


U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

CAPITAL FUND GUIDEBOOK TRAINING

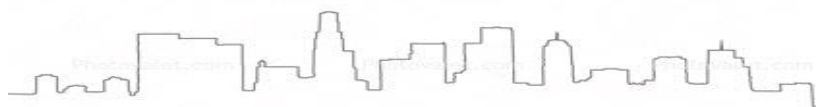
DAY 2 MODULE 2

PUBLIC HOUSING DEVELOPMENT (CHAPTER 9)



CHAPTER 9: TOPICS


- PHA Development Activity – Sources/Types; Requirements; Submissions
- HUD Review of Development Proposals
- Field Office and Mixed-Finance



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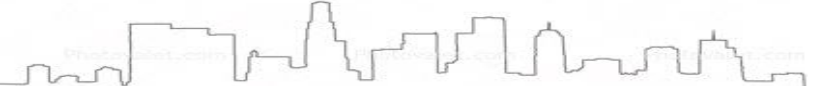



PHA DEVELOPMENT ACTIVITY



METHODS OF DEVELOPMENT

- Conventional Development:
 - New Construction:
 - Conventional – sealed bid.
 - Turnkey – competitive proposals.
 - Force Account – PHA staff.
 - Acquisition:
 - With rehabilitation.
 - Without rehabilitation.
- Mixed Finance:
 - Project owned by entity other than PHA.
 - Includes a mix of units and financing.
 - Typically includes Low Income Housing Tax Credits.




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 **DEVELOPMENT PROCESS OVERVIEW**

1. Select Site.
2. Update Annual Plan.
3. Consult with Residents.
4. Submit Acquisition Proposal, if necessary.
5. Submit Development Proposal.
6. Establish Project in PIC.
7. Execute DOTs/DORCs.
8. Build the Units
9. Establish DOFA.
10. Finalize Cost Certification.

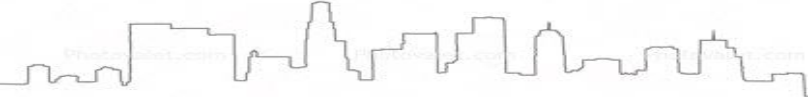



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 **GENERAL REQUIREMENTS**

➤ **Faircloth Limitation:**


- PHA may not use public housing funds to pay for development of public housing units that will increase the number of public housing units owned/operated by the PHA since 10/1/99.
- A PHA may use public housing funds to increase the number of units above the limit if:
 - The units are available and affordable to eligible low-income families and CF formula does not provide additional funding for the specific purpose of constructing, modernizing, and operating such excess units; or
 - The units are part of a mixed-finance project or leverage significant additional investment, and the cost of useful life of projects is less than estimated cost of providing tenant-based assistance under section 8(o) of the 1937 Act.



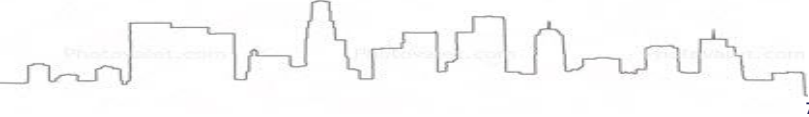
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GENERAL REQUIREMENTS, CONTINUED




- **Limitation on the Cost of New Construction (905.602):**
 - No new construction unless cost is less than the cost of acquiring existing units and converting to public housing
 - PHAs must demonstrate compliance by submitting:
 - 1) A cost comparison analysis **OR**
 - 2) Documentation of insufficient housing in neighborhood. Sources of documentation include:
 - A) Multiple Listing Service.
 - B) Real Estate Ads in newspapers.
 - C) Market analysis.
 - D) Statements from brokers.
 - E) Local construction costs.



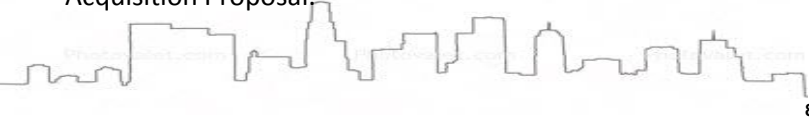
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GENERAL REQUIREMENTS, CONTINUED



- **Site and Neighborhood Standards:**
 - Review done by the Public Housing FHEO at Field Office.
 - Required for all site acquisition and PH development.
 - Assesses the suitability of the site.
 - Assesses the characteristics of the neighborhood:
 - Concentration of low- and moderate income households.
 - Promotes greater choice of housing.
 - Environmentally safe.
 - Proximity to amenities, jobs, transportation.
 - Approval required prior to HUD approval of Development/ Acquisition Proposal.



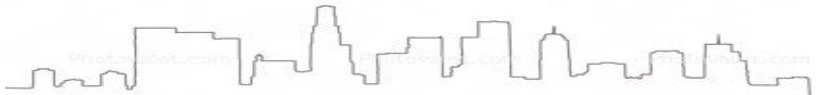
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GENERAL REQUIREMENTS, CONTINUED

➤ **Cross-Cutting Federal Requirements:**

- Relocation.
- Uniform Act: Relocation and Property Acquisition.
- Procurement.
- Davis-Bacon.
- Accessibility by Persons with Disabilities
- Section 3: Economic Opportunities for Low Income Persons
- Environmental review – NEPA, NHPA/106.
- Must be completed prior to Development/Acquisition Proposal approval.

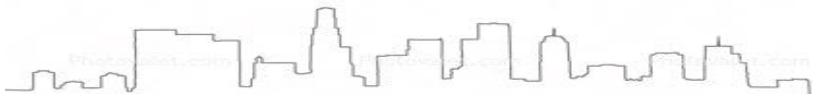


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KNOWLEDGE CHECK: QUESTION #1

Public housing authorities can build new developments as long as they get HUD approval. True or False?

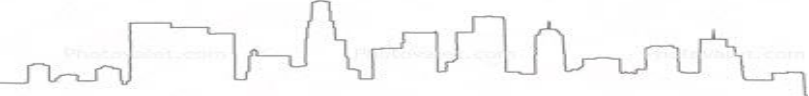


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 **KNOWLEDGE CHECK: ANSWER #1**

It is true that PHAs must get HUD approval for new development however, they may not do new construction unless the cost is less than the cost of acquiring existing units and converting to public housing.


In addition, the PHA must demonstrate this compliance with a cost comparison or documentation of insufficient housing.

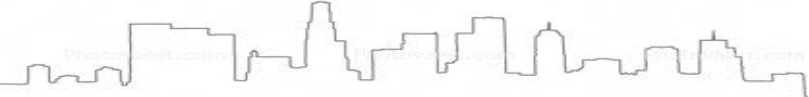


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 **MIXED-FINANCE (MF) DEVELOPMENT**

- Development of public housing units which will be owned in whole or part by an entity other than a PHA.
- Includes a mix of units:
 - PH, PBV, LIHTC, HOME, unrestricted.
- Includes a mix of financing:
 - PH, LIHTC, HTC, CDBG, City, State, FHLB.
- HQ Office of Public Housing Investments manages mixed-finance projects.

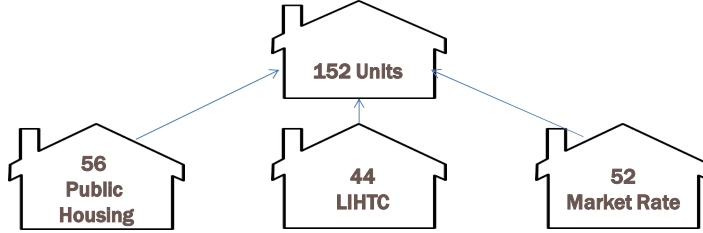




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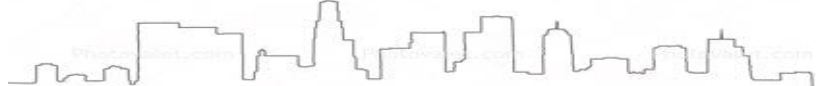
 **MIXED-FINANCE (MF) DEVELOPMENT EXAMPLE**

New Orleans Project:




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graph TD; A[152 Units] --- B[56 Public Housing]; A --- C[44 LIHTC]; A --- D[52 Market Rate]
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Budget: \$11 M Public Housing Funds
\$22 M Private Funds
\$17 M Other Public Funds
\$50 M Total




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 **MIXED-FINANCE REQUIREMENTS**


- **Ownership Structure:**
 - Limited Partnership (LP) or Limited Liability Corporation (LLC).
- **Role of the PHA:**
 - May be part of ownership or not.
 - Executes an agreement with the Owner.
 - Passes through Operating Subsidy.
 - May or may not manage the PH units.
 - Instrumentality or Affiliate.



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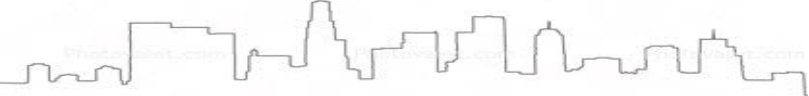
MIXED-FINANCE REQUIREMENTS, CONTINUED




- Pro Rata Share:
 - Cannot use PH funds for non-PH units.
 - Test: % of PH funds cannot exceed % of PH units.
- Test Example:

50 public housing (42%)
70 non-public housing (58%)
120 Units Total


\$22,000,000 Total Cost
Public Housing Maximum = \$9,240,000(42%)


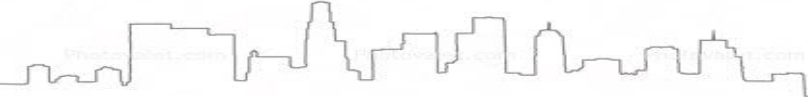


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MIXED-FINANCE REQUIREMENTS, CONTINUED



- Procurement – Special Provisions:
 - Select development partners via RFQ.
 - Competitively selected partners not subject to Federal Procurement Regulations
- Identity of Interest:
 - Relationship between developer and general contractor.
 - Requires HUD approval.
 - PHA must submit independent cost estimate.

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MIXED-FINANCE REQUIREMENTS, CONTINUED

- Safe Harbor Standards:
 - Sets limits on specific fees and costs.
 - Developer & Contractor Fees.
 - Property Management Fees.
 - Administrative Costs.
 - Fees in line with industry standards.

Ref: *Cost Control and Safe Harbor Standards for Rental Mixed-Finance Development*, revised April 9, 2003



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INQUIRY

- What has been your most challenging part of mixed-finance development?
- What is your biggest barrier to mixed-finance development?


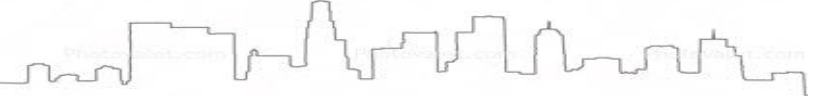


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SUBMISSION OF A DEVELOPMENT PROPOSAL

- PHAs must prepare and submit a Development Proposal.
- Must be approved prior to moving forward with development.
- Applies to all types of development:
 - New construction.
 - Acquisition.
 - Conventional.
 - Mixed-finance.
- Submitted and approved by the Field Office, except mixed-finance.



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DEVELOPMENT PROPOSAL CONTENTS


- Project Description
- Site Information
- Participant Description
- Development Schedule
- Accessibility
- Project costs
- Local Cooperation Agreement and Real Estate Taxes
- Environmental Requirements
- Market Analysis
- Program Income and Fees



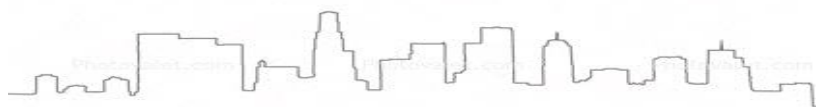
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MIXED-FINANCE REQUIREMENTS




- Rental Term Sheet (new template being developed)
- Evidentiary Documents submitted first in draft form
- Copies of executed documents submitted after closing
- No PH funds released until executed documents approved




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MIXED-FINANCE EVIDENTIARY MATERIALS



<u>Document</u>	<u>Source</u>	<u>Review</u>
➤ MF ACC Amendment	Model Doc	OPHI
➤ R&O Agreement	PHA	OPHI
➤ DORC	Model Doc	OPHI
➤ Ground Lease	PHA	OPHI
➤ Certifications & Assurances	Model Doc	OPHI
➤ Title Policy/Survey	PHA	FO
➤ Management Docs	PHA	FO
➤ Legal Opinion	PHA	OPHI



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 **SITE ACQUISITION PROPOSAL**

- Required if PHA needs to acquire land for future development.
- Only for vacant land or land with vacant structures, slated for demolition.
- A Development Proposal still required.
- A Declaration of Trust must be placed on the property.
- Not required if no public housing funds will be used.



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 **SITE ACQUISITION PROPOSAL**

- Justification
- Description
- Site and Neighborhood Standards
- Zoning
- Appraisal
- Schedule
- Environmental Review
- URA Real Property Acquisition Requirements
- Approved by the Field Office






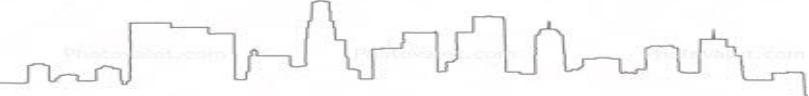
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KNOWLEDGE CHECK: QUESTION #2




Must PHAs submit both a Development and a Site Acquisition Proposal for any public housing development?



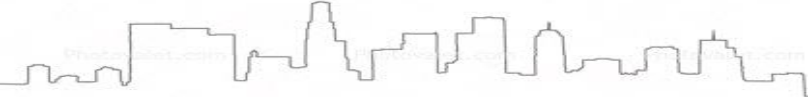
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KNOWLEDGE CHECK: ANSWER #2




It depends. If a PHA needs to acquire vacant land for the public housing development, but is not ready to submit a full Development Proposal, it must submit an Acquisition Proposal. An Acquisition Proposal is only used for vacant land or for land that has vacant structures which will be demolished as part of its redevelopment. If the site has existing housing that will be retained or if the PHA is going to develop immediately and is ready to submit a Development Proposal, than a separate Acquisition Proposal isn't necessary.



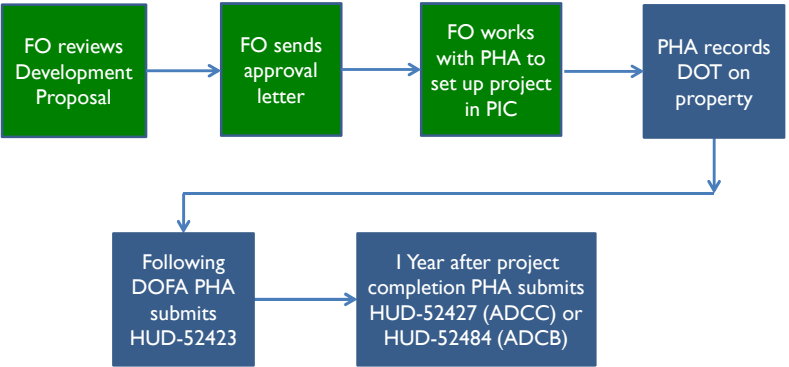
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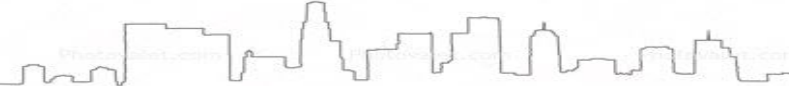
HUD REVIEW OF DEVELOPMENT PROPOSALS



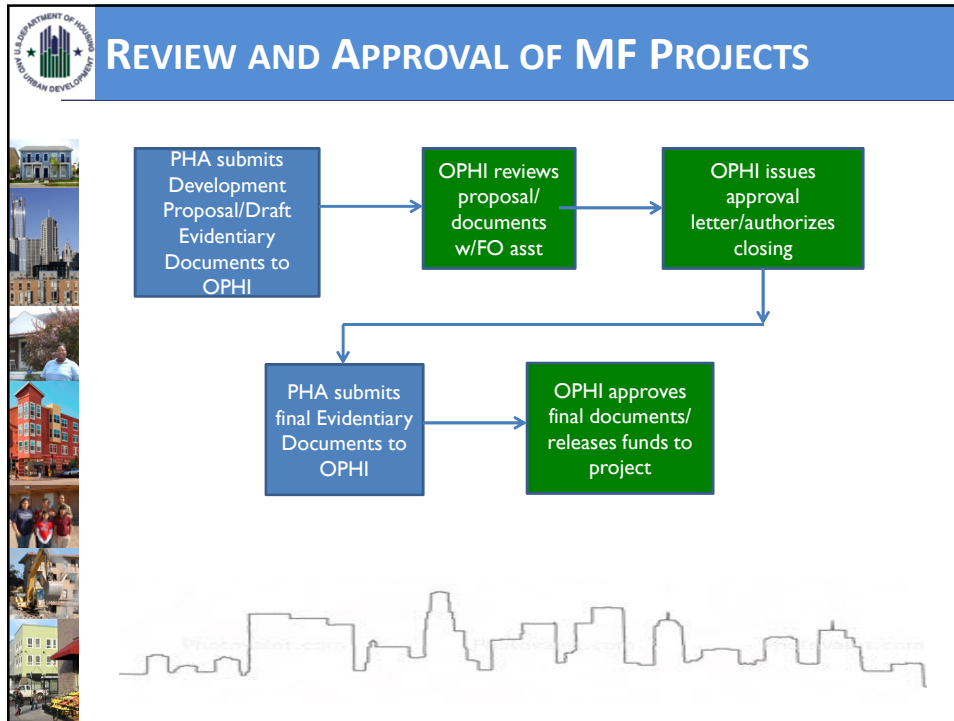
REVIEW AND APPROVAL OF NON-MF PROJECTS




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graph TD; A[FO reviews Development Proposal] --> B[FO sends approval letter]; B --> C[FO works with PHA to set up project in PIC]; C --> D[PHA records DOT on property]; D --> E[Following DOFA PHA submits HUD-52423]; E --> F[1 Year after project completion PHA submits HUD-52427 (ADCC) or HUD-52484 (ADCB)];
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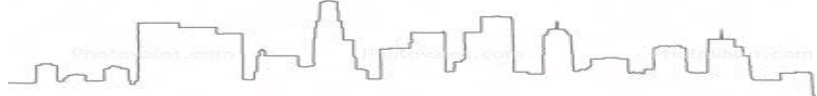
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- AMENDMENT OF DEVELOPMENT PROPOSALS**
- HUD must approve any material change to an approved Development Proposal.
 - Material Change includes:
 - A change in number of public housing units.
 - A change greater than 10% of public housing bedrooms.
 - A change greater than 10% of the total project cost or financing.
 - A change in site.
 - PHAs must submit amendments to the Field Office or OPHI for mixed-finance.




FUNDING AND DISBURSEMENTS




- **Pre-Development Costs:**
 - Includes soft costs and approved demo.
 - For non-mixed finance, PHAs may spend up to 5% of public housing funds without HUD approval for predevelopment.
 - For mixed-finance, HUD approval required prior to spending public housing funds for predevelopment.
- **Standard Drawdown Requirements**
- **Special Disbursement Requirements and Issues**



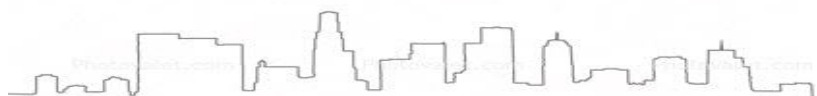
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FUNDING AND DISBURSEMENTS, CONTINUED



- **Mixed-Finance:**
 - No public housing funds disbursed until final evidentiary documents are approved (except predevelopment funds).
 - Once approved, housing authorities may disburse funds in accordance with the approved project budget.
 - Upon completion of the project, the ratio of PH to non-PH funds must be as reflected in the budget.



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WRAP UP AND QUESTIONS

