

Pending disposition, fire and extended coverage insurance shall be purchased on buildings owned by the LPA which are to remain in the project, in an amount that will afford full protection in the event of a partial loss, with due consideration given to the coinsurance clauses in the policy. The amount of coverage shall be reexamined periodically and shall be adjusted to conform to any change in value of the property. Fire and extended coverage insurance shall not be purchased to cover buildings to be demolished except under the following circumstances:

- (1) If unusually large salvage values exist, it may be purchased in an amount not to exceed a realistic estimate of the salvage value. The insurance policy shall clearly indicate that coverage is provided for salvage value only.
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- (2) If buildings are to be leased for a period of 1 year or longer, it may be purchased in an amount not to exceed the anticipated net rental income. A special form will be required in most instances to provide appropriate coverage on a no-coinsurance basis.

HISTORIC PRESERVATION ACTIVITIES

- * Special forms of insurance that are not normally carried by LPAs are required for restoring properties and for moving structures which will be restored and maintained for historic or architectural purposes. The LPA shall obtain approval from the HUD Regional Office before incurring any costs for such insurance. *

ACCIDENT REPORTS

The LPA shall notify its insurance carrier promptly of an accident covered by public liability or automobile liability and property damage insurance, even though it appears unlikely that a claim will be filed. A claim against the LPA which is uninsured because of failure to report an accident is not eligible for inclusion in project costs.

SPECIAL PROVISIONS APPLICABLE WHEN LPA IS A LOCAL HOUSING AUTHORITY

If the LPA is also an LHA and has in effect previously approved insurance policies meeting these requirements, it will be unnecessary to purchase additional policies, provided existing policies cover all activities of the insured.

SPECIAL PROVISIONS APPLICABLE WHEN LPA IS A MUNICIPALITY

If the LPA is a municipality, it need not comply with the requirements of this Section, except to the extent that it proposes to charge insurance premiums to project costs.

No uninsured losses, or expenses in connection therewith, shall be included in project costs.

If the LPA proposes to charge any part of its insurance premiums to project costs, it shall submit to the Regional Office a detailed explanation of its insurance and bonding program, which shall indicate the types and amounts of insurance in effect and the proposed basis for determining charges to project costs. To be eligible for inclusion in project costs, these charges are subject to the following requirements:

- (1) Public liability coverage on a project area shall be written on a separate insurance policy, and shall meet the requirements of this Section.
- (2) Fidelity bonds covering employees whose principal duties relate

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LPA ADMINISTRATION
CHAPTER 4 SECTION 1

to urban renewal activities shall be written on one of the HUD prescribed forms, and shall meet the requirements of this Section.

Premiums on fidelity bonds covering disbursing officers and other city officials whose duties with respect to urban renewal activities are only incidental to their regular duties are not eligible for inclusion in project costs.

MAINTENANCE OF RECORDS

The LPA shall maintain a record showing for each policy or bond the carrier, policy number, type of coverage, amount of premium, effective date, and expiration date. Renewals or rewrites of policies or bonds shall be recorded in the same manner.

One copy of each policy or bond shall be retained in the LPA files. For each policy or bond requiring HUD approval, a copy of the approval form received from HUD shall be attached.

SUBMISSIONS TO HUD

As soon as an owners', landlords', and tenants' form of public liability policy covering the project execution stage, or a fidelity bond, has been purchased, a certified copy shall be submitted to the Regional Office for review.

If the LPA determines that it is necessary to carry additional types or amounts of coverages not required by this Section, it shall obtain the approval of the Regional Office before incurring any costs therefor.

Form HUD-6206, Schedule of Urban Renewal Insurance Coverages, shall be submitted in accordance with 7215.1, Financing and Financial Reports, Chapter 2, Section 1, and Chapter 4, Section 2.

SUMMARY OF CHANGES IN EXPOSURES UNDER OWNERS',
LANDLORDS', AND TENANTS' LIABILITY INSURANCE

The LPA shall maintain on Form HUD-6145, Summary of Changes in Exposures Under Owners', Landlords', and Tenants' Liability Insurance, for each urban renewal project, monthly summary records of the acquisition and removal or demolition of structures in an urban renewal project area which are covered by owners', landlords', and tenants' public liability insurance.

The signed original of each completed form shall be dispatched to the Regional Office no later than 30 days after the end of the policy year. In addition, one copy of each completed form shall be provided to the insurance company or its local representative for use in making the final adjustment in the premium for the policy year.

CHAPTER 4. INSURANCE AND BONDING

SECTION 2. DEMOLITION AND PROJECT IMPROVEMENT CONTRACTOR COVERAGE

1. GENERAL. This section covers insurance and bonding requirements for site clearance and project improvement contractors.
2. BONDS. Where State or local law permits, bonding requirements for site clearance and project improvement contractors may be waived or modified by the LPA when the consideration, including salvage, does not exceed \$2,000. In this case, the LPA shall establish adequate safeguards to protect its interests and those of the Government. An "acceptable surety company" referred to below shall mean a surety company listed on Treasury Department Circular 570. The amount of the bond must be within the underwriting limits of the company.

*

- a. Bid Bonds. The LPA shall require each bidder to furnish, as part of his bid, a bid bond from an amount not less than 10 percent (Demolition and Site Clearance Contract) and 5 percent (Project Improvements (Site Preparation) Contract) of a reasonable estimate by the LPA of the cost for all services and incidental expense necessary to complete the contract work, without regard to the salvage value. An equivalent guaranty in the form of Government bonds, a bank draft, or a certified check in the same amount, may be substituted for a bid bond. *
- b. Performance and Payment Bonds for Site Clearance. The LPA shall require each site clearance contractor to furnish a performance and payment bond from an acceptable surety company in a penal sum not less than that prescribed by State or local law. The bond shall in no event be less than 100 percent of a realistic estimate of the cost to the contractor for all services and incidental expenses necessary to complete the contract work, without regard to the salvage value. If the law requires that the payment bond be separate from the performance bond, each shall be in a penal sum not less than that prescribed by law and not less than 50 percent of the total cost estimate.
- c. Performance and Payment Bonds for Project Improvement Work. The LPA shall require each prime contractor for project improvement work and for combined site clearance and project improvement work to furnish a performance and payment bond from an acceptable surety company in a penal sum not less than that prescribed by State or local law, but in no event less than 100 percent of the contract price. If the law requires that the payment bond be separate from the performance bond,

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LPA ADMINISTRATION
CHAPTER 4 SECTION 2

each shall be in a penal sum not less than that prescribed by law and not less than 50 percent of the contract price.

d. Maintenance of Bond Records. A copy of the performance and payment bonds shall be retained in the LPA files with an attached power of attorney, certified to be in effect as of the date of execution of the bond, covering the authority of the person or persons executing the bond in behalf of the acceptable surety.

3. INSURANCE. The LPA may require the contractor to provide insurance in addition to that specified.

a. Workmen's Compensation. The LPA shall require each contractor (1) to comply with State workmen's compensation laws, and (2) to require his subcontractors to do likewise.

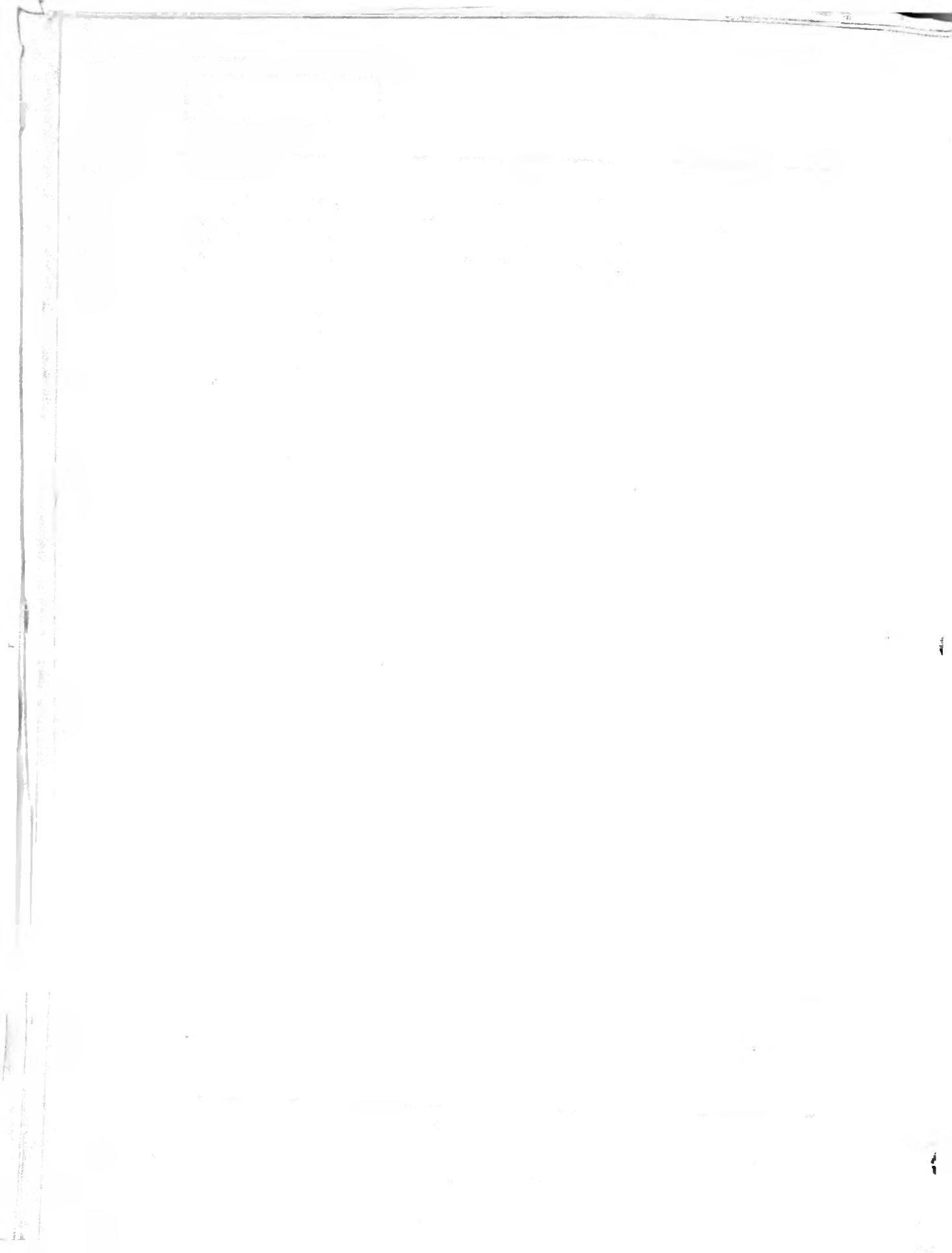
b. Public Liability.

(1) Manufacturers' and Contractors'. The LPA shall require each contractor to carry manufacturers' and contractors' public liability insurance with limits of not less than those carried by the LPA on its Owners', Landlords', and Tenants' coverage (see Section 1 of this Chapter). Insurance shall cover the use of all equipment, hoists, and vehicles on the site. Each contractor shall require his subcontractors to carry this insurance.

(2) Property Damage. If site clearance work is to be performed in the immediate vicinity of structures not owned by the LPA, the contractor shall be required to carry property damage insurance in an amount not less than \$50,000. Property damage insurance in a higher amount or under other circumstances may be required if the LPA deems such coverage necessary.

c. Approval of Contractors' and Subcontractors' Insurance Coverage. Before any contractor or subcontractor begins any work, he shall be required to submit certificates of insurance to the LPA for review and approval. The LPA shall identify in writing the policies reviewed and indicate its approval or disapproval. Insurance which will expire before the contractor's work is accepted by the LPA shall be renewed prior to expiration, and certificates of insurance shall be submitted to the LPA. If satisfactory, approval shall be given in writing.

- d. Maintenance of Insurance Records. The LPA shall maintain a record of the expiration dates of policies carried by each contractor and his subcontractors, to make certain that the required coverages are kept continuously in force until the work is accepted.



CHAPTER 4. INSURANCE AND BONDING

SECTION 3. PROPERTY LESSEE COVERAGE

This Section prescribes insurance requirements for leased acquired property.

The LPA shall maintain insurance coverages prescribed in Section 1 for:

- (1) Residential properties.
- (2) Buildings and spaces leased to several tenants.
- (3) Buildings not leased in their entirety to one tenant.

However, if office buildings, apartment buildings, hotels, parking lots, or other properties are leased in their entirety to one lessee for a term of more than 6 months, the lease shall require:

- (1) That the lessee hold the LPA harmless in connection with any claim on account of bodily injury or death, or property damage, suffered or alleged to have been suffered as a result of the maintenance or use of the buildings or premises or any operations conducted therefrom.
- (2) That the lessee furnish the LPA with a public liability insurance policy with limits for bodily injury of not less than those carried by the LPA on its Owners', Landlords', and Tenants' coverage (see Section 1 of this Chapter) and of \$5,000 for property damage protecting the interest of the LPA.

When there is one lessee of an entire property which is not scheduled for demolition, other than a private residence, the lessee shall be required to furnish fire and extended coverage insurance. The amount of coverage shall afford full protection in the event of a partial loss, giving due consideration to the coinsurance clause in the policy. The amount of coverage shall be reexamined periodically and shall be adjusted to conform to any change in the value of the property. Each fire insurance policy shall contain a loss-payable clause making the proceeds of any loss payable to the LPA. Each policy, together with a receipted invoice for premium for the policy, shall be deposited with the LPA for safekeeping.

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CHAPTER 4. INSURANCE AND BONDING

SECTION 4. NONCASH LOCAL GRANT-IN-AID WORK

When site clearance or construction work is to be undertaken as a noncash local grant-in-aid by an entity other than the LPA on land acquired or held by the LPA as part of the project, the LPA shall take one of the following actions:

- (1) Obtain from the donor evidence that it and its contractors have insurance coverage in the same amounts and forms required in Section 2 of this Chapter.
- (2) Enter into a cooperation agreement, or other legally binding commitment, with the donor providing that the donor will hold the LPA harmless with respect to any claims for personal injury and/or death or property damage arising from these operations of the donor.

In the case of (1) above, the required insurance coverage must be kept in force until completion of the work.

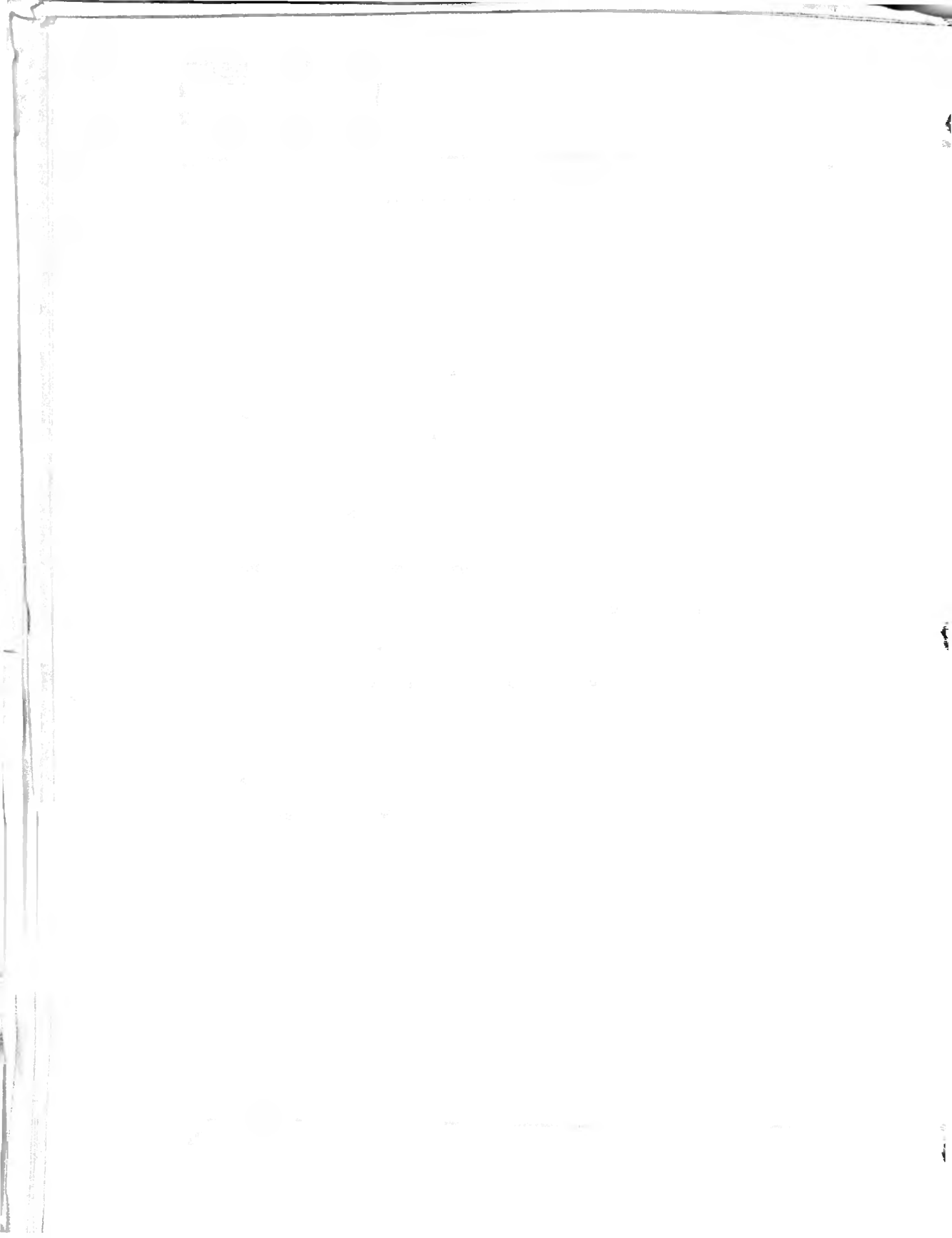


CHAPTER 5. CITIZEN PARTICIPATION

SECTION 1. GENERAL

1. POLICY. It is HUD policy to assure that maximum opportunities are provided for citizen involvement in the planning, development, and execution of programs assisted by the Department. This Chapter sets forth policies and requirements for citizen participation in urban renewal projects.
2. OBJECTIVES OF CITIZEN PARTICIPATION IN URBAN RENEWAL. Citizens should have clear and direct access to decision-making in all stages of the urban renewal process in order to achieve:
 - a. More accurate determination of needs projects should meet and the development of policies and programs responsive and relevant to these needs.
 - b. Involvement by citizens in the development and execution of policies and programs in order to further their own growth and development.
 - c. Firmer commitment of citizens to projects.

Accordingly, the LPA shall encourage resident involvement in all phases of urban renewal projects to the fullest extent.
3. REPORT ON CITIZEN PARTICIPATION. A Report on Citizen Participation shall be submitted with the Survey and Planning Application and with Part I or combined Part I-II of the Application for Loan and Grant. (See RHM 7206.1, Chapter 2, Code No. R-217.)



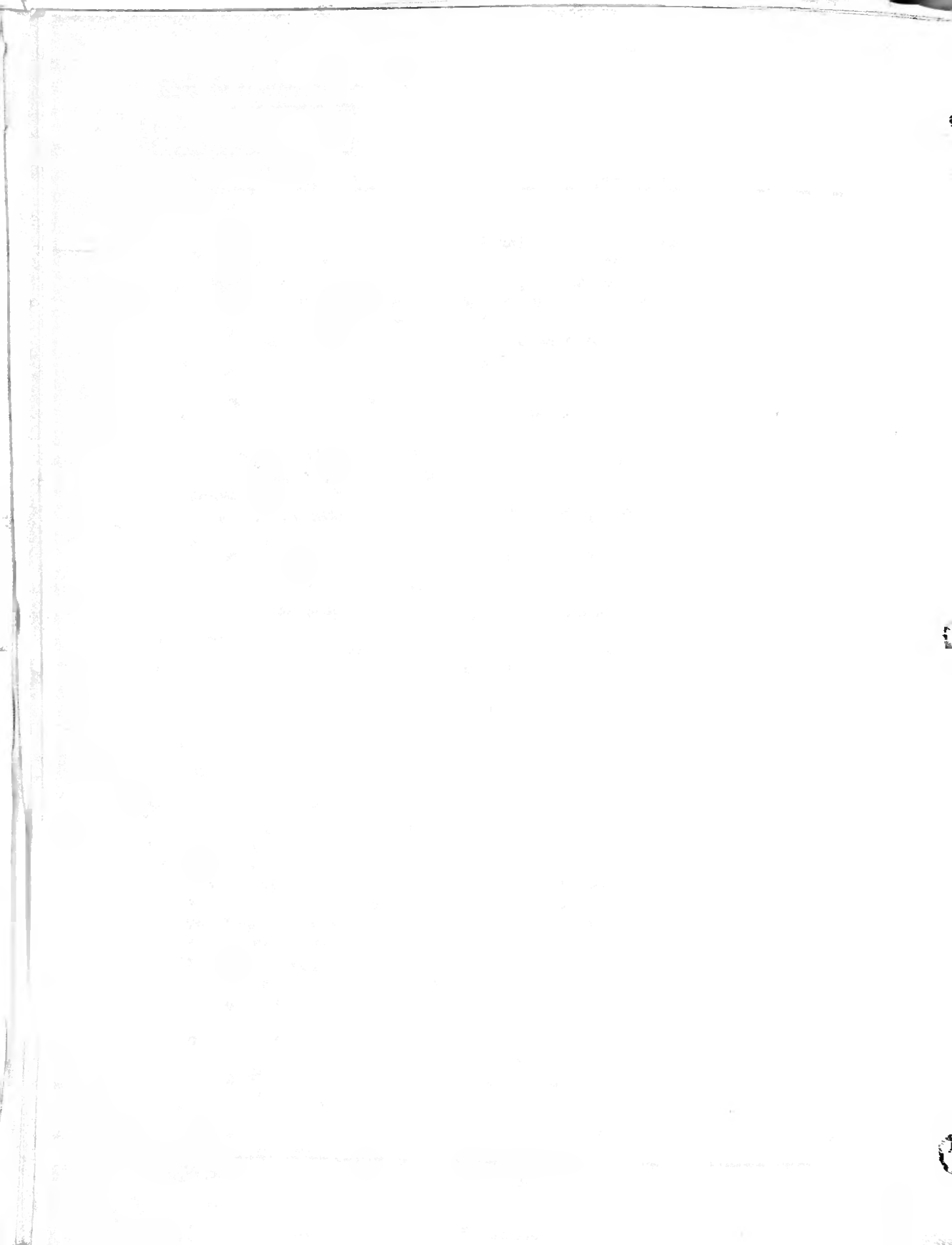
CHAPTER 5. CITIZEN PARTICIPATION

SECTION 2. PROJECT AREA COMMITTEE

1. ESTABLISHMENT OF PROJECT AREA COMMITTEE.
 - a. Project Involving Residential Rehabilitation. A Project Area Committee (PAC), made up of residents of the project area, shall be established for each urban renewal project in which residential rehabilitation activities are contemplated.
 - b. Other Urban Renewal Projects. Although not a program requirement, the establishment of a PAC is encouraged for all other urban renewal projects in which residential rehabilitation activities may not be contemplated. The LPA shall support and work with the PAC as set forth below.
2. COMPOSITION OF PAC.
 - a. The PAC shall be established in cooperation with local residents and groups. It shall be representative of a fair cross section of the residents of the urban renewal area and shall adopt no financial deterrents to membership or participation by residents of the urban renewal area.
 - b. Where an existing neighborhood organization in the project area either meets the requirements for a PAC or adapts itself to meet them, it may serve as the PAC. Other neighborhood organizations which may exist or be formed in the project area shall relate to the LPA through PAC. The PAC shall be the forum for these organizations to participate in the project.
3. RELATIONSHIP BETWEEN LPA AND PAC.
 - a. The LPA shall work closely with the PAC to assure that project residents participate in the formulation and execution of plans for renewal of the area and improvement of the condition of its residents.
 - b. Sufficient information about the project shall be made available to project residents to enable them to participate knowledgeably.

- c. The LPA may provide the PAC with necessary technical assistance either by the provision of staff personnel or by contracting with consultants who will provide services to the PAC. The LPA must assure that the PAC has the capacity to participate in the formulation and execution of plans for renewal of the area and improvement of the condition of its residents.
 - d. The LPA may also make arrangements with the PAC for the PAC to assist in the utilization of residents in various capacities in the project such as interviewers or relocation aides. Arrangements may include the PAC's selecting residents or setting up training programs for them.
4. URBAN RENEWAL PROJECTS IN MODEL NEIGHBORHOODS. The PAC requirements do not apply to urban renewal projects in model neighborhoods under the Model Cities Program. In cases of urban renewal projects in areas being planned as model neighborhoods, Model Cities guidelines and performance standards for citizen participation will apply.
5. ELIGIBLE COSTS. Eligible costs include amounts to cover the LPA's providing the PAC with necessary technical assistance, administrative and secretarial staff, and office space and equipment. Costs of contracts with the PAC for employment of project residents to perform necessary work in planning and execution of the project area are also eligible.
6. SUBMISSION REQUIREMENTS. Information about the PAC shall be included in the Report on Citizen Participation submitted with the Survey and Planning Application (Checklist Code No. R 117) and with Part I of the Application for Loan and Grant (Checklist Code R 217). If not previously submitted, the Report is also required to be submitted with any revised Survey and Planning Application and Amendatory Application for Loan and Grant for an urban renewal project involving residential rehabilitation. (See RHA 7206.1, Project Applications, Chapter 1, Section 1 for Code No. R 117 and Chapter 2, Section 1 for Code No. R 217).
 - a. Survey and Planning Application. The Report on Citizen Participation submitted with the Survey and Planning Application shall include the following (see RHA 7206.1, Project Applications, Chapter 1):

- (1) Statement describing the composition, structure, and expected role of the PAC in the planning and execution of the project; the measures to be taken by the LPA to assure that the PAC is supplied with sufficient information about the project at appropriate stages; and the kinds of technical assistance to be provided to the PAC.
 - (2) Estimated costs for support of the PAC during the planning stage.
- b. Part I of Application for Loan and Grant. The Report on Citizen Participation submitted with Part I of the Application for Loan and Grant shall include the following (see RHA 7206.1, Project Applications, Chapter 2, Section 1):
- (1) Statement describing activities of the PAC during planning, including frequency and location of meetings; types of issues dealt with by the Committee; and technical assistance rendered to it.
 - (2) Statement describing the expected role of the PAC during project execution.
 - (3) Estimated costs for support of the PAC during project execution.



CHAPTER 6. HEALTH INSURANCE

66. PUBLIC PLAN. When a local agency is required or permitted to participate in a State, municipal or other local government public health insurance plan, local agency contributions shall not exceed the employer contribution basis applicable to other governmental participants.
67. COMPARABLE PRIVATE PLAN. When a local agency is not permitted to participate in a State, municipal, or other local government public health insurance plan, it may establish a comparable private health insurance plan. In this event, the types and extent of coverage, as well as the employer contribution basis, shall not exceed those applicable to the public plan. A comparable plan may not be established where the local agency may voluntarily participate in a public plan; rather the comparable plan concept can be achieved directly by participating in the public plan.
68. AUTONOMOUS PRIVATE PLAN. In lieu of entering a public plan or establishing a comparable plan or where a public plan is not available, a local agency may establish an autonomous private health insurance plan under the following conditions. NOTE: The conditions stated in paragraphs 68 through 75 do not apply to a public or comparable plan.
- * a. Local agency contributions shall not exceed 100 percent (100%) * of the premium rate for an employee alone or 60 percent (60%) of the premium rate(s) for an employee plus one or more eligible dependents. The local agency shall not contribute on behalf of any employee in a nonpay status or who is not classified by the local agency as a regular employee. Experience credits (dividends) shall either be applied to reduce the next premium payable or shall be held by the insurer to reduce future premiums.
- b. Types of Benefits. The private health plan may include any of the general types of benefits described below, subject to the conditions stated below.
- (1) Basic Medical Expense Benefits including:
- (a) Hospital Expense Benefits (including outpatient treatment of injuries and other emergencies)
- (b) Surgical Expense Benefits (including professional administration of anesthesia)
- (c) Physician Expense Benefits (In-hospital only)

CHAPTER 6

- (d) Diagnostic X-Ray and Laboratory Expense Benefits
- (e) Radiation Therapy
- (2) Major Medical Expense Benefits supplement Basic Medical Expense Benefits and also cover other medical expenses such as out-of-hospital physician expenses, private duty nursing (R.N.), prescription drugs and medicines, artificial prosthetic appliances, etc.
- (3) Comprehensive Medical Expense Benefits cover a broad spectrum of medical expenses including those mentioned in the preceding paragraphs (1) and (2).
- (4) Maternity Expense Benefits may be provided in conjunction with Basic Medical Expense Benefits or Comprehensive Medical Expense Benefits, and cover hospital and obstetrical expenses. The level of benefits should approximate the prevailing level of maternity benefits under local insured or service plans.

69. LIMITATIONS REQUIRED

- a. All Major Medical Expense Benefits and Comprehensive Medical Expense Benefits shall be subject to a deductible of at least \$100 and co-insurance of 80 percent (80%) maximum, except 100 percent (100%) is allowable above the first \$10,000 of covered expenses. That is, after the employee pays the deductible (the first \$100 of covered medical expenses), the plan pays 80 percent (80%) (or less) of covered medical expenses, except the plan may pay 100 percent (100%) after the first \$10,000 of covered expenses.
- b. All Medical Expense plans must contain the standard "Coordination of Benefits" provision.
- c. The plan may not cover the expenses of optional private accommodations to the extent they exceed the expenses of semi-private accommodations.
- d. The expenses of a Convalescent Facility may be covered if confinement follows hospitalization and is certified by the attending physician to be medically necessary, but only if the medical prognosis is that the confinement will reduce the individual's disability so that he can live outside an institution providing medical care. Benefits should not exceed



HM 7217.2

EMPLOYEE BENEFIT PLANS

PROGRAM PARTICIPANTS AND HUD STAFF

JULY 1974

A HUD HANDBOOK

COMMUNITY PLANNING AND DEVELOPMENT

**U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D. C. 20410**

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FOREWORD

This Handbook establishes the policy and procedural framework for the provision of employee benefit plans to local agency participants of HUD-aided programs. It serves as an instructional and reference manual to local agencies and HUD field offices. It may assist insurance companies in the development and administration of employee benefit plans.

SECRET

TOP SECRET

The following information is being furnished to you for your information and is not to be disseminated outside your organization. It is the property of the United States Government and is loaned to you. It and its contents are not to be distributed, copied, or otherwise used in any manner without the express written approval of the source of origin.

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CHAPTER 1. INTRODUCTION

1. POLICY. It is the policy of HUD to encourage and to permit local agencies to adopt and contribute toward the cost of an employee benefit plan. Employee benefit plans include plans which provide for retirement, medical, surgical, hospital care, sickness, accident, disability, death, or unemployment benefits. The decision as to the selection of the types of plans to be provided depends upon legislation and the needs of the local agency. In this respect local agencies are authorized to adopt either a public or a private employee benefit plan subject to the requirements stated in this Handbook. In general, however, local agencies may not participate in an employee benefit plan until such time as there is assurance that the HUD-aided program can be expected to continue on an active basis.
2. PRORATION OF CONTRIBUTIONS. Local agency contributions toward the cost of an employee benefit plan shall be charged to individual programs, projects, etc. on the same basis as is used in distributing compensation of participating employees.
3. COMPARABILITY. The presence or absence of local comparability is not a primary consideration as to what types of benefit plans may be provided. That is, employee benefit plans may be provided even though such plans are not found in local public practice. Further, local agencies may exclude consideration of employee benefit plan costs as a factor entering into the computation of salary comparability except where the combination of salary and employee benefit plan contributions would result in total compensation substantially in excess of total comparability.
4. GENERAL LIMITATION. In no event shall a local agency charge employer contributions for more than one particular type of benefit plan for the same class of employees. For example, administrative employees cannot be covered by more than one retirement plan. This does not preclude administrative employees being covered by one retirement plan while maintenance employees are covered by another retirement plan. For the purposes of this general limitation, social security coverage is classified as a separate and distinct form of employee benefit plan. A particular type of benefit plan may be composed of more than one policy, contract, document, etc.
5. ALLOWABLE FORMS OF EMPLOYEE BENEFIT PLANS. Subject to the limitations prescribed in this Handbook, the following types of employee benefit plans may be provided and contributions made thereto are allowable costs:

CHAPTER 1

- a. Any type of public employees' benefit plan established by a governmental body such as a State, county, municipality, etc.
 - b. A privately underwritten employee benefit plan or plans providing the following types of coverage:
 - (1) Retirement benefits
 - (2) Life insurance
 - (3) Health and hospitalization benefits
 - (4) Disability income benefits
 - (5) Accidental death and dismemberment protection
 - c. Social security benefits
 - d. Unemployment compensation where permitted by a State to participate in its system
 - e. Workmen's compensation. This form of coverage is required. See the appropriate program handbook for details.
6. APPROVAL. All new or revised employee benefit plans shall be submitted to the appropriate HUD office for approval prior to execution of any plan documents or contracts and prior to payment of any premiums thereto. This approval relates only to authorization to adopt such employee benefit plan but does not constitute specific budgetary approval. Availability of funds for present or future contributions must be approved separately as part of the regular budgetary process. Information on the specific documentation required for technical review and approval of a particular employee benefit plan is presented in the pertinent Chapter in this Handbook.
- 7.-8. RESERVED

CHAPTER 2. SOCIAL SECURITY

9. POLICY. Employer costs for participation in social security are an eligible operating expense.
10. RECOMMENDATION. Before considering any other type of employee benefits, it is strongly recommended that local agencies secure social security coverage for their employees. In addition to retirement benefits, social security provides survivorship and disability benefits which can exceed any which could be purchased from an insurance company for the same annual cost. This is especially so in the case of short-term benefits.
11. PARTICIPATION REQUIREMENTS. Local agencies are not eligible for direct participation in the social security system under the Social Security Act. The only method by which employees of these agencies can obtain social security coverage is pursuant to an agreement between the State government and the Secretary of Health, Education, and Welfare. Each State has such an agreement and has designated an official to administer the social security program.
12. SECURING COVERAGE. A local agency desiring to secure social security coverage for its employees should write to the appropriate State official. If the State agrees to provide the coverage, it will arrange to modify the existing Federal-State agreement to include the local agency's employees under the agreement.
13. CONTRIBUTIONS. Social security tax contributions on wages are prescribed by Federal law. The tax is paid at the same rate by both employer and employee.
14. CAUTION
 - a. Local agencies should not file wage reports or forward social security tax payments unless they are covered under a Federal-State agreement. Unless the local agency is specifically included in an agreement, its employees will not have any social security coverage and will not be entitled to any benefits even though deductions and payments for such coverage have been made. Further, it may not be possible in some instances to secure a full refund of payments made.
 - b. In view of the consequences of such an omission, each local agency should examine its files for positive documentation that it has been covered under a Federal-State agreement. Any local agency making payments for social security coverage who has no evidence that it has been covered under the Federal-State agreement should immediately write to the State official who

CHAPTER 2

administers social security. It may be possible for the State to validate past reportings and payments, provided a request for refund has not been filed. In the event the State is of the view that coverage cannot be obtained under State law, or does not wish to provide coverage, a claim for refund of the amounts paid should then be filed. Generally, refund of payments will be limited by the Internal Revenue Service statute of limitations to payments made over a period of up to four years.

15. ASSISTANCE IN SOCIAL SECURITY MATTERS

- a. Assistance may be secured at the nearest social security district office. The social security district office provides information routinely to inquirers and advises and assists claimants and beneficiaries free of charge regarding any social security matter.
- b. Reference Book. The Social Security Handbook, prepared by the Social Security Administration, covers retirement, survivors, and disability insurance as well as major provisions of other benefit programs such as unemployment insurance, public assistance, and workmen's compensation.

16. APPROVAL. Specific HUD approval is not required to participate in the social security system. However, it will be necessary to secure budgetary approval for the required expenditures.

17.-18. RESERVED

CHAPTER 3. PUBLIC EMPLOYEE BENEFIT PLANS

19. GENERAL. Public plans as discussed herein refer to those plans established by a governmental body such as a State, county, city, or other municipality. The requirements for participation in the public plan are determined by the governing body. In many cases, local agencies may voluntarily participate in a public plan. In some cases membership in a public plan is mandatory rather than permissive. Where membership is optional, the local agency should weigh the merits of the public plan just as though it were a private plan. In a public plan, the local agency must accept all existing provisions of the plan as well as any future conditions which may be imposed. In a private plan, the local agency has flexibility to design the plan to suit the special needs of its employees and can modify the plan when these needs change.
20. CONTRIBUTIONS. Local agency contributions for a public employee benefit plan may not exceed the employee-employer sharing formula or method applicable to other members in the plan. In no event shall a local agency assume obligations for payment of any contributions or special benefits beyond the date on which an employee terminates employment or where a duplication of benefits would occur.
21. APPROVAL. Before entering a public employee benefit plan and before making any employer contributions thereto, the local agency shall submit to the appropriate HUD office for approval satisfactory evidence that the local agency is eligible or required to enter the public plan.
22. CHANGEOVER PROBLEMS. In cases where a local agency changes from a private employee benefit plan to a public plan, circumstances may arise which would have a detrimental effect upon certain employees. For example, a change from a private retirement plan to a public plan might result in older employees being ineligible to participate in the public plan. One solution to such a situation might be to allow the disenfranchised employees to continue their participation in the private plan (with the insurer's consent) on a comparable contribution basis. HUD will assist a local agency to resolve such adverse situations in an equitable manner. In this respect, deviations from established regulations will be allowed to the extent necessary to achieve the appropriate solution.
- 23.-24. RESERVED



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CHAPTER 4. COMPARABLE RETIREMENT PLANS

25. PURPOSE AND SCOPE. This Chapter prescribes the criteria governing approval where a local agency wishes to adopt a private retirement plan which is comparable to a statewide public plan. This Chapter does not affect the availability or status of public or private plans which are discussed elsewhere in this Handbook. The principal purpose of these criteria is not to impose controls on overall benefits and costs, but rather to explain how to set up a Comparable Plan and to define certain administrative requirements which will reduce inequities between employees. Because of the abundance of public plans and the variety of conditions which they contain, it would be impractical to cover in this Chapter all of the criteria which would be applicable. As such, this Chapter prescribes only the general criteria applicable to Comparable Plans. Specific plan conditions will be developed by the insurance company and the local agency based on the provisions of the State Plan and the general criteria prescribed herein.
26. RATIONALE. Most State Plans provide relatively generous benefits, and when costed realistically such benefits may require employer contributions substantially higher than would be financially feasible. If the plan proves to be too costly, the benefits will inevitably have to be reduced. A future benefit reduction would cause considerable hardship and dissatisfaction among employees. A local agency which adopts a Comparable Plan, therefore, is accepting the responsibility for thoughtful and conscientious financing of the benefits.
27. DEFINITION OF COMPARABLE PLAN. Except as specifically provided in this Chapter, Comparable Plan benefits shall not exceed those benefits provided in the State Plan.
- a. Definition. The Comparable Plan adopted by the local agency shall be patterned after the State Plan; that is, the public retirement system under which employees of municipalities throughout the State may be covered. If an independent statewide local government plan does not exist, the Comparable Plan shall be patterned after the State employees' retirement system. In no event will the Comparable Plan be based on the autonomous retirement system in effect for a single municipality.
- b. Coordination with Social Security. Employees covered under the Comparable Plan may not be covered under any other retirement plan toward which the local agency contributes, except social security. If the local agency does contribute toward social security, and the State Plan provides for a reduced level of benefits which takes into account social security, this reduced

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level of benefits will be considered to be the State Plan. Similarly, if the local agency does contribute to social security, and the employees covered under the State Plan are not under social security, the Comparable Plan's level of benefits must be reduced appropriately.

28. ESTABLISHING A COMPARABLE PLAN. To establish a single employer Comparable Plan a local agency must be large enough to qualify for a group pension contract — many insurance companies require a minimum annual premium and a few States impose a further minimum requirement as to the number of employees who must be covered. Alternatively, an insurer may establish a multi-employer private plan for any local agencies in a State who wish to join it on a collective basis.
29. IRS QUALIFICATION. The Comparable Plan must be qualified by the Internal Revenue Service under Sections 401 and 501 of the Internal Revenue Code, and must remain so qualified at all times. In the event IRS requires modifications inconsistent with the provisions of these sections, HUD reserves the right to require such other modifications as may be necessary to maintain overall compatibility with HUD policy. Accordingly, any changes required by IRS for qualification shall be submitted to HUD for concurrence.
30. ELIGIBILITY AND PARTICIPATION. These will generally follow the State Plan's requirements, although older employees may be covered who would have been ineligible under the terms of the State Plan. If the terms of the State Plan would create a hardship for older employees by requiring an unusually advanced retirement age, such older employees may be permitted to remain under a regular private plan and, if desired, may be afforded the same general contribution basis applicable to members of the Comparable Plan. Although seasonal or other nonregular employees are excluded, total time with more than one local agency may be aggregated to determine eligibility. If the Comparable Plan replaces a prior plan, participants in the prior plan must become covered under the Comparable Plan (or remain covered under the old plan).
31. CREDITED SERVICE. Service may be credited only for the period of time during which the employee was employed by his present employer. Service shall not be credited for the period of time during which an employee voluntarily declined or delayed participation in any former plan. Military service may be counted as credited service only if it commenced after the employee was employed by his present employer. Service may be credited for an employee's unused leave time. An employee who is reemployed after a break in service of more than 90 days, other than for military leave, shall be

treated as a new employee except that for purposes of any minimum benefits he may receive only one such minimum benefit.

32. PORTABILITY. Credited service may be transferable from one local agency to another where both are under a Comparable Plan within the same State even though different insurance companies may be involved. In such event the plan(s) must provide for transfer of liabilities and an appropriate amount of assets at the time such service is transferred. Credited service may not be transferable from one local agency to another where both are under a Comparable Plan not within the same State except that by mutual consent an appropriate amount of assets may be transferred to provide an actuarial equivalent benefit based on the provisions of the successor Comparable Plan. Comparable Plan credited service, liability, or assets are transferable only between Comparable Plans.
33. PRIOR PLAN CONDITIONS. The following conditions shall be applicable where the local agency has had a prior plan and the Comparable Plan provides for credited service before its effective date.
- a. Benefits. All benefits under the prior plan must be used to offset and reduce the benefit under the Comparable Plan. The value of the offset must be actuarially adjusted, if necessary, to conform to the normal form of annuity applicable under the Comparable Plan. If prior plan benefits were surrendered in cash to employees, no credited service shall be provided for the time involved.
- b. Vesting. Benefits under the prior plan shall be vested in accordance with the vesting schedule applicable to the prior plan based on participation in both plans, and shall be payable as a minimum benefit. The amount of an employee's vested interest under the prior plan will be used as an offset to any vested benefits under the new plan. Vesting provisions are not transferable from the old plan to the new plan; benefits under the Comparable Plan will be subject to the vesting requirements of the State Plan. Thus, it is possible for an employee to be fully vested under the old plan but not have any vested interest under the new plan (except for minimum benefits, if any).
- c. Recoveries. Experience rating credits, unvested forfeitures, and similar returns arising from the prior plan shall be used to fund the Comparable Plan.
34. NORMAL RETIREMENT BENEFITS
- a. Average Final Compensation. In most State Plans the normal retirement benefit is related to final average salary. Irrespec-

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tive of the State Plan's basis, the normal retirement benefit must be based on at least a 5-year averaging period. Where the State Plan uses other than a 5-year averaging period, the benefit formula under the Comparable Plan may be actuarially adjusted to compensate for the required 5-year minimum averaging period. Similarly, the benefit formula and/or employee contribution basis may be actuarially adjusted to provide non-integrated benefits which have the same costs as the integrated benefits under the State Plan.

- b. Annual Compensation. Either basic compensation or W-2 (taxable) salary may be used in determining final average salary. Under integrated plans, the IRS may require the use of W-2 compensation.
 - c. Forms of Annuities. The normal form of annuity must provide for benefits payable at least during the retired employee's lifetime with additional death benefits, if any, as may be applicable. Actuarially equivalent optional forms of annuity (payable at least for life) may be provided even though such optional forms may not be available under the State Plan. Pursuant to the above, lump sum cash settlement or period certain (without life) options shall not be provided in the Comparable Plan. In addition, the Comparable Plan shall not provide any discriminatory benefits for special groups of employees even if such benefits may be applicable under the State Plan.
35. EARLY RETIREMENT BENEFITS. The Comparable Plan must provide for a reduction in early retirement benefits which commence before normal retirement date. The reduction may be based on a scale of such factors which is derived on an actuarial basis or on a simple method which is approximately equivalent to an actuarial reduction. For example, a simple reduction might be one-half percent (0.5%) for each month that early retirement precedes the normal retirement date.
36. WORKING BEYOND NORMAL RETIREMENT DATE. An employee who works beyond his normal retirement date, with or without the employer's consent, shall receive at actual retirement the same benefit he would have received if he had retired on his normal retirement date except that such benefit shall be increased by any cost-of-living factors which would otherwise have applied. In other words, his salary and service history are frozen at the normal retirement date, and he does not receive credit for additional service, salary changes, or for any plan improvements which may go to employees who are below the normal retirement date. Since service credit and salary are frozen, the employee would not contribute beyond his normal retirement date.
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37. POSTRETIREMENT BENEFIT INCREASES. Many State Plans provide for periodic increases in benefits to retired employees, either on an automatic basis or by special act of the State legislature. If the State Plan so provides, postretirement benefit increases may be included in the Comparable Plan.
- a. Cost-of-Living Increase. Usually the amount of increase is determined by the percentage rise in the Consumer Price Index each calendar year. An automatic increase formula, not tied to the Consumer Price Index, may be used for simplicity. Where increases are dependent on special act of the State legislature, the Comparable Plan may later increase existing retirement employee benefits for each year following retirement. In all cases of postretirement benefit increases, the increases may not exceed the lesser of (1) those allowed under the State Plan, and (2) four percent (4%) for each year the employee is retired.
 - b. Variable Annuity Increases. Instead of a postretirement cost-of-living provision, the Comparable Plan may provide that a portion of the benefit will be provided in the form of a variable annuity. In such cases the "assumed investment return" under the variable annuity must be not less than three and one-half percent (3.5%). The variable annuity must be "insured" through the purchase of an annuity and not based on investment results attributable to the plan's active life pension fund. Conversion of fixed dollar annuities to variable annuities may be spread over a period not exceeding 60 months. Any portion of the benefits paid as a variable annuity may not also be subject to cost-of-living increases.
38. DISABILITY INCOME BENEFITS shall not be provided in the Comparable Plan. In lieu thereof, disability income benefits may be provided independently pursuant to Chapter 8 of this Handbook. This paragraph does not restrict the payment of reduced early retirement benefits where applicable. In disability cases, up to one year's service may be credited while independent disability income benefits are being paid during a period of rehabilitation.
39. DEATH BENEFITS prior to retirement may be provided to the extent that they are contained in the State Plan. Alternatively, insofar as such coverage is not provided elsewhere, group term life insurance may be provided independently, provided that life insurance in force on the life of an employee shall not exceed one and one-half times the rate of regular basic salary at time of death. Where such alternative method is used, the employer's contribution shall not

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exceed the lesser of (a) one-half percent (0.5%) of the employee's regular compensation or (b) fifty percent (50%) of the applicable premium. The employee's contribution shall not be less than the employer's contribution.

40. VESTING shall be patterned after the provisions of the State Plan but will be simplified wherever possible. For purposes of vesting, all of the employee's continuous service with the present local agency may be counted, not just service after the date from which service is credited under the plan for benefit purposes. Irrespective of the State Plan's vesting provisions, the Comparable Plan shall conform to any minimum vesting schedule required by law.
41. EMPLOYEE CONTRIBUTIONS. Employee contributions must be set at a rate at least equal to the employee contributions required under the State Plan. If employee contributions for administrative expenses are required under the State Plan, such contributions will be collected by the local agency and be applied to offset employer contributions.
42. EMPLOYER CONTRIBUTIONS. The local agency will make such contributions as are actuarially determined to be necessary to support the plan in a sound condition. It should be recognized that the employer contribution determined on a proper actuarial basis may be greater or less than the contributions which would be required under the State Plan. The ultimate cost of the plan is determined by the benefits, investment return, and expenses, and the actuarial valuation merely determines the pattern by which the local agency will contribute toward these emerging costs. It is in the best interest of the local agency and its employees to secure the Comparable Plan's benefits by following a sound funding basis as established by a qualified actuary.
43. ACTUARIAL VALUATION. To determine the level of employer contributions required, the Comparable Plan shall be valued initially and at least every three years thereafter. A copy of each actuarial report shall be furnished to HUD. The actuarial report shall be prepared and signed by a qualified actuary. For this purpose a member of the Society of Actuaries, Conference of Actuaries in Public Practice, or American Academy of Actuaries will be deemed to be a qualified actuary. Such actuary may be on the staff of an insurance company or an independent firm.
44. SCOPE OF VALUATION. HUD generally does not wish to dictate actuarial methods or assumptions. Pending the formalization of generally accepted actuarial principles, and for the guidance of local actuaries who wish to have some indication of what HUD considers to be an acceptable set of assumptions, the following is

a brief example of such assumptions for an illustrative plan. Such assumptions should be varied by the actuary as appropriate in the light of available experience or different plan provisions.

a. Illustrative Plan of Benefits

- (1) Final-average-salary benefit of one and one-half percent (1.5%) times years of service
- (2) Retirement with unreduced benefits allowed at age 60 or after 30 years continuous service. Early retirement benefits are actuarially reduced.
- (3) Vesting formula graded at 20 percent (20%) per year, with full vesting after five years' service.
- (4) Automatic cost-of-living increases after retirement up to three percent (3%) per year based on Consumer Price Index.
- (5) Employee contributions at five percent (5%) of compensation.

b. Illustrative Actuarial Assumptions

- (1) Interest rate of five percent (5%).
- (2) Mortality based on appropriate modification of GA-1951 or GA-1971 Table.
- (3) Salaries assumed to increase at three percent (3%) each year before retirement.
- (4) Turnover - None assumed; however, employees with under one year's service could be excluded from cost estimates.
- (5) Asset valuation - As determined by the actuary.
- (6) Retirement ages assumed - As determined by the actuary.
- (7) Funding of postretirement increases - As determined by the actuary.
- (8) Actuarial method - Any recognized projected benefit method with a maximum 30-year funding of past service.

- c. Variations from these assumptions which in combination produce approximately the same, or higher, cost estimates would be

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acceptable. It is recognized that even with apparently identical assumptions, actuaries using different techniques in handling such matters as the entry-age-normal method, vesting, etc., will produce somewhat different cost estimates. Thus to avoid confusion and unnecessary expense, it is recommended that only one actuary estimate the initial cost of the plan.

45. FUNDING METHOD. Either a group DA (deposit administration) or IPG (immediate-participation-guarantee or direct-rated DA) type of contract may be used. Individual policies shall not be used (except to fund benefits at actual retirement). The reasons for requiring group funding instead of individual policies are the greater administrative flexibility and the reduced level of expenses.
46. FUNDING ANNUITIES. Benefits to retired employees must be guaranteed by a life insurance company, and it will generally be most convenient for the same insurer to maintain the pension fund for active lives. Benefits may be guaranteed through the purchase of an annuity on the employee or by setting up a retired lives reserve maintained and guaranteed by the insurer under the DA or modified IPG approach. Sufficient funds may not be available to guarantee full benefits to persons who retire during the early years of the plan's operation. In such cases, it may still be possible to provide the full annuity on a guaranteed basis. The insurance company can "buy" the annuity on a year-to-year basis until reserves are sufficient to permit a complete purchase. Alternatively, the local agency and the insurer can enter into an agreement whereby the local agency agrees to repay the purchase price over a period of several years. In the latter case, the agreement shall be submitted to HUD for review and approval prior to its execution.
47. VALUATION OF MULTIPLE EMPLOYER PLANS. Where more than one agency participates in the same plan, liabilities may be combined for the purpose of determining the employer's contribution rates for service after the effective date; prior service contributions, however, shall be determined separately for each agency. Separate records shall be maintained of the assets attributable to each agency in order to facilitate actuarial valuations, the extension of the plan to new agencies, termination of the plan for one or more existing agencies, transfers of members between agencies, etc.
48. EQUITY INVESTMENTS. The basic HUD policy on investment policy and restrictions shall apply (see Chapter 7, Section 2). Required employee contributions shall not be allocated to the investment account. Under the group contract, however, the employer must have the right to determine the proportion of fund assets which will go into equities, and to change this proportion from time to time; the

employees would not have such right, except under a variable annuity option or where they have made voluntary contributions. The local agency should review the plan's investment program periodically to determine whether the existing proportion of equity investments continues to be appropriate in light of the funding status of the plan and the investment outlook. Usually, the insurer and/or actuary will provide advice on recommended proportions of fund assets as part of the periodic actuarial valuation.

49. AVAILABILITY OF FUNDS. Employer contributions are at all times subject to availability of budgeted funds. Benefits for future retirees shall be reduced or eliminated if subsequent experience determines that the pension fund is inadequate to establish necessary reserves to guarantee benefits. All forfeitures and dividends shall be used to fund the Comparable Plan.
50. RECORDKEEPING AND ACCOUNTING. The local agency, in conjunction with the insurance company or any outside administrator who will be maintaining records, must establish an appropriate system for maintaining records of credited service and earnings with respect to nonretired employees. Additional records may be needed for retired employees if there is to be a cost-of-living adjustment. Any such records must be coded separately for each employer covered under a multiple employer plan to permit proper allocation when required.
51. PAYMENTS TO EMPLOYEES. Employees may not borrow against the assets of the plan. Interest may be paid to employees on their accumulated contributions refunded at death or termination of employment to the extent permitted under the State Plan, except that a minimum interest rate of three percent (3%) may be permitted in the event the rate under the State Plan is less. The plan should contain a time limit for a terminated employee to apply for his benefit after reaching normal retirement age, and this may be either five years or any other period which is less than the period prescribed in the jurisdiction after which the funds revert to the State; an employee who does not so apply will be deemed to have died, and the proceeds will be settled accordingly. The local agency should make every effort to locate such employees, and for this purpose, it is recommended that the plan's records include the employee's social security number.
52. REVISION OR CHANGE IN INSURERS. Any revision or change of insurance company after the effective date of the Comparable Plan is subject to prior HUD approval, and must conform to any HUD policy in effect at that time.
53. TERMINATION OF PLAN. In addition to the termination provisions prescribed by the Internal Revenue Service under a qualified plan,

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the plan must provide for termination upon the completion of the local agency's last HUD-aided program unless the organization is of an ongoing nature (e.g., a housing authority).

54. APPROVAL. Before adopting a Comparable Plan and before making any contributions thereto, the local agency shall furnish the appropriate HUD office a copy of the agreement to be entered into between the employer(s) and the insurer, as well as certain information as to benefits, financing, etc. The information needed is:
- a. A complete Comparable Plan including the contract, specifications, adoption agreement, etc.
 - b. An up-to-date copy of the State Plan including the law, rules and regulations, and descriptive employee/employer booklet.
 - c. An outline summarizing the benefits and provisions of the Comparable Plan indicating any differences between it and the State Plan.
 - d. A description of any present (or prior) plan including a tabulation (actual or estimated) of paid-up benefits and their cash value which will be applied as an offset in the Comparable Plan.
 - e. A statement that the local agency does or does not participate in social security.
 - f. An actuarial valuation report indicating the anticipated cost and the actuarial method and assumptions used.
 - g. Any other pertinent information. In this respect, HUD reserves the right to require such modifications or further data which in its sole discretion are necessary or desirable.

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CHAPTER 5. LIFE INSURANCE

57. POLICY. A local agency may provide life insurance coverage within the cost and coverage limitations stated below:
- a. Public Plan. Life insurance may be provided under a plan established by a governmental body provided local agency contributions shall not exceed the employee/employer cost basis applicable to other governmental participants. There is no limitation on the amount of life insurance benefit which is set by the public plan. To the extent that life insurance is not provided under any public plan which the local agency participates in, the local agency may provide life insurance coverage as provided in the following paragraphs.
 - b. Private Plan. Life insurance may be included in combination with another private benefit plan or may be provided as an independent plan, subject to the limitations stated below.
58. DEFINITION. As used herein, "life insurance" means that form of death benefit provided through an individual or group policy of term or permanent insurance. In this respect, the following forms of death benefits are not considered to be life insurance: (a) refunds of employee and employer contributions, (b) the cash surrender value of retirement annuity policies, (c) proceeds from an accidental death and dismemberment policy, (d) incidental lump-sum payments primarily intended for settlement of expenses for final illness and burial, and (e) subsidiary life insurance included as part of a "package" benefit plan, usually health insurance. Generally, life insurance included as part of a package in excess of \$2500 will not be considered as incidental or subsidiary.
59. CONTRIBUTIONS. The employer contribution shall not exceed the lesser of (a) one-half percent (0.5%) of an employee's regular compensation, or (b) fifty percent (50%) of an individual's applicable premium for the amount of coverage provided. The employee's contribution shall not be less than the employer's contribution. The gross contribution, i.e., one percent (1%), may be combined with the applicable contribution rate for another form of benefit where a combination of coverages are provided under a single plan document and/or policy. Where the life insurance contribution is commingled, the plan may provide or assume that employee contributions are to be allocated first to pay the life insurance premium.
60. LIMITATION ON AMOUNT OF INSURANCE. The maximum amount of life insurance in force on the life of an employee shall not exceed one and one-half (1.5) times the rate of regular annual compensation at time of death. Where the allowable contribution is utilized, the minimum

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amount of life insurance in force on the life of an insurable employee shall not be less than three-fourths (0.75) times the employee's rate of regular annual compensation on the date of participation. In the event an employee is uninsurable under the insurance company's rules, the contribution for life insurance shall nonetheless be allocated to increase his retirement benefit. In lieu of establishing a flat level of life insurance to be provided (e.g., one and one-half (1.5) times salary), where permanent insurance policies are used, the plan may provide that a stated percentage of the gross contribution, not in excess of forty percent (40%), will be allocated to purchase such policies and the remainder will be allocated to a non-life insurance policy or separate account(s).

61. SPECIAL RISK POLICIES. Certain types of policies supply coverage for risks or hazards of a special or limited nature which are inappropriate for general applicability. Such forms of benefits may be provided only to the extent that the premiums therefor are separable and paid exclusively by the employee. Such benefits shall be optional. Examples of special risk policies are:
 - a. Aviation Accident Insurance
 - b. Key-Man Insurance
 - c. Business Travel Accident Policies
 - d. Dependent Life Insurance
62. APPLICABILITY. Life insurance plans previously approved pursuant to HUD requirements then in effect may be continued without change. However, in event of a lapse or amendment in such plan, a local agency shall then be subject to the provisions prescribed in this Chapter.
63. APPROVAL. The following information relative to a private life insurance plan shall be submitted to the appropriate HUD office:
 - a. A copy of the application and policy or contract which shall include all applicable premium and benefit schedules.
 - b. A list of all present employees who would be eligible for such coverage including for each his salary, age, sex, amount of coverage, and premium.
- 64.-65. RESERVED

CHAPTER 6. HEALTH INSURANCE

66. PUBLIC PLAN. When a local agency is required or permitted to participate in a State, municipal or other local government public health insurance plan, local agency contributions shall not exceed the employer contribution basis applicable to other governmental participants.
67. COMPARABLE PRIVATE PLAN. When a local agency is not permitted to participate in a State, municipal, or other local government public health insurance plan, it may establish a comparable private health insurance plan. In this event, the types and extent of coverage, as well as the employer contribution basis, shall not exceed those applicable to the public plan. A comparable plan may not be established where the local agency may voluntarily participate in a public plan; rather the comparable plan concept can be achieved directly by participating in the public plan.
68. AUTONOMOUS PRIVATE PLAN. In lieu of entering a public plan or establishing a comparable plan or where a public plan is not available, a local agency may establish an autonomous private health insurance plan under the following conditions. NOTE: The conditions stated in paragraphs 68 through 75 do not apply to a public or comparable plan.
- a. Local agency contributions shall not exceed 100 percent (100%) of the premium rate for an employee alone or 50 percent (50%) of the premium rate(s) for an employee plus one or more eligible dependents. The local agency shall not contribute on behalf of any employee in a nonpay status or who is not classified by the local agency as a regular employee. Experience credits (dividends) shall either be applied to reduce the next premium payable or shall be held by the insurer to reduce future premiums.
- b. Types of Benefits. The private health plan may include any of the general types of benefits described below, subject to the conditions stated below.
- (1) Basic Medical Expense Benefits including:
- (a) Hospital Expense Benefits (including outpatient treatment of injuries and other emergencies)
- (b) Surgical Expense Benefits (including professional administration of anesthesia)
- (c) Physician Expense Benefits (in-hospital only)

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- (d) Diagnostic X-Ray and Laboratory Expense Benefits
- (e) Radiation Therapy
- (2) Major Medical Expense Benefits supplement Basic Medical Expense Benefits and also cover other medical expenses such as out-of-hospital physician expenses, private duty nursing (R.N.), prescription drugs and medicines, artificial prosthetic appliances, etc.
- (3) Comprehensive Medical Expense Benefits cover a broad spectrum of medical expenses including those mentioned in the preceding paragraphs (1) and (2).
- (4) Maternity Expense Benefits may be provided in conjunction with Basic Medical Expense Benefits or Comprehensive Medical Expense Benefits, and cover hospital and obstetrical expenses. The level of benefits should approximate the prevailing level of maternity benefits under local insured or service plans.

69. LIMITATIONS REQUIRED

- a. All Major Medical Expense Benefits and Comprehensive Medical Expense Benefits shall be subject to a deductible of at least \$100 and co-insurance of 80 percent (80%) maximum, except 100 percent (100%) is allowable above the first \$10,000 of covered expenses. That is, after the employee pays the deductible (the first \$100 of covered medical expenses), the plan pays 80 percent (80%) (or less) of covered medical expenses, except the plan may pay 100 percent (100%) after the first \$10,000 of covered expenses.
- b. All Medical Expense plans must contain the standard "Coordination of Benefits" provision.
- c. The plan may not cover the expenses of optional private accommodations to the extent they exceed the expenses of semi-private accommodations.
- d. The expenses of a Convalescent Facility may be covered if confinement follows hospitalization and is certified by the attending physician to be medically necessary, but only if the medical prognosis is that the confinement will reduce the individual's disability so that he can live outside an institution providing medical care. Benefits should not exceed

50 percent (50%) of the daily benefit for hospitalization and the benefit period should not exceed 60 days.

- e. Medical expenses incurred in the treatment of mental and nervous disorders outside a hospital may be covered only under a Major Medical or a Comprehensive Medical plan. The benefit may not exceed 50 percent (50%) of the physician's charge; the portion of a physician's charge in excess of \$25 per visit will not be considered a covered expense, and not more than \$500 in benefits may be paid in a calendar year.

70. EXCLUSIONS. Expenses incurred for the following types of treatment or care must be excluded from any plan supported by employer contributions. Coverage of any of these excluded expenses may be purchased separately but only if the employee pays the full cost. The plan may contain exclusions in addition to those listed below:

- a. Occupational injury or disease
- b. Cosmetic surgery, except that required for medical reasons or to repair injuries caused by an accident
- c. Custodial care
- d. Eye glasses and contact lenses or examination for them, except as required by ocular surgery or injury
- e. Dental care or treatment, except for covered oral surgery and emergency care required by accidental injury
- f. Routine or periodic physical examinations
- g. Speech, occupational, recreational, or milieu therapy or other forms of nonmedical self-care or self-help training
- h. Hearing aids or examinations, whether or not prescribed
- i. Specified disease riders or policies
- j. Integrated Major Medical Insurance providing coverage of deductibles, co-insurance amounts, etc.

71. ENROLLMENT. Any regular employee may enroll in an approved health plan either as an employee or for employee and eligible dependents. If any employee's spouse is employed by the same local agency, either spouse (but not both) may enroll for family coverage, but no person

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may be enrolled both as an employee and as a dependent. Family enrollment may be defined to include unmarried dependent children who have not attained age 19 (age 23 if classified as regular, full-time students), and unmarried dependent children regardless of age who are incapable of self-support because of physical or mental incapacity incurred before age 19 (age 23 if covered as a student).

72. INDIVIDUAL POLICIES. Where a local agency would have too few eligible employees to obtain a group policy, it may nonetheless contribute on a nondiscriminatory basis toward one-half (0.5) of the cost of an individual policy obtained by the employee personally, provided such policy conforms to the provisions of this Chapter.
73. MULTIPLE AUTHORITIES. An employee who is employed by more than one local agency, may be classified as a regular employee for the purpose of enrollment provided his total employment with all such local agencies is for not less than 20 hours per week. Each employer would contribute its pro rata share of the gross "employer contribution" on the same basis as is used in prorating his compensation.
74. COVERAGE WHILE ON LEAVE OF ABSENCE. The plan may provide that an employee who is granted a leave of absence without pay may have his coverage and the coverage of any eligible family members continued for the duration of the leave of absence upon his application, but only upon his assuming payment of the contributions otherwise required of the employer on account of his enrollment.
75. APPLICABILITY. Private autonomous health insurance plans previously approved pursuant to HUD requirements then in effect may be continued without change. In the event an existing private plan does not conform fully to the requirements set forth in this Chapter, the local agency shall not increase the dollar amount allocated as of December 31, 1971, for enrollment as an employee or for employee and eligible dependents. Subsequent premium increases shall be absorbed by employee contributions until such time as local agency contributions conform to the limitations stated herein. NOTE: The total employer contribution may fluctuate depending on the number of employees covered and the type of enrollment involved.
76. LIFE INSURANCE. Life insurance may be provided in combination with a public or private health insurance plan pursuant to Chapter 5. In some cases an insurance company will require that a small amount of life insurance must be provided along with its health policy. In such case, the cost of subsidiary life insurance, not in excess of \$2,500, may be included in the premium even though the local agency is providing the maximum level of life insurance under another employee benefit plan.
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77. APPROVAL. Health insurance plans shall be submitted to the appropriate HUD office for technical review and approval. The following data shall be submitted in this respect:
- a. For public plans, satisfactory evidence that the local agency is eligible to enter the plan.
 - b. For comparable private plans, satisfactory evidence that the local agency is not eligible to participate in the public plan; a copy of the proposed private plan including applicable premium and benefit schedules; and a copy of the public plan's premium and benefit schedules for comparative purposes including the employee-employer sharing formula applicable thereto.
 - c. For autonomous private plans, a copy of the proposed application, and the policy or contract including applicable premium and benefit schedules.
78. - 90. RESERVED.

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CHAPTER 7. PRIVATE RETIREMENT PLANS

SECTION 1. GENERAL REQUIREMENTS

91. PURPOSE. This Section prescribes the general criteria governing approval of a private retirement plan. The purpose of these criteria is to assure that under such plans:
- a. Employers and employees both make contributions with respect to future employment.
 - b. Contributions will be used primarily for retirement annuities.
 - c. Retirement annuities will actually be paid throughout the lifetime of the annuitant.
 - d. Underwriting will be based on proven retirement plan principles and practices.
 - e. The plan will be qualifiable under the Internal Revenue Code.
92. STANDARD PLANS. HUD has approved a variety of plans underwritten by reliable insurers which are appropriate for both large or small local agencies. These plans have been designated as "standard plans" to indicate their pre-approval status and general availability. In addition, some of the standard plans offer other significant advantages such as group purchase rates, portability, equity investment capability, and Internal Revenue Service qualification. A listing of the "HUD Approved Standard Plans" is shown in Appendix 1 to Chapter 9 of this Handbook. NOTE: Designation as a standard plan does not constitute an endorsement of such plan. Nor does such designation indicate that the plan is necessarily a "best buy;" the designation merely certifies that the plan conforms to HUD criteria. The availability of standard plans should not be construed as restricting any local agency from developing and adopting a non-standard plan.
93. CONSULTANTS. It is the prerogative and responsibility of the local agency to determine which particular plan it desires to adopt. In making this determination, it may be advisable to engage the services of an actuarial consultant. The consultant should not be connected with a particular insurer or receive any remuneration such as commissions for his advice in addition to his consultant's fee. In this way the local agency is assured that the consultant's advice is reliable and unbiased. In addition, the local agency may require the services of legal counsel in connection with the establishment of a trust instrument within local law. For this purpose, a

consultant's or counsel's fee may be charged as an eligible operating expense separate and distinct from the plan's allowable contribution. Such payment shall be subject to prior written approval of the appropriate HUD office and funds must be available or otherwise budgeted.

94. INTERNAL REVENUE SERVICE QUALIFICATION. All private retirement plans adopted or amended after the date of this Handbook shall be qualified under the Internal Revenue Code. The plan shall provide that prior to the issuance of an initial determination letter by the Internal Revenue Service, stating that the plan meets the requirements of the Internal Revenue Code, no participant shall have a vested interest in amounts contributed by the employer. If such letter is not forthcoming, the employer shall terminate the plan and shall recover all funds held under the plan which are attributable to said contributions. See Section 3 of this Chapter for additional information.
95. EFFECTIVE DATE. The effective date should be established to coincide with the collection of employee contributions through withholding. Generally speaking, withholding should not commence until after the local agency has been notified that the retirement plan is approved by HUD. However, withholding can be started in advance of final approval where the local agency has entered into an escrow agreement to bind immediate life insurance coverage.
96. ESCROW AGREEMENTS. Subject to approval of the appropriate HUD office, local agencies may enter into escrow agreements for periods not in excess of six months' duration to bind retirement plan coverage pending completion of the retirement plan and receipt of final HUD approval. In the event additional time is needed for this purpose, the binder may be approved in advance for extension on a month-to-month basis. Such escrow agreements shall specify the following:
- a. Employee and local agency future service contributions shall not exceed the allowances stated in paragraphs 106a and 106b.
 - b. If included, life insurance coverage shall not exceed one and one-half (1.5) times annual salary. (See Chapter 5 for more details.)
 - c. A definite time limit not in excess of six months.
 - d. The effective date of the binder shall constitute the effective date of the plan.
 - e. Should no approval be received from HUD, the insurer will refund the current value of all premiums paid less the cost of life insurance premiums, if pertinent.

f. A brief description of the type of plan and coverage to be included.

97. UNDERWRITING. The retirement plan must be underwritten on a sound actuarial basis and must conform to proven retirement plan principles and practices. Most plans will be of the money purchase or defined contribution type. Other types of benefit proposals will be considered on a case basis. Benefits to retired employees must be guaranteed by a life insurance company. Benefits can be guaranteed through the purchase of individual or group policies. Permanent insurance policies such as "whole life" or "straight life" can be used where life insurance coverage is to be included subject to the provisions of Chapter 5. Non-life insurance retirement annuity policies can be used where life insurance is not to be provided or where life insurance is provided through a term policy. These policies can be mixed and/or split funded by using a side fund arrangement. The deposit administration (DA) type of contract can also be used. Under this arrangement contributions are accumulated in one or more separate accounts. At retirement (or termination of employment) the funds are then withdrawn and applied to purchase an annuity. Plan assets shall be managed through a guaranteed investment medium except where equity investment is utilized pursuant to Section 2 of this Chapter.
98. FIDUCIARY RESPONSIBILITY. An officer or employee of the local agency, even though serving as a trustee or committee, shall have responsibility only for the selection of a funding agency. Responsibility for the management, control, or investment of plan assets (other than for ownership of a policy) shall be handled through an organization that provides facilities for the accumulation and safekeeping of the assets such as a life insurance company, a corporate fiduciary such as a bank, or a regulated investment company such as a mutual fund. The employer or employee-trustee may, however, temporarily hold employee or employer contributions and any forfeitures or other returns pending their disposition on the next premium due date.
99. EXPENSES. Routine operating expenses for the administration of the plan must be paid from the basic contribution allowance or from forfeitures, dividends, or other plan assets. Such routine operating expenses would include recordkeeping, investment expense, commissions or other contract loading, and corporate trustee or administrator fees, if any. An officer or employee trustee/administrator shall serve without compensation. In addition to the basic contribution, the employer may pay for non-routine unusual expenses including such expenses as (a) reasonable one-time setup expenses for booklets, forms, etc.; (b) consulting services including plan development or evaluation and actuarial valuations; (c) legal fees; (d) periodic auditing; (e) necessary travel; and (f) office expenses such as

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stationery or postage. The employer shall be responsible for the payment of any reporting costs imposed on the plan by a Federal, State or municipal requirement but only to the extent that such expenses are not covered by the insurance company as part of its routine service function.

100. ELIGIBILITY REQUIREMENTS. The plan shall not require an employee to serve longer than one year or attain an age greater than 25 (whichever occurs later) as a condition of eligibility to participate in the plan. Of course, the plan may provide lower age and service requirements. Maximum age limitations may be included in the plan provided that the maximum age limitation is not in excess of the established normal retirement age or less than 10 years before the established normal retirement age.
101. EMPLOYEE PARTICIPATION. Participation by regular employees shall be optional at the time the plan is put into effect; thereafter, participation by eligible regular employees shall be mandatory as a condition of employment. A participant shall not be permitted to cease participation so long as he continues to be a regular employee.
102. MULTIPLE EMPLOYMENT. An employee who is employed by more than one local agency under a common service arrangement shall be classified as a regular employee for the purpose of participation provided his total employment with all such local agencies is for not less than 20 hours per week. Each employer would contribute its pro rata share of the "employer contribution" on the same basis as is used in prorating his compensation.
103. EFFECT OF DELAYED PARTICIPATION. An employee who does not elect to become a participant as of the effective date may be permitted to become a participant at a subsequent entry date (provided he still meets the plan's eligibility requirements). However, an otherwise eligible employee who does not elect to participate as of the effective date shall be entitled to no prior service benefits for any period of his employment before he becomes a participant.
104. CHANGE OF STATUS TO PART-TIME EMPLOYMENT. The plan may provide that a participant whose employment status is changed to that of a part-time employee on a work schedule at least thirty percent (30%) of a full-time employee:
 - a. May elect to continue as a participant and make a matching contribution on the basis of his new annual rate of compensation applicable to his part-time employment, or
 - b. May elect to continue as a participant on the basis of the annual rate of compensation applicable to him immediately

preceding such change of employment status, provided he continues to make contributions on the basis of such old rate of compensation plus the balance of the employer's former matching contribution in excess of the employer's current contribution based on the new rate of annual compensation, or

- c. May elect to be treated as if he terminated his employment as of the date of such change of employment status except that he shall not be entitled to elect cash-out of either his own or vested local agency contributions so long as he actually continues to be an employee.

105. PARTICIPATION BY PROFESSIONALS. In order to be eligible to participate in the plan, an attorney, architect, accountant, or other professional person must be a bona fide employee under the common-law test. Under the common-law test, a worker is an employee if the person for whom he works has the right to direct and control him in the way he works, both as to the final results and as to the details of when, where, and how the work is to be done. The employer need not actually exercise control; it is sufficient that he has the right to do so.

106. FUTURE SERVICE BENEFITS

- a. Contributions. Participating employees shall contribute at a rate which shall not exceed five percent (5%) of compensation. Either basic compensation or W-2 (taxable) salary may be used in defining compensation. W-2 salary may be used only where the plan can readily accommodate fluctuations in contribution. The local agency shall contribute at a rate at least equal to the participants' rate. The employer may contribute an additional amount, not to exceed two percent (2%) (i.e., up to a total of seven percent (7%)), provided the participants' required rate of contribution is not less than three percent (3%) (in which case the employer could then contribute five percent (5%)). Additional voluntary employee contributions are permitted.
- b. Life Insurance. Where life insurance is provided as part of the plan, the respective contribution rates may be increased by one-half percent (0.5%). See Chapter 5 for further details.
- c. Salary Brackets. Participating employees may be classified by salary brackets for the purpose of computing contributions. In this event, the contribution percentage should be applied to the mid-point of the salary bracket. Adjustment in contributions due to a change in salary may be made at the time specified in the plan, usually on an anniversary date.

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- d. Payment of Premiums. Premiums may be paid on an annual, semi-annual, quarterly, monthly, or other periodic basis. Monthly premiums are the commonest method used. Where premiums are paid in advance by the local agency, the plan must provide for reimbursement through employee withholding and for recovery of any excess premium not due in the event of termination of employment. The plan shall not permit the employer or trustee to borrow or otherwise exercise a policy loan to pay premiums.
- e. Refunds. Refunds such as dividends, experience rating credits, forfeitures of unvested contributions and similar recoveries may be used first to reduce routine expenses of the plan and then to reduce employer contributions becoming due thereafter.
107. PRIOR SERVICE BENEFITS. Local agencies which have not adopted a public or private retirement plan previously are authorized to make contributions in respect to prior service benefits subject to the following:
- a. Participation. Prior service coverage shall be provided only for employees who become participating employees as of the effective date. Prior service coverage shall be forfeited by otherwise eligible employees not electing to participate at inception of the plan.
- b. Eligible Service. Prior service coverage shall be limited to three years (36 months) of continuous service immediately preceding the effective date.
- c. Amount of Benefit. Prior service coverage (including military or special prior service) may be determined on an individual or collective basis pursuant to either of the following procedures:
- (1) Formula Benefit. The amount of the annual prior service annuity commencing at the normal retirement date shall be based on a straight life annuity equal to the product of three-fourths of one percent (0.75%) times the rate of basic monthly compensation on the effective date times the number of full months of eligible service in the employ of the local agency.
- (2) Money Purchase. The annual prior service annuity shall be that amount of retirement income commencing at the normal retirement date which can be provided by a total contribution equal to the product of the employer future service contribution (up to five percent) times the rate of basic monthly compensation on the effective date times the number of full months of eligible service in the employ of the local agency.

- d. Illustration. Assuming an annual salary of \$5400 and two and one-half (2.5) years eligible prior service, the amount of the prior service benefit which can be derived through either of the above methods can be illustrated for a typical employee as follows:
- (1) Formula Benefit. The annual annuity would be equal to:
- $$0.0075 \times \$450.00 \times 30 = \$101.25$$
- The product, or \$101.25, is the amount of the annuity to be provided. The employer's cost of providing this annuity would depend on the insurer's premium on the effective date of the plan and the payment period.
- (2) Money Purchase. The amount of the employer's cost (assuming a future service contribution of five percent (5%) would be equal to:
- $$0.05 \times \$450.00 \times 30 = \$675.00$$
- The product, or \$675.00, is the amount of employer contributions which can be used to fund the prior service annuity. The ultimate amount of this annuity would depend on the insurer's single premiums on the effective date of the plan.
- (3) Comparison. In general, the formula benefit method will be more favorable for older employees and the money purchase method more favorable for younger employees.
- e. Contributions determined pursuant to paragraph 107c shall be paid exclusively by the local agency in one or more annual installments based on budgetary considerations.
- f. Purchase of annuities. The prior service annuity may be purchased on a paid-up deferred annuity basis. Alternatively, the net contribution determined under paragraph 107c may be deposited in either a fixed dollar account or an investment account as provided in Section 2 of this Chapter with the actual annuity being purchased at retirement. Where the employee requests that the contribution be deposited in an investment account, he shall be required to sign a statement or waiver acknowledging that the final annuity purchased may be larger or smaller than originally contemplated.
- g. Refunds arising from the prior service provisions of the plan

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shall be applied in the same manner used for the handling of refunds resulting from future service contributions.

108. SPECIAL PRIOR SERVICE. In the event certain regular employees are ineligible to participate solely because of their attained age on the effective date, the local agency may nevertheless purchase special prior service annuities without such employees becoming participating employees. For this purpose, the local agency shall assign uniform special retirement dates to such employees to fall not later than three (3) years following the effective date or the "normal retirement date," if later.
109. MILITARY LEAVE. The plan may provide for uniform treatment of participating employees placed on military leave (herein referred to as "military leave employees") pursuant to the following:
- a. Definitions. "Military leave" as used herein means a leave of absence from a local agency for a period of time commencing on a day following the date on which an employee enters active military or naval service of the United States and ending on the date when the employee returns to active employment with the local agency after discharge or release therefrom under conditions other than dishonorable; provided, however, that such period may not extend beyond ninety (90) days after discharge or release. "Active military or naval service" means active service in the Army, Air Force, Navy, or Marine Corps, including service in the Coast Guard, the Commissioned Corps of the U. S. Public Health Service, and the U. S. Coast and Geodetic Survey for any period of time they constituted a part of the active military or naval forces of the United States, but the service of an individual in any reserve component of the military or naval forces of the United States who is ordered to active duty in any such force for a period of thirty (30) days or less shall not be deemed "active service" in that force during that period.
 - b. Future Service Considerations. In accordance with the provisions of this paragraph, the local agency shall cease its contributions to the plan on behalf of an employee entering military leave status. The local agency may maintain for the military leave employee the prior service and future service benefits which have been credited to him up to commencement of a military leave, together with any paid-up death benefits which are provided for upon cessation of premium payment by the contract of the insurer. The plan may permit the employee to remit the full future service contributions required under the plan during any period of military leave. If a military leave employee applies for reemployment within ninety (90) days after release from active military service, upon his reemployment

with the local agency, the future service contributions shall be resumed by him and the local agency on the basis called for by the plan.

- c. Benefits. The plan may provide that any such military leave employee, provided he has not withdrawn any vested interests and has applied for reemployment within ninety (90) days after release from active military service, shall upon his reemployment by the local agency be entitled to special military service benefits to be purchased solely by the employer as if they were additions to prior service under paragraph 107. Such special military service benefits shall be based upon his regular annual compensation from the local agency at the commencement of his period of military leave multiplied by the number of years (which may be taken to the nearest integral year or month) of such period of military leave; provided, however, that service shall not exceed five (5) years in respect to any one continuous period of military leave.
- d. Effect of Disqualification. In the event a military leave employee elects to surrender vested interests, upon entering or during such leave, or if he has not applied for reemployment with the local agency within ninety (90) days following his release from such military service, or if he has not been reemployed before either the expiration of any statutory right to reemployment or one year after release from such military service, whichever is later, the plan shall provide that he shall have no greater rights than as if his employment had terminated at the commencement of such military leave, except that, upon subsequent reemployment, such military leave employee will not be required to serve a waiting period applicable to new employees under the plan but shall be eligible on the next entry date provided in the plan for the enrollment of eligible employees in the plan.
- e. Vesting. Years of military service shall not be counted toward years of employment for the purpose of determining vesting under the plan. However, special military service benefits purchased under this paragraph shall be immediately vested in accordance with the rate of vesting applicable to the military leave employee immediately prior to his entering military leave status.
110. LEAVE OF ABSENCE. The plan may provide for authorized leave of absence for any purpose. In such event, employer contributions shall be suspended but credits already purchased shall remain in effect. Provision may be made also for payment of premiums solely

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by the employee while on leave of absence. Upon return to service the employee may be eligible to participate on the next entry date provided in the plan. No prior service coverage shall be provided for leaves of absence (other than military leave). Periods of authorized leaves of absence shall not be counted for the purpose of determining vesting under the plan. Paid sick, annual or military leave is not classified as a leave of absence.

111. VESTING

- a. Definition. Vesting means the right or interest which an employee acquires in the value of the contributions made on his behalf by the employer. The vested right applies to the value of the employer's contribution whether that be in the form of an annuity or in the form of cash or its equivalent.
- b. Employee Contributions. An employee shall always be fully vested in the value of his own contributions. Where employee contributions are applied to purchase individual or group permanent insurance policies, the plan may provide that employer contributions may be used to make up any difference between the cash value of such policies and the amount contributed by the employee in the event of cash out of his own contributions.
- c. Employer contributions (or their value) shall be vested at a rate of at least ten percent (10%) but not more than twenty percent (20%) per year of service or participation in the plan. Once a full-time employee becomes eligible to participate in the plan, his years of service up to a maximum of five (5) years, may be counted toward his required years of service for vesting. For purposes of this "look back" rule, however, years of preparticipation service shall not be counted unless the pension plan was in existence during those years. The annual vesting rate may be prorated to cover a portion of a year. In addition, employer contributions shall be fully vested upon death, total disability, and retirement.
- d. Change in Employment. If an employee of a HUD-aided local agency transfers to another HUD-aided local agency, it shall be mandatory that the employee's vested interest accrued under the private retirement plan at his previous place of employment shall be recognized under the private retirement plan of the subsequent location if the insurance company of the previous plan agrees to transfer his withdrawal value to the new retirement plan. If his withdrawal value is not transferred, the new plan may, on a non-discriminatory basis, recognize and allow credit for the employee's years of service with the former local agency for the purpose of vesting.

- e. Amendment or Replacement of Plan. If a new plan replaces or amends a preceding plan then each participant's vested interest in the new plan shall be at least equal in value to his vested interest under the replaced or amended plan immediately prior to its amendment or replacement by the new plan.
- f. Special Vesting Conditions. Employer contributions may be fully vested upon completion of a principal program activity. In this connection, it is appropriate to recognize that it will be necessary to make adjustments to keep staffing commensurate with project activity and to provide for an orderly scheduling of staff reductions over a period of time. Accordingly, the plan may provide for full vesting of employer contributions in the event a reduction-in-force is necessary. However, some measure of control is desirable to prevent manipulation with respect to vesting under conditions of routine termination of employment, whether voluntary or involuntary. Therefore, a determination on completion of a principal program activity or the necessity to make staffing adjustments should be certified by formal resolution of the Board of Commissioners. The resolution should, within practical limits, indicate the timing of the terminations involved as well as the individuals or functions to be affected.
- g. Permitted Forfeiture of Vested Rights. The plan may provide that an employee's vested rights in accrued benefits derived from employer contributions (but not his own contributions) may be forfeited in the event an employee voluntarily withdraws all or part of his own contribution. However, an employee withdrawing his own mandatory contributions must be made fully aware of the consequences of doing so, and the plan must provide for full and adequate disclosure to the employee, prior to withdrawal, including disclosure of the current value of the accrued right the employee will forfeit. It is recommended that the employee be required to sign a waiver acknowledging such forfeiture.
- h. "Bad Boy" Clauses. With the limited exception noted above, no rights, once they are required to be vested, may be lost by the employee under any circumstances (although in some circumstances the plan may pay the employee the actuarial value of his vested rights upon separation from service). For example, a vested benefit is not to be forfeited because the employee later went to work for a competitor, or in some other way was considered "disloyal" to the employer. Also, rights to benefits are not to be forfeited merely because the employer (or plan administrator) cannot find the employee. However, in such a case, if it appears that the employee's whereabouts would remain unknown for so long a time that the value of the benefits would escheat to the State, then before that happens the plan should

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provide that such employee will be deemed to have died, and the proceeds will be settled accordingly. The local agency should make every effort to locate the employee.

112. FORMS OF ANNUITY. Retirement benefits must be guaranteed by an insurance company. The plan shall not provide or otherwise permit an employee to select a form of annuity which would not be payable at least for the lifetime of the retired employee. As such, lump-sum and period certain (without life) settlement options are not allowable.
113. NORMAL RETIREMENT. Ordinarily, the normal retirement age is 65 to coincide with the retirement age (for males) under the old-age and survivors' provisions of the Social Security Act. The local agency may establish an earlier or later age, if desired. In general, an age earlier than 60 or later than 70 should be avoided.
114. EARLY RETIREMENT. A participant (and former participant) may be permitted to retire at an early retirement date and receive an annuity payable for life based upon the reduced actuarial equivalent of the normal retirement benefits accrued and credited to him at his early retirement date. Early retirement should not occur more than ten (10) years prior to normal retirement. The plan may provide that the consent of the local agency will be required. In the event the local agency's consent is required for early retirement, the early retirement benefit will be no more than the benefit to which the employee would have been entitled had he terminated employment instead.
115. DELAYED RETIREMENT. In a retirement plan, it is intended that employees will terminate their employment on their normal retirement date. A local agency may, for exceptional reasons, continue the employment of any person after his normal retirement date. In this event, the plan may provide for the continuance or discontinuance of employer contributions. If contributions had been discontinued previously, they may re-commence on a current basis or retroactively to cover all or a part of the period of discontinuance. The plan should prescribe a mandatory retirement age and/or for the automatic commencement of retirement benefits (along with cessation of contributions) on the date five (5) years subsequent to the employee's normal retirement date.
116. DEATH BENEFITS. There is no absolute maximum established on the amount of death benefits payable. The total death benefit payable would be the sum of (a) the face value (or cash value if greater) of all life insurance, (b) the cash value of all non-life insurance

annuities, and (c) the value in cash or kind of all separate accounts held on his behalf plus any insurance payable pursuant to another benefit plan, if any. Upon death, an employee is fully vested in all his benefits regardless of source or type.

117. DISABILITY. The plan may provide that if the employment of any participant is terminated because of total and permanent disability, the participant may elect to receive a monthly life income to commence immediately in such amount as can be provided by the value of his coverage. In such cases, any unpurchased prior service benefits would be immediately purchased and all employer contributions would be fully vested. With the consent of the employer or plan administrator, an employee may select a lump-sum cash settlement in lieu of an annuity even though cash-out might otherwise be restricted.
118. PORTABILITY. Where an employee changes employment from one local agency to another, the plan may permit the transfer of the employee's credits to the retirement plan of the new employer even though such new employer's plan is under a separate contract with the same insurer or under contract with a different insurer. All accrued contributions would be fully vested. Under the new plan, the employee may be treated as a new employee for the purposes of vesting or may be credited with his years of service with the former local agency. Portability should occur only between plans which have been qualified under the Internal Revenue Code.
119. TERMINATION OF EMPLOYMENT. A participant who has terminated his employment may take the vested benefits due him in the form of a monthly life annuity at retirement. Alternatively, the plan may permit a terminated employee, prior to his normal retirement date, to withdraw all or part of his vested interest. The plan may impose an age and/or service limitation further restricting such withdrawal. The plan may require forfeiture of employer contributions in the event an employee voluntarily withdraws all or part of his own contributions (see paragraph 111g). At the discretion of the insurer, minimum annuities, not in excess of \$25 per month (based on a single life annuity), may be paid in a lump sum in lieu of all other benefits.
120. ADDITIONAL PROVISIONS. A retirement plan and the contract(s) thereunder may contain additional provisions which are not inconsistent with the policy stated in this Handbook.
121. AMENDMENT. This paragraph prescribes the policy and conditions to be observed in cases where an existing plan is amended.
- a. Policy. Local agencies may revise existing private retirement plans so as to take advantage of the provisions of this Chapter.

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In this event, the plan must be revised to comply fully with all stated requirements. The amendment, including the original plan, must be submitted to the appropriate HUD office for approval.

- b. Preservation of rights. No amendment shall adversely affect the rights accrued by any participant prior to such amendment. If a new plan replaces or amends a preceding plan then each participant's vested interest in all contracts and other assets held for his benefit shall be at least equal in value to his vested interest under the replaced or amended plan immediately prior to its amendment or replacement by the new plan.
 - c. Prior Service. The local agency shall continue prior service benefits as provided under the original plan. Prior service contributions, if any are due, shall be made in accordance with the provisions of paragraph 107e. The amended plan shall not provide additional prior service benefits except for military leave.
 - d. Participation. Participants in the original plan shall be required to participate in the amended or replacement plan.
122. TERMINATION OF PLAN. Prior written approval from HUD shall be obtained in the event the retirement plan is to be terminated. In addition to the termination provisions prescribed by the Internal Revenue Service under a qualified plan, the plan must provide that no employee shall be permitted to withdraw or surrender his vested interest in all contracts or other assets held for his benefit while he continues to be a regular employee.
123. APPLICABILITY. Any private retirement plan adopted and approved previously pursuant to HUD policies then in effect may be continued without change.
124. APPROVAL. Before executing or amending a private retirement plan contract and before making any contributions to such plan (except under an escrow agreement as provided in paragraph 96), the local agency shall submit the following documentation to its Area Office for review and subsequent advice concerning approval:
- a. A copy of the proposed application, if any, the trust agreement or contract, and the insurer's policies including all applicable premium and benefit schedules. In the event a standard plan (see paragraph 92) is to be adopted, documentation to be submitted for prior approval may consist solely of a statement

certifying that the local agency shall adopt the standard plan, identified by the specifically assigned control number, as originally approved (including any subsequent amendments which were approved).

- b. With respect to prior service benefits, a list of all present employees eligible for such benefits, including for each his salary, age, sex, period of eligible prior service, value of the annuity which would be provided, and the single premium or annual installment which will be used to amortize the prior service liability over one or more years, as applicable.
125. AVAILABILITY OF FUNDS. Employer contributions are at all times subject to availability of budgeted funds.
126. PERSONNEL POLICY. As soon as possible after notification of HUD approval of a private retirement plan, the local agency should revise its personnel policy, if necessary, to conform with the pertinent provisions in the plan such as eligibility requirements, life insurance provided, or continued employment.
- 127 - 140 RESERVED.

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CHAPTER 7. PRIVATE RETIREMENT PLANS

SECTION 2. EQUITY INVESTMENT PLANS

141. INTRODUCTION. The equity investment plan is a specialized type of retirement plan advanced in recent years as an attempt to counteract the effects of inflation. Under this plan, a portion of the contribution is placed in a fund invested principally in common stocks. It is hoped that favorable investment results will produce for the employee a close correlation between his retirement annuity and cost of living changes during the accumulation period to retirement. Pension payments may also be subject to the fund's investment experience to continue this correlation if continued equity investment funding after retirement is employed to some degree. Adaptations sometimes involve guarantees of mortality and expenses or a floor below which benefits will not vary.

142. DEFINITIONS. The term "variable annuity" has created some confusion because of the lack of a clear-cut definition. In some cases, the term refers to a type of retirement plan; in other cases, the term is used to mean a form of retirement benefit. To eliminate ambiguity, the term "equity investment plan" is being used to refer to the plan proper and the term "variable annuity" will be reserved to denote one form of retirement benefit available under an equity investment plan. In addition, there is a general lack of conformity over other equity investment plan terminology now in use. Therefore, the terms used herein are elaborated upon below. These definitions shall apply when the context does not clearly indicate otherwise.

- a. Equity Investment Plan. A specialized type of retirement plan providing a dual-funding arrangement. Under the plan, contributions may be allocated in part to an account the assets of which will be invested primarily in common stocks (investment account), and part in an account utilized in traditional insurance operations for fixed dollar annuities (fixed dollar account). At retirement investment account assets may be converted to provide a fixed dollar annuity or a variable annuity.
- b. Equity securities means common stocks and other investments which represent the possibility of substantial appreciation or depreciation.
- c. Fixed Dollar Account. The account or procedure established to isolate reserves maintained for the purchase of fixed dollar annuities. Employee contributions shall be credited only to the fixed dollar account. Employer contributions may be credited to or transferred from such account.

CHAPTER 7, SECTION 2

- d. Fixed Dollar Annuity. An annuity which continues to be paid throughout the lifetime of the annuitant in a level amount, fixed and guaranteed by an insurance company.
- e. Investment Account. The account or procedure under which employer past and future service contributions are invested primarily in equity securities. Accounting may be accomplished through the use of special pooled accounts and may be expressed in terms of dollars or units as may be applicable in the contract.
- f. Variable Annuity. A form of annuity providing a series of payments for life, the amount of which will vary, up and down, from month to month (or other valuation period) to reflect the difference between an assumed investment result and the actual investment result, including dividends and market value changes. The investment fund will consist primarily of common stocks. The variable annuity may be offered under the same settlement options available for the fixed dollar annuity. NOTE: Employee contributions shall not be applied to purchase a variable annuity.

143. ELEMENT OF RISK. It must be fully understood that investment in equity securities is subject to economic conditions as well as the risks inherent in the ability of fund managers to anticipate changes in investments necessary to meet these changing conditions. Policy guidelines, guarantees, and regulatory control coupled with prudent selection of the funding agency can reduce but never eliminate all the risk attendant to equity investment plans. In the end, the final decision on the assumption of this risk rests with the employee. Therefore, it is of vital importance that the employee fully understand the characteristics of the plan and the results that might develop. Forearmed, the employee will be prepared to make a rational decision based on his particular situation and to accept possible market fluctuations as a normal result to be expected from the operation of this type of plan.

144. INVESTMENT OBJECTIVE. The principal investment objective should be selection of investments from the view of a prudent investor concerned primarily with the long-range growth of capital in relation to the changing value of the dollar. An additional but secondary investment objective should be the production of current income. In order to achieve these objectives, emphasis should be placed on selecting the desirable proportions of the portfolio to be placed in various industries which are expected to grow at a faster rate than the economy as a whole and on the proper selection of the companies within those industries which are deemed capable of outperforming the others. The relative importance of each industry

group can be expected to change from time to time depending on the relative attractiveness of presently held as well as other stocks which may merit inclusion in the portfolio.

145. INVESTMENT RESTRICTIONS. The following investment restrictions have been adopted to assure attainment of the investment objective. Substantial compliance with these criteria shall govern HUD approval of the investment account. Nothing in these investment restrictions is intended to preclude the exercise of managerial judgement by the funding agency in investment selection and the timing of purchases or sales in recognition of shorter-term, cyclical business, economic, or market conditions. Responsibility for the management, safekeeping, control, and investment of the investment account shall be handled by a professionally managed funding agency which would include a life insurance company, a corporate fiduciary such as an investment bank, or a regulated investment company such as a mutual fund. The investment account must be a pooled account under which funds from more than one source are commingled. The investment account shall be invested in accordance with the following restrictions which are considered to be fundamental policies:
- a. Investment account assets shall be invested in a portfolio of equity securities, mainly common stocks, diversified over a variety of industries and companies. In general, the portfolio shall not concentrate more than 25 percent (25%) of its assets in any one industry nor more than five percent (5%) of its assets in any one company or issuer, except obligations of the United States Government and instrumentalities thereof.
 - b. Real estate shall not be purchased or sold as a principal activity.
 - c. No purchase of commodities or commodity contracts shall be made.
 - d. Loans shall not be made except through the acquisition of bonds, debentures, or other evidences of indebtedness of a type customarily purchased by institutional investors, whether publicly distributed or not.
 - e. Investment shall not be made in the securities of a company for the purpose of exercising of management or control. As such, not more than 10 percent (10%) of the voting securities of any one issuer will be acquired.
 - f. Short sales of securities shall not be made.
 - g. Purchases shall not be made on margin, except for such short-term credits as are necessary for the clearance of transactions.

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- h. Borrowings shall not be made except for emergency or temporary administrative purposes to an extent not exceeding that permitted by Section 18(f)(1) of the Investment Company Act of 1940.
146. EMPLOYEE CONTRIBUTIONS shall be allocated only to the fixed dollar account and used to purchase a fully insured conventional fixed dollar annuity payable for the lifetime of the annuitant. This procedure is essential to provide a guaranteed amount of retirement income. With the addition of a stable social security benefit, this guaranteed income will assure the annuitant of a solid base of income during retirement. This base income can then be combined with a variable annuity purchased from employer contributions to produce a balanced income which should be more responsive to changes in the cost of living than a fixed dollar annuity alone and less volatile than a variable annuity alone.
147. EMPLOYER CONTRIBUTIONS. Each participant shall have the right to designate the percentage of each employer contribution made on his behalf which is to be allocated to the investment account, and the remainder shall be allocated to the fixed dollar account. Such percentage distribution is normally expressed in multiples of 10 percent (10%) to 25 percent (25%). A participant shall have the opportunity, should he wish to do so, to change the percentage of such contribution which is to be allocated to each account. This opportunity should be offered on an annual basis. As a rule, an allocation will remain in effect until such time as a request for a change is filed with the insurer.
148. TRANSFER OF EMPLOYER CONTRIBUTIONS. Employer contributions allocated to the investment account should be transferable to the companion fixed dollar account. No less than two transfers should be permitted a participant; at least one such transfer being before his normal retirement date and one being at the time of his actual retirement. In addition, at actual retirement only, employer contributions previously allocated to the fixed dollar account should be transferable to the investment account for application as a variable annuity. Such transfer arrangements would be subject to the insurer's usual requirements regarding reallocation of premiums, minimum balances, and transfer charges, if any. These procedures permit an employee to adjust the balance between his fixed dollar and investment accounts to meet possible changes in his personal circumstances or to serve as a hedge to protect investment results and then, at actual retirement, to readjust these account balances to meet his anticipated retirement income needs.
149. ADDITIONAL REQUIREMENTS. Except as provided in this Section, the equity investment plan shall comply with all criteria and procedures stipulated elsewhere in this Handbook.
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150. APPROVAL. In addition to the documentation required for a private retirement plan under Section 1, the local agency shall submit a statement of the investment objectives and restrictions applicable to the investment account as discussed in paragraphs 144 and 145. . Such statement shall be prepared and signed by a responsible official of the funding agency. Where available, a prospectus may be submitted in lieu of the statement.

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CHAPTER 7. PRIVATE RETIREMENT PLANS

SECTION 3. INTERNAL REVENUE SERVICE QUALIFICATION

153. POLICY. It is specifically required by HUD that all private retirement plans adopted or amended after the date of this Handbook shall be qualified under the Internal Revenue Code (see Section 1, paragraph 94). Qualification is required as a practical matter to enable local agency employees to avoid the severe tax consequences resulting from failure to qualify.
154. TAX ADVANTAGES. Qualification of a private retirement plan by the Internal Revenue Service carries with it two important tax consequences affecting employees.
- a. First, employees defer payment of tax on employer contributions made on their behalf until they actually receive the benefits. Because benefits are generally received in retirement years when other income tends to decline and older people receive favored tax treatment, including double personal exemptions, the deferment of tax until the employee receives the pension benefit ordinarily permits him to shift income to lower tax brackets and possibly to eliminate all tax. Moreover, when the amounts are distributed or made available to him or his beneficiary, additional tax benefits are extended such as in some instances the capital gain rates will apply, a death benefit up to \$5,000 is excluded from income taxes, and the proceeds of the plan are generally exempt from estate taxes.
 - b. Second, the earnings on the plan's assets are exempt from Federal taxes under the Internal Revenue Code Section 501(a). If the plan is an insured one providing annuities, earnings on the pension reserves held by the life insurance company are exempt from tax under the Internal Revenue Code Section 805(d).
155. QUALIFICATION METHODS. Internal Revenue Service qualification may be obtained through two Sections of the Internal Revenue Code, Section 401(a) and Section 501(c)(3). The two Sections involve different types of qualifications. Under Section 401(a) the pension plan is submitted for qualification; under Section 501(c)(3) the local agency requests a determination from the Internal Revenue Service that the local agency is qualified as an exempt organization as defined in the Section and the effect on the pension plan is merely a by-product. The tax advantages under either method are basically the same. Qualification under Section 501(c)(3) has been difficult for local agencies to secure. Since the advantages are similar under both Sections, it would appear that qualification should be sought under Section 401(a).

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- 156. COMMUNICATION WITH EMPLOYEES.** Internal Revenue Service qualification regulations require that employees must be apprised of the establishment of a qualified private retirement plan and the provisions thereof. The most effective way of doing so is to furnish each employee with a booklet or mimeographed pamphlet setting forth the type of plan, the eligibility requirements, a synopsis of all benefits provided such as life insurance, the amount of employee and employer contributions, vesting provisions, and a notation that a copy of the complete plan may be inspected at a designated place on the premises during stated times.
- 157. ASSISTANCE.** The help of the insurance company should be enlisted in preparing the necessary submission documents to be forwarded to the Internal Revenue Service. The insurance company may also be able to assist in the decision on what qualification method would be most suitable.
- 158. APPROVAL.** HUD approval of the private retirement plan is conditional upon the local agency's obtaining and retaining Internal Revenue Service qualification. As soon as a favorable determination letter from the Internal Revenue Service is received, a copy of the ruling should be submitted to the appropriate HUD office for filing.
- 159. - 160. RESERVED.**

CHAPTER 8. MISCELLANEOUS BENEFIT PLANS

161. POLICY. A local agency may provide the following benefit plans subject to the cost and coverage limitations stated below.
162. DISABILITY INCOME BENEFITS. Disability income benefits (DIB) are periodic payments, usually on a monthly basis, to replace lost earnings due to sickness or injury. The following provisions shall apply.
- Definition. The definition of disability shall conform to the standard definition customarily used by the insurance company.
 - Waiver of Premium. The plan may provide for waiver of DIB premiums while disabled, but may not provide for supplemental pension credits or contributions.
 - Individual Policies. Where a local agency would have too few eligible or participating employees to obtain a group policy, it may nonetheless contribute on a nondiscriminatory basis toward one-half of the cost of an individual DIB policy in accordance with paragraph 162d.
 - Contributions. The employer contribution shall not exceed the lesser of (1) one-half percent (0.5%) of an employee's regular compensation, or (2) fifty percent (50%) of an individual's applicable premium. The employee's contribution shall not be less than the employer's contribution.
163. ACCIDENTAL DEATH AND DISMEMBERMENT. Accidental death and dismemberment coverage (AD&D) provides indemnity for loss of life, limbs, or sight resulting from accidental bodily injury. The AD&D policy can provide accident coverage off the job or at all times. The AD&D death benefit or principal sum for any participating employee shall not exceed that amount which can be purchased by a total per employee premium of \$3.00 per month. The premium shall either (a) be deducted from the basic contribution attributable to a private retirement and/or life insurance plan, or (b) be integrated with a private health insurance or DIB plan's premium on a matching contribution basis. AD&D coverage for dependents may be provided only to the extent that the premiums therefor are paid exclusively by the employee.
164. APPROVAL. The following information relative to a miscellaneous benefit plan shall be submitted to the appropriate HUD office:
- A copy of the application and policy or contract which shall include all pertinent premium and benefit schedules.
165. - 170. RESERVED.

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CHAPTER 9. HUD STAFF INSTRUCTIONS

171. SCOPE. This Chapter provides instructions to HUD Area Office (or other appropriate HUD office) staffs for the handling and approval of employee benefit plans submitted by a local agency pursuant to this Handbook.
172. PRELIMINARY REVIEW. When a proposed employee benefit plan is received for approval, the Area Office shall make a preliminary review to determine that the local agency has submitted all the documentation required by the appropriate "APPROVAL" paragraph in the pertinent Chapter or Section and shall obtain any material needed to make the submission complete.
173. AREA OFFICE APPROVAL. The following forms of employee benefit plans shall be reviewed by the Area Office to determine the adequacy of the coverage and the acceptability of premium charges to project costs. Area Office Divisional Directors are authorized to approve such plans for their respective program areas of responsibility without referral to Headquarters. Where more than one program area of responsibility is involved, the employee benefit plan shall be reviewed by the program offices involved and shall be approved by the Area Director. If desired, the Area Office may forward such plans to Headquarters for comment.
- a. Public employee benefit plans conforming to Chapter 3.
 - b. Independent life insurance plans conforming to Chapter 5 and which are not coordinated with another benefit plan such as a private retirement plan.
 - c. Health insurance plans conforming to Chapter 6.
 - d. Miscellaneous benefit plans conforming to Chapter 8.
 - e. HUD Approved Standard Plans listed in Appendix 1 of this Chapter.
174. HEADQUARTERS TECHNICAL REVIEW. Comparable retirement plans submitted pursuant to Chapter 4; private retirement plans (except HUD Approved Standard Plans) submitted pursuant to Chapter 7; any amendment, replacement, or change of insurance companies involving any plan including a HUD Approved Standard Plan; and other employee benefit problems or questions shall be referred to the Director, Local Agency Services Division, HM, for technical review and comment regarding conformance to HUD policy. The Area Office shall be notified by Headquarters of the results of the technical review and shall proceed as follows:

- a. If the plan is approvable as submitted or with minor changes, the Area Office shall issue a letter of approval to the local agency. In those cases where minor changes are required, the Area Office shall followup to assure that the changes are made.
- b. If the plan is not approvable unless major changes are made, the Area Office shall so advise the local agency. Corrected proposals shall be resubmitted to Headquarters for additional technical review. Upon notification that the plan is approvable, the Area Office shall proceed as under paragraph 174a.
- c. Information Copies. A copy of any referral by the Area Office to Headquarters and a copy of any notification by Headquarters to the Area Office shall be sent to the appropriate Assistant Regional Administrator.

175. HUD APPROVED STANDARD PLANS . Proposed standard plans will be submitted by the insurance company directly to Headquarters for review and technical approval. Pending listing of the standard plan in Appendix 1 of this Chapter, the insurance company will be issued a letter of "approval" which can be forwarded by a local agency with their request for Area Office approval. It is not necessary for a local agency to submit the "APPROVAL" documentation otherwise required in Chapter 7. In lieu thereof, the local agency may submit a statement certifying that it is adopting the standard plan (identified by its unique control number or name) exactly as originally approved. Prior service calculations would still be required. Insurance company correspondence should be addressed to:

Mr. A. J. Bartolotta, Director
Local Agency Services Division, HM
451 7th Street S.W., Room 9272
Washington, D.C. 20413

CHAPTER 9. HUD STAFF INSTRUCTIONS

APPENDIX 1. HUD APPROVED STANDARD PLANS

<u>Insurer & Control Number</u>	<u>Primary Contact</u>
AEtna Life Insurance Company AE-HUD-69-1 AVALIC-AETNA-1-HUD (Equity Plan)	Mr. Robert B. Coppage Associate Counsel AEtna Life Insurance Company 151 Farmington Avenue Hartford, Connecticut 06115
American Employers Industry and Professional Trust (Underwritten by Security Benefit Life Ins. Co.) AEIPT-1-HUD (Equity Plan)	Mr. Richard L. Mathers, Manager Retirement & Special Plans Dept. Continental Associates Company 1010 Common Street, Suite 2000 New Orleans, Louisiana 70112
Continental Assurance Company GP-5000-R (Equity Plan)	Mr. John W. Mack, CLU Colonial Courts Building 1775 Glenview Road Glenview, Illinois 60025
Country Life Insurance Company CLIC-1-HUD	Mr. Kenneth H. Koehn Manager, Plan Services Country Life Insurance Company P.O. Box 575 Bloomington, Illinois 61701
Great-West Life Assurance Company G-W.L.-1-HUD (Equity Plan)	Mr. Victor L. Beck, CLU Great-West Life Assurance Co. Senate Office Building 701 West 15th Street Austin, Texas 78701
Housing Authority Combination Pension Trust (Underwritten by Pan-American Life Insurance Co.) WHG-1-HUD (Equity Plan)	Mr. W H Grimes, III, CLU Ranch Acres Professional Bldg. 3223 East 31st Street, Suite 110 Tulsa, Oklahoma 74105
Housing-Renewal and Local Agency Retirement Plan (Underwritten by The John Hancock Mutual Life Insurance Company) (Equity Plan)	Mr. W. Kenneth Lutz, CLU Executive Director Benefit Plan Administrators, Inc. 2440 Grinstead Drive Louisville, Kentucky 40204

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<u>Insurer & Control Number</u>	<u>Primary Contact</u>
Illinois Mutual Life and Casualty Company IMCO-1-HUD	Mr. George A. Perzel Vice President Illinois Mutual Life and Casualty Company 411 Liberty Street Peoria, Illinois 61602
Jefferson Standard Life Insurance Company JSL-1-HUD (Equity Plan)	Mr. Jack B. Dunlap Jefferson Standard Life Ins. Company P.O. Box 21008 Greensboro, North Carolina 27420
Kansas City Life Insurance Company KCL-1-HUD	Mr. James B. Slusher Assistant Counsel Kansas City Life Insurance Co. P.O. Box 139 3520 Broadway Kansas City, Missouri 64141
Louisiana and Southern Life Insurance Company LS-1-HUD	Mr. Patton B. Tunstall Vice President Louisiana and Southern Life Insurance Company 225 Baronne Street New Orleans, Louisiana 70112
Metropolitan Life Insurance Company ML-1-HUD	Mr. Frederick A. Risley Metropolitan Life Insurance Co. 1 Madison Avenue New York, New York 10010
The Mutual Life Insurance Company of New York MONY-1-HUD MONY-2-HUD (Equity Plan) (Available to groups of 25 or more participants only)	Mr. Don L. Coe, CLU Assistant Vice-President Mutual of New York Broadway at 55th Street New York, New York 10019
National Association for Community Development (Underwritten by the Prudential Insurance Company of America) NACD-1-HUD-2 (Equity Plan)	Mr. Moses A. Malkin, CLU Administrator N.A.C.D. Group Pensions and Insurance Programs 47 College Street New Haven, Connecticut 06510

<u>Insurer & Control Number</u>	<u>Primary Contact</u>
National Health & Welfare Retirement Association, Inc. NHWRA 70-1 (Equity Plan)	Mr. C. R. McCormack Vice President National Health & Welfare Retirement Association, Inc. 360 Park Avenue South New York, New York 10010
New England Mutual Life Insurance Co. NEL-1-HUD (Equity Plan)	Mr. Robert F. Grandfield New England Mutual Life Ins. Co. 501 Boylston Street Boston, Massachusetts 02117
New England Mutual Life Insurance Co. NEL-2-HUD (Equity Plan)(Available only to groups of 15 or more participants)	Mr. Robert A. Hamilton, Jr. New England Mutual Life Ins. Co. 10 S. Riverside Plaza, Suite 137 Chicago, Illinois 60606
Georgia International Life Ins. Co. P-268 (Housing only) P-269 (Renewal only)	Mr. Thomas B. Jenkins General Agent Georgia International Life Ins. Company P.O. Box 753 Valdosta, Georgia 31601
Republic National Life Insurance Co. GP-390-265-Rev. 767	Mr. Douglas Faucett Republic National Life Ins. Co. 3988 North Central Expressway Dallas, Texas 75204
Security Benefit Life Insurance Co. SBL-1-HUD	Mr. Eric Henry Assistant Vice President Security Benefit Life Ins. Co. 700 Harrison Street Topeka, Kansas 66603
W. E. Smedley Company, Inc. WES-1-HUD (Equity Plan)	Mr. W. E. Smedley 1701 Pennsylvania Avenue, N.W. Washington, D.C. 20006
Southwestern Life Insurance Company SWL-2-HUD SWL-3-HUD (Equity Plan)	Mr. James Smith Assistant Vice President Southwestern Life Ins. Co. P.O. Box 2699 Dallas, Texas 75221

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CHAPTER 9 APPENDIX 1

<u>Insurer & Control Number</u>	<u>Primary Contact</u>
Southwestern Regional Council NAHRO Employees Retirement Plan (Under- written by Mutual of New York)(Equity Plan)(Available in SW/NAHRO only)	Mr. A. Cole Stephens Suite 333 4525 Lemmon Avenue Dallas, Texas 75219
Travelers Insurance Company TIC-HUD-1 (Equity Plan)	Mr. Thomas A. Damron, Manager LH&FS Marketing Programs The Travelers Insurance Company One Tower Square Hartford, Connecticut 06115
United Life Insurance Company ULIC-1-HUD	Mr. Glen Rames United Life Insurance Company P.O. Box 4909 Cedar Rapids, Iowa 52407

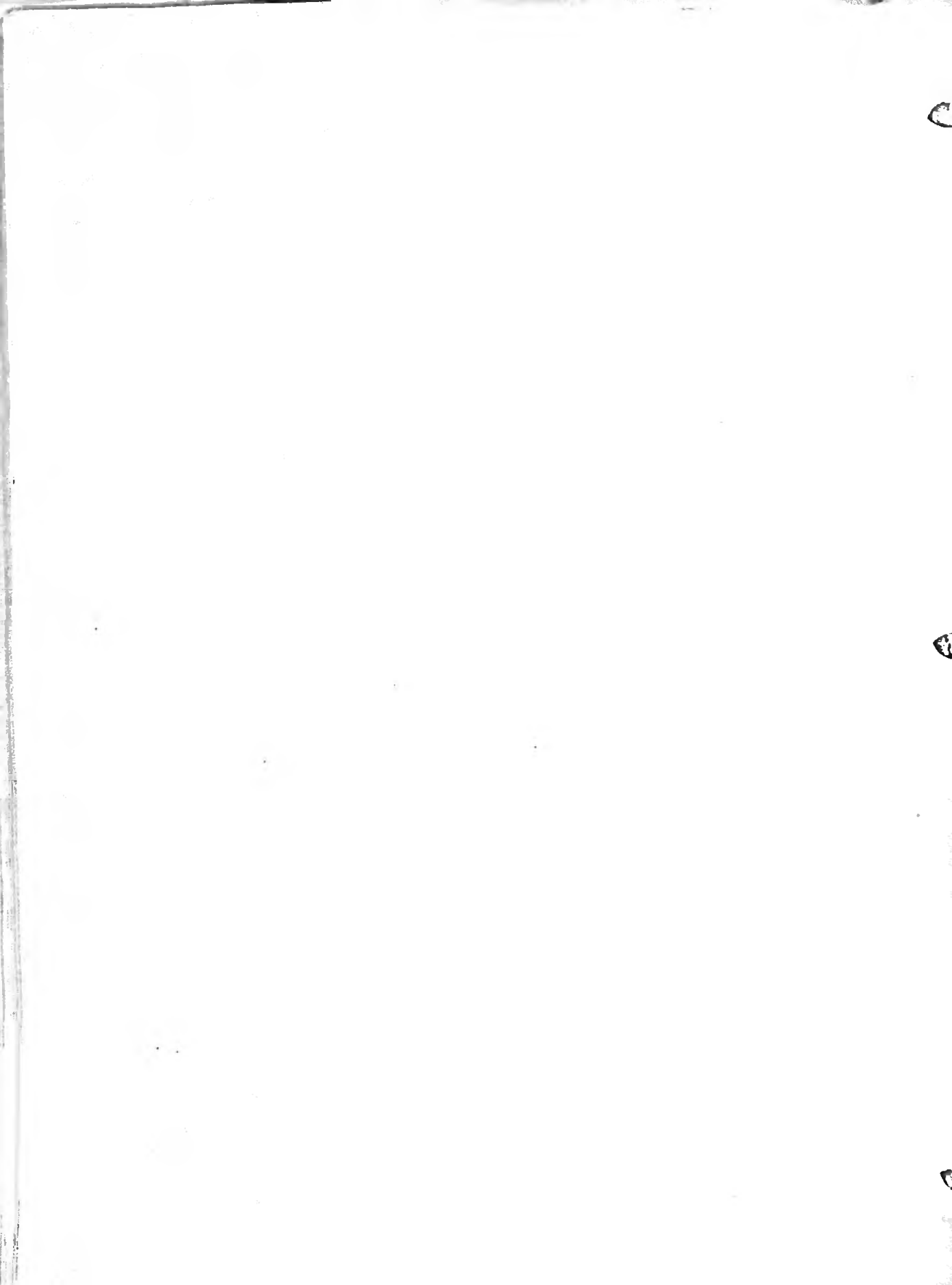
Sample Form

CERTIFICATION

I hereby certify that indirect costs included in the attached budget submission or application for HUD grant are correct and based on a cost allocation plan prepared in accordance with "A Guide for Local Government Agencies," OASC-8, issued by the U. S. Department of Health, Education, and Welfare. I certify also that procedures were utilized (a) to prevent costs from being allocated to HUD programs as indirect costs that have already been treated as direct costs, and (b) to assure that consistent and equitable treatment was accorded similar costs. Details of the development of indirect costs are fully documented and are available for audit. To the best of my knowledge all costs are and have been equitably allocated or distributed.

Signed: _____
(Official submitting budget or
application)

Date: _____



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ACCOUNTING
RHA 7221

RHA /223



CHAPTER 1. SURVEY AND PLANNING

1. SURVEY AND PLANNING BUDGET. The HUD-approved initial survey and planning budget authorizes the LPA to incur costs for the preparation of the Part I or Combined Part I-II Loan and Grant Application and for other expenses through the estimated date of HUD approval of Part I or Combined Part I-II.
2. ACTIVITY COMPLETION DATE. In approving an initial budget for survey and planning, the Area Office will provide a date for the completion of project planning which will cover a period of not more than 14 months from the date of approval of the budget. By that time the LPA must submit to the Area Office an acceptable Part I or Combined Part I-II Application for Loan and Grant, together with a revised survey and planning budget providing for estimated survey and planning costs through the estimated date of approval of a project expenditures budget (see RHM 7218.1, Budgets and Budget Reports, Chapter 2, Section 3). Upon approval of a Part I, the Area Office will establish a second completion date, based on approval of the Urban Renewal Plan by the local governing body by the end of the 18th month from the date of approval of the survey and planning budget, for the activities and will transmit to the LPA an approved revised survey and planning budget.
3. OPTIONAL BUDGET AMOUNTS. During the survey and planning stage, the LPA may incur certain costs, or wish to undertake certain activities, which normally would be applicable to, or payable during, the project execution stage. If the circumstances warrant, the LPA may include in its Survey and Planning Budget on Lines 1 through 4, as appropriate, optional budget amounts for the costs and activities as indicated below. Such estimates shall include the full costs to be incurred, including those expenses that may be obligated but not paid until after a Contract for Loan and Grant is executed for the project. Full justification for such costs and activities shall be included by the LPA in its narrative statement accompanying the Survey and Planning Application.
 - a. An amount for administrative and overhead expenses that may be incurred between the LPA's submission of Part II or Combined Part I-II and the date of HUD's approval of a Form HUD-6220, Project Expenditure Budget, for the project.
 - b. An amount for costs to be incurred for second land acquisition appraisal and title services (see RHM-7208.1, Real Estate Acquisition, Chapter 2, Sections 1 and 3).

- c. An amount for costs to be incurred for (1) final property surveys for a rehabilitation project (see RHM-7210.1, Rehabilitation, Chapter 1, Section 6), and (2) option negotiation services or offers to sell (see RHM-7208.1, Real Estate Acquisition, Chapter 2, Section 2).
4. SUBMISSION OF REVISED SURVEY AND PLANNING BUDGET TO COVER OPTIONAL BUDGET AMOUNTS. If the LPA does not include costs for these activities in its initial budget request on Form HUD-627, it may include these costs in a revised survey and planning budget submitted with the Part I or Combined Part I-II Loan and Grant Application.
5. CONTINGENCIES. The LPA also may include on Line 6 of Form HUD-627 an amount for contingencies only, which amount shall not exceed 25 percent of Line 5 (subtotal of Lines 1 through 4).
6. PROJECT INSPECTION FEE. Each urban renewal project which will include expenses of survey and planning activities in shared grant costs will pay a project inspection fee covering the planning period.
7. COVERAGE OF PRIMARY PLANNING FEE. The Primary Planning Fee covers:
 - a. First 24 months of project planning, for projects approved on or before June 30, 1970.
 - b. First 14 months of project planning, for projects approved after June 30, 1970.
 - c. Thirty-six months, for both General Neighborhood Renewal Planning and survey and planning activities for the first project from the GNRP.
8. DETERMINATION OF PRIMARY PLANNING FEE. This fee shall be the lesser of the following:
 - a. Ten percent of the planning advance;
 - b. \$4,000 plus 0.2 percent (two-tenths of 1 percent) of the project grant reservation; or
 - c. \$15,000.

9. FEEES DEDUCTED FROM FEES TO BE PAID AT EXECUTION STAGE. Primary planning fees paid on this basis will be credited as a deduction to fees to be paid at the execution stage when projects continue into execution on the conventional reservation basis. Comparable deductions will not pertain to settlement of terminated projects or of projects converting to Neighborhood Development Programs.
10. SUPPLEMENTARY PLANNING FEE
- a. When Charged. If an acceptable Part II or Combined Part I-II Loan and Grant Application is not received by the Area Office within the following time periods, a supplementary planning fee shall be charged.
- (1) Twenty-four months, for projects approved on or before June 30, 1970.
 - (2) Fourteen months, for projects approved after June 30, 1970.
 - (3) Thirty-six months, for both General Neighborhood Renewal Planning and Survey and Planning activities for the first project from the GNRP.
- b. Determination of Supplementary Planning Fee. This additional fee will be 0.025 percent (twenty-five one-thousandth of 1 percent) of the grant reservation for each month which elapses after expiration of the primary planning period and before an acceptable Part II or Part I-II Loan and Grant Application is received in the Area Office. This is 25 cents per month for each \$1,000 of grant reservation and \$250 per month for each \$1 million of grant reservation.
- The minimum supplementary planning fee for projects without acceptable Part II or Combined Part I-II Loan and Grant Applications within the primary planning period is the fee for one month at the above rate; the maximum fee is \$25,000.
- c. Supplementary Planning Fee Not Eligible for Credit Against Execution Inspection Fee. When correctly computed in accordance with the above schedule, a supplementary planning fee may not be credited against an execution fee or otherwise refunded (except as noted below when projects are terminated before other use of any Federal Planning Advance).

11. RECOMPUTATION OF PLANNING FEES.a. Continuing Reservation.

An applicable planning fee will be recomputed whenever a project reservation changes before approval of a Loan and Grant Contract, or, if the actual time before submission of a Part II or Combined Part I-II Loan and Grant Application differs from the period estimated in a prior computation. If the new amount is smaller than that already paid, the adjustment will be established as a credit against the gross execution fee or against a future grant increase during the planning period. If the new fee is larger than that already paid, the difference will be added to the planning advance and paid from the next requisition of funds.

b. Planning After Reservation Canceled.

A comparable procedure will be followed when a grant reservation is canceled without terminating the project. If the reservation is reinstated later and the project continues into execution, the adjustment of the gross execution fee (for paid planning fee) will be based on the project grant in the Loan and Grant Contract and on the total planning months before that application is received in the Area Office.

c. Terminated Project.

If a termination occurs before any planning funds have been expended or committed (except for inspection fees which may have been collected), no fee will be charged and amounts collected by the Government will be refunded. For all other projects or GGRP's, the computation of a terminated planning advance will include the applicable planning fee based on the grant reservation just prior to termination or on the original reservation, whichever is higher. No credit will be allowed for the primary planning fee and the supplementary planning fee will be adjusted upward or downward, on the same basis as for projects continuing to execution.

12. OBLIGATIONS AND EXPENDITURES AFTER APPROVAL OF BUDGET. The Area Office will return to the LPA a signed copy of Form HUD-627 showing the approved amounts for each classification. After receiving the approved budget, the LPA may incur obligations or costs which are within the budget and which otherwise meet the requirements of the Contract for Planning Advance or the Letter to Proceed. Those costs will be eligible for inclusion in Gross Project Cost.

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13. BUDGET LIMITATIONS. The LPA may not incur costs in excess of the total amount shown in the latest survey and planning budget (Line 9), nor incur expenditures for any one activity classification in excess of 25 percent of the amount authorized for that classification in the latest survey and planning budget. Overruns in any activity classification of 25 percent or less, which do not result in an overrun of the total survey and planning budget, must be offset by compensating underruns in other activity classifications, or through transfers from Contingencies (Line 6). The LPA shall obtain HUD approval of a revised budget on Form HUD-627 before obligating:
- a. Funds in excess of 25 percent of the latest approved amount for any one activity classification.
 - b. Any funds in excess of the total survey and planning budget (Line 9 of Form HUD-627).
14. SUBMISSION OF REVISED BUDGETS. If an amendatory application is involved, the LPA shall submit to the Area Office a revised Form HUD-627 in an original and eight copies. Otherwise, an original and two copies will suffice. A narrative statement in the same number of copies as Form HUD-627 shall be submitted to the Area Office in justification and support of the new estimates submitted.
15. REQUEST FOR EXTENSION OF TIME PERIOD ONLY. Requests for the extension of the survey and planning time period specified in the latest approved budget, which involve no changes in budget amounts, may be accomplished by submitting a letter, in an original and two copies, to the Area Office.

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CHAPTER 2. PROJECT EXECUTION

SECTION 3. PROJECT EXPENDITURES BUDGET

1. PROJECT BUDGET LIMITS. An approved project budget limits, in total amount and by prescribed activity classifications, the project costs which will be accepted by HUD as an eligible part of Item 1 of Gross Project Cost. The LPA shall not expend or obligate for expenditure as charges to Item 1 an amount greater than the total of the latest approved budget.
2. TRANSMITTAL OF INFORMATION COPY OF BUDGET. With the letter advising of Part I approval, the Area Office will transmit to the LPA a copy of Form HUD-6220, marked "For Informational Purpose Only," and showing the budget estimates tentatively acceptable to HUD.
3. TRANSMITTAL OF APPROVED BUDGET. After approval of the requested budget, at the time of approval of the Combined Part I-II or Part II Loan and Grant Application, the Area Office will return to the LPA a signed copy of Form HUD-6220 showing the approved amount for each classification.
4. OBLIGATIONS AND EXPENDITURES AFTER APPROVAL OF BUDGET. After receiving an approved budget on Form HUD-6220, the LPA may incur obligations or costs which are within the budget and which otherwise meet the requirements of the Contract for Loan and Grant. Those costs will be eligible for inclusion in Gross Project Cost.
5. ADMINISTRATIVE COSTS. The amount to be entered for project administration in Line 2 of Form HUD-6220 shall be calculated as a percentage of the aggregate estimates shown on Lines 3 through 13, excluding Line 6b, and Line 16, of the budget. The ratio to be applied in computing the estimate to be entered in Line 2 shall be determined individually for each project by the LPA. A brief narrative explanation in justification of the rate applied shall accompany each submission of an initial budget or a revised budget involving a revised rate.
6. BUDGET LIMITATIONS. The LPA shall observe the following limitations which apply to the Project Expenditures Budget:
 - a. Except as otherwise provided in b and c below, any authorized activity classification on Lines 2 through 12 and Line 16 of approved Form HUD-6220 may be overobligated up to 10 percent without HUD approval. An overobligation must be offset by an

- equivalent underrun in one or more of the other designed activity classifications, or by transfer from Line 15, Contingencies. In no event may an activity classification be overobligated by more than 10 percent without prior HUD approval.
- b. The temporary operation of acquired property (Line 6a) and site clearance (Line 8 classifications may be temporarily overobligated up to 25 percent only upon the written approval of HUD.
- c. The following items may not be overobligated in any amount:
- (1) Administration (Line 2), after a major completion grant payment has been made by HUD.
 - (2) Total Project Expenditures (Line 19).
 - (3) Relocation Payments (Line 20).
 - (4) Rehabilitation Grants (Line 21).
7. PROJECT EXECUTION INSPECTION FEE. A fee will be charged for project inspection necessary throughout the execution period. Form HUD-6220a will be used to facilitate computation of an inspection fee which is to be included on Line 17 of the Project Expenditures Budget, Form HUD-6220. For each Project Expenditures Budget processed hereafter, Form HUD-6220a shall be completed and attached to the applicable Form HUD-6220.
8. COMPUTATION OF GROSS EXECUTION FEE. The base cost for computing the gross project cost (GPC), relocation grants, and rehabilitation grants. The source of these amounts shall be as follows:
- a. Item 2 of GPC (local noncash grants-in-aid) from Line A-7, Form HUD-6200;
 - b. Balance from Form HUD-6220--sum of Lines 19, 20, and 21 minus Line 17;
 - c. Total by adding a and b above, for the base cost on which the gross fee is computed; and,
 - d. Computation of the gross execution fee by using the base cost and the computation factors below (whole dollars only).

CIRCULAR

Simplification Circular No. 10
Office of the Assistant Secretary for
Renewal and Housing Management

RHM 7218.1

2/19/70

Cancellation DD
Date: _____

SUBJECT: REVISED SURVEY AND PLANNING BUDGET REQUIREMENTS

1. PURPOSE. This Circular establishes revised submission requirements for the Survey and Planning Application, and revises certain HUD policies regarding the Survey and Planning Budget (Form HUD-627).
2. PLANNING PERIOD. A Survey and Planning Budget (Form HUD-627) shall be prepared to cover a period from HUD approval of the Survey and Planning Application to HUD approval of the Part II Loan and Grant Application. All estimated costs necessary to carry the project up to approval of the Part II Loan and Grant Application shall be included in Lines 1 through 5, except for Contingencies. (See Reserve and Contingencies below.)
3. SUBMISSION OF REQUESTED BUDGET. In the Urban Renewal Handbook RHM 7218.1, Chapter 1, page 1, the information under the heading "Submission of Requested Budget", is rescinded and replaced by the following:

The LPA shall submit to the Regional Office with the Survey and Planning Application (See RHM 7206.1, Project Applications, Chapter 1, Section 1) the following:

- (1) Form HUD-627, Survey and Planning Budget (Code No. R 131). The number of months entered at the top of column (C) of the HUD-627 shall be for the period from initial budget approval to approval of the Part II Loan and Grant Application.
- (2) Narrative statement explaining and justifying estimated costs shown on Form HUD-627, through the estimated date of approval of the Part II

Loan and Grant Application (Code No. R 134). The statement shall cover all line items except Contingencies, and shall include work to be performed under contract as well as by LPA staff. The justification for estimates included on Line 1 shall be based on estimated man-years required to complete the activity multiplied by the average salary, plus an estimated percentage of total administrative salaries representing other administrative overhead.

4. ANNUAL ADMINISTRATIVE STAFF EXPENSE BUDGET. The requirements that an Annual Administrative Staff Expense Budget (Code No. R 132) be submitted with a Survey and Planning Application is hereby rescinded. The Annual Administrative Staff Expense Budget shall, however, be submitted annually in accordance with Urban Renewal Handbook RHM 7218.1, Chapter 3. In the case of HUD approval of a Survey and Planning Application for a first project in a locality, the LPA shall prepare and submit its initial Annual Administrative Staff Expense Budget to HUD within 30 days of such approval. An LPA with an ongoing renewal program shall submit a revised Annual Administrative Staff Expense Budget after HUD approval of a Survey and Planning Application, if necessary to accommodate increased staff and administrative costs.

5. RESERVE AND CONTINGENCIES. Items presently included under the "reserve" category of Line 7, Reserves and Contingencies, of the Survey and Planning Budget, shall hereinafter be included in Lines 1 through 5, as appropriate. Specifically, this includes:
 - a. An amount for additional costs for the preparation of the Part II Loan and Grant Application.

 - b. An amount for administrative and overhead costs that will be incurred between the LPA's submission of Part II and the date of HUD approval of Form HUD-6220, Project Expenditure Budget.

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- c. An amount for costs to be incurred for second land acquisition appraisal and title services.
 - d. An amount for costs to be incurred for (a) final property surveys for rehabilitation project, or (b) option negotiation services.

Line 7 of Form HUD-627 shall include an amount for contingencies only, which amount shall not exceed 25 percent of the total of the activity classification (Line 6 of Form HUD-627).

6. BUDGET LIMITATIONS. In Urban Renewal Handbook RHM 7218.1, Chapter 1, page 5, the information under the heading "Budget Limitations" is rescinded and replaced by the following:

The LPA may not incur costs in excess of the total amount shown in the latest Survey and Planning Budget (Line 10), nor incur expenditures for any one activity classification in excess of 25 percent of the amount authorized for that classification in the latest approved Survey and Planning Budget. Overruns in any activity classification of 25 percent or less, which do not result in an overrun of the total Survey and Planning Budget, must be offset by compensating underruns in other activity classifications, or through transfers from Contingencies (Line 7).

The LPA shall obtain HUD approval of a revised budget on Form HUD-627 before:

- (1) Obligating funds in excess of 25 percent of the latest approved amount for any one activity classification.
- (2) Obligating any funds in excess of the Total Survey and Planning Budget (Line 10 of Form HUD-627).

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CHAPTER 2. PROJECT EXECUTION

SECTION 1. ELIGIBILITY OF PROJECT EXPENDITURES

The eligibility of project expenditures for inclusion in Item 1 of Gross Project Cost is determined by the provisions of applicable law and the Federal aid contract.

SURVEY AND PLANNING

Eligible survey and planning expenditures which are included in the project expenditures budget, except for a three-fourths grant project with limited project costs (see RHA 7218.1, Budgets and Budget Reports, Chapter 2, Section 2), consist of (1) the costs of preparing plans for the project incurred in conformity with the HUD-approved survey and planning budget, and (2) interest on Federal advances or other funds borrowed to defray these costs.

ELIGIBLE PROJECT EXECUTION EXPENDITURES

Eligible project execution expenditures consist of the costs incurred in conformity with the HUD-approved project expenditures budget.

Necessary and reasonable costs involving the following items may be included:

- (1) Administrative and legal services in connection with the project.
- (2) Cost of land acquired and costs of acquisition.
- (3) The net loss, if any, from temporary operation of acquired property. Any net profit will reduce the total of project expenditures.
- (4) Relocation of site occupants.
- (5) Community organization services.
- (6) Site clearance and installation of project improvements. Only net site clearance costs, after deduction of salvage value, is to be charged to project expenditures. Net proceeds, if any, are to be credited as a decrease in project expenditures. The cost of removal or relocation of utility lines by a private utility company will not be allowed as a project expenditure unless payment to the company is required under applicable law. Any budget providing for these costs shall be supported by an opinion

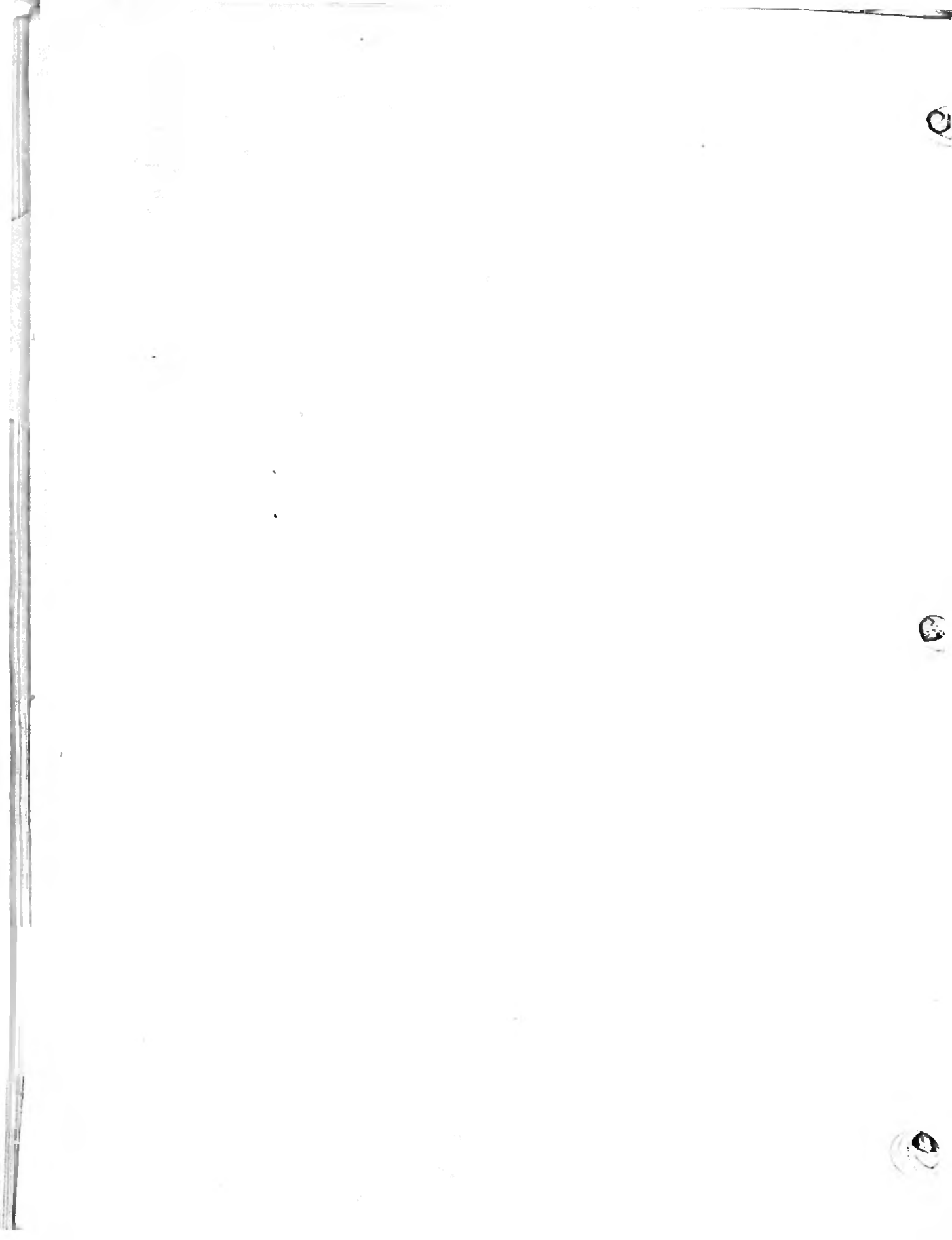
of LPA Counsel (see RHA 7209.1, Site Preparation and Project Improvements, Chapter 2).

- * (7) Project improvements, including temporary project improvements (see RHA 7209.1, Site Preparation and Project Improvements, Chapter 1). *
- (8) Cost of planning, or planning and general supervision of construction, of a project improvement to be provided as a noncash local grant-in-aid when:
- (a) The cost of providing the project improvements could qualify as an Item 1 project expenditure (see 7209.1, Site Preparation and Project Improvements, Chapter 1).
 - (b) The LPA and the providing entity agree in writing that the LPA will perform the planning, or planning and general supervision of construction, of the specific project improvement.
 - (c) Any general supervision of construction is provided by the same entity which performs the planning of the improvement, whether through the LPA staff or a contract.
- (9) Certain rehabilitation activities including rehabilitation of acquired properties for dwelling or related uses and restoration of acquired properties of historic or architectural value.
- (10) Land marketing activities.
- (11) Interest costs paid by the LPA.
- (12) Inspection fees.

COSTS INELIGIBLE AS PROJECT EXPENDITURES

- (1) Expenditures for construction or improvement of buildings not otherwise eligible above.
- (2) Provision of supporting facilities, other than eligible project improvements.
- (3) Expenditures for the preparation of plans and specifications for buildings contemplated by the Urban Renewal Plan. However, expenditures for sketch plans illustrating possible types of redevelopment are eligible if they are necessary to illustrate the Urban Renewal Plan or facilitate land disposal.

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- (4) Expenditures for planning or project execution work begun prior to the execution of a contract for Federal assistance or other authorization.
 - (5) Cost of noncash local grants-in-aid.
 - (6) Expenditures for providing local grants-in-aid, except as provided under (8) above.
 - (7) Expenditures for construction of project improvements if all or any part of the cost is to be recovered by special assessments against property in the project area.



CHAPTER 2. PROJECT EXECUTION

SECTION 2. ELIGIBILITY OF COSTS OF PROJECT ON THREE-FOURTHS
GRANT BASIS WITH LIMITED PROJECT COSTS

This Section covers the eligibility of costs for inclusion in Item 1 of Gross Project Cost of a project being carried out on a three-fourths capital grant basis with limited project costs.

SURVEY AND PLANNING, ADMINISTRATIVE, AND OTHER INELIGIBLE COSTS

The following costs are ineligible:

- (1) Costs for all survey and planning activities.
- (2) Costs for administration, overhead, and legal services, including travel costs and costs for use or purchase of passenger-carrying vehicles.
- (3) Costs for the preparation or submission of the Loan and Grant Application.
- (4) Costs that are ineligible for a project on any other grant basis (see 7218.1, Budgets and Budget Reports, Chapter 2, Section 1).

The descriptions of eligible costs below do not encompass any of the foregoing ineligible costs.

REAL ESTATE PURCHASES

Eligible: The consideration paid to the owner for land and existing improvements, whether acquired through condemnation or direct purchase.

Examples of ineligible costs: Court costs from condemnation, taxes applicable after acquisition date, acquisition appraisals, option negotiations, title search, and any other legal or administrative costs, whether by contract or LPA staff. Also excluded is the net profit or loss from the management of acquired property.

LAND DISPOSITION

Eligible: The cost of real estate appraisals and other professional services, except for services to support the Loan and Grant Application. The cost of preparing the physical survey, tests, disposal maps, and plats. The cost of marking boundaries. The cost of advertising and other similar costs for the purpose of marketing project land. Commissions, fees, and expenses of agents.

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CHAPTER 2 SECTION 2

The cost of recording fees and title information in those States where the seller is required by law to furnish them. The cost of salaries and wages of LPA staff when directly engaged in any of the above activities or when directly engaged in securing or negotiating with potential redevelopers.

Examples of ineligible costs: The cost of legal services, whether by contract or LPA staff.

SITE CLEARANCE

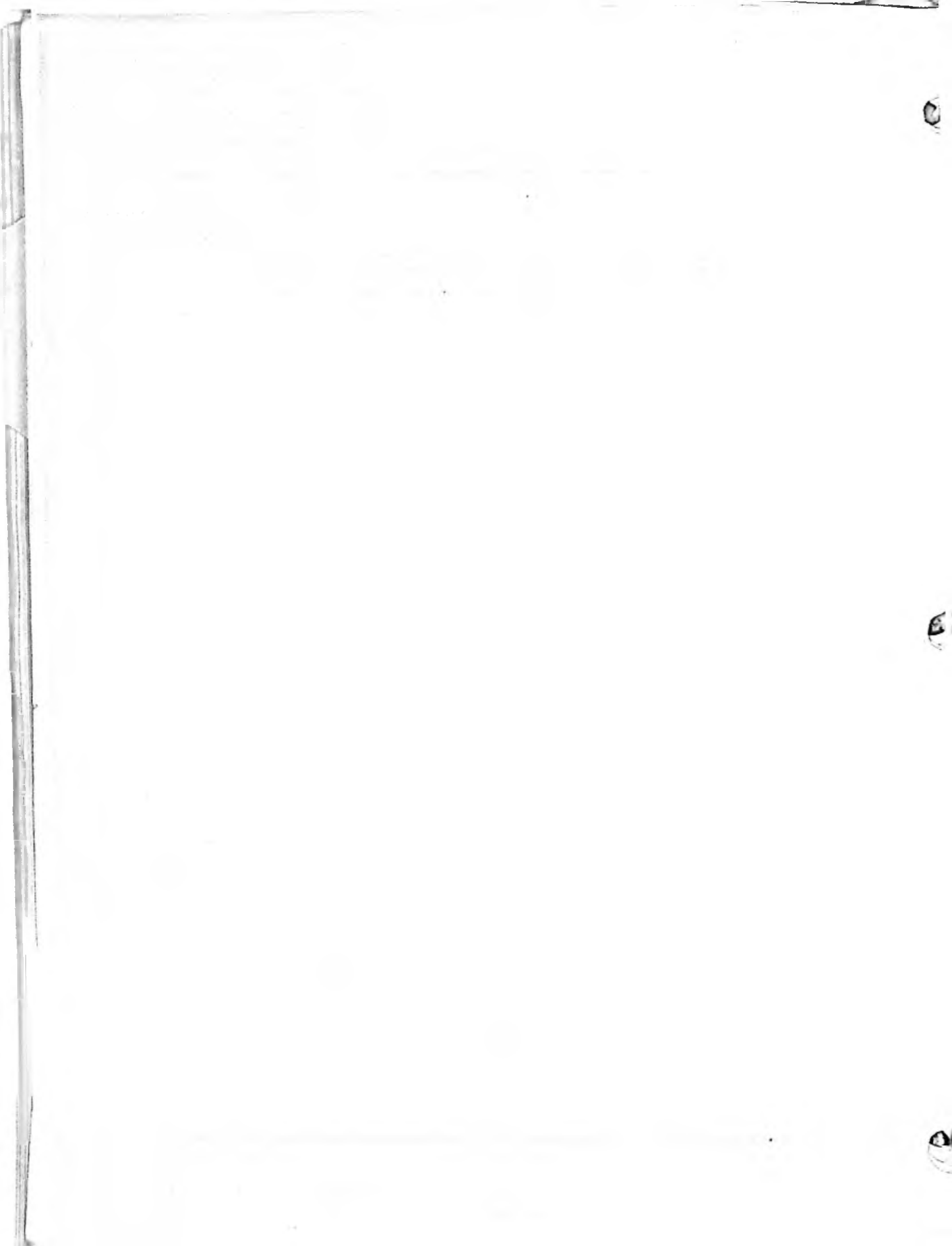
Eligible: The net cost of or net proceeds, after deduction of salvage value, from clearance, exclusive of any work contributed as a noncash local grant-in-aid. The gross cost may include the cost of preparing detailed working drawings and specifications, demolishing structures, removing obsolete facilities, and making premises unavailable *for occupancy, and moving structures which will be restored and maintained for historical or architectural purposes. *

REHABILITATION ACTIVITIES

Eligible: The cost of staff services incurred on or after August 10, 1965, for the following rehabilitation activities directly related to project site operations: direction, coordination, organization, and scheduling of the project and related governmental activities; inspections to determine property deficiencies; code enforcement activities; estimating the cost of property improvements; counseling and assistance in securing financing for property upgrading; advice and guidance on property design and construction; community organization activities and coordination of social services; and related clerical activities. For support of Project Area Committee (see RHA 7217.1, LPA Administration, Chapter 5, Section 2), administrative and secretarial services, technical assistance, and office space, and equipment; also, costs of contracts with the PAC for the employment of project residents to perform necessary work in the planning and execution of the project. For LPA rehabilitation (see RHA 7210.1, Rehabilitation Chapter 1, Section 3), the consideration paid to the owner, the actual cost of property rehabilitation or repair, including the cost of preparation of detailed working drawings and specifications, and eligible costs for resale of the property. For acquisition and resale of properties that are to be upgraded to Property Rehabilitation Standards by the purchaser, the consideration paid to the owner and eligible costs for resale of the property. Eligible costs for resale of property are set forth above under "Land Disposition."

PROJECT IMPROVEMENTS

Eligible: Exclusive of work contributed as a noncash local grant-in-aid, the cost of engineering tests and surveys, the preparation of working drawings and specifications, and the installation of project improvements.



INTEREST

Eligible: The cost of interest on direct Federal, or federally secured, loans. The prorated cost of interest on other loans to the extent that the proceeds from the loans are used to defray eligible costs defined herein and to the extent that the prorated cost of interest on the loans is otherwise eligible.

Examples of ineligible costs: The cost of interest on loans to defray costs other than those eligible for inclusion as part of Item 1 of Gross Project Cost.

PROJECT INSPECTION

Eligible: The cost of reimbursement by the LPA to HUD for inspection and audit of the project.

OTHER INCOME

Except for income from the operation of acquired property, all other income of the LPA attributable to Federal financial participation must be credited to Gross Project Cost. Specifically this includes all income from the temporary investment of direct Federal, or federally secured, loans.

GENERAL RULES CONCERNING ELIGIBLE COSTS

- (1) Work Performed Under Private Contract.--If an eligible activity is to be carried out under private contract, the full cost of that contract will be eligible provided the contract has been executed in accordance with existing procedures.
- (2) Work Performed by Regular City Department.--If an eligible activity is to be carried out by a regular city department, only actual out-of-pocket expenditures will be eligible, i.e., the same cost criteria applicable to Item 2 expenditures for noncash local grants-in-aid (see 7216.1, Local Grants-in-Aid, Chapter 2, Section 1). All the work must be performed under written work order, agreement, or exchange of letters in accordance with existing procedures (see 7217.1, LPA Administration, Chapter 2).

If the LPA is a municipality, all work performed by a regular city department, other than the department primarily responsible for the project, will fall under this category.

- (3) Work Performed by LPA Staff.--If the LPA is a municipality, only the staff of the department primarily responsible for the project will be regarded as LPA staff. If an eligible activity is to be carried out by LPA staff, the following direct costs are eligible:
- (a) The cost of salaries, wages, and a prorated share of employee benefits of those LPA personnel directly engaged in carrying out the activity or in on-the-job supervision. These costs must be supported by time records. For personnel not working at the project site, no charges will be allowed for fractions of time of less than 10 percent during a pay period. No charge will be allowed for the time of any supervisory employee engaged in both technical and LPA administrative work.
 - (b) The cost of construction and site clearance materials.
 - (c) The cost of renting, or prorated charges for the use of, capital equipment engaged in construction or site clearance.
 - (d) The cost of procuring services not normally obtained under contract, such as advertising and printing.

If any major activity is carried out under contract, no charges for LPA staff time will be allowed for contract administration. However, if the LPA prepares detailed plans and specifications with its own staff, the cost of that work will be eligible even though the subsequent construction and demolition is carried out under contract.

9. COMPUTATION FACTORS.

<u>Range of Base Amounts</u>	<u>Computation of Fee</u>
Less than \$1.2 million	Minimum of \$24,000.
\$1.2 million through \$2 million	2% of base (range of fee \$24,000 to \$40,000).
\$2.0 million through \$4 million	\$40,000 + 1% of base which is over \$2 million (range of fee \$40,000 to \$60,000).
\$4.0 million through \$8 million	\$60,000 + $\frac{1}{2}$ of 1% (0.5%) of base which is over \$4.0 million (range of fee \$60,000 to \$80,000).
Over \$8.0 million	\$80,000 + $\frac{2}{10}$ of 1% (0.2%) of base which is over \$8.0 million. Examples:
	For base of \$ 8,000,500, a fee of \$ 80,001
	" " " \$ 8,001,000, " " " \$ 80,002
	" " " \$ 8,010,000, " " " \$ 80,020
	" " " \$ 8,100,000, " " " \$ 80,200
	" " " \$ 8,500,000, " " " \$ 81,000
	" " " \$ 9,000,000, " " " \$ 82,000
	" " " \$19,000,000, " " " \$102,000
	" " " \$30,000,000, " " " \$124,000
	" " " \$40,000,000, " " " \$144,000
	" " " \$60,000,000, " " " \$184,000

There is no maximum for the execution fee.

10. APPLICABILITY OF GROSS EXECUTION FEE.

- a. For any project entering the execution stage after the effective date of this issuance, a gross execution fee will be applicable to the larger of initial base cost and any subsequent estimate resulting from an approved revision during the life of the project; and,
- b. For any project in execution on the effective date of this issuance for which a revised cost estimate is approved hereafter, a gross execution fee will be applicable to the largest total base-cost estimate in a currently approved budget and in those during the remaining life of the project.

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BUDGETS AND BUDGET REPORTS
CHAPTER 2 SECTION 3

11. ADJUSTMENT TO DERIVE NET PAYABLE EXECUTION FEE. A gross execution fee will be adjusted in accordance with instructions below which fit the circumstances.
- a. Deduction of Planning Fees. A primary planning fee paid in accordance with current instructions (or total planning fees paid in accordance with current instructions (or total planning fees of primary and supplementary planning fees were established) will be deducted from the gross execution fee. Where no supplementary planning fee is involved, or where the supplementary planning fee already paid was correctly estimated, the balance of the execution fee is the amount to be used on Line 17 of the Project Expenditures Budget, Form HUD-6220.
- b. Treatment of Supplementary Planning Fees. A project approved on or before June 30, 1970, in planning more than 24 months or a project approved after June 30, 1970, in planning for more than 14 months before an acceptable Part II or Combined Part I-II Loan and Grant Application is received in the Area Office (or 36 months, including related GNR planning) will be charged a "supplementary" planning fee which is not deductible from the gross execution fee and which is computed in accordance with instructions in RHM 7218.1, Chapter 1. No adjustment in the execution fee will be made for a supplementary planning fee which, previously, had been paid on the following basis:
- (1) The estimated number of months equals the actual number of months between the end of the "primary" planning period and the date an acceptable Part II or Combined Part I-II Loan and Grant Application is received in the Area Office; and,
 - (2) The rate per month is based on the project grant reservation just prior to the Loan and Grant Contract or, if that amount was \$0 because of cancellation or other circumstances, it is based on the project grant to be included in the Loan and Grant Contract.
- c. Supplementary Planning Fee Not Paid Previously on Above Basis. If a supplementary planning fee had not been paid previously on the above basis, the additional amount owed (or the credit for overpayment) will be an adjustment to the gross execution fee in deriving the net payable execution fee. This requirement includes a project approved for planning before the effective date of this instruction whose planning fees were computed on the basis of prior rates. As explained in a above,
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a planning fee based on prior rates is deductible from the gross execution fee in the same way as primary planning fee; however, the project is subject to the supplementary planning fee if planning time before receipt of a Part II or Combined Part I-II Loan and Grant Application exceeds the "primary" planning period.

- d. Credit for Execution Fees Paid on Prior Fee Schedule. When a revised budget is processed for a project in execution for which fees have been paid already on the basis of the prior fee schedule, such amounts will be deducted from the gross execution fee, computed on the current basis to determine the net change resulting from the revision being processed and from the new fee schedule. The net difference (+ or -) will be entered on Line 17B of Form HUD-6220.

12. SUBMISSION OF REVISED BUDGET.

- a. Documentation to be Submitted. The LPA shall submit to the Area Office an original and four copies of Form HUD-6220, requesting revision of an approved budget, if it proposes to incur costs or obligations in excess of the limitations set forth under "Budget Limitations" above. Form HUD-6220 shall be accompanied by an original and three copies of material and documentation explaining and justifying the request for budget revision, including Form HUD-6121, if appropriate.
- b. Costs Incurred for Optional Activities. Costs incurred by the LPA for optional activities (see RHM 7218.1, Budgets and Budget Reports, Chapter 1, paragraph 3) after the end of the month in which the Contract for Loan and Grant is executed, shall be considered as project execution expenditures, even though the activities were initially considered as survey and planning expenditures.
- c. First Request for Revision. In such a case, in the first request for a revision in the approved project budget, the LPA shall provide for a decrease in Total Survey and Planning Expenditures (Line 1) and a corresponding increase in appropriate activity classifications for the costs of these activities which are actually incurred during the project execution period.
- d. Revision as Part of Request for Major Completion Grant. If the LPA submits a request for revision of an approved budget as part of a request for a major completion grant (see

RHM 7215.1, Financing and Financial Reports), the project expenditures budget categories shall not include requirements for any period beyond one year.

- e. Revision Requiring Grant or Loan Increase. A requested budget revision which will require an increase in the amount of Federal loan and/or capital grant shall be submitted with an Amendatory Application for Loan and Grant. (See Circular RHM 7202.3, entitled "Policies Governing Requests for Grant Increases," Circular RHM 7202.4, entitled "Preventing Requests for Grant Increase Through Adequate Budgeting and Project Monitoring Techniques," and RHM 7206.1 Project Applications, Chapter 2.)

CIRCULAR

RHM 7218.1

2/10/70
FORDHAM

Simplification Circular No. 11
Office of the Assistant Secretary for
Renewal and Housing Management

Cancellation
Date: APR 9 1971

SUBJECT: REVISED PROJECT EXPENDITURES BUDGET REQUIREMENTS

1. PURPOSE. This Circular establishes revised submission requirements for the Part I Loan and Grant Application, and revises certain HUD policies regarding the project expenditures budget.
2. ADEQUACY OF BUDGET ESTIMATES. The cost estimates included on Form HUD-6220, Project Expenditures Budget, and submitted with the Part I Loan and Grant Application, shall be adequate to complete the urban renewal project. It is essential that the LPA prepare its budget based on reliable cost estimates. Lines 1-13, 16, 20 and 21 shall include reasonable estimates for cost-of-living increases, inflation, land assemblage, and other costs that can logically be anticipated based on experience. Line 15, Contingencies, shall not include amounts for the above purposes, but shall include an amount for unanticipated costs only.
3. JUSTIFICATION FOR BUDGET ESTIMATES. All costs estimated in the Part I Loan and Grant Application shall be explained and justified in the Cost Estimates and Financing Report (Code No. R 226). This reflects the revised Part I Loan and Grant Application format wherein certain cost estimates previously included in other codes are now all included in Code No. R 226. The justification shall be included on Form HUD-6121, Data Supporting Project Expenditures Budget, or in attached narrative statements.
4. REVISED COST ESTIMATE AND FINANCING REPORT. In Urban Renewal Handbook RHM 7218.1, Chapter 2, Section 3, the information under the heading "Submission of Requested Budget" is rescinded and replaced by the following:

With the Part I Loan and Grant Application (see RHM 7206.1, Project Applications, Chapter 2, Section 1,

Checklist Code No. R 226) the LPA shall submit the following:

- (1) Form HUD-6220, Project Expenditures Budget.
- (2) Form HUD-6121, Data Supporting Project Expenditures Budget, including statements called for on the form.
 - (a) The statement in support of site clearance costs shall include data as to quantities involved, the types of units and unit prices used for estimating purposes, and the estimated recovery from salvable material. The basis for unit prices shall be described. Estimates which include compensation to a private utility company for removal or relocation of its lines must be supported by a legal opinion that the LPA is obligated to provide the compensation.
 - (b) The statement in support of project improvements costs, including historic or architectural preservation costs, shall identify and generally describe the scope, character and general design features of proposed improvements. The estimated cost of the improvements and the eligible portions thereof shall be explained. Reasonably accurate estimates are necessary even though plans will be of a preliminary nature. Identification of any improvement to be financed in whole or in part by special assessments or by Federal grant or subsidy, and explanation of how total costs in Column (c) have been adjusted to reflect such financing. Statement as to the portion, if any, of the capital cost of any public utility proposed for credit which was or will be financed with revenue bonds payable solely from service charges. (See RHM 7216.1, Local Grants-in-Aid, Chapter 2, Section 2.)

For each improvement, the types of units used for estimating purposes, the quantities involved, and the unit prices used shall be given. The basis for the unit prices used shall be described. Costs should be adjusted from those currently applicable to those expected to exist at the time the work is scheduled to be placed under contract. The percentage of change to accomplish this adjustment is to be clearly shown in the data submitted.

- (c) The statement in support of rehabilitation costs shall include the costs of rehabilitation by the LPA.

5. BUDGET LIMITATIONS. In Urban Renewal Handbook RHM 7218.1, Chapter 2, Section 3, page 2, the information under the heading "Budget Limitations" is rescinded and replaced by the following:

The LPA shall observe the following limitations which apply to the Project Expenditures Budget:

- (1) Except as otherwise provided in (2) and (3) below, any authorized activity classification on Lines 2 through 12 and Line 16 of approved Form HUD-6220 may be overobligated up to 10 percent without HUD approval. An overobligation must be offset by an equivalent underrun in one or more of the other activity classifications of Form HUD-6220, or by transfer from Line 15, Contingencies. In no event may an activity classification be overobligated by more than 10 percent without prior HUD approval.
- (2) The temporary operation of acquired property (Line 6a) and site clearance (Line 8) classifications may be temporarily overobligated up to 25 percent upon the written approval of HUD.
- (3) The following line items may not be overobligated in any amount:

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-
- (a) Administration (Line 2), after a major completion grant payment has been made by HUD.
 - (b) Total Project Expenditures (Line 19).
 - (c) Relocation Payments (Line 20).
 - (d) Rehabilitation Grants (Line 21).

The information under the headings "Interest" and "Contingencies" is rescinded.

6. SUBMISSION OF REVISED BUDGET. In Urban Renewal Handbook RHM 7218.1, Chapter 2, Section 3, page 3, the first paragraph under the heading "Submission of Revised Budget" is rescinded and replaced by the following:

The LPA shall submit to the Regional Office an original and four copies of Form HUD-6220, requesting revision of an approved budget, if it proposes to incur costs or obligations in excess of the limitations set forth under "Budget Limitations" above.

7. ANNUAL ADMINISTRATIVE STAFF EXPENSE BUDGET. The Annual Administrative Staff Expense Budget is no longer a required submission with the Part I Loan and Grant Application. The requirement for an Annual Administrative Staff Expense Budget still applies, however, in accordance with Urban Renewal Handbook RHM 7218.1, Chapter 3. If an amended Annual Administrative Staff Expense Budget is needed at or near the time of submission of the Part I Loan and Grant Application, a revised Budget shall be submitted separately from the Part I.

* WORKSHEET FOR COMPUTING NET PAYABLE EXECUTION FEE FOR LINE 17, FORM HUD-6220

(Attach completed worksheet to applicable HUD-6220)

Urban Renewal Project Identification

A. ADJUSTMENT FOR PLANNING FEES NOTE: If this is a revision to a previous execution budget in which the net payable execution fee was computed on the current basis or if project planning costs are not shared in the Federal grant, go directly to Section B since no adjustments for planning fees are involved in this computation.

(1) Primary planning fee based on current schedule or planning fee paid at prior rates \$ _____

Supplementary Planning Fees:

Date S&P Approved (2)	Date L&G Applic'n (3)	Elapsed [(3) - (2)] (4)	Number of Months Less 24, or 36 with GNRP (5)	For Suppl. Fee [(4) - (5)] (6)	Percent(%) Fee of Grant Reservation [(6) X .00025] (7)
-----------------------------	-----------------------------	-------------------------------	--	--------------------------------------	---

(8) Grant reservation immediately prior to L&G application or, if \$0, approximate grant to be approved in L&G contract to nearest \$100,000 \$ _____

(9) Total supplementary planning fee [% in (7) X \$ in (8)] \$ _____

(10) Supplementary planning fee already paid. \$ _____

(11) Adjustment for supplementary planning fee [(9) minus (10)] + or - \$ _____

(12) Total adjustment for planning fees [(1) + (11)]. + or - \$ _____

B. COMPUTATION OF GROSS EXECUTION FEE

Determining Base-Cost:

(13) From this HUD-6220, Line 19 minus Line 17 (or sum of 1,14,15 & 16) \$ _____

(14) Relocation grant (Line 20, this HUD-6220). \$ _____

(15) Section 115 Rehabilitation grant (Line 21, this HUD-6220). \$ _____

(16) Total noncash local grants-in-aid (Line A-7, applicable HUD-6200). \$ _____

(17) Total base cost for computing gross execution fee
[sum of (13) through (16) above] \$ _____

(18) Computation Factors and Gross Fee:

Lump Sum Portion		Portion from Percent of Remaining Base Cost		
Base Cost (a)	Part of Fee (b)	Percent (c)	Remaining Base Cost [(17)-(18a)] (d)	Balance of Fee (18c) X (18d) (e)

\$ _____ \$ _____ % \$ _____ \$ _____

(E) Total gross execution fee [(18b) + 18e)]. \$ _____

C. NET EXECUTION FEE

(19) Sum of Lines (12) and (18f) \$ _____

(20) Net execution fee for Line 17C of this HUD-6220 [larger of (19) and (21)]. \$ _____

THE FOLLOWING SECTIONS FOR REVISED BUDGETS ONLY If this is an initial project execution budget, strike Sections D and E below; if it is a revised budget, complete the applicable Section and strike the other.

D. ADDITIONAL AMOUNT OWED, THIS REVISION

(21) Net paid execution fee, prior budget. \$ _____

(22) Net change, this budget [Lines (19) minus (21)] + or - \$ _____

(23) Additional fee for Line 17B of this HUD-6220 [Line(22) if it is a + amount; \$0 if Line(22) is a minus amount] \$ _____

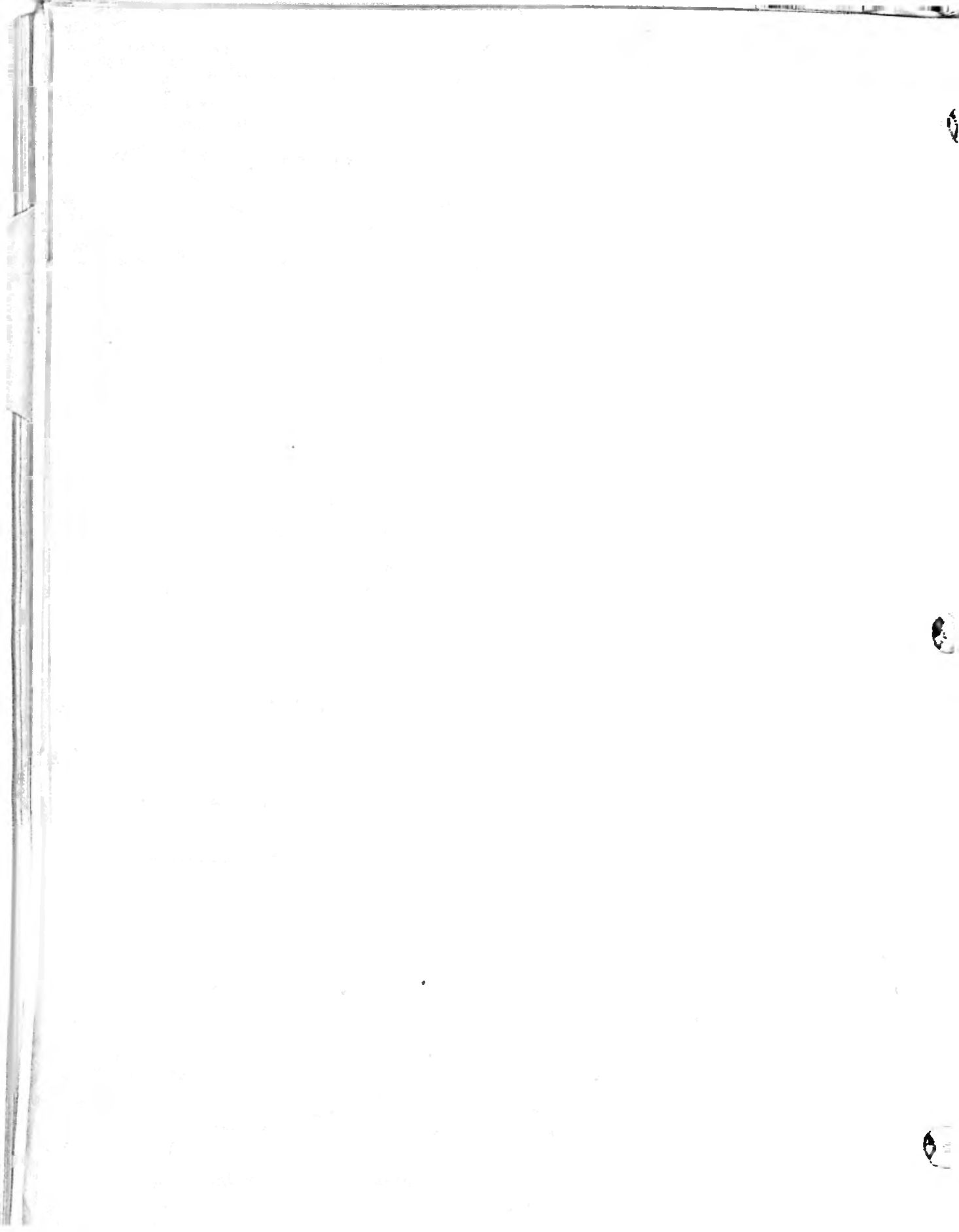
E. COMPUTATION OF EXCESS EXECUTION FEE PAID ON PRIOR BASIS Use this Section ONLY if the execution fee already paid was computed on the prior cost basis AND if the amount paid was larger than Line (20).

(24) Fee computed and paid on prior basis (from last previous budget). \$ _____

(25) Excess net fee to be credited on Line 17B of this HUD-6220 [Lines (20) minus (24)] . . . - \$ _____

Prepared by: _____ (Name) _____ (Title) _____ (Date) *

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CHAPTER 2. PROJECT EXECUTION

SECTION 4. REPORT ON BUDGETARY STATUS OF URBAN RENEWAL PROJECT
AND PROJECT BALANCE SHEET

During the execution stage of an urban renewal project, the LPA shall report to the Regional Office on the budgetary status of each project (1) semiannually, and (2) with the LPA's request for final audit.

This report shall be prepared on the following forms:

- (1) Form HUD-6250, Report on Budgetary Status.
Form HUD-6250 is designed to show, by budgetary classification, the status of the latest approved project budget as of the reporting date. Schedule A to Form HUD-6250, Budgetary Forecast to Project Completion, is designed to reflect any changes from the latest approved project cost estimate and financing plan and the effect of such changes on Net Project Cost and the Sharing of Net Project Cost.
- (2) Form HUD-6251, Project Balance Sheet.
Form HUD-6251 is designed to show the project assets, liabilities, and capital as reflected in the LPA's accounting records.

SEMIANNUAL REPORT

During the project execution stage, the LPA shall submit a semiannual report, covering the 6-month period ending June 30 or December 31, as appropriate, to the Regional Office. The report shall be submitted in a signed original and three conformed copies, and shall consist of:

- (1) Form HUD-6250. Schedule A to Form HUD-6250 shall be submitted only if the LPA anticipates any changes in project costs, the provision of noncash local grants-in-aid, or disposition proceeds, with respect to this project or any other with which this project is pooled; and
- (2) Form HUD-6251, including Schedules A through D.

The first Semiannual Report shall be submitted at the end of the 6-month period during which the LPA received an approved project budget pursuant to an approved Loan and Grant Application or an approved Early Land Acquisition Loan. The report shall be dispatched to reach the Regional Office by the 20th of the month following the close of the 6-month period covered by the report.

FINAL REPORT

With its request for final audit of a project, the LPA shall submit a final report covering the period from the date of the last semiannual report to the reporting date. The final report shall be submitted in a signed original and three conformed copies, and shall consist of:

- (1) Form HUD-6250, including Schedule A; and
- (2) Form HUD-6251, including Schedules A through D.

INSTRUCTIONS FOR COMPLETING FORMS

Form HUD-6251, Project Balance Sheet

The entries in Form HUD-6251 shall reflect the LPA's accounting records (1) with respect to a semiannual report, as of the reporting date, i.e., June 30 or December 31, as appropriate, or (2) with respect to a final report, or when Form HUD-6251 is submitted in support of a request for approval of a financing transaction, as of the end of the prior month.

Schedule A. to Form HUD-6251
Investments in U. S. Government Obligations

List all temporary investments held, by source of funds, as reflected in Account 1301.

Schedule B. to Form HUD-6251
Interest, Advances, and Loans Payable to Others

List interest, advances, and loans payable to others than HUD, as reflected in Accounts 2132 and 2122.

Schedule C. to Form HUD-6251
Assets Which Have Been Provided As Noncash Local Grants-in-Aid

Identify noncash local grants-in-aid, as reflected in Account 2621.

Schedule D. to Form HUD-6251
Other Accounts Receivable

List outstanding sundry accounts receivable, as reflected in Account 1124.

Assets - Liabilities

The assets, liabilities, and capital listed on the Project Balance Sheet shall reflect the LPA's accounting records (see 7221.1, Accounting).

If the LPA maintains more than one bank account for either the Project Expenditures Account or the Project Temporary Loan Repayment Fund for a project, enter the consolidated cash amount of such accounts opposite the Project Expenditures Account or the Project Temporary Loan Repayment Fund, as applicable.

Form HUD-6250, Report on Budgetary Status

Entries in Form HUD-6250, Columns (b) and (c), shall be rounded to the nearest dollar.

For a project on a three-fourths capital grant basis with limited project costs, enter zero for all columns, Lines 1 through 7.

Block 1. Classification of Costs	From:
Col. (a), Total in Latest Budget Approved:	
Heading:	Enter date of latest approved project expenditures budget.
Lines 1 through 20	Latest approved project expenditures budget.
Total Encumbrances As of:	Enter reporting date, i.e., June 30 or December 31, as appropriate.
Col. (b), Costs Incurred:	From Trial Balance of LPA accounting records as of reporting date. (Enter those costs for which disbursements have been made or which have been entered in the accounts as payables for goods or services received.)
Line 18	Sum of Lines 1-17. (This amount should equal total Item 1 project costs as shown on Form HUD-6251 opposite Accts. 1401 through 1475.)
Line 19	LPA accounting records, Acct. 1501.
Line 20	LPA accounting records, Acct. 1502.

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Block 1. Classification of Costs	From:
Col. (c), Outstanding Commitments:	Enter those costs representing portions of orders issued or contracts executed for which goods or services have not been received as of the reporting date, and which have not been taken up in the accounts as payables.
Col. (d), Total Encumbrances:	Sum of Cols. (b) and (c).
Col. (e), Unencumbered Balance:	Col. (a) minus (d).

Block 2.

If any changes in (1) project costs, (2) the provision of noncash local grants-in-aid, (3) disposition proceeds, or (4) other pooled projects are anticipated that will require an amended financing plan, check "Yes" in the appropriate box, and submit Schedule A to Form HUD-6250.

Schedule A to Form HUD-6250
Budgetary Forecast to Project Completion

Schedule A is to serve as a basis for determining whether an amendment of the contract is required. If it reflects anticipated actions on one or more other projects, identify the other projects involved.

Where the revised estimates shown in this Schedule are sufficiently firm and of sufficient magnitude to warrant it, the LPA shall submit a request for revision of the latest approved budget and financing plan and, where necessary, an Amending Application for Loan and Grant or Early Land Acquisition Loan.

Explain under "Remarks" the basis of any anticipated change, and indicate the action the LPA has taken or proposes to take with respect to the change.

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CHAPTER 3. ANNUAL ADMINISTRATIVE STAFF EXPENSE BUDGET

APPLICABILITY

The requirements contained in this Chapter apply to LPA's under contracts with HUD for Federal assistance for urban renewal activities, including Feasibility Surveys, preparation of a General Neighborhood Renewal Plan, survey and planning of an urban renewal project, and execution of such a project under a Contract for Loan and Grant.

LPA's carrying out the entire locality program under three-fourths limited cost grant formula contracts are not required to submit an Annual Administrative Staff Expense Budget.

Estimates of administrative staff expense to be incurred for projects under contract for Federal assistance on a three-fourths grant basis with limited project costs shall be excluded from the estimates for urban renewal activities submitted in the annual budget, but shall be included in the annual budget in the total administrative staff expense estimates for other activities of the LPA.

SELECTION OF FISCAL YEAR

Upon submittal of an initial Annual Administrative Staff Expense Budget, the LPA shall indicate its selection of a fiscal year (budget year) period. The period selected may begin on January 1, April 1, July 1, or October 1, and shall continue for 12 consecutive months. After selection by the LPA, the fiscal year period shall not be changed without prior Regional Office approval.

ADMINISTRATIVE STAFF EXPENSES

Administrative staff expenses shall include necessary expenditures made by the LPA for:

- (1) Personal services and related costs of LPA administrative staff. (Do not include salaries, wages, and related costs of employees physically engaged in (a) operation and maintenance of acquired property, (b) site clearance or (c) construction of project improvements. Costs resulting from these activities shall be charged to the project activity for which the services are performed.)
- (2) Local and out-of-town travel of LPA employees. Include necessary travel to be performed by third-party contractors when provision for travel is not included in the applicable contract.

- (3) Publications issued by the LPA, such as annual reports.
- (4) Administrative services performed under third-party contracts or agreements. The types of service may include general legal services, accounting or other fiscal services, and janitorial services performed at the LPA office or site office. (Do not include contracts for planning services, appraisal services, option negotiations, title searches, litigation, or other contractual services performed as a direct project service.)
- (5) Other costs for goods and services required for operation by LPA staff. Such costs may include:
 - (a) Rental and maintenance of office space.
 - (b) Rental and repair of office equipment.
 - (c) Heat, light, and power for offices.
 - (d) Telephone, telegraph, and postage.
 - (e) Office supplies and materials.
 - (f) Blueprints and maps.
 - (g) Insurance (fire and theft on office furniture, fixtures, and equipment; fidelity bonds; and vehicle liability insurance). (Do not include insurance on acquired real estate.)
 - (h) Advertising.
 - (i) Purchase of periodicals and publications.
 - (j) Dues for memberships in organizations.
 - (k) Cost of local meetings.
 - (l) Maintenance and operation of LPA-owned vehicles. *
 - (m) Other related costs.
- (6) Nonexpendable equipment. Include all purchases by the LPA having an acquisition price of fifty dollars (\$50) or more and an anticipated useful life of more than one year.

ANNUAL BUDGET SUBMISSION

- * The LPA shall submit an Annual Administrative Staff Expense Budget to the Area Office not later than 60 days prior to the beginning of each budget year. In the case of HUD approval of a Survey and Planning Application for a first project in a locality, the LPA shall prepare and submit its initial Annual Administrative Staff Expense Budget to HUD within 30 days of such approval. An LPA with an ongoing renewal program shall submit a revised Annual Administrative Staff Expense Budget after HUD approval of a Survey and Planning Application, if necessary to accommodate increased staff and administrative costs. The budget shall show the total estimated administrative expenses to be incurred by the LPA for all of its activities, and the estimated portion of the total staff expenses expected to be allocated to urban renewal activities. Cost estimates shall be adjusted to reflect contemplated cost during the actual period to be covered by the budget submitted. The basis for the adjusted cost shall be explained in the narrative statement supporting the budget estimates.

The proposed budget shall consist of an original and five copies of the following: *

- (1) Form HUD-6221, Summary of Annual Administrative Staff Expense Budget. The original and one copy of the summary shall be signed by the LPA director in the space provided on the form.
- (2) Schedule of Personal Services and Related Expense (Appendix 1). The following listed supporting schedules should be prepared on a form similar to that shown in Appendix 2. A separate schedule shall be prepared for each category of expense listed below under items (3) through (7).
- (3) Travel. Estimates of travel costs should be listed under (a) local travel, and (b) out-of-town travel. Under "local travel" the schedule should furnish the following information:
 - (a) Reimbursement for use of private automobile. Indicate method and basis for arriving at estimated cost, and position of employee receiving reimbursement.
 - (b) Cost of public transportation.
 - (c) Other local transportation costs. Include rental of vehicles, if applicable.

Estimates for out-of-town travel should be segregated into the following classifications:

- (a) Trips to Area Office.
- (b) Attendance at conventions, conferences, and committee meetings of organizations having a broad interest in urban renewal activities.
- (c) Other out-of-town trips.

List each trip proposed under (b) and (c) above by purpose, number of travelers, and destination. Estimated expenses should include transportation costs and subsistence, or per diem in lieu of subsistence.

- (4) Publications. This schedule should contain title or type, purpose, and estimated cost of each publication to be issued by the LPA during the budget year.
- (5) Contracts for Services. This schedule should list all contracts for administrative services, and estimated costs. The type of service to be performed should be indicated.
- (6) Other Expenses. Estimates for rent; heat, light and power; and telephone and telegraph should be identified by location if LPA administrative staff are quartered in more than one building. The number of square feet of space in each rented location should also be indicated.
- (7) Nonexpendable Equipment. This schedule should list all items of nonexpendable equipment to be acquired during the budget year. Replacement equipment should be segregated from a additional or new equipment.
- (8) Work Activities. A schedule outlining selected workload indicators for all activities being undertaken by the LPA, or anticipated to begin, during the budget year should be prepared for submission with the annual budget. For activities that will start or be completed during the year, the estimated number of months for each activity shall be shown in the schedule. Separate schedules should be prepared for planning activities and for those in execution. Activities should be listed within each schedule by (a) urban renewal activity, except those under three-fourths grant with limited project costs formula, and (b) all other activities, including urban

renewal projects under three-fourths grant with limited project costs formula. Within each grouping of activities, projects should be identified by name, number, and type. For each activity in the planning stage, the schedule should indicate:

- (a) Whether the planning work is being carried out by LPA staff, under third-party contract, or a combination of the two.
- (b) Whether only administrative supervision and review of planning work being carried out under contract is being performed by LPA staff.
- (c) The total estimated amount of planning costs of the activity.
- (d) If substantive planning work activities are being carried out by LPA staff, an indication of the type and volume of work to be performed by the staff during the budget year.
- (e) Estimated percentage of completion of the planning activity at the beginning and the close of the budget year.

The narrative should cover the reasons for proposed changes in staffing in terms of workload to be accomplished and schedules to be met. It should also include a discussion of any factors or norms developed by the LPA to relate manpower utilization to work units for staff planning and management purposes. Any proposed general increase in staff personal services compensation or rates of employee fringe benefits should be explained.

The reason and necessity for significant increases or decreases in other items of staff expense should be explained, as well as any shift in the nature of expense.

If a temporary reduction or interruption of work activity is anticipated and skilled staff must be retained in the interim pending resumption of activity, the reasons for the work stoppage, its probable duration, and proposed utilization of staff should be fully explained.

Should budgetary expenditures during the actual year fall sharply below approved estimates due to unexpected interruption of work or to other reasons, the situation should be explained

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in the narrative in relation to estimates presented for the budget year.

All requests for approval to purchase nonexpendable equipment should be explained in terms of staff needs to perform adequately or of replacement of wornout or obsolete items.

If specific estimates or costs shown on the respective supporting schedules are discussed in the narrative statement, the appropriate schedule should be referenced.

OPERATIONS UNDER APPROVED ANNUAL ADMINISTRATIVE STAFF EXPENSE BUDGET

Receipt of a HUD-approved Annual Administrative Staff Expense Budget authorizes the LPA to incur administrative costs for urban renewal activities during the budget period. The LPA shall not expend, nor incur obligations to expend, during the budget period amounts in excess of the budget allocations approved by HUD for each of Lines 1 through 6 (Column (6)) of Form HUD-6221, except as noted below under "Contingencies."

Contingencies

The LPA may transfer, as necessary, without concurrence of the Regional Office the amount approved in an Annual Administrative Staff Expense Budget on Line 8 of Form HUD-6221 to other budget categories (Lines 1 through 6) that are in danger of being exceeded due to unforeseen circumstances.

Amendment of Annual Administrative Staff Expense Budget

When, during a year for which an annual budget approval has been received by the LPA, it becomes apparent that estimates approved for one or more items of staff expense will be insufficient to support the work to be done and cannot be covered by transfers from the reserve for contingencies, an amendment to the annual budget should be submitted immediately to the Regional Office.

Request for approval of amendments to the annual budget shall be prepared on Form HUD-6221. Supporting schedules for approved budget categories which do not require revision need not be submitted. If the revision is not caused by unforeseen changes in workload, no additional tabulation of expected project activity need be included. However, each request for amendment of an annual budget should contain a narrative explanation giving the reason and justification for the revisions in estimates.

For each activity in, or to begin, execution during the budget year, the following information should be shown by the separate categories listed below:

- (1) Real Estate Acquisition (Number of Parcels).
 - (a) Not yet acquired beginning of period.
 - (b) Estimated acquisition during period.
- (2) Relocation (Number of Families) (Number of Businesses).
 - (a) In workload beginning of period.
 - (b) Estimated addition to workload during period.
 - (c) Estimated removal from workload during period.

(NOTE: In any case where the major relocation workload comprises individuals rather than families, appropriate change should be made in the activity data shown.)
- (3) Demolition and Site Clearance (Number of Structures).
 - (a) In workload at beginning of period.
 - (b) Estimated addition to workload during period.
 - (c) Estimated demolition during period.
- (4) Property Under Management (Dwelling Units).
 - (a) Under management beginning of period.
 - (b) Estimated additions during period.
 - (c) Estimated removals during period.
 - (d) Average under management during period.
- (5) Project Improvements (\$ 000).
 - (a) Remaining to be accomplished beginning of period.
 - (b) Estimated addition to workload during period.

(c) Estimated completed during period.

(NOTE: Only project improvement work to be carried out by the LPA should be included. Also, the number and type of contracts involved should be indicated, e.g., streets (3), sewers (2), parks (1), etc.)

(6) Real Estate Disposition (Number of Parcels).

(a) Available not under contract beginning of period.

(b) Estimated to become available during period.

(c) Estimated disposition agreements reached during period.

(d) Estimated disposition contracts executed during period.

(7) Rehabilitation (Number of Dwelling Units).

(a) Rehabilitation not complete or not started beginning of period.

(b) Units added to workload during period.

(c) Rehabilitation completed during period.

(8) Narrative Statement. This statement should discuss the proposed budget generally in terms of:

(a) Program operating assumptions for the budget year, including comparisons with actual year activity.

(b) Increased or decreased staff expense needs to carry out scheduled activities.

(c) Any anticipated change in legislative, economic, or physical factors that might significantly alter schedules or make revisions in workload estimates necessary.

(d) Any special conditions, such as pending litigation, that might affect schedules and workload.

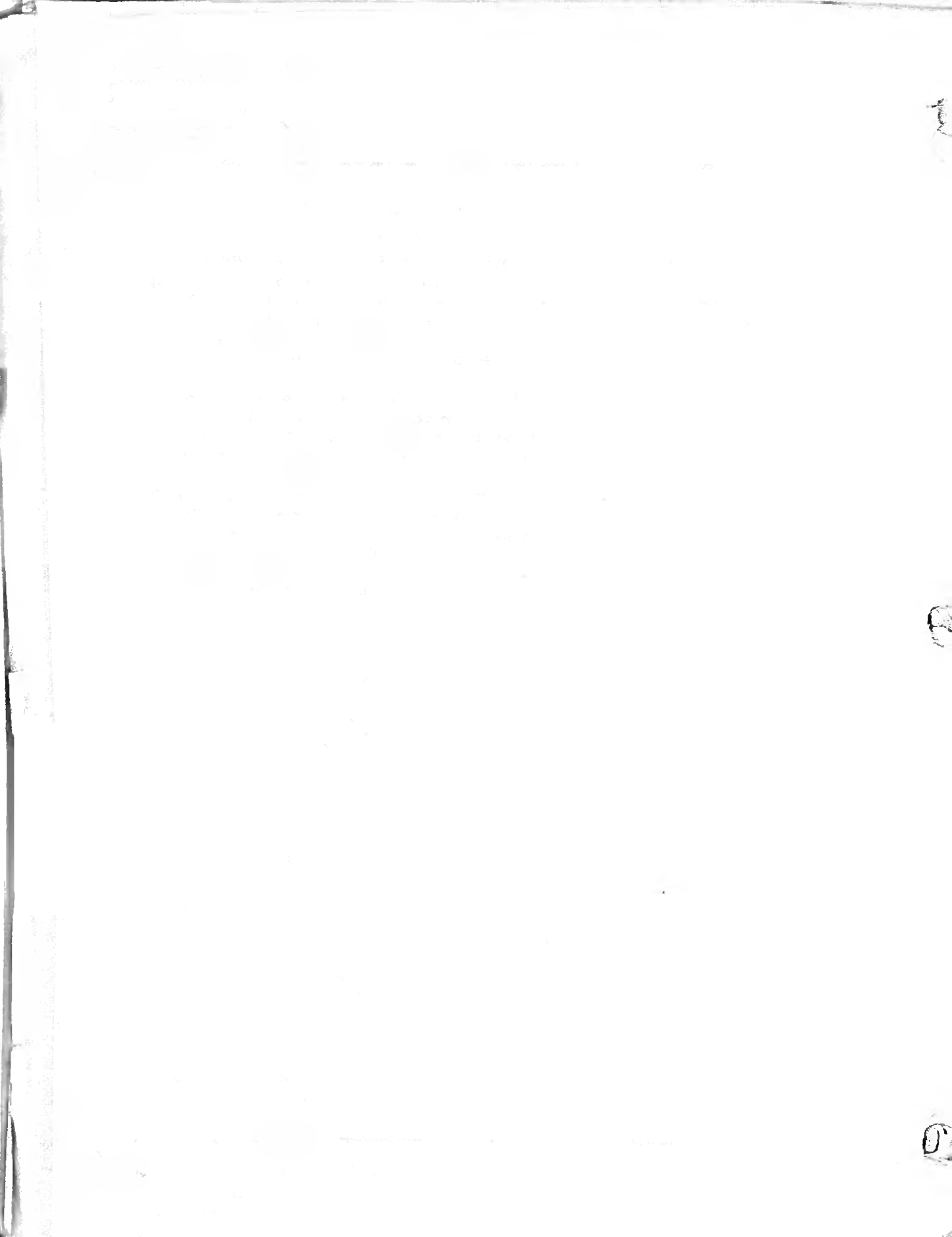
Since staff expense of an LPA ultimately will become charges to Gross Project Cost, an overrun of the annual budget will be considered a contract violation subject to audit exception. Request for amendment of an annual budget that is in danger of being exceeded should be submitted for Regional Office consideration at the earliest possible time after the potential overrun has been recognized by an LPA.

ELIGIBILITY OF ADMINISTRATIVE STAFF EXPENSE OF URBAN RENEWAL
ACTIVITY COSTS

The eligibility of all expenditures made in payment of LPA administrative staff expenses for ultimate inclusion in the cost of urban renewal activities will be determined, after audit, on (1) the basis of the rule of necessity provided by Section 110(e) of the Housing Act of 1949, as amended, (2) provisions of contracts between the LPA and HUD, and (3) policies promulgated by HUD.

All eligible administrative staff expense shall be allocated ultimately to the "administration" expense cost account of the appropriate urban renewal activity in accordance with the procedures provided in 7221.1, Accounting. Assuming the eligibility of the expenditure and the propriety of its allocation to an urban renewal activity, the expenditure will not be subject to challenge should the allocation of the expense cause the activity budgetary allocation for administration expense to be exceeded. In such case, the urban renewal activity budget shall be promptly adjusted to cover the overrun actually incurred as well as other anticipated administrative staff expense expected to be incurred prior to completion of the activity.

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SCHEDULE OF PERSONAL SERVICES AND RELATED EXPENSE

BUDGET PERIOD: _____

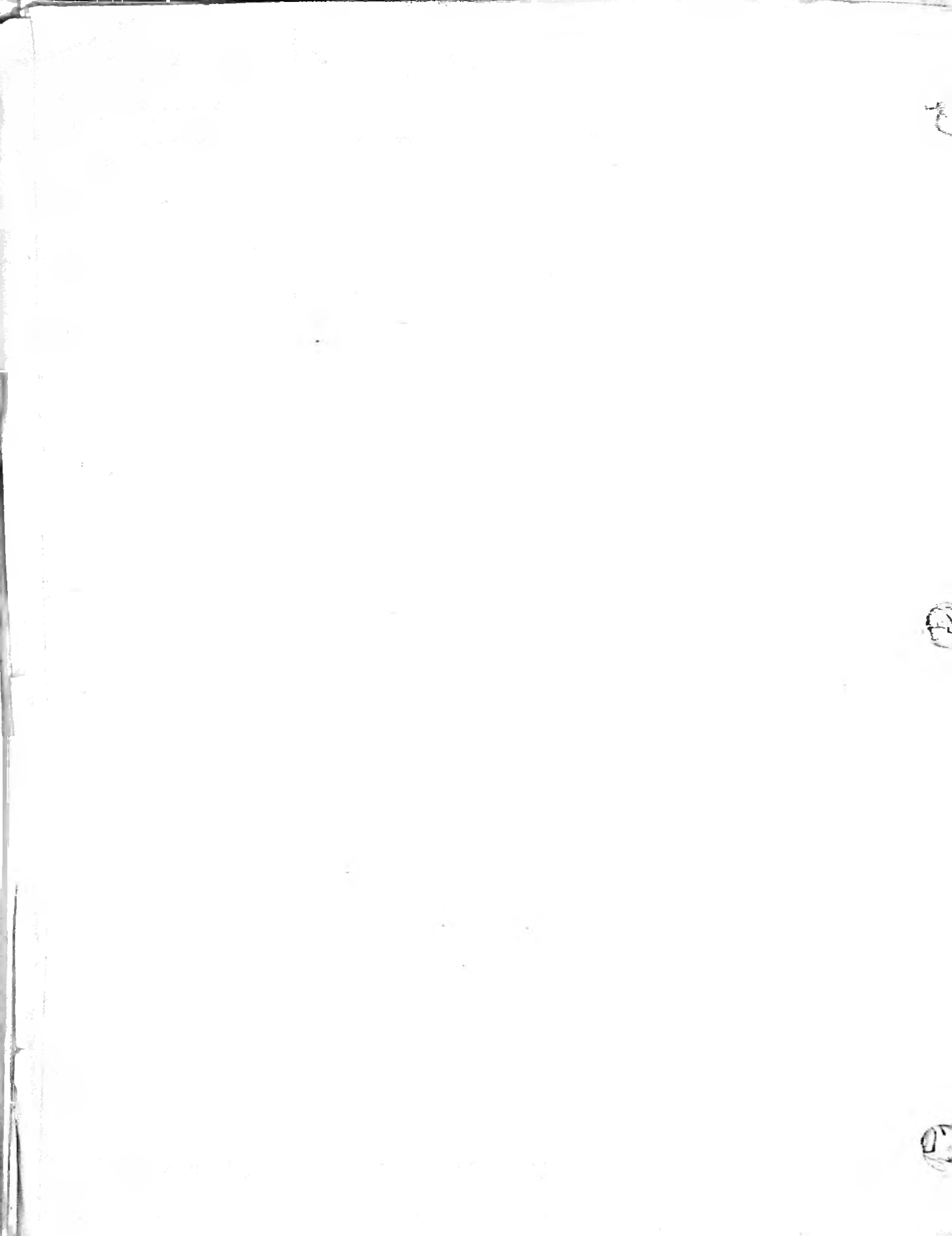
FROM _____ TO _____

NAME OF AGENCY: _____

ORGANIZATIONAL UNIT AND POSITION TITLE (1)	FULL-TIME EMPLOYMENT		PART-TIME EMPLOYMENT		ESTIMATED GROSS COMPENSATION FOR PERSONAL SERVICES (6)	ESTIMATED DISTRIBUTION OF EXPENSE			
	RATE OF COMPENSATION BEGINNING OF PERIOD (2)	ESTIMATED COMPENSATION DURING PERIOD (3)	ESTIMATED PERIOD EMPLOYED (BORNE) (4)	ESTIMATED COMPENSATION DURING PERIOD (5)		TITLE I ACTIVITIES	OTHER ACTIVITIES	AMOUNT	AMOUNT
						\$(7)	\$(8)	\$(9)	\$(10)
TOTAL ESTIMATED PERSONAL SERVICES	\$	\$	\$	\$	\$	\$	\$
EMPLOYEE BENEFITS:						
Social Security	\$	\$	\$	\$	\$	\$	\$
Retirement Plan	\$	\$	\$	\$	\$	\$	\$
Health & Hospital Insurance	\$	\$	\$	\$	\$	\$	\$
Other: (Specify)	\$	\$	\$	\$	\$	\$	\$
TOTAL PERSONAL SERVICES AND BENEFITS	\$	\$	\$	\$	\$	\$	\$

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SCHEDULE OF _____

BUDGET PERIOD:

NAME OF AGENCY: _____

FROM _____

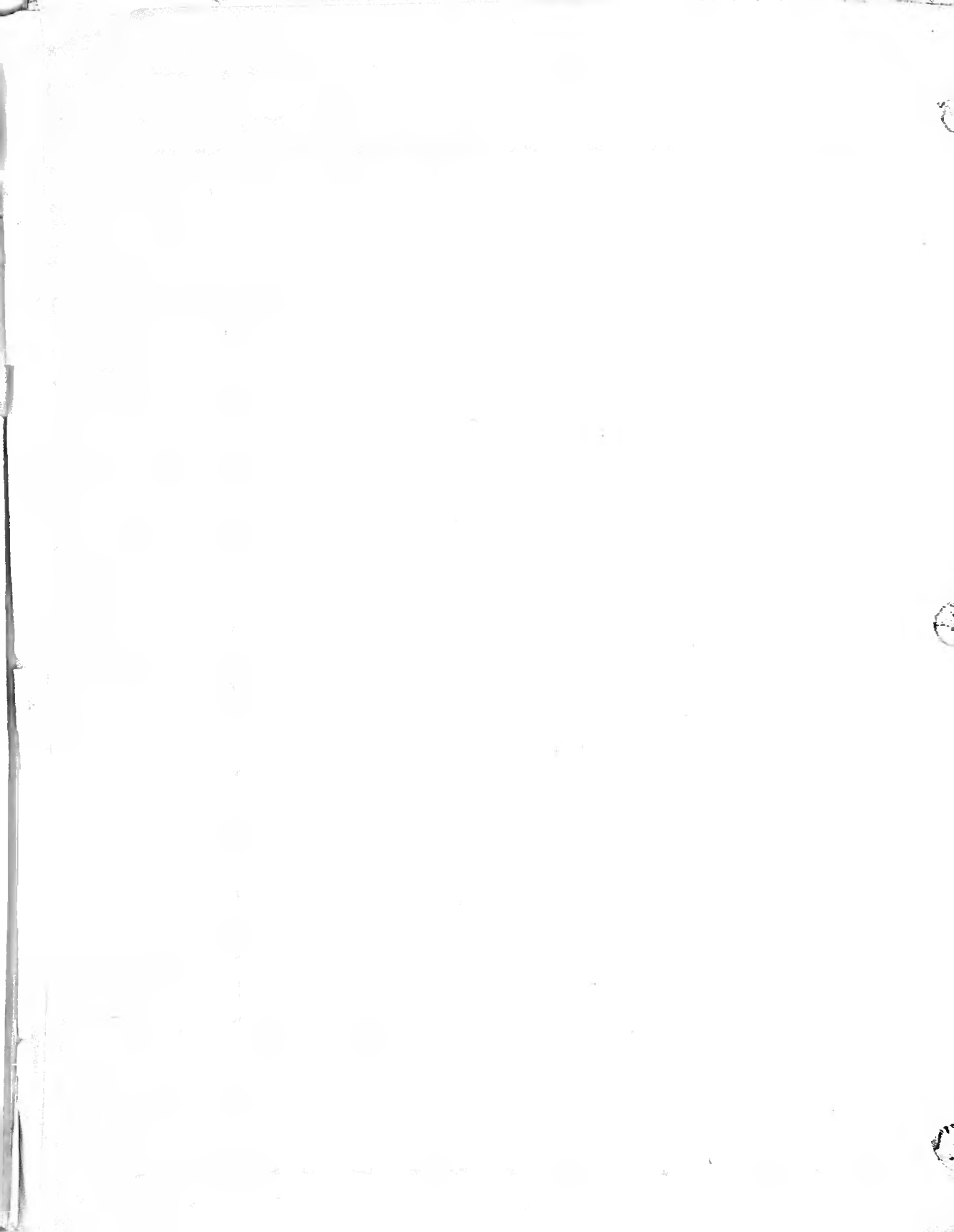
TO _____

ITEM	TOTAL FOR BUDGET YEAR (1)	AMOUNT FOR TITLE I ACTIVITIES (2)

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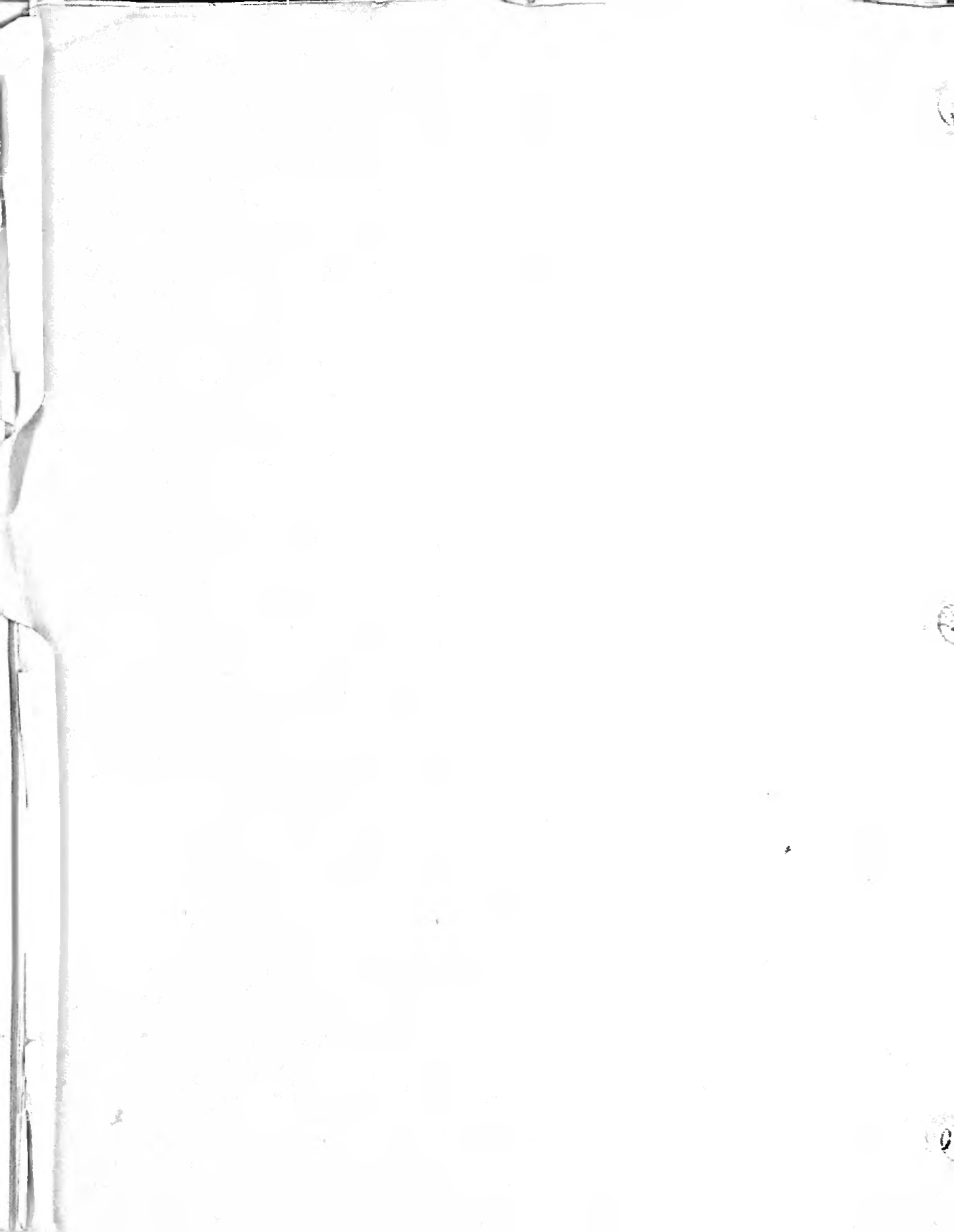
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The LPA shall submit to the Regional Office the following periodic reports of progress covering project execution activities:

HUD-12,	Labor Standards Enforcement Reports	Semiannual	7217.1 Chapter 3 Section 4
HUD-666,	Report on Relocation of Families and Individuals	Quarterly ^{1/}	7212.1 Chapter 3 Section 2
HUD-666A,	Report on Relocation of Business Concerns and Non-profit Organizations	Quarterly ^{1/}	Same as for HUD-666
HUD-666B,	Report of Relocation Payments Made for Settlement Costs	Semiannual	Same as for HUD-666
HUD-6000,	Physical Progress Report	Semiannual until completion of all rehabilitation and redevelopment	See below
*			*
HUD-6162,	Report of Families Moved to Substandard Housing	Quarterly ^{2/}	7212.1 Chapter 3 Section 2
HUD-6163,	Report on Status of Land Acquisition, Disposition, and Redevelopment	Semiannual until completion of redevelopment	See below
HUD-6250,	Report on Budgetary Status	Semiannual	7218.1 Chapter 2 Section 4
HUD-6251,	Project Balance Sheet		Same as for HUD-6250

^{1/} During period of actual relocation.

^{2/} When families are added to Line 14 or 15 of Form HUD-666.

PHYSICAL PROGRESS REPORT

Form HUD-6000, Physical Progress Report, shall be prepared for each project for which a project expenditures budget has been prepared.

Detailed instructions for preparing Form HUD-6000 are contained in Form HUD-6000A, Instructions for Preparing Form HUD-6000, Physical Progress Report. Copies of Form HUD-6000A may be obtained from the Regional Office.

Submission of Report

An original and three copies of Form HUD-6000 shall be dispatched in time to reach the Regional Office by the 20th of the month following the close of the 6-month period. One copy shall be marked for the attention of the Renewal Representative.

The first report for a project shall be submitted at the end of the 6-month period during which the LPA receives an approved project expenditures budget, regardless of whether a Contract for Loan and Grant has been formally executed during that period. Reports shall be submitted until project completion.

SUBMISSION OF REPORT AFTER PROJECT COMPLETION

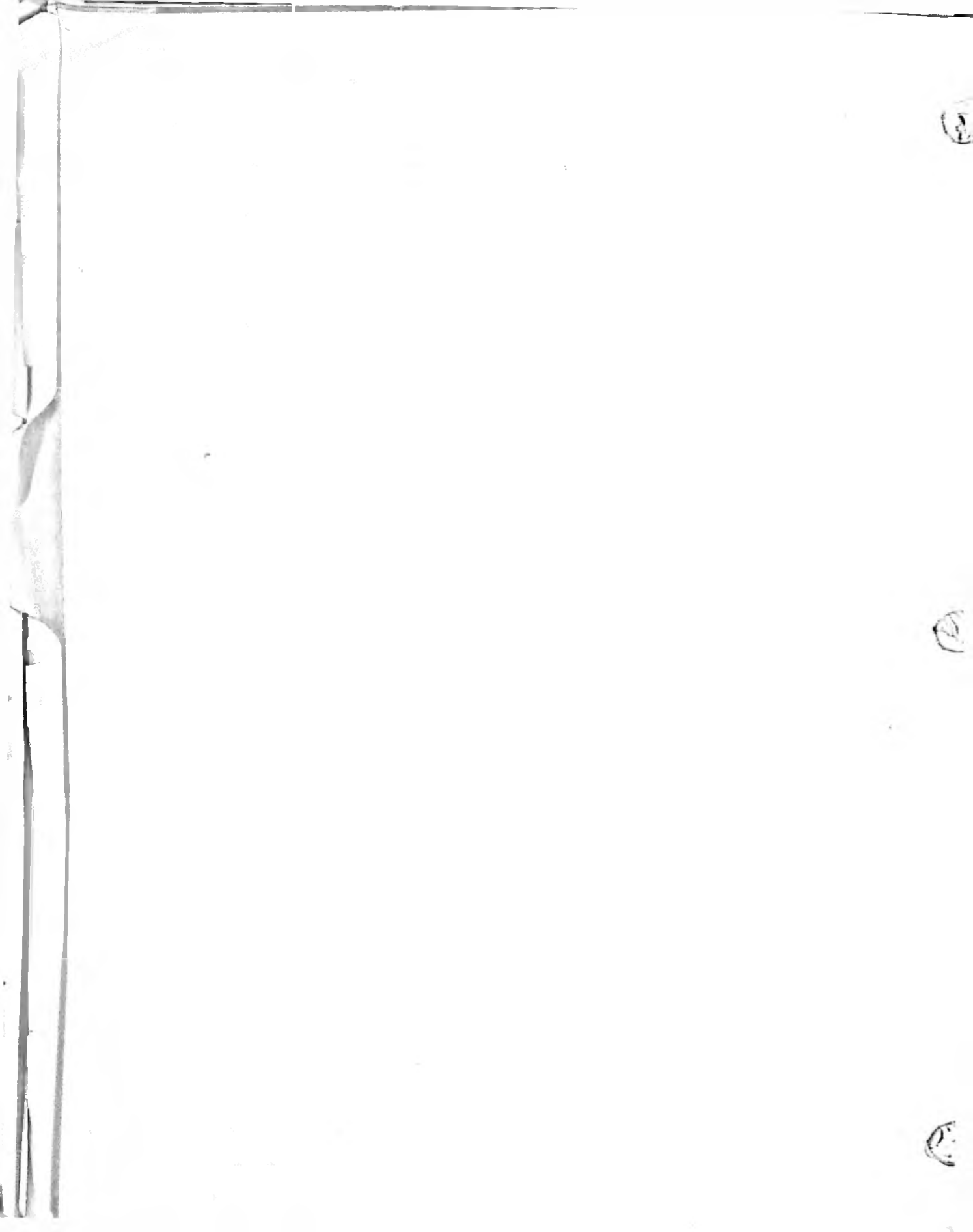
When a project has been completed, the LPA shall arrange for continued submission of the following elements of Form HUD-6000:

- (1) Block A, Line, "Status of progress on major activities," until all activities listed have been reported completed.
- (2) Blocks D, "Public Facilities," and E, "Project Improvements," until the public facilities and project improvements being provided as noncash local grants-in-aid are completed.
- (3) Block G, "New Construction by Redevelopers," until redevelopment is completed.
- (4) If the project involved rehabilitation activities Block H, "Property Rehabilitation," until all rehabilitation contemplated is completed. *

Form HUD-6163

HUD-6163 is required semiannually for each urban renewal project that as of the reporting date had been approved for execution, completed, or acquired land under an approved Early Land Acquisition Loan.

Instructions for preparing Form HUD-6163 are in Form HUD-6163C, copies of which are available from the Regional Office.



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Cancellation
Date: November 2, 1970

SUBJECT: Revision of Forms HUD-6163 and HUD-6163C; Use of New Form HUD-6163D

- 1. FORM HUD-6163, REPORT ON STATUS OF LAND ACQUISITION, DISPOSITION, AND REDEVELOPMENT AND FORM HUD-6163C (INSTRUCTIONS FOR PREPARING FORM HUD-6163).

The following two changes have been made and should be reflected starting with the June 30, 1970 report:

- a. Lines 82, 83, and 84 on Form HUD-6163. These lines have been changed to reflect new occupancy classifications. The changes are:

<u>Line Number</u>	<u>Previous</u>	<u>Present</u>
82	By White Occupants	By White Occupants (Nonminority)
83	By Non-White Occupants	By Negro Occupants
84	Color Not Reported	By Other Minority Occupants. or Color Not Reported

Instructions for reporting are given in the attached revised page 19 of Form HUD-6163C. This attachment (which includes page 20) should be inserted in lieu of the present pages 19 and 20 of Form HUD-6163C. If Line 84 on Form HUD-6163 contains an entry, a completed Form HUD-6163D must be submitted concurrently with Form HUD-6163.

The June 30, 1969 data shown on the turnaround form (to be used to update the report to June 30, 1970) have been printed on the revised report forms. The data on Lines 82, 83, and 84, therefore, reflect the previously required distribution of occupants, i.e., By White Occupants, By Non-White Occupants, and Color Not Reported, respectively. Except for the reports of projects in Category 60 as of June 30, 1969, all reports should be updated to reflect the present occupancy classifications. For projects reporting for the first time as of June 30, 1970, instructions on revised page 19 of Form HUD-6163C should be followed.

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- b. Revision of Region and State Code List. The attached pages 29 and 30 of Form HUD-6163C should be inserted in lieu of the present pages 29 and 30. These new codes shown on page 30 should be used for all projects for which a Form HUD-6163 is being submitted for the first time. The State codes on the turnaround reports reflect these revised codes.
2. FORM HUD-6163D, DWELLING UNITS WITH OCCUPANTS CLASSIFIED AS "OTHER MINORITY" GROUPS OR "COLOR NOT REPORTED" ON FORM HUD-6163. This new form, which will be used only if Line 84 on Form HUD-6163 contains an entry in Columns 7 and/or 8 and 9, is available at the Regional Office.
3. INSTRUCTIONS FOR THE JUNE 30, 1970 REPORT ONLY, FOR PROJECTS PREVIOUSLY REPORTED:
- a. Projects in Category 60 as of June 30, 1969
- (1) The new occupancy classifications will not be required for projects which were in Category 60 as of June 30, 1969. All occupants in these project areas will be classified on Line 84 as "Color Not Reported." This conversion will be done automatically by the computer program. The procedure is:
- (a) If no changes are made on Line 81, (Total Number of Occupied Dwelling Units of All Types (Sum of Lines 82, 83, 84)) no entries should be made on Lines 82, 83, or 84.
- (b) If changes are made on Line 81, for each column changed, a corresponding entry should be made on Line 84. For example, if Line 81, Column 1 is changed to reflect increased occupancy from "250" to "300" occupants, enter the "300" on Line 84, Column 1.
- (c) A Form HUD-6163D will not be required for these projects.
- b. Other Projects and NDP Areas Previously Reported
- (1) Projects or NDP Areas With Preprinted Entries on Lines 82, 83, and 84
- (a) Revise, as required, the preprinted data shown on Lines 82, 83, and 84 to reflect the new occupancy classifications. It is recognized that in some instances these revisions will reflect estimates based on the knowledge of the project area neighborhood.
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- (b) Update the report to reflect occupancy as of June 30, 1970 in accordance with the new occupancy classifications. See revised page 19 of Form HUD-6163C.
- (c) If an entry appears on Line 84 (either preprinted in the green portion of the cell with no change, or in pencil in the white portion of the cell) as of June 30, 1970, submit a completed Form HUD-6163D concurrently with Form HUD-6163.
- (2) Projects or NDP Areas With No Previous Entries in Lines 82, 83, and 84.
If entries are required as of June 30, 1970 on Lines 82, 83, and/or 84 for the first time, follow the instructions on revised page 19 of Form HUD-6163C.
4. PAGE 5 DATED (8-66) OF FORM HUD-6163. All supplies of page 5 dated (8-66) should be destroyed. Lines 82, 83, and 84 have been changed and these changes are reflected on page 5 dated (10-69).

Attachments

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Line 80-- Number of Dwelling Units in One- to Four-Family Housing Operations

One- to four-family housing operations include any development, regardless of whether the development consists of one or more than one structure, where four or fewer dwelling units are titled under a single mortgage. Typically, housing constructed under FHA "home mortgage" programs represents one- to four-family housing operations. Sales-type cooperative and condominium housing shall also be reported as one- to four-family housing operations, regardless of the type of structure in which such units are located.

Line 82 -- By White Occupants (Nonminority), Line 83 -- By Negro Occupants, and Line 84 -- By Other Minority Occupants, or Color Not Reported

Line 84 -- Include all minority groups other than Negro (shown on Line 83). The minority groups include American-Indian; Spanish-American (Puerto Rican, Cuban, Mexican, Latin-American, Other Spanish or Iberian); Oriental (Chinese, Filipino, Japanese, Korean); Other (Eskimo, Aleut, Hawaiian, Part Hawaiian, Polynesian, Micronesian, Other).

Use of the "Color Not Reported" classification is limited to reports from Puerto Rico and the Virgin Islands.

If an entry appears on Line 84, Columns 7, and/or 8 and 9, complete Form HUD-6163D, Dwelling Units With Occupants Classified as "Other Minority" Groups or "Color Not Reported" on Form HUD-6163, and submit it concurrently with Form HUD-6163.

Line 85 -- Total Number of Vacant, Completed Dwelling Units

Line 85 shows the number of vacant dwelling units ready for occupancy. The sum of Lines 85 and 81 must equal Line 75.

Data on Commercial, Industrial, Institutional Redevelopment (Lines 86 through 110)

Lines 86, 87, and 88 -- Value of Commercial, Industrial, Institutional Redevelopment (\$000)

Entries under Columns 1, 2, and 3 on Lines 86, 87, and 88 are to be based on the land area shown in 41/3 and 41/4.

Entries under Columns 4, 5, and 6 on Lines 86, 87, and 88 are to be based on the land area shown in 51/3 and 51/4.

Commercial Redevelopment: Numbers of Structures and Gross Floor Area (Sq. Ft. in 000) (Lines 89 through 98)

The Gross Floor Area entries must reflect the corresponding Number of Structures entries.

Lines 89 and 90 -- Retail Services and Related Facilities

Include structures whose predominant (50% or more) use is for retail shops, restaurants, and other retail services that directly serve the consumer public.

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Lines 91 and 92--Wholesale and Other Distribution Facilities

Include structures whose predominant (50% or more) use is storage, warehousing, and distribution, even though these uses may be retail-connected, and even though some portion of the structure(s) (under 50%) may be used for retail facilities for direct retail sales or services to the public.

Lines 93 and 94--Office Buildings

Include structures whose predominant (50% or more) use is for business and professional offices or other white-collar activities even though some portion of the structure(s) (under 50%) may be used for other purposes, such as retail shops on the ground floor.

Government-owned office buildings used for Government activities, such as a city hall, are to be reported on Lines 105 and 106, Other Government Facilities.

Lines 95 and 96--Other Commercial

Include structures whose predominant (50% or more) use is for commercial purposes other than those included on Lines 89 through 94.

Industrial Redevelopment: Numbers of Structures and Gross Floor Area (Sq. Ft. in 000) (Lines 99 and 100)

The Gross Floor Area entries on Line 100 must reflect the Number of Structures entries on Line 99. Include structures whose predominant (50% or more) use is for manufacturing or similar industrial activities.

Institutional Redevelopment: Numbers of Structures and Gross Floor Area (Sq. Ft. in 000) (Lines 101 through 110)

The Gross Floor Area entries must reflect the corresponding Number of Structures entries.

Lines 101 and 102--Schools

Both publicly and privately owned schools are to be included.

Lines 103 and 104--Hospitals

Both publicly and privately owned hospitals are to be included.

Lines 105 and 106--Other Government Facilities

The following publicly owned government structures used for government activities are to be included: office buildings, fire stations,

Line 13--Number of Dwelling Units Financed Under Housing For the Elderly Program (Sec. 202 of Housing Act of 1959, as Amended)

Enter the appropriate number of dwelling units.

Line 14--Number of Dwelling Units With Known Financing Excluding Those Reported on Lines 4 through 13

Enter the number of dwelling units for which the type of financing is known or anticipated and which are not included on Lines 4 through 13.

Line 15--Number of Dwelling Units With Financing Not Known

Enter the number of dwelling units for which financing has not yet been determined. No entry can be made in Column (b) or Column (c).

CROSS-CHECKS

To ensure arithmetic accuracy of the entries on Form HUD-6163B, make the following cross-checks (in addition to those noted above for Line 1).

All Lines

Column (a) + Column (b) + Column (c) = Column (d)

All Columns

Line 2 + Line 3 = Line 1

Line 4 + Line 12 + Line 13 + Line 14 + Line 15 = Line 3

Line 5 + Line 6 + Line 7 + Line 8 + Line 9 + Line 10 + Line 11
= Line 4

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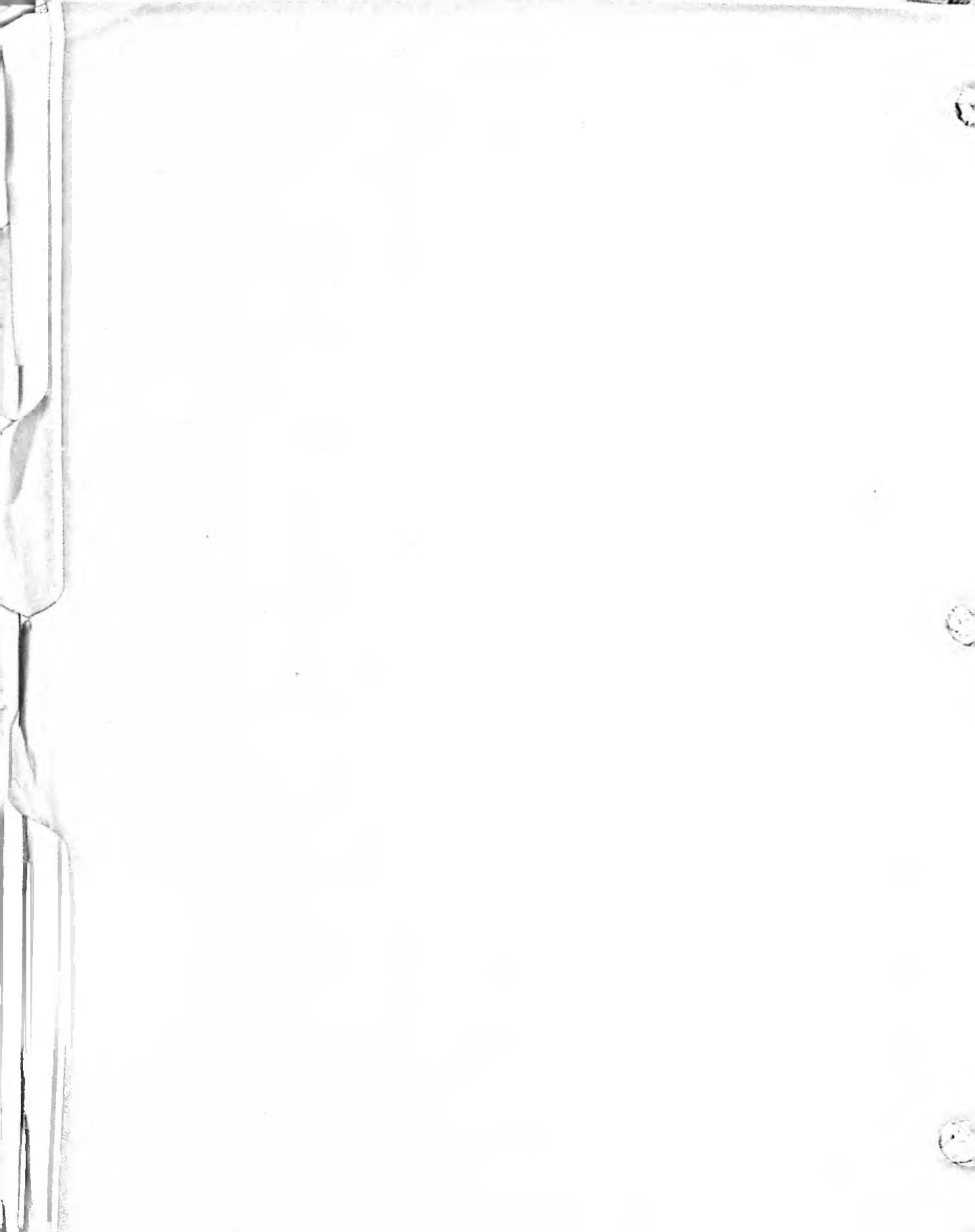
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REGION AND STATE CODE LIST

State Name	Region Code	State Code		State Name	Region Code	State Code	
		Revised	Previous			Revised	Previous
Alabama	3	01	01	Nebraska	4	31	28
Alaska	6	02	02	Nevada	6	32	29
Arizona	6	04	03	New Hamp-			
Arkansas	5	05	04	shire	1	33	30
California	6	06	05	New Jersey	2	34	31
				New Mexico	5	35	32
Colorado	5	08	06				
Connecticut	1	09	07	New York	1	36	33
Delaware	2	10	08	North			
Dist. of				Carolina	3	37	34
Columbia	2	11	09	North			
				Dakota	4	38	35
Florida	3	12	10	Ohio	4	39	36
				Oklahoma	5	40	37
Georgia	3	13	11				
Hawaii	6	15	12	Oregon	6	41	38
Idaho	6	16	13	Pennsylv-			
				vania	2	42	39
Illinois	4	17	14	Rhode			
				Island	1	44	40
Indiana	4	18	15	South			
				Carolina	3	45	41
Iowa	4	19	16	South			
				Dakota	4	46	42
Kansas	5	20	17				
Kentucky	3	21	18	Tennessee	3	47	43
Louisiana	5	22	19	Texas	5	48	44
Maine	1	23	20	Utah	6	49	45
				Vermont	1	50	46
Maryland	2	24	21	Virginia	2	51	47
Massachu-							
setts	1	25	22	Washington	6	53	48
Michigan	4	26	23	West Vir-			
Minnesota	4	27	24	ginia	2	54	49
Mississippi	3	28	25	Wisconsin	4	55	50
				Wyoming	6	56	51
				Guam	6	66	52
Missouri	5	29	26				
Montana	6	30	27	Puerto	7	72	55
				Rico			
				Virgin			
				Islands	7	78	57

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CHAPTER 1. BOOKS OF ACCOUNT AND RECORDS

SECTION 1. GENERAL

The required books of account are:

- General Ledger
- Subsidiary Cost Ledger
- Cash Receipts Journal
- Cash Disbursements Journal
- General Journal (or Journal Vouchers)

Separate books of account shall be maintained for each urban renewal project, Feasibility Survey, or General Neighborhood Renewal Plan. Books of account and supporting documents shall be identified with the project or activity number and shall be established with the first transaction.

Costs incurred for activities preparatory to land acquisition, as provided in 7218.1, Budgets and Budget Reports, Chapter 2, Section 3, through the end of the month in which the Contract for Loan and Grant is executed, shall be entered on the books of account as survey and planning expenditures. Costs incurred for activities preparatory to land acquisition thereafter shall be entered on the books of account as project execution expenditures.

At the end of the survey and planning stage or completion of a General Neighborhood Renewal Plan or Feasibility Survey, a journal entry shall be made to close out and transfer the balances in the 1400 series of cost accounts to Account 1401, Survey and Planning Stage; 1403, General Neighborhood Renewal Plan Costs; or 1404, Feasibility Survey Costs. Postings to Accounts 1401, 1403, and 1404 shall contain the account numbers, names, and balances of all the original accounts which are closed and transferred.

The LPA may, at its option, establish additional control or subsidiary cost accounts, expand or revise the columnar arrangement of journals or ledgers, maintain additional books of original entry, or provide similar variations. Additional subsidiary accounts, however, shall be established as subdivisions of prescribed accounts.

GENERAL LEDGER

Each general ledger sheet shall show the name of the LPA, the project number, and the account number and title. Postings to the general ledger shall be made from the books of original entry and from journal vouchers when used.

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ACCOUNTING

CHAPTER 1 SECTION 1

A trial balance of the general ledger shall be taken each quarter, but the individual accounts shall not be ruled off until the end of the period for which the record is maintained.

COST ACCOUNTS

A separate ledger page or separate column shall be maintained for each cost account (see Appendices 1 and 2). Additional detail may be maintained, either in the subsidiary ledger on pages immediately following the prescribed accounts, or in separate analytical accounts.

RECORDS OF OUTSTANDING COMMITMENTS

For budgetary control purposes, records shall be maintained of outstanding commitments for future payments for goods and services not received. These records shall not be maintained for personal services costs, except those under contract.

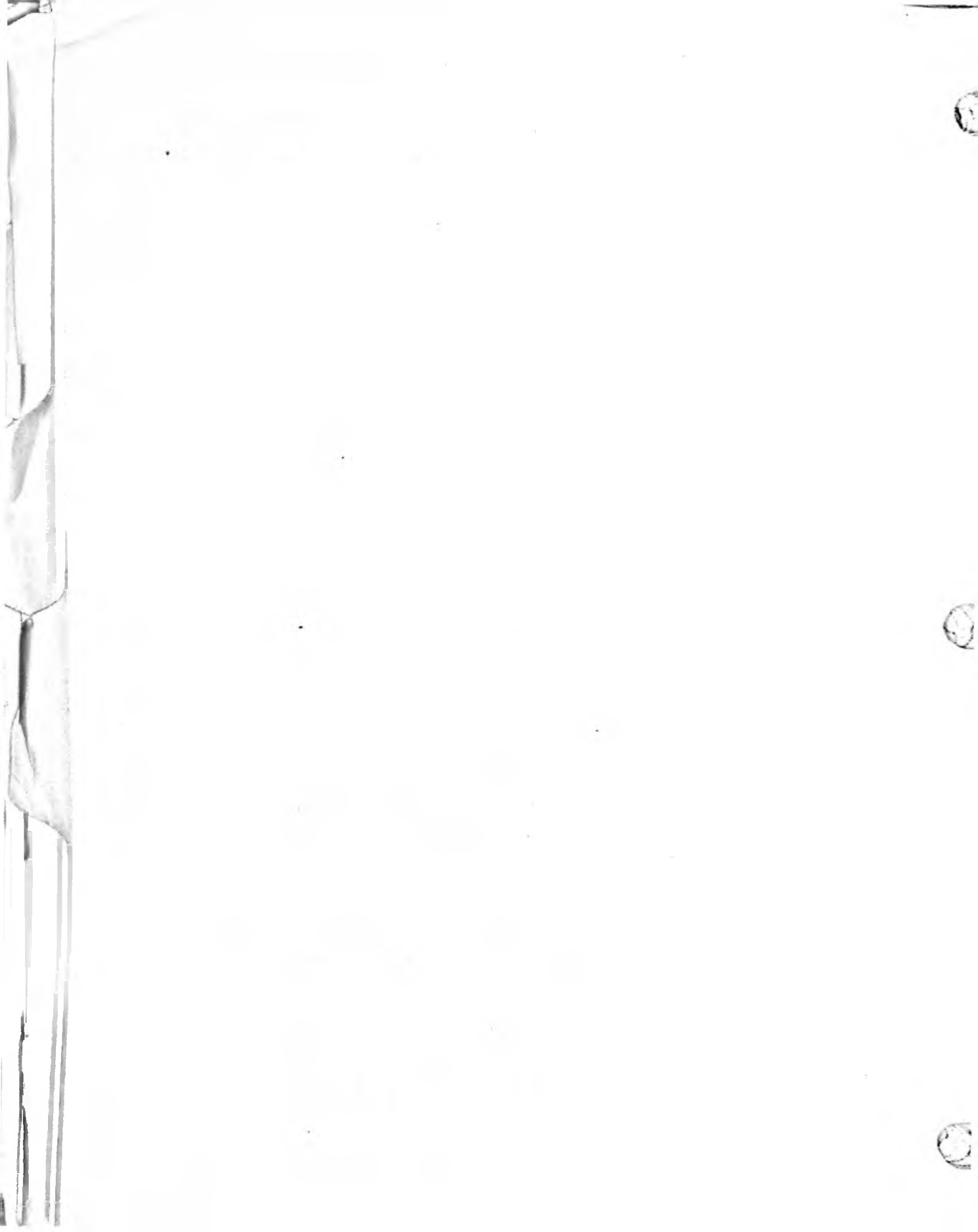
SEMIANNUAL ENTRIES

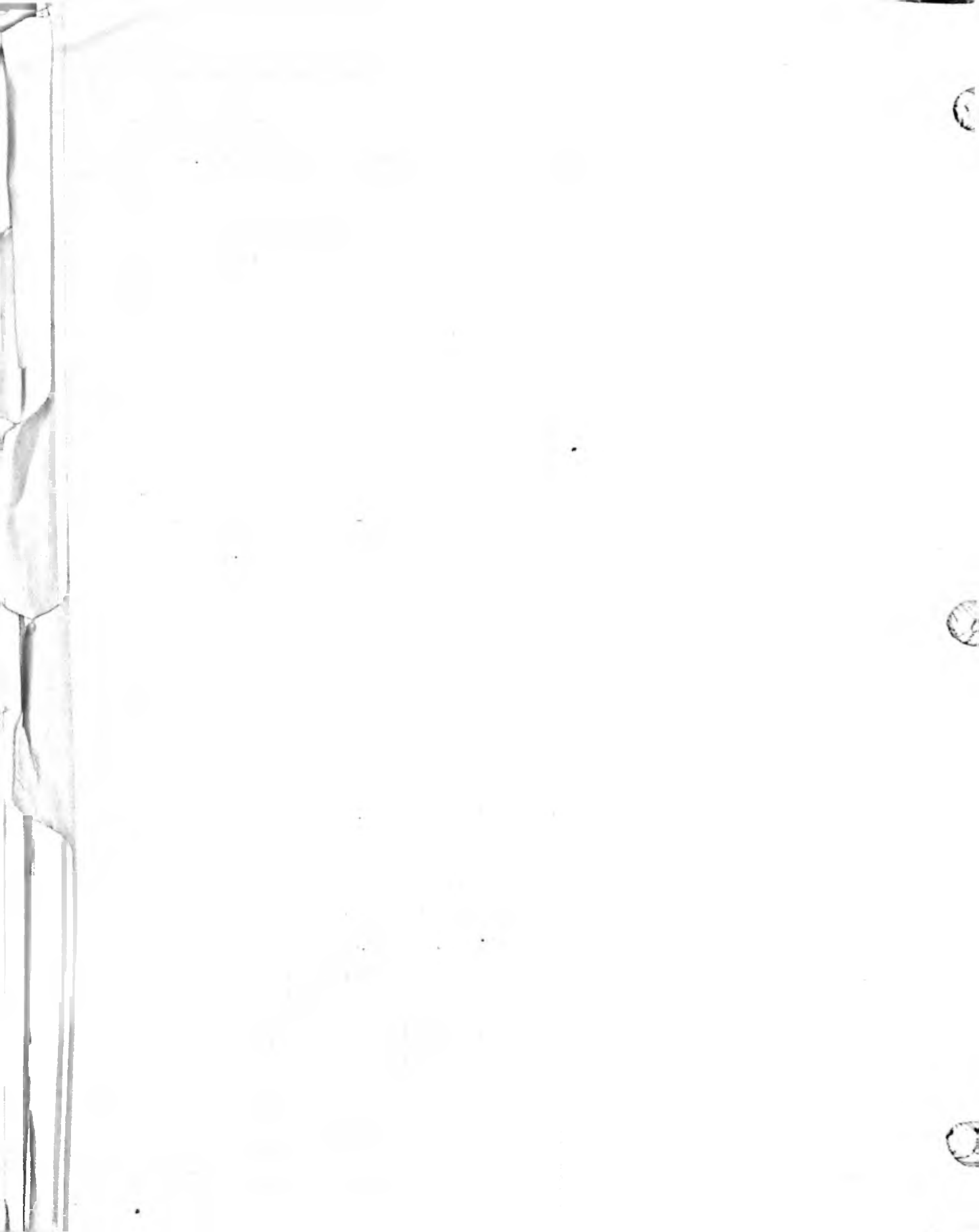
At the close of each 6-month period, all significant costs shall be recorded in Account 1400, Project Cost Control, and the accounts thereunder, in order that all costs incurred will be included on the semiannual balance sheet. Examples of costs which should be recorded at the end of each 6-month period, whether or not billing has been made, are: supplies and materials received; contractor's work which has been performed; and costs of salaries for work which was performed by employees since the last payroll was prepared, but which represent work performed (and cost to the project) prior to the end of the 6-month period. At the time of payment of these expenses, the LPA must debit the accrual account for the amounts previously established.

At the close of each 6-month period, a journal entry shall be made charging Account 1400, Project Cost Control, and the accounts thereunder and crediting the appropriate prepaid account, with the applicable share of the amount originally set up as a prepaid item.

PROJECT BALANCE SHEET

Form HUD-6251, Project Balance Sheet (see 7218.1, Budgets and Budget Reports, Chapter 2, Section 4), shall be prepared at the end of the 6-month period during which the LPA received an approved project expenditures budget pursuant to an approved Loan and Grant Application or an approved Application for Early Land Acquisition Loan. The balance sheet shall be dispatched to reach the Regional Office by the 20th of the month following the close of the 6-month period covered by the balance sheet. It shall be certified by the chief accounting officer or executive director of the LPA. Subsequent submissions shall be made at the end of each succeeding 6-month period.





CHAPTER 1. BOOKS OF ACCOUNT AND RECORDS

SECTION 2. CASH JOURNALS

CASH RECEIPTS AND CASH RECEIPTS JOURNAL

Cash receipts shall be deposited in the appropriate bank account and entered in the Cash Receipts Journal (see Appendix 1).

The cash account number shall be shown in the heading of Column (3). The amount of all cash received when only one bank account is maintained shall be recorded in this column. The amounts of returned checks shall be entered as negative items. At the close of each quarter the total of this column, for the quarter, shall be debited to Account 1111 or 1112, 1113, etc., Cash in Bank.

At the close of each quarter, the entries in each column of the Journal shall be totaled. It shall be determined that the sum of Column (3) equals the excess of Column (7) over (6). Amounts entered in Columns (6) and (7) shall be posted individually to the general ledger accounts. The Cash Journal then shall be ruled off with double lines.

CASH DISBURSEMENTS AND CASH DISBURSEMENTS JOURNAL

Checks issued shall be recorded in a Cash Disbursements Journal (see Appendix 2).

Column (3), Check No.--Enter in consecutive order the serial number of each check drawn against the particular bank account. Numbers of voided checks shall be entered with appropriate notations.

Column (4), Credit Cash Acct.--The cash account number shall be shown in the column heading. Enter in this column, opposite the check number, the face amount of each check issued. At the close of each quarter, the total of this column, for the quarter, shall be credited to Account 1111, 1112, 1113, etc., Cash in Bank.

Column (9), Dr. Acct. 1400. Enter in this column amounts to be debited to Account 1400, Project Cost Control. At the close of each quarter, the total of this column, for the quarter, shall be debited to this account. Individual postings for all amounts in this column shall be made from the vouchers to the appropriate Cost Accounts in the Subsidiary Cost Ledger.

When a voucher register is maintained, disbursements representing the liquidation of a voucher previously entered in that register shall be reflected in the Cash Disbursements Journal as a debit to the account "Accounts Payable."

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ACCOUNTING

CHAPTER 1 SECTION 2

Quarterly Closing

At the close of each quarter the entries in each column shall be totaled. It shall be determined that the sum of Columns (4) and (8) equals the sum of Columns (7) and (9). Amounts entered in Columns (7) and (8) shall be posted individually to the general ledger accounts. The journal sheet shall then be ruled with double lines.

DOCUMENTATION OF DISBURSEMENTS

Contracts

A file of executed contracts shall be established. In addition, a contract record card containing the total contract amount and payments thereunder shall be established for contracts involving recurring payments.

When an invoice or periodic estimate is received from the contractor, it shall be checked for propriety of payment and accuracy of billing against the contract and contract record card and, when applicable, the receiving and inspection report.

Purchase Orders

All receiving and inspection reports for all deliveries of materials, supplies, and equipment shall be filed with the accounting office copy of the purchase order. When an invoice is received from the vendor, it shall be checked for propriety of payment and accuracy of billing against the purchase order and the receiving and inspection report.

Invoices

Invoices shall be supported by proper documentation, such as purchase orders or contracts. Extensions and footings on invoices shall be checked, and the initials of the employee responsible for the computation shall appear on each invoice. Purchase orders, receiving reports, and invoices shall be checked against each other as to quantities, description, terms, and prices.

The accounts to be charged as well as the amounts charged shall be entered on the invoice.

The sum of the unpaid invoices plus the amount of unclaimed salaries and wages shall at all times agree with the balance in Account 2111, Accounts Payable. The establishment and maintenance of a voucher register is optional.

Payroll

Disbursements for salaries and wages shall be supported by payrolls. Payrolls shall indicate the name of each employee; occupation or job title; number of hours worked, for employees on an hourly basis; rate of pay; gross amount earned; itemization of all deductions; net amount paid; and the check number. Employee earnings records showing all payments and deductions shall be maintained in permanent form. Payrolls shall be supported by time and attendance reports and leave records in accordance with the requirements which follow.

Time and Attendance Reports

Time and attendance reports shall be completed for each pay period for all employees. The report shall indicate the attendance of each employee, the amount of approved overtime, and the amount of leave taken, if leave is granted by the LPA.

Leave Records

If leave accrues to employees by resolution of the LPA, a record of leave shall be maintained for each employee. Charges to accrued leave shall be posted to these records and the balance currently available to each employee shall be indicated.

Payment of Payroll Withholdings

Disbursements of amounts withheld from employees' salaries for income tax, purchase of savings bonds, etc., shall be supported by documents as are required by law, or by a listing of the individual amounts. The supporting material shall be attached to the voucher, which shall be coded as a charge to the account previously credited.

Travel Costs

Disbursements for travel expenses shall be supported by an accounting document, such as a travel expense voucher, which shall show the purpose for which the expense was incurred. Travel expense vouchers shall be examined and approved by a designated official. The travel expense voucher shall be attached to the voucher copy of the check.

Checks and Vouchers

Checks shall not be issued until supporting documents have been properly verified, assembled, and approved for payment. Supporting documents shall include invoices, purchase orders, receiving and inspection reports, travel expense and mileage reports, payrolls, etc.

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ACCOUNTING

CHAPTER 1 SECTION 2

Checks and vouchers shall be numbered consecutively in a separate series for each bank account. Copies shall bear the same serial numbers as originals. Voided checks and copies shall be filed numerically; they must not be destroyed.

After approval for payment is entered on the voucher, the disbursement shall be entered in the cash disbursements journal. Checks shall then be signed by officials authorized in accordance with resolution of the LPA.

Voucher check copies may be used as posting media to accounts in subsidiary records. If a multi-columnar Cash Disbursements Journal or Voucher Register is maintained, postings to subsidiary records may be made through summarization of postings in the journal or registers.

Petty Cash Fund

A petty cash fund may be established and operated on a revolving fund basis for disbursements for such items as postage stamps and incidental office supplies. Account 1117, Petty Cash, shall be charged with the amount of the fund established.

Each expenditure from the petty cash fund shall be supported by a prenumbered petty cash voucher to which there shall be attached the receipted invoice and other supporting documents. The cost distribution shall be determined from the petty cash voucher and supporting documents.

The petty cash fund shall be reconciled at least weekly. The cash balance of the fund plus the amount represented by the petty cash vouchers shall at all times equal the total amount of the fund.

In cases when a revolving fund for joint activities is established, the petty cash fund shall be operated in the manner described above, except that the petty cash fund shall be established in the books of the revolving fund.

Relocation Payment Controls

Appropriate controls shall be established to insure that the total amount paid to an individual, family, or business concern does not exceed the maximum allowable payment.

BANK RECONCILIATION

The cash balance as set forth in bank statements shall be reconciled monthly with the corresponding general ledger account.

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ACCOUNTING

CHAPTER 1 SECTION 2

Each check shall be scrutinized, especially as to amounts, dates, and endorsements and, when desirable, compared with the voucher and other documents supporting disbursement. Check books shall be examined and all spoiled or voided checks traced. Outstanding checks which do not appear promptly shall be investigated. Checks representing transfers between funds shall be noted and compared with the deposits representing transfers.

The bank reconciliation shall be filed with the respective bank statement and shall be in a form similar to the following:

Balance per bank statement 12/31/___ (Show name of bank and identify account)		\$xxxx
Less--Outstanding Checks:		
75	\$xxx	
78	xxx	
83	<u>xxx</u>	<u>xxxx</u>
Add: Deposit in transit		\$xxxx
		<u>xxxx</u>
General Ledger Balance 12/31/___		\$xxxx







CHAPTER 1. BOOKS OF ACCOUNT AND RECORDS

SECTION 3. REVOLVING FUND FOR JOINT ACTIVITIES

When the LPA is conducting two or more urban renewal projects or when the LPA is conducting urban renewal activities as well as other programs, it will be necessary to establish a revolving fund, with a separate bank account, and to distribute indirect cost between projects and programs in accordance with the requirements of 7217.1, LPA Administration, Chapter 1, Section 8. If an LPA is administering urban renewal projects only and has exercised its option under the contract to establish a consolidated project expenditures bank account, a Revolving Fund bank account need not be established. An LPA/IHA may consider the low-rent public housing fund established for the payment of distributive costs as a revolving fund for joint activities.

REVOLVING FUND RECORDS

The following separate set of records shall be maintained for the operation of the revolving fund:

- Cash Receipts Journal
- Cash Disbursements Journal
- General Ledger
- Analysis Sheet of Subsidiary Accounts Under Account 1400, Project Cost Control

FUNDING AND PAYMENTS

To facilitate the payment of joint costs, a central fund operated on a revolving fund basis shall be established. Each program or activity shall make an initial advance to this fund in an amount sufficient to cover its estimated share of joint costs for a 60-day period. The advance shall be recorded as follows:

On the revolving fund records:

- Dr. 1119 - Revolving Fund Cash (Joint Activities)
- Cr. 2113 - Accounts Payable (Joint Activities)
- (Detailed credits) - Project A
- Project B
- HAA, etc.

On the applicable project records:

- Dr. 1123 - Accounts Receivable - Revolving Fund (Joint Activities)
- Cr. 1111, etc. - Cash (Name of bank account)

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ACCOUNTING

CHAPTER 1 SECTION 3

These two entries shall be recorded in the cash receipts journal of the revolving fund and the cash disbursements journals of applicable project records and posted to the applicable ledger accounts.

When disbursements for joint distributive expenses are made from the revolving fund, the following entry shall be made in the revolving fund cash disbursements journal:

Dr. 1400 - Project Cost Control (detailed postings to subsidiaries)
Cr. 1119 - Revolving Fund Cash (Joint Activities)

At the end of each month, a journal voucher shall be prepared to transfer the distributive costs to the project books of accounts. The following entries shall be made:

On the revolving fund records:

* Dr. 1126 - Accounts Receivable (Project A) *
Cr. 1400 - Project Cost Control (detailed postings to subsidiaries)

On the applicable project records:

Dr. 1400 - Project Cost Control (detailed postings to subsidiaries)
Cr. 2113 - Accounts Payable (Joint Activities)

When the revolving fund is replenished for the amounts disbursed for the project, the following entry shall be made:

On the revolving fund records:

* Dr. 1119 - Revolving Fund Cash (Joint Activities) *
Cr. 1126 - Accounts Receivable (Project A)

On the applicable project records:

Dr. 2113 - Accounts Payable (Joint Activities)
Cr. 1111, etc. - Cash (Name of bank account)

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CHAPTER 1. BOOKS OF ACCOUNT AND RECORDS

SECTION 4. TENANT ACCOUNTING

This Section contains procedures for processing rental transactions. Related accounts and account definitions are contained in 7221.1, Accounting, Chapter 2.

When conditions warrant, because of the nature and extent of the rental operation, variations which do not violate these basic procedures may be adopted. Forms exhibited in this Section are intended as guides to the LPA in designing forms which are appropriate for their use (see Appendices 5 through 10).

NOTICE OF ACQUISITION OF PROPERTY

As property units are acquired, Notices of Acquisition of Property shall be furnished the accounting staff by the staff responsible for rental operations. The purpose of these notices is to establish a basic rent roll and control of each rental unit from acquisition to ultimate disposition.

The notices of acquisition or lists of property shall show the following with respect to each unit:

- Address and apartment number
- Whether vacant or occupied
- Tenant's name
- Amount of rent to be charged
- Date on which rent begins to accrue to LPA and whether on a weekly or monthly basis

TENANTS ACCOUNTS RECEIVABLE LEDGERPreparation of Ledger Sheets

Upon receipt of a Notice of Acquisition of Property, a ledger sheet (see Appendix 1) shall be prepared by the accounting staff for each unit. An account number shall be assigned to each unit, including each vacant unit. Account numbers shall be in sequence, with the first unit bearing the number 1, and once established shall remain constant even though a unit is vacated by one tenant and then reoccupied. However, a new ledger sheet shall be prepared for the incoming tenant and a number suffix added to the account number, i.e., if the vacating tenant's account number was 101-1, the succeeding tenant's account number would be 101-2. A separate file of ledger sheets for vacant units shall be maintained for control purposes.

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Posting of LedgerMonthly or Weekly Rent Charges

As of the first day of each month or week, there shall be posted to each tenant's account the monthly or weekly rent appearing in the heading of the ledger sheet. The postings shall be made for occupied units only. After posting the monthly or weekly rent to each tenant's account, an adding machine tape shall be prepared of all postings of rent. The total of this tape shall be posted to the Total column opposite Operating Income on the Daily Summary (see "Daily Summary" below).

New Accounts

On the basis of the information on the Notice of Acquisition of Property, an Adjustment Slip (see Appendix 2) shall be prepared to charge each tenant shown on the notice for interim rent, if applicable, for a partial rental period from the date rent is to begin to the end of the month or week, as the case may be. The Adjustment Slips shall be used as posting media for charges to applicable tenants' ledger accounts.

If, in connection with temporary relocation, a tenant moves into a unit subsequent to the acquisition date of the unit, the rental office shall furnish the accounting staff a Notice of Occupancy (see Appendix 3). The lower portion of the Notice of Occupancy shall be completed by the accounting staff and shall be used as posting media for charges to applicable tenants' ledger accounts for interim rent for a partial period from the date of occupancy to the end of the week or month.

Cash Receipts

Payments of rent shall be posted to the appropriate tenant's ledger account from the duplicate copy of the rental receipt.

Unearned Rent

Whenever a unit is vacated, the rental office shall furnish the accounting staff a Vacate Notice (see Appendix 4). If a tenant was charged a full month's or week's rent, and vacated the premises before the end of the rental period, he may be entitled to an adjustment, depending on the rental arrangements. In that event the accountant shall complete the lower portion of the Vacate Notice which shall then be used as the basis for crediting the tenant's account with the amount of unearned rent.

After crediting the tenant's account as explained above, a rent refund will be due the tenant if he had paid the full amount of rent for the period. In that event, the accountant shall prepare an Authorization for Rent Refund (see Appendix 5). An approved Authorization for Rent Refund on which the date of payment and check number has been entered, indicating that refund has been made, shall be the basis for a debit to the tenant's account for the amount of the authorized refund.

Rental Adjustments

When a change in a tenant's rent is authorized, the rental office shall prepare a Notice of Change in Rent (see Appendix 6) and send the original to the accounting staff. The old rental rate appearing in the heading of the tenant's ledger sheet shall be lined out and the new rental rate entered. The effective date of the change shall also be noted. If it is necessary to adjust the amount charged the tenant's account, the accountant shall complete the lower portion of the Notice of Change in Rent which shall then be used as the basis for debiting or crediting, as applicable, the tenant's ledger account.

Losses and Charge-Offs

On the basis of the Adjustment Slip to which is attached a list of tenants' accounts to be written off (see "Collection Losses" below), each individual tenant ledger account reflected on the list shall be credited with the applicable amount.

Trial Balance

At the end of each month after all transactions have been recorded, a trial balance of Tenants Accounts Receivable Ledger shall be taken. Tenants' accounts shall be listed individually by account number and account balance. The net balance of the Tenants Account Receivable Ledger shall be in agreement with Column (12) of the Tenant Ledger Control (see "Tenant Ledger Control" below) and with Account 1122, Accounts Receivable--Tenants, in the General Ledger.

RECEIPTS FOR RENTAL COLLECTIONS

Separate prenumbered receipt books shall be used in collecting rents and other charges. Receipts shall be prepared in triplicate and shall identify the collection by showing name of tenant, address of property, amount collected, period covered, and nature of charges. The originals of the receipts shall be given tenants, duplicates shall be removed from the book and used for accounting purposes, and triplicates shall be retained in the receipt book. Each employee authorized to collect rents should be assigned a set of receipts for his sole use.

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Control records shall be maintained of all prenumbered receipt forms procured and of those issued to employees.

DAILY SUMMARY

For the purpose of providing a daily summary analysis of all transactions with tenants, a Daily Summary (see Appendix 7) is required.

At the close of each day an Analysis of Adjustments (see Appendix 8) shall be prepared on the reverse of the Daily Summary of the various Adjustment Slips, Vacate Notices, Notices of Change in Rent, Notices of Occupancy, and Authorizations for Rent Refund.

The totals of debit and credit adjustments from the analysis shall be recorded on the Daily Summary in the Column under Adjustments on the lines to which they apply; debit adjustments in the Add column and credit adjustments in the Deduct column.

The totals on the adding machine tape which are prepared to show the total monthly or weekly rent posted to tenants' ledger accounts as of the first day of each month or week shall be posted to the Total column of the Daily Summary opposite Operating Income.

The total amount of rent collections each day from the duplicates of Receipts for Rental Collections shall be recorded in the Total column of the Daily Summary opposite Cash Collections.

The amounts entered in the Net Total column shall be the amount entered in the Total column, if any, plus or minus the adjustments recorded in the Adjustments columns.

TENANT LEDGER CONTROL

A Tenant Ledger Control (see Appendix 9) shall be maintained for the purpose of accumulating currently, from the Daily Summary, a summary analysis of debits and credits to tenants' accounts receivable to control the details posted to the accounts.

The ledger balance of Account 1122, Accounts Receivable--Tenants, as of the close of the previous month shall be brought forward on the first of each month and entered in column (12) of the form.

The amounts of the respective charges and credits shown in the Net Total column of the Daily Summary shall be transcribed each day to the corresponding columns of the Tenant Ledger Control. The amount entered in column (6) shall be the sum of columns (1), (4), and (5), and the amount entered in column (10) shall be the sum of columns (7) and (9). The amount of the net debit or credit to be entered in

column (11) each day shall be the difference between the amounts entered in columns (6) and (10) each day. The amount entered in column (11) shall be applied to the amount entered for the previous day in column (12) and the resultant amount entered in column (12) for the current day.

All columns, with the exception of columns (11) and (12), shall be totaled and proved at the close of each month. The trial balance taken of tenants' ledger accounts as of the end of each month shall be agreed and reconciled with the balance shown in column (12).

JOURNALIZING THE TENANT LEDGER CONTROL

At the close of each month after all columns of the Tenant Ledger Control have been totaled and proved, journal entries shall be made as follows to record the Totals reflected in columns (1) and (9) of the Tenant Ledger Control:

- (a) To record the accrual of rent and other charges:

Dr. 1122 Accounts Receivable--		
Tenants		\$xxxx
Cr. 1400 Project Cost Control		\$xxxx
1448 Operation of Acquired		
Property	\$xxxx	
1448.01 Operating Income	xxxx	
(Total of column (1), Tenant Ledger Control)		

- (b) To record charge-off of tenants' ledger accounts:

Dr. 1400 Project Cost Control		xxxx
1448 Operation of Acquired		
Property	xxxx	
1448.04 Losses and Charge-Offs --		
Accounts Receivable--		
Tenants	xxxx	
Cr. 1122 Accounts Receivable--		
Tenants		\$xxxx
(Total of column (9), Tenant Ledger Control)		

Postings to the control accounts in the General Ledger for items shown in other columns of the Tenant Ledger Control will be from the Cash Receipts Journal or the Cash Disbursements Journal as indicated below:

Column (4) from the Cash Disbursements Journal
 Columns (5) and (7) from the Cash Receipts Journal.

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RENT ROLL CONTROL

For the purpose of controlling rental charges to tenants' accounts, a Rent Roll Control (see Appendix 10) shall be maintained. Separate Rent Roll Controls shall be maintained for units rented on a monthly and weekly basis.

Data with respect to occupied units as shown by Notices of Acquisition of Property; by move-ins, move-outs and changes in rental; and by Notices of Occupancy, Adjustment Slips, Vacate Notices, and Notices of Change in Rent, shall be recorded on this form as follows:

Columns (1) through (8) are self-explanatory.

Column (9) The Total of Column (9) for the previous month or week shall be entered on the first line of this column opposite Rent Roll at Beginning of Month/Week. On the next to last line of this column, enter the difference between columns (7) and (8). Enter as the Total of this column the amount entered on the first line plus or minus the difference between columns (7) and (8). The amount entered in the Total of this column shall equal the Total of the rent charges made on the first of the next month or week.

Column (10) Enter the amount of rent for a full month or week charged a tenant for a unit at acquisition date or charged a tenant moving into a unit subsequent to acquisition date or the pro rata portion thereof for a partial month or week, depending on the date rent is to begin and the rental arrangements.

Column (11) With respect to tenants vacating a unit, enter the amount of the credit adjustments because of unearned rent.

Column (12) The Total of column (9) for the previous month or week shall be entered on the first line of this column. On the next to the last line enter the difference between columns (10) and (11). The Total of this column will be the amount entered on the first line, plus or minus the difference between columns (10) and (11). In the case of a project in which all units are rented on-a monthly basis, first day through last day, the Total in Column (12) of the Rent Roll Control will equal the Total rental charges shown in column (1) of the Tenant Ledger Control. In the case of a project in which all units are rented on a weekly basis, the sum of the Totals in column (12) of the

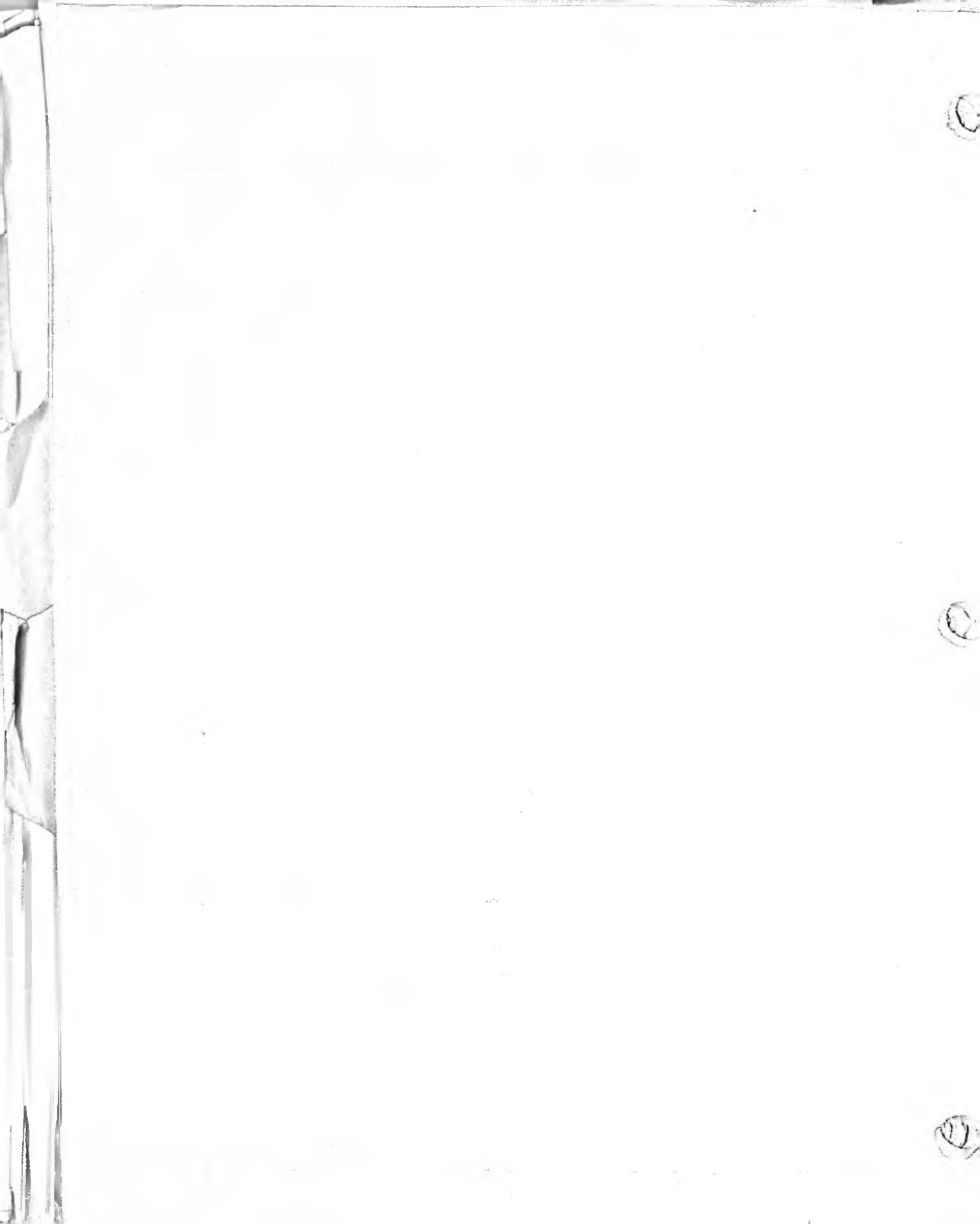
weekly Rent Roll Controls for the month will equal the total rental charges shown in column (1) of the Tenant Ledger Control.

COLLECTION LOSSES

The charge-off of tenants' ledger accounts as uncollectible shall be authorized as required by 7211.1, Property Management, Chapter 2.

The accounts to be written off shall be listed and the total shall be entered on an Adjustment Slip. The list shall be attached to the Adjustment Slip. Each individual tenant ledger account reflected on the list shall be credited with the applicable amount. The adjustment shall be posted to the Daily Summary.

At the end of each quarter, if accounts have been written off, a Journal Entry shall be made as provided under the heading Journalizing the Tenant Ledger Control.



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CHAPTER 1 SECTION 4 APPENDIX 1

TENANT'S LEDGER

Account No. _____ Name of Tenant _____

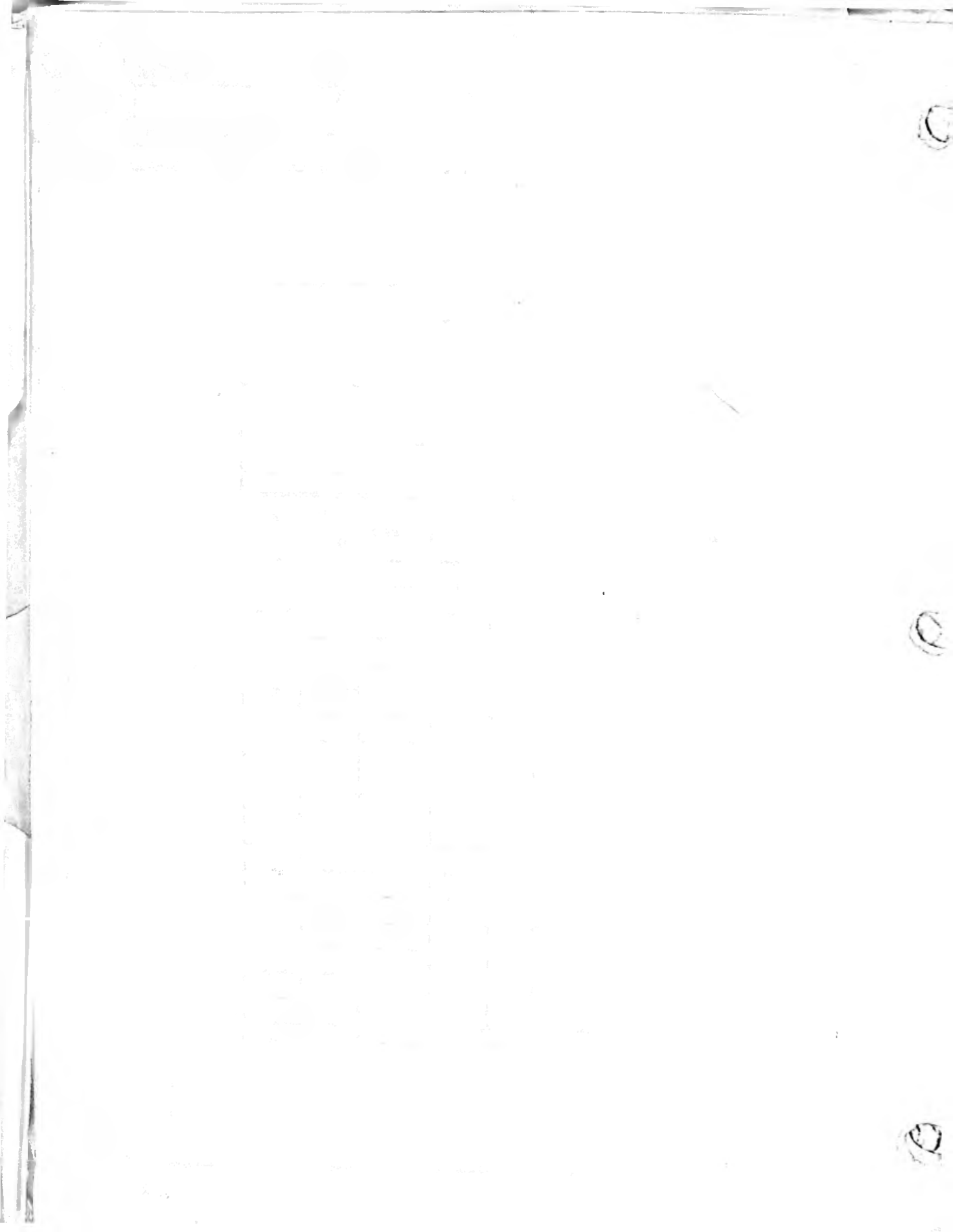
Apartment No. _____ Address _____

Project _____

Rent \$ _____ Per _____

Date Rent Begins _____ Date Rent Ends _____

DATE	DESCRIPTION	REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT



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ADJUSTMENT SLIP		
Tenant's Account No. _____	Adj. Slip No. _____	
Name of Tenant _____	Date _____	
Project _____		
EXPLANATION:	DEBIT	CREDIT
Posted By _____ Approved By _____		
<small>(This form to be prepared in Accounting Office)</small>		

<small>(This block to be prepared by Rental Office)</small>	
NOTICE OF OCCUPANCY	
Name of Tenant _____	No. _____
Address _____	Date _____
Apt. No. _____	Date Rent Begins _____
Rent \$ _____	Per _____ Prepared by _____
Project _____	
THIS SPACE FOR USE OF ACCOUNTANT	
Tenant's Account No. _____	
EXPLANATION:	Amount of Debit To Tenant's A/C
Posted by _____ Approved by _____	

1. The first part of the document
describes the general situation
of the project.

2. The second part of the document
describes the specific details
of the project.

3. The third part of the document
describes the results of the project
and the conclusions drawn from them.

4. The fourth part of the document
describes the future plans for the project.

5. The fifth part of the document
describes the financial aspects of the project
and the budget for each phase.

6. The sixth part of the document
describes the risks associated with the project
and the measures taken to mitigate them.

7. The seventh part of the document
describes the impact of the project
on the community and the environment.

8. The eighth part of the document
describes the lessons learned from the project
and the recommendations for future projects.

9. The ninth part of the document
describes the conclusions of the project
and the final recommendations.

10. The tenth part of the document
describes the appendices of the project
and the supporting documents.

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(This block to be prepared by Rental Office)

VACATE NOTICE

Name of Tenant _____ No. _____
 Address _____ Date _____
 Apt. No. _____ Date Rent Ends _____
 Rent \$ _____ Per _____ Prepared by _____
 Project _____

THIS SPACE FOR USE OF ACCOUNTANT

Tenant's Account No. _____

EXPLANATION:	Amount of Credit To Tenant's A/C

Posted by _____ Approved by _____

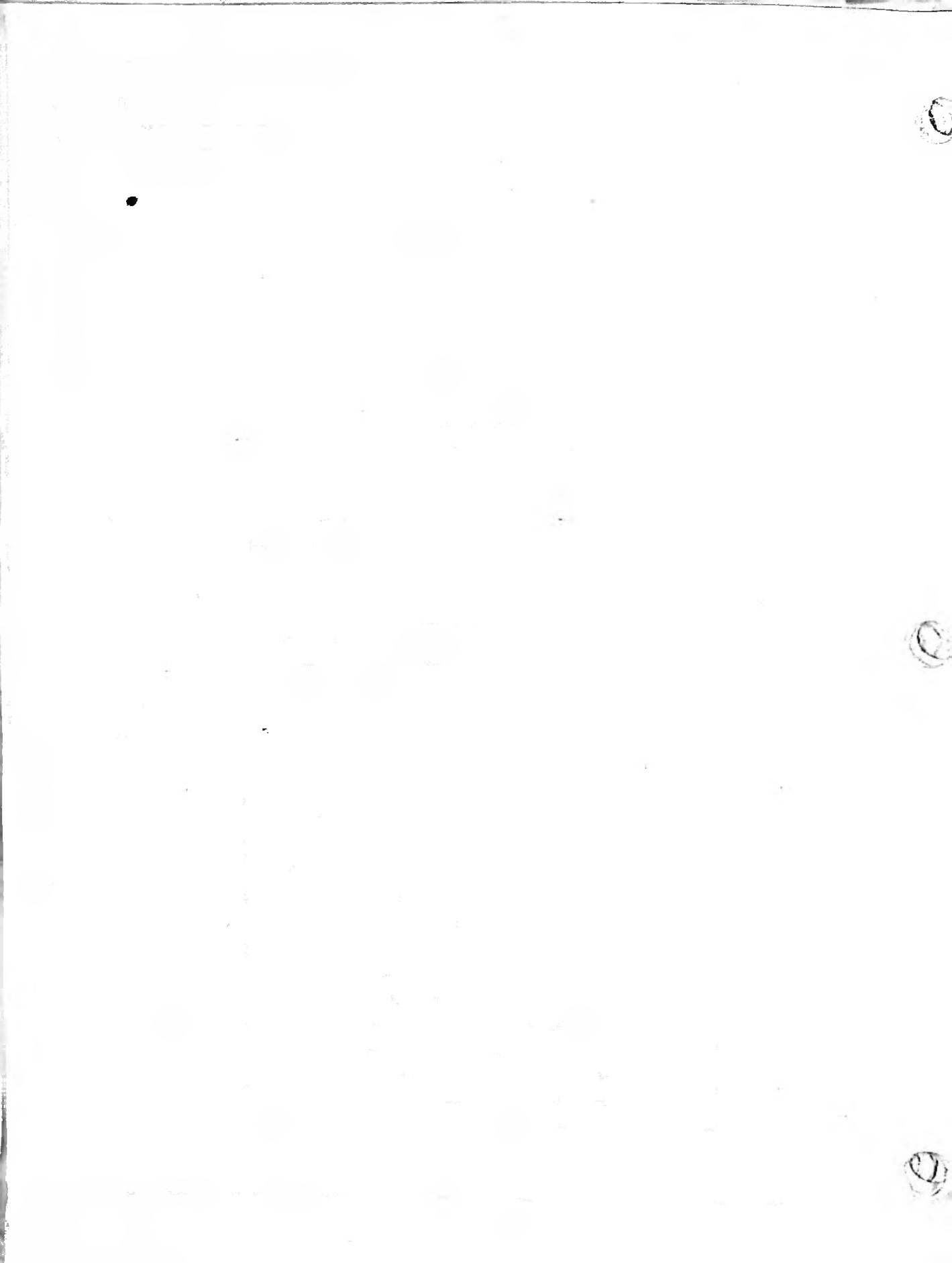
AUTHORIZATION FOR RENT REFUND

Tenant's Account No. _____ Date _____ No. _____
 Name of Tenant _____
 Address _____ Apt. No. _____
 Rent Paid for Period from _____ to _____
 Date Vacated _____ Refund Due For _____ Days

Computation of Rent Refund

Amount of Rent \$ _____ per _____
 Rent Per Day \$ _____ X _____ days = \$ _____

Approved By _____
 Date Paid _____ Check No. _____
 Amount of Refund (Debit to Tenant's Account) \$ _____
 Posted By _____



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(This block to be prepared by Rental Office)

NOTICE OF CHANGE IN RENT

Name of Tenant _____ No. _____

Address _____ Date _____

Apt. No. _____ Project _____

Old Rent \$ _____ Per _____ New Rent \$ _____ Per _____

Effective Date of Rent Change _____

Prepared by _____

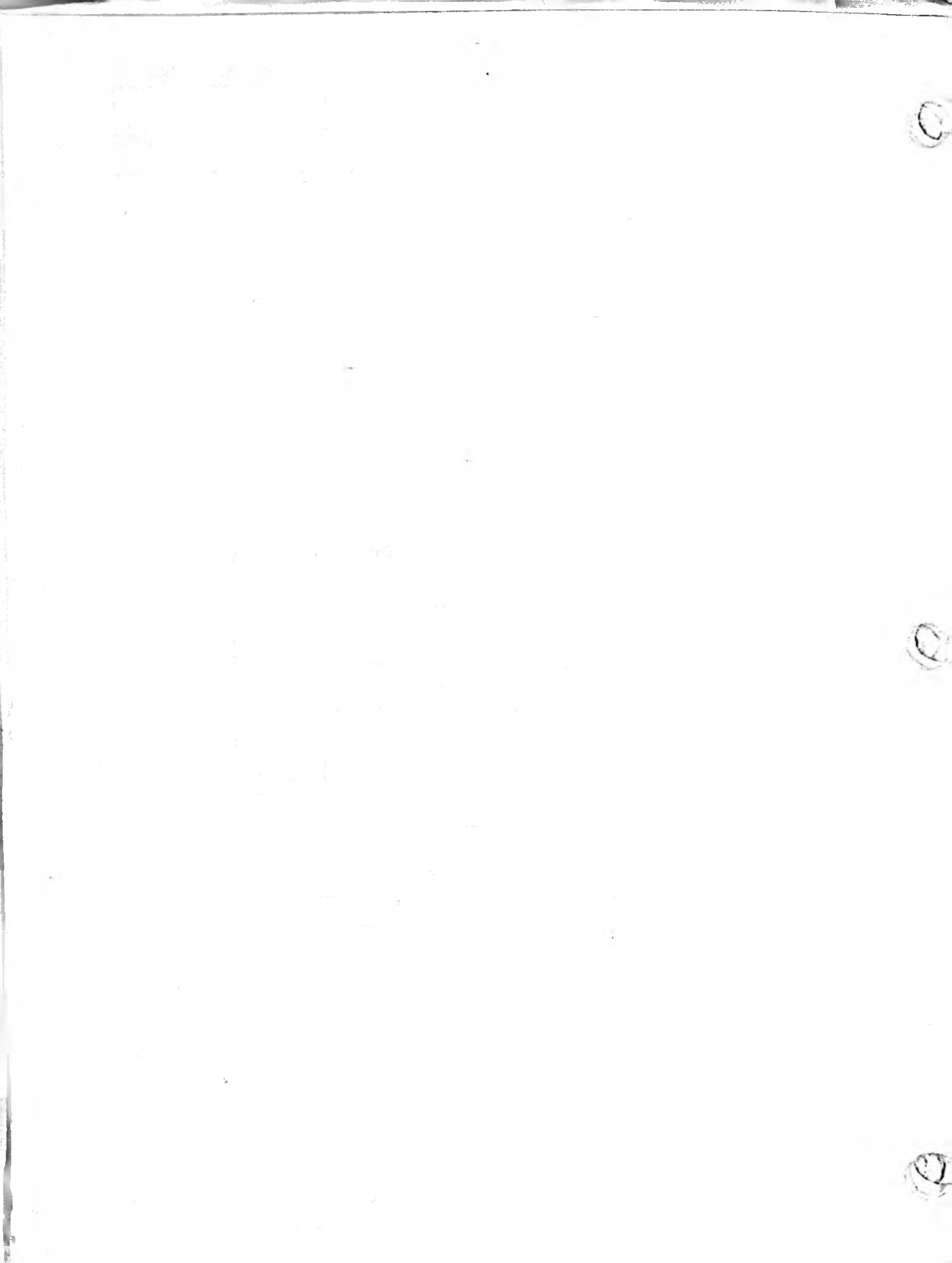
THIS SPACE FOR USE OF ACCOUNTANT

Tenant's Account No. _____

EXPLANATION:	DEBIT	CREDIT

Posted by _____ Approved by _____

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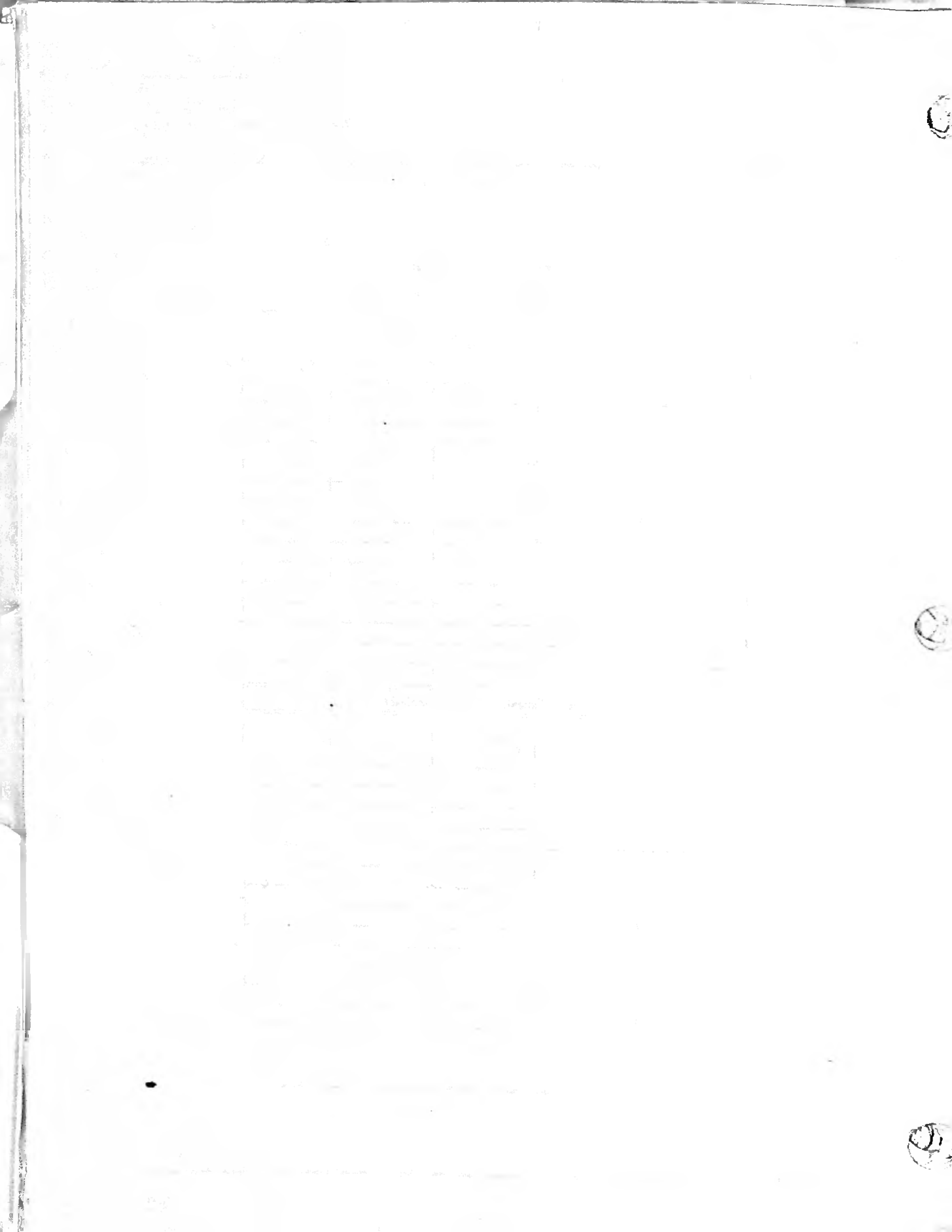
ACCOUNTING

DAILY SUMMARY

Project _____ Date _____ 19 _____

	Total	Adjustments		Net Total
		Add	Deduct	
CHARGES TO TENANTS ACCOUNTS RECEIVABLE:				
Operating Income				
Refunds to Tenants	xxxx			
Returned Checks	xxxx			
TOTAL CHARGES TO TENANTS ACCOUNTS RECEIVABLE				
CREDITS TO TENANTS ACCOUNTS RECEIVABLE:				
Cash Collections		xxxx	xxxx	
Losses and Charge-Offs	xxxx			
TOTAL CREDITS TO TENANTS ACCOUNTS RECEIVABLE				
Cash Collections on Receipts No. _____ through No. _____				
Except Voided Nos. _____				
Recorded: Cash Receipts Journal Page No. _____				
Prepared by _____ Approved by _____				
_____ (TITLE) _____ (TITLE)				

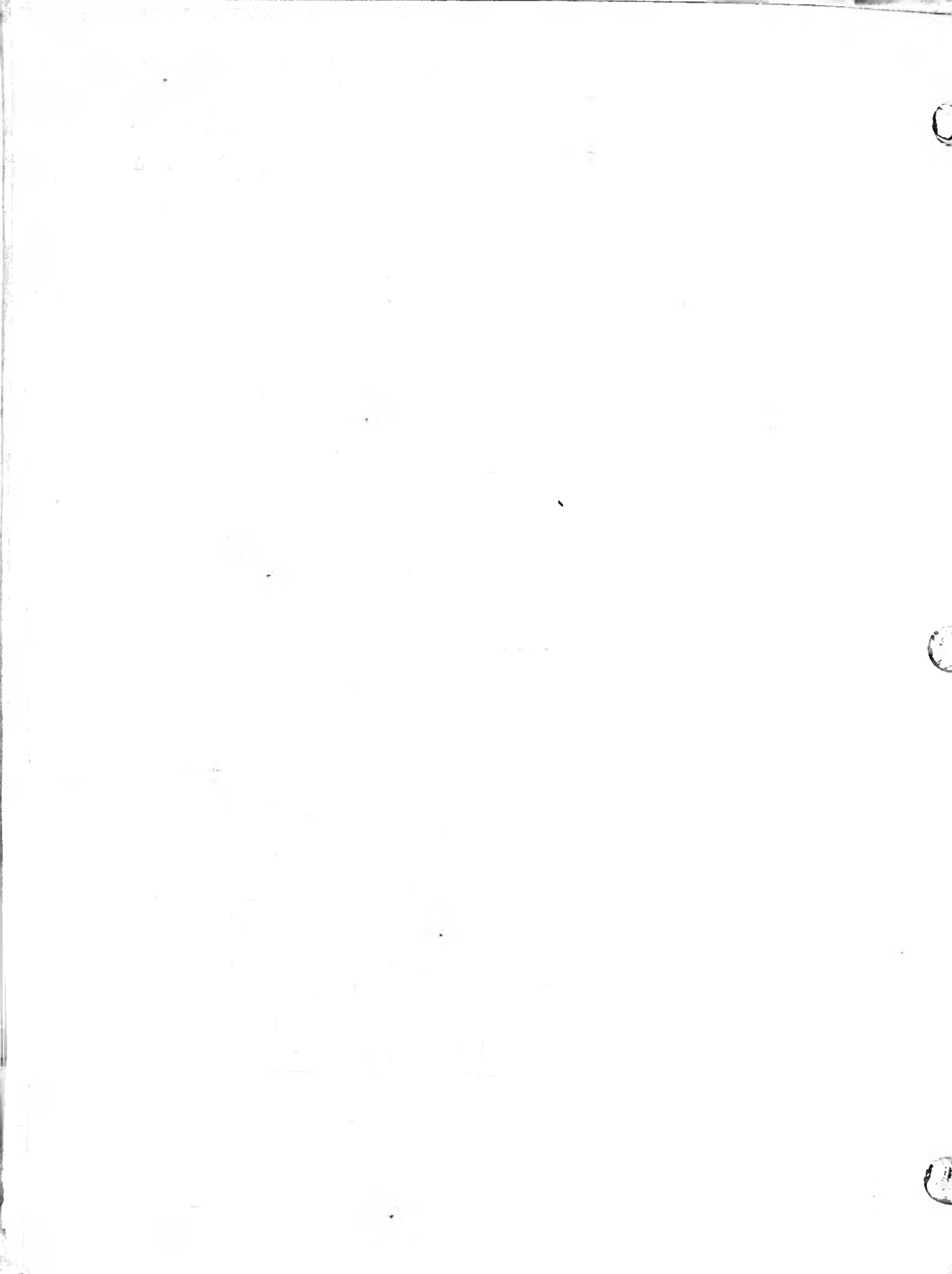


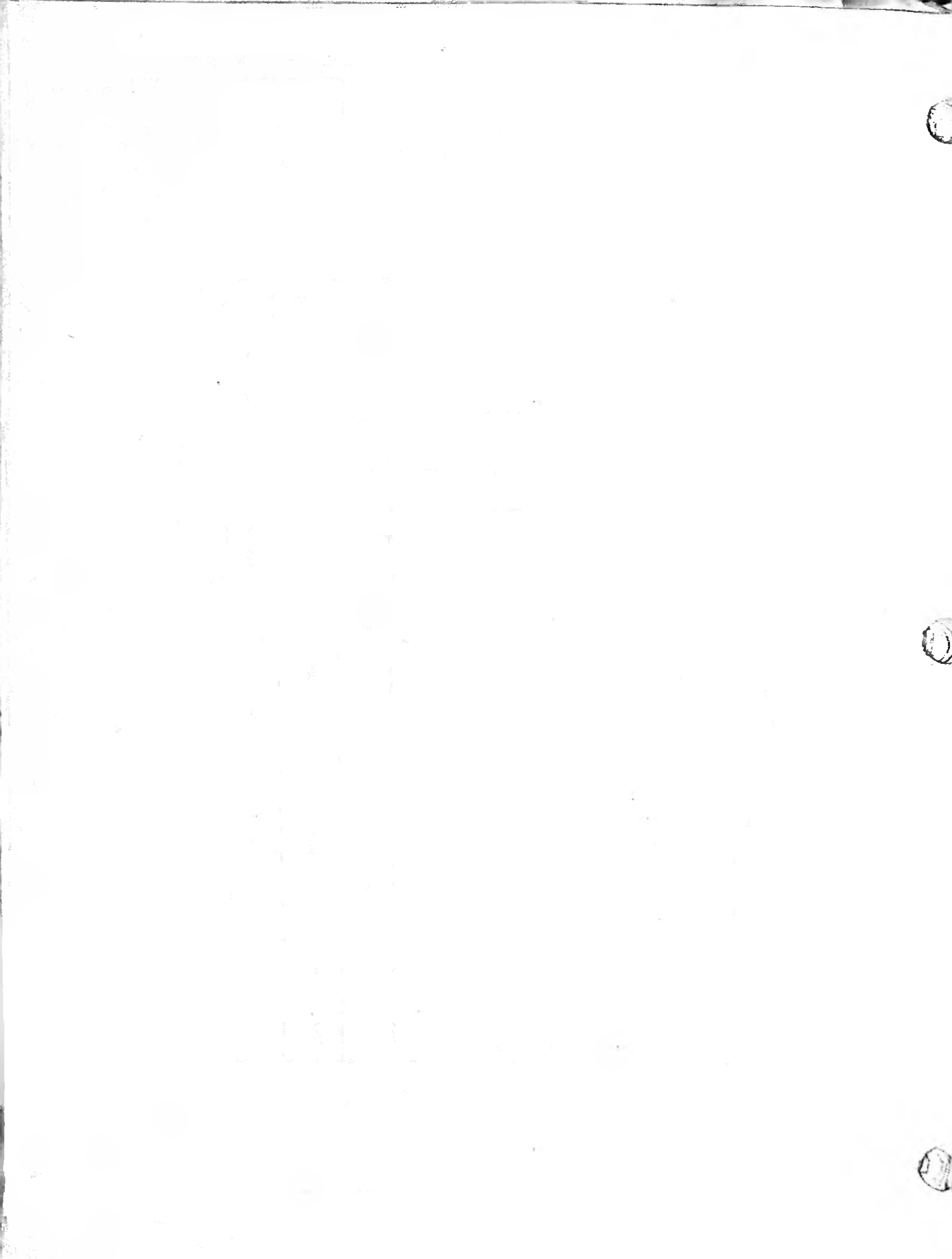


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PROJECT	TENANT LEDGER CONTROL											DATE	19		
	CHARGES TO TENANTS ACCOUNTS RECEIVABLE					CREDITS TO TENANTS ACCOUNTS RECEIVABLE					DAILY BALANCE				
	Operat- ing Income	Refunds to Tenants	Re- turned Checks	Total Charges	Cash Col- lections	Losses and Charge- Offs	Total Credits	Net Dr./Cr.	General Ledger						
Brought Forward															
1															
2															
3															
4															
29															
30															
31															
Total	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)			





CHAPTER 1. BOOKS OF ACCOUNT AND RECORDS

SECTION 5. COMPUTATION OF INTEREST

Interest on advances and loans made to the LPA by HUD is on a 365-days-per-year basis. February shall be considered to have 28 days in leap years.

Unless inconsistent with State or local law or the specific provisions of the obligation, the beginning date is to be included, and the date of payment is to be excluded, in computing interest. However, at any month-end prior to the date of payment, the interest accrual and the charge to interest cost will include both the beginning and ending dates. "Beginning date" means the date of issuance of the Treasury check or the date of the Government's acceptance of delivery of and its payment for a Project Temporary Loan Note, where a temporary loan payment is made by the Government pursuant to Section 102(a) of the Act. "Date of payment" means the date of mailing, as shown by the postmark, of the remittance to the Government. Airmail shall be used in mailing remittances, unless no time will be saved by doing so.

The interest rate on a loan or advance is the rate specified in the contract under which the loan or advance was made.

FORMULA FOR COMPUTING INTEREST

Interest shall be computed by the formula:

$$\text{Interest} = \frac{\text{Dollar-Days}}{\text{Interest Divisor Factor}}$$

DOLLAR-DAYS

Dollar-Days are calculated by multiplying each of the principal balances by the number of days each balance remained outstanding during the period and adding the products to obtain total Dollar-Days.

Example: \$500,000 for 17 days equals	8,500,000 Dollar-Days
\$700,000 for 14 days equals	<u>9,800,000 Dollar-Days</u>

TOTAL	<u><u>18,300,000 Dollar-Days</u></u>
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INTEREST DIVISOR FACTOR

The Interest Divisor Factor is computed by dividing 365 by the applicable interest rate, and correcting to two decimal places.

Example: The factor for an interest rate of 3 1/8 percent

$$\text{equals } \frac{365}{0.03125}, \text{ or } 11680.00$$

* The following table shows the Interest Divisor Factors for certain rates of interest between 2 percent and 6 percent. *

Annual Rate Percent	Interest Divisor Factor	Annual Rate Percent	Interest Divisor Factor
2.000	18250.00	4.000	9125.00
2.125	17176.47	4.125	8848.48
2.250	16222.22	4.250	8588.24
2.375	15368.42	4.375	8342.86
2.500	14600.00	4.500	8111.11
2.625	13904.76	4.625	7891.89
2.750	13272.73	4.750	7684.21
2.760	13224.64	4.875	7487.18
2.875	12695.65	5.000	7300.00
* 3.000	12166.67	5.125	7121.95
3.010	12126.25	5.250	6952.38
3.125	11680.00	5.375	6790.70
3.250	11230.77	5.500	6636.36
3.375	10814.81	5.675	6431.72
3.500	10428.57	5.750	6347.83
3.625	10068.97	5.875	6212.77
3.750	9733.33	6.000	6083.33
3.875	9419.35		

EXAMPLE OF CALCULATION OF ACCRUED INTEREST

If the Dollar-Days and the Interest Divisor Factor shown in the above examples apply to a loan, the principal balance of which was \$500,000 on July 1 and increased to \$700,000 effective July 18, the interest accrual for the month of July would be:

$$\frac{18,300,000}{11,680} \text{ or } \$1,566.78$$

CHAPTER 1. BOOKS OF ACCOUNT AND RECORDS

SECTION 6. ACCOUNTING FOR ANNUAL ADMINISTRATIVE STAFF EXPENSE BUDGET

This Section contains procedures for establishing and maintaining a set of accounts to be used in controlling expenditures authorized in the Annual Administrative Staff Expense Budget (herein referred to as Annual Budget).

BUDGETARY ACCOUNTS

LPA's operating under the annual budget system shall follow accounting procedures required by 7221.1, Accounting, Chapter 2. In addition to accounts required to record transactions of projects, the LPA shall initiate and maintain, as an integral part of accounting records, a series of accounts designed to permit effective budgetary control of expenditures authorized under an approved annual budget.

BUDGETARY CONTROL ACCOUNT

At the beginning of each budget year, the Budgetary Control Account shall be debited with the total amount of the approved annual budget. In the event the annual budget is revised during the budget year, the account shall be debited with the net increase or credited with the net decrease resulting from such revision. The account shall be debited with prior year accrued expenses to be paid during the budget year. All entries reflecting treatment of accrued costs shall be supported by journal vouchers. The account shall be credited with expenditures incurred under the annual budget authorization as they are distributed to the project cost account so that the debit balance of the account at the end of each monthly accounting period reflects the unused portion of the total annual budget authorization. This account also shall be credited with accrued expenses recorded but not paid at the close of the fiscal year.

Debit balances remaining in the account at the end of each fiscal year shall be eliminated by journal voucher, crediting this account and debiting the applicable Budget Allocation Accounts listed below to affect all remaining credit balances.

BUDGET ALLOCATION ACCOUNTS

- (1) Personal Services
- (2) Travel
- (3) Publications
- (4) Contracts for Services
- (5) Other Costs
- (6) Nonexpendable Equipment
- (7) Contingencies

Concurrent with the initial entry in the Budgetary Control Account, these accounts shall be credited with the amount approved in the annual budget under the appropriate category of expense. In the event the annual budget is revised during the budget year, the specific allocation accounts involved shall be credited with any increase or debited with any decrease resulting from such revision.

The respective accounts shall be debited with the amounts of expenditures such as payrolls or reimbursements of travel expenses as they are paid either from vouchers or from a journal of cash disbursement. The accrued expenses at the close of each fiscal year shall be recorded as debits in the proper allocation accounts and credits to the allocation accounts for the ensuing budget year.

When it becomes apparent that the budgetary allocation for expense categories (1) through (6) above may not be adequate, the LPA may transfer all or any portion of the allocation for contingencies to the categories requiring augmentation. Such transfers should be made by means of a journal voucher or vouchers and the transfers reflected in the Budgetary Allocation Accounts.

The credit balances in these accounts at all times should reflect the budgeted amounts available to cover LPA staff expense in each category for the balance of the fiscal year.

BUDGETARY CLEARANCE ACCOUNT

As periodic distribution of LPA administrative costs is made to the applicable urban renewal activity, the Budgetary Clearance Account shall be debited and the Budget Control Account credited with the amount so distributed. The Budgetary Clearance Account then shall be credited and the applicable urban renewal activity cost account debited with the amount of administrative costs so distributed.

This account also shall be used to record costs paid from the Revolving Fund that are not considered to be administrative costs subject to budget control requirements (such as salaries of maintenance employees). Upon payment, the costs shall be debited to this account only pending distribution to urban renewal activity cost account categories. This account shall be credited and the project cost accounts debited when distribution has been accomplished.

All transfers of administrative costs as well as of nonadministrative costs that may be paid through the revolving fund cash account shall be supported by Journal Vouchers. This account should not show a balance at the close of an accounting period.

DISTRIBUTION OF COSTS TO PROJECTS

An analysis shall be made at regular intervals (30 days or less) to determine the proper distribution to projects or activities of costs paid from the Revolving Fund. No form has been prescribed for the analysis sheet; however, it must show fully the basis upon which distribution of cost is made.

If desired, payment for salaries, wages, supplies, and materials which are not allocable to account 1410 may be made through the Revolving Fund. These costs must be charged directly to the appropriate project cost accounts before distribution of administrative indirect costs is made. All expenditures for equipment shall be made through the Revolving Fund even though the total cost of each item must be charged to a specific project.

As LPA administrative staff payrolls are paid, the amount of direct cost and related hours attributable to each project or activity shall be listed on the vouchers. The amount of indirect cost and related hours shall be listed as a single total. At the end of each month, expense recorded in the budgetary control accounts shall be allocated to the respective activities on the basis of the percentage of direct time chargeable to each activity.



CHAPTER 1. BOOKS OF ACCOUNT AND RECORDS

SECTION 7. ESCROW ACCOUNTS FOR REHABILITATION LOANS AND GRANTS

This Section contains only minimum requirements concerning escrow accounts and subsidiary records for project transactions. When conditions warrant, additional control accounts may be established, the columnar arrangement of journals or ledgers may be expanded or revised, or additional books of entry may be maintained.

CASH ESCROW ACCOUNT

A single bank account shall be maintained by the LPA for use as an escrow depository for all rehabilitation loans made to applicants by the Federal Government, rehabilitation grant payments made by the LPA from the Project Expenditures Account, and for any other funds provided from other sources for use in connection with rehabilitation of properties. This bank account shall be reconciled monthly with the Cash Escrow accounts maintained for each project. Federal funds will be received in the form of a check made payable to the borrower who shall be required to endorse the check to the LPA which shall then immediately deposit the check in the Escrow Bank Account. Funds provided by the LPA from the Project Expenditures Account as rehabilitation grant payments shall be in the form of a check made payable to the grantee, who shall endorse the check to the LPA which shall then deposit it in the Escrow Bank Account. Funds provided by the borrower shall be in the form of a check or money order made payable to the LPA and shall be deposited, immediately upon receipt, in the Escrow Bank Account. Each disbursement from the escrow account shall be by check made payable to the borrower and/or grantee and the appropriate payee. The borrower and/or grantee will be required to endorse the check before it is transmitted to the payee.

ESCROW ACCOUNT-GENERAL LEDGER

The Escrow Account-General Ledger will consist of a group of accounts to be established for each rehabilitation project in accordance with the "Chart of Accounts" and the "Description of Accounts" (see below). Postings to the Escrow Account-General Ledger shall be made from the books of original entry and from journal vouchers when used. All entries should be fully documented.

SUBSIDIARY RECORDSEscrow Account Cash Receipts and Disbursements Journal

The escrow account journal will be used to record cash receipts and disbursements. Postings will be made from the original documents.

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The journal shall be in such form that the balance of the escrow cash is computed after each entry (see Appendix 1 for suggested format). At the end of each month, the receipts and disbursements columns will be totaled and the totals will be posted to 101, Cash Escrow Account.

Escrow Account Ledger

A separate account, identified as "Disposition of Funds," shall be maintained for each property owner (see Appendix 2 for suggested format). The owner's name, the address of the property upon which work is to be performed, and the source of funds being made available, shall be shown at the top of the ledger sheet. Postings shall be made as cash transactions occur. The sum of the balances of the ledger accounts shall reconcile with the balance of the Escrow Account Cash Receipts and Disbursements Journal.

After closeout procedures for the property have been completed, an analysis of disposition of all funds made available for the program shall be made and the information shall be shown at the bottom of the ledger page. The property owner shall be required to sign the Statement of Disposition of Funds at the time of final closeout. Three copies of the ledger page shall be made. The property owner, the Area Rehabilitation Loan Specialist, and the Assistant Regional Administrator for Administration, each shall receive a copy; the LPA shall retain the original ledger copy in its files.

ACCOUNTING FILES

All documents which authorize and support the entries in the accounting records of a rehabilitation project shall be maintained in a form which will make them readily available to the HUD auditor.

CHART OF ESCROW ACCOUNTS-GENERAL LEDGER ACCOUNTSAssets

101	Cash Escrow
102	Cost Control
103	Loan Funds Transferred to FNMA

Liabilities

201	Accounts Payable - Construction Contracts
202	Loans Payable - HUD

Capital

301	Loans Transferred to FNMA
302	Rehabilitation Grant Payment Provided by LPA
303	Funds Provided by Borrower

DESCRIPTION OF ESCROW ACCOUNTS-GENERAL LEDGER ACCOUNTSAssetsCash - Escrow

The debit balance of this account represents the undisbursed balance of all rehabilitation loan and grant funds and funds provided by applicants for which the LPA is serving as an escrow agent.

Cost Control

This control account shall be used to record all costs chargeable to rehabilitation loans and grants, such as mortgage repayments, cost of rehabilitation work performed, application fees, appraisal fees, cost of title reports, recordation, revenue stamps, and escrow expense account items for current year.

Loan Funds Transferred to FNMA

The debit balance of this account represents excess loan funds transferred at closeout to FNMA for reduction of loans.

LiabilitiesAccounts Payable - Construction Contracts

The credit balance of this account represents the unpaid amount of contracts executed for rehabilitation work performed or to be performed under the program. This account shall be credited with the face amount of a contract when it is executed. Whenever progress payments or payments in full are made, the account is debited for the amount of the payment.

Loans Payable - HUD

The credit balance of this account represents the face amount of rehabilitation loans made by the Federal government which have not yet been transferred to the loan servicing agent.

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ACCOUNTING

CHAPTER 1 SECTION 7

CapitalLoans Transferred to FNMA

The credit balance of this account represents loans transferred to FNMA for loan servicing.

Rehabilitation Grant Payments Provided by LPA

The credit balance of this account represents the amount of rehabilitation grant payments made from the Project Expenditures Accounts of the various projects and deposited in the Escrow Bank Account. The account will be debited with the amount of any excess grant funds which are returned to the project when the rehabilitation work is completed.

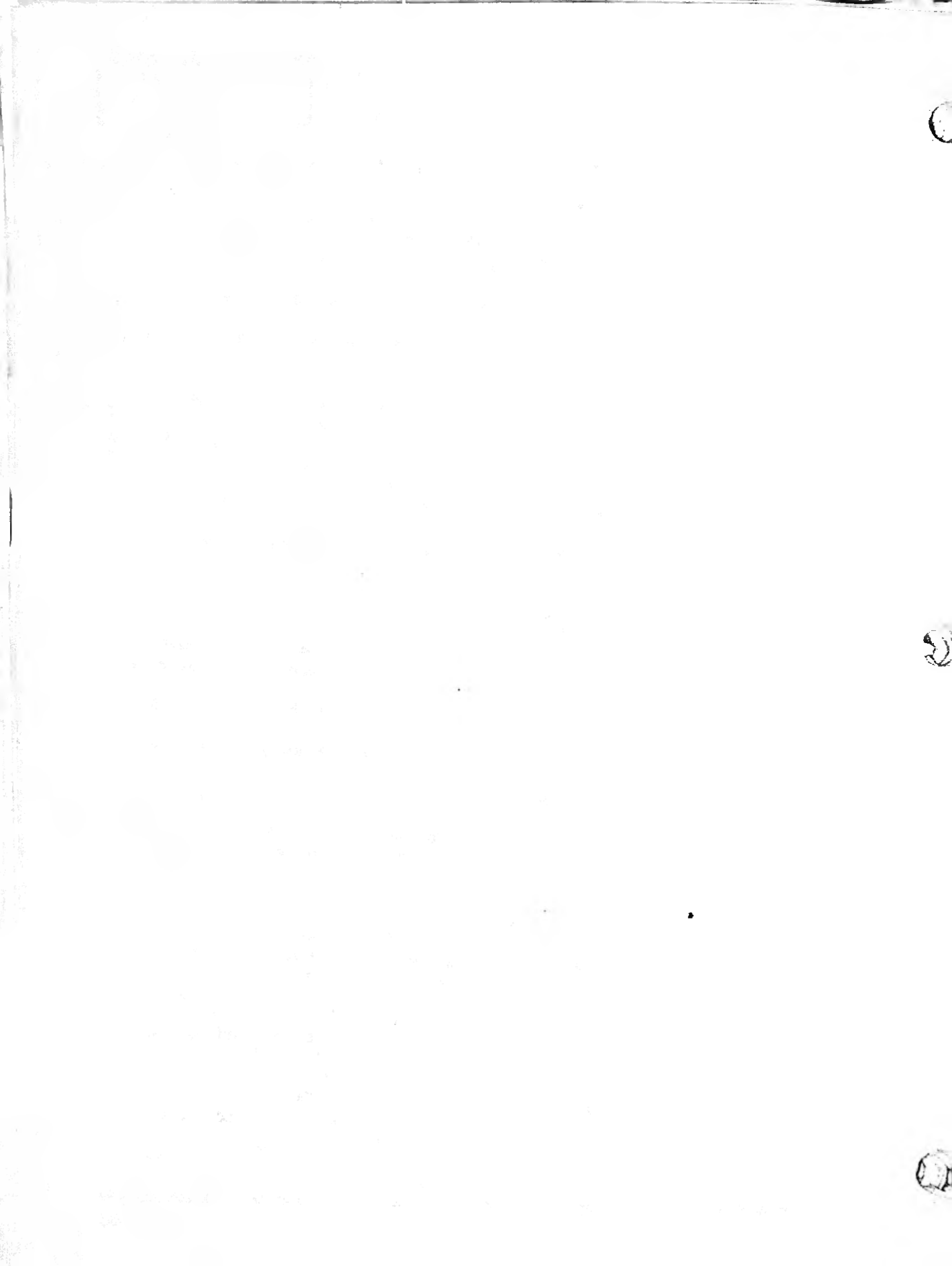
Funds Provided by Borrower

The credit balance of this account represents funds provided by the borrower to supplement loan and grant funds provided by the Federal government. Funds provided by the borrower to pay escrow account expense items also are credited to this account. This account shall be debited to record return to the borrower of excess funds remaining in this account after loan closeout.

TYPICAL TRANSACTIONS

- (1) Dr. 101 - Escrow - Cash
Cr. 302 - Rehabilitation Grant Payments Provided by LPA. To record rehabilitation grant payments disbursed by the LPA from the Project Expenditures Account, which are to be held in escrow for use in paying rehabilitation costs.
 - (2) Dr. 101 - Escrow - Cash
Cr. 202 - Loans Payable - HUD
To record loan funds received from HUD.
 - (3) Dr. 102 - Cost Control
Cr. 101 - Escrow Cash
To record payment of mortgage in accordance with terms of loan.
 - (4) Dr. 202 - Loans Payable - HUD
Cr. 301 - Loans Transferred to FNMA
To record loans transferred to FNMA for loan servicing.
-

- (5) Dr. 102 - Cost Control
Cr. 201 - Accounts Payable - Construction Contracts.
To record face amount of contract executed for work to be performed under this program.
- (6) Dr. 201 - Accounts Payable - Construction Contracts
Cr. 101 - Escrow Cash
To record progress payments for rehabilitation work completed.
- (7) Dr. 201 - Accounts Payable - Construction Contracts
Cr. 101 - Escrow Cash
To record final payment for rehabilitation work completed.
- (8) Dr. 103 - Loan Funds Transferred to FNMA
Cr. 101 - Escrow Cash
To record excess loan funds transferred to FNMA for reduction of loan.
- (9) Dr. 102 - Cost Control
Cr. 101 - Escrow Cash
To record reimbursement made to LPA for advances for appraisals, title search, recordation, etc.
- (10) Dr. 302 - Rehabilitation Grant Payments Provided by LPA
Cr. 101 - Escrow Cash
To record return of excess grant funds to LPA.
- (11) Dr. 101 - Escrow Cash
Cr. 303 - Funds Provided by Borrower
To record funds provided by borrower to supplement loan and grant funds provided by Federal government.
- (12) Dr. 303 - Funds Provided by Borrower
Cr. 101 - Escrow Cash
To record return of excess funds provided by borrower to supplement loan and grant funds provided by Federal government.
- (13) Dr. 301 - Loans Transferred to FNMA
Dr. 302 - Rehabilitation Grant Payments Provided by LPA
Dr. 303 - Funds Provided by Borrower
Cr. 102 - Cost Control
Cr. 103 - Loan Funds Transferred to FNMA
To close escrow account upon completion of rehabilitation project.



RHA 7221.1

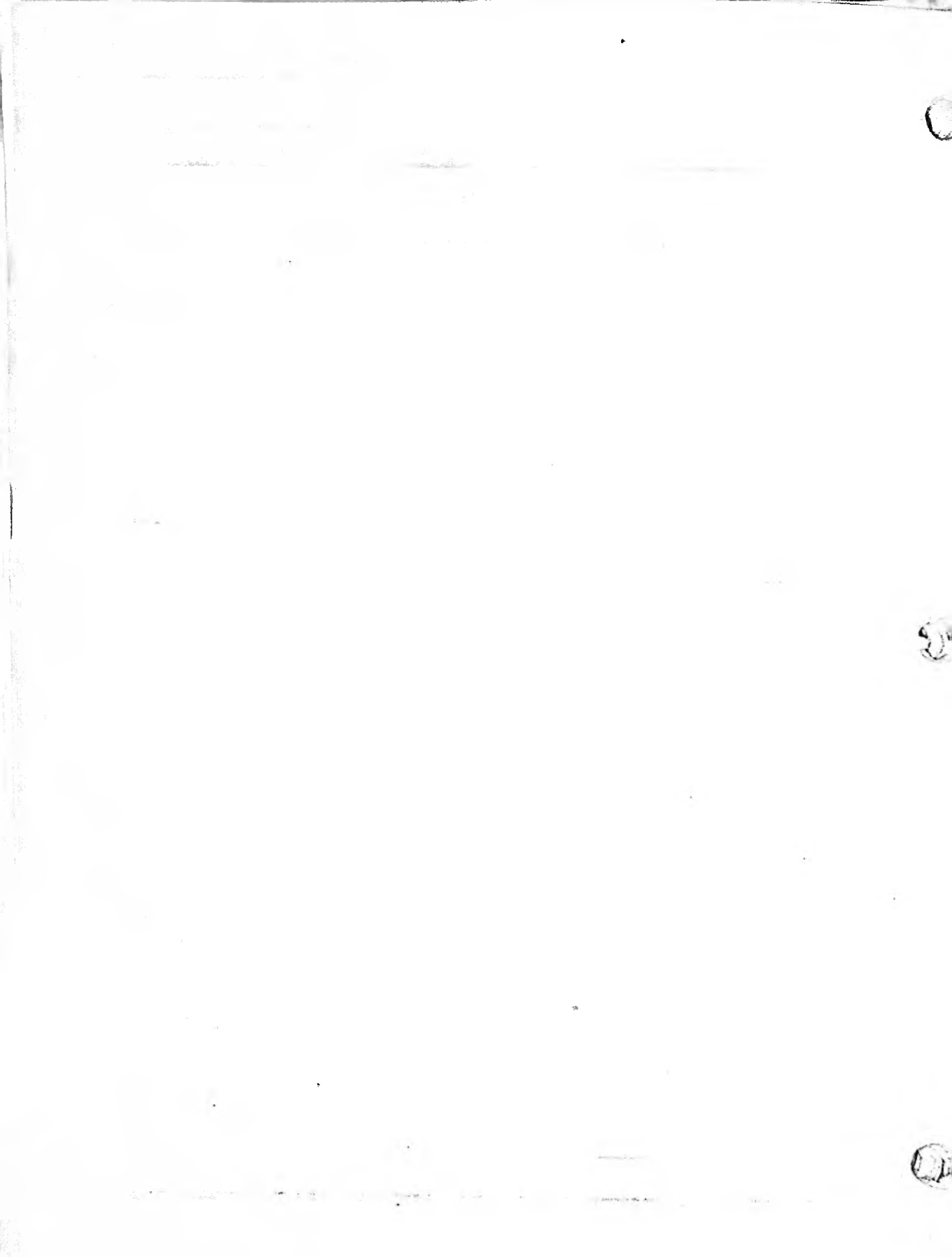
ACCOUNTING

CHAPTER 1 SECTION 7 APPENDIX 1

APPENDIX 1

ESCROW ACCOUNT CASH RECEIPTS AND DISBURSEMENTS JOURNAL

<u>Date</u>	<u>Name of Property Owner</u>	<u>Application Number</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u>
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RHA 7221.1

ACCOUNTING

CHAPTER 1 SECTION 7 APPENDIX 2

APPENDIX 2

DISPOSITION OF FUNDS (ESCROW ACCOUNT)

(Name)		PEA \$
	Source of Funds:	Loan
(Property Identification)		Borrower

Date	Application Number	Payee Identification	Amounts Deposited in Escrow Account	Amounts Disbursed for Applicant	Cash Balance
------	-----------------------	-------------------------	--	--	-----------------

Disposition of Funds

Total cash to be accounted for	XXXX
Payments on principal and accrued interest made to refinance existing debt	XXXX
Cost of refinancing existing debt	XXXX
Cost of rehabilitation work	XXXX
Title information, application fees, and related costs	<u>XXXX</u>

Disbursements from escrow account XXXX

Disbursement of Balance: (Transferred to LPA or
transferred to FNMA or
returned to borrower) XXXX

The foregoing is an official record of the LPA covering the receipt and disbursements for the escrow account.

The statement is accepted as a complete and final accounting for my escrow account funds.

Signed: (Authorized LPA official)

Signed: (Name of borrower or applicant)

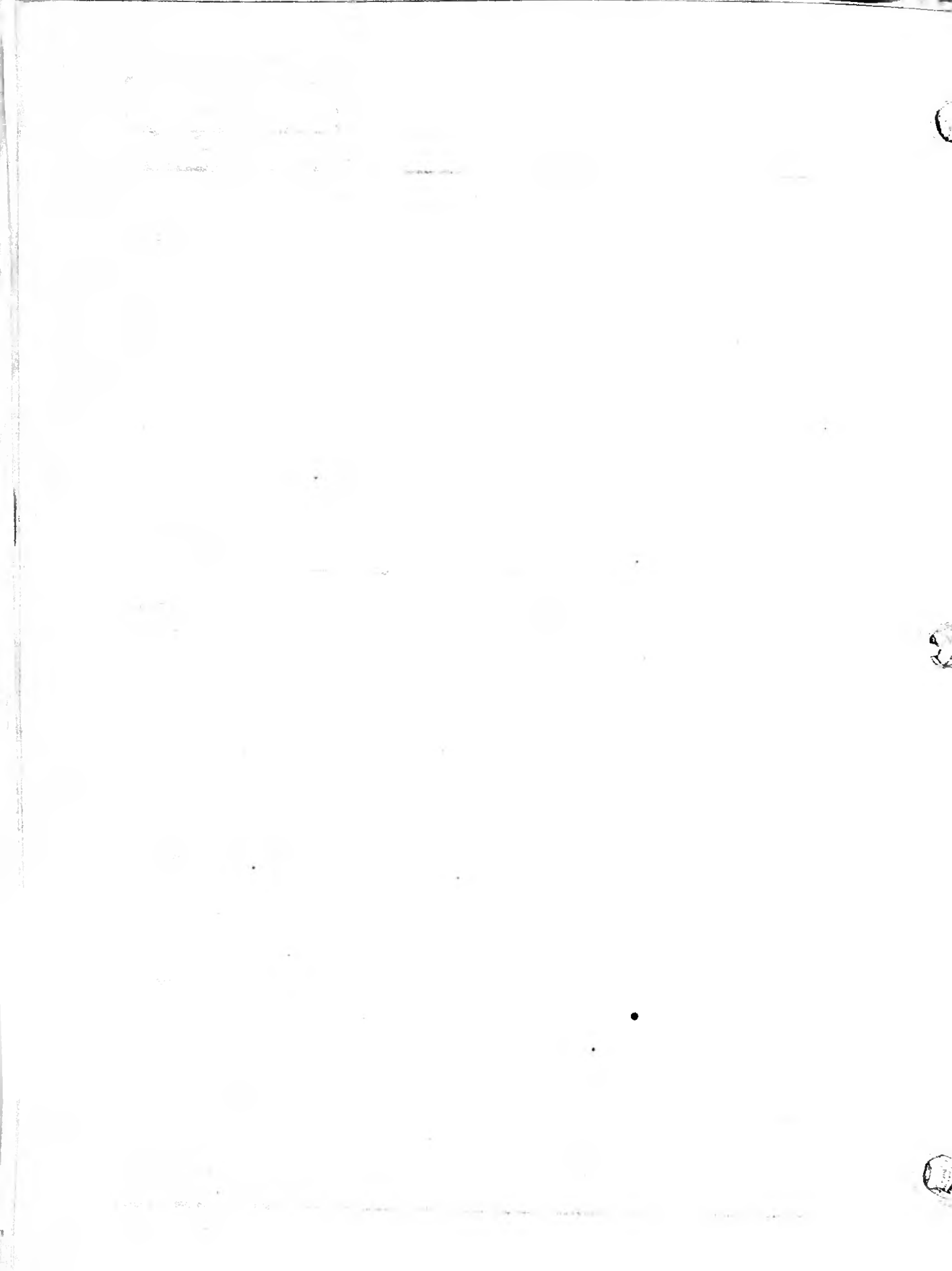
Title: _____

Date: _____

RHA 7221

RHA 7222

RHA 7223



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CHAPTER 2. CLASSIFICATIONS AND DEFINITIONS

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SECTION 1. CHART OF GENERAL LEDGER ACCOUNTS

The General Ledger accounts are divided into four categories:

- (1) Asset Accounts (1000-1999)
- (2) Liability Accounts (2000-2399)
- (3) Reserve Accounts (2400-2499)
- (4) Capital Accounts (2600-2799)

*

*

ASSET ACCOUNTS1110 Cash 1/

- 1111 Survey and Planning Account (Project Number) (Name of Bank)
- 1112 Project Expenditures Account (Project Number) (Name of Bank)
- 1113 Project Temporary Loan Repayment Fund (Project Number) (Name of Bank)
- 1114 Project Receipts Account (Project Number) (Name of Bank)
- 1115 Deposits Held (Project Number) (Name of Bank)
- 1116 Project Definitive Loan Repayment Fund (Project Number) (Name of Bank) *
- 1117 Petty Cash
- 1118 Undeposited Securities Held by LPA
- 1119 Revolving Fund Cash (Joint Activities) (Revolving Fund Books Only)

*

1120 Accounts Receivable 1/

- 1121 Relocation Grants Due from Federal Government
- 1122 Tenants
- 1123 Revolving Fund (Joint Activities) (Project Books Only)
- 1124 Other
- 1125 Rehabilitation Grants Due from Federal Government
- 1126 Revolving Fund (Project Number) (Revolving Fund Books Only)

1200 Prepaid Expenses 1/1300 Investments 1/

- 1301 Investments Held
- 1302 Investments - Lease Proceeds *

*

*

1400 Project Cost Control 2/

- 1501 Relocation Payments
- 1502 Rehabilitation Grant Payments

1/ These are not accounts but represent titles of major groups in which various accounts are included.

2/ This is a general ledger control account. Subsidiary cost accounts are classified and defined in 7221.1, Accounting, Chapter 2, Sections 4 and 5.

ACCOUNTING
CHAPTER 2 SECTION 1LIABILITY ACCOUNTS

- 2100 Liabilities 1/
 - 2111 Accounts Payable
 - 2113 Accounts Payable (Joint Activities)
 - 2117 Trust and Deposit Liabilities 1/
 - 2117.01 Tax Withholdings
 - 2117.02 Employee Savings Bond Deductions
 - 2117.03 Pension Fund Deductions and Contributions
 - 2117.04 Hospitalization Insurance Deductions and Contributions
 - 2117.05 Bid Deposits
 - 2121 Advances and Loans Payable, HUD 1/
 - 2121.01 Advances Payable
 - 2121.03 Temporary Loans Payable
 - 2121.04 General Neighborhood Renewal Plan Advances Payable
 - 2121.05 Feasibility Survey Advances Payable
 - 2122 Other Notes and Loans Payable
 - 2131 Accrued Interest on Advances and Loans Payable, HUD 1/
 - 2131.01 Accrued Interest, Advances Payable
 - 2131.03 Accrued Interest, Temporary Loans Payable
 - 2131.04 Accrued Interest, General Neighborhood Renewal Plan, Advances Payable
 - 2131.05 Accrued Interest, Feasibility Survey, Advances Payable
 - 2132 Accrued Interest, Other Notes and Loans Payable
 - 2135 Accrued Payroll
 - 2139 Other Accrued Liabilities
- * 2200 Lease Proceeds Control *

RESERVE ACCOUNTS

- 2400 Value of Land Sold, Leased, or Retained 1/
 - 2401 Sales Price of Land Sold
 - 2402 Imputed Capital Value of Land Leased
 - 2403 Imputed Capital Value of Land Retained

CAPITAL ACCOUNTS

- 2620 Cash Local Grants-in-Aid
- 2621 Noncash Local Grants-in-Aid
- 2701 Project Capital Grant
- 2703 Relocation Grant
- 2704 Rehabilitation Grant Reimbursement

1/ These are not accounts but represent titles of major groups in which various accounts are included.

CHAPTER 2. CLASSIFICATIONS AND DEFINITIONS

SECTION 2. DEFINITIONS OF GENERAL LEDGER ACCOUNTS

ASSET ACCOUNTS

1110 Cash 1/

1111 Survey and Planning Account (Project Number) (Name of Bank)

The debit balance of this account represents the amount of cash available for the payment of survey and/or planning costs.

1112 Project Expenditures Account (Project Number) (Name of Bank)

The debit balance of this account represents the amount of cash available for project expenditures as provided in the Contract for Loan and Grant.

1113 Project Temporary Loan Repayment Fund (Project Number) (Name of Bank)

The debit balance of this account represents the amount of cash available for the repayment of temporary loans as provided in the Contract for Loan and Grant.

1114 Project Receipts Account (Project Number) (Name of Bank)

The debit balance of this account represents all project receipts under a Capital Grant Contract which are not required to be otherwise deposited in the Project Expenditures Account.

1115 Deposits Held (Project Number) (Name of Bank)

The debit balance of this account represents deposits for the use of LPA plans, deposits on contract bids, good faith deposits and other deposits from redevelopers in connection with the sale of project land, and other deposits received by the LPA.

* 1116 Project Definitive Loan Repayment Fund (Project Number) (Name of Bank)

Debit this account with:

1. Funds received as payment of annual rental, and public charges in addition thereto, beginning on the date possession of the leased land is granted to the redeveloper.
2. Funds received as payment of taxes and ground rent, if any, beginning on the date the lease is executed.

*

1/ These are not accounts but represent titles of major groups in which various accounts are included.

*

3. Proceeds and income received in connection with the investment of funds belonging in this account.
4. Funds derived by reason of termination or cancellation of the lease prior to sale of Definitive Loan Bond.
5. Funds received from the Government, if any, in payment of accrued interest in connection with the purchase of Project Definitive Loan Obligations.
6. Funds received from the sale of land leased by the LPA to others, or if the land is retained by the LPA the amount of compensation paid by the LPA for such land so retained, whenever a lease is terminated or canceled.

Credit this account with:

1. Funds disbursed (transferred to the Project Expenditures Account) for the purpose of reimbursing the project for interest costs on amounts of Project Notes or Project Loan Notes (or Project Temporary Loan Notes or Preliminary Loan Notes) which could not be promptly discharged as to principal amount, solely because project land was leased rather than sold.
2. Funds withdrawn and invested in short-term, direct obligations of the Government.
3. Funds disbursed for payment of costs of authorizing, issuing, and selling Project Loan Payment Obligations, specifically, printing costs, bond counsel fees, etc.
4. Funds disbursed to repay a portion of the outstanding Project Notes or Project Loan Notes (or Project Temporary Loan Notes or Preliminary Loan Notes) which could not be promptly discharged as to principal amount, solely because project land was leased rather than sold.
5. Funds disbursed for the purpose of reserving funds in the Bond Fund to be established in the bank of the Paying Agent pursuant to the terms of the Bond Indenture, for the purpose of providing debt service on the Project Loan Payment Obligations. *

1117 Petty Cash

The debit balance of this account represents the amount in a cash fund operated on an imprest basis for the payment of minor expenses.

1118 Undeposited Securities Held by the LPA

The debit balance of this account represents the face value of any securities received by the LPA which cannot be deposited in account 1115, and, as a consequence, are held in a safety deposit box by the LPA.

1119 Revolving Fund Cash (Joint Activities)

This is not a project account. It is a cash account established for use when two or more urban renewal activities are being handled concurrently by the LPA or when the LPA is responsible for the administration of programs other than urban renewal activities. (See 7221.1, Accounting, Chapter 1, Section 3.)

1120 Accounts Receivable ^{1/}**1121 Relocation Grants Due from Federal Government.**

The debit balance of this account represents the amount of relocation grant due from the Federal Government as reimbursement for relocation payments made by the LPA.

1122 Tenants

The debit balance of this account represents amount due from tenants for rent, utilities, etc.

1123 Revolving Fund (Joint Activities)

The debit balance of this account represents the deposits for payments of joint expenses made to a revolving fund. (See 7221.1, Accounting, Chapter 1, Section 3.)

1124 Other

The debit balance of this account represents outstanding sundry accounts receivable.

1125 Rehabilitation Grants Due from Federal Government

The debit balance of this account represents the amount of rehabilitation grants requisitioned and not yet received from the Federal Government.

1126 Revolving Fund (Project Number)

This is not a project account. The debit balance of this account represents the amount due from each project or activity for costs paid from the revolving fund. (See 7221.1, Accounting, Chapter 1, Section 3.)

1200 Prepaid Expenses

The debit balances of the accounts hereunder represent expenses paid in advance. To the extent necessary, separate accounts shall be opened in this group, numbered consecutively

^{1/} These are not accounts but represent titles of major groups in which various accounts are included.

RENEWAL PLAN - RHA 7224
RHA 7225
AIR RIGHTS PROJECT
222
FEASIBILITY SURVEY
RHA 7223

starting with 1201. Insurance expense shall not be charged to these accounts, but to 1400 and the appropriate subsidiary accounts.

1300 Investments 1/

1301 Investments Held

The debit balance of this account represents the balance of investment assets owned by the LPA.

* 1302 Investments-Lease Proceeds

The debit balance of this account represents investment assets purchased with lease proceeds. Upon sale of such assets this account shall be credited with asset value at the time of original purchase. *

1400 Project Cost Control

This is a control account, the debit balance of which represents expenditures which make up Gross Project Cost. Definitions of cost accounts subsidiary to this account are contained in Sections 4 and 5 of this Chapter.

* 1501 Relocation Payments

The debit balance of this account represents the total amount of relocation payments made by the LPA. Moving expenses in excess of \$25,000 includes only 2/3 or 3/4, as applicable. *

1502 Rehabilitation Grant Payments

The debit balance of this account represents the amount of rehabilitation grant payments made by the LPA.

LIABILITY ACCOUNTS

2111 Accounts Payable

The credit balance of this account represents amounts payable as evidenced by invoices. It includes the liability for unclaimed salaries and wages. This account shall be credited if material has been received or services rendered at the time the invoices are received, and the contra debit shall be to the asset or expense account affected. Indebtedness evidenced by notes shall not be recorded in this account but in accounts under 2121.

2113 Accounts Payable (Joint Activities)

As a revolving fund account, the credit balance of this account represents the liability of the revolving fund to each urban renewal activity and to each of the activities other than urban renewal which have made deposits to the revolving fund for the payment of joint expenses. It is a project account and the credit balance represents the liability of each urban renewal activity or other activity to the revolving fund. (See 7221.1, Accounting, Chapter 1, Section 3.)

1/These are not accounts but represent titles of major groups in which various accounts are included.

2117 Trust and Deposit Liabilities 1/

Separate accounts may be set up for each item hereunder, or they may be treated as subsidiary to a control account 2117. Additional withholdings may make it necessary to establish additional accounts or subaccounts. However, only one item, Trust and Deposit Liabilities, needs to be shown on the Balance Sheet.

2117.01 Tax Withholdings

The credit balance of this account represents the amount of payroll deductions for income or payroll taxes which have not been paid to the tax collecting agency.

2117.02 Employee Savings Bond Deductions

The credit balance of this account represents the liability to employees from payroll deductions for the purchase of government savings bonds.

2117.03 Pension Fund Deductions and Contributions

The credit balance of this account represents the amount unpaid to the insurer for employer's contributions and employees' payroll deductions for any retirement plan.

2117.04 Hospitalization Insurance Deductions and Contributions

The credit balance of this account represents employees' payroll deductions and employer's contributions for hospitalization insurance which have not been paid to the insurer.

2117.05 Bid Deposits

The credit balance of this account represents the amounts of bid deposits received for plans and specifications, contract bids, good faith deposits, and deposits received from redevelopers in connection with the sale of project land.

2121 Advances and Loans Payable, HUD 1/

The accounts under this subgroup title shall be used for recording the amounts of advances and loans made to the LPA by HUD. Since advances and loans ordinarily will be disbursed to the LPA in installments, the ledger page for each advance or loan shall contain columns for the total amount of the contract, amounts received, and the balance still to be received.

1/These are not accounts but represent titles of major groups in which various accounts are included.

In each of the accounts shown below, the credit balances represent the outstanding amount payable to HUD, pursuant to a contract for advance or loan.

- 2121.01 Advances Payable
- 2121.03 Temporary Loans Payable
- 2121.04 General Neighborhood Renewal Plan, Advances Payable
- 2121.05 Feasibility Survey, Advances Payable

2122 Other Notes and Loans Payable

The credit balance of this account represents the outstanding amounts of notes or loans payable to creditors other than HUD.

2131 Accrued Interest on Advances and Loans Payable, HUD 1/

- 2131.01 Accrued Interest, Advances Payable
- 2131.03 Accrued Interest, Temporary Loans Payable
- 2131.04 Accrued Interest, General Neighborhood Renewal Plan, Advances Payable
- 2131.05 Accrued Interest, Feasibility Survey, Advances Payable

2132 Accrued Interest, Other Notes and Loans Payable.

The credit balance of this account represents outstanding accrued interest on notes or loans payable to others than HUD.

2135 Accrued Payroll

The credit balance of this account represents salaries and wages earned but unpaid as of the close of each quarter. (See 7221.1, Accounting, Chapter 1, Section 1.)

2139 Other Accrued Liabilities

The credit balance of this account represents amounts established for services and expenses rendered or received but unbilled and unpaid at the end of each quarter. (See 7221.1, Accounting, Chapter 1, Section 1.) It shall include such items as amounts payable but unbilled under contracts, communication services, etc. The corresponding debit is to the appropriate expense account.

* 2200 Lease Proceeds Control

The credit balance of this account represents all cash or investments resulting from the receipt of annual rental, tax payments, ground rent, etc. from the lessee, including any funds received by reason of termination or cancellation of a lease; interest which is paid by the Government in the purchase of Project Definitive Loan Obligations; and the proceeds resulting from the sale or retention of land which has been leased and the lease has been terminated or canceled, and which have not been utilized for

1/These are not accounts but represent titles of major groups in which various accounts are included.

- * (a) the payment of interest and/or principal on outstanding Project Notes or Project Loan Notes (or Project Temporary Loan Notes or Preliminary Loan Notes); (b) the payment of costs of authorizing, issuing and selling Project Loan Payment Obligations; and (c) the establishment of a fund for debt service. *

RESERVE ACCOUNTS

2400 Value of Land Sold, Leased, or Retained ^{1/}

The credit balance of these accounts represent the value of land sold, leased, or retained, which will be an offset to the Gross Project Cost recorded in account 1400 in arriving at a determination of Net Project Cost. No entries shall be made to these accounts until after the effective date of the Contract for Loan and Grant, and approval of the amount by HUD.

Accounts under this major category are:

- 2401 Sales Price of Land Sold
- 2402 Imputed Capital Value of Land Leased
- 2403 Imputed Capital Value of Land Retained

In addition to the sales price of land sold, account 2401 shall be credited with payments for purchase, option rights and bonus payments for entering into an agreement to lease, the sale price of properties sold subject to rehabilitation, the sale price of structures sold for renewal and the proceeds from the sales of structures rehabilitated by the LPA.

CAPITAL ACCOUNTS

2620 Cash Local Grants-in-Aid

The credit balance of this account represents the cash contribution of the municipality or others as grants-in-aid. It also includes amounts considered as cash grants-in-aid which are charged to account 1448.038.

Amounts paid directly by the municipality for eligible costs during the survey and planning stage, without physical transfer of funds through the LPA, shall be credited to this account.

^{1/} These are not accounts but represent titles of major groups in which various accounts are included.

2621 Noncash Local Grants-in-Aid

The credit balance of this account represents donations, at cash value, of land or other real property in the project area; net cost of demolition, relocation of structures, removal of obsolete structures; project improvements in the project area, at their cost; the provision, at their cost, of parks, playgrounds, and public buildings or facilities; the Section 701 credit allowed for certain publicly owned facilities of communitywide or general benefit; the costs of rough grading of a new site and the provision of a suitable foundation for, and necessary utility connections to, a relocated building which is of historic value; services contributed in connection with the rehabilitation of property by the LPA; the Section 107 credit allowed for the local contribution to a low-rent housing project; and the net expenditures by or on behalf of educational institutions or hospitals (Section 112 credit).

No entries shall be made to this account until after HUD approval of Form HUD-6202, Certificate of Cost Noncash Local Grant-in-Aid, or Form HUD-6212, Request for Section 107 Noncash Local Grant-in-Aid Credit; and, with respect to land donations, until after HUD concurrence in Form HUD-6144, Request for Concurrence in Acquisition Prices, and title or control has been transferred to the LPA.

2701 Project Capital Grant

The credit balance of this account represents the amount of the project capital grant.

2703 Relocation Grant

The credit balance of this account represents the amount of the relocation grant.

2704 Rehabilitation Grant Reimbursement

The credit balance of this account represents the amount of funds requisitioned from the Federal Government to reimburse the LPA for rehabilitation grant payments made.

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CHAPTER 2. CLASSIFICATIONS AND DEFINITIONS

SECTION 3. CHART OF COST ACCOUNTS

- 1401 Survey and Planning Cost
- 1403 General Neighborhood Renewal Plan Costs
- 1404 Feasibility Survey Costs
- 1410 Administrative Costs
- 1415 Legal Fees and Expenses 1/
 - 1415.02 Acquisition - Direct Purchase
 - 1415.03 Acquisition - Condemnation
 - 1415.04 Disposition
 - 1415.05 Operation of Acquired Property
- 1418 Project Inspection
- 1420 Interest Expense 1/
 - 1420.01 Interest to HUD
 - 1420.02 Interest to Others
- * 1430 Survey and Planning
- 1440 Real Estate Acquisition
 - 1440.01 Real Estate Purchases *
 - 1440.02 Appraisals for Acquisition
 - 1440.03 Option Negotiations
 - 1440.04 Title Information
 - 1440.05 Sundry Acquisition Costs - Direct Purchase
 - 1440.06 Sundry Acquisition Costs - Condemnation
- 1443 Relocation 1/
 - 1443.01 Relocation and Community Organization
- 1445 Disposal, Lease, Retention 1/
 - 1445.01 Disposition Appraisals, Boundary Surveys, and Maps
 - 1445.02 Commissions and Fees
 - 1445.03 Sundry Disposition Costs
- 1448 Operation of Acquired Property
 - 1448.01 Operating Income
 - 1448.03 Operating Expenses
 - 1448.031 Repairs
 - 1448.032 Custodial and Security Services
 - 1448.033 Utilities
 - 1448.034 Insurance
 - 1448.035 Site Preparation
 - 1448.036 Real Estate Tax Payments
 - 1448.037 Management
 - 1448.038 Charges in Lieu of Real Estate Taxes
 - 1448.039 Temporary On-Site Moves
 - 1448.04 Losses and Charge-Offs - Accounts Receivable Tenants

1/ These are not accounts but represent titles of major groups in which various accounts are included.

- 1448.05 Lease of Mobile Homes
- 1448.06 Lease of Mobile Home Site
- 1448.07 Purchase of Mobile Homes
- 1448.08 Mobile Homes Expended

- 1449 Other Income
- 1450 Site Clearance
- 1455 Project Improvements
- 1460 Rehabilitation 1/
 - 1460.1 Rehabilitation Financing Costs
 - 1460.2 Undistributed Rehabilitation Financing Costs
 - 1460.3 Rehabilitation Performed by LPA
- 1475 Furniture and Equipment 1/
 - 1475.1 Furniture and Equipment
 - 1475.2 Furniture and Equipment Expended
- 1480 Noncash Local Grants-in-Aid 1/
 - 1480.01 Donated Land
 - 1480.02 Demolition, Relocation, and Removal Work
 - 1480.03 Project Improvements
 - 1480.04 Supporting Facilities
 - 1480.05 Low-Rent Public Housing Site
 - 1480.06 Educational Institutions or Hospitals
 - 1480.07 Rehabilitation of Properties

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1/ These are not accounts but represent titles of major groups in which various accounts are included.

CHAPTER 2. CLASSIFICATIONS AND DEFINITIONS

SECTION 4. DEFINITIONS OF COST ACCOUNTS

1401 Survey and Planning Costs

This account shall be charged with the total costs incurred during the survey and planning stage, with the exception of the cost of furniture and equipment which will be utilized in the project execution stage. All other costs incurred, which in the first instance are charged to the proper account in the 1400 series, shall be closed and transferred to this account upon repayment of the Survey and Planning Advance.

1403 General Neighborhood Renewal Plan Costs

This account shall be charged with the total costs incurred in the preparation of the General Neighborhood Renewal Plan, with the exception of the cost of furniture and equipment which will be utilized in the first project resulting from the GNRP. All other costs incurred, which in the first instance are charged to the proper account in the 1400 series, shall be closed and transferred to this account upon repayment of the GNRP Advance.

1404 Feasibility Survey Costs

This account shall be charged with the total costs incurred in preparing the Feasibility Survey, with the exception of the cost of furniture and equipment which will be utilized in a project resulting from the Feasibility Survey. All other costs incurred, which in the first instances are charged to the proper account in the 1400 series, shall be closed and transferred to this account upon repayment of the Feasibility Survey Advance.

1410 Administrative Costs

This account shall be charged with administrative staff expense as defined in 7221.1, Chapter 1, Section 6, other than cost of nonexpendable equipment and furniture which is charged to account 1475.

1415 Legal Fees and Expenses

This account shall be charged with the contract cost of attorney fees and expenses, except those for general ledger advice which are chargeable to account 1410. The pro rata share of the fees and expenses shall be charged to the following subsidiary accounts:

1415.02 Acquisition - Direct Purchase

This account shall be charged with legal services rendered in the preparation of contracts, in render opinions on titles, in the preparation of curative documents, in the

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ACCOUNTING

CHAPTER 2 SECTION 4

preparation or examination of deeds, in eviction proceedings and process service, and with other required legal advice in direct purchase cases.

1415.03 Acquisition - Condemnation

This account shall be charged with the costs of preparing necessary legal documents for, and the prosecution of, condemnation actions, and the cost of eviction proceedings and process service in connection with condemnations.

1415.04 Disposition

This account shall be charged with the costs of preparing contracts of sale, deeds, leases, and other documents, and closing fees in connection with disposition of real estate.

1415.05 Operation of Acquired Property

This account shall be charged with legal and collection expenses incurred in connection with the operation of acquired property.

1418 Project Inspection

This account shall be charged with the amount provided as reimbursement by the LPA to HUD for inspections and audits.

1420 Interest Expense¹

1420.01 Interest to HUD

This account shall be charged quarterly with interest accruing on advances and loans by HUD, and shall be supported by the following detail accounts: 1420.011, Advances; 1420.013, Temporary Loans; 1420.014, General Neighborhood Renewal Plan Advances; 1420.015, Feasibility Survey Advances.

1420.02 Interest to Others

This account shall be charged quarterly with interest accruing on loans by others than HUD. The amount of any premiums received on sale of notes shall be credited to this account.

1430 Survey and Planning

This account shall be charged with the costs of contracts for surveys and studies of areas to measure conditions of slum or blight, to identify areas requiring clearance or rehabilitation, to determine the financial feasibility of a proposed project, to

^{1/} These are not accounts but represent titles of major groups in which various accounts are included.

classify structures for rehabilitation, preservation, or demolition, to determine the physical and financial feasibility of renewing individual properties, and to establish Property Rehabilitation Standards; providing financial, architectural, design and legal services to property owners in connection with rehabilitation activities and processing of rehabilitation loans and grants, code enforcement activities associated with the property rehabilitation program; preparation of illustrative plans for moderate-income housing; studies of land uses; market analyses, except when performed in conjunction with real estate appraisals (see Accounts 1440.02 and 1445.01); consultants' services in connection with the preparation of foundations for historic structures; providing services relating to neighborhood organizations, and urban renewal planning; and carrying out rodent extermination measures including the poisoning of rats on a project-wide basis. *

* This account shall be charged with the contract cost of identifying social problems and coordinating social services available in the community to serve the needs of project area residents, unless performed in conjunction with an expanded program of services involving a social survey and a system of referral services, in which case the entire cost shall be charged to Account 1443.01. *

The contract costs of relocation analysis and planning shall be charged to Account 1443.01 unless performed in conjunction with one or more of the other activities chargeable to this account. Contracts for administrative services (Account 1410) and for legal activities (Account 1415), and contracts chargeable to the 1440 group of accounts are excluded.

1440 Real Estate Acquisition¹

These accounts shall be charged with the purchase price of parcels acquired and incidental costs, except legal costs chargeable to Account 1415. These accounts shall not include land donated as local grants-in-aid.

1440-01 Real Estate Purchases

This account shall be charged with the cost of land and existing improvements acquired by condemnation or direct purchase, including any amounts disbursed and deducted from the purchase price or court-determined value of the property for prior-year taxes; the LPA's share of current taxes prorated to the date of acquisition; and the amount of interest or other awards resulting from the verdict rendered by the court. The proportionate share of current taxes applicable to the period after the date of acquisition is not chargeable to this account but shall be charged to Account 1448.036.

^{1/} These are not accounts but represent titles of major groups in which various accounts are included.

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1440.02 Appraisals for Acquisition

This account shall be charged with the cost of appraisals of real estate to be acquired, other than appraisals performed by LPA staff. The cost of market analysis of land uses when such work is performed in conjunction with a real estate appraisal shall be charged to Account 1445.01. Fees of appraisers as witnesses in court shall be charged to Account 1440.06.

1440.03 Option Negotiations

This account shall be charged with fees of negotiators and other costs incident to the procurement of an option, other than work done by LPA staff. It includes payments made to owners solely as a consideration for signing the option. When a payment is made as part of the purchase price, it shall be charged to Account 1440.01 whether or not it is deductible.

1440.04 Title Information

- * This account shall be charged with the cost of obtaining abstracts of title, certificates of title, or title insurance, other than abstracts produced by LPA staff. This account shall not be charged with contract costs incurred in obtaining title opinions, preparation of curative material, and other legal services. These costs shall be charged to Accounts 1415.02 and 1415.03, as appropriate. *

1440.05 Sundry Acquisition Costs - Direct Purchase

- * This account shall be charged with fees for filing legal documents, notary fees, and other incidental costs incurred in direct purchase cases which do not fall into other classifications; boundary surveys for acquisition purposes, including marking of corners, creation of an acquisition map and parcel plats; and costs incidental to preparing curative material, and taking title to and making payment for real property, other than costs incurred for services rendered by LPA staff or under legal service contracts. *

1440.06 Sundry Acquisition Costs - Condemnation

This account shall be charged with costs incidental to the prosecution of a condemnation case, other than for contract legal services which are chargeable to Account 1415.03, and legal services rendered by LPA staff which are chargeable to Account 1410.

1443 Relocation¹

1/ These are not accounts but represent titles of major groups in which various accounts are included.

1443.01 Relocation and Community Organization

This account shall be charged with the costs incurred under contracts for relocation analysis, relocation planning, and execution of the Relocation Program.

This account also shall be charged with the costs of contracts with consultants or local community social welfare agencies for designing or conducting a social survey to determine the needs of project area residents with respect to community social services, and with consultants for developing and carrying out a related system of referral services to put residents in touch with appropriate community agencies that can assist in solving their social and economic problems and for other community organization activities. Fees paid to project area residents for conducting nonconfidential portions of interviews in connection with a social survey also shall be charged to this account. Expenditures necessary to prepare sites for temporary recreational uses in urban renewal areas are also chargeable to this account.

1445 Disposal, Lease, Retention^{1/}

These accounts shall be charged with costs of disposal, lease, or retention of project property. The salary of LPA staff and other overhead expenses are not to be distributed to these accounts (see 1410). The following subsidiary accounts shall be maintained:

1445.01 Disposition Appraisals, Boundary Survey, and Maps

This account shall be charged with the costs of real estate appraisals and physical surveys and marking of the boundaries of the project area and its subdivided parcels, together with the costs for preparing disposal maps and parcel plats, other than for services rendered by LPA staff.

1445.02 Commissions and Fees

This account shall be charged with commissions, fees, and expenses of agents, individuals, or private firms earned or incurred in the disposal or lease of project property.

^{1/} These are not accounts but represent titles of major groups in which various accounts are included.

1445.03 Sundry Disposition Costs.

This account shall be charged with the cost of recording fees, purchase or lease cost of a land disposition sign, all eligible contract costs incurred, and the cost of materials such as soil, seed, and fertilizer used in connection with the maintenance of cleared project land, and costs not otherwise allocated.

- * 1448 Operation of Acquired Property
This account shall be charged with the expense of operating property acquired by purchase or property acquired by purchase or leased specifically for use as temporary relocation resources. All income from the operation of such property shall be credited to this account. Subsidiary accounts shall be maintained as follows: *
- * 1448.01 Operating Income (Credit Balance Account)
This account shall be credited with gross income earned from operation of property acquired by purchase or lease. *
- 1448.03 Operating Expenses (Debit Balance Account)
This account shall be supported by the following subsidiary accounts:
- * 1448.031 Repairs
This account shall include repairs and maintenance of the leased or acquired property. *
- * 1448.032 Custodial and Security Service
This account shall be charged with the cost of custodial and security services performed by force account or under contract. If these services are performed by force account, the related cost of employee benefits shall be charged to this account. *
- * 1448.033 Utilities
This account shall include the cost of fuel, light, power, water and sewerage services used in operation of leased or acquired property. *
- * 1448.034 Insurance
This account shall include the cost of fire, public liability, workmen's compensation, boiler, and other insurance coverage on the leased or acquired property. Payment of uninsured damage claims determined to be eligible shall also be charged to this account. *

- 1448.035 Site Preparation
This account shall be charged with the costs of preparing a site to be used as a Mobile Home Court, such as grading, installation of utilities, and landscaping.
- 1448.036 Real Estate Tax Payments
This account shall include the amounts of ad valorem tax payments or payments in lieu of taxes in accordance with 7211.1 Property Management, Chapter 4.
- 1448.037 Management
This account shall include the charges of private firms or individuals or other public bodies engaged to manage the property. If property is managed by the LPA staff, include costs in Account 1410.
- 1448.038 Charges in Lieu of Real Estate Taxes
This account shall include amounts in lieu of taxes which are considered as cash local grants-in-aid (See 7211.1 Property Management, Chapter 4.)
- 1448.039 Temporary On-Site Moves
This account shall include the cost of temporary on-site moves of site occupants.
- 1448.04 Losses and Charge-Offs-Accounts Receivable--Tenants (Debit Balance Account)
This account shall be charged with the amount of uncollectible tenants' accounts receivable written off. (See 7211.1, Property Management, Chapter 3.)
- 1448.05 Lease of Mobile Homes
This account shall be debited with the cost of leasing Mobile Homes for use as temporary relocation resources.
- 1448.06 Lease of Mobile Home Site
This account shall be charged with the cost of leasing a site outside the project area for use as a Mobile Home Court.

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- * 1448.07 Purchase of Mobile Homes
This account shall be debited with the purchase price of mobile homes acquired for use as temporary relocation resources. This account shall be credited with the acquisition cost originally recorded in this account upon sale or retention of mobile homes. *
- * 1448.08 Mobile Homes Expended
This account shall be charged with the difference between the acquisition cost originally recorded in Account 1448.07 and the proceeds from the sale or retention of mobile homes. *
- 1449 Other Income
This is a credit balance account which shall reflect the reduction of Gross Project Cost as the result of receipt of miscellaneous income from sources other than from operation of acquired property (1448.01) and site clearance (1450). This account also shall be credited with the amount of interest charged the LPA by HUD on unpaid ineligible costs. Income from the investment of funds shall be credited to this account irrespective of the bank account, Project Expenditures Account, or Project Temporary Loan Payment Fund, in which the income is deposited.
- 1450 Site Clearance
This account shall reflect the net cost of, or the net proceeds from, site clearance, exclusive of the cost of work contributed as a noncash local grant-in-aid (see 1480.02). Costs chargeable to this account are set forth in 7209.1, Site Preparation and Project Improvements, Chapter 2. Credits for salvage and structures sold, including sale of fixtures removed before demolition, shall be reflected in this account. This account shall be charged with the costs of work performed under contract in connection with the preparation of working drawings, specifications, and other contract documents for site clearance. Do not charge to this account contract costs for planning site clearance and demolition work, which are chargeable to 1430.
- 1455 Project Improvements
This account shall be charged with the costs of project improvements made after acquisition of the project property, exclusive of any work contributed as a noncash local grant-in-aid (see 1480.03). This account shall be charged with the cost of work performed under contract in connection with the preparation of work drawings, specifications, and contract documents for project improvements. Do not charge to this account contract costs for project improvements planning chargeable to 1430.

This account shall also be charged with the costs of installation or construction of temporary parks or playgrounds, and/or the costs of temporary construction or reconstruction work on existing publicly owned streets and utility lines only when such costs are in conformance with the requirements of RHA 7209.01, Chapter 1.

*

1460 Rehabilitation

The debit balance of this control account represents the total rehabilitation costs charged to the project during the project execution stage. The subsidiary accounts described below shall be established on the project books to segregate the costs applicable to each category. *

1460.1 Rehabilitation Financing Costs

This account shall be charged with the cost of credit reports; appraisals performed by other than the LPA staff for a loan under \$3,500; and to the extent incurred, the costs of application fees for a loan of \$3,500 or more for an owner occupied one to four dwelling unit property, title reports, and recordation in cases where applications are disapproved, canceled, or withdrawn.

1460.2 Undistributed Rehabilitation Financing Costs

This account shall be debited initially with all amounts advanced by the LPA from the Project Expenditures Account in connection with Rehabilitation Loans and Grants. (See RHM 7375.1, chapter 5, section 2.) Payments may be made for the application fee for a loan of \$3,500 or more, and for the costs of title reports, recordations, etc. This account shall be credited when the Project Expenditures Account is reimbursed from the Rehabilitation Cash Escrow Account.

When an application for a rehabilitation loan has been disapproved, canceled, or withdrawn, the application fee for owner occupied one to four dwelling unit properties, and the costs of title reports and recordations applicable thereto become eligible urban renewal project costs. At that time such costs shall be credited to this account and debited to Account 1460.1. *

1460.3 Rehabilitation Performed by LPA

This account shall be charged with the eligible costs incurred by the LPA in rehabilitating properties which the owners are either unwilling or unable to rehabilitate themselves.

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1475 Furniture and Equipment

The debit balance in Account 1475.1 less the credit balance in Account 1475.2 shall be reported under Account 1475 whenever the net cost of Furniture and Equipment is required to be included on any financial statements. For all reporting purposes, this account shall be combined with Account 1410.

When this account is maintained with respect to a Survey and Planning, GNRP, or a Feasibility Survey Advance, it shall not be closed into Account 1401, 1403, or 1404, as applicable, when the advance is repaid, if the furniture or equipment is retained for use in connection with an ensuing project or activity.

Instead, this account shall be credited in the Survey and Planning, GNRP, or Feasibility Survey books of account, as applicable, and the original acquisition cost shall be established in this account in the books of account maintained in the project execution stage.

1475.1 Furniture and Equipment

This account shall be charged with the cost or fair market value of furniture or equipment having a value of \$50 or more and an anticipated useful life of more than 1 year. Rental of furniture and equipment shall be charged to Account 1410. Inventory records shall be maintained for all furniture and equipment charged to this account. This account shall be credited with the acquisition cost originally recorded in this account upon sale or retention of equipment and furniture or if the furniture and equipment has been lost, stolen, destroyed, abandoned, or otherwise expended.

1475.2 Furniture and Equipment Expended

This account shall be charged with the difference between the acquisition cost originally recorded in Account 1475.1 and the proceeds from the sale or retention of furniture and equipment, and with the entire acquisition cost if the furniture or equipment has been lost, stolen, destroyed, or otherwise expended.

1/ These are not accounts but represent titles of major groups in which various accounts are included.

1480 Noncash Local Grants-in-Aid

These accounts shall include all noncash local grants-in-aid representing assistance furnished and paid for from other than project funds.

Under each subsidiary account, a separate detail account shall be established for each noncash local grant-in-aid. Entries to these accounts shall be substantiated by supporting documents.

1480.01 Donated Land

This account shall be charged with the cash value of donated land.

1480.02 Demolition, Relocation, and Removal Work

This account shall reflect the net cost of demolition, and for structures of historic or architectural value in the project which are to be moved on the same lot or to another lot in the project, costs of rough grading the new site, providing new foundations and utility connections; removal work donated to the project, except for the demolition expenditure of an educational institution made in accordance with Section 112 which shall be charged to 1480.06. It shall include costs of demolition of structures and removal of obsolete facilities and credits for salvage and structures sold. If operation results a net credit, the amount of the credit shall be reflected in account 1450.

1480.03 Project Improvements

This account shall be charged with the cost of project improvements donated to the project.

1480.04 Supporting Facilities

This account shall reflect the cost of parks, playgrounds, public buildings, or facilities donated to the project, including the donated costs for the installation or construction of temporary parks or playgrounds, and/or the costs of temporary construction or reconstruction work on existing publicly owned streets and utility lines only when such costs are in conformance with the requirements of RHA 7209.1, Chapter 1. *

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- 1480.05 Low-Rent Public Housing Site
This account shall be charged with the credit allowed for the local contribution in the form tax exemption or tax remission as authorized in accordance with Section 107.
- 1480.06 Educational Institutions or Hospitals
This account shall be charged with the net acquisition, demolition, and relocation expenditures of an educational institution or hospital in accordance with Section 112.
- 1480.07 Rehabilitation of Properties
This account shall be charged with the cost of services donated to the project in connection with rehabilitation of property by the LPA.

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CHAPTER 2. CLASSIFICATIONS AND DEFINITIONS

SECTION 5. THREE-FOURTHS CAPITAL GRANT PROJECT WITH LIMITED PROJECT COSTS

The cost accounts established and defined in this Section are to be used for a project on a three-fourths capital grant basis with limited project costs (see 7218.1, Budgets and Budget Reports, Chapter 1, Section 2).

CHART OF COST ACCOUNTS

- 1418 Project Inspection
- 1420 Interest Expense¹
 - 1420.01 Interest to HUD¹
 - 1420.013 Temporary Loans
 - 1420.02 Interest to Others
- 1440 Real Estate Acquisition¹
 - 1440.01 Real Estate Purchases
- 1443 Community Organization¹
 - 1443.01 Community Organization
- 1445 Disposal, Lease, Retention¹
 - 1445.01 Disposition Appraisals, Boundary Surveys, and Maps
 - 1445.02 Commissions and Fees
 - 1445.03 Sundry Disposition Costs
- 1446 Illustrative Plans for Moderate-Income Housing
- 1449 Other Income
- 1450 Site Clearance
- 1455 Project Improvements
- 1460 Rehabilitation¹
 - 1460.1 Rehabilitation
 - 1460.2 Undistributed Rehabilitation Costs
- 1480 Noncash Local Grants-in-Aid¹
 - 1480.01 Donated Land
 - 1480.02 Demolition, Relocation, and Removal Work
 - 1480.03 Project Improvements
 - 1480.04 Supporting Facilities
 - 1480.05 Low-Rent Public Housing Site
 - 1480.06 Educational Institutions or Hospitals

CLASSIFICATION AND DEFINITIONS OF COST ACCOUNTS

- 1418 Project Inspection
 - This account shall be charged with the amount provided as reimbursement by the LPA to HUD for inspections and audits.

¹/ These are not accounts, but represent titles of major groups in which various accounts are included.

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CHAPTER 2 SECTION 5

1420 Interest Expense¹

1420.01 Interest to HUD

1420.013 Temporary Loans

This account shall be charged quarterly with interest accruing on loans by HUD.

1420.02 Interest to Others

This account shall be charged quarterly with interest accruing on loans by others than HUD, to the extent that the loan is used to defray eligible costs under the contract.

1440 Real Estate Acquisition¹

1440.01 Real Estate Purchases

This account shall be charged with the cost of land and existing improvements, whether acquired by condemnation or direct purchase. Interest or other awards resulting from the verdict of the court in conjunction with the condemnation shall also be charged to this account. Court costs in connection with the condemnation, taxes applicable after acquisition date, acquisition appraisals, option negotiations, title search, and other legal or administrative costs, whether by contract or LPA staff, shall not be charged to this account.

1443 Community Organization¹

1443.01 Community Organization

This account shall be charged with the cost of gross salaries and wages of employees on the staff of the LPA engaged during the project execution stage of a rehabilitation project, in coordinating community social services and working with neighborhood organizations and groups, and preparing educational materials such as pamphlets, posters, and other exhibit materials.

1445 Disposal, Lease, and Retention¹

These accounts shall be charged with the costs of disposal, lease, or retention of project property.

The cost of salaries, wages, and a prorated share of benefits of LPA employees directly engaged in disposal, lease, or retention activities or in on-the-job supervision of these activities is chargeable under this group. All costs must be

^{1/} These are not accounts, but represent titles of major groups in which various accounts are included.

supported by time records. No charges shall be recorded for fractions of time of less than 10 percent during a pay period for personnel not working at the project site or for supervisory employees engaged in both technical and administrative work.

When disposal, lease, or retention activities are carried out under contract, the full cost of the contract shall be chargeable under this group.

When the city is the LPA, the direct costs of disposal, lease, or retention activities carried out by a city department not primarily responsible for the project may be charged under this group.

1445.01 Disposition Appraisals, Boundary Surveys, and Maps
This account shall be charged with the cost of real estate appraisals, market analysis, professional services for disposition such as studies of the marketability of sites for proposed new uses, the preparation of physical surveys, tests, disposal maps, and parcel plats, and the marking of boundaries of the project area and its parcels.

1445.02 Commissions and Fees
This account shall be charged with commissions, fees, and expenses of agents earned or incurred in disposal or lease of project property.

1445.03 Sundry Disposition Costs
This account shall be charged with the cost of advertising project land, including the preparation and printing of brochures and pamphlets; the cost of title information and recording fees when the seller is required by law to furnish them; salaries and wages of LPA staff when directly engaged in securing or negotiating with potential developers, including a prorated share of employee benefits of such personnel; direct LPA salary costs and contract costs incurred in connection with maintenance work on cleared project land, including minimum grading, field mowing, litter removal, and preservation and maintenance of trees, essential soil treatment, planting of annual grass, and annual seeding and fertilizing; and the cost of materials such as soil, seed, and fertilizer used in connection with the maintenance of cleared project land.

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CHAPTER 2 SECTION 5

1446 Illustrative Plans for Moderate-Income Housing

This account shall be charged with cost of salaries of LPA employees and with contract costs for the preparation of illustrative plans for moderate-income housing.

1449 Other Income

This account shall be credited with income from the temporary investment of direct Federal, or federally secured, loans and all other income of the LPA attributable to Federal financial participation, except income from the operation of acquired property.

1450 Site Clearance

This account shall be charged with the net cost of, or credited with the net proceeds from, clearing the project site, exclusive of the cost of work contributed as a noncash grant-in-aid. This account may include the cost of preparing detailed working drawings and specifications, demolishing structures, removing obsolete facilities, making premises unavailable for occupancy, the rough grading of a new site and the provision of a suitable foundation for, and necessary utility connections to, a historic building, and those additional eligible costs identified in 7218.1, Budgets and Budget Reports, Chapter 2, Section 2. This account shall be credited with all income from the sale of salvage and structures, including the sale of fixtures removed before demolition in making premises unavailable for occupancy.

1455 Project Improvements

This account shall be charged with the cost of project improvements such as engineering tests and surveys, preparation of working drawings and specifications, actual installation of project improvements, exclusive of the cost of work contributed as a noncash grant-in-aid, and those additional eligible costs identified in 7218.1, Budgets and Budget Reports, Chapter 2, Section 2.

1460 Rehabilitation

The debit balance of this control account represents the total rehabilitation costs charged to the project during the execution stage. The subsidiary accounts described below shall be established on the project books.

1460.1 Rehabilitation

This account shall be charged with all eligible costs of activities during the project execution stage as defined in 7218.1, Budgets and Budget Reports, Chapter 2, Section 2. The cost of credit reports,

appraisals performed by other than the LPA staff for a loan of under \$3,500, and title reports and appraisal fees for a loan of \$3,500 or more in cases where applications are disapproved, canceled, or withdrawn shall also be charged to this account.

1460.2 Undistributed Rehabilitation Costs

This account shall be debited initially with all costs paid by the LPA from the Project Expenditures Account in connection with the rehabilitation activities.

Payments may be made for the appraisal fee for a loan of \$3,500 or more and for the related cost of title reports, recordations, and revenue stamps. This account shall be credited when the Project Expenditures Account is reimbursed from the Rehabilitation Cash Escrow Account. When an application for a rehabilitation loan has been disapproved, canceled, or withdrawn, the appraisal fee and cost of title reports applicable thereto become eligible urban renewal project costs. At that time such costs shall be credited to this account and debited to account 1460.1.

1480 Noncash Local Grants-In-Aid

1480.01 Donated Land

1480.02 Demolition, Relocation, and Removal Work

1480.03 Project Improvements

1480.04 Supporting Facilities

1480.05 Low-Rent Public Housing Site

1480.06 Educational Institutions or Hospitals

The definitions of these accounts are set forth in 7221.1, Accounting, Chapter 2, Section 4.

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CHAPTER 3. TYPICAL TRANSACTIONS

This Chapter contains illustrative accounting entries.

The sequence of events, the terms of individual contracts, and the time of deposit or approval of local grants-in-aid will affect the order in which the entries are made.

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RHA 7225

AIR RIGHTS PROJECT

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FEASIBILITY SURVEY
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ACCOUNTING
CHAPTER 3

TYPICAL TRANSACTIONS

Trans- action Number	Description	Dr.	Cr.	Title of Account
1.	To record approved annual budget allocations upon receipt of approved Annual Administrative Staff Expense Budget	x		Budgetary Control Account
			x	Personal Services
			x	Travel
			x	Publications
			x	Contracts for Services
			x	Other Costs
			x	Equipment
			x	Contingencies
2.	To record payment of administrative and nonadministrative salaries	x		Personal Services
		x		Budgetary Control Account (Non-administrative costs)
			x	Revolving Fund Cash
3.	To credit budgetary control with amount of administrative costs paid during the month	x		Budgetary Clearance Account
			x	Budgetary Control
4.	To record distribution of costs to individual projects	x		Project A
		x		Project B
			x	Budgetary Clearance Account

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ACCOUNTING
CHAPTER 3

TYPICAL TRANSACTIONS

Trans- action Number	Description	Dr.	Cr.	Title of Account
SURVEY AND PLANNING STAGE				
1.	Deposit of Funds After execution of a contract for advance or receipt of a letter to proceed, funds are advanced to the LPA by HUD or are obtained from other sources and are deposited in the bank. Source: Cash Receipts Journal	1111	2121.01 2122	Survey and Planning Account (Project No.) (Name of Bank) Advances Payable Other Notes and Loans Payable
2.	Survey and Planning Costs Disbursements are made by the LPA for Survey and Planning Costs. Source: Cash Disbursements Journal	1400 1410 1430 etc.	1111	Project Cost Control Administrative Costs Survey and Planning (Other applicable Survey and Planning Cost Accounts) Survey and Planning Account (Project No.) (Name of Bank)
3.	Interest Accrual Interest on advances obtained from HUD or on funds borrowed from other sources is accrued quarterly. Interim accruals of interest when repayment is made between accrual	1400 1420.01 1420.01 1420.02		Project Cost Control Interest to HUD Interest to HUD, Advances Interest to Others

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TYPICAL TRANSACTIONS

Trans- action Number	Description	Dr.	Cr.	Title of Account
3.	(Cont) periods are similarly treated. Source: Journal Voucher or General Journal		2131.01 2132	Accrued Interest, Advances Payable Accrued Interest, Other Notes and Loans Payable
4.	Cash Local Grants-in-Aid The city provides cash grants-in-aid by payment of eligible planning costs of the LPA directly and without physical transfer of funds through the LPA. Source: Journal Voucher or General Journal	1400 1410 etc.	2620	Project Cost Control Administrative Costs Other applicable survey and planning cost accounts Cash Local Grants-in-Aid
5.	Accrual of Unpaid Costs Upon completion of survey and planning work, unpaid costs for services or materials which have been received are charged to the appropriate cost accounts. Source: Journal Voucher or General Journal	1400 1430 etc.	2139	Project Cost Control Survey and Planning (Other applicable survey and planning cost accounts) Other Accrued Liabilities
6.	Payment of Accrued Unpaid Cost and Adjustment of Difference. Upon payment of the accrued unpaid costs, the accruals are written off			Other Accrued Liabilities

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TYPICAL TRANSACTIONS

Trans- action Number	Description	Dr.	Cr.	Title of Account
6.	(Cont) and any differences between the amounts paid are adjusted directly to Account 1401. Payment of an item of expense that may have been overlooked in setting up the accrual shall be charged to Account 1401. Source: Cash Disbursements Journal		1111	Survey and Planning Account (Project No.) (Name of Bank)
7.	Remittance or Transfer of Unexpended Balance in Survey and Planning Account Upon completion of survey and planning activities and payment of all costs, the unexpended balance remaining in the Survey and Planning Account is normally repaid to the Government to reduce the amount of the outstanding advance. However, the unexpended balance may be transferred to the Project Expenditures Account and the full amount of the outstanding advance repaid to the Government upon receipt of funds for the project execution stage. Source: Cash Receipts and/or Cash Disbursements Journal	2121.01 1112	1111 1111	Advances Payable Survey and Planning Account (Project No.) (Name of Bank) Project Expenditures Account (Project No.) (Name of Bank) Survey and Planning Account (Project No.) (Name of Bank)

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TYPICAL TRANSACTIONS

Trans- action Number	Description	Dr.	Cr.	Title of Account
8.	Completion of Survey and Planning Upon repayment of the Survey and Planning Advance and after all costs have been recorded, the individual cost accounts are closed to Account 1401, Survey and Planning Stage. Source: Journal Voucher or General Journal	1401	1410 1420.01 1420.011 1420.02 etc.	Survey and Planning Stage Administrative Costs Interest to HUD Interest to HUD-Advances Interest to Others (Other applicable Survey and Planning Cost Accounts)
PROJECT EXECUTION STAGE				
9.	Temporary Loan and Settlement of Advances A contract for Loan and Grant has been executed. The LPA's requisition for loan funds is approved, and HUD deducts by setoff the amount of outstanding Advances Payable, accrued interest thereon, and any inspection fees due the Government. The net amount is disbursed to the LPA. Source: Cash Receipts Journal	1112 2121.01 2131.01 1400 1418	2121.03	Project Expenditures Account (Project No.) (Name of Bank) Advances Payable Accrued Interest, Advances Payable Project Cost Control Project Inspection Temporary Loans Payable

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TYPICAL TRANSACTIONS

Transaction Number	Description	Dr.	Cr.	Title of Account
10.	Private Financing The LPA borrows funds from sources other than HUD. Source: Cash Receipts Journal	1112	2122	Project Expenditures Account (Project No.) (Name of Bank) Other Notes and Loans Payable
11.	Repayment of Outstanding Advances and Payment of Project Inspection Fees--When First Project Execution Funds Are Not Obtained From the Government When the first project execution funds are not received from HUD, the LPA pays to HUD any outstanding Advances Payable, accrued interest thereon, and any inspection fees. Whenever the first funds available for project execution are borrowed from the Government, these items are collected by setoff as shown in 9 above. Source: Cash Disbursements Journal	2121.01 2131.01 1400 1418	1112	Advances Payable Accrued Interest, Advances Payable Project Cost Control Project Inspection Project Expenditures Account (Project No.) (Name of Bank)
12.	Cash Local Grants-in-Aid The LPA receives funds by way of a cash local grant-in-aid and deposits the funds in the Project Expenditures	1112	2620	Project Expenditures Account (Project No.) (Name of Bank) Cash Local Grants-in-Aid

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Trans- action Number	Description	Dr.	Cr.	Title of Account
12. (Cont)	Account. If received during the survey and planning stage, the funds would be deposited in the Survey and Planning Account. Source: Cash Receipts Journal			
13.	Disbursement of Funds-Project Costs Disbursements are made by the LPA for payment of project costs. Source: Cash Disbursements Journal	1400 1410	1112	Project Cost Control Administrative Costs (Other applicable Project Execution Cost Accounts) Project Expenditures Account (Project No.) (Name of Bank)
14.	Land Acquisition--Full or Partial Payment Payment for project land is made to the property owner or funds are deposited with the court in a condemnation suit. Source: Cash Disbursements Journal	1400 1440.01	1112	Project Cost Control Real Estate Purchases Project Expenditures Account (Project No.) (Name of Bank)
15.	Entries resulting from administration of the rehabilitation loan program and			

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Trans- action Number	Description	Dr.	Cr.	Title of Account
15.	(Cont) rehabilitation grants in the project execution stage			
(a)	To record rehabilitation grant made to grantee.	1502	1112	Rehabilitation Grant Payments Project Expenditures Account (Project No.) (Name of Bank)
(b)	To record return of excess rehabilitation grant made to grantee.	1111	1502	Project Expenditures Account (Project No.) (Name of Bank) Rehabilitation Grant Payments
(c)	To record requisition for reimbursement of rehabilitation grants made by the IPA.	1125	2704	Rehabilitation Grants Due from Federal Government Rehabilitation Grant Reimbursement
(d)	To record receipt of grant reimbursement from Federal government	1113		Project Temporary Loan Repayment Fund (Project No.) (Name of Bank) Rehabilitation Grants Due from Federal Government
(e)	To record expenditure made by IPA for title reports, recordings, and revenue stamps in connection with the rehabilitation loan program	11400 11460.2	1112	Project Cost Control Undistributed Rehabilitation Costs Project Expenditures Account (Project No.) (Name of Bank)

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Trans- action Number	Description	Dr.	Cr.	Title of Account
(f)	To record reimbursement made to IPA for expenditures made in connection with the rehabilitation loan program.	1112	11400 11460.2	Project Expenditures Account (Project No.) (Name of Bank) Project Cost Control Undistributed Rehabilitation Costs
(g)	To record, as part of project cost, expenditures made for title reports for a canceled rehabilitation loan.	1160.1	1160.2	Rehabilitation and Conservation Undistributed Rehabilitation Costs
16.	Noncash Local Grants-in-Aid The IPA obtains HUD approval for inclusion in Gross Project Cost of an amount representing the cost to donor of demolition and removal work, project improvements, and the cash value of land or other facilities. Source: Journal Voucher or General Journal	11400 11480.01 to 11480.06		Project Cost Control (Applicable Noncash Local Grant-in-Aid Account Title) Noncash Local Grants-in-Aid
17.	Interest Accrual Interest on loans obtained from HUD or other sources is accrued quarterly and recorded currently.	11400 11420.013		Project Cost Control Interest to HUD, Temporary Loans

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Trans- action Number	Description	Dr	Cr.	Title of Account
17. (Cont)	Interim accruals of interest when repayment is made between accrual dates are similarly treated. Source: Journal Voucher or General Journal	1420.02	2131.03	Interest to Others Accrued Interest, Temporary Loans Payable
18.	Claims for Relocation Payments Claims for moving expenses and direct losses of property are paid in accordance with the Rules and Regulations Governing Relocation Payments under Section 106(f). Source: Cash Disbursements Journal	1501	1112	Accrued Interest, Other Notes and Loans Payable Relocation Payments Project Expenditures Account (Project No.) (Name of Bank)
19.	Relocation Grant Due Since relocation payments are reimbursable by the Federal government, an entry is made to record the amount of the relocation grant due the IPA based on the relocation payments made to site displacees. Source: Journal Voucher or General Journal	1121	2703	Relocation Grants Due from Federal Government Relocation Grant

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Transaction Number	Description	Dr.	Cr.	Title of Account
20.	Relocation Grant Received To record grant funds received from the Federal Government as reimbursement for relocation payments. Source: Cash Receipts Journal	1113	1121	Project Temporary Loan Repayment Fund (Project No.) (Name of Bank) Relocation Grants Due from Federal Government
21.	Project Capital Grant Progress Payment The LPA receives a project capital grant progress payment. Assuming there is a direct Federal loan outstanding, the grant payment will be applied by setoff against the loan, first to interest due the government to the date of setoff and then to the principal of the loan. Source: Journal Voucher or General Journal	2121.03 2131.03	2701	Temporary Loans Payable Accrued Interest, Temporary Loans Payable Project Capital Grant
22.	Real Estate Tax Payments To record the payment of real estate taxes or required payments in lieu of taxes. Source: Cash Disbursements Journal	1400 1448.03 1448.036	1112	Project Cost Control Operating Expenses Real Estate Tax Payments Project Expenditures Account (Project No.) (Name of Bank)

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Transaction Number	Description	Dr.	Cr.	Title of Account
23.	Tax Credit in Lieu of Payment To record tax credits Source: Journal Voucher or General Journal	1400 1448.03 1448.038		Project Cost Control Operating Expenses Charges in Lieu of Real Estate Taxes Cash Local Grants-in-Aid
24.	Adjustment of Taxes Upon Sale of Land The LPA pays taxes or required payments in lieu of taxes for the entire tax year to the taxing authority, and during the course of the year disposes of the property and collects from the purchaser at settlement a pro rata amount for the remainder of the tax year Source: Cash Receipts Journal	1112	1400 1448.03 1448.036	Project Expenditures Account (Project No.) (Name of Bank) Project Cost Control Operating Expenses Real Estate Tax Payments
25.	Sale of Project Land The LPA completes the sale of a portion of the land acquired and deposits the proceeds in the appropriate bank account, the selling costs having been disbursed from	1113	2401	Project Temporary Loan Repayment Fund (Project No.) (Name of Bank) Sales Price of Land Sold

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Trans- action Number	Description	Dr.	Cr.	Title of Account
25.	(Cont) project funds and charged to the applicable cost accounts. Source: Cash Receipts Journal			
26.	Land Retained The LPA has received HUD approval of the imputed value of land leased or retained for its own use. Source: Journal Voucher or General Journal	1124	2402 2403	Accounts Receivable--Other Imputed Capital Value of Land Leased Imputed Capital Value of Land Retained
27.	Definitive Loan Proceeds The LPA may obtain a definitive loan. The amount of the loan is set off by HUD against the interest and principal of the outstanding temporary loan. However, the amount of the definitive loan is not set up in the project records but is established in a separate set of records since in effect the LPA and not the project borrowed the money. Source: Journal Voucher or General Journal	2121.03 2131.03	1124	Temporary Loans Payable Accrued Interest, Temporary Loans Payable Accounts Receivable--Other

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Trans- action Number	Description	Dr.	Cr.	Title of Account
28.	Project Completion Form HUD-6204, Certificate of Completion and of Gross and Net Project Cost, is approved. The total capital grant due is determined and the amount of the final capital grant payment is set off against the outstanding temporary loan, if any, and the accrued interest thereon. Source: Journal Voucher or General Journal	2121.03 2131.03	2701	Temporary Loans Payable Accrued Interest, Temporary Loans Payable Project Capital Grant
29.	Pooling Credit Upon completion of the project and determination of Net Project Cost, it develops that the local grants-in-aid exceed that which the LPA is required to contribute to the project. (a) The excess amount of cash grants-in-aid is withdrawn by the IPA. Source: Cash Disbursements Journal	2620	1113	Cash Local Grants-in-Aid Project Temporary Loan Repayment Fund (Project No.) (Name of Bank)

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Trans- action Number	Description	Dr.	Cr.	Title of Account
(b)	The excess amount of cash grants-in-aid is treated as a pooling credit and as such is reclassified and recorded as a loan payable. Source: Voucher or General Journal	2620	2122	Cash Local Grants-in-Aid Other Notes and Loans Payable
(c)	The excess amount of cash grants-in-aid is treated as a pooling credit and transferred to another urban renewal project under the jurisdiction of the IPA. Source: Cash Disbursements Journal	2122	1113	Other Notes and Loans Payable Project Temporary Loan Repayment Fund (Project No.) (Name of Bank)
(d)	The excess amount of noncash grants-in-aid which is to be treated as a pooling credit is removed from project costs. The same amount should be recorded as a project cost in the records of the project to which the grant-in-aid is transferred. This illustration covers only the accounts of the project removing the grant-in-aid from its records. Source: Journal Voucher or General Journal	2621	1100 1180 (Applicable account thereunder)	Noncash Local Grants-in-Aid Project Cost Control Applicable Noncash Local Grant-in-Aid Account Title

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* TYPICAL TRANSACTIONS

Trans- action Number	Description	Dr.	Cr.	Title of Account
<u>TYPICAL TRANSACTIONS RELATING TO DEFINITIVE LOANS</u>				
30.	Lease Execution The lease agreement with a Redeveloper is effective when possession of the leasehold estate is vested in the Redeveloper.			
	To record the value of the Leased Land when possession of the leasehold estate is vested in the Redeveloper.	1124	2402	Accounts Receivable-Other Imputed Capital Value of Land Leased
31.	Lease Proceeds Payment of the annual rental, and public charges in addition to the annual rental, begin on the date possession of the leased premises is granted to the Redeveloper under the lease, and lease agreement may also provide for the payment of taxes and ground rent commencing on the date the lease is executed.			
	To record lease proceeds commencing on the date of execution.	1116	2200	Project Definitive Loan Repayment Fund Lease Proceeds Control
32.	Transfer of Funds-Reduction of Interest Cost to Project Funds in the Project Definitive Loan Repayment Fund shall be utilized on a timely basis (quarterly to coincide with interest accruals) to reimburse the Project			

* TYPICAL TRANSACTIONS

Trans- action Number	Description	Dr.	Cr.	Title of Account
	Expenditures Account in an amount equal to the interest on either or both Project Notes or Project Loan Notes (or Project Temporary Loan Notes or Preliminary Loan Notes) which it could not promptly discharge, as to principal amount, in whole or in part, solely because the Local Public Agency leased the Project Land rather than sold it for cash. If the contract does not provide for such usage of these funds the LPA shall request the HUD Regional Office to issue a waiver permitting such usage.			
	To record the transfer of funds from the Project Definitive Loan Repayment Fund to the Project Expenditures Account and appropriate credit to interest costs. This transfer will not be charged against loan availability.	1112	1116	Cash-Project Expenditures Account
		2200	1400	Lease Proceeds Control Cash-Project Definitive Loan Repayment Fund Project Cost Control (and appropriate 1420 account)
33.	Investment of Funds To record investing of funds belonging in the Project Definitive Loan Repayment Fund in short-term direct obligation of the Government, if in accordance with the Loan and Grant Contract provisions.	1302	1116	Investments-Lease Proceeds Cash-Project Definitive Loan Repayment Fund

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* TYPICAL TRANSACTIONS

Trans- action Number	Description	Dr.	Cr.	Title of Account
34.	Investment Income To record the proceeds and income resulting from investment of Project Definitive Loan Repayment Funds in short-term direct obligations of the Government.	1116	1302 2200	Cash-Project Definitive Loan Repayment Fund Investments-Lease Proceeds Lease Proceeds Control (with amount of income only)
35.	Administration Costs To record disbursements of funds to pay the costs of the authorization, issuance, and sale of any Project Loan Payment Obligations, such as printing costs, bond counsel fees, etc.	2200	1116	Lease Proceeds Control Cash-Project Definitive Loan Repayment Fund
36.	Utilization of remaining Lease Proceeds when the date of sale of the Definitive Loan Bonds has been established. When the date of sale of the Definitive Loan Bonds has been established, HUD will determine the amount required to provide debt service for one year or less on the bonds, and will require that any lease proceeds in excess of such amount be utilized to reduce the receivable which was established in the amount of the approved Imputed Capital Value of Land Leased.			

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- (a) To record the transfer of the amount reserved for debt service to the Bond Fund established by the Paying Agent pursuant to the terms of the Bond Indenture. The check drawn on the Project Definitive Loan Repayment Fund shall be made payable to the Paying Agent, specifically for deposit in the appropriate Bond Fund.
- (b) To record the disbursement made for the purpose of paying, in part, the outstanding short-term obligation, to reduce the amount of the receivable which was established in the amount of the approved Imputed Capital Value of Land Leased and to reimburse the Project Expenditures Account for the interest cost on the amount of the short-term obligation not yet discharged solely because the Local Public Agency leased project land rather than sold it for cash. The amount of the reimbursement shall be credited to interest costs and shall be in the amount of the accrual on the principal amount not yet discharged, from the date of the last quarterly credit to interest costs to the date of settlement (sale) of the Definitive Loan Bonds. (See transaction No. 32 for quarterly transfer.)
- (c) Payment of the total accrued interest on the short-term obligation will be paid from the Project Expenditures Account.

2200	Lease Proceeds Control
1116	Cash-Project Definitive Loan Repayment Fund
1112	Cash-Project Expenditures Account
2121.03	Temporary Loans Payable
2122	Other Notes and Loans Payable
2200	Lease Proceeds Control
1116	Cash-Project Definitive Loan
1124	Accounts Receivable-Other
1400	Project Cost Control (and appropriate 1420 account)

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*TYPICAL TRANSACTIONS

Transaction Number	Description	Dr.	Cr.	Title of Account
37.	Paying Balance of the Outstanding Short-Term Obligations and to Close out Accounts Receivable			
	The proceeds of the Project Loan Payment Obligations (or of the Definitive Loan Payment Obligations) shall be utilized for the purpose of paying in full the balance of the outstanding short-term obligation, and to concurrently close out the balance of the receivable which was established in the amount of the approved Imputed Capital Value of Land Leased. The accounting for the transactions occurring with and subsequent to the bond sale continues apart from the project. The Project Definitive Loan Obligation shall not be recorded on the books of the project.			
	To record proceeds of Project Loan Payment Obligation (or of Definitive Loan Payment Obligations).		2121.03	Temporary Loans Payable
			2122	or Other Notes and Loans Payable
			1124	Accounts Receivable- Other*

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CHAPTER 1. FINAL AUDITS

1. POLICY. HUD policy is that Independent Public Accountants (IPAs) will conduct final audits of all projects except those below. Final audits for these projects will be conducted by HUD auditors:
 - a. Projects under the jurisdiction of combined LPA-LHAs which have more than 5,000 public housing dwelling units under management;
 - b. Projects under the jurisdiction of LPAs having authorized cumulative amount of grants for all urban renewal related activities in excess of \$25 million;
 - c. Projects where the LPA has not as yet engaged an IPA and a final audit is needed to facilitate the closeout of the project;
 - d. Problem projects where for specific, significant reasons HUD determines that a HUD audit is advisable.
2. FINAL AUDITS BY INDEPENDENT PUBLIC ACCOUNTANTS. The provisions contained in 7217.1, Chapter 1, Section 1, paragraph 2 concerning the use of IPAs to conduct urban renewal program audits apply to final project audits as well as biennial audits of the LPA. When possible, final project audits should be conducted as part of the biennial LPA audit. If a final project audit needs to be made at a time other than when the normal biennial audit is conducted, the LPA, if it so desires, may engage the IPA who made the preceding biennial audit, without the necessity of obtaining proposals from other IPAs. However, HUD approval of the contract signed by the LPA and the IPA is required.
3. TIMING. The Area Office, in consultation with the LPA, shall determine when the project is prepared for a final audit. A project will be prepared for final audit when one of the following sets of criteria have been met:
 - a. CONVENTIONAL CLOSEOUT CRITERIA.
 - (1) All Item 1 project costs, exclusive of interest and disputed, contingent, or unliquidated items, are determinable.
 - (2) Land disposition has been completed.
 - (3) All noncash local grants-in-aid for which costs are to be approved on the basis of actual costs have been provided, and the LPA has submitted Form HUD-6202, Certificate of

Cost of Noncash Local Grant-in-Aid, for each completed noncash local grant-in-aid. Form HUD-6202 shall not be submitted for grants-in-aid computed on the basis of estimated costs until the field work on the final audit has been completed. (see RHA 7216.1, Local Grants-in-Aid, Chapter 2, Section 6.)

- (4) The LPA shall have submitted a new Form HUD-6202 requesting a revised certification for a grant-in-aid covered by a previously approved Form HUD-6202, if such a revision is required by RHA 7216.1, Local Grants-in-Aid, Chapter 2, Section 6.
- (5) If the project involves rehabilitation:
 - (a) Improvement of individual properties to Property Rehabilitation Standards has been completed on approximately 75 percent of the properties to be retained.
 - (b) Improvement or repair work necessary to achieve minimum code requirements has been completed on approximately 95 percent of the individual properties to be retained.
 - (c) Every possible effort is being made to eliminate deficiencies on the remaining properties.
- b. EARLY CLOSEOUT CRITERIA. See 7222.2, Early Closeout of Urban Renewal Projects.
- c. ALTERNATE CLOSEOUT CRITERIA. Under certain circumstances, criteria contained in paragraphs 3a or 3b may be modified by HUD in order to achieve program management objectives. In these cases, the Area Office will advise the LPA of such modifications.

CHAPTER 2. FINANCIAL SETTLEMENT

1. PREPARATORY STEPS.a. The LPA shall submit financial settlement documents after:

- (1) All questions on the final audit have been acted upon and a final determination has been made by HUD.
- (2) A Form HUD-6202, Certificate of Cost of Noncash Local Grant-in-Aid, has been approved for each grant-in-aid to be certified on the basis of estimated costs (see 7216.1, Local Grants-in-Aid, Chapter 2, Section 6).

2. PREPARATION OF FORM HUD-6204, CERTIFICATE OF COMPLETION AND OF GROSS AND NET PROJECT COST.a. In preparation of Form HUD-6204, Certificate of Completion and of Gross and Net Project Cost, the estimated settlement date shall be approximately 90 days after the filing of the form. A final settlement date within this 90-day period will be established by HUD, which will adjust estimated interest costs accordingly. The only costs not included in the final audit which will be eligible are:

- (1) Interest accruing to the date of final settlement.
- (2) Estimated costs of noncash grants-in-aid approved by HUD.
- (3) Those costs approved by HUD at settlement as reasonable costs for the work required after completion of the audit, provided the costs are actually paid prior to settlement.

3. SUBMISSION OF DOCUMENTS. The LPA shall submit the following financial settlement documents to the Regional Office:

- a. Form HUD-6204, Certificate of Completion and of Gross and Net Project Cost, in an original and four copies.
- * b. Form HUD-259, Requisition for Capital Grant Payment, in an original and three copies. *
- c. If the project involves rehabilitation, statement demonstrating that the requirements in 7222.1, Project Completion, Chapter 1, have been met (original and three copies).

CHAPTER 2

- d. If an additional grant will be required, Amendatory Loan and Grant Application on Form HUD-612. It will not be necessary to submit a revised Form HUD-6200 or HUD-6220 or supporting narrative statements.
4. HUD ACTION.
 - a. Upon approval of the Certificate of Completion, HUD will notify the LPA of the settlement date and of the instructions for settlement. If a deficiency cash local grant-in-aid is necessary, or if other resources are required for the retirement of outstanding project debt, these must be provided prior to final capital grant payment.

CHAPTER 3 - EARLY CLOSEOUT

1. APPLICABILITY. LPA's are encouraged to initiate requests for early closeout of urban renewal projects for which the appropriate HUD field office determines that:
 - a. The LPA does not expect to be able in the reasonably near future, due to circumstances beyond its control, to dispose of the remaining unsold project land.
 - b. All other project activities are completed except noncash local grant-in-aid activities designated in the third proviso to Section 110(d) under the conditions specified therein.
 - c. A closeout of the urban renewal project would be in the financial interest of the Federal Government.

2. DETERMINATION THAT EARLY CLOSEOUT IS IN THE FINANCIAL INTEREST OF FEDERAL GOVERNMENT. A determination that early closeout of an urban renewal project is in the financial interest of the Federal Government must be based upon the following test unless the Regional Administrator authorizes the substitution of other criteria.
 - a. Estimate the number of years that it will take to sell the remaining unsold land by dividing the average acreage sold each year over the past 3-year period into the total remaining unsold acreage.
 - b. Estimate the total cost of operating the project, including administrative and interest costs, for the number of years estimated in subparagraph 2a above. This estimate shall be obtained by multiplying this number of years by the average annual operating expenses for the past 2 - or 3 - year period.
 - c. If the estimated Federal share of future operating expenses, as identified above, exceeds the current fair reuse value of the unsold project land, the project meets the financial test.

- d. If the Regional Administrator authorizes the substitution of criteria other than the strict test described above, he shall take into account the factors in that test and all other appropriate financial factors, including expected proceeds from sale of land to be paid to the United States Treasury, the administrative cost to HUD and the city of keeping a project open unnecessarily, and the offsetting factor of the interest cost which the Federal Government must pay to finance the early closeout grant until the expected proceeds from land sales are received. If the Regional Administrator authorizes the use of substitute criteria he must have on file adequate documentation (with concurrence of Regional Counsel) to justify his judgment that such action would, in fact, be in the financial interest of the United States Government.

3. REQUEST FOR EARLY CLOSEOUT GRANT AND INCREASED CAPITAL GRANT. To arrange for the early closeout of an urban renewal project, an LPA should contact the appropriate HUD Field Office for instructions on required LPA actions.

- a. Priorities. HUD will give priority to the execution of a loan and grant contract amendment, with appropriate funding required, to accomplish early closeout.
- b. Early Closeout Grant. To facilitate early closeout, an LPA may request HUD to provide, for deposit into the Project Temporary Loan Repayment Fund, an early closeout grant in addition to the capital grant otherwise payable. The early closeout grant will be equal to one-third (or one-fourth in the case of projects funded on the three-fourths capital grant basis) of the estimated disposition proceeds of such land as accepted by HUD. After the early closeout grant is made, the outstanding loans are repaid and all other obligations are satisfied, the project can be closed out.
- c. Additional Capital Grant. To pay the remaining two-thirds (or three-fourths as the case may be) of the estimated disposition proceeds of the unsold land, an LPA may request HUD to provide an additional capital grant to be calculated as follows:
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- (1) Compute net project cost after excluding the estimated disposal proceeds for the unsold land.
- (2) Calculate the capital grant as two-thirds (or three-fourths as the case may be) of this increased net project cost.

(For an example of grant calculations see appendix 1).

4. EARLY CLOSEOUT REQUIREMENTS. The following considerations are applicable to the early closeout procedure. All obligations of the LPA must be established in writing, prior to HUD action to close out the project or to make an early closeout grant.

- a. The LPA or its successor must take title to remaining land and dispose of it as rapidly as is possible under the circumstances. The governing body of the LPA or its successor shall agree by resolution or other appropriate instrument to pursue a postcloseout marketing program which provides for:
 - (1) Semiannual onsite review with HUD field office personnel of the remaining unsold land.
 - (2) Submission of a semiannual report which shall identify by reuse:
 - (a) All parcels conveyed and prices received during the reporting period.
 - (b) All parcels under contract of sale and the contract price.
 - (c) All parcels not yet sold with an estimate of value for each.

- (3) The steps to be taken during the next 6-month period to dispose of any remaining land and to overcome any obstacles that exist.
 - (4) Maintenance of property in presentable condition to promote its sale. HUD concurrence in all interim uses of the property is required.
 - (5) Disposal of all remaining land in accordance with outstanding HUD land marketing requirements in effect during the period in which any sales are made.
 - (6) Appointment of an individual by name and function who shall have the responsibility to:
 - (a) Supervise the disposal of the land.
 - (b) Maintain all records related thereto.
 - (c) Be familiar with the appropriate operating requirements of HUD as exist from time to time.
- b. The LPA or its successor shall pay to HUD all of the net sales proceeds (including the capital value of land disposed of by long-term lease) remaining after deduction of expenses normally eligible in disposing of land in active urban renewal projects. Such expenses include sales commissions, advertising expenses, marketing consultants' fees and costs to maintain property in presentable condition to promote its sale. (The LPA must be able to pay all sales expenses from local funds until disposition proceeds are received from HUD, at which time the LPA may charge eligible expenses against such disposal proceeds. Current and prior disposal expenses, as well as anticipated future disposal expenses may be eligible).
- c. All Item I project improvements for the urban renewal project must be completed or be under a contract or work order. The LPA or its successor shall accept responsibility for any increases in fees or the cost of such improvements, above the amounts upon which the early closeout is based. An amendment to transfer Item I project improvements to Item 2, for the purposes of an early closeout, must receive prior HUD
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concurrence.

- d. Wherever possible, the applicable city government shall be made a party to the agreement specifying LPA obligations.
- e. The LPA must comply with the statutory requirements of Section 106(i) of the Housing Act of 1949, as amended, to HUD's satisfaction, by providing reasonable assurances that any noncash local grant-in-aid work remaining to be done will be completed by the providing entity. Failure to provide the noncash work, as indicated by the assurances, shall be grounds for reopening the project and recomputing the actual activities completed during the postcloseout life.
- f. After project closeout, HUD approval is required prior to the disposition of any land or any changes to the urban renewal plan.

RENEWAL PLAN - RHA 7224

RHA 7225

AIR RIGHTS PROJECT

CONSENT

FEASIBILITY SURVEY
RHA 7223

Office Memorandum
Date: 1/10/50
To: Mr. Tolson
From: Mr. [Name]

Reference is made to the report of the [Name] dated [Date] regarding the [Subject].

The [Name] has advised that [Name] has been [Action] and that [Name] has been [Action]. It is noted that [Name] has been [Action] and that [Name] has been [Action].

Very truly yours,
[Signature]

APPENDIX 1. SAMPLE CALCULATIONS FOR
AMENDATORY LOAN AND GRANT APPLICATION TO
PERMIT EARLY CLOSEOUT¹

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Item	Currently Approved Financing Plan	Recomputed Financing Plan ¹
<u>1. Calculation of Federal Grant</u>		
Item I (Cash)	\$11,600,000	\$11,600,000
Item II (Noncash)	1,000,000	1,000,000
Gross project cost	<u>12,600,000</u>	<u>12,600,000</u>
Land proceeds	<u>3,600,000</u>	<u>3,000,000</u>
Net project cost	9,000,000	9,600,000
 Local grant-in-aid		
Total	<u>3,000,000</u>	<u>3,000,000</u> ²
Noncash	1,000,000	1,000,000
Cash	2,000,000	2,000,000
 Federal capital grant		
	\$ 6,000,000	\$ 6,400,000
 <u>2. Calculation of Loan</u>		
Item I expenditures	\$11,600,000	\$11,600,000
Deduct local cash amount of loan	<u>2,000,000</u>	<u>2,000,000</u>
	<u>\$ 9,600,000</u>	<u>\$ 9,600,000</u>

¹ Calculations based upon early closeout of project with unsold land having a fair reuse value of \$600,000.

² Local grant-in-aid cannot be increased.

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CHAPTER 3, APPENDIX 1

Item	Currently Approved Financing Plan	Recomputed ¹ Financing Plan
<u>3. Calculation of Early Closeout Grant and Repayment of Loan</u>		
Land proceeds	\$ 3,600,000	\$ 3,000,000
Federal capital grant	6,000,000	6,400,000
Early closeout grant (1/3 of un-sold land value)	- 0 -	200,000
Total repayment	<u>\$ 9,600,000</u>	<u>\$ 9,600,000</u>

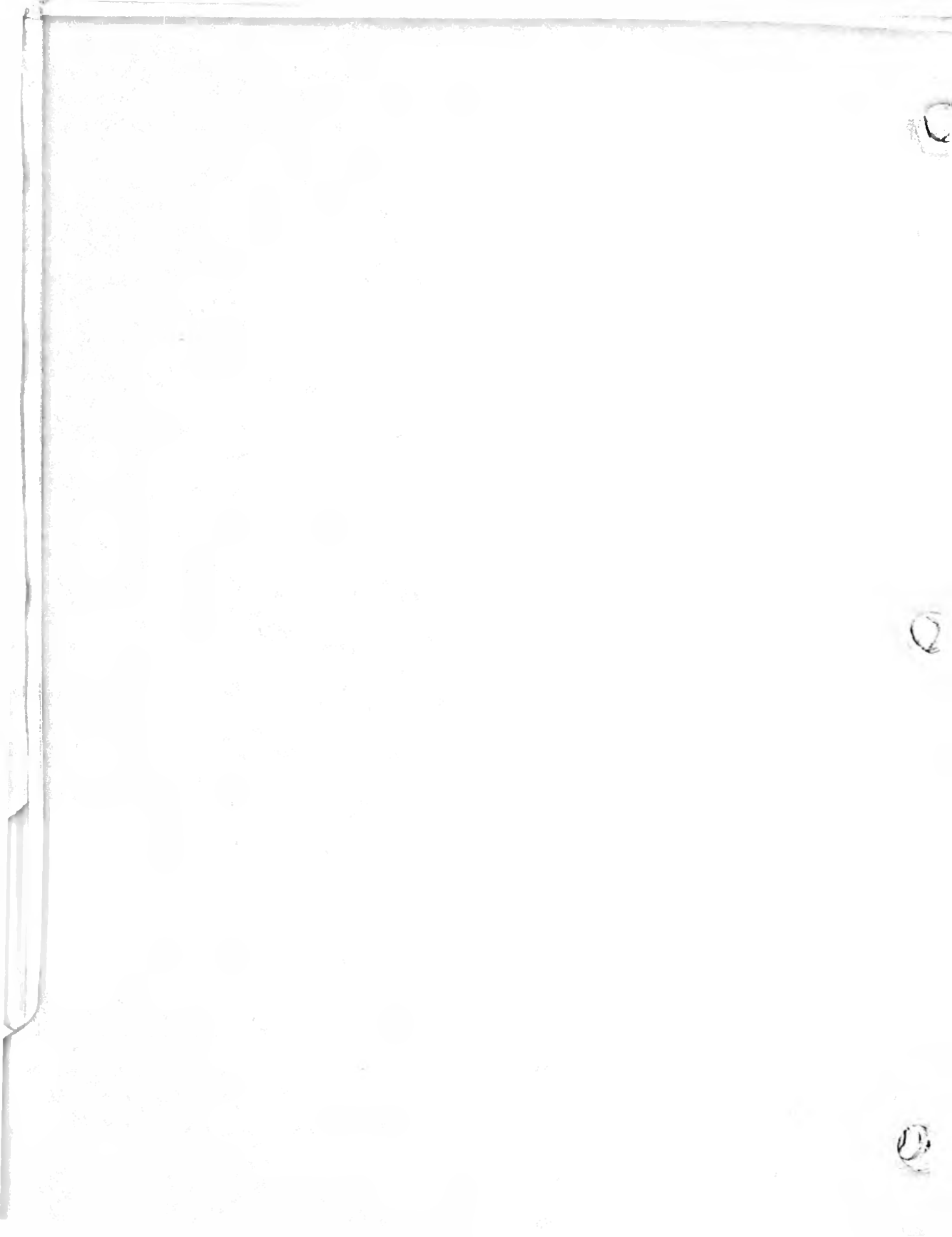
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OTHER RENEWAL ASSISTANCE--FEASIBILITY SURVEY
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CHAPTER 1. POLICIES AND REQUIREMENTS

An LPA may be authorized to undertake a Feasibility Survey when serious questions exist as to whether a contemplated urban renewal project can reasonably be expected to be planned and carried out. Such questions might involve adequacy of existing legal powers, feasibility of necessary relocation, type or size of project the locality can financially support, or whether land to be acquired can be disposed of in a reasonable time.

In most instances, however, such a survey is unnecessary, and the LPA shall discuss the need for a survey with the Regional Office before submitting an application.

Survey activities are not a substitute for general planning activities. The Feasibility Survey Application will establish that the activities will not include any general planning functions (see 7223.1, Feasibility Survey, Chapter 2, Section 1, Checklist Code No. FS 123). The only survey activities for which Federal financial assistance will be approved are those designed to answer the specific, special problems that necessitated the Feasibility Survey.

The requirements regarding a currently certified Workable Program set forth in 7204.1, Community Requirements, must be met before a Feasibility Survey Application will be accepted for processing by HUD.

SURVEY AREA ELIGIBILITY CRITERIA

The Feasibility Survey area:

- (1) Must be an area that appears to be eligible as an urban renewal project. (See 7205.1, General Eligibility Requirements, Chapter 2.)
- (2) Must be an urban area in which the LPA proposes to initiate an urban renewal project promptly if the survey indicates a project is feasible.
- (3) Must be one which must be surveyed in its entirety in order to answer the questions giving rise to the survey.

Relation to National Goals and Urban Renewal Priorities

A Feasibility Survey Application will be evaluated on the basis of whether the contemplated project will meet the national goals criteria. (See 7202.1, Program Policies and Directions, Chapter 1, Section 1.)

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OTHER RENEWAL ASSISTANCE--FEASIBILITY SURVEY
CHAPTER 1

RELATION TO URBAN RENEWAL PROJECTS

Since Feasibility Survey activities are separate from survey and planning activities for an urban renewal project, advances will be made under separate contracts. There is no Federal obligation to enter into subsequent contracts for projects, and approval of the survey does not imply Federal recognition of local undertakings as noncash local grants-in-aid for a project subsequently undertaken in the area.

Land Acquisition Policy Statement

The LPA shall satisfy HUD that it will follow certain prescribed policies in any acquisition of real property by eminent domain. (See 7208.1, Real Estate Acquisition, Chapter 4, Section 2.)

FEASIBILITY SURVEY REPORT

Upon completion of the survey, the LPA shall submit to the Regional Office a Feasibility Survey Report (see 7223.1, Other Renewal Assistance--Feasibility Survey, Chapter 2, Section 2).

CHAPTER 2. SUBMISSION REQUIREMENTS

SECTION 1. FEASIBILITY SURVEY APPLICATION

1. EXPENSES FOR PREPARATION OF FEASIBILITY SURVEY APPLICATION.
Expenditures for work in preparing a Feasibility Survey Application cannot be defrayed from Federal advances and are not eligible for inclusion in Gross Project Cost.
2. SUBMISSION OF DOCUMENTATION.
 - a. The application shall be submitted in four binders.
 - b. The following Checklist for Feasibility Survey Application contains a code number for each document to be submitted and a description of the document. Code numbers shall be placed in the lower right-hand corner of the corresponding documents.
 - c. Within each binder, documents shall be arranged in the order of their code numbers. The original of each document shall be placed in Binder No. 1 and one copy of each document in the other binders. One additional copy of the locality map (Code No. FS-111) and two additional copies of Form HUD-627, Survey and Planning Budget (Code No. FS-131) shall be placed in Binder No. 1.
 - d. The following information shall appear on the front cover of each binder and, in addition to the code number, on any document submitted separately:
 - (1) Name of LPA.
 - (2) Name of locality in which the Survey Area is located.
 - (3) Name of Survey area.
 - (4) The title "Feasibility Survey Application."
 - (5) Copy number of binder, e.g., "Binder No. 2."
 - (6) Date of application.

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OTHER RENEWAL ASSISTANCE--FEASIBILITY SURVEY
CHAPTER 2 SECTION 13. CHECKLIST FOR FEASIBILITY SURVEY APPLICATION.

Application Code No.	Item to be Submitted
	<u>Feasibility Survey Area Information</u>
FS-101	<u>Form HUD-6100, Survey and Planning Application. (See RHM 7206.1, Project Applications, Chapter 1, Section 1.)</u>
FS-102	<u>Statement explaining basis for selection of Survey area, and relationship to national goals. (See RHM 7202.1, Program Policies and Directions, Chapter 1, Section 1 and RHM 7223.1, Other Renewal Assistance--Feasibility Survey.)</u>
FS-103	<u>Statement indicating when LPA proposes to initiate an urban renewal project in Survey area. (See RHM 7223.1, Other Renewal Assistance--Feasibility Survey, Chapter 1.)</u>
FS-104	<u>If LPA is not the locality, statement by chief executive of locality that he knows of LPA's intention to initiate an urban renewal project in the area and supports submission of Feasibility Survey Application.</u>
	<u>Map</u>
FS-111	<u>Map of locality, using existing maps, identifying:</u> <ol style="list-style-type: none"> a. City limits. b. Boundaries of Survey area. c. Location of urban renewal activities and nonassisted projects. d. In that part of the locality in which the Survey area is located, major thoroughfares, identifying whether in existence, being constructed, being planned, or contemplated. Indicate whether Federal aid is being or will be received for planning or construction.

OTHER RENEWAL ASSISTANCE--FEASIBILITY SURVEY
CHAPTER 2 SECTION 1

Application Code No.	Item To Be Submitted
	<u>Description of Survey Work</u>
FS-121	<u>Description of specific, special problems warranting the Survey.</u> (See RHM 7223.1, Other Renewal Assistance--Feasibility Survey, Chapter 1)
FS-122	<u>Description, in sufficient detail to support budget estimates, of individual work items that will produce answers to problems described under Code No. FS-121.</u> (See RHM 7223.1, Other Renewal Assistance--Feasibility Survey, Chapter 1.)
FS-123	<u>Basis for conclusion that proposed Survey activities will not include any general planning functions.</u> (See RHM 7223.1, Other Renewal Assistance--Feasibility Survey, Chapter 1.)
	<u>Budget Data</u>
FS-131	<u>Form HUD-627, Survey and Planning Budget.</u> Enter all administrative costs on line 1. Enter all Survey activities to be performed by third-party contract on line 2. Leave lines 3 and 4 blank. Enter an amount for contingencies only on line 6. Leave line 8 blank. (See RHM 7218.1, Budgets and Budget Reports, Chapter 1.)
FS-133	<u>Narrative statement explaining and justifying estimated costs shown on Form HUD-627, lines 1 and 2.</u> Include basis for any proration of cost estimates between other projects or programs and basis of total cost estimate prorated. (See RHM 7218.1, Budgets and Budget Reports, Chapter 1.)
	<u>Legal Data</u>
FS-141	Resolution of governing body of LPA authorizing filing of Application and indicating its intent to undertake an urban renewal project upon a finding of feasibility. (See RHM 7223.1, Other Renewal Assistance--Feasibility Survey, Chapter 2, Section 1, Appendix 1.)

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FIN. PLAN. SECTION

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OTHER RENEWAL ASSISTANCE--FEASIBILITY SURVEY
 CHAPTER 2 SECTION 1

Application Code No.	Item To Be Submitted
FS-142	<p>If following have not previously been submitted in connection with Form HUD-6103, Legal Information, or otherwise, or have changed since last previous submission (see RHM 7206.1, Project Applications, Chapter 1, Section 1):</p> <ul style="list-style-type: none"> a. Opinion of LPA counsel: <ul style="list-style-type: none"> (1) Establishing that LPA is a validly created governmental entity or public body. (2) Describing State and local law bearing on authority of LPA to undertake an urban renewal project. b. Documentation in support of counsel's opinion.

OTHER RENEWAL ASSISTANCE--FEASIBILITY SURVEY
CHAPTER 2 SECTION 1 APPENDIX 1APPENDIX 1 - SUGGESTED FORM OF RESOLUTION OF APPLICANT AUTHORIZING
FILING OF FEASIBILITY SURVEY APPLICATION

(INSTRUCTIONS: Submit in four certified copies to HUD. A signed Certificate of Recording Officer is to be attached to each copy of resolution.)

WHEREAS, under Title I of the Housing Act of 1949, as amended, the Secretary of Housing and Urban Development is authorized to extend financial assistance to local public agencies for surveys of urban areas to determine whether the undertaking of urban renewal projects therein may be feasible; and

WHEREAS Title VI of the Civil Rights Act of 1964 prohibits discrimination on the basis of race, color or national origin under any program or activity receiving Federal financial assistance and Executive Order 11063 prohibits discrimination on basis of race, color, creed or national origin in sale, lease or other disposition of residential property (including land intended for residential use) or in the use or occupancy thereof, and

WHEREAS it is desirable and in the public interest that the (Name of Applicant) conduct such a survey in the urban area situated in the City of _____, County of _____, and State of _____, and generally described as follows: (Insert general description of proposed urban area. This may be given by streets, alleys, railroads, etc., and need not be by metes and bounds); and

WHEREAS the (Name of Applicant) intends to initiate the planning of an urban renewal project in the said urban area after the aforementioned survey, provided that the undertaking of an urban renewal project therein is deemed feasible; and

WHEREAS the (Governing Body of Applicant) is cognizant of the conditions that are imposed in the undertaking and carrying out of urban renewal projects with Federal financial assistance under Title I, including the requirements that the locality present to the Secretary of Housing and Urban Development, as a prerequisite to approval of the application described below, a Workable Program for Community Improvement, as set forth in Section 101(c) of Title I, for utilizing appropriate public and private resources to eliminate and prevent the development or spread of slums and urban blight:

NOW, THEREFORE, BE IT RESOLVED BY THE (GOVERNING BODY OF APPLICANT) OF THE (NAME OF APPLICANT):

1. That the undertaking by the (Name of Applicant) of a survey in said urban area to determine whether the undertaking of an urban

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OTHER RENEWAL ASSISTANCE--FEASIBILITY SURVEY
CHAPTER 2 SECTION 1 APPENDIX 1

renewal project therein may be feasible is hereby approved.

2. That the financial assistance provided under Section 102 of the Housing Act of 1949, as amended, is necessary to enable the (Name of Applicant) to finance such a survey.

3. That the United States of America and the Secretary of Housing and Urban Development be, and they hereby are, assured of full compliance by the (Name of Applicant) with regulations of the Department of Housing and Urban Development effectuating Title VI of the Civil Rights Act of 1964.

4. That the filing of an application by the (Name of Applicant) for an advance of funds from the United States of America¹ in an amount not to exceed \$ _____ for conducting such a survey in said urban area is hereby approved and that the (Title of Applicant's Official) is hereby authorized and directed to execute and file such application with the Secretary of Housing and Urban Development, to provide such additional information and to furnish such documents as may be required by said Secretary, and to act as the authorized representative of the (Name of Applicant).

¹If application is for approval to incur costs for undertaking a survey with non-Federal funds, insert in lieu of this language the following: "for approval by the United States of America to incur costs."

CHAPTER 2. SUBMISSION REQUIREMENTS

SECTION 2. FEASIBILITY SURVEY REPORT

Upon completion of the Feasibility Survey activities, the LPA shall submit to the Regional Office four copies of the Feasibility Survey Report. The report shall contain:

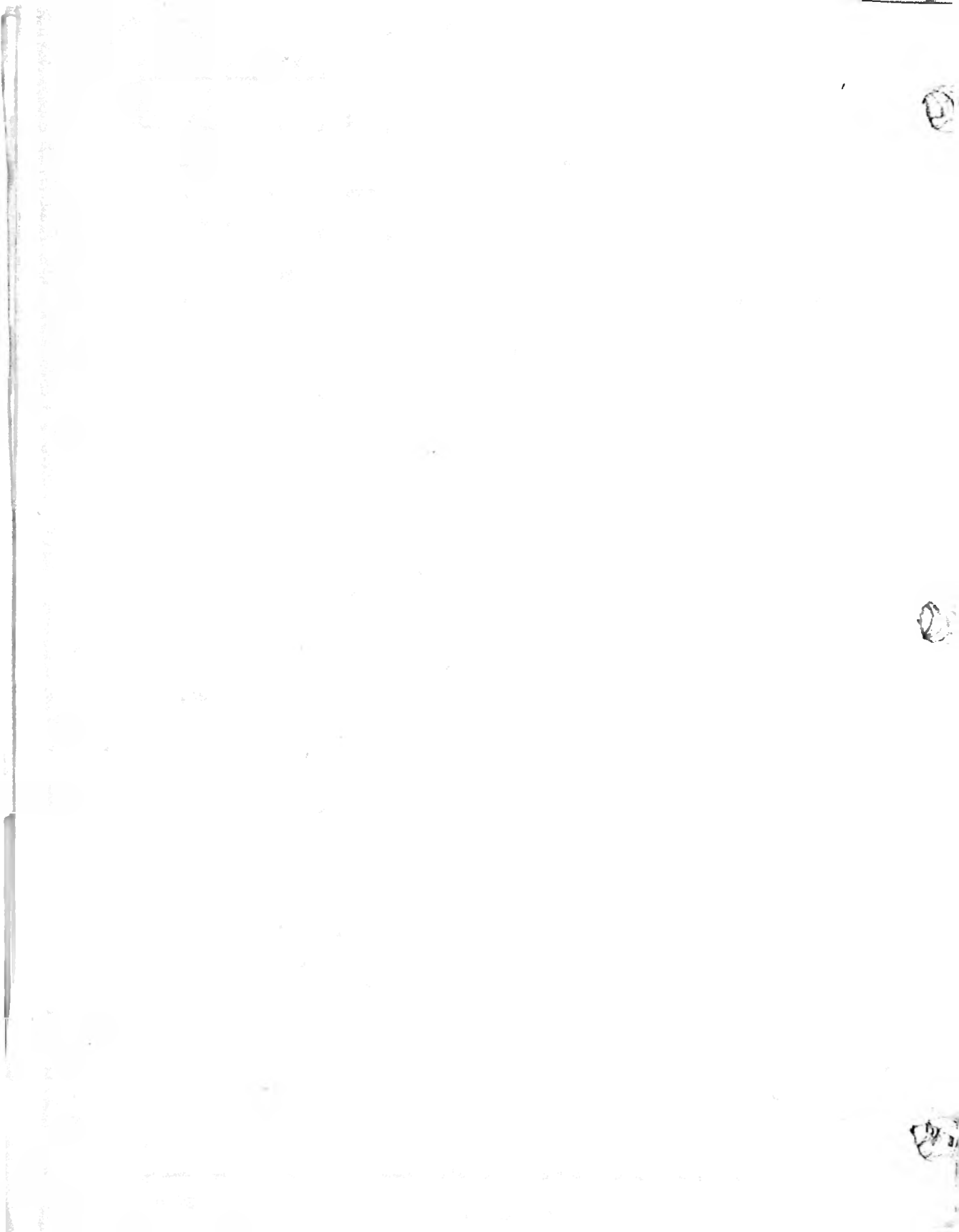
- (1) Summary of the data and information gathered.
- (2) Analysis of the data and information.
- (3) Conclusions regarding the questions which gave rise to the survey.

GENERAL NEIGHBORHOOD
RENEWAL PLAN - RHA 7224

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LETTER OF CONSENT



CHAPTER 3. FINANCING AND ADMINISTRATION

The Contract for Feasibility Survey Advance will require that the Federal funds be repaid with interest out of any funds which become available to the LPA for the first urban renewal project in the Survey area.

Approved Survey costs will be included in the Gross Project Cost of the first project undertaken in the Feasibility Survey area.

If the first urban renewal project to be undertaken within a Feasibility Survey area is on a three-fourths capital grant basis with limited project costs, a Contract for Loan and Grant will not be authorized until any outstanding Federal advance made in connection with the Feasibility Survey area is repaid with accrued interest.

REQUISITIONS FOR ADVANCE PAYMENTS

The procedure for obtaining advance payments under the Contract for Feasibility Survey Advance is contained in 7215.1, Financing and Financial Reports, Chapter 2, Section 1.

FINAL AUDIT AND COMPLETION OF SURVEY ACTIVITIES

When the Regional Office approves the Feasibility Survey Report, it will arrange for a final audit of Feasibility Survey activities.

Upon notification by the Regional Office of approval of the Report, the LPA shall:

- (1) Stop all expenses the payment of which is dependent upon Federal funds advanced for Feasibility Survey purposes, other than those expenses necessary to carry out any instructions issued by the Regional Office.
- (2) If an urban renewal project is not feasible, dispose of all personal property charged to Survey cost accounts in accordance with 7217.1, LPA Administration, Chapter 1, Section 7, and, if the LPA has no other urban renewal activities in progress, cancel all insurance and bonding coverages. Deposit any proceeds from these actions into the Feasibility Survey cash account.
- (3) Close out and transfer Survey cost accounts in accordance with 7221.1, Accounting, Chapter 1, Section 1.

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CHAPTER 3

- (4) Remit to the Regional Office any unobligated balance remaining in the Feasibility Survey cash account after providing for payment of expenses incurred in carrying out any Regional Office instructions. The remittance shall be in the form of a check or money order payable to "Department of Housing and Urban Development-OS."

APPLICABILITY OF OTHER HANDBOOK REQUIREMENTS

In addition to carrying out the Feasibility Survey activities in accordance with the requirements described herein, the LPA shall comply with the requirements in the following portions of this Urban Renewal Handbook:

- 7217.1, LPA Administration
- 7218.1, Budgets and Budget Reports
- 7221.1, Accounting

GENERAL NEIGHBORHOOD
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DISASTER PROJECT
RHA 7215

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ONSIGHT

PART V I AM...



CHAPTER 1. POLICIES AND REQUIREMENTS

DESCRIPTION AND OBJECTIVE

HUD provides advances of funds for the preparation of a General Neighborhood Renewal Plan (GNRP) for an area consisting of an urban renewal area or areas, together with any adjoining areas having specially related problems. The General Neighborhood Renewal Area must be of such size that urban renewal activities in the area or areas may have to be initiated and carried out in stages, consistent with the capacity and resources of the LPA.

The objective of general neighborhood renewal planning is the preparation of a development plan for a subarea of the locality, which is defined as a General Neighborhood Renewal Area (GNR Area), and the programming of urban renewal activities for the subarea, or some of its parts when, in the interest of sound community planning, it is desirable that the proposed urban renewal activities be planned for the GNR Area in its entirety.

General neighborhood renewal planning is a technique to plan and phase urban renewal activities in areas which are too large for a single urban renewal project and considerably smaller than an entire community. General neighborhood renewal planning may not be used to accomplish either detailed planning for an individual urban renewal project or general planning or Community Renewal Program planning activities of an entire community.

A GNRP is a preliminary plan which outlines the urban renewal activities proposed for the GNR Area, provides a framework for the preparation of Urban Renewal Plans, and indicates generally the land uses, population density, building coverage, prospective requirements for rehabilitation and improvement of property, and any portions of the area contemplated for clearance and redevelopment.

It is expected that localities will complete preparation of a GNRP within a 2-year period. There may be legitimate reasons for a locality's inability to meet this goal, but it is expected that preparation of a GNRP will not require more than 3 years. Therefore, HUD will continuously evaluate each GNRP in planning. When GNRP preparation reaches 36 months and the GNRP has not been approved by the local governing body and an acceptable Survey and Planning Application has not been submitted to HUD, the grant reservation will expire. Where the circumstances warrant, the LPA will be allowed to complete the preparation of the GNRP. (See 7202.1, Program Policies and Directions, Chapter 1, Section 3.)

A GNRP should not be undertaken unless the LPA has feasible plans to carry out and substantially complete urban renewal activities in the area within a reasonable period of time. All urban renewal activities should be initiated over a period of not more than 8 years after HUD approval of the GNRP.

If the urban renewal activities for the area involved are expected to be carried out within a relatively short time, the LPA should file a Survey and Planning Application for an urban renewal project. If, however, it is contemplated that the urban renewal activities will be undertaken in stages over a longer period, the LPA may file a GNRP Application.

RELATION TO GENERAL PLAN AND WORKABLE PROGRAM FOR COMMUNITY IMPROVEMENT

The GNRP must conform to the general plan of the locality as a whole and to the Workable Program for Community Improvement. See 7204.1, Community Requirements, Chapters 1 and 2, for the Workable Program and general plan requirements for a GNRP Application.

RELATION TO NATIONAL GOALS AND URBAN RENEWAL PRIORITIES

A GNRP Application will be evaluated on the basis of the contribution of the contemplated first project in the proposed GNR Area to the national goals (see 7202.1, Program Policies and Directions, Chapter 1, Section 1).

PROJECT INFORMATION IN APPLICATION

The GNRP Application (see 7224.1, Other Renewal Assistance--GNRP, Chapter 2, Section 1) shall include a tentative program for phasing of the urban renewal activities to be undertaken within the Area. The phasing may be expressed in terms such as a financial program for urban renewal activities.

The LPA must represent that it will undertake an urban renewal project embracing at least 10 percent of the urban renewal area or areas within the GNR Area promptly upon completion of the GNRP and of the Urban Renewal Plan for the project. Federal approval to prepare the GNRP will not cover the detailed survey and planning activities for this first project. Instead, the latter will be covered by a separate Federal approval following submission of the regular Survey and Planning Application. However, the GNRP Application shall include an estimate of the amount of capital grant funds needed for the first project.

Since capital grants for nonresidential exception projects, air rights projects, and area redevelopment exception projects have statutory limitations, the LPA shall indicate in the application if it expects the first project in the GNR Area to come under one of these exceptions.

Land Acquisition Policy Statement

The LPA shall satisfy HUD that it will follow certain prescribed policies in any acquisition of real property by eminent domain. (See 7208.1, Real Estate Acquisition, Chapter 4, Section 2.)

ELIGIBILITY AND DELINEATION OF AREA

The area for which a GNRP is to be prepared must consist primarily of an area or areas which qualify as an eligible urban renewal area or areas. It may also include adjoining areas having specially related problems or other subareas in which urban renewal project action is not contemplated or which, in themselves, do not meet the eligibility requirements for urban renewal areas. Inclusion of all such subareas must be shown to be clearly necessary for the proper planning and development of the GNR Area in its entirety.

The area must be:

- (1) Delineated to:
 - (a) Provide reasonable protection against blighting influences outside its boundaries or be immediately adjacent to an otherwise stable neighborhood.
 - (b) Have logical boundaries, such as major streets; natural or artificial features such as streams, railroads, shoreline, or major breaks in grade; or lines of demarcation between major land use areas, or those established as boundaries of residential neighborhoods identified in the general plan.
- (2) Of such size that:
 - (a) Urban renewal activities therein may have to be carried out in stages.
 - (b) Local resources expected to be available will enable urban renewal activities to be initiated over an estimated period of not more than 8 years.

- (c) Proposed urban renewal activities can be planned for the GNR Area in its entirety.

The LPA shall be deemed to have initiated all urban renewal activities in a GNR Area when a Survey and Planning Application for each of the projects in the area has been approved by HUD.

URBAN RENEWAL PROJECTS IN GNR AREAS

No area shall be included in a GNR Area if (1) it is the site of an urban renewal project in execution or for which a Part I Loan and Grant Application has been filed, or (2) the policy stated below concerning projects already in planning requires exclusion of the area.

For any project area which has been excluded for the foregoing reasons, close coordination shall be effected between the preparation of the GNRP and the Urban Renewal Plan for the project area.

Project in Planning Before GNRP Application

The LPA shall avoid the initiation of planning of urban renewal projects within an area for which it expects to file a GNRP Application. However, if planning of such projects has been initiated before the filing of a GNRP Application, the following policies shall apply.

A project in the planning stage may be incorporated into a GNR Area, provided that the Urban Renewal Plan for the project will be completed after the approval of the GNRP and will conform to the GNRP.

The project planning activities shall be changed through budget revision or otherwise, since project planning must respond to, rather than determine, the GNRP decisions.

If these requirements would unreasonably delay progress of the urban renewal project, the project area shall not be included in the GNR Area.

Initiation of Project After GNRP Application

In an area for which a GNRP is under preparation and in which no other urban renewal project is in planning, HUD will consider approval of only one Survey and Planning Application for a particular urban renewal project before approval of the GNRP. Preparation of the GNRP must have progressed sufficiently to permit delineation of this first project. Also, such an urban renewal project must:

- (1) Be the project proposed for execution promptly upon completion of the GNRP and the preparation of the Urban Renewal Plan for the project and cover at least 10 percent of the urban renewal area or areas within the GNR Area.
- (2) Be limited to activities, such as preparation of definitive eligibility data and preliminary studies, which are distinct from project planning determinations to be governed by the GNRP. However, if the preparation of the GNRP is sufficiently advanced so that a firm framework for the renewal of the project area has been established, more detailed planning, including acquisition appraisals in the project area, may be allowed.

The LPA shall submit a Survey and Planning Application for the first urban renewal project no later than submission of the GNRP Local Approval Data.

NONCASH LOCAL GRANTS-IN-AID (See also 7216.1, Local Grants-in-Aid, Chapter 2)

A supporting facility or improvement in accordance with the approved GNRP may be acceptable for consideration as a noncash local grant-in-aid for an urban renewal project subsequently undertaken in the area provided that:

- (1) The GNRP has been completed and has received the necessary local approvals, with appropriate findings, and HUD concurrence. However, if a project subsequently covered by the GNRP is initiated before approval of the GNRP, noncash local grants-in-aid for that project started either (a) after approval of survey and planning activities or (b) 3 years prior to HUD authorization of a Contract for Loan and Grant will not be considered ineligible merely because they were started before approval of the GNRP.
- (2) A project embracing at least 10 percent of the urban renewal area or areas within the GNR Area is undertaken promptly upon completion of the GNRP and the preparation of the Urban Renewal Plan for the project.
- (3) The project for which the facility or improvement is proposed as a local grant-in-aid was initiated within 8 years of HUD approval of the GNRP or a reasonable time thereafter.

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JMSFNT

PLANNING AND DEVELOPMENT

- (4) In the case of a supporting facility or improvement which will directly benefit, by at least 10 percent, the urban renewal area within which the project is located, the direct benefit to the project will be at least 5 percent.

Compliance with the above requirements will not remove the necessity for a determination that the facility or improvement meets all requirements for eligibility and acceptability as a noncash local grant-in-aid. Further, in the case of a facility which directly benefits a project by less than 10 percent (see item (4) above), HUD will review the facility credit at the time of project completion to determine its eligibility in light of the progress on other portions of the GNR Area.

If an eligible facility or improvement is completed in advance of the effective date of a Contract for Loan and Grant for the project, allowance for credit will take into account any deterioration since installation. No credit will be allowed for obsolete facilities or improvements.

SCOPE OF ACTIVITIES IN PREPARATION OF GNRP

The GNRP and its supporting documentation shall:

- (1) Indicate the sequence of urban renewal projects which are to be undertaken within the area.
- (2) Provide an estimate of the time in which they will be initiated.
- (3) Provide a preliminary estimate of Federal grants and local grants-in-aid required to accomplish the program for the area.
- (4) Furnish a preliminary analysis of relocation requirements and resources.
- (5) Indicate generally land uses, population density, building coverage, community facilities and public improvements, prospective requirements for rehabilitation and improvement of property, and any portions of the area contemplated for clearance and redevelopment.

The scope of activities to be covered in the preparation of the GNRP must be restricted to those necessary to produce a GNRP meeting the above requirements. It may not include the development of basic planning decisions for the locality as a whole which would normally be provided by a general planning program.

CHAPTER 2. SUBMISSION REQUIREMENTS

SECTION 1. GENERAL NEIGHBORHOOD RENEWAL PLAN APPLICATION

1. GENERAL. Following is a checklist of the documentation required to be submitted in support of an application covering all work in preparation of a GNRP. Expenditures for work in preparing this documentation cannot be defrayed from Federal advances and are not eligible for inclusion in Gross Project Cost.
2. SUBMISSION OF DOCUMENTATION
 - a. Number of Binders. The application shall be submitted in seven binders.
 - b. Arrangement of Documents. Documents shall be arranged in order of their checklist code number. The code number shall appear in the lower right-hand corner of each document.
 - c. Copies. The original of each document shall be placed in Binder No. 1 and one copy of each document in the other binders. Two additional copies of Form HUD-627 (Code No. GN-141) and two additional copies of the locality map (Code No. GN-111) shall be placed in Binder No. 1.
 - d. Front Cover. The following information shall appear on the front cover of each binder and, in addition to the code number, on any document submitted separately:
 - (1) Name of LPA.
 - (2) Name of locality in which the GNR Area is located.
 - (3) Name of area.
 - (4) The title "General Neighborhood Renewal Plan Application."
 - (5) Copy number of binder, e.g., "Binder No. 2."
 - (6) Date of Application.

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OTHER RENEWAL ASSISTANCE--GNRP
CHAPTER 2 SECTION 1

3. CHECKLIST FOR GENERAL NEIGHBORHOOD PLAN APPLICATION.

Application Code No.	Item To Be Submitted
	<u>General Neighborhood Renewal Area Data</u>
GN-101	Form HUD-6100, Survey and Planning Application. (See RHM 7206.1, Project Applications, Chapter 1, Section 1.)
GN-102	Statement explaining basis for selection of GNR Area, and statement establishing relationship of proposed first project to, or basis for exemption from, national goals. (See RHM 7224.1, Other Renewal Assistance--GNRP, Chapter 1 and RHM 7202.1, Program Policies and Decisions, Chapter 1, Section 1.)
GN-103	If State or local law requires that urban renewal areas be designated by local planning agency or other agency, evidence that appropriate designation has been made for such areas in GNR Area.
GN-104	Form HUD-6101, Urban Renewal Area Data: Submit separate Form HUD-6101 for each urban renewal area (not project area) within the GNR Area. Complete Blocks B and C on basis of GNR Area and, in Block C, give location of urban renewal area within GNR Area. If "Predominantly Open" is checked in Block D, append separate statement describing how urban renewal area qualifies as an area which, because of obsolete platting, diversity of ownership, deterioration of structures or site improvements, or otherwise, substantially impairs or arrests sound growth of community. (See RHM 7206.1, Project Applications, Chapter 2, Code No. R-213.)
GN-105	Explanation--supported by map called for under Code No. GN-113, general statistical data, and other available information--of how proposed GNR Area meets eligibility requirements, including description of and justification for inclusion of all subareas not qualifying as urban renewal areas. (See RHM-7224.1, Other Renewal Assistance--GNRP, Chapter 1, and RHM 7205.1, Area Eligibility, Chapter 1.)

Application Code No.	Item To Be Submitted
GN-106	Explanation of why urban renewal activities within GNR Area may have to be initiated in stages, including tentative program for their staging. (RHM 7224.1, Other Renewal Assistance--GNRP, Chapter 1.)
GN-107	Statement of how resources expected to be available to LPA will permit urban renewal activities in GNR Area to be initiated within an 8-year period. (See RHM 7224.1, Other Renewal Assistance--GNRP, Chapter 1.)
GN-108	Statement establishing basis for estimated capital grant funds required for first urban renewal project, and indicating if project will come under exceptions for nonresidential, air rights area redevelopment projects. (See RHM 7224.1, Other Renewal Assistance --GNRP, Chapter 1, RHM 7215.1, Financing and Financing Reports, Chapter 1, Section 2 and RHM 7205.1, Area Eligibility, Chapter 2.)
<u>Maps</u>	
GN-111	Map of locality, using existing maps, identifying: <ul style="list-style-type: none"> a. City limits. b. Boundaries of GNR Area. c. Location of other urban renewal activities. d. In that part of locality in which GNR Area is located, major thoroughfares, identifying whether in existence, being constructed, being planned, or contemplated. Indicate whether Federal aid is being or will be received for planning or construction.
GN-112	Map showing: <ul style="list-style-type: none"> a. Boundaries of GNR Area. b. Area immediately surrounding GNR Area.

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Application Code No.	Item To Be Submitted
GN-113	<p>c. Generalized existing land uses in GNR Area and in immediate surrounding area.</p> <p>d. General delineation of urban renewal area or areas.</p> <p>Map of GNR Area conditions, showing (See RHM 7224.1, Other Renewal Assistance--GNRP, Chapter 1.):</p> <p>a. Boundaries of GNR Area.</p> <p>b. General delineation of urban renewal area or areas.</p> <p>c. General distribution of blight and deterioration in GNR Area and surrounding area influencing it.</p> <p>d. Indication of areas or subareas having specifically related problems requiring planning in conjunction with included proposed urban renewal areas.</p>
GN-121	<p style="text-align: center;"><u>Description of Planning Work</u></p> <p>Description, in sufficient detail to support budget estimates, of nature of work to be undertaken and completed (i.e., studies, surveys, and plans to be completed, specific problems for which solutions will be sought). (See RHM 7224.1, Other Renewal Assistance--GNRP, Chapter 1.)</p>
GN-131	<p style="text-align: center;"><u>Report on Local Plans and Programs</u></p> <p>If different from data provided in most recent Workable Program submission, data on general planning progress. (See RHM 7224.1, Other Renewal Assistance --GNRP, Chapter 1, and RHM 7204.1, Community Requirements, Chapters 1 and 2.)</p>
GN-141	<p style="text-align: center;"><u>Budget Data</u></p> <p>Form HUD-627, Survey and Planning Budget. Leave lines 3 and 4 blank and enter on line 2 all direct activities in preparation of GNRP. On Line 6 enter</p>

Application Code No.	Item To Be Submitted
	<p>an amount for contingencies only. Leave Line 8 blank. (See RHM 7206.1, Project Applications, Chapter 1, Section 1.)</p>
GN-142	<p>If application is not first application for a project in the locality, state date of previously approved. Annual Administrative Staff Expense Budget. (See RHM 7218.1, Budgets and Budget Reports, Chapter 3.)</p>
GN-143	<p>Narrative statement explaining and justifying estimated costs shown on Form HUD-627, Lines 1 (except contracts) and 2. Include basis for any proration of cost estimates between other projects or programs and basis of total cost estimates prorated. (See RHM 7217.1, LPA Administration, Chapter 1, Section 8.)</p>
<p><u>Legal Data</u></p>	
GN-151	<p>Resolution of applicant authorizing filing of application. (See RHM 7224.1, Other Renewal Assistance--GNRP, Chapter 2, Section 1, Appendix 2.)</p>
GN-152	<p>If LPA is not the locality, resolution of governing body of locality approving filing of application. (See RHM 7224.1, Other Renewal Assistance--GNRP, Chapter 2, Section 1, Appendix 2.)</p>
GN-153	<p>If following have not been submitted previously in connection with Form HUD-6103, Legal Information, or have changed since last previous submission (See RHM 7206.1, Project Applications, Chapter 1, Section 1):</p> <ol style="list-style-type: none"> a. Opinion of LPA counsel: <ol style="list-style-type: none"> (1) Establishing that LPA is a validly created governmental entity or public body. (2) Describing State and local law bearing on authority of LPA to undertake a federally assisted urban renewal project. b. Documentation in support of counsel's opinion.

1917
No. 100

THE UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
WASHINGTON, D. C.

OFFICE OF THE ASSISTANT ATTORNEY GENERAL
WASHINGTON, D. C.

TO THE HONORABLE SECRETARY OF THE INTERIOR
WASHINGTON, D. C.

SUBJECT: [Illegible]

[The remainder of the page contains several paragraphs of extremely faint, illegible text, likely a memorandum or official correspondence.]

APPENDIX 1-SUGGESTED FORM OF RESOLUTION OF APPLICANT APPROVING
UNDERTAKING OF GENERAL NEIGHBORHOOD RENEWAL PLAN AND
FILING OF APPLICATION FOR FEDERAL ADVANCE OF FUNDS

(INSTRUCTIONS: Submit seven certified copies to HUD. See 7206.1, Project Applications, Chapter 1, Section 1, Appendix 1, for guide form of Certificate of Recording Officer. The Certificate in Binder No. 3 must be manually signed.)

WHEREAS, under Title I of the Housing Act of 1949, as amended, the Secretary of Housing and Urban Development may make advances of funds to local public agencies for the preparation of General Neighborhood Renewal Plans for areas defined in Section 102(d) of such Title where the interest of sound community planning makes it desirable that the urban renewal activities proposed for the areas be planned in their entirety; and

WHEREAS Title VI of the Civil Rights Act of 1964 prohibits discrimination on the basis of race, color or national origin under any program or activity receiving Federal financial assistance and Executive Order 11063 prohibits discrimination on the basis of race, color, creed or nation origin in sale, lease or other disposition of residential property (including land intended for residential use) or in the use or occupancy thereof; and

WHEREAS it is desirable and in the public interest that the (Name of Applicant) prepare a General Neighborhood Renewal Plan, presently estimated to cost \$ _____, in that certain area, herein designated a General Neighborhood Renewal Area, located in the City of _____, County of _____, and State of _____, and described as follows: (Insert general description of proposed General Neighborhood Renewal Area, identifying the portion of the Area proposed as an urban renewal area or areas. The description may be given by streets, alleys, railroads, etc., and need not be by metes and bounds.)

NOW, THEREFORE, BE IT RESOLVED BY THE (GOVERNING BODY OF APPLICANT) OF THE (NAME OF APPLICANT):

1. That the proposed General Neighborhood Renewal Area Described above is an area consisting of an urban renewal area or areas [and adjoining areas having specially related problems^{7,1}], which is of such size that the urban renewal activities in the urban renewal area or areas may have to be initiated in stages, consistent with the capacity and resources of the (Name of Applicant) over an estimated period of not more than 8 years.

¹/ Include bracketed language if applicable.

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2. That the undertaking of the preparation of the General Neighborhood Renewal Plan for the proposed General Neighborhood Renewal Area described above is hereby approved.

3. That it is the intention of this body to undertake an urban renewal project promptly upon completion of the General Neighborhood Renewal Plan and the preparation of an urban renewal plan for such project, which project shall embrace at least 10 percent of the urban renewal area or areas within the General Neighborhood Renewal Area and shall be of the character contemplated by Section 110(c) of Title I.

4. That it is cognizant of the conditions that are imposed in the undertaking and carrying out of such urban renewal projects with Federal financial assistance under Title I, including those relating to a feasible method of relocation and the provision of necessary local grants-in-aid, as well as the requirement of Section 102(d) of Title I that a General Neighborhood Renewal Plan conform to the locality's general plan and Workable Program for Community Improvement.

5. That the United States of America and the Secretary of Housing and Urban Development be, and they hereby are, assured of full compliance by the (Name of Applicant) with regulations of the Department of Housing and Urban Development effectuating Title VI of the Civil Rights Act of 1964 and applicable Executive Orders.

6. That it is the intention of this body that the General Neighborhood Renewal Plan will be used to the fullest extent feasible as a guide for the provision of public improvements in the General Neighborhood Renewal Area and that the Plan will be considered in formulating codes and other regulatory measures affecting property in such Area and in undertaking other local governmental activities pertaining to the development, redevelopment, and rehabilitation of the Area.7^{1/}

7. That the filing of an application by the (Name of Applicant) for an advance of funds from the United States in an amount not to exceed \$_____ for the preparation of a General Neighborhood Renewal Plan for the General Neighborhood Renewal Area described above is hereby approved and that the (Title of Officer) is hereby authorized and directed to execute and file such application with the Secretary of Housing and Urban Development, to provide such additional information and to furnish such documents as may be required by the Secretary, and to act as the authorized representative of the (Name of Applicant).

^{1/} Omit bracketed language if applicant is not the municipality.

APPENDIX 2-SUGGESTED FORM OF RESOLUTION OF GOVERNING BODY OF
LOCALITY APPROVING UNDERTAKING OF GENERAL NEIGHBORHOOD
RENEWAL PLAN AND FILING OF APPLICATION FOR
FEDERAL ADVANCE OF FUNDS

(INSTRUCTIONS: Submit seven certified copies to HUD if the applicant is not the municipality. See 7206.1, Project Applications, Chapter 1, Section 1, Appendix 1, for guide form of Certificate of Recording Officer. The Certificate in Binder No. 3 must be manually signed.)

WHEREAS, under Title I of the Housing Act of 1949, as amended, the Secretary of Housing and Urban Development may make advances of funds to local public agencies for the preparation of General Neighborhood Renewal Plans for areas defined in Section 102(d) of such Title where the interest of sound community planning makes it desirable that the urban renewal activities proposed for the areas be planned in their entirety; and

WHEREAS Title VI of the Civil Rights Act of 1964 prohibits discrimination on the basis of race, color or national origin under any program or activity receiving Federal financial assistance and Executive Order 11063 prohibits discrimination on the basis of race, color, creed or national origin in sale, lease or other disposition of residential property (including land intended for residential use) or in the use or occupancy thereof; and

WHEREAS it is desirable and in the public interest that the (Name of Applicant) prepare a General Neighborhood Renewal Plan, presently estimated to cost \$_____, in that certain area, herein designated a General Neighborhood Renewal Area, located in the City of _____, County of _____, and State of _____, and described as follows: (Insert general description of proposed General Neighborhood Renewal Area, identifying the portion of the Area proposed as an urban renewal area or areas. The description may be given by streets, alleys, railroads, etc., and need not be by metes and bounds.)

NOW, THEREFORE, BE IT RESOLVED BY THE (GOVERNING BODY OF MUNICIPALITY OR COUNTY) OF THE (NAME OF MUNICIPALITY OR COUNTY):

1. That the proposed General Neighborhood Renewal Area described above is an area consisting of an urban renewal area or areas /and adjoining areas having specially related problems^{1/} which is of such

^{1/} Include bracketed language if applicable.

size that the urban renewal activities in the urban renewal area or areas may have to be initiated in stages, consistent with the capacity and resources of the (Name of Applicant) over an estimated period of not more than 8 years.

2. That the undertaking by the (Name of Applicant) of the preparation of a General Neighborhood Renewal Plan for the General Neighborhood Renewal Area described above is hereby approved.

3. That it is cognizant of the intention of the (Name of Applicant) to undertake an urban renewal project promptly upon completion of the General Neighborhood Renewal Plan and the preparation of an urban renewal plan for such project, which project shall embrace at least 10 percent of the urban renewal area or areas within the General Neighborhood Renewal Area and shall be of the character contemplated by Section 110(c) of Title I.

4. That it is cognizant of the conditions that are imposed in the undertaking and carrying out of urban renewal projects with Federal financial assistance under Title I, including those relating to (a) a feasible method of relocation, (b) the provision of necessary local grants-in-aid, and (c) the prohibition of discrimination because of race, color, creed, or national origin; as well as the requirement of Section 102(d) of Title I that a General Neighborhood Renewal Plan conform to the locality's general plan and Workable Program for Community Improvement.

5. That it is the intention of this body that the General Neighborhood Renewal Plan will be used to the fullest extent feasible as a guide for the provision of public improvements in the General Neighborhood Renewal Area and that the Plan will be considered in formulating codes and other regulatory measures affecting property in such Area and in undertaking other local governmental activities pertaining to the development, redevelopment, and rehabilitation of the Area.

6. That the filing of an application of the (Name of Applicant) for an advance of funds from the United States to enable it to defray the cost of preparing a General Neighborhood Renewal Plan for the proposed General Neighborhood Renewal Area described above is hereby approved.

CHAPTER 2. SUBMISSION REQUIREMENTS

SECTION 2. SUBMISSION OF GENERAL NEIGHBORHOOD RENEWAL PLAN

The General Neighborhood Renewal Plan shall be submitted to the Regional Office for determination that it meets requirements and provides an acceptable basis for preparing Urban Renewal Plans for specific projects.

SUBMISSION OF DOCUMENTATION

Seven complete sets of the Submission of General Neighborhood Renewal Plan are to be sent to the Regional Office. The original or first copy of each element of the submission is to be placed in Binder No. 1 and a copy of each element in each of the other binders.

The following information shall appear on the front cover of each binder and, in addition to the code number, on any document submitted separately:

- (1) Name of LPA.
- (2) Name of locality in which the GNR Area is located.
- (3) Name of area.
- (4) The title "General Neighborhood Renewal Plan."
- (5) Copy number of binder, e.g., "Binder No. 2."
- (6) Date of Submission.

CHECKLIST FOR SUBMISSION OF GENERAL NEIGHBORHOOD RENEWAL PLAN

Submission Code No.	Item To Be Submitted
GN 201	<p>General Neighborhood Renewal Plan. Text and maps showing boundaries of GNR Area, and extending sufficient distance beyond GNR Area to permit showing of relationships to existing and proposed streets, public utilities, community facilities, and zoning in adjoining areas:</p> <p>a. Accurate description of boundaries of GNR Area in a form which is capable of only one interpretation.</p>

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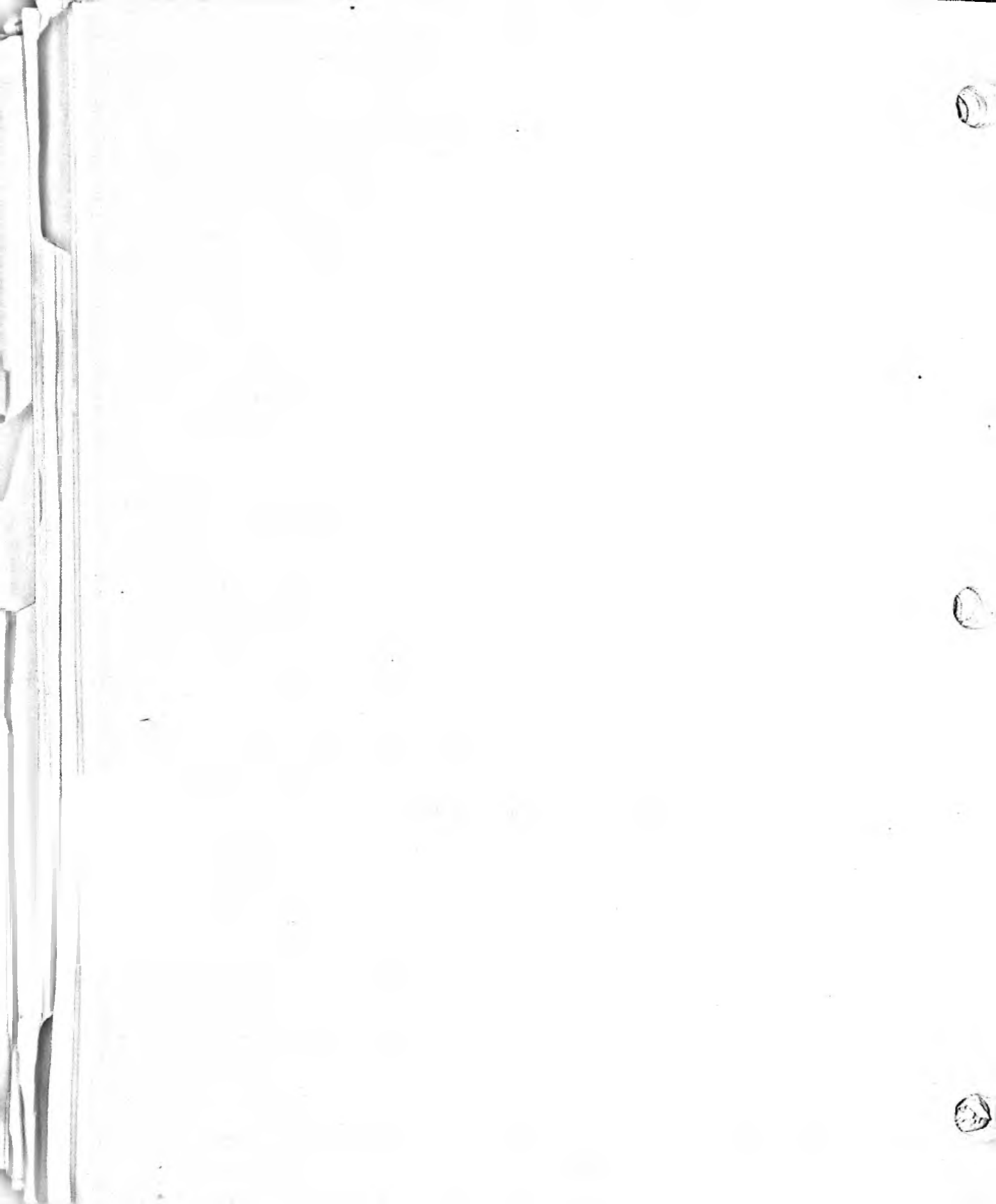
Submission Code No.	Item To Be Submitted
GN 202	<p>b. Land Use Plan, including, in addition to types of land use proposed:</p> <ul style="list-style-type: none"> (1) Population densities. (2) Building coverage and other building requirements. (3) Any other provisions as to land use which should be incorporated in Urban Renewal Plans for specific projects in order to achieve land use objectives. <p>c. Plans for community facilities and public improvements, showing:</p> <ul style="list-style-type: none"> (1) Approximate location, size, and character of existing and proposed schools, parks, playgrounds, and similar facilities. (2) Approximate location and general character of existing and proposed major highways, streets, utilities, and other similar improvements. <p>It is contemplated that Code No. GN 201c will be drawn from the general plan and the plans and programs of the agencies responsible for the facilities and improvements.</p> <p>d. Delineation of parts of urban renewal area in which contemplated urban renewal action is clearance and redevelopment.</p> <p>e. Statement of prospective requirements for rehabilitation of individual properties.</p> <p>f. Identification, by tentative boundaries, of anticipated projects involving Federal urban renewal aid, together with contemplated program of their sequence and timing.</p> <p>Data to supplement General Neighborhood Renewal Plan, comprising:</p> <ul style="list-style-type: none"> a. Anticipated market absorption capacity for cleared land.

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Submission Code No.	Item To Be Submitted
	<ul style="list-style-type: none"> b. Preliminary estimates of Federal grant and local grant-in-aid requirements for each project identified in Code No. GN 201f. c. Preliminary analysis of relocation requirements and resources needed to carry out projects in GNR Area. d. Identification of actions required to be taken by State or local government agencies in order to carry out Plan, including: <ul style="list-style-type: none"> (1) Zoning changes. (2) Modification or improvement of codes and regulations governing housing and occupancy and building construction. (3) Provision of community facilities and public improvements shown under Code No. GN 201c, including current estimate of their cost and timing.
GN 203	Evidence of approval of GNRP by local planning agency as conforming to general plan of locality as a whole.
GN 211	Resolution of governing body of LPA, if not the same as governing body of locality, approving GNRP. (See Appendix 1.)
GN 212	Opinion of LPA counsel respecting approval of GNRP. (See Appendix 2.)

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APPENDIX 1--SUGGESTED FORM OF RESOLUTION OF GOVERNING BODY OF LPA
APPROVING GENERAL NEIGHBORHOOD RENEWAL PLAN

(INSTRUCTIONS: Submission of General Neighborhood Renewal Plan--Submit seven certified copies to HUD. GNRP Local Approval Data--Submit two certified copies to HUD. See 7206.1, Project Applications, Chapter 1, Section 1, Appendix 1, for guide form of Certificate of Recording Officer.)

If the governing body of the LPA is the governing body of the locality, HUD will accept in lieu of this resolution a certified statement, containing substantially the same information as set forth in this resolution, from the public official responsible for carrying out urban renewal projects.

RESOLUTION OF (LPA) APPROVING A
GENERAL NEIGHBORHOOD RENEWAL PLAN

WHEREAS, pursuant to the provisions of Title I of the Housing Act of 1949, as amended, the _____ (herein called the "Local Public Agency") has entered into a contract, designated Contract No. _____, with the Federal Government pursuant to which the Government has made available to the Local Public Agency financial assistance for the preparation of a general neighborhood renewal plan for the General Neighborhood Renewal Area designated as _____ in the _____ of _____, State of _____ (herein called the "Locality"); and

WHEREAS there was presented to this meeting of the (Governing Body of LPA) (herein called the "Governing Body") for its consideration and approval a copy of a general neighborhood renewal plan for the General Neighborhood Renewal Area, dated _____, which plan is entitled "_____" and consists of _____ pages and _____ exhibits (and ^{1/}_____ made a part thereof (said plan being hereinafter called "General Neighborhood Renewal Plan")); and

WHEREAS the General Neighborhood Renewal Plan was reviewed and considered at length at said meeting:

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY, That the General Neighborhood Renewal Plan be and is hereby approved in all respects; that it is determined to be adequate as an outline of the urban renewal activities proposed for the Area involved, as a framework for the preparation of urban renewal plans, and to indicate generally,

^{1/} List any graphic material which has not been identified as an exhibit, e.g., 2 drawings, 3 schedules.

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to the extent feasible in preliminary planning, the land uses, population density, building coverage, prospective requirements for the rehabilitation of property, and any portions of the Area contemplated for clearance and redevelopment; and that the (Title of Officer) be and is hereby directed to file the copy of the General Neighborhood Renewal Plan with the minutes of this meeting.

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APPENDIX 2--SUGGESTED FORM OF OPINION OF LPA COUNSEL RESPECTING
APPROVAL OF GENERAL NEIGHBORHOOD RENEWAL
PLAN BY GOVERNING BODY OF LPA

(INSTRUCTIONS: Prepare original and six copies for HUD on letterhead of counsel. Place signed original in Binder No. 3, and conformed copies in Binders No. 1, 2 and 4 through 7.)

(Name and Address
of LPA) _____
Date _____

Gentlemen:

Re: General Neighborhood Renewal Plan
(Area Name, Number, and Locality)

I am an attorney-at-law admitted to practice in the State of _____. As counsel for the (LPA), my opinion, including factual statements requested by the Department of Housing and Urban Development, is as follows:

1. I have examined the General Neighborhood Renewal Plan prepared by _____^{1/}, relating to the (Official Name) Area in the _____ of (Locality), County of _____, State of _____ (hereinafter called the "Plan"), which Plan is more specifically identified as follows:

A _____^{2/} document dated _____, 19____, entitled " _____," and consisting of _____ pages and exhibits (and _____^{3/}), for the General Neighborhood Renewal Area aforementioned, approved by the Local Public Agency on _____, 19____.

I have also examined a record of the official proceedings respecting the authorization and approval of the Plan by the governing body of the Local Public Agency.

2. The Plan has been duly approved by the (Governing Body) of the Local Public Agency. (NOTE: If the LPA is a municipality, this is to read: 2. In my opinion, the Plan has been duly approved by _____^{4/} of the _____ of (Locality), having the responsibility for preparing the Plan.)

^{1/}State official name of public body responsible for preparation of Plan.

^{2/}Insert printed, typewritten, mimeographed, etc., as appropriate.

^{3/}List any graphic material which has not been identified as an exhibit e.g., 2 drawings, 3 schedules.

^{4/}Indicate name and title of official, department, or other agency of municipality, as the case may be.

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3. The Plan, when duly approved by the (Governing Body) of the _____ of (Locality) will be a valid Plan, meeting all the requirements of Title I of the Housing Act of 1949, as amended, and other applicable law. The Plan includes all of the provisions and matters required by Section 102(d) of said Title I.

4. The territorial area covered by the Plan is within the territorial jurisdiction of the Local Public Agency, and such area under State and local law is legally eligible and appropriate for the activities contemplated under the Plan.

5. To my knowledge there is no pending or threatened litigation of any kind concerning the Plan.

(Signature)

CHAPTER 2. SUBMISSION REQUIREMENTS

SECTION 3. GNRP LOCAL APPROVAL DATA

Upon favorable action by HUD on the Submission of General Neighborhood Renewal Plan, the GNRP (Code No. GN 201) and the data to supplement the GNRP (Code No. GN 202) are to be submitted to the governing body of the locality. After the governing body of the locality approves the GNRP and determines that it conforms to the general plan of the locality as a whole and to the Workable Program, the GNRP and related documents shall be submitted to the Regional Office. This documentation will be known as the GNRP Local Approval Data.

SUBMISSION OF DOCUMENTATION

Two copies of GNRP Local Approval Data are to be submitted to the Regional Office in binders. Both binders are to include properly executed certifications.

Binders are to be identified in a manner similar to that described in the preceding Section.

CHECKLIST FOR GNRP LOCAL APPROVAL DATA

Submission Code No.	Item To Be Submitted	Refer To Handbook
GN 301	General Neighborhood Renewal Plan as approved by governing body of locality.	7224.1 Chapter 2 Section 2 Code No. GN 201
GN 302	If data to supplement GNRP have been revised since submission, statement explaining those revisions.	7224.1 Chapter 2 Section 2 Code No. GN 202
GN 303	Resolution of governing body of LPA approving GNRP, if different in any respect from GNRP approved in connection with Code No. GN 211. Evidence of approvals of other official bodies required by State and local law is also to be submitted.	7224.1 Chapter 2 Section 2 Appendix 1

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CHAPTER 2 SECTION 3

Submission Code No.	Item To Be Submitted	Refer To Handbook
GN 304	Resolution of governing body of locality approving GNRP.	Appendix 1
GN 305	Opinion of LPA counsel respecting GNRP.	Appendix 2

APPENDIX 1--SUGGESTED FORM OF RESOLUTION OF GOVERNING BODY OF
LOCALITY APPROVING GENERAL NEIGHBORHOOD RENEWAL PLAN

(INSTRUCTIONS: Submit two certified copies to HUD. See 7206.1, Project Applications, Chapter 1, Section 1, Appendix 1, for guide form of Certificate of Recording Officer. If the city, borough, county, or similar type of municipality or political subdivision having overall primary governmental jurisdiction over the area in which the project area is located is the LPA, the resolution must be appropriately revised to reflect such fact.)

RESOLUTION 1/ OF (LOCAL GOVERNING BODY) OF (LOCALITY) APPROVING
GENERAL NEIGHBORHOOD RENEWAL PLAN

WHEREAS, pursuant to the provisions of Title I of the Housing Act of 1949, as amended, the _____ (herein called the "Local Public Agency") has entered into a contract, designated Contract No. _____, with the Federal Government pursuant to which the Government has made available to the Local Public Agency financial assistance for the preparation of a General Neighborhood Renewal Plan for the General Neighborhood Renewal Area designated as _____ in the _____ of _____, State of _____ (herein called the "Locality"); and

WHEREAS the Local Public Agency proposes to undertake with Federal financial assistance one or more urban renewal projects in the above-described General Neighborhood Renewal Area; and

WHEREAS there has been prepared and referred to the (Governing Body of Locality) (herein called the "Governing Body") for review and approval a General Neighborhood Renewal Plan for the General Neighborhood Renewal Area, dated _____, 19____, entitled "_____", and consisting of _____ pages and _____ exhibits (and _____ 2/); and

WHEREAS the General Neighborhood Renewal Plan has been approved by the governing body of the Local Public Agency, as evidenced by the copy of said body's duly certified resolution approving the General Neighborhood Renewal Plan which is attached thereto; and

WHEREAS there have also been presented to the Governing Body certain supplementary data, including data respecting estimated grant-in-aid requirements, relocation requirements and resources, and governmental actions required to carry out said General Neighborhood Renewal Plan; and

- 1/ Where necessary or desirable under State or local law, an ordinance instead of a resolution should be adopted.
2/ List any graphic material not identified as an exhibit, e.g., 2 drawings, 3 schedules.

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WHEREAS a general plan is in existence and is recognized and used as a guide for the general development of the Locality as a whole; and, also, there has been presented to the Secretary of Housing and Urban Development, and the Secretary has approved, a Workable Program for Community Improvement for the community ; and :

 WHEREAS the (Planning Body) which is the duly designated and acting official planning body for the Locality, has reported to the Governing Body respecting the conformity of the General Neighborhood Renewal Plan to the general plan for the Locality as a whole: ^{1/}

NOW, THEREFORE, BE IT (RESOLVED) (ORDAINED) BY THE (GOVERNING BODY) OF (LOCALITY):

1. That the General Neighborhood Renewal Plan for the Area aforementioned, having been duly reviewed and considered, is hereby approved; that it is determined to be adequate as an outline of the urban renewal activities proposed for the Area involved, as a framework for the preparation of urban renewal plans, and as an indication generally, to the extent feasible in preliminary planning, of land uses, population density, building coverage, prospective requirements for the rehabilitation or redevelopment; and that the (Title of Officer) be and is hereby directed to file said copy of the General Neighborhood Renewal Plan with the minutes of this meeting.
2. That it is hereby found and determined that the General Neighborhood Renewal Plan for the General Neighborhood Renewal Area conform to the general plan of the Locality and to the Workable Program for Community Improvement.
3. That it is the intention of this Body that the General Neighborhood Renewal Plan be used to the fullest extent feasible as a guide for the provision of public improvements in such Area, and that the Plan will be considered in formulating codes and other regulatory measures affecting property in the Area and in undertaking other local governmental activities pertaining to the development, redevelopment, and rehabilitation of the Area.
4. That in order to implement and facilitate the effectuation of the Plan hereby approved, this Body hereby (a) pledges its cooperation in helping to carry out the Plan; (b) requests the various officials, departments, boards, and agencies of the Locality having administrative responsibilities in the premises likewise to cooperate to such end and to exercise their respective functions and powers in a manner consistent with the Plan; and (c) stands ready to consider and take appropriate action upon proposals and measures designed to effectuate the Plan.

 ^{1/}The bracketed material must be included whenever State or local law requires that this finding be made by the governing body of the locality, and is recommended for use in any other instance in which it conforms to the facts.

APPENDIX 2--SUGGESTED FORM OF OPINION OF LOCAL PUBLIC AGENCY COUNSEL
RESPECTING GENERAL NEIGHBORHOOD RENEWAL PLAN
TO ACCOMPANY GNRP LOCAL APPROVAL DATA

(INSTRUCTIONS: Prepare original and one copy for HUD on letterhead of counsel. Place signed original in Binder No. 1, and conformed copy in Binder No. 2.)

(Name and Address
of LPA) _____
(Date)

Gentlemen:

Re: General Neighborhood Renewal Plan for

(Area Name, Number, and Locality)

As counsel for the (LPA), this is to supplement my opinion addressed to you under date of _____, 19____, in connection with the General Neighborhood Renewal Plan referred to therein. As legal counsel on the above-identified Plan, my further opinion is as follows:

Use whichever of the following is appropriate.

(1. To my knowledge the General Neighborhood Renewal Plan (hereinafter called the "Plan") has not been modified in any respect).

or

(1. The General Neighborhood Renewal Plan has been modified since the date of said opinion and as so modified was, after approval by the governing body of the Local Public Agency on _____, 19____, submitted by that agency to the (Governing Body) of (Locality).

I have examined the Plan as so modified (hereinafter called the "Plan"), more particularly identified as follows:

A 1/ document dated _____, 19____, entitled "_____", and consisting of _____ pages and _____ exhibits (and 2/), approved by the Local Public Agency on _____, 19____.

I have also examined a record of the official proceedings respecting the authorization and approval of the Plan by the governing body of the Local Public Agency.

1/ Insert printed, typewritten, mimeographed, etc., as appropriate.

2/ List any graphic material not identified as an exhibit, e.g. 2 drawings, 3 schedules.

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2. The Plan has been duly approved by the (Governing Body) of (Locality). I have examined a record of the official proceedings and have concluded that all actions necessary to make such approval legally effective have to be taken.

3. To my knowledge there is no pending or threatened litigation of any kind concerning the Plan.

(If the Plan was modified after Counsel's previous opinion, the following statement is to be included.)

4. All the provisions of paragraphs numbered 3 and 4 of my said previous opinion dated _____, 19____, are hereby made applicable to the Plan to the same extent as if they were set forth herein in full (except as follows:).7

(Signature)

CHAPTER 3. FINANCING AND ADMINISTRATION

GNRP FINANCED WITH FEDERAL FUNDS

The Contract for General Neighborhood Renewal Plan Advance will require that the Federal funds be repaid with interest out of any funds which become available to the LPA for the first urban renewal project in the GNR Area.

Approved GNRP costs incurred will be included in the Gross Project Cost of the first project undertaken in the GNR Area.

If the first urban renewal project to be undertaken within a GNR Area is on a three-fourths capital grant basis with limited project costs, a Contract for Loan and Grant will not be authorized until any outstanding Federal advance made to the LPA for preparation of a GNRP relating to the project area is repaid with accrued interest. Repayment of the advance does not preclude appropriate proration of GNRP costs among projects in the GNR Area which are undertaken on a two-thirds capital grant basis.

GNRP FINANCED WITH LOCAL FUNDS

A GNRP financed with local funds will have the same force and effect as one financed from a Federal advance, if all requirements pertaining to the area as well as to the GNRP and its approval have been met. Any costs of the LPA in preparing such a GNRP may be included in the Gross Project Cost of, or may be credited as a cash local grant-in-aid for, a project in the area only if they are incurred in accordance with a Letter to Proceed issued by HUD.

Local expenditures for the preparation of the GNRP Application may not be defrayed from the advance and are not eligible for inclusion in Gross Project Cost.

The LPA may finance the preparation of the GNRP from local funds and not include the costs of preparation in Gross Project Cost of any resulting project. Approval of the GNRP in this case, as in all cases, is related to the filing of an acceptable Survey and Planning Application for the first project.

The initiation of this first urban renewal project is dependent upon the availability of Federal capital grant funds. The LPA should, when it begins preparation of the GNRP, submit an estimate of grant funds needed, supported by the data required with a GNRP Application (except Checklist Code No. GN 101 and Code Nos. GN 141 through 145).

REQUISITIONS FOR ADVANCE PAYMENTS

The procedure for obtaining advance payments under the contract for GNRP advance is contained in 7215.1, Financing and Financial Reports, Chapter 2, Section 1.

FINAL AUDIT AND COMPLETION OF GNRP ACTIVITIES

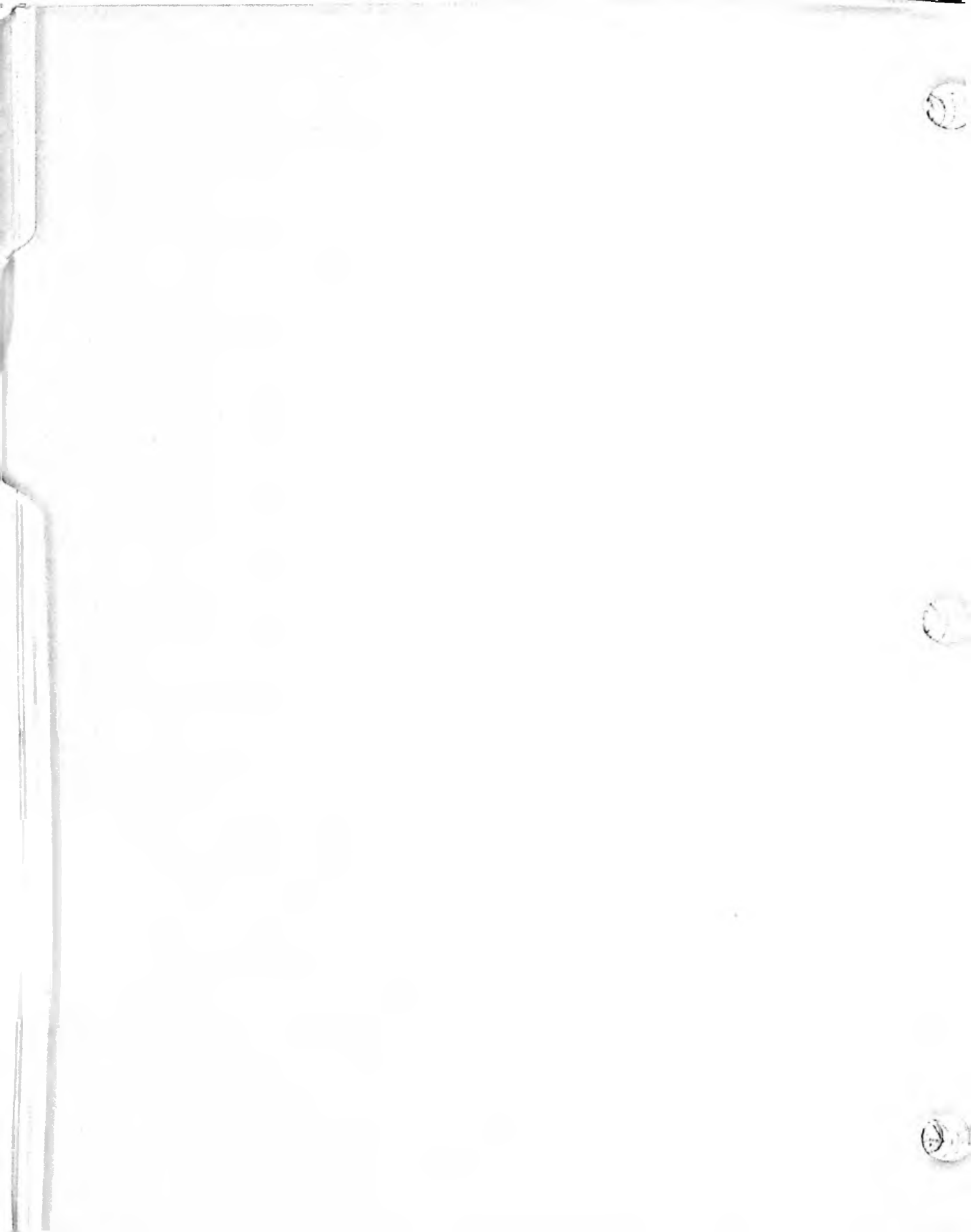
When the Regional Office accepts the GNRP Local Approval Data, it will arrange for a final audit of GNRP activities.

Upon notification by the Regional Office of acceptance of the GNRP Local Approval Data, the LPA shall:

- (1) Stop all expenses the payment of which is dependent upon Federal funds advanced for GNRP purposes, other than those expenses necessary to carry out any instructions issued by the Regional Office.
- (2) Close out and transfer GNRP cost accounts in accordance with 7221.1, Accounting, Chapter 1, Section 1.
- (3) Remit to the Regional Office any unobligated balance remaining in the GNRP cash account after providing for expenses incurred in carrying out Regional Office instructions. The remittance shall be in the form of a check or money order payable to Department of Housing and Urban Development - OS.

APPLICABILITY OF OTHER MANUAL REQUIREMENTS

In addition to carrying out the GNRP activities in accordance with the requirements described herein, the LPA shall comply with the requirements in the following portions of this Urban Renewal Handbook: 7217.1, LPA Administration; 7218.1, Budgets and Budget Reports, Chapter 1; 7221.1, Accounting.



CHAPTER 1. POLICIES AND REQUIREMENTS

SECTION 1. GENERAL

* When an urban area is in need of redevelopment or rehabilitation as a result of a flood, fire, hurricane, earthquake, storm, or other catastrophe which the President has declared to be a major disaster, or which the Secretary has determined is in need of such redevelopment or rehabilitation as a result of a riot or civil disorder,^{1/} HUD is authorized to extend urban renewal assistance without regard to the following requirements: *

- (1) The Workable Program for Community Improvement requirement, except that this requirement must be met at a future date to be specified by HUD. (See Section 2 of this Chapter.)
- (2) Eligibility:
 - (a) Requirements with respect to the predominantly residential character or predominantly residential reuse of the urban renewal area. (See 7205.1, General Eligibility Requirements, Chapter 2.)
 - (b) Requirements that the urban renewal area be a slum area or a blighted, deteriorated, or deteriorating area. (See 7205.1, General Eligibility Requirements, Chapter 2.)
- (3) The requirement that the Urban Renewal Plan conform to a general plan of the locality and to the Workable Program. See 7207.1, Project Planning, Chapter 4, Section 1.)
- (4) The public hearing requirement. (See 7206.1, Project Applications, Chapter 3.)

* ^{1/} Section 1106(e) of the Housing and Urban Development Act of 1968, P.L. 90-448, provides that: "No person who has been convicted of committing a felony during and in connection with a riot or civil disorder shall be permitted, for a period of one year after the date of his conviction, to receive any benefit under any law of the United States providing relief for disaster victims." While the full import of this provision has not been determined, it is possible that it may affect the availability of relocation grants, rehabilitation grants and rehabilitation loans in connection with projects in areas damaged by riot or civil disorder. LPA's wishing to apply for urban renewal assistance in such areas should consult the Regional Office with regard to this matter. *

- (5) Certain aspects of relocation requirements. (See Section 4 of this chapter.)

No Survey and Planning Application for an urban renewal project under these provisions will be accepted unless submitted in reasonably acceptable form within one year after the disaster.

FHA mortgage insurance can be provided in connection with a disaster project without regard to the usual requirement that there must be a Workable Program.

ELIGIBILITY OF DISASTER AREA

While an urban renewal project may be undertaken in a disaster area without meeting all the usual area eligibility requirements, the area must:

- (1) Be urban.
- (2) Be certified by the local governing body as in need of redevelopment or rehabilitation as a result of a catastrophe which the President has determined to be a major disaster.
- (3) Be eligible under State and local law for the remedial actions proposed.
- (4) Be in need of redevelopment or rehabilitation as a result of such a catastrophe based on a comparison of conditions in the area before the catastrophe and at the time of filing of the application for Federal financial aid, taking into consideration such factors as damage to street improvements and utilizes, destruction or damage to buildings; and severe and extensive damage to ground conditions, such as washouts or landslides, which must be corrected before the land can be reused.
- (5) Not include areas which were not affected by the disaster, except when such areas are small and clearly necessary to achieve a sound project.

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CHAPTER 1. POLICIES AND REQUIREMENTS

SECTION 2. WORKABLE PROGRAM

In the Part I Loan and Grant Application, the LPA shall indicate the date by which the Workable Program for Community Improvement will be submitted. This date should not be more than 2 years from the effective date of the Contract for Loan and Grant.

An acceptable agreement between the local governing body and the LPA indicating the date of submission shall be included in the Part II Loan and Grant Application.

The Contract for Loan and Grant will provide that HUD may withhold aid unless:

- (1) By a date specified in the contract, a Workable Program has been approved by HUD; or
- (2) The locality is progressing in the development of the Workable Program in such a way as to meet the date specified in the contract.

In either case, after execution of the Contract for Loan and Grant, the LPA shall submit quarterly a report of progress toward developing a Workable Program.

AIR RIGHTS PROJECT

LPA

PART V AIR RIGHTS PROJECT



CHAPTER 1. POLICIES AND REQUIREMENTS

SECTION 3. URBAN RENEWAL PLAN

The requirements of this Section apply to any project in a disaster area.

Since the recurrence of catastrophes is most common in flood areas, the following discussion is principally in terms of possible recurrence of floods.

In the preparation of the Urban Renewal Plan (see 7225.1, Chapter 2, Section 2, Code C 213), the LPA shall give due regard to the removal of dwellings from the site of recurring floods or other recurring catastrophes in the project area.

The Urban Renewal Plan shall also give due regard to preventing residential reuse, or other uses which might lead to danger to human life or serious economic loss, on the site of recurring floods or other recurring catastrophes.

The probability of recurrence will be based not only on past history but on future expectation with regard to flood control measures affecting the project area. Thus, plans for the urban renewal project must be closely coordinated with the plans and programs of the flood control agencies.

When the reasonable expectation is that definite and timely flood control measures will be undertaken, the Urban Renewal Plan shall establish land uses consistent with the effectiveness of control measures.

If, on the other hand, it is not expected that definite and timely steps will be undertaken to eliminate or minimize future flood damage, the Urban Renewal Plan shall establish only the types of land uses suitable for the area without danger to human life or serious economic loss because of future floods.

When an Urban Renewal Plan is based on control measures and:

- (1) If the land will be ready for disposition as soon as the control measures have progressed enough to warrant reuse of the land, a firm Urban Renewal Plan based on the control measures shall be prepared.
- (2) If the control measures will not be far enough advanced to warrant immediate disposition of land otherwise ready, an Urban Renewal Plan based on the control measures shall be

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OTHER RENEWAL ASSISTANCE--DISASTER PROJECT
CHAPTER 1 SECTION 3

prepared. Until the control measures have progressed satisfactorily, the project land shall be held by the LPA. Any plans that the LPA may have for a use of the land during this interim period shall be included in the Urban Renewal Plan with a statement that the interim use will be terminated and the land disposed of for the permanent plan uses when the danger of disaster recurrence has passed.

During this interim period, the land may be used by the LPA (or may be temporarily leased by it in accordance with the requirements of 7211.1, Property Management, Chapter 1) for uses requiring no redevelopment or a minimum of redevelopment. For budgetary and accounting purposes, the income and expenditures connected with this interim use shall be considered as a part of the temporary operation of acquired property.

- (3) If expectations with regard to flood control measures do not materialize within a reasonable time, the plan shall be revised to establish definitive land uses suitable to the lack of flood control measures. Conversely, the unexpected fruition of flood control measures during the execution of a project based on the lack of such measures will entail revision of the Urban Renewal Plan to establish uses consistent with the new situation.

CHAPTER 1. POLICIES AND REQUIREMENTS

SECTION 4. RELOCATION

The LPA must prevent a plan for the encouragement, to the maximum extent feasible, of provision of dwellings suitable for the families displaced by the catastrophe or by urban renewal activities.

FAMILIES DISPLACED BY DISASTER

Through data in the Part I Loan and Grant Application, the LPA shall indicate the housing needs of families displaced by the disaster, who at the time of the Part I Loan and Grant Application are inadequately rehoused. It shall also indicate the referral service, plans, arrangements for construction of new units, and other steps planned on being undertaken to encourage the provision of suitable dwellings.

FAMILIES DISPLACED BY REDEVELOPMENT OR REHABILITATION ACTIVITIES

Despite the disaster, some families may remain in or return to dwellings in the disaster area. If some or all of those families are expected to be displaced by urban renewal activities, the LPA shall prepare a plan for their relocation. This plan shall be prepared in accordance with 7212.1, Relocation, Chapter 1. It shall be presented in addition to the plan to encourage the rehousing of families already displaced by the disaster.

SUBMISSION OF DATA

Usually the submission of extensive relocation data for a disaster project will occur only once, as part of the Part I Loan and Grant Application. However, if the feasibility of a disaster project is questionable during the survey and planning stage because of the problem of relocation, the LPA will be required to submit a separate Relocation Report. The contents of the Relocation Report will be outlined at the time its submission is called for.

RELOCATION PAYMENTS

Relocation payments may be made to individuals, families, and business concerns displaced from an urban renewal project area. (See 7212.1, Relocation, Chapter 3, Section 1.)

Site occupants whose homes, businesses, and possessions were not totally destroyed by the disaster may receive relocation payments if they are later displaced by urban renewal.

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CHAPTER 1 SECTION 4

Former site occupants who moved as a result of the disaster, and who do not again take up occupancy in the project area before urban renewal displaces them, are not eligible to receive relocation payments.

CHAPTER 2 SUBMISSION REQUIREMENTS

SECTION 1. SURVEY AND PLANNING APPLICATION

1. GENERAL. The Checklist in this Section summarizes the documentation to be submitted by the LPA in support of a Survey and Planning Application for a disaster project to obtain either (a) a Contract for Planning Advance, if Federal advance funds will be required to finance any part of the surveys and plans, or (b) a Letter To Proceed, if the surveys and plans will be financed with non-Federal funds. Expenditures for the preparation of this documentation are not eligible for inclusion in Gross Project Cost.
2. SUBMISSION OF DOCUMENTATION.
 - a. Binders. The application shall be submitted in seven binders. Documents shall be arranged in order of their Checklist code number. The code number shall appear in the lower right-hand corner of each document.
 - b. Explanation of Documents Omitted. A brief explanation shall be made, at the appropriate point in the numerical sequence, for any document omitted from the submission or submitted under separate cover.
 - c. Front Cover. The following information shall appear on the front cover of each binder and, in addition to the code number, on any document submitted separately:
 - (1) Name of LPA.
 - (2) Name of locality in which project is located.
 - (3) Name of project.
 - (4) The title "Survey and Planning Application--Disaster Project."
 - (5) Copy number of binder; e.g., "Binder No. 2."
 - (6) Date of submission.
3. REVISED APPLICATION. The requirements for revised applications set forth in RHM 7206.1, Project Applications, Chapter 1, Section 1, apply.

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OTHER RENEWAL ASSISTANCE--DISASTER PROJECT
CHAPTER 2 SECTION 14. ASSEMBLY OF SURVEY AND PLANNING APPLICATION DOCUMENTATION.

Application Code No.	Binder No. 1	Binder No. 2	Binder No. 3	Binder No. 4
C-101	Original	1	1	1
C-106	2	1	1	1
C-107	1	1	1	1
C-121, C-122	Original	1	1	1
C-131	Original + 3	1	1	1
C-132, C-134	Original	1	1	1
C-141	1	1	Original	
C-143			All copies	
C-144, C-145	1 Certified	1 Certified	1 Certified	

Application Code No.	Item to be Submitted
	<u>Urban Renewal Area and Locality Data</u>
C-101	Form HUD-6100, Survey and Planning Application. The urban renewal area may not be named for a living person.
C-102	Form HUD-6101C, Urban Renewal Area Data - Disaster. (See RHM 7225.1, Other Renewal Assistance--Disaster Project, Chapter 2, Section 1, Appendix 1.)
C-103	<p>Eligibility data, including (see RHM 7225.1, Other Renewal Assistance--Disaster Project, Chapter 1, Section 1.)</p> <p>a. Evidence of determination by the President of a major disaster.</p> <p>b. Evidence that area is in need of renewal as a result of disaster.</p> <p>c. Statement explaining selection of area and delineation of boundaries.</p>
C-104	If State or local law requires that area be designated as an urban renewal area by local planning agency or other agency, evidence that this designation has been made.
C-105	Statement describing measures to be taken to minimize private and public repair and reconstruction of damaged property; if none, explain.
C-106	Map of locality indicating areas and features listed in RHM 7207.1, Project Planning, Chapter 1; and, in addition, areas within locality directly damaged by disaster.
C-107	<p>Map of project area and vicinity showing:</p> <p>a. Boundaries of project area.</p> <p>b. Generalized land uses before disaster, in project area and immediately surrounding area.</p>

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OTHER RENEWAL ASSISTANCE--DISASTER PROJECT

CHAPTER 2 SECTION 1

Application Code No.	Item to be Submitted
	<p>c. Approximate boundaries of any built-up sections in which a majority of structures appear to be in salvable condition.</p> <p style="text-align: center;"><u>Finance Data</u></p>
C-121	Estimate of Federal grant requirements. (See RHM 7215.1, Financing and Financial Reports, Chapter 1.)
C-122	Statement signed by chief executive of locality supporting feasibility of locality's contribution of its share of project costs. (See RHM 7215.1, Financing and Financial Reports, Chapter 1, Section 2.)
	<u>Budget Data</u>
C-131	Form HUD-627, Survey and Planning Budget. (See RHM 7218.1, Budgets and Budget Reports, Chapter 1.)
C-132	If this application is not the first application for a project in the locality, state date of previously approved Annual Administrative Staff Expense Budget. (See RHM 7218.1, Budgets and Budget Reports, Chapter 3.)
	<u>Legal Data</u>
C-141	Form HUD-6103, Legal Information Report for Urban Renewal Project. Omit Item C2(b). Under Item B5(a), substitute "Section 110b(2)" for "Section 110b." Under Item C6(a), substitute "Section 111(3)" for "Section 105(c)."
C-143	Documentation in support of Code No. C-141.
C-144	Resolution of applicant authorizing filing of Application. (See RHM 7225.1, Other Renewal Assistance--Disaster Project, Chapter 2, Section 1, Appendix 2.)
C-145	<p>If LPA is not the locality, resolution of governing body if locality (see RHM 7225.1, Other Renewal Assistance--Disaster Project, Chapter 2, Section 1, Appendix 3 and Chapter 1, Section 1.</p> <p>a. Certifying that area is in need of redevelopment or rehabilitation as a result of disaster.</p> <p>b. Approving filing of Application.</p>

OTHER RENEWAL ASSISTANCE--DISASTER PROJECT
 CHAPTER 2 SECTION 1 APPENDIX 1

APPENDIX 1 - INSTRUCTIONS FOR COMPLETING FORM HUD-6101C,
 URBAN RENEWAL AREA DATA--DISASTER

Form HUD-6101C, Urban Renewal Area Data--Disaster, shall be submitted in support of Form HUD-6100, Survey and Planning Application. Data entered on Form HUD-6101C shall be based on the best estimates available to the applicant.

BLOCK E. SIZE OF URBAN RENEWAL AREA, TYPE AND EXTENT OF USES
 (Pre-Disaster), AND CONDITION OF BUILDINGS

Line 1. Improved Streets, Alleys, Public Rights-of-Way

Include the rights-of-way of all streets and alleys improved before the disaster with all-weather surfacing, or, if unimproved, clearly necessary to and providing access to built-up land.

Line 2. Improved Residential

Include parcels of land¹ upon which were situated prior to the disaster (a) buildings used entirely for dwelling purposes, (b) buildings used partially for dwelling purposes if the predominant use of the building floor space was for dwelling purposes, (c) related public or semipublic facilities directly serving the neighborhood (such as schools, parks, recreational areas, health clinics, churches, or police or fire stations), or (d) buildings, notwithstanding temporary nonresidential uses, which were residential in character both as to exterior design and interior arrangements; and parcels which were being used for residential purposes (such as private parking) and which were occupied by a structure (such as paved surfacing).

Line 3. Improved Nonresidential

Include (a) parcels of land upon which were situated prior to the disaster buildings not classified as residential (see above), (b) other parcels occupied before the disaster by a structure and being used for nonresidential purposes (such as commercial parking lots and storage yards), and (c) land that prior to the disaster was occupied by a structure and

¹If a parcel is so large as to be clearly in excess of the needs of the building (or buildings) and its appurtenant uses, the excessive portion of the parcel shall not be counted in the computation as improved. Rather, it should be included in the "Vacant or Unimproved" category.

devoted to public and semipublic uses not directly related to residential uses.

Columns Under Heading "Estimated Number and Condition of Buildings"

In the three columns under this heading include, for each applicable line (a) the number of buildings before the disaster, (b) the total number destroyed by the disaster that as of the date of the submission have not been adequately replaced, and (c) the total number damaged (but not destroyed) by the disaster that as of the date of the submission are still in a damaged condition.

BLOCK G. ESTIMATED NUMBER OF FAMILIES REMAINING IN AREA

Include the required data regarding the families living in the urban renewal area as of the date of the submission.

BLOCK H. FACTORS INDICATING NEED FOR REDEVELOPMENT OR REHABILITATION

The description of the extent to which condition exists should be based on the effects of the disaster as of the date of the submission.

OTHER RENEWAL ASSISTANCE--DISASTER PROJECT
CHAPTER 2 SECTION 1 APPENDIX 2APPENDIX 2--SUGGESTED FORM OF RESOLUTION OF APPLICANT APPROVING
UNDERTAKING OF SURVEYS AND PLANS FOR A DISASTER
PROJECT AND FILING OF AN APPLICATION

(INSTRUCTIONS: Submit three certified copies to HUD. Use Certificate of Recording Officer accompanying resolution in 7206.1, Project Applications, Chapter 2, Section 1, Appendix 1, as guide.)

WHEREAS, under Title I of the Housing Act of 1949, as amended, the Secretary of Housing and Urban Development is authorized to extend financial assistance to a locality for the planning and undertaking of an urban renewal project in a urban area which the governing body of the locality certifies, and the Secretary finds, is in need of redevelopment or rehabilitation as a result of a catastrophe which the President has determined to be a major disaster; and

WHEREAS the (Governing Body of Locality) has, by resolution duly adopted on the _____ day of _____, 19___, certified that the area hereinafter described is an urban area in need of redevelopment or rehabilitation as a result of a catastrophe which the President has determined to be a major disaster; and 1/

WHEREAS Title VI of the Civil Rights Act of 1964 prohibits discrimination on the basis of race, color or national origin under any program or activity receiving Federal financial assistance and Executive Order 11063 prohibits discrimination on the basis of race, color, creed or national origin in sale, lease or other disposition of residential property (including land intended for residential use) or in the use or occupancy thereof; and

WHEREAS it is desirable and in the public interest that the (Name of Applicant) prepare surveys and plans, presently estimated to cost approximately _____ dollars (\$ _____), in order to undertake and carry out an urban renewal project of the character contemplated by Section 111 of Title I, in that certain area, proposed as an Urban Renewal Area situated in the City of _____, County of _____, and State of _____, and described as follows: (Insert description of proposed Urban Renewal Area)

1/ This clause should be deleted when the applicant is the locality.

NOW, THEREFORE, BE IT RESOLVED BY THE (GOVERNING BODY OF THE APPLICANT):

1. That the proposed Urban Renewal Area described above is an urban area in need of redevelopment or rehabilitation as a result of a catastrophe which the President, pursuant to the provisions of Public Law 875, 81st Congress, as amended, has determined to be a major disaster area, and is appropriate for an urban renewal project; that the undertaking by the (Name of Applicant) of surveys and plans for an urban renewal project of the character contemplated by Section 111 of Title I of the Housing Act of 1949, as amended, in said proposed Urban Renewal Area, is hereby approved; and that financial assistance under Title I is needed to enable the (Name of Applicant) to finance the undertaking of the project.

2. That it is cognizant of the conditions that are imposed in the undertaking and carrying out with Federal financial assistance of an urban renewal project of the character contemplated by Section 111 of Title I, including the following requirements: (a) that the contract for temporary loan or capital grant for the Project shall specify a date for compliance with the Workable Program for Community Improvement requirements of Section 101(c) of Title I; (b) that the urban renewal plan shall be approved by the (Governing Body of Locality)^{1/}; (c) that local grants-in-aid, consisting of donations of cash, land, demolition or removal work, and the installation, construction, or reconstruction of streets, utilities, parks, playgrounds, or other improvements or the provision of other public buildings or facilities, necessary for carrying out in the Urban Renewal Area the objectives of the urban renewal plan, shall be provided in an amount which, together with the Federal capital grant, will be generally equal to the difference between Gross Project Cost and the proceeds or value of project land sold, leased, or retained for use in accordance with the urban renewal plan; and (d) that there shall be prepared and carried out a plan for the encouragement, to the maximum extent feasible, of the provision of dwellings suitable for the needs of individuals and families displaced by the major disaster or by redevelopment or rehabilitation activities in connection with the Project; and it is the sense of this body that such conditions can and will be complied with.

3. That the United States of America and the Secretary of Housing and Urban Development be, and they hereby are, assured of full compliance by the (Name of Applicant) with regulations of the Department of Housing and Urban Development effectuating Title VI of the Civil Rights Act of 1964, and applicable Executive Orders.

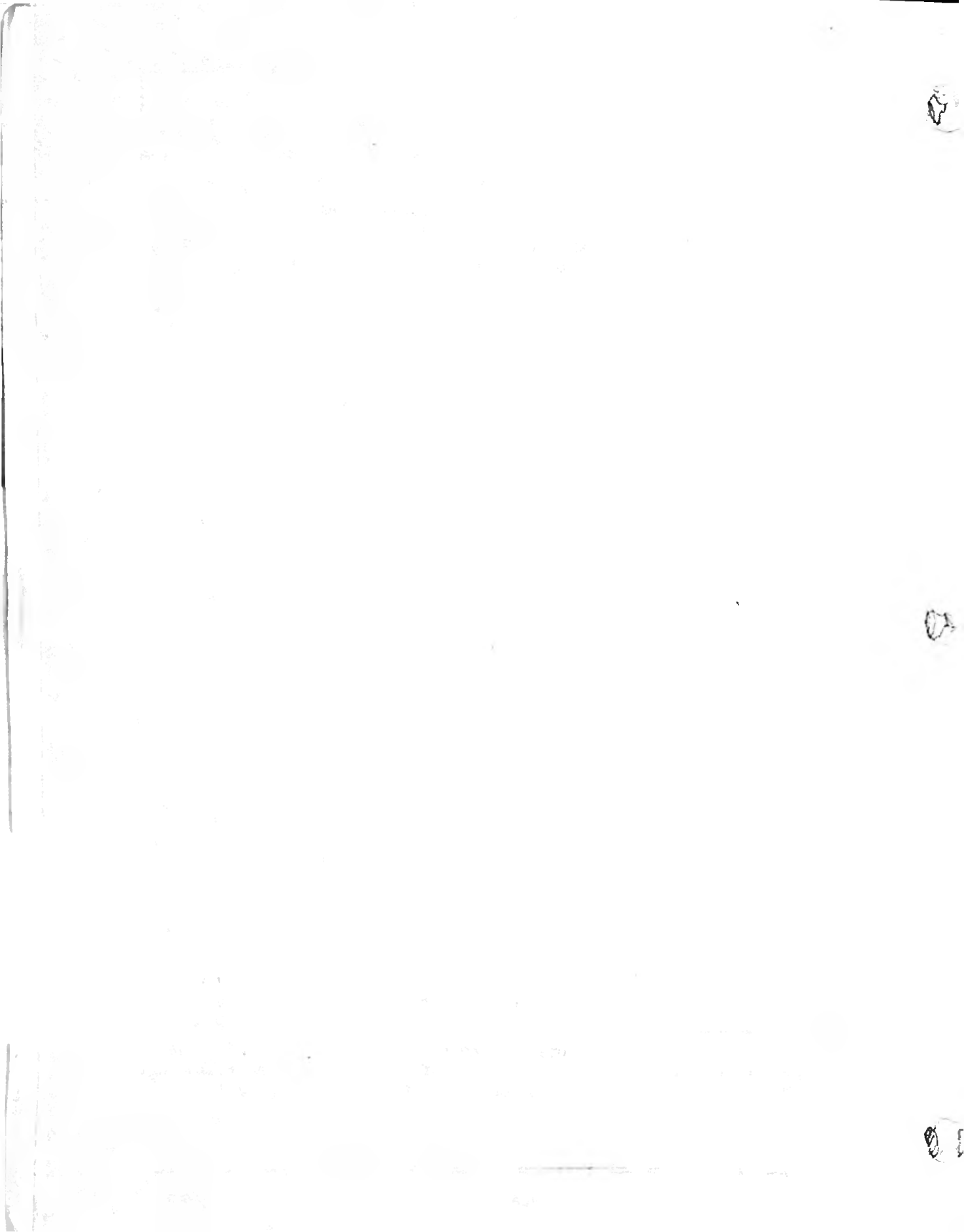
^{1/} Insert name of governing body of applicant when the applicant is the locality.

OTHER RENEWAL ASSISTANCE--DISASTER PROJECT
CHAPTER 2 SECTION 1 APPENDIX 2

4. That the filing of an application by the (Name of Applicant) 1/ for an advance of funds from the United States of America 1/ in an amount not to exceed _____ dollars (\$ _____) for surveys and plans for an urban renewal project in the Urban Renewal Area described above is hereby approved, and that the (Title of Applicant's Official) is hereby authorized and directed to execute and file such application with the Secretary of Housing and Urban Development, to provide such additional information and to furnish such documents as may be required by said Secretary, and to act as the authorized representative of the (Name of Applicant).

1/ If application is for approval to incur costs for surveys and plans from non-Federal funds, insert in lieu of this language the following: "for approval by the United States of America to incur costs."

AIR RIGHTS PROJECT



OTHER RENEWAL ASSISTANCE--DISASTER PROJECT
CHAPTER 2 SECTION 1 APPENDIX 3APPENDIX 3--SUGGESTED FORM OF RESOLUTION OF GOVERNING BODY OF
LOCALITY IN CONNECTION WITH FILING OF AN APPLICATION
FOR UNDERTAKING OF SURVEYS AND PLANS FOR A DISASTER
PROJECT

(INSTRUCTIONS: Submit three certified copies to HUD only if the applicant is a housing authority, a redevelopment agency, or other type of special body, and is not a city, borough, county, town, village, etc. Use Certificate of Recording Officer accompanying resolution in 7206.1, Project Applications, Chapter 2, Section 1, Appendix 1, as guide.)

WHEREAS, under Title I of the Housing Act of 1949, as amended, the Secretary of Housing and Urban Development is authorized to extend financial assistance to a locality for the planning and undertaking of an urban renewal project in an urban area which the governing body of the locality certifies, and the Secretary finds, is in need of redevelopment or rehabilitation as a result of a catastrophe which the President has determined to be a major disaster; and

WHEREAS it is desirable and in the public interest that the (Name of Applicant) prepare surveys and plans, presently estimated to cost approximately _____ dollars (\$ _____), in order to undertake and carry out an urban renewal project of the character contemplated by Section 111 of Title I, in that certain area, proposed as an Urban Renewal Area, situated in the City of _____, County of _____, and State of _____, and described as follows:

(Insert description of proposed Urban Renewal Area)

NOW, THEREFORE, BE IT RESOLVED BY THE (GOVERNING BODY OF LOCALITY):

1. That the proposed Urban Renewal Area described above is an urban area in need of redevelopment or rehabilitation as a result of a catastrophe which the President, pursuant to the provisions of Public Law 875, 81st Congress, as amended, has determined to be a major disaster, and is appropriate for an urban renewal project; that the undertaking by the (Name of Applicant) of surveys and plans for an urban renewal project of the character contemplated by Section 111 of Title I of the Housing Act of 1949, as amended, in the proposed Urban Renewal Area described above, is hereby approved; and that financial assistance under Title I is needed to enable the (Name of Applicant) to finance the undertaking of the Project.

2. That it is cognizant of the conditions that are imposed in the undertaking and carrying out with Federal financial assistance of an urban renewal project of the character contemplated by Section 111 of Title I, including those prohibiting discrimination because of race, color, creed, or national origin; and also the following requirements: (a) that the contract for temporary loan or capital grant for the Project shall specify a date for compliance with the Workable Program for Community Improvement requirements of Section 101(c) of Title I; (b) that the urban renewal plan shall be approved by this body; (c) that local grants-in-aid, consisting of donations of cash, land, demolition or removal work, and the installation, construction, or reconstruction of streets, utilities, parks, playgrounds, or other improvements or the provision of other public buildings or facilities, necessary for carrying out in the Urban Renewal Area the objectives of the urban renewal plan, shall be provided in an amount which, together with the Federal capital grant, will be generally equal to the difference between Gross Project Cost and the proceeds or value of project land sold, leased, or retained for use in accordance with the urban renewal plan; and (d) that there shall be prepared and carried out a plan for the encouragement, to the maximum extent feasible, of the provision of dwellings suitable for the needs of individuals and families displaced by the major disaster or by redevelopment or rehabilitation activities in connection with the Project; and it is the sense of this body that such conditions can and will be complied with.

3. That the filing of an application by the (Name of Applicant) for surveys and plans for an urban renewal project in the Urban Renewal Area described above is hereby approved.

CHAPTER 2 SUBMISSION REQUIREMENTS

SECTION 2. APPLICATION FOR LOAN AND GRANT

1. COMBINED SUBMISSION.

- a. Copies to be Submitted. The Combined Part I-II Loan and Grant shall be submitted in five binders. The original or first copy of each code item shall be placed in Binder No. 1 and one copy each in Binders No. 2, 3, 4, and 5.
- b. Code Numbers. Documents shall be arranged in order of their checklist code number. Major code items shall be separated by divider sheets, each bearing an index tab identifying that item by code number. Each element of each code shall be identified by the code number and a suffix. The suffix shall be the number or letter for that element taken from the checklist.
- c. Explanation of Documents Omitted. A brief explanation shall be made for any document omitted from the submission or submitted under separate cover.
- d. Front Cover. The following information shall appear on the front cover of each binder and, in addition to the code number, on any document submitted separately:
 - (1) Name of LPA.
 - (2) Name of locality in which project is located.
 - (3) Name of project.
 - (4) Project number.
 - (5) The title "Combined Part I-II Loan and Grant Application--Disaster Project."
 - (6) Copy number of binder, e.g., "Binder No. 2."
 - (7) Date of application.

2. TWO-PART SUBMISSION. LPA's may elect to submit a Combined Part I-II application. The checklist may also be used should the local body desire to submit the Part I and Part II separately. A slight variation in the submission requirements would be necessitated by submitting separate parts. The variations are as follows:

a. Part I.

- (1) Code C-213, the Urban Renewal Plan, as proposed for submission to the governing body of the locality shall be included.
- (2) Code C-225, the executed contracts for sale under Item d of the code should not be submitted until the Part II. (See RHM 7206.1, Chapter 2, Code No. R-225.)
- (3) Code No. C-231, Legal Data Requirements, RHM 7206.1, Project Applications, Chapter 2, Appendix 2, shall be used as suggested form of opinion with appropriate language changes made (see Code No. R-231 of this combined checklist).
- (4) Code 300 series is not required to be submitted with the Part I of a two-part application.

b. Part II.

- (1) Code 300 series is required with the Part II of a two-part application.
- (2) In addition to the Code 300 series the following must be submitted with the Part:
 - (a) Explanation of LPA's solution to each question raised by HUD at time of its approval of Part I Loan and Grant application, including submission of any additional documentation specifically requested by HUD.
 - (b) Opinion of LPA counsel regarding any changes in the Urban Renewal Plan. Delete the following clause from RHM 7206.1, Project Applications, Chapter 2, Appendix 3, Paragraph 2: including any such hearing on the project (as distinguished from a public hearing, if any, on the (Modified Plan) under Section 105(d) of the Housing Act of 1949, as amended, or under any other law,

3. AMENDATORY APPLICATION

- a. An Amendatory Loan and Grant Application is required for:

- (1) Changing the project boundaries.
 - (2) Revising the amount of the loan, the capital grant, the relocation grant, or the rehabilitation grant.
 - (3) Changing any other provisions of the contract, including special conditions. (See also RHM 7207.1, Project Planning, Chapter 4, Section 3).
- b. An amendatory application shall be submitted in one or two parts, and shall consist of Form HUD-612, Application for Loan and Grant, and the Checklist documentation specified in this and the following sections related to the proposed amendment.
4. ASSEMBLY OF LOAN AND GRANT APPLICATION--DISASTER PROJECT.

Application Code No.	Binder No. 1	Binder No. 2	Binder Nos. 3, 4, & 5
C-201	Original	1	1
C-202 ¹	Original	1	1
C-211	Original	1	1
C-212	Original	1	1
Form HUD-6120C only	Original + 2	1	1
C-214	Original	1	1
C-215	Original	1	1
C-216	Original	1	1
C-221	Original	1	1
C-222	Original	1	1

¹Assembly in chart applies to narrative request for HUD's determination. If Form HUD-648 is submitted, submit under separate cover; do not place in binders.

AIR RIGHTS PROJECT

FIVE YEAR INVESTMENT

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OTHER RENEWAL ASSISTANCE--DISASTER PROJECT
CHAPTER 2 SECTION 2

Application Code No.	Binder No. 1	Binder No. 2	Binder Nos. 3, 4, & 5
C-223	Original	1	1
Form HUD-6122 only	Original + 1	1	1
C-224	Original	1	1
C-225	Original	1	1
C-225a only	1	1	
C-226	Original	1	1
Form HUD-6200 only	Original + 1	1	1
Form HUD-6220 only	Original + 4	1	1
C-231a	1 certified	1 certified	1 certified
C-231(b)	Original	1 conformed	1 conformed
C-301, C-302, C-303, C-304, C-305, C-310	1 certified	1 certified	1 certified

5. CHECKLIST FOR LOAN AND GRANT APPLICATION--DISASTER PROJECT.

Application Code No.	Item to be Submitted
C-201	<u>Form HUD-612, Application for Loan and Grant.</u>
C-202	<u>Labor Standards.</u> If no determination has been made or is to be made under State or local law, narrative request for determination of prevailing technical salaries are to be determined under State or local law, Form HUD-648, Request for Adoption of Salary Determinations Made Under State or Local Law. (See RHM 7217.1, LPA Administration, Chapter 3, Section 2.)
C-211	<u>Community Requirements Data:</u>

Application Code No.	Item to be Submitted
C-212	<p>a. If a Workable Program for Community Improvement has been submitted:</p> <p>(1) Status of any minimum requirements with respect to the general plan of locality which were not complete at that time. (See RHM 7204.1, Community Requirements, Chapter 2.)</p> <p>(2) Any later changes in status of local codes and program of their administration and enforcement. (See RHM 7204.1, Community Requirements, Chapter 3.)</p> <p>b. If a Workable Program has not yet been submitted, progress toward each part of program and estimated date of submission. (See RHM 7225.1, Other Renewal Assistance--Disaster Project, Chapter 1, Section 2.)</p> <p>c. If project involves rehabilitation, evidence that codes, ordinances, and regulations required to carry out these activities are in effect. Reference may be made to submission of a Workable Program or to data submitted with a previous application.</p> <p><u>Project Area Report:</u></p> <p>a. Statement as to basis for any revisions in project boundaries from those shown in Survey and Planning Application.</p> <p>b. Map of project area and immediately surrounding area showing:</p> <p>(1) Project boundaries.</p> <p>(2) Structures destroyed or requiring clearance as a result of disaster.</p> <p>(3) Other structure to be cleared because rehabilitation is infeasible.</p>

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Application Code No.	Item to be Submitted
	<p>c. Form HUD-6120C, Summary of Project Data--Disaster, and any additional data to show eligibility of area under State or local law.</p> <p>d. If applicable, explanation of how project area qualifies as a Section 112 college, university, or hospital project. (See RHM 7205.1, Area Eligibility, Chapter 2.)</p> <p>e. When clearance and redevelopment are proposed for project area or sizable portion thereof, and if area to be cleared is built up, data establishing that it meets criteria in RHM 7207.1, Project Planning, Chapter 1, for clearance and redevelopment of built-up areas, including specific detailed criteria used in classifying buildings as structurally substandard to a degree warranting clearance.</p>
C-214	<p><u>Report on Planning Proposals:</u></p> <p>a. Description of relationship of planning proposals to plans for neighborhood or district, of which project area is part, covering land uses, thoroughfares recreational and community facilities, and other renewal action contemplated. Evidence of recognition of these plans by local planning agency, if there is one.</p> <p>b. Statement of basis for determinations that objectives of Urban Renewal Plan could not be achieved through rehabilitation, or more extensive rehabilitation, of project area. (See RHM 7206.1, Project Applications, Chapter 2, Code No. R-214.)</p> <p>c. Description of manner in which the plan will prevent loss of life and minimize economic loss from recurrence of disaster.</p> <p>d. Statement which:</p> <p>(1) If locality has a general plan or a Workable Program establishes how the Urban Renewal Plan conforms.</p>

Application Code No.	Item to be Submitted
	<p>(2) Describes the relationship of Urban Renewal Plan to definite local objectives respecting appropriate land uses, improved traffic, public transportation, public utilities, recreational and other community facilities, and other public improvements.</p> <p>e. Statement of any definite local or regional control measures being taken or to be taken to prevent future damage in project area from recurrence of cause of disaster, including:</p> <p>(1) Timing of these measures.</p> <p>(2) Relation of timing of these measures to timing of redevelopment proposals and to date by which project land is expected to be ready for disposition.</p> <p>(3) Progress to date on planning and carrying out of measures.</p> <p>(4) With reference to project area, extent of protection.</p>
C-215	<p><u>Report on Minority Group Considerations</u>, if project will result in substantial net reduction in supply of housing in project area available to minority group families. (See RHM 7206.1, Project Applications Chapter 2, Code No. R-215.)</p>
C-216	<p><u>Community Organization Data</u>. (See RHM 7206.1, Project Applications, Chapter 2, Code No. R-216.)</p>
C-221	<p><u>Rehabilitation Data</u>. (See RHM 7206.1, Project Applications, Chapter 2, Code No. R-221.)</p>
C-222	<p><u>Land Acquisition Report</u>. (See RHM 7206.1, Project Applications, Chapter 2, Code No. R-222.)</p>
C-223	<p><u>Relocation Report</u> (see RHM 7225.1, Other Renewal Assistance--Disaster Project, Chapter 1, Section 4):</p>

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Application Code No.	Item to be Submitted
C-224	<p>a. With respect to site occupants expected to be displaced by urban renewal activities:</p> <ul style="list-style-type: none"> (1) Relocation Program and supporting data. (See RHM 7212.1, Relocation, Chapter 2, Section 1.) (2) Form HUD-6122, Estimated Housing Requirements and Resources for Displaced Families, and supporting statements. (See RHM 7212.1, Relocation, Chapter 2, Section 2.) (3) If new or existing low-rent public housing is to be used as a relocation resource, copy of letter from LHA. (See RHM 7212.1, Relocation, Chapter 3, Section 1.) (4) Proposed Informational Statements for issuance to families, individuals, and business concerns. (See RHM 7212.1, Relocation, Chapter 3, Section 1.) <p>b. With respect to families displaced by disaster who are inadequately housed at the time of submission of this application (see RHM 7225.1, Other Renewal Assistance--Disaster Project, Chapter 2, Section 1, Code Nos. C-141 - 143):</p> <ul style="list-style-type: none"> (1) Statement of number and rehousing needs by race, name, and size of displaced families. (2) Plans for provision of referral services assistance to encourage rehousing of families in public and private housing accommodations suitable to their needs. (3) Plans for construction or encouragement of construction of private and public accommodations suitable for rehousing of families. <p><u>Project Improvements Report.</u> (See RHM 7206.1, Project Applications, Chapter 2, Code No. R-224.)</p>

Application Code No.	Item to be Submitted
C-225	<u>Land Disposal Report.</u> (See RHM 7206.1, Project Applications, Chapter 2, Code No. R-225.)
C-226	<u>Form HUD-6200, Project Cost Estimate and Financing Report.</u> (See RHM 7206.1, Project Applications, Chapter 2, Code No. R-226.)
C-231	<p><u>Legal Data:</u></p> <p>a. Resolution of applicant authorizing filing of application. (See RHM 7225.1, Other Renewal Assistance--Disaster Project, Chapter 2, Section 2, Appendix 1, for suggested form of resolution.)</p> <p>b. Opinion of LPA Counsel respecting Combined Part I-II Loan and Grant Application, Urban Renewal Plan, and Notice of Public Hearing. RHM 7206.1, Project Applications, Chapter 2, Appendix 4 shall be used with language changes:</p> <p>(1) Substitute the following language for Paragraph 8(b): "That the proposed area is within the meaning of Section 111 of Title I of the Housing Act of 1949, as amended, an urban renewal area in need of redevelopment or rehabilitation as a result of a catastrophe which the President has declared to be a major disaster; and".</p> <p>(2) Change the reference to Section 110b in Paragraphs 5(a) and 5(d), to read "Section 110b(2)" and delete from Paragraph 5(c) the clause "to permit a determination to be made as to whether it conforms to the general plan of the community as a whole and".</p> <p>(3) Delete the following clause from Paragraph 9: including any such hearing on the project (as distinguished from a public hearing, if any, on the Plan) under Section 105(d) of the Housing Act of 1949, as amended, or under any other law.</p>

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Application Code No.	Item to be Submitted
C-301	<p><u>Urban Renewal Plan</u> as approved by governing bodies of LPA and locality. (See RHM 7207.1, Project Planning, Chapter 4.) The following changes from the Urban Renewal Plan outline in RHM 7207.1, Project Planning, Chapter 4, Section 2 shall be made:</p> <p>a. In Item C, if both interim and permanent uses are planned, the requirements of the plan outline are to be completed for both categories of uses. A statement shall be included that the interim uses will be terminated when the elimination of the danger of recurrence of the disaster will make feasible disposition of the land for the permanent uses provided in the plan.</p> <p>b. In Item D1, a statement shall be added indicating extent to which it is planned to clear or relocate dwellings in area subject to recurring disaster.</p>
C-302	Resolution of governing body of locality approving Urban Renewal Plan and feasibility of relocation, and pledging cooperation with respect to Workable Program for Community Improvement. (See RHM 7225.1, Chapter 2, Section 2, Appendix 2.)
C-303	Resolution of LPA governing body approving Urban Renewal Plan and conditions under which relocation payments will be made. Evidence of approvals, required by State or local law, of other official bodies is also to be submitted. (See RHM 7206.1, Project Applications, Chapter 2, Appendix 6.)
C-305	<p>Executed cooperation agreements, or other similar undertakings, and other evidence respecting:</p> <p>a. Provision of local grants-in-aid. (See RHM 7215.1, Financing and Financial Reports, Chapter 1, Section 2.)</p>

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Application Code No.	Item to be Submitted
C-310	<p>b. If not previously submitted, locality's submission of a Workable Program including statement of date by which it will be submitted. (See RHM 7225.1, Other Renewal Assistance--Disaster Project, Chapter 1, Section 2.)</p> <p>Disposal or cooperation agreement, plus supporting documentation, when required prior to approval of Loan and Grant Application for and to be redeveloped for public or nonprofit use. (See RHM 7214.1, Land Marketing and Redevelopment, Chapter 2, Section 3.)</p>

AIR RIGHTS PROJECT

LETTER OF CONSENT

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(2)

(3)

APPENDIX 1-SUGGESTED FORM OF RESOLUTION OF APPLICANT
AUTHORIZING FILING OF APPLICATION

(INSTRUCTIONS: Submit original and four copies to HUD, each to be attached to a signed certification. Use Certificate of Recording Officer accompanying resolution in RHM 7206.1, Project Applications, Chapter 1, Section 1, Appendix 1, as guide.)

RESOLUTION OF THE (APPLICANT) AUTHORIZING
THE FILING OF /PART I/ (OR) /COMBINED PART I-II/
AND GRANT FOR PROJECT NO. _____

WHEREAS it is necessary and in the public interest that the (Applicant) (herein sometimes called the "Local Public Agency") avail itself of the financial assistance provided by Title I of the Housing Act of 1949, as amended, to carry out the urban renewal project of the character contemplated by Section 111 of Title I described as _____ and bounded generally by _____, hereinafter referred to as the "Project"; and

WHEREAS it is recognized that the Federal contract for such financial assistance will impose certain obligations and responsibilities upon the Local Public Agency and will require among other things (1) the provision of local grants-in-aid; (2) the carrying out of a plan for the encouragement, to the maximum extent feasible, of the provision of dwellings suitable for the needs of /individuals and/1/ families displaced by the major disaster or by redevelopment and rehabilitation; (3) the specifying of the date, determined to be reasonable by HUD, for compliance with the Workable Program for Community Improvement requirements of Section 101(c) of Title I; and (4) other local obligations and responsibilities in connection with the undertaking and carrying out of urban renewal projects; and

WHEREAS Title VI of the Civil Rights Act of 1964 prohibits discrimination on the basis of race, color or national origin under any program or activity receiving Federal financial assistance and Executive Order 11063 prohibits discrimination on the basis of race, color, creed or national origin in sale, lease or other disposition of residential property (including land intended for residential use) or in the use or occupancy thereof, and

1/ Omit bracketed language if the Contract for Planning Advance for surveys and plans in preparation of the project was entered into, or concurrence in the undertaking of such surveys and plans was given, by HUD prior to September 2, 1964.

1/WHEREAS, the Local Public Agency has elected to make relocation payments in excess of \$25,000, it is recognized that such payments are to be made in accordance with the regulations governing relocation payments; and the Local Public Agency has, or will have, available local funds (other than local grants-in-aid or project funds) with which to pay its share of the payments in excess of \$25,000.1/

WHEREAS the objectives of the Urban Renewal Plan cannot be achieved through more extensive/2/ rehabilitation of the Project area:

NOW, THEREFORE, BE IT RESOLVED BY THE (GOVERNING BODY) OF THE (APPLICANT):

1. That an application on behalf of the (Applicant) for a loan under Section 102(a) of Title I in the amount of \$ _____ and for a project capital grant and a relocation grant and a grant for the making of Section 115 rehabilitation grants to the full amount available for undertaking and financing the Project is hereby approved, and that the (Title of Officer) is hereby authorized and directed to execute and to file such application with the Department of Housing and Urban Development, to provide such additional information and to furnish such documents as may be required in behalf of said Department, and to act as the authorized correspondent of the (Applicant).

2. That the United States of America and the Secretary of Housing and Urban Development be, and they hereby are, assured of full compliance by the (Applicant) with regulations of the Department of Housing and Urban Development effectuating Title VI of the Civil Rights Act of 1964, and applicable Executive Orders.

3. That in accordance with Section 111(1) of Title I, this Department agrees to comply with the Workable Program for Community Improvement requirements of Section 101(c) of Title I by the date determined to be reasonable by HUD and to be set forth in the Contract for Loan and Grant.3/

4. That relocation payments in excess of \$25,000 will be made in accordance with the regulations governing Relocation Payments from local funds other than local grants-in-aid or project funds.1/

-
- 1/ Include the bracketed language if the LPA elects to make payments in excess of \$25,000 in connection with a project for which the Part I or Combined Part I-II Loan and Grant Application has not yet been submitted.
- 2/ If clearance is the sole treatment proposed, omit the bracketed language.
- 3/ This paragraph is to be deleted if the LPA has already met the Workable Program for Community Improvement requirements of Section 101(c).
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APPENDIX 2-SUGGESTED FORM OF RESOLUTION OF GOVERNING BODY OF
LOCALITY APPROVING URBAN RENEWAL PLAN FOR A PROJECT

(INSTRUCTIONS: Submit original and 5 copies to HUD, each attached to a signed certification. Use Certificate of Recording Officer accompanying resolution in RHM 7206.1, Project Applications, Chapter 1, Section 1, Appendix 1, as guide.1/ If the city, borough, county, or similar type of municipality or political subdivision having overall primary governmental jurisdiction over the area in which the project area is located is the LPA, the resolution must be appropriately revised to reflect such fact.)

RESOLUTION2/ OF (GOVERNING) BODY OF (LOCALITY) APPROVING
THE URBAN RENEWAL PLAN AND THE FEASIBILITY OF
RELOCATION FOR PROJECT NO.____, AND PLEDGING
COOPERATION WITH RESPECT TO WORKABLE
PROGRAM FOR COMMUNITY IMPROVEMENT

WHEREAS the (Governing Body) (herein called the "Governing Body") has already certified by Resolution No._____, dated _____, 19___, the area hereinafter described to be an urban area need of redevelopment or rehabilitation as a result of a catastrophe which the President has determined to be a major disaster; and

WHEREAS, under the provisions of Title I of the Housing Act of 1949, as amended, the Secretary of Housing and Urban Development is authorized to provide financial assistance to a Local Public Agency for the undertaking and carrying out of an urban renewal project in an urban area which the governing body of the locality certifies and the Secretary finds is in need of redevelopment or rehabilitation as a result of a catastrophe which the President has determined to be a major disaster; and

WHEREAS it is provided in such Act that contracts for financial aid thereunder shall require that the Urban Renewal Plan for the respective project area be approved by the governing body of the locality in which the project is situated and that such approval include findings by the governing body that: (1) the financial aid to be provided in the contract is necessary to enable the project to be undertaken in accordance with the Urban Renewal Plan; (2) the Urban Renewal Plan will afford maximum opportunity, consistent with the

1/ Add the following: "2a. Also attached hereto is a true and correct copy of the Urban Renewal Plan, which has been previously approved by the (LPA), as evidenced by a duly certified resolution of that body attached to the Plan, presented at the meeting, and approved by the Resolution of the Governing Body."

2/ Where necessary or desirable under State or local law, an ordinance instead of a resolution should be adopted.

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CHAPTER 2 SECTION 2 APPENDIX 2

sound needs of the locality as a whole, for the rehabilitation or redevelopment of the urban renewal area by private enterprise; and (3) the Urban Renewal Plan gives due consideration to the provision of adequate park and recreational areas and facilities, as may be desirable for neighborhood improvement, with special consideration for the health, safety, and welfare of children residing in the general vicinity of the site covered by the Plan; and

WHEREAS the _____ (herein called the "Local Public Agency") has entered into (a planning contract) (planning contracts) for financial assistance under such Act with the United States of America, acting by and through the Secretary of Housing and Urban Development, pursuant to which Federal funds were provided for the urban renewal project (hereinafter called the "Project") identified as " _____ " and encompassing the area bounded by _____ in the _____ of (Locality), State of _____ (hereinafter called the "Locality"); and

/WHEREAS the _____ (herein called the "Local Public Agency") has obtained the concurrence of the Secretary of Housing and Urban Development in the commencement and preparation, without Federal financial assistance, of surveys and plans for the urban renewal project (hereinafter called the "Project") identified as " _____ " and encompassing the area bounded by _____ in the _____ of (Locality), State of _____ (hereinafter called the "Locality"); and 1/

/WHEREAS the (Educational Institution or Hospital) is located (in) (near) the Project area; and 2/

WHEREAS the Local Public Agency has applied for additional 3/ financial assistance under such Act and proposes to enter into a (n) additional 3/ contract or contracts with the Department of Housing and Urban Development for the undertaking of and for making available additional 3/ financial assistance for, the Project; and

- 1/ If Federal financial assistance has not previously been made to the project; e.g., if surveys and plans were carried out under a Letter To Proceed or if the project is on a three-fourths capital grant basis, omit the fourth "Whereas" clause and insert bracketed language.
- 2/ If the project is a Section 112 college, university, or hospital project, insert bracketed language.
- 3/ If Federal financial assistance has not previously been made to the project, omit bracketed language.

OTHER RENEWAL ASSISTANCE--DISASTER PROJECT
CHAPTER 2 SECTION 2 APPENDIX 2

WHEREAS the Local Public Agency has made detailed studies of the location, physical condition of structures, land use, environmental influences, and social, cultural, and economic conditions of the Project area and has determined that the area is a _____ 1/ area and that it is detrimental and a menace to the safety, health, and welfare of the inhabitants and users thereof and of the Locality at large, because of (summarize principal facts and conditions pertinent to State statutory criteria), and members of this Governing Body have been fully appraised by the Local Public Agency and are aware of these facts and conditions; and

WHEREAS there has been prepared and referred to the Governing Body for review and approval an Urban Renewal Plan for the Project area, dated _____, 19____, and consisting of _____ pages and _____ exhibits (and _____ 2/), supported by the following supplementary material, data, and recommendations, which material, data, and recommendations are not a part of the Urban Renewal Plan: (identify supporting documentation to the Urban Renewal Plan); and

WHEREAS the Urban Renewal Plan has been approved by the Governing Body of the Local Public Agency, as evidenced by the copy of said Body's duly certified resolution approving the Urban Renewal Plan, which is attached thereto; and

WHEREAS the Urban Renewal Plan for the Project area prescribes certain land uses for the Project area and will require, among other things, /changes in zoning, the vacating and removal of streets, alleys, and other public ways, the establishment of new street patterns, the location and relocation of sewer and water mains and other public facilities, and other public action/; and

/WHEREAS the (LPA) (Governing Body) has caused to be made a competent independent analysis of the local supply of hotel and other transient housing; and/3/

WHEREAS the Local Public Agency has prepared and submitted proposals for the encouragement, to the maximum extent feasible, of

- 1/ Insert descriptive language in accord with applicable State statute and Title I; e.g., slum, blighted, decadent.
- 2/ List any Urban Renewal Plan graphic material not identified as exhibits.
- 3/ Include the bracketed language only if the Urban Renewal Plan permits new construction of hotels or other housing for transient use on land to be made available by the project for redevelopment.

the provision of dwellings suitable for the needs of individuals and families displaced by the catastrophe or by renewal activities in accordance with the Urban Renewal Plan; and

WHEREAS there have also been presented to the Governing Body information and data respecting the relocation program which has been prepared by the Local Public Agency as a result of studies, surveys, and inspections in the Project area and the assembling and analysis of the data and information obtained from such studies, surveys and inspections; and

WHEREAS the members of the Governing Body have general knowledge of the conditions prevailing in the Project area and of the availability of proper housing in the Locality for the relocation of individuals and families displaced by the catastrophe or by renewal activities in the Project area and, in the light of such knowledge of local housing conditions, have carefully considered and reviewed such relocation program; and

WHEREAS every temporary loan and capital grant contract for a Section 111 urban renewal project shall obligate the Local Public Agency to meet the Workable Program for Community Improvement requirements of Section 101(c) of Title I by a date determined by HUD to be reasonable; and

WHEREAS it is necessary that the Governing Body take appropriate official action respecting the proposals for relocation and the Urban Renewal Plan for the Project, in conformity with the contract(s) for financial assistance between the Local Public Agency and the United States of America, acting by and through the Secretary of Housing and Urban Development; and

WHEREAS the Governing Body is cognizant of the conditions that are imposed in the undertaking and carrying out of urban renewal projects with Federal financial assistance under Title I, including those prohibiting discrimination because of race, color, creed, or national origin;

NOW, THEREFORE, BE IT (RESOLVED) (ORDAINED) BY THE (GOVERNING BODY) OF THE (LOCALITY):

1/ Omit bracketed language if a Contract for Planning Advance for surveys and plans in preparation of the project was entered into, or concurrence in the undertaking of such surveys and plans was given, by HUD prior to September 2, 1964.

OTHER RENEWAL ASSISTANCE--DISASTER PROJECT
CHAPTER 2 SECTION 2 APPENDIX 2

1. That it is hereby found and determined that the Project is a 1/ area and qualifies as an eligible Project area under 2/.
2. That the Urban Renewal Plan for the Project, having been duly reviewed and considered, is hereby approved, and the (Title of Officer) be and is hereby directed to file said copy of the Urban Renewal Plan with the minutes of this meeting.3/
3. That the acquisition of real property in the urban renewal area in furtherance of the urban renewal plan is hereby approved.
4. That it is hereby found and determined that the objectives of the Urban Renewal Plan cannot be achieved through more extensive/4/ rehabilitation of the Project area.
5. That it is hereby found and determined that the financial aid provided and to be provided pursuant to the contract(s) for Federal financial assistance pertaining to the Project is necessary to enable the Project to be undertaken in accordance with the Urban Renewal Plan for the Project area.
- 6/ That it is hereby found and determined that, in addition to the elimination of slums and blight from the Urban Renewal Area, the undertaking of the Project in such area will further promote the public welfare and the proper development of the community (a) by making land in such area available for disposition, for uses in accordance with the Urban Renewal Plan, to (Educational Institution or Hospital) for redevelopment in accordance with the use or uses specified in the Plan, (and) (or) (b) by providing, through the redevelopment of the Urban Renewal Area in accordance with the Plan, a cohesive neighborhood environment compatible with the functions and needs of (Educational Institution or Hospital).5/
7. That it is hereby found and determined that the Urban Renewal Plan for the Urban Renewal Area will afford maximum opportunity, consistent with the sound needs of the Locality as a whole, for the urban renewal of the Area by private enterprise.

- 1/ Insert descriptive language in accord with applicable State statute and Title I; e.g., slum, blighted, decadent.
- 2/ Cite the appropriate State statute.
- 3/ Insert only if required by State or local law.
- 4/ If clearance is the sole treatment proposed, omit the bracketed language.
- 5/ If the project is a Section 112 college, university, or hospital project, insert bracketed language.

8. That it is hereby found and determined, as a result of a competent independent analysis of the local supply of transient housing, that there exists in the area a need for additional units of such housing.^{1/}

9. That it is hereby found and determined that the proposals for the encouragement, to the maximum extent feasible, of the provision of dwellings suitable for the needs of individuals and^{2/} families displaced by the catastrophe or by renewal activities are feasible and can be reasonably and timely effected to permit the proper prosecution and completion of the Project.

10. That it is hereby found and determined that the Urban Renewal Plan gives due consideration to the provision of adequate park and recreational areas and facilities, as may be desirable for neighborhood improvement, with special consideration for the health, safety, and welfare of children residing in the general vicinity of the site covered by the Plan.

11. That, in order to implement and facilitate the effectuation of the Urban Renewal Plan hereby approved, it is found and determined that certain official action must be taken by this Body with reference, among other things, to changes in zoning, the vacating and removal of streets, alleys, and other public ways, the establishment of new street patterns, the location and relocation of sewer and water mains and other public facilities, and other public action, and, accordingly, this Body hereby (a) pledges its cooperation in helping to carry out the Urban Renewal Plan; (b) requests the various officials, departments, boards, and agencies of the Locality having administrative responsibilities in the premises likewise to cooperate to such end and to exercise their respective functions and powers in a manner consistent with the Urban Renewal Plan; and (c) stands ready to consider and take appropriate action upon proposals and measures designed to effectuate the Urban Renewal Plan.

12. That this Body pledges its cooperation in assisting the Local Public Agency to meet the Workable Program for Community Improvement requirements of Section 101(c) of Title I by such future date as may be determined by the Department of Housing and Urban Development to be reasonable and as may be set forth in the Federal-aid contract.

^{1/} Include the bracketed language only if the Urban Renewal Plan permits new construction of hotels or other housing for transient use on land to be made available by the project for redevelopment.

^{2/} Omit bracketed language if a Contract for Planning Advance for surveys and plans in preparation of the project was entered into, or concurrence in the undertaking of such surveys and plans was given by HUD prior to September 2, 1964.

OTHER RENEWAL ASSISTANCE--DISASTER PROJECT
CHAPTER 2 SECTION 2 APPENDIX 2

13. That additional^{1/} financial assistance under the provisions of Title I of the Housing Act of 1949, as amended, is necessary to enable the land in the Project area to be renewed in accordance with the Urban Renewal Plan for the Project area, and, accordingly, the filing by the Local Public Agency of an application or applications for such financial assistance under Title I is hereby approved.

^{1/} If Federal financial assistance has not previously been made to the project, omit bracketed language.

AIR RIGHTS PROJECT

CENTER OF CONSENT

FUTURE LAND ACQUISITION

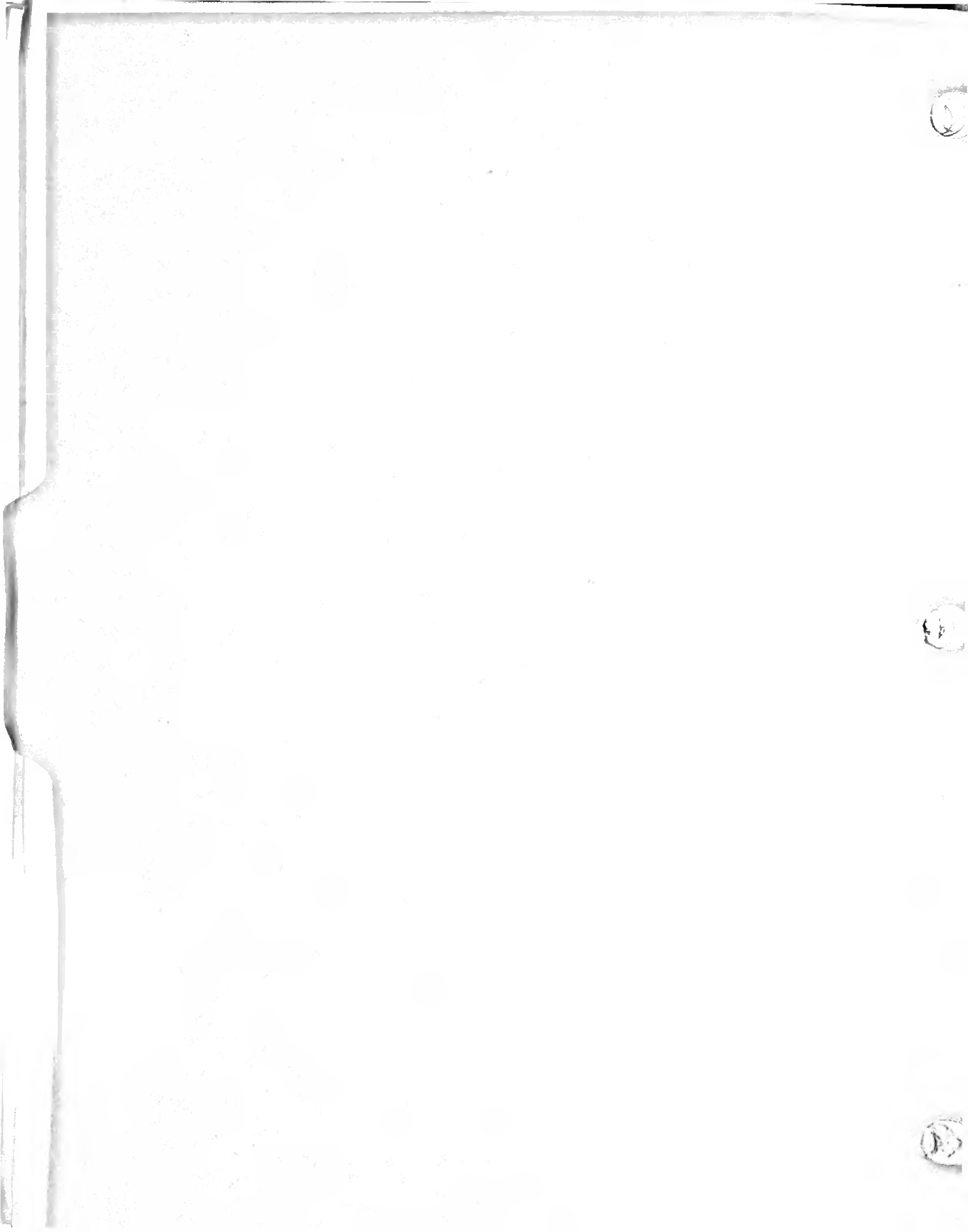
(1)

(2)

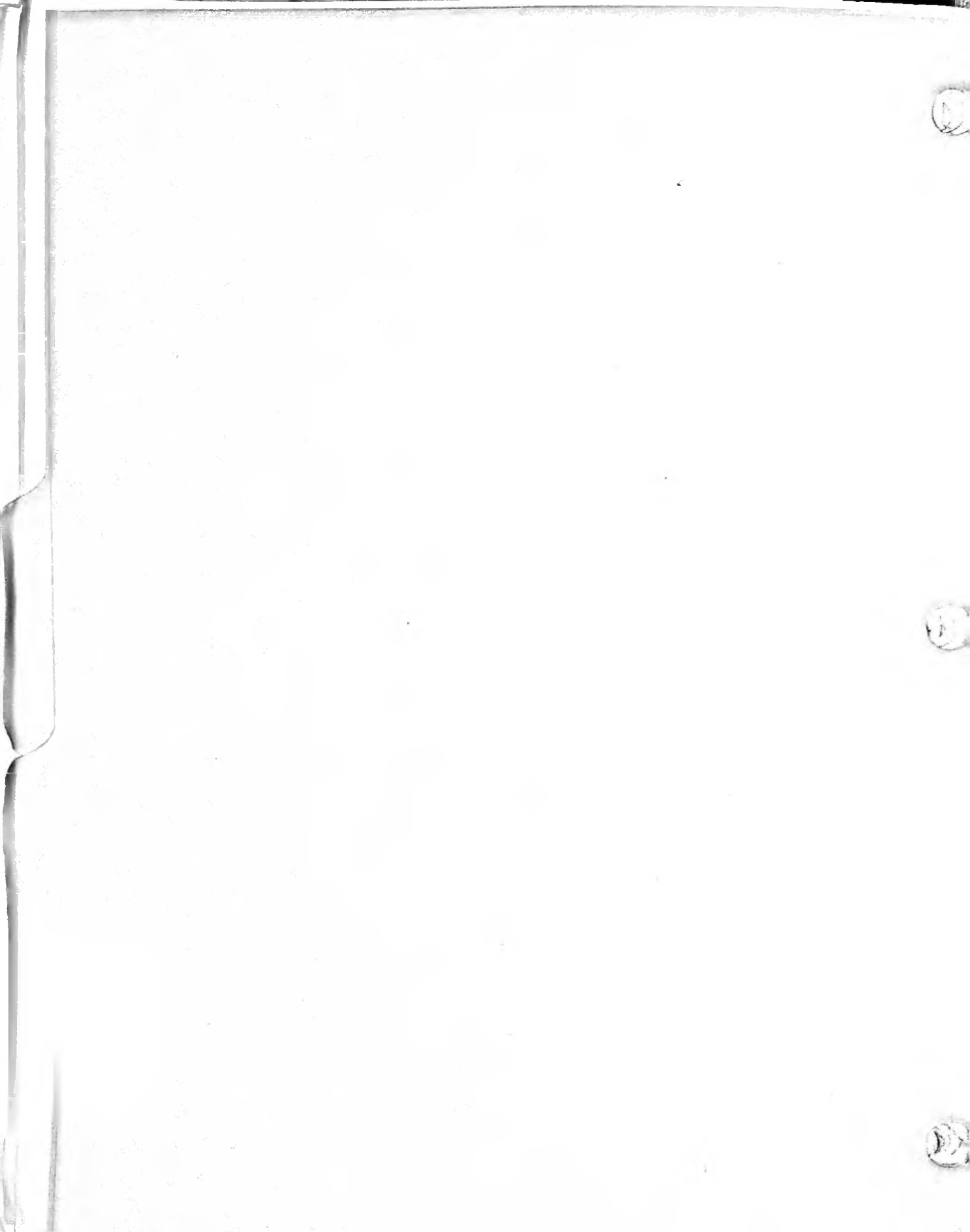
(3)

AIR RIGHTS PROJECT
RHA 7226

LETTER OF CONSENT
RHA 7227



LETTER OF CONSENT
RHA 7227



CHAPTER 1. POLICIES AND REQUIREMENTS

1. GENERAL. A Letter of Consent to undertake limited urban renewal execution activities during the project planning stage constitutes a determination that expenditures by the LPA for such activities will not be excluded from Gross Project Cost solely because such activities are performed prior to the effective date of a Contract for Loan and Grant. If such activities are permitted under State and local law, HUD may issue a Letter of Consent to a LPA.
- * 2. LIMITATION ON EXPENDITURES. Under no circumstances shall the amount of expenditures authorized under a Letter of Consent exceed the amount of Federal grant reservation for the project, or in any way imply a commitment of additional Federal grant funds. *
3. APPROVAL DOES NOT CONSTITUTE HUD COMMITMENT. A Letter of Consent does not constitute a commitment that such expenditures will be included in Gross Project Cost, nor is it a commitment that the Federal government will provide funds for carrying out the project.
4. ELIGIBLE ACTIVITIES. A Letter of Consent may cover land acquisition and related activities, site clearance, relocation of occupants of acquired properties, and installation of project improvements, including construction and installation of temporary parks and playgrounds. Except in cases involving acquisition of sites for low-rent public housing, land disposition normally is not covered under a Letter of Consent. (For criteria governing land disposition, see RHM 7228.1, Early Land Acquisition, chapter 3.)
5. EFFECT ON ELIGIBILITY OF PROJECT AREA. The undertaking of acquisition and clearance pursuant to a Letter of Consent, prior to final approval of a Part II or Combined Part I-II Loan and Grant Application, will not affect the eligibility of the project area. The determination of eligibility of the area will be made on the basis of the Part II or Combined Part I-II Loan and Grant Application, but will take into consideration the character of the area at the time of acquisition.
- * 6. JUSTIFICATION FOR LETTER OF CONSENT. A Letter of Consent can be issued only where absolutely necessary. In addition, the LPA must demonstrate the necessity for undertaking the proposed activities during the project planning stage and the consistency of the activities with the Urban Renewal Plan being developed. (See RHM 7227.1, Other Renewal Assistance--Letter of Consent, chapter 2.) *
7. TIMING OF LETTER OF CONSENT.
 - a. For project approved for planning on or before June 30, 1970, HUD will not normally consider a Request for Letter of Consent

after the project has been in planning for 2 years if there is doubt that the governing body of the locality will approve the Urban Renewal Plan by the end of the 36th month.

- b. For projects approved for planning after June 30, 1970, HUD will not normally consider a Request for Letter of Consent after the project has been in planning for 1 year if there is doubt that the governing body of the locality will approve the Urban Renewal Plan by the end of the 18th month. (See RHM 7202.1, Program Policies and Directions, chapter 1, section 3.)

CHAPTER 2. DOCUMENTATION TO ACCOMPANY REQUEST FOR LETTER OF CONSENT

1. DOCUMENTATION TO BE SUBMITTED. A request for a Letter of Consent should be accompanied by the documentation listed below:
 - a. Statement of the activities proposed to be undertaken and of the circumstances which require proceeding under a Letter of Consent.
 - b. Certified copies of the resolution of the LPA governing body authorizing the request and finding that the objectives of the Urban Renewal Plan as developed to date cannot be achieved through rehabilitation (or, where appropriate, more extensive rehabilitation) of the properties in the urban renewal area to be acquired under the Letter of Consent.
 - c. Documentation in support of the above finding.
 - d. Evidence that the proposed execution activities will be consistent with the Urban Renewal Plan.
 - e. Assurance that any land acquisition authorized by the Letter of Consent will be necessary in the undertaking of the project and, if the public hearing has not been held, that the hearing will be held prior to such acquisition (see RHM 7206.1, Project Applications, Chapter 3).
 - f. Evidence that LPA activity in connection with the execution work authorized by the Letter of Consent will not interfere with project planning activities. Such commitment should also include assurance that the planning period of the project will not be extended due to time expended on execution activities.
 - g. Evidence that any improvements installed as part of the advance execution work will not interfere with proper planning of the area.
 - h. An original and four copies of Form HUD-6200, Project Cost Estimate and Project Expenditures Budget, and accompanying justification, to cover those costs to be incurred under a Letter of Consent.

RHM 7227.1

OTHER RENEWAL ASSISTANCE--LETTER OF CONSENT
CHAPTER 2

- i. If the proposed activities will involve the displacement of site occupants, statement of proposals with respect to their relocation. The statement shall include all relocation data called for in Items B, C, F, and H of the Relocation Program outlined in RHM 7212.1, Relocation, Chapter 2, Section 1.

EARLY LAND ACQUISITION
RHA 7228

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CHAPTER 1. POLICIES AND REQUIREMENTS

1. GENERAL. If early land acquisition activities are permitted by State and local law, HUD may make an Early Land Acquisition Loan to an LPA (a) for a project which is being planned under a Contract for Planning Advance, a Letter to Proceed, or a Concurrence in Planning Three-Fourths Grant Project, or (b) for an officially delineated project in an area for which a General Neighborhood Renewal Plan has been or is being prepared and for which HUD has earmarked grant funds. The properties to be acquired must be in an urban renewal project area or section for which clearance is proposed. For early land acquisition in a rehabilitation area, the LPA should consult the Area Office.
- * 2. LIMITATION ON LOAN. Under no circumstances shall the amount of an Early Land Acquisition Loan exceed the amount of Federal grant reservation funds for the project, or in any way imply a commitment of additional Federal grant funds.
3. JUSTIFICATION FOR LOAN. HUD can make an Early Land Acquisition Loan only where absolutely necessary. In addition, the LPA must demonstrate the necessity for undertaking the proposed activities during the project planning stage. (See RHM 7228.1, Other Renewal Assistance--Early Land Acquisition, chapter 2.) *
4. RELOCATION REQUIREMENT. Unless circumstances warrant special consideration, relocation of site occupants and site clearance shall be completed during the early land acquisition stage.
5. APPROVAL OF LOAN NOT COMMITMENT BY HUD TO APPROVE PROJECT. The making of an Early Land Acquisition Loan does not constitute a commitment by HUD that it will approve the Urban Renewal Plan for the project, or that it will provide funds for carrying out the project.
6. SECURITY OF LOAN. The governing body of the locality shall secure the loan by an obligation to assume responsibility for any loss which may arise because all, or any part of the acquired property is not included in the area of an urban renewal project subsequently undertaken. For other kinds of security which may be offered, the LPA should consult the Area Office.
7. INTEREST RATE. The rate of interest to be specified for an Early Land Acquisition Loan shall be determined in accordance with RHM 7215.1, Financing and Financial Reports, chapter 4, section 3.
8. REPAYMENT OF LOAN. The Early Land Acquisition Loan, together with interest, shall be repaid from the first monies becoming available to the LPA for undertaking the project.

9. TIMING OF LOAN.

- a. For projects approved for planning on or before June 30, 1970, HUD will not normally consider an Application for Early Land Acquisition Loan after the project has been in planning for two years if there is doubt that the governing body of the locality will approve the Urban Renewal Plan by the end of the 36th month.
- b. For projects approved for planning after June 30, 1970, HUD will not normally consider an Application for Early Land Acquisition Loan after the project has been in planning for one year if there is doubt that the governing body of the locality will approve the Urban Renewal Plan by the end of the 18th month. (See RHM 7202.1, Program Policies and Directions, chapter 1, section 3.)

10. OTHER REQUIREMENTS. Early land acquisition activities shall be carried out in accordance with the policies and requirements set forth in this handbook.

11. ELIGIBLE ACTIVITIES. Eligible activities which may be undertaken under an Early Land Acquisition Loan Contract include:

- a. Real estate acquisition and related activities.
- b. Management of acquired properties.
- c. Relocation of occupants of acquired properties.
- d. Site clearance.
- e. Construction and installation of temporary parks and playgrounds.

12. INELIGIBLE ACTIVITIES. The following activities are ineligible under an Early Land Acquisition Loan Contract:

- a. Activities that are being carried out under the approved survey and planning budget.
- b. Installation of permanent project improvements.
- c. Rehabilitation activities, other than land acquisition and the related site clearance and relocation activities which may be authorized in a rehabilitation area.
- d. Disposal of project land (except as authorized in RHM 7228.1, Other Renewal Assistance--Early Land Acquisition, chapter 3).
- e. Activities, the cost of which is incurred prior to the date of the HUD-approved budget for early land acquisition activities.

OTHER RENEWAL ASSISTANCE--EARLY LAND ACQUISITION
CHAPTER 1

- * 13. BUDGET. The budget for early land acquisition activities may include additional LPA costs for administrative overhead and services, travel, and office furniture and equipment, which are directly attributable to early land acquisition activities. However, the budget shall not include any portion of costs of this nature that have been charged to the survey and planning budget or to other LPA programs, projects, or activities. The budget shall not include amounts for a project inspection fee or for real estate tax credits. Tax credits on properties acquired during the early land acquisition stage may be included later in the project expenditures budget covering project execution activities and are eligible for cash local grant-in-aid credit, in accordance with RHM 7211.1, Property Management, chapter 4.
14. LAND ACQUISITION. In addition to properties which are specifically identified for early land acquisition, the application may include funds to cover the acquisition of some properties that are not specifically identified, so that an amendatory application will not be required for these properties when the LPA identifies and is prepared to acquire them. The LPA shall not acquire real estate or enter into commitments to purchase real estate until:
- a. Completion of a public hearing, consistent with HUD requirements referred to in paragraph 15;
 - b. Submission of two satisfactory appraisals to HUD; and,
 - c. Receipt of HUD's concurrence in a maximum acquisition price.
15. PUBLIC HEARING ON EARLY LAND ACQUISITION. A public hearing on the early land acquisition activities shall be held in accordance with the requirements of RHM 7206.1, Project Applications, chapter 3.
16. RELOCATION. Relocation of site occupants of properties acquired during the early land acquisition stage shall be carried out in accordance with the HUD-approved Relocation Report (see Checklist Code No. E-223) and with the policies and requirements set forth in 7212.1, Relocation, Chapter 3. The LPA shall make relocation payments from loan funds under an Early Land Acquisition Loan Contract. The amounts expended for relocation payments will be reimbursed by a Federal relocation grant after the execution of the Contract for Loan and Grant, provided the payments are made in accordance with the rules and regulations governing relocation payments. (See RHM 7212.1, Relocation, chapter 3, section 1 appendixes 1 and 2.)

- * 17. DOCUMENTATION REQUIRED PRIOR TO TENDERING OF CONTRACT TO LPA.
After the public hearing has been held, and after the agreement whereby the local governing body assumes responsibility for any loss (Checklist Code No. E-231d) has been executed, the LPA shall submit the following documentation to the Area Office:
- a. Two copies of affidavit of publication or posting of notice of public hearing and excerpts from minutes of hearing. (See RHM 7206.1, Applications, chapter 3.)
 - b. Two certified copies of executed agreement with local governing body.
 - c. Two copies of opinion of counsel for local governing body that the agreement has been properly executed and is a valid and binding agreement in accordance with its terms.
18. INCLUSION OF EARLY LAND ACQUISITION COSTS IN GROSS PROJECT COST.
Costs of early land acquisition activities will be included in Gross Project Cost, provided they are incurred in accordance with the Early Land Acquisition Loan Contract, the approved budget, and applicable HUD policies and requirements. The project expenditures budget covering project execution activities shall incorporate costs of eligible early land acquisition and related activities, by addition to appropriate line items.
- *

CHAPTER 2. SUBMISSION REQUIREMENTS

1. GENERAL. The Checklist below summarizes the documentation to be submitted by the LPA in support of an Application for Early Land Acquisition Loan. The submission of documentation shall be in accordance with RHM 7206.1 Application, Chapter 2, except that only four binders are required. The front cover of each binder shall contain the title "Application for Early Land Acquisition Loan."
2. CHECKLIST FOR EARLY LAND ACQUISITION LOAN APPLICATION.

Application Code No.	Item to be Submitted
E-201	Form HUD-612, Application for Loan and Grant (see Appendix 1), including statement of the circumstances which require proceeding under an Early Land Acquisition Loan.
E-202	<u>Labor Standards</u> . If employment of technical personnel is proposed and if not obtained previously, narrative request for determination of prevailing technical salaries by HUD, or Form HUD-648, Request for Adoption of Salary Determinations Made Under State or Local Law. (See RHM 7217.1, LPA Administration, Chapter 3, Section 2.)
E-212	<u>Project Area Report</u> . Statement shall apply to Early Land Acquisition area only. (See RHM 7206.1, Project Applications, Chapter 2, Code No. R-212.)
E-214	<u>Statement of basis for determinations that the objectives of the Urban Renewal Plan as presently developed cannot be achieved through rehabilitation, or more extensive rehabilitation, of the project area.</u> (See RHM 7206.1, Project Applications, Chapter 2, Code No. R-214)
E-222	<u>Land Acquisition:</u> a. Land Acquisition Report, covering properties specifically identified for early land acquisition. (See RHM 7206.1, Project Applications, Chapter 2, Code No. R-222.)

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OTHER RENEWAL ASSISTANCE--EARLY LAND ACQUISITION
CHAPTER 2

Application Code No.	Item to be Submitted
	<p>b. If acquisition is proposed for some unidentified properties, estimate of number of parcels and acreage they involve, estimate of acquisition cost, and basis for estimates.</p> <p>c. If prompt relocation of site occupants and site clearance during the early land acquisition stage is not contemplated for any property to be acquired, statement explaining reasons for acquisition of each property.</p>
E-223	<p><u>If relocation of site occupants is proposed during early land acquisition stage, Relocation Report:</u></p> <p>a. Proposals for relocation, consisting of Items B, C, F, and H in Relocation Program. (See RHM 7212.1, Relocation Chapter 2, Section 1.)</p> <p>b. Form HUD-6122, Estimated Housing Requirements and Resources for Displaced Families and supporting statements, covering families to be displaced during early land acquisition stage. (See RHM 7228.1, Other Renewal Assistance-- Early Land Acquisition, Chapter 2, Appendix 1.)</p>
E-224	<p><u>Statement identifying parcels to be cleared during early land acquisition stage, giving basis for estimates of clearance costs and proceeds, separately for identified and any unidentified properties.</u></p>
E-225	<p><u>Project Improvements Report.</u> Statement shall apply only to construction and installation of temporary parks and playgrounds. (See RHM 7209.1, Site Preparation on Project Improvements, Chapter 1.)</p>
E-226	<p><u>Cost Estimate and Financing Report:</u></p> <p>a. Form HUD-6220, Project Expenditures Budget. (See RHM 7228.1, Other Renewal Assistance-- Early Land Acquisition, Chapter 2, Appendix 1.)</p>

Application Code No.	Item to be Submitted
E-231	<p>b. If this application is not the first application for a project in the locality, state date of previously approved Annual Administrative Staff Expense Budget. (See RHM 7218.1, Budgets and Budget Reports, Chapter 3.)</p> <p>c. Form HUD-6121, Data Supporting Project Expenditures Budget, including statements called for on form.</p> <p>d. If total estimated cost of early land acquisition activities (Form HUD-6220, Line 19) is greater than amount of loan applied for (Form HUD-612, Block E), statement of nature and sources of funds to cover difference.</p> <p>e. If project planning is being undertaken pursuant to a Concurrence in Planning Three-Fourths Grant Project, estimate of total cost of carrying out early land acquisition activities not eligible for inclusion in project costs, and statement as to LPA sources of funds to finance these activities.</p> <p><u>Legal Data:</u></p> <p>a. Resolution of applicant authorizing filing of application, and, if appropriate, approving conditions under which relocation payments will be made. (See RHM 7228.1, Other Renewal Assistance--Early Land Acquisition, Chapter 2, Appendix 2.)</p> <p>b. Opinion of LPA counsel respecting application. (See RHM 7228.1, Other Renewal Assistance--Early Land Acquisition, Chapter 2, Appendix 3.)</p> <p>c. Resolution of governing body of locality:</p> <p>(1) Approving early land acquisition activities.</p> <p>(2) Approving feasibility of relocation, if appropriate.</p>

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OTHER RENEWAL ASSISTANCE--EARLY LAND ACQUISITION
CHAPTER 2

Application Code No.	Item to be Submitted
E-232	<p>(3) Authorizing execution of agreement to assume responsibility for any loss which may arise under agreement d below. (See RHM 7228.1, Other Renewal Assistance--Early Land Acquisition, Chapter 2, Appendix 4.)</p> <p>d. Proposed form of agreement whereby local governing body assumes responsibility to bear any loss that may arise because all or any part of acquired property is not included in area of an urban renewal project.</p> <p>e. Opinion of counsel for local government respecting authority of local governing body to approve early land acquisition activities and to assume responsibility for any loss which may arise. (See RHM 7228.1, Other Renewal Assistance--Early Land Acquisition, Chapter 2, Appendix 5.)</p> <p>f. Text of proposed notice of public hearing on early land acquisition and statement concerning its publication or posting. (See RHM 7206.1, Project Applications, Chapter 3.)</p> <p>g. If ad valorem taxes or payments in lieu of taxes on LPA-acquired property are to be paid, citation of law requiring such payment. (See RHM 7211.1, Property Management, Chapter 4.)</p> <p>h. If a rent assistance program for displaced site occupants financed by the municipality or another public body is proposed, opinion of counsel for the providing entity as to legality of proposal. (See RHM 7212.1, Relocation, Chapter 2, Section 1.)</p> <p><u>Certificate of the LPA</u>, signed by its principal executive officer that all urban renewal projects have been, or will be, undertaken and carried out in substantial accordance with the Urban Renewal Plan, and any approved amendments thereto, and in substantial accordance with the terms of the contracts for loan or capital grant covering such projects.</p>

OTHER RENEWAL ASSISTANCE--EARLY LAND ACQUISITION
CHAPTER 2, APPENDIX 1

APPENDIX 1 - INSTRUCTIONS FOR COMPLETION OF FORMS

This Appendix gives specific instructions for completing certain forms to be submitted with an Application for Early Land Acquisition Loan. If no specific instructions are given below for a block or line item in a form, that item shall be completed as called for on the form.

FORM HUD-612, APPLICATION FOR LOAN AND GRANT (CHECKLIST CODE NO. E 201)

- Block C -- Opposite "Initial Application," enter "Early Land Acquisition Loan."
- Block D -- Leave blank.
- Block E -- Leave blank.
- Block F -- Enter on the first line the amount of Early Land Acquisition Loan requested. This amount must equal the amount shown on Form HUD-6220, Project Expenditures Budget, Line 19, less the amount of any local funds to be used to finance early land acquisition activities.
- Block K -- Enter estimated effective date of the Contract for Loan and Grant for project execution activities. Complete Lines 2, 3, 4 and 6 for early land acquisition activities. Activities covered by the remainder of the lines are not eligible.
- Block L -- Delete the phrase "covered by the Urban Renewal or Redevelopment Plan as approved," and insert "described in the Resolution adopted." Enter date of resolution.

FORM HUD-6122, ESTIMATED HOUSING REQUIREMENTS AND RESOURCES FOR DISPLACED FAMILIES (CHECKLIST CODE NO. E 223(2))

The information entered on Form HUD-6122 and supplied in the accompanying narrative statements shall be limited to the families to be displaced during the early land acquisition stage. The estimates shall take into account families which may be in occupancy of unidentified properties which are contemplated for early land acquisition, as well as families in those properties specifically identified for early land acquisition.

- Block I -- Complete only Line B
- Blocks III and IV -- Leave blank.
- Block VII -- Supply sufficient data to demonstrate
adequate resources to relocate families
covered in Block II.

Form HUD-6122 shall be accompanied by narrative statements which:

- (1) Describe the basis of the estimates and identify the sources from which the data was obtained relating to:
 - (a) Number, size, income, tenure, and eligibility for low-rent public housing (Blocks II and V).
 - (b) Proposed rehousing (Block IV).
 - (c) Number, size, rent, and price distribution of estimated housing resources (Block VII).
 - (d) Families that may be in occupancy of unidentified properties contemplated for early land acquisition.
- (2) Set forth the assumptions and conclusions which have been reached from an analysis of the data.
- (3) Set forth numerical estimates of project displacement of site occupants other than families.

FORM HUD-6220, PROJECT EXPENDITURES BUDGET (CHECKLIST CODE NO. E 226(1))

The estimates to be entered on Form HUD-6220 shall be limited to the costs of carrying out early land acquisition activities, including additional LPA costs for administrative overhead and services, travel, and office furniture and equipment which are directly attributable to these activities. However, the budget shall not include any portion of LPA costs that have been charged to the survey and planning budget or to other LPA programs, projects, or activities.

- Line 1 -- Enter zero.
- Line 2 -- Enter additional costs directly attributable to
early land acquisition activities.

OTHER RENEWAL ASSISTANCE--EARLY LAND ACQUISITION
CHAPTER 2, APPENDIX 1

- Line 3 -- Enter estimates for Legal Fees and Expenses
(Account 1415 excepting 1415.04).
- Line 4 -- Enter zero.
- Line 6a -- Exclude real estate tax credits (Account 1448.038).
- Line 6b -- Enter zero.
- Line 9 -- Enter zero.
- Line 11 -- Enter zero.
- Line 12 -- Enter estimate of interest on funds used to finance
early land acquisition activities.
- Line 15 -- The amount entered shall consist of an amount not
to exceed 5 percent of Line 14 plus the estimated
cost of real estate purchases for any unidentified
properties included in Checklist Code No. E 222(2).
- Line 16 -- Enter estimates for real estate purchases only for
specifically identified properties included in
Checklist Code No. E 222(1).
- Line 17 -- Enter zero.
- Line 21 -- Enter zero.



OTHER RENEWAL ASSISTANCE--EARLY LAND ACQUISITION
CHAPTER 2 APPENDIX 2APPENDIX 2--SUGGESTED FORM OF RESOLUTION OF LPA AUTHORIZING FILING
OF APPLICATION FOR EARLY LAND ACQUISITION LOAN
AND APPROVING CONDITIONS UNDER WHICH
RELOCATION PAYMENTS WILL BE MADE

(INSTRUCTIONS: Submit original and 3 copies to HUD, each attached to a signed certification. Use Certificate of Recording Officer accompanying resolution in 7206.1, Project Applications, Chapter 1, Section 1, Appendix 1, as guide.)

RESOLUTION OF (LPA) AUTHORIZING THE FILING OF AN APPLICATION FOR
EARLY LAND ACQUISITION LOAN FOR PROJECT NO. _____
/AND APPROVING THE CONDITIONS UNDER WHICH RELOCATION
PAYMENTS WILL BE MADE/1/

WHEREAS it is necessary and in the public interest that the (LPA) avail itself of the financial assistance provided by Title I of the Housing Act of 1949, as amended, to undertake early land acquisition and related activities in connection with an urban renewal project described as _____, situated in an urban renewal area bounded generally _____ (as more fully described in the exhibit attached hereto, marked "Exhibit ___" and made a part hereof by reference), hereinafter referred to as the "Project"; and

WHEREAS it is recognized that the Federal Contract for such financial assistance pursuant to Title I will impose certain obligations and responsibilities upon the (LPA) and will require, among other things, a feasible method for the relocation of families displaced from the urban renewal area in connection with the undertaking of early land acquisition and related activities in connection with the Project
/; and / /: /

/WHEREAS there was presented to this meeting of the Governing Body of the (LPA), for its consideration and approval, a set of conditions under which the (LPA) will make Relocation Payments, which set of conditions /, together with a Fixed Relocation Payments Schedule dated _____, 19 __, /2/ is attached hereto and marked "Exhibit ___," in connection with the early land acquisition activities for the Project contemplated by the Application:/1/

1/ Omit bracketed language if relocation payments will not be made to site occupants to be displaced by the early land acquisition.

2/ Omit bracketed language if fixed relocation payments are not to be made.

OTHER RENEWAL ASSISTANCE--EARLY LAND ACQUISITION
CHAPTER 2 APPENDIX 2

NOW, THEREFORE, BE IT RESOLVED BY THE (GOVERNING BODY) OF THE (LPA), AS FOLLOWS:

1. That an Application on behalf of the (LPA) for a Loan under Section 102(a) of Title I in the amount of \$ _____ to assist in undertaking early land acquisition and related activities in connection with the Project is hereby approved, and that the (Title of Officer) is hereby authorized and directed to execute and file such Application with the Department of Housing and Urban Development, and, in behalf of the (LPA), to provide such additional information and to furnish such documents as may be required and to act as its authorized correspondent.

2. That it is hereby found and determined that the objectives of the Urban Renewal Plan as presently developed cannot be achieved through (more extensive)^{3/} rehabilitation of the properties in the Urban Renewal Area to be acquired under the proposed contract for Early Land Acquisition Loan with the Government.

^{1/}3. That the conditions under which the (LPA) will make relocation payments are hereby in all respects approved.^{1/}

^{1/}4. That the Fixed Relocation Payments Schedule is hereby in all respects approved.^{2/}

^{1/}5. That the (Title of Officer) is hereby designated to approve claims for relocation payments in accordance with said conditions ^{2/}and Schedule^{2/}.^{1/}

^{1/} Omit bracketed language if relocation payments will not be made to site occupants to be displaced by the early land acquisition.

^{2/} Omit bracketed language if fixed relocation payments are not to be made.

^{3/} Omit bracketed language if properties to be acquired in the project area are designated for total clearance.

OTHER RENEWAL ASSISTANCE--EARLY LAND ACQUISITION
CHAPTER 2 APPENDIX 3APPENDIX 3--SUGGESTED FORM OF OPINION OF LPA COUNSEL
RESPECTING APPLICATION FOR EARLY LAND ACQUISITION LOAN

(INSTRUCTIONS: Prepare original and 3 copies for HUD on letterhead of counsel. Place signed original in Binder No. 1, conformed copies in Binders No. 2, 3, and 4.)

(Name and address _____

(Date) _____

of LPA) _____

Gentlemen:

Re: Application for Early Land Acquisition Loan
(Project Name, Number, and Locality)

I am an attorney-at-law admitted to practice in the State of _____ . As counsel for the (LPA) (hereinafter called the "Local Public Agency") in the above-identified Project, my opinion, including certain factual statements requested by the Department of Housing and Urban Development, is as follows:

1. I have reviewed the Legal Information submitted on HUD Form (HUD-6103A) and (HUD-6103B) as part of the (Survey and Planning Application)^{1/} (Request for Concurrence in Planning Three-Fourths Grant Project With Limited Project Costs) of the Local Public Agency, dated _____, 19____, and I have also made an examination of applicable State and local law. Since the date of the submission of said Legal Information there has not been any court decision, statutory or constitutional enactment, or revision or amendment of any State or local law requiring any change or supplementation of the Legal Information submitted as aforesaid, and the said Legal Information as of the date of this opinion is, to the best of my knowledge and belief, true and correct [.] [except as follows:]

(Explain fully, giving appropriate citations)

2. I have reviewed the Application for Early Land Acquisition Loan, dated _____, 19____, and approved by the Local Public Agency on _____, 19____, for this Project, including particularly

^{1/} If the Application for Early Land Acquisition Loan is with respect to the first project proposed in a General Neighborhood Renewal Plan area for which the project area has been officially delineated and for which HUD has reserved grant funds, Form HUD-6103A and/or Form HUD-6103B for the project must be submitted with the Application for Early Land Acquisition Loan.

the data and information relating to [(a)] the proposed acquisition of real property and related activities [], and (b) proposals for the relocation of site occupants [] and the making of relocation payments [1][2]

3. To the best of my knowledge, there is no pending or threatened litigation of any kind concerning said Project.

4. I am of the opinion that the Local Public Agency has been legally created and is a duly organized and acting public body having the legal power to undertake and carry out the Project activities described in the Application in the manner set forth therein.

(Signature)

1/ Omit bracketed language if relocation payments will not be made to site occupants to be displaced by the early land acquisition.

2/ Omit bracketed language if the proposed early land acquisition activities involve no relocation.

OTHER RENEWAL ASSISTANCE--EARLY LAND ACQUISITION
CHAPTER 2 APPENDIX 4APPENDIX 4--SUGGESTED FORM OF RESOLUTION OR ORDINANCE OF GOVERNING
BODY OF LOCALITY APPROVING EARLY LAND ACQUISITION ACTIVITIES,
APPROVING FEASIBILITY OF RELOCATION, IF APPROPRIATE, AND
ASSUMING RESPONSIBILITY FOR ANY LOSS THAT MAY ARISE

(INSTRUCTIONS: Submit original and 3 copies to HUD, each attached to a signed certification. Use Certificate of Recording Officer accompanying resolution in 7206.1, Project Applications, Chapter 1, Section 1, Appendix 1, as guide.)

RESOLUTION OF (GOVERNING BODY) OF (LOCALITY) APPROVING EARLY LAND
ACQUISITION ACTIVITIES /, APPROVING FEASIBILITY OF
RELOCATION, /1/ AND ASSUMING RESPONSIBILITY TO BEAR
ANY LOSS ARISING AS A RESULT OF EARLY LAND
ACQUISITION AND RELATED ACTIVITIES

WHEREAS the (LPA) (herein called the "Local Public Agency") proposes to enter into an Early Land Acquisition Loan Contract (herein called the "Contract") for financial assistance under Title I of the Housing Act of 1949, as amended (herein called "Title I"), with the United States of America (herein called the "Government"), acting by and through the Secretary of Housing and Urban Development (herein called the "Secretary"), pursuant to which Federal funds would be provided for early land acquisition and related activities in connection with an urban renewal project (herein called the "Project") identified as " _____," situated in an urban renewal area bounded by _____, as more fully described in the exhibit attached hereto, marked "Exhibit _____" and made a part hereof by reference (herein called the "Urban Renewal Area"), in the _____ of (Locality), State of _____ (herein called the "Locality"); and

WHEREAS under such Contract the Government would provide financial assistance for early land acquisition and related activities, and the applicable provisions of Title I provide that "no loan for such purpose shall be made unless . . . the governing body of the locality . . . shall have approved by resolution or ordinance the acquisition of real property in the urban renewal area"; and

WHEREAS Title I also provides that "the Secretary may . . . permit any structure so acquired to be demolished and removed, and may include in any /early land acquisition loan/ the cost of such demolition and removal, together with administrative, relocation, and other related costs and payments, if the approval of the local governing body extends to such demolition and removal"; and

1/ Omit bracketed language if the proposed early land acquisition activities involve no relocation.

OTHER RENEWAL ASSISTANCE--EARLY LAND ACQUISITION
CHAPTER 2 APPENDIX 4

WHEREAS the Local Public Agency has prepared and submitted proposals for the relocation of families that may be displaced as a result of carrying out early land acquisition activities in the Urban Renewal Area; and 1/

WHEREAS there have also been presented to this Governing Body information and data respecting the proposals for relocation which have been prepared by the Local Public Agency as a result of studies, surveys, and inspections in the Urban Renewal Area; and 1/

WHEREAS the members of this Governing Body have general knowledge of the conditions prevailing in the Urban Renewal Area and of the availability of proper housing in the locality for the relocation of families that may be displaced from the Project area as a result of early land acquisition and related activities and, in the light of such knowledge of local housing conditions, have carefully considered and reviewed such proposals for relocation; and 1/

WHEREAS Title I further prohibits any loans from being made for the purposes of early land acquisition unless

either (A) the Secretary shall have determined that such loan is reasonably secured by a first mortgage or other prior lien upon such real property or is otherwise reasonably secured, or (B) the governing body of the locality shall have assumed the responsibility to bear any loss that may arise as the result of such acquisition in the event that the property so acquired is not used for urban renewal purposes because the urban renewal plan for the project is not approved, or is amended to omit any of the acquired property, or is abandoned for any reason

NOW, THEREFORE, BE IT (RESOLVED) (ORDAINED) BY THE (GOVERNING BODY) OF (LOCALITY) AS FOLLOWS:

1. That it hereby approves the acquisition of real property in the Urban Renewal Area.

2. That it also approves the demolition and removal of any structure acquired with financial assistance provided under the Contract and the inclusion in the early land acquisition loan of funds sufficient to cover the cost of any such demolition or removal, together with administrative, relocation, and other related costs and payments.

1/ Omit bracketed language if the proposed early land acquisition activities involve no relocation.

OTHER RENEWAL ASSISTANCE--EARLY LAND ACQUISITION
CHAPTER 2 APPENDIX 4

3. That it is hereby found and determined that the objectives of the Urban Renewal Plan as presently developed cannot be achieved through (more extensive)1/ rehabilitation of the properties in the Urban Renewal Area to be acquired under the proposed contract for Early Land Acquisition Loan between the Government and the Local Public Agency.

4/. That it is hereby found and determined that the proposals of the Local Public Agency for the proper relocation of families which may be displaced in carrying out early land acquisition and related activities in connection with the Project in decent, safe, and sanitary dwellings are feasible, and can be reasonably and timely effected to permit the proper carrying out of such activities; and that such dwellings or dwelling units available or to be made available to such families are at least equal in number to the number of the families that may be displaced, are not generally less desirable in regard to public utilities and public and commercial facilities than the dwellings of such families, are available at rents or prices within their financial means, and are readily accessible to their places of employment.72/

5. That it agrees to assume, and does hereby assume, the responsibility to bear any loss that may arise as a result of the acquisition of land and the undertaking of related activities with financial assistance provided under the Contract in the event that the property so acquired is not used for urban renewal purposes because the urban renewal plan for the project is not approved, or is amended to omit any of the acquired property, or is abandoned for any reason; and this Governing Body further represents that it will enter into a formal Agreement with the Local Public Agency, in form and substance satisfactory to the Secretary, under which it specifically assumes the obligation to pay to the Government upon demand any such loss sustained by the Government under its Contract with the Local Public Agency and such Agreement shall be assignable to the Government upon request; and it does hereby authorize and direct (Title of City Official) to have such Agreement prepared by the Counsel for (Locality) pursuant to this (Resolution) (Ordinance) as well as to enter into and execute said Agreement for and in behalf of the (Locality).

1/ Omit bracketed language if properties to be acquired in the project area are designated for total clearance.

2/ Omit bracketed language if the proposed early land acquisition activities involve no relocation.

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real property [,] [demolition and removal, 1/] [relocation, 1/] and related activities in the above-identified urban renewal Project pursuant to a Contract between the Local Public Agency and the Government for an Early Land Acquisition Loan under the provisions of Title I.

2. The Locality also has full, adequate, and lawful authority and power to enter into a valid and legally binding Agreement with the Local Public Agency, for the benefit of the Government, under which the Locality assumes the responsibility to bear any loss that may arise as the result of such early land acquisition and related activities recited in such (Resolution) (Ordinance).

3. Said proceedings have been taken and said (Resolution) (Ordinance) adopted in form, manner, and otherwise as authorized by law; and further, that said Agreement has been duly and legally made and executed within the authority prescribed by law.

None of the proceedings and no authority for the execution of said Agreement or for the Locality's compliance with the provisions, terms, and conditions thereof, upon demand of the Government, have or has been repealed, rescinded, or revoked and said (Resolution) (Ordinance) is in full force and effect. No litigation of any nature is now pending or threatened, either in State or Federal courts, restraining or enjoining the Locality's execution of said Agreement or affecting the validity thereof or of the proceedings aforesaid.

(Signature)

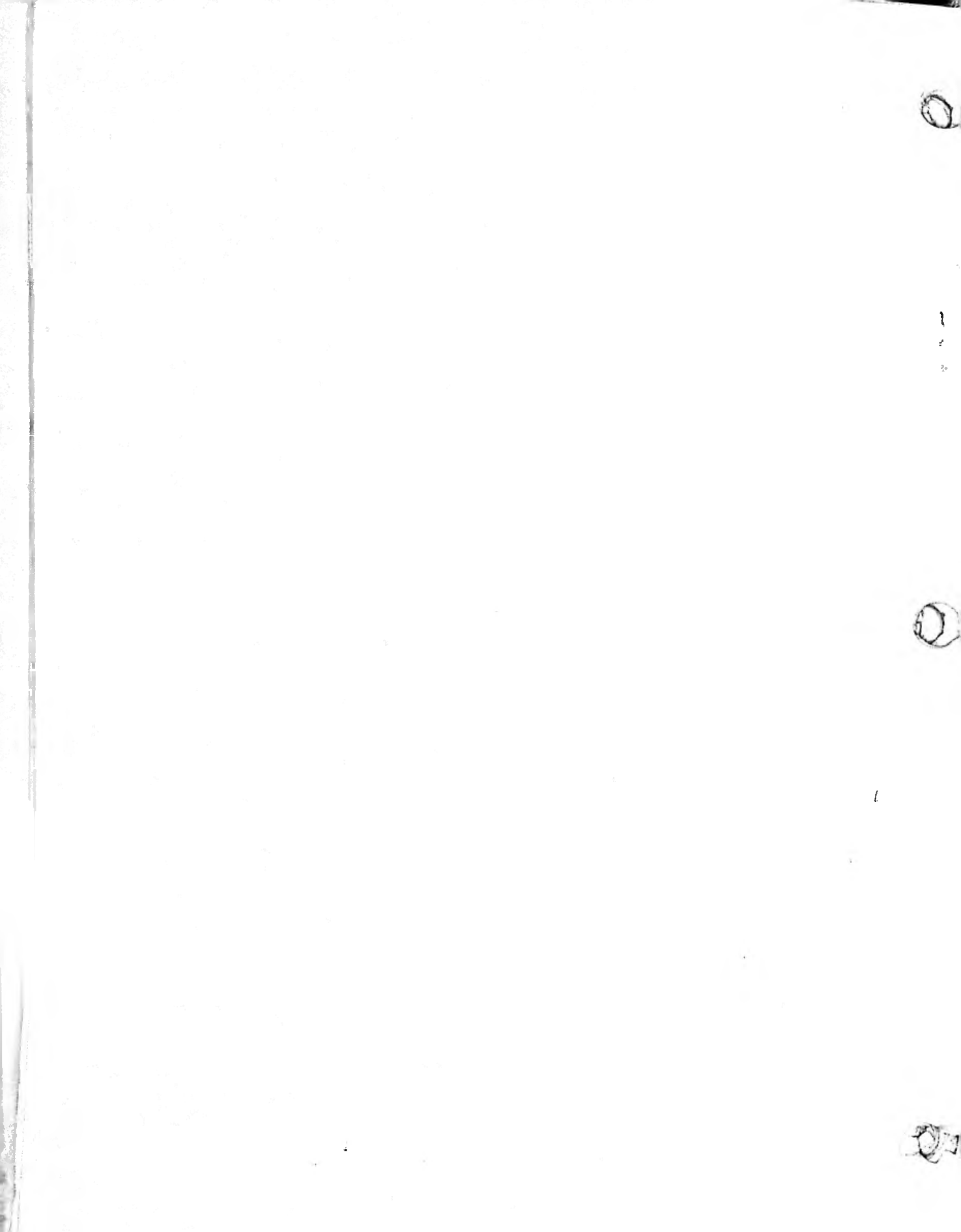
1/ Omit if bracketed activity is not involved.

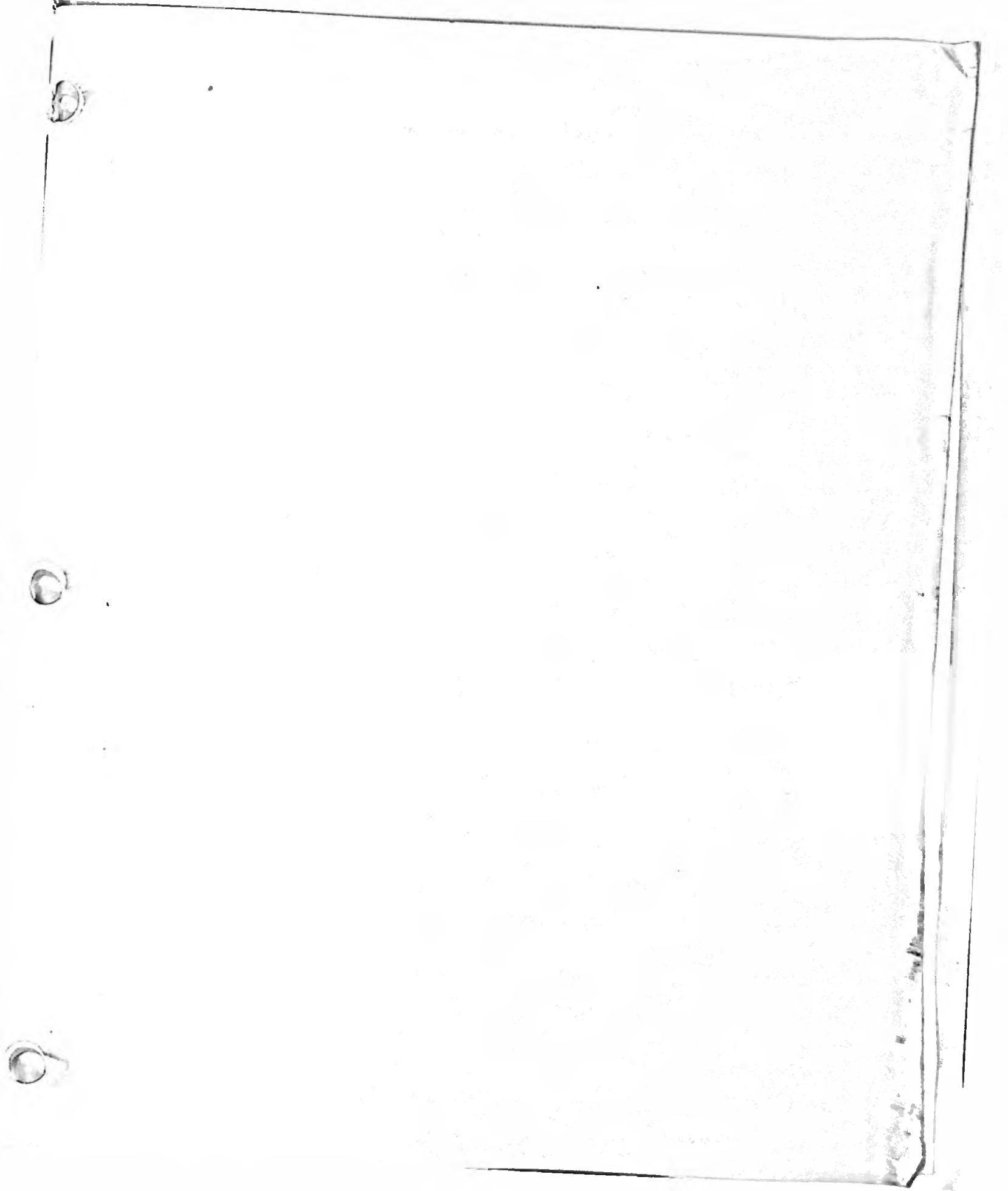
CHAPTER 3. EARLY LAND DISPOSITION

Normally, no land acquired during the early land acquisition stage shall be disposed of, until the Urban Renewal Plan for the project has been approved by HUD and the local governing body. In exceptional cases, however, early land disposition may be permitted under an Early Land Acquisition Loan Contract when the following conditions are met:

- (1) The uses must be public or quasi-public and there must be compelling reasons for early disposition. The LPA must clearly justify why disposal of the land cannot wait until execution of a Contract for Loan and Grant.
- (2) The governing body of the locality must give its prior consent by resolution to the disposition, including specifically the land use provisions and controls thereof, and must declare its intention to approve an Urban Renewal Plan including those provisions and controls for the part of the project area involved in the early disposition.
- (3) An Urban Renewal Plan in at least preliminary form must exist sufficient to describe the land uses surrounding the part of the area to be disposed of prior to Plan approval.
- (4) The redeveloper, to whom the land is sold, shall not be granted a right to veto other provisions of the Urban Renewal Plan ultimately considered and adopted.
- (5) The Early Land Acquisition Loan Contract must provide for early land disposition.

The LPA shall not dispose of any real estate purchased under an Early Land Acquisition Loan Contract until two satisfactory reuse appraisals have been submitted to the Regional Office and HUD concurrence has been obtained. Evidence that conditions 1 through 4 above have been complied with shall be submitted with the request for price concurrence. Once concurrence is received, the LPA shall dispose of the land under the policies and procedures applicable to the type of redeveloper involved. (See 7214.1, Land Marketing and Redevelopment, Chapter 4.)







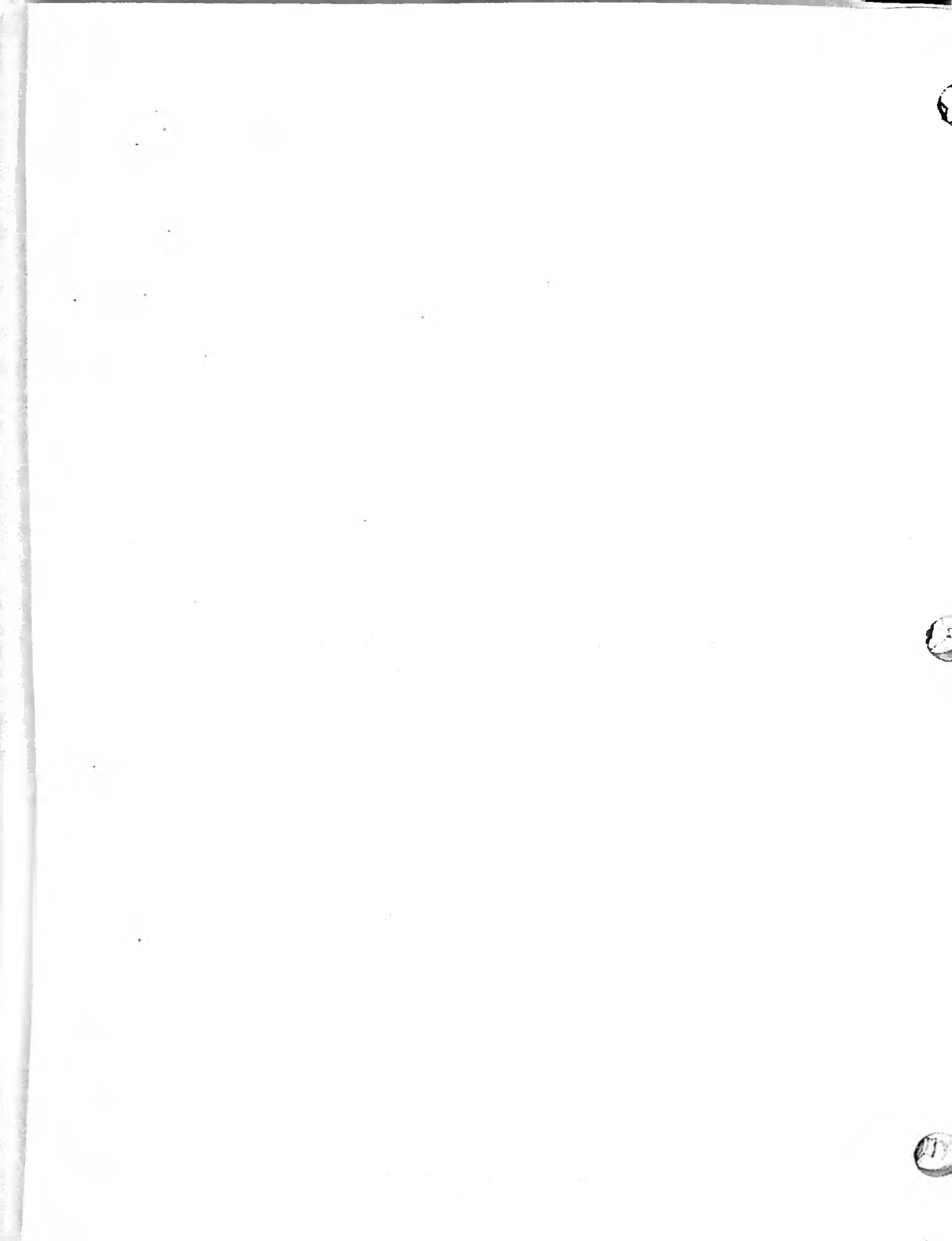


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**LOW-RENT HOUSING
INCOME LIMITS, RENTS,
AND OCCUPANCY HANDBOOK**

June 1969

A HUD HANDBOOK

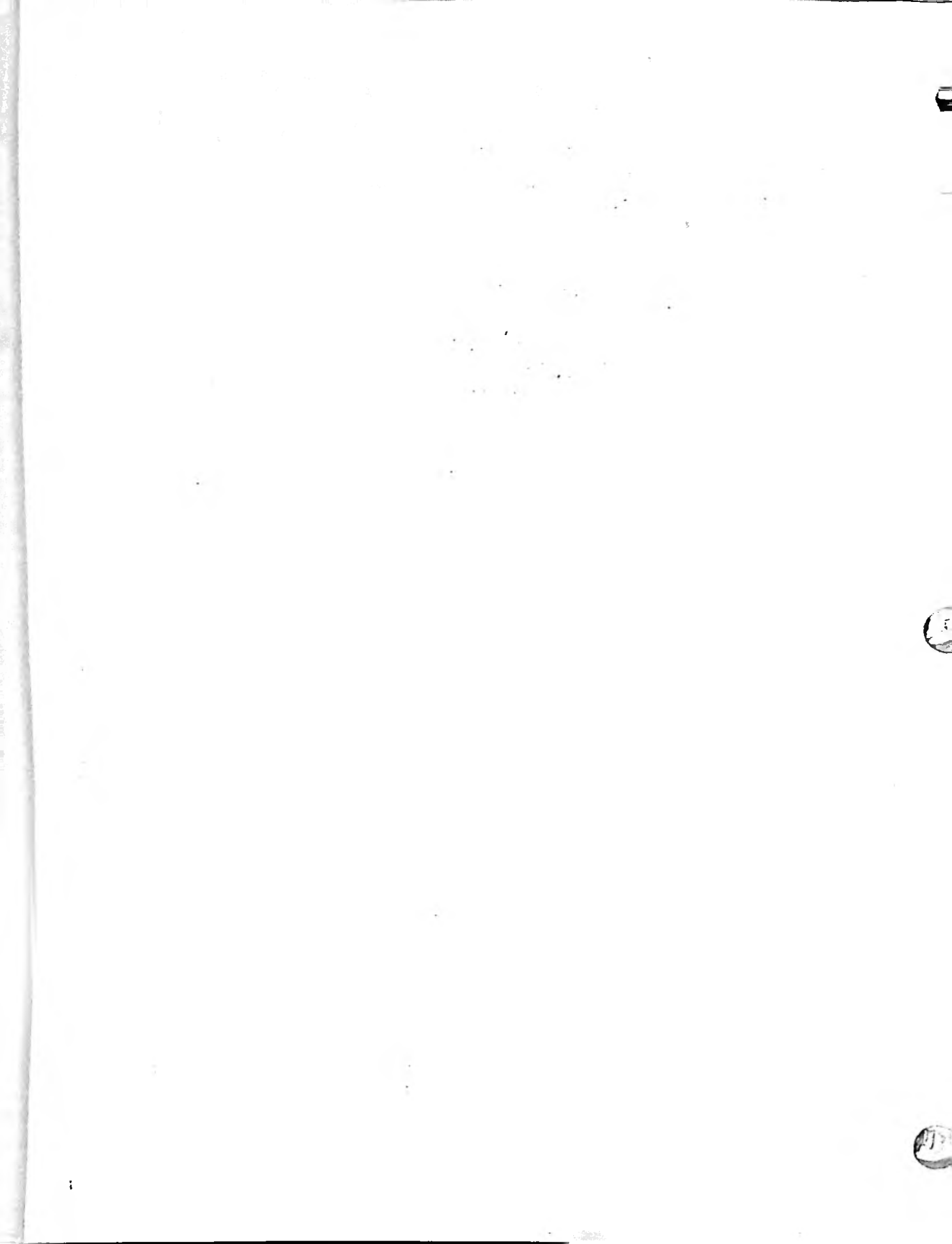


LOW-RENT HOUSING
INCOME LIMITS, RENTS, AND OCCUPANCY HANDBOOK

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Income Limits, Rents, and Occupancy

1. Introduction. This Hdbk. incorporates the current statutory requirements on income limits, rents, and occupancy; requirements under the Civil Rights Act of 1964 as they relate to the use and occupancy of low-rent housing; and requirements relating to terminations of tenancy. The provisions of Annual Contributions and Administration Contracts which are inconsistent with this Hdbk. are hereby waived.
2. General Requirements for Income Limits and Rents
 - a. Income limits designed to limit occupancy to families of low income, and rents within the financial reach of such families, shall be fixed by the Local Authority and approved by HAO after taking into consideration:
 - (1) The family size, composition, age, physical handicaps, and other factors which might affect the rent-paying ability of the family, and
 - (2) The economic factors which affect the financial stability and solvency of the project.
 - b. Income limits for admission and rents must be so established that a gap of at least 20 percent (except in the case of an elderly or a displaced family or leased housing under Section 23) will be left between the upper rental limits for admission and the lowest rents at which private enterprise unaided by public subsidy is providing (through new construction and available existing structures) a substantial supply of decent, safe, and sanitary housing toward meeting the need of an adequate volume thereof.
 - c. It is inconsistent with the purposes of the United States Housing Act of 1937 to require a family to move from public housing on grounds of increased income unless the supply of decent housing in the community is sufficient to enable the family, if making every reasonable effort, to obtain suitable housing it can afford. Income limits for continued occupancy should, therefore, be so established that families with incomes above such limits will be able to obtain suitable housing within their means. (Housing is not considered suitable for this purpose unless it is decent, safe, and sanitary housing located in the project area or in other areas not generally less desirable in regard to public utilities and public and commercial facilities, and is reasonably accessible to the family's place of employment.)
 - d. Income limits and rents as fixed by the Local Authority must meet the requirements of local applicable law.

3. Approval of Income Limits and Rents

a. To obtain HAO approval of its income limits and rents, the Local Authority shall submit to the Regional Housing Assistance Office two copies of the schedule or schedules to be approved and two copies of supporting data.

b. Income limit and rent schedules shall show the adjustments to be made (in the schedule itself or by means of exemptions) for family size, composition, age, physical handicaps, and other factors which affect the rent-paying ability of the family.

c. In support of either income limits or rents there shall be submitted:

- (1) A demonstration showing that the gap requirements of paragraph 3.2b above have been met, except that this demonstration need not be submitted if the Local Authority certifies that, in its opinion, there has been no material change in the local housing situation since the last determination was completed and that the gap demonstration reasonably reflects the current lowest private rents for standard housing available in substantial supply. Such demonstration shall include data as to the volume and rents (or rental equivalents) at which standard private housing of various sizes is available or becoming available.
- (2) The Local Authority's definition of family income (including deductions to be made for any purpose); except that if the definition to be used has previously been submitted to HAO, the date of such action and a statement that no change has been made therein may be submitted in lieu of a detailed definition. (See Management Guide, Part VII, Section 5, Definition of Family Income.)
- (3) In the case of an initial submittal of income limits or rents, an estimate of the revenues to be derived and an estimate of the expenditures of the projects; in the case of revisions of income limits or rents, including changes in deductions and exemptions, a statement of the effect of such changes on rental income and financial solvency. In determining financial solvency, consideration may be given to the additional subsidy authorized for the elderly and the displaced.

d. In support of income limits fixed by the Local Authority, the following additional material shall be submitted:

- (1) Economic and other pertinent data supporting the income limits fixed by the Local Authority.

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- (2) A statement showing the basis for taking into consideration the family size, composition, age, physical handicaps, and other factors which might affect the rent-paying ability of the family.
- (3) A statement that, in the opinion of the Local Authority, the income limits will restrict occupancy to families of low income within the meaning of State and Federal law.
- e. Rent schedules shall include:
- (1) The actual rents to be charged (contract rents)
 - (2) The utility services included in rent; e.g. light, space heating, refrigeration
 - (3) If all utilities are not included in such rents, the gross rents; i.e. the contract rent plus the estimated cost to the tenant of the utilities he must purchase
 - (4) Any rents applicable to special categories, e.g. welfare families
 - (5) Minimum rents and maximum rents, if any
 - (6) The increased rents (consistent with their increased incomes) to be charged overincome families to be continued in occupancy (see paragraph 6d below).
- f. If the Local Authority is changing income limits but not rents (or vice versa), it must, in fixing new income limits, state that no changes are being made in rents (or vice versa).

4. Definitions of Families, Elderly Families, and Displaced Families

a. The term "families" includes families consisting of a single person in the case of elderly families and displaced families, and includes the remaining member of a tenant family.

b. The term "elderly families" means families whose heads (or their spouses) or whose sole members, have attained the age at which an individual may elect to receive an old-age benefit under title II of the Social Security Act (42 U.S.C. 401 et seq.),

Old-age benefits under title II of the Social Security Act are available to fully insured workers who have attained age 62 (Sec. 202 (a)). The Social Security Act, as amended in 1965, permits the widow of an insured worker, if she elects, to receive widows' insurance benefits at a reduced rate at age 60 (Sec. 202 (e)). Such survivors' benefits are not old-age benefits within the meaning of the Housing Act. Consequently, widows under age 62 who elect to receive such benefits may not be considered as "elderly families" within the meaning of the Housing Act and neither may the family of such a widow.

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or are under a disability as defined in section 223 ^{1/} of that Act, or are handicapped within the meaning of section 202 of the Housing Act of 1959. ^{2/}

c. The term "displaced families" means families displaced by urban renewal or other governmental action, or families whose present or former dwellings are situated in areas determined by the Small Business Administration, subsequent to April 1, 1965, to have been affected by a natural disaster, and which have been extensively damaged or destroyed as the result of such disaster.

5. Admission Policy

a. The Local Authority shall formally adopt and promulgate, by publication or posting in a conspicuous place for examination by prospective tenants, regulations establishing its admission policies, and all revisions thereof. Such regulations must be reasonable and must give full consideration to the Local Authority's public responsibility for rehousing displaced families; to the applicant's status as a serviceman or veteran or relationship to a serviceman or veteran or to a disabled serviceman or veteran; and to the applicant's age or disability, housing conditions, urgency of housing need, and source of income; and shall accord to families consisting of two or more persons such priority over families consisting of single persons as the Local Authority determines to be necessary to avoid undue hardship. (See Management Guide, Part IV, Section 1, Occupancy Policies, paragraph 2 and 3, for explanation of admission policies and regulations.)

b. One copy of the adopted regulations, and all revisions thereof, shall be filed promptly with the Regional Office.

c. A duly authorized official of the Local Authority shall, in accordance with RHA 7505.1 and at times prescribed in the instructions on the reverse of Form HUD-52293, Certificate Regarding Tenants Admitted to Low-Rent Housing, make written certifications to HAO that each family admitted to the project during the period covered by the

^{1/} The term is there defined (42 U.S.C. 423(c)(2)) as "inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or which can be expected to last for a continuous period of not less than 12 months." To be under a disability as defined in this Hdbk. does not mean that a person must be receiving disability benefits from the Social Security Administration (e.g., a person under such a disability might receive benefits from the Veterans Administration or some other agency or not be entitled to benefits from any source).

^{2/} A person shall be considered handicapped if such person is determined to have a physical impairment which (1) is expected to be of long-continued and indefinite duration, (2) substantially impedes his ability to live independently, and (3) is of such nature that such ability could be improved by more suitable housing conditions.

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certification was admitted in accordance with the Local Authority's duly adopted regulations and approved income limits.

6. Continued Occupancy Policy

a. Except as provided in paragraph 6b below, the Local Authority shall at least once a year reexamine the incomes of families living in the projects: Provided, that the length of time between the admission of a family and the first reexamination may be extended to not more than 18 months if necessary to fit a reexamination schedule established by the Local Authority.

b. A Local Authority, at its option, may reexamine families whose heads (or their spouses) or whose sole members are 62 years of age or over only once every two years. A Local Authority which elects to reexamine such families on this basis shall not allow more than 24 months to elapse between reexaminations or between their admission and first reexamination. It will remain a matter for determination by each Local Authority as to whether reports between reexaminations are to be required from such families concerning changes in their family circumstances, composition, or income.

c. If, upon reexamination, it is found that the rent being charged a family no longer conforms to the approved rent schedule, the rent shall be adjusted in accordance with the approved rent schedule.

d. If, upon reexamination, it is found that the incomes of any families have increased beyond the approved income limits for continued occupancy:

- (1) The Local Authority should analyze the incomes, needs, and characteristics of such families in considering whether changes in the continued occupancy limits are needed or not. Local Authorities are expected to take action when and as necessary to keep their continued occupancy limits at such levels that families with income in excess of these limits will be able to obtain suitable housing within their means. (See paragraph 2c for standards for determining the suitability of housing.)
- (2) With respect to reexamined families found to be overincome, a Local Authority may, if it is currently reviewing or if it promptly initiates a review of its income limits, hold in abeyance any action based on overincome status (other than appropriate rent adjustment) until such review has been completed and action taken to establish continued occupancy limits at the levels at which a sufficient supply of housing is available, or a final determination has been made that no action to this end is needed or will be taken.

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- (3) If, after completion of all determinations and actions relating to continued occupancy limits, there still are families whose incomes exceed the applicable income limits, the Local Authority shall determine whether any such family will be unable, due to special circumstances, to find suitable housing within its financial reach, although making every reasonable effort to do so. If the Local Authority determines that such a situation exists, it should permit the family to continue in occupancy for the duration thereof; and in such case, it shall record its determination with the reason therefor, and shall charge the family the increased rent established in the rent schedule. ^{1/} In the absence of such a determination, the family shall be allowed a reasonable time, e.g., up to six months, to find suitable housing and to move.

Z Nondiscrimination

Title VI of the Civil Rights Act of 1964 provides (in Section 601): "No person in the United States shall on the ground of race, color or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance." Regulations of the Department of Housing and Urban Development effectuating Title VI ^{2/}, and HUD requirements thereunder, are incorporated into Handbook RHA 7401.1, Chapter 9, Section 1.

8. Applications, Investigations, and Records

- a. Prior to the admission of each family as a tenant and thereafter on the date established by the Local Authority for the reexamination of the status of such family, the Local Authority shall obtain a written application, signed by a responsible member of the family, for admission or continued occupancy, as the case may be, which application shall set forth all data and information necessary to enable the Local Authority to determine whether the family meets the conditions for admission or continued occupancy, as the case may be.
- b. The Local Authority shall establish policies governing the nature and extent of investigations to be made of applicants' and tenants' statements relating to their eligibility. (See Management Guide, Part IV, Section 2, Occupancy Procedures, paragraph 4, for suggestions for verifying statements relating to eligibility.)

- ^{1/} It is assumed that this power will not be exercised in any area in which State or local law bars occupancy by overincome families or where their continued occupancy would endanger the tax-exempt status of the project.
- ^{2/} Regulations of the HHFA, as approved by the President (24 CFR, Subtitle A, Part 1, Sections 1.1 et seq.), became effective on January 3, 1965. These are now the regulations of the Department of Housing and Urban Development (Department Interim Order II, 31 F.R. 815-816).

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c. With respect to each application for admission, the Local Authority shall record the date and time of receipt; its determination as to eligibility or ineligibility of the applicant; where eligible, the size unit for which eligible; and the preference rating, if any. The Local Authority shall maintain a record of the vacancies offered, including location, date, and circumstances of each offer and each rejection or acceptance, and the date of assignment to a dwelling unit and identification of unit to which assigned.

d. With respect to inquiries from families prior to commencement of formal application-taking or during a period of temporary suspension of formal application-taking, the Local Authority shall indicate, as to each family, the date of inquiry, the name and address, and whatever further information is obtained, determination made, or action taken by the Local Authority with respect to such family. (See Management Guide, Part IV, Section 2, Occupancy Procedures, paragraphs 2 and 3.)

e. The Local Authority shall keep such other and further records as HUD may from time to time require either by general requirement applicable to all Local Authorities or by specific requirement directed to a particular Local Authority.

f. The retention period for the foregoing records; for records related to the computation of income, reexamination of income, and fixing of rent; and for tenant leases shall be the periods stated in the Management Guide, Part II, Section 8, Exhibit 1.

9. Terminations of Tenancy

a. It is believed essential that no tenant be given notice to vacate without being told by a duly authorized representative of the Local Authority, in a private conference or other appropriate manner, the reasons for the eviction, and given an opportunity to make such reply or explanation as he may wish.

b. In addition to informing the tenant of the reason(s) for any proposed eviction action, each Local Authority shall maintain a written record of every eviction from its federally assisted public housing. Such records are to be available for review from time to time by HUD representatives and shall contain the following information:

- (1) Name of tenant and identification of unit occupied.
- (2) Date and copy of notice to vacate.
- (3) Specific reason(s) for notice to vacate. (For example, if a tenant is being evicted because of undesirable actions, the record should detail the actions which resulted in the determination that eviction should be instituted.)
- (4) Date and method of notifying tenant of reasons and, if by conference with tenant, a summary of any such conferences, including names of conference participants.
- (5) Date and description of final action taken.

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10. Exclusion of Service-Connected Disability and Death Benefits. The Local Authority may, in determining income for the purpose of eligibility for admission or continued occupancy, exclude all or part of amounts paid by the United States Government for disability or death occurring in connection with military service.

11. Housing of Project Employees and Persons Providing Tenant- and Neighborhood-Oriented Services

a. A Local Authority, without HAO approval, may house one employee, not otherwise eligible, in a project of 100 or more dwelling units where such occupancy is necessary for the efficient and economical operation of the project. The housing of more than one such employee for this purpose in a project of 100 or more dwelling units, or of one or more such employees in a project of less than 100 dwelling units, will require HAO approval.

b. In addition to the employee or employees housed in accordance with the above authorization, a Local Authority, with prior HAO approval, may house the following persons not otherwise eligible for admission or continued occupancy, as the case might be:

- (1) Tenants employed by the Local Authority on a full- or part-time basis in connection with the Local Authority's efforts to train and employ tenants in the maintenance of the project and for careers in management; and
- (2) Tenants, project employees, volunteers, and staff of public and private agencies qualified and assigned to provide tenant- and neighborhood-oriented services.

A Local Authority's request to house such employees and persons must be accompanied by a showing that they are employed in or are providing (or will provide) services relevant to the social goals for public housing.

c. Essential to the success of efforts to train and utilize tenants in project management and in project and neighborhood service programs (e.g., Head Start, health services, Foster Grandparents, etc.) will be assurance by each Local Authority that earnings from such employment will not subject the tenants to removal as an overincome family (or force them, as an alternative, to give up their employment), in the event their incomes should exceed the established income limits for continued occupancy.

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CHAPTER 1

CHAPTER 1. SCHEDULES OF INCOME LIMITS AND RENTS, DEFINITIONS OF FAMILY INCOME, AND APPROVAL OF INCOME LEVELS FOR FAMILIES OF UNUSUALLY LOW INCOME

1. INTRODUCTION. This Chapter establishes procedures for the review and approval of Local Authority submissions of rent schedules, maximum income limits for admission and continued occupancy, definitions of family income and allowable deductions and/or exemptions, and income levels for "families of unusually low income."
2. AUTHORITY TO APPROVE. Area Office officials are authorized to approve these submissions in accordance with the following:
 - a. For income limits, including eligibility exemptions: the Area Economist
 - b. For rents: the Director of the Housing Services and Property Management Division
 - c. For definitions of family income: in case of an initial or revised definition submitted along with an income limit or rent schedule or revision thereto, the appropriate Area Official having responsibility for this action; in cases not directly related to rent and income limit schedules, the Director of the Housing Services and Property Management Division.
 - d. For the establishment of income levels for identifying "families of unusually low income": the Director of the Housing Services and Property Management Division. (NOTE: HUD will approve any reasonable income levels established by a Local Authority for identifying families of unusually low income, provided that the amounts established in terms of total annual family income do not exceed two-thirds of its approved "regular" admission limits (not the "special" limits for the elderly, displaced, or tenants of Section 23 leased housing).)
3. WHERE AREA OFFICES ARE NOT YET OPERATIONAL. In those areas where Area Offices are not yet operational, the Regional Administrator, or subordinate officials as are now so authorized by the Regional Administrator, shall continue to exercise the responsibilities herein outlined.

4. ASSISTANCE TO LOCAL HOUSING AUTHORITIES

- a. The Area Office staff, as appropriate, shall assist Local Housing Authorities in establishing or revising income limit or rent schedules, including definitions of family income (see paragraph 5 below).
- b. In the area of income limit establishment or revision, technical assistance to LHA's will be supplied by the Area Economist. The income limits, new or revised, should reflect current economic and housing market conditions, and should be set at levels that will serve the needs of a representative cross-section of low income families in the community. Also, they should take cognizance of the relationships which public housing eligibility limits have to eligibility limits under other HUD-subsidized housing programs.
- c. The following procedure will be used in connection with income limits.
 - (1) The Area Economist shall exercise initiative, where appropriate and necessary, in revising low-rent public housing income limits. As existing limits become outdated, the Area Economist shall assemble the data necessary to support current, realistic limit determinations; make suitable analyses; and develop appropriate limits to submit to LHA's for acceptance.
 - (2) The LHA to which the Area Director presents such revised limits shall be advised that it may adopt the suggested limits (or a lesser amount) on the basis of the Area Economist's documentation. With such acceptance, no additional documentation from the LHA will be required. The LHA must, however, formally state by letter to the Area Director that in its opinion the Area Economist's documentation and conclusions with regard to housing availability and other aspects of the low-rent public housing market are substantially correct.
 - (3) An LHA willing to establish higher income limits than those proposed by the Area Office may do so upon development and submittal of documentation supporting the higher income limits. Such documentation shall then be processed as provided for in paragraph 5 below.

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CHAPTER 1

- (4) Appendix 1 contains a sample letter which the Area Office Director may send to an IHA suggesting revision of its income limits.

5. REVIEWS AND RECOMMENDATIONS

a. Income Limits

- (1) The Area Economist is responsible for processing income limits schedules proposed by Local Authorities, including review, routing, and preparation of an approval recommendation. His review and analysis of the submittal shall recognize the intent of the program and the relation of the schedule to local economic conditions and statutory requirements and shall, in addition to stating the recommended low-rent public housing limits, comment on levels of the regular income limits for Section 235, Section 236, and Section 221(h) housing to be derived from the public housing admission limits.
- (2) The Director of the Division of Housing Services and Property Management shall review the submittal, giving particular consideration to management workability, financial solvency, and Departmental social goals for public housing. His report shall indicate concurrence or make recommendations for changes.

b. Rents

- (1) The Director of the Housing Services and Property Management Division is responsible for processing rent schedules fixed by Local Authorities and submitted to the Area Office for approval, including review and preparation of an approval recommendation. His review and analysis shall recognize the intent of the program, including social goals, statutory requirements, and financial feasibility.
- (2) The Director of Housing Services and Property Management shall also review the submittal with regard to meeting the statutory gap requirement (as previously calculated by the Area Economist).

CHAPTER 1

- c. Definitions of Family Income. The official having responsibility for processing definitions of family income in accordance with paragraph 2c above shall obtain concurrence of the official having responsibility in connection with income limits and rents.
 - d. Submittal to Approving Official. Sufficient copies of the approval letter, including approval recommendations (with attachments), and of the Local Authority submittal, shall be provided to the responsible official for approval so that, after approval, all concerned offices may be properly advised of the action. (See paragraph 6 below).
6. DOCUMENTATION OF AREA OFFICE ACTION. A copy of the approval letter and related documentation shall be provided to:
- a. The Area Office official responsible for income limit and/or rent schedule approval and to such other officials as appropriate.
 - b. The Regional Office, routed to (1) Assistant Regional Administrators for Housing Management and Community Services and (2) Regional Office Files. In the case of income limits, the copy shall be prerouted to the Program Planning and Technology Staff before going to the Assistant Regional Administrator for Housing Management and Community Services.
 - c. The Central Office, OHM, routed (1) Statistics Branch and (2) Docket Files. In the case of income limits, the copy shall be prerouted to the Economic and Market Analysis Division, Assistant Commissioner for Programs, Office of the Assistant Secretary for Housing Production and Mortgage Credit, prior to going to the OHM Docket Files.

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APPENDIX 1 - FORM OF LETTER TO LOCAL HOUSING AUTHORITY (AREA OFFICE
LETTERHEAD)Executive Director
Local Housing Authority

Dear Mr. _____:

As you no doubt know, the income limits for admission to low-rent public housing serve not only to define the class of families who are eligible for admission to public housing; they serve the equally important purpose of providing a base for establishing income limits for other HUD-subsidized programs, e.g., the Rent Supplement and the Section 235-236 programs.

It is accordingly very important that the low-rent public housing limits be kept realistic and current, i.e., that they be adjusted promptly to changing price and cost conditions. If this is not done, the opportunity to obtain better housing will be denied to many families who were the intended beneficiaries of national housing legislation.

For areas of each county in the United States outside the jurisdiction of a Local Housing Authority, HUD has established "base income limits" which are comparable to low-rent public housing admission limits, and which thus serve as a base from which to formulate income limits for other subsidized housing programs. If a Local Housing Authority (or Authorities) within such a county adopts these base limits as its own public housing admission limits, uniform eligibility for rent supplement and Section 235-36 limits will prevail throughout the county. LHA's which do not adopt the base limits will, accordingly, cause different standards of program eligibility to prevail in their jurisdiction than elsewhere in the county-wide housing market area.

"Base limits" are being established in your county as a result of a study we have conducted there of the public housing market. On the basis of our study, we find that earnings levels and housing supply conditions would support the following schedule of income limits.

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<u>Size of Household</u>	<u>Approvable Admission Limits ("base limits" for the county)</u>	<u>Approvable Special Admission Limits</u>	<u>Approvable Continued Occupancy Limits</u>
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If these limits are acceptable to you, you may adopt them. Please advise my office of such action.

If you do not wish to increase your income limits up to the amounts indicated above, but instead wish to adopt somewhat lower limits, this alternative is also open to you. You should, however, consult the Area Economist concerning the income limit pattern you wish to adopt.

A copy of the data used by HUD to support the above limits is enclosed. If you decide to revise your present limits, you should specifically indicate to us in your acceptance that in your opinion the enclosed documentation and conclusions with regard to housing availability and other aspects of the market are substantially correct.

Area Director

APPROVAL FOR HOUSING OF PROJECT EMPLOYEES AND PERSONS PROVIDING TENANT-
AND NEIGHBORHOOD-ORIENTED SERVICES

1. INTRODUCTION. Handbook RHM 7465.1 permits Local Authorities, under specified conditions and with prior HUD approval, to house (1) project employees, not otherwise eligible, where their occupancy is necessary for the efficient and economical operation of the project; and (2) project employees, tenants, and other persons, not otherwise eligible for admission or continued occupancy, who are providing or will provide tenant- and neighborhood-oriented services. The Local Authority's request to house such employees, tenants, or other persons under (2) above must be accompanied by a showing that they are employed in or are providing (or will provide) services relevant to the social goals for public housing.
2. BASIS FOR APPROVAL
 - a. Families Overincome for Continued Occupancy. Unless there are strong and sufficient reasons to the contrary, approval should be given to requests to continue in occupancy families who are, or will become, overincome as a result of employment of a family member by the Local Authority in connection with the Authority's efforts to train and employ tenants in the maintenance of the project and for careers in management.
 - b. Supporting Evidence Required.
 - (1) Requests to admit or continue in occupancy tenants, project employees, volunteers, and staff of public or private agencies, not otherwise eligible, on the basis that they are qualified and assigned to provide tenant- and neighborhood-oriented services must be supported by evidence that the services to be provided will help to meet tenants' needs for health, education, welfare, recreation, or employment services; or that the presence of the person to be housed will definitely be useful in the Local Authority's program to implement the social goals.
 - (2) Requests to house project employees on the basis that their occupancy is necessary for the efficient and economical operation of the project should be approved only where the supporting evidence is clear and convincing.
3. RENT CHARGES. The following guidelines should be given to Local Authorities as an aid to establishing rent charges for applicable employees and persons housed.

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- a. Project employees or other persons providing tenant- and neighborhood-oriented services, who qualify as low-income families, should pay rents in accordance with the schedule applicable to all other low-income families. To assure rents at levels that will not be a deterrent to such employment, Local Authorities which do not have ceiling rents should be urged to establish them.
- b. Project employees not of low income should be charged a fair rental value.
- c. Special Considerations. A number of Local Authorities, believing that project employees (including those who qualify as low income) are entitled to special consideration since they may be expected to perform services at any time, have established less than a fair rental value for those who are not of low income and a rent for those who are of low income at a lesser amount than called for by the regular schedule. Local Authorities wishing to continue or to establish such rents should be reminded that for employees performing specified "maintenance" functions, as distinguished from administrative and management functions, the differential may be considered as a fringe benefit; and the rent to be charged, therefore, should be established to assure compliance with the various applicable wage and hour laws and regulations.
- d. Flat Rents. For persons other than project employees providing tenant- and neighborhood-oriented services, who are not of low income, a flat rent, reasonable for their circumstances, might be established. Various considerations would enter into establishment of such rents, such as:
 - (1) For persons affiliated with national or local social or welfare agencies, an amount may be paid by the agency specifically for lodging based on actual local costs. In such cases, a fair rental value should be charged. Such payments may be made, for example, in the case of Vista Volunteers.
 - (2) For those not receiving specific allowances for lodging, the amount of the average monthly dwelling rental charged might be considered the most reasonable charge. In such cases, an additional charge, when appropriate, could be made for excess use of utilities.
 - (3) In the unusual case of a person, with or without agency affiliation, not being paid for his services, such person might be housed rent-free.

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CHAPTER 2

4. APPROVAL

- a. Authority. The Director, Housing Services and Property Management Division, is authorized to approve or disapprove a Local Authority's proposal, which shall include the rent to be charged. Such approval or disapproval shall be furnished to the Local Authority by letter over the signature of the Division Director.
 - b. Copy of Notification. A copy of the Local Authority request and of the Division Director's reply shall be furnished to the Assistant Regional Administrator for Housing Management and Community Services and to the OHM Counseling and Tenant Assistance Staff.
5. AREA OFFICES NOT YET OPERATIONAL. In these cases, functions and responsibilities assigned to the Area Office shall be performed by the Regional Office.



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CHAPTER 3

CHAPTER 3. WAIVER OF CONTRACT REQUIREMENTS RELATING TO ANNUAL
REEXAMINATION OF TENANT STATUS

1. AUTHORIZATION TO WAIVE. The Director of the Housing Services and Property Management Division is hereby authorized to waive the provision of the Annual Contributions or Administration Contract relating to frequency of reexamination of tenants to permit a Local Housing Authority to change its residential reexamination schedule, provided:
 - a. The proposed rescheduling will serve to promote efficiency and economy in local operations; and
 - b. The next reexamination cannot otherwise be satisfactorily accomplished within the 12 months succeeding the previous reexamination.
2. WHERE AREA OFFICES NOT YET OPERATIONAL. In these jurisdictions, functions and responsibilities assigned to the Area Office shall be performed by the Regional Office.
3. SCOPE OF WAIVER. Each waiver granted shall be specific as to the dates by which the rescheduled annual reexamination is to start and to be completed. It is also to state that reexaminations subsequent thereto are to be at annual intervals as specified in the contract, or biennially in the case of elderly families whose head or spouse is 62 years of age or older.
4. NOTIFICATION RELATING TO WAIVER OF CONTRACT. Each Local Authority granted a contract waiver pursuant to this authorization shall be notified of such action in writing, with a copy of the waiver retained in the Area Office files.



IMPLEMENTATION OF MODEL LEASE AND
GRIEVANCE PROCEDURES

1. PURPOSE. To prescribe responsibilities of the Area Office in the implementation of Circular RHM 7465.8, Requirements and Recommendations to be Reflected in Tenant Dwelling Leases for Low-Rent Public Housing Projects, and Circular RHM 7465.9, Grievance Procedures in Low-Rent Public Housing Projects, both dated February 22, 1971.

2. AREA OFFICE RESPONSIBILITY
 - a. The Chief, Housing Management and Tenant Services Branch (HMTS) is responsible for taking action to have LHAs conform to the requirements of the Circulars.

 - b. The HMTS Branch should take affirmative action to see that LHAs do not delay implementation of the Circulars. The staff should encourage LHAs to act promptly and assist LHAs, if requested, to adapt the model documents to reflect local conditions or the requirements of State law.

 - c. Every effort taken to have an LHA act promptly to conform to the requirements of the Circulars shall be fully documented in the event it becomes necessary to support a recommendation for action to be taken against the LHA pursuant to paragraph 4 below. In addition, documentation should be made of activities of the LHA to implement the Circulars.

3. TIMING OF IMPLEMENTATION BY LHAS
 - a. LHA leases which do not conform to the requirement of Circular RHM 7465.8 should be replaced with new

leases as soon as the LHA can reasonably be expected to make the necessary modifications and arrange for execution of the new leases.

- b. It is intended that the grievance procedure should be applicable in respect to a grievance or complaint which is unresolved at such time as a grievance procedure is adopted by an LHA or which occurs thereafter. For this reason, activities taken by LHAs to delay the adoption of grievance procedures should be strongly discouraged by the HMTS staff.
4. HUD ACTION FOR FAILURE OF LHA TO IMPLEMENT. If the Area Director determines that an LHA is refusing or purposely failing to implement the Circulars, he shall refer the matter to the Regional Administrator, with a statement of the basis of his determination and any supporting information or records, and recommend action to be taken against the LHA, such as withholding funds (other than guaranteed subsidies), referral of the matter to the Department of Justice for action to enforce compliance, or such other action as may be authorized and deemed appropriate. If the Regional Administrator determines that action at the Central Office level is indicated, he shall refer the matter to the Assistant Secretary for Housing Management.
5. RESPONSIBILITY WHERE AREA OFFICES DO NOT EXIST. Where Area Offices have not been established, the actions specified in paragraph 2 shall be the responsibility of the Director, Tenant Operations and Services Division, of the Regional Office or the ARA for Housing Management and Community Services for Denver. Also, where Area Offices have not been established, the actions specified in paragraph 4 for the Area Director shall be the responsibility of the Regional Administrator.

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
RENEWAL AND HOUSING MANAGEMENT

CIRCULAR

RHM 7465.9

2/22/71

**Cancellation
Date:**

SUBJECT: Grievance Procedures in Low-Rent Public Housing Projects

1. **PURPOSE.** To set forth requirements and recommendations for grievance procedures to be established by all local housing authorities.
2. **BACKGROUND.** In recent years, it has become more and more apparent that many of the problems faced by management and tenants in low-rent public housing have resulted in friction and strain in tenant-management relations and in litigation, costly to both management and tenants; much of which might have been avoided had some kind of procedure been available for grievances to be aired before an impartial individual or panel. Some of these problem areas are the examination of incomes to determine rents, the re-examination of incomes to determine eligibility for continued occupancy, the inspection of units to determine their condition, the imposition of lease restrictions to protect project property, the procedures used to collect rents or evict families, and procedures to collect costs for repairs for damages to dwelling units or other project areas. In seeking solutions to these problems, HUD has brought together representatives of the local housing authorities, tenants, and professional arbitrators, and other interested organizations for a discussion of issues and approaches to tenant-management problems. After a series of meetings and extensive discussions regarding a lease and a grievance procedure applicable for use in the low-rent public housing program, it was agreed by the participants that establishment of a grievance procedure by every local housing authority, embodying certain standards and criteria, would improve management-tenant relationships and promote improved housing environment to the advantage of the low-rent public housing program thus implementing the national housing policy as expressed by Congress; and that provision for a grievance procedure should be included in all low-rent public housing leases. This is now required by Circular RHM 7465.8.

3. REQUIREMENTS. Each local housing authority shall adopt procedures or revise existing grievance procedures to embody, as a minimum, the following standards and criteria:
- a. A tenant shall be afforded an opportunity for a hearing before an impartial official or a hearing panel if he disputes within a reasonable time any LHA action or failure to act in accordance with the lease requirements, or any LHA action or failure to act involving interpretation or application of the LHA's regulations, policies or procedures which adversely affect the tenant's rights, duties, welfare or status.
 - b. If it is determined by an LHA that a hearing panel shall be established, then the number of members on such hearing panel shall be an uneven number, provided that if LHA representatives are appointed as members of such hearing panel, then tenants shall be represented on the panel in equal number by tenants elected by the tenant body, with an impartial member appointed as a tie breaker.
 - c. If the tenant requests a hearing, the LHA shall notify him within a reasonable time prior to the hearing of the complete grounds or reasons for the LHA's disposition of the tenant's complaint or grievance.
 - d. The tenant shall be given notice of any rules and regulations governing the hearing within a reasonable time prior to the hearing.
 - e. The tenant shall be afforded an opportunity to present his side of the dispute, including the opportunity to be represented by counsel or another person of his choice, to bring in witnesses and to confront and cross-examine witnesses in appropriate circumstances.
 - f. When a decision is made, the official or panel that conducts the hearing shall notify the parties to the dispute in writing of the decision and the reasons and evidence relied on.
 - g. To the extent that the decision is not inconsistent with state law, the United States Housing Act of 1937, as amended, HUD regulations and requirements promulgated thereunder or the Annual Contributions Contract the decision shall be binding on the LHA, unless the LHA shall determine and notify the complainant in writing within thirty days of such decision that the hearing panel has acted arbitrarily or exceeded its authority. In such event the matter may be subject to judicial review.

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- h. If the decision is in favor of the LHA or if the hearing panel elects not to act upon the complaint because the issue has already been decided in favor of the LHA in hearings of other complaints based on essentially the same set of facts, the LHA shall be free to pursue its remedies and the tenant may seek appropriate relief.
4. ADMINISTRATIVE EXPENSES. The LHA shall provide such space, secretarial service, and funds for administrative expenses as are reasonably necessary to accomplish the purposes of the grievance procedure, the costs of which shall be included as an operating expenditure in the annual operating budget submitted to HUD. This may include reasonable reimbursement for out-of-pocket expenses for attendance at hearing meetings by panel members.
5. MODEL GRIEVANCE PROCEDURE. Appendix 1 is a Model Grievance Procedure which embodies the requirements set forth above. It may be adapted to reflect the local situation and any applicable requirements of state law. The locally adopted Grievance Procedure may include applicants as well as tenants and may be adopted by an LHA for applicants as well as tenants.

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MODEL GRIEVANCE PROCEDURE1. RIGHT TO A HEARING

Upon filing of a written request as provided herein, a complainant shall be entitled to a hearing before the Hearing Panel.

2. DEFINITIONS

- a. Complainant is defined as any tenant /or applicant/ whose rights, duties, welfare or status are or may be adversely affected by local housing authority action or failure to act and who files a grievance or complaint with the local housing authority with respect to such action or failure to act.
- b. Grievance or Complaint is defined as any dispute with respect to LHA action or failure to act in accordance with lease requirements, or any LHA action or failure to act involving interpretation or application of the LHA's regulations, policies or procedures which affects the rights, duties, welfare or status of the complainant.

3. PROCEDURE PRIOR TO A HEARING

- a. Any grievance or complaint must be personally presented, if possible, to the LHA office or to the management office of the project in which the complainant resides /or to which application for admission has been made/ so that the grievance may be informally discussed and settled without a hearing. The grievance or complaint must be signed by the complainant and filed in the office by him or his representative within a reasonable time, not in excess of days of the LHA action or failure to act which is the basis for the grievance. It may be simply stated, but shall specify: (1) the particular ground(s) upon which it is based; and (2) the action requested.

A copy of the complaint shall be retained by the complainant and a copy should be filed with the project manager. All complaints and/or copies must be date-stamped at time of receipt by the LHA.

- b. An answer in writing to each complaint, dated and signed by the project manager, or other appropriate official, shall be delivered or mailed to the complainant within a reasonable

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time (generally within five working days). A copy of the answer shall be filed with the complaint in the appropriate project office. The answer shall specify:

1. The proposed disposition of the complaint and the specific reasons therefore;
 2. The right of the complainant to a hearing; and
 3. The procedure by which a hearing may be obtained.
- c. If the complainant is dissatisfied with the proposed disposition of his complaint, as stated in the project manager's or other LHA official's answer, he may submit a written request, to the LHA or project management office, for a hearing. This written request shall be made within a reasonable time of the date of the answer to his complaint (generally ten working days). The written request for a hearing must be date-stamped and filed in the appropriate LHA or project management office along with the complaint and answer. The Hearing Panel shall be advised promptly of the request by the appropriate LHA official; shall schedule the hearing as promptly as possible for a date, time and place reasonably convenient to the complainant; and shall inform the complainant thereof in writing.
- d. If the complainant does not request a hearing within the time period allowed in Subsection c above, he waives his right to the hearing, and the LHA's proposed disposition of the grievance will become final. This shall not, however, constitute a waiver of the complainant's right thereafter to contest the LHA's disposition of his grievance in an appropriate judicial proceeding.
4. COMPOSITION AND SELECTION OF THE HEARING PANEL The Hearing Panel shall consist of five members; two selected in alphabetical order to serve on a rotating basis from a list of ten tenants elected for a period of one year by the tenant body; two appointed by the LHA; and one impartial and disinterested member (together with an alternate) chosen by the Hearing Panel members. In the event that the four Hearing Panel members cannot agree on the fifth impartial member, then such fifth member shall be appointed by the National Center for Dispute Settlement of the American Arbitration Association. The Chairman of the Hearing Panel shall be elected by the members of the Panel. Three votes shall be required for any decision by the Panel.

- a. The impartial or disinterested member of the Panel may not be an officer or an employee of the LHA or any of its projects, nor a tenant of the LHA.
 - b. The term of all members is one year. Vacancies in the tenant member list shall be filled by elections.
 - c. There shall be no relatives of the complainant on the Panel which hears his complaint; nor shall any LHA officer or employee whose duties and responsibilities involve him in any way with the grievance at issue, sit as a member of the Hearing Panel for that particular hearing.
 - d. For a period of two years after adoption of the Grievance Procedure by the LHA, the LHA shall provide reasonable reimbursement for out-of-pocket expenses for attendance at meetings by Panel members.
5. THE HEARING
- a. The parties shall be entitled to a fair hearing before the Hearing Panel and may be represented by counsel or another person chosen as a representative.
 - b. The hearing shall be private unless complainant requests and the Hearing Panel agrees to a public hearing. This shall not be construed to limit the attendance of persons with a valid interest in the proceedings.
 - c. Complainant may examine before the hearing and, at his expense, copy all documents, records and regulations of the LHA that are relevant to the hearing. Any document not made available, after request therefor by the complainant, may not be relied on by the LHA or the project management at the hearing. The complainant may request, in advance and at his expense, a transcript of the hearing.
 - d. If the dispute is over the amount of rent or other charges which the local housing authority claims is due, the complainant shall deposit the amount in dispute in an escrow account pending settlement of the dispute by the Hearing Panel. If the complainant fails to do so, the Panel may determine that the complainant has waived his right to the Hearing. Such determination shall not constitute a waiver of complainant's right to thereafter contest the local housing authority's disposition of his grievance in an appropriate judicial proceeding.

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- e. If a complainant fails to appear at a Hearing, the Panel may postpone the Hearing for five working days, or may make a determination that the complainant has waived his right to the Hearing. Such a determination shall not constitute a waiver of complainant's right to thereafter contest the LHA's disposition of his grievance in an appropriate judicial proceeding.
- f. At the hearing the complainant must make a prima facie case and then the burden of proof is on the LHA or project management to justify the action or inaction proposed by it in its answer to the complaint. The complainant may present evidence and arguments in support of his complaint, controvert evidence relied on by the LHA or project management, and confront and cross-examine all witnesses on whose testimony or information the LHA or project management relies. Hearings conducted by the Hearing Panel shall be informal, and any oral or documentary evidence, as limited however, to the facts and issues raised by the complaint and answer, may be received by the Hearing Panel without regard to whether that evidence would be admissible under rules of evidence employed in judicial proceedings.

6. DECISIONS OF THE HEARING PANEL

- a. The decision of the Hearing Panel shall be based solely and exclusively upon facts presented at the hearing and upon applicable LHA and HUD regulations. To the extent that the decision is not inconsistent with State law, the United States Housing Act of 1937, as amended, HUD regulations and requirements promulgated thereunder, or the Annual Contributions Contract, and to the extent provided in subsection f below, the decision of the Hearing Panel shall be binding on the LHA.
- b. If both parties agree to prepare a proposed decision to the Hearing Panel, each party shall submit same to the Hearing Panel for its consideration.
- c. The Hearing Panel shall prepare its written decision, including a statement of findings and conclusions; as well as the reasons or basis therefor, upon all material issues raised by the parties. This shall be done within a reasonable time after the date of the hearing. Copies thereof shall be mailed or delivered to the parties and/or their representatives.

- c. The written decision of the Hearing Panel, with all names and identifying references deleted, shall be maintained on file by the LHA and made available for inspection by a prospective complainant or his representative.
- e. Any judicial decision or related settlement pertaining to the decision of the Hearing Panel shall also be maintained on file by the LHA and made available for inspection.
- f. If the decision is in favor of the complainant, the LHA shall promptly take all actions necessary to carry out such decision or refrain from any action prohibited by such decision unless the Board of Commissioners of the LHA determines and notifies the complainant in writing within 30 days that the Hearing Panel has acted arbitrarily or exceeded its authority. In such event the Hearing Panel's decision may be judicially reviewed.
7. APPEALS FROM THE HEARING PANEL DECISION A decision by the Hearing Panel, which is in favor of the LHA or project management and/or denies the complainant his requested relief in whole or in part, shall not constitute a waiver of, nor affect in any manner, whatever rights the complainant may have to a trial de novo in judicial proceedings which may thereafter be brought in the matter. In such judicial proceedings, the LHA shall, by stipulation or other appropriate means, be limited to invoking against the complainant the grounds originally relied on by the LHA in its proposed disposition of the complaint or grievance.
8. NOTICE TO VACATE PREMISES
- a. At the time of the private conference required by Low-Rent Housing Handbook RHM 7465.1, the Tenant must be informed in writing of:
- (1) The specific reasons for the proposed eviction; and
 - (2) his right to request a hearing upon the proposed eviction within five working days from the date of the conference.
- b. If the Tenant has requested a hearing on the proposed eviction and the Hearing Panel by its decision upholds the LHA's or project management's proposal to evict, an action to regain possession may not be commenced until after the Tenant's right to use and/or occupy the premises has been terminated by lawful notice. Such notice to vacate may not be given prior to the date on which the Hearing Panel's decision upholding the proposed eviction is delivered or mailed to the Tenant.

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- c. When such notice to vacate is given to the Tenant, he must be informed in writing that:
- (1) If he fails to quit the premises within three days, appropriate legal action (dependent on state law) will be brought against him;
 - (2) If suit is brought against him, he may be required to pay Court costs and attorney fees incurred;
 - (3) If he chooses to contest the legal action, the IHA or project management must prove that the reasons upon which it originally relied constituted good cause for eviction under the applicable law, rules and regulations.

