

forth all of the physical and management improvement needs of the PHA and its public housing developments, indicating the relative urgency of needs and which includes the PHA's action plan, cost estimates, and required local government and PHA certifications. The comprehensive plan may be revised, as necessary, but must be revised at least every sixth year. (See § 968.315(e).)

Emergency work. Physical work items of an emergency nature, posing an immediate threat to the health or safety of residents, which must be completed within one year of CGP funding. Management improvements are not eligible as emergency work and, therefore, must be covered by the comprehensive plan (including the action plan) before the PHA may carry them out.

Fungibility. Fungibility is a concept which permits a PHA to substitute any work item from the latest approved Five-Year Action Plan to any previously approved CIAP budget or CGP Annual Statement and to move work items among approved budgets without prior HUD approval.

Improvement plan. A document developed by the PHA and approved by HUD specifying the actions to be taken, including timetables, to correct deficiencies identified as a result of an assessment, either under PHMAP or pursuant to HUD monitoring or audit findings.

Memorandum of Agreement (MOA). A binding contractual agreement between HUD and a troubled PHA, or a mod troubled PHA, which is designed to bring about significant, expeditious and long-lasting improvements in the PHA's management of its PHA-owned units. A MOA is required for each PHA designated as troubled or mod troubled.

Resident groups. Democratically elected resident groups such as PHA-wide resident groups, area-wide resident groups, single development resident groups, or RMCs.

Substantial rehabilitation. A modernization program for a development which provides for all physical and management improvements needed to meet the modernization and energy conservation standards and to ensure

its long-term physical and social viability.

Work Statements. Work Statements cover the second through the fifth years of the Five-Year Action Plan and set forth the major work categories and costs by development or PHA-wide which the PHA intends to undertake in each year of years two through five. In preparing these Work Statements, the PHA shall assume that the current FFY formula amount will be available in each year of years two through five.

[57 FR 5575, Feb. 14, 1992, as amended at 58 FR 13931, Mar. 15, 1993; 59 FR 44837, Aug. 30, 1994; 61 FR 8744, Mar. 5, 1996]

§ 968.310 Determination of formula amount.

(a) *Submission of formula characteristics report—(1) Formula characteristics report.* In its first year of participation in the CGP, each PHA shall verify and provide data to HUD, in a form and at a time to be prescribed by HUD, concerning PHA and development characteristics so that HUD can develop the PHA's annual funding allocation in accordance with § 968.103 (e) and (f). If a PHA fails to submit to HUD the formula characteristics report by the prescribed deadline, HUD will use the data which it has available concerning PHA and development characteristics for purposes of calculating the PHA's formula share. After its first year of participation in the CGP, a PHA is not required to submit formula characteristics data to HUD, but is required to respond to data transmitted by HUD if there have been changes to its inventory from that previously reported, or where requested by HUD. On an annual basis, HUD will transmit to the PHA, the formula characteristics report which reflects the data that will be used to determine the PHA's formula share. The PHA will have at least 30 calendar days to review and advise HUD of errors in this HUD report. Necessary adjustments will be made to the PHA's data before the formula is run for the current FFY.

(2) *PHA Board Resolution.* The PHA must include with its formula characteristics report under paragraph (a)(1) of this section, a resolution adopted by the PHA Board of Commissioners approving the report, and certifying that

the data contained in the formula characteristics report are accurate.

(b) *HUD notification of formula amount; appeal rights*—(1) *Formula amounts notification.* After HUD determines a PHA's formula allocation under § 968.103 (e) and (f) based upon the PHA, development, and community characteristics, it shall notify the PHA of its formula amount and provide instructions on the Annual Submission in accordance with §§ 968.315 and 968.325;

(2) *Appeal based upon unique circumstances.* A PHA may appeal in writing HUD's determination of its formula amount within 60 calendar days of the date of HUD's determination on the basis of "unique circumstances." The PHA must indicate what is unique, and specify the manner in which it is different from all other PHAs participating in the CGP, and provide any necessary supporting documentation. HUD shall render a written decision on an PHA's appeal under this paragraph within 60 calendar days of the date of its receipt of the PHA's request for an appeal. HUD shall publish in the FEDERAL REGISTER a description of the facts supporting any successful appeals based upon "unique circumstances." Any adjustments resulting from successful appeals in a particular FFY under this paragraph shall be made from subsequent years' allocation of funds under this part;

(3) *Appeal based upon error.* A PHA may appeal in writing HUD's determination of its formula amount within 60 calendar days of the date of HUD's determination on the basis of an error. The PHA may appeal on the basis of error the correctness of data in the formula characteristics report. The PHA must describe the nature of the error, and provide any necessary supporting documentation. HUD shall respond to the PHA's request within 60 calendar days of the date of its receipt of the PHA's request for an appeal. Any adjustment resulting from successful appeals in a particular FFY under this paragraph shall be made from subsequent years' allocation of funds under this part;

(c) *Reduced formula allocation for PHAs designated as mod troubled under PHMAP*—(1) *Notification.* After a PHA is designated as a mod troubled agency

under PHMAP (24 CFR part 901), HUD shall inform the PHA that its funding may be limited under this subpart because of its designation as a mod troubled PHA. HUD shall also provide the PHA with information concerning the PHA's funding levels for CGP, CIAP and MROP for each of the preceding three FFYs for purposes of determining the PHA's reduced formula allocation, in accordance with paragraph (c)(2)(ii) of this section. In addition, HUD will provide the PHA with information on its full formula allocation under § 968.103 (e) and (f), and the amount which represents 25 percent of the difference between the average amounts provided to the PHA in each of the preceding three FFYs and its full formula allocation.

(2) *Calculation of funding for mod troubled PHAs.* HUD shall calculate the funding level for mod troubled PHAs in accordance with paragraph (c)(1) of this section in the following manner:

(i) The average of the amount that the mod troubled PHA received for modernization activities under this part, and for Major Reconstruction of Obsolete Projects (MROP), for each of the preceding three FFYs, which average shall be adjusted to take into account changes in the cost of rehabilitating property based upon the Means Construction Cost Index; plus

(ii) Twenty five percent of the difference between the amount determined under paragraph (c)(1)(i) of this section, and the amount that would have been allocated to the PHA for the FFY if it were not designated as a mod troubled PHA.

(3) *Right of appeal.* The notice under paragraph (c)(1) of this section shall also specify that a PHA may petition HUD within 30 calendar days of its receipt of HUD's notice to increase the amount of its fund allocation. HUD shall determine whether to increase the amount of assistance to be provided a PHA under this paragraph based upon the PHA's demonstrated progress in meeting goals and targets set forth in the PHA's Memorandum of Agreement (MOA) under PHMAP, and toward achieving satisfactory performance under the mod troubled indicator/standard under PHMAP. In its appeal request, a PHA must specify how it is

achieving or making progress toward achieving the goals and objectives set forth in the MOA. The request must be submitted to HUD within 30 calendar days of the date of HUD's notice under this paragraph. HUD shall render a decision in writing on the PHA's request within 60 calendar days of the date of its receipt of the PHA's appeal and any supporting documentation.

(4) *Maximum allowable allocation to mod troubled PHAs.* The maximum amount that HUD may provide to a PHA under this paragraph is the amount that would have been allocated to the PHA for the FFY if it had not been designated as a mod troubled PHA under PHMAP. Where the full formula allocation is less than the average of funding received by the PHA for modernization and MROP for each of the preceding three FFYs, the PHA will receive its full formula amount, and not its average funding level for the preceding three FFYs, plus 25 percent of the difference between that figure and its full formula amount.

(5) *Reallocation of funds withheld from mod troubled PHAs.* Any amounts which are not provided to a PHA under paragraph (c)(1) of this section because the PHA is designated as a mod troubled agency under PHMAP, shall be reallocated by HUD to other PHAs under this subpart which are not designated as either troubled or mod troubled agencies under PHMAP, and to IHAs under 24 CFR part 950 (subpart I) which are not determined to be high risk under § 950.135 of this chapter, the ACA, and the Field Office Monitoring of IHAs Handbook. Such funds shall be reallocated in the next FFY based upon the relative needs of these PHAs and IHAs, as determined under the formula.

(6) *Credits for PHAs designated as mod troubled—(i) Accrual of credits.* A PHA that has received a reduced formula allocation under paragraph (c)(1) of this section because it was designated as a mod troubled agency under PHMAP may accrue credits under this paragraph, for up to three consecutive FFYs, representing the difference between:

(A) The amount the PHA would have been allocated for the FFY under § 968.103(e) and (f) if it were not des-

ignated as a mod troubled PHA under PHMAP; and

(B) The reduced funding amount actually provided to the PHA under paragraph (c)(2) of this section because it was designated as a mod troubled PHA under PHMAP.

(ii) *Failure to remove mod troubled designation.* After a three-year period during which the mod troubled PHA has accrued credits under paragraph (c)(6)(i) of this section, the credits accrued by the PHA shall be:

(A) Decreased by 10 percent of the total accumulated credits if the PHA's designation as a mod troubled agency under PHMAP is not removed before the end of the first FFY following the three-year accrual period;

(B) Decreased by an additional 20 percent of the original total accumulated credits if the PHA's designation as a mod troubled agency under PHMAP is not removed before the end of the second FFY following the three-year accrual period;

(C) Decreased by an additional 30 percent of the original total accumulated credits if the PHA's designation as a mod troubled agency under PHMAP is not removed before the end of the third FFY following the three-year accrual period; and

(D) Eliminated if the PHA's designation as a mod troubled agency under PHMAP is not removed before the end of the fourth FFY following the three-year accrual period.

(iii) *Obtaining credits.* HUD shall reserve under § 968.103(c) up to five percent of the total formula funds available for allocation in any FFY for the purpose of providing PHAs that were formerly designated as mod troubled PHAs under PHMAP with additional assistance after HUD determines that a PHA is no longer a mod troubled agency. HUD shall make the determination that a PHA is no longer a mod troubled agency based upon its achieving satisfactory performance under the mod indicator/standard that was initially used to designate the agency as mod troubled under PHMAP. The additional assistance shall be provided to the formerly mod troubled PHA in the FFY following the year in which the PHA is removed from the mod troubled list. Such assistance shall be provided to

§ 968.315

24 CFR Ch. IX (4-1-05 Edition)

the PHA in addition to a PHA's regular formula allocation under § 968.103(e) and (f), and shall consist of:

(A) The total amount of credits accumulated by the PHA under paragraph (c)(6)(i) of this section; minus

(B) Any reductions under paragraph (c)(6)(ii) of this section to the total accumulated credits, based upon the length of time that the PHA has taken to remove its mod troubled designation; and

(C)(1) Adjusted by HUD to take into account the PHA's ability to expeditiously expend the accrued credit amounts. HUD shall consult with the PHA to determine the rate at which the PHA shall be provided access to its credits under this section. As a general guideline, HUD intends to provide a PHA with 10% of its accrued credits in the first year; an additional 20% of its accrued credits in the second year; an additional 30% of its accrued credits in the third year; and the remaining 40% of its accrued credits in the fourth year;

(2) In any FFY where formerly mod troubled PHAs are entitled to credits exceeding the five percent reserve, HUD shall apply a pro rata reduction for each formerly mod troubled PHA for such FFY. A PHA shall remain entitled to receive its outstanding balance of credits, including any credits not actually received because of such pro rata reduction, in future FFYs, depending upon the availability of funds in the set-aside under § 968.103(c).

(Approved by the Office of Management and Budget under control number 2577-0157)

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§ 968.315 Comprehensive Plan (including five-year action plan).

(a) *Submission.* As soon as possible after modernization funds first become available for allocation under this subpart, HUD shall notify PHAs in writing of their formula amount. For planning purposes, PHAs may use the amount they received under CGP in the prior year in developing their comprehensive plan, or they may wait for the annual HUD notification of formula amount under § 968.310(b)(1).

(b)(1) *Resident participation.* A PHA is required to develop, implement, monitor and annually amend portions of its comprehensive plan in consultation with residents of the developments covered by the comprehensive plan. In addition, the PHA shall consult with resident management corporations (RMCs) to the extent that an RMC manages a development covered by the comprehensive plan. The PHA, in partnership with the residents, must develop and implement a process for resident participation that ensures that residents are involved in a meaningful way in all phases of the CGP. Such involvement shall involve implementing the Partnership Process as a critical element of the CGP.

(2) *Establishment of Partnership Process.* The PHA, in partnership with the residents of the developments covered by the plan (and which may include resident leaders, resident councils, resident advisory councils/boards, and RMCs) must establish a Partnership Process to develop and implement the goals, needs, strategies and priorities identified in the comprehensive plan. After residents have organized to participate in the CGP, they may decide to establish a volunteer advisory group of experts in various professions to assist them in the CGP Partnership Process. The Partnership Process shall be designed to achieve the following:

(i) To ensure that residents are fully briefed and involved in developing the content of, and monitoring the implementation of, the comprehensive plan including, but not limited to, the physical and management needs assessments, viability analysis, Five-Year Action Plan, and Annual Statement. If necessary, the PHA shall develop and implement capacity building strategies to ensure meaningful resident participation in CGP. Such technical assistance efforts for residents are eligible management improvement costs under CGP;

(ii) To enable residents to participate, on a PHA-wide or area-wide basis, in ongoing discussions of the comprehensive plan and strategies for its implementation, and in all meetings necessary to ensure meaningful participation.