

RD AN No. 3961 (1944-N)
April 2, 2004

TO: State Directors
Rural Development

FROM: Arthur A. Garcia *(Signed by Arthur A. Garcia)*
Administrator
Rural Housing Service

SUBJECT: Processing Section 533 Housing Preservation Grant (HPG)
Program Requests for Fiscal Year (FY) 2004

Purpose/Intended Outcome:

This Administrative Notice (AN) and the attached information provide guidance on processing section 533 grant requests in accordance with RD Instruction 1944-N and the Notice that was published in the Federal Register on February 6, 2004.

Comparison With Previous AN:

This AN replaces RD AN No. 3839 (1944-N) which expired September 30, 2003.

Implementation Responsibilities:

Section 533 HPG requests must be processed in accordance with RD Instruction 1944-N and the Notice entitled "Notice of Timeframe for Section 533 Housing Preservation Grant for Fiscal Year 2004," published in the Federal Register on February 6, 2004, (69 FR 5824).

Because of the unique nature and limited amount of funds, monies will be retained in the National Office and allocated on a project-by-project basis. Upon closing of the 90-Day application period, applications should be processed to the point of approval and the priority scoring information and a narrative addressing each of the criteria listed should be submitted to the National Office, Multi-Family Housing Processing Division, Attention: Tammy Daniels, Stop 0781 by June 21, 2004. **However**, States who will submit an application for one project

EXPIRATION DATE:
September 30, 2004

FILING INSTRUCTIONS:
Preceding RD Instruction 1944-N

for funds from the Empowerment Zones (EZ), Enterprise Community (EC), or Rural Economic Area Partnership (REAP) set-aside must submit these applications no later than **May 24, 2004**, to allow for sufficient processing. Because of the limited dollars, only your highest priority project for each community should be submitted for funding. **All requests must be submitted using Exhibit G to RD Instruction 1944-N.**

Applications for HPG assistance will be selected on a competitive basis using the following criteria:

1. The proposed project supports the community's strategic plan.
2. The proposed project can be a model for other communities.
3. Financing package is cost efficient.
4. Leveraging as a funding source.

The National Office reserve funds will be used for natural disaster areas and targeted area programs. The National Office reserve funds will also be used to ensure that each state that has been allocated less than \$100,000 and chooses to return their funds to the National Office pool is able to receive one grant for no more than \$50,000.

The states that received an allocation of under \$100,000 have the option of, (a) using their allocation to make two grants so that no one grantee receives more than 50 percent of the state allocation, or, (b) returning their allocation to the National Office pool. Once the State returns their allocation to the National Office, they may request one grant of no more than \$50,000 from the National Office pool.

The Rural Housing Assistance Grants (RHAG) Program provides flexibility in budget authority between programs. For FY 2004, State Directors will have the flexibility to transfer budget authority between the Section 533 Housing Preservation Grant program and the Section 504 Rural Housing Grant program. Because of the way the accounting system is currently configured, the National Office will have to make these transfers.

The RHAG transfers cannot be referred until after the last day for receipt of HPG preapplications in order to allow time to determine if funds are available for transfer. For FY 2004, State Directors will have the flexibility to transfer up to 25 percent of their initial allocations between the Section 504 Rural Housing Grant program and the Section 533 Housing Preservation Grant program with concurrence by the Rural Housing Service Administrator. The transfer of funds should be requested only when there is no demand for the funds in the HPG program. Requests for transfer of funds should be submitted to the National Office between May 7 and August 2, 2004, to ensure adequate processing time.

Attachment A to this AN contains additional information for processing FY 2004, preapplications. Attachment B, "Critical Dates - FY 2004," contains a list of critical dates necessary for the timely administration of the program. **Please indicate on the Exhibit G the anticipated leveraging for each proposal. Additionally, for tracking purposes, please indicate on the Exhibit G, if the applicant is a faith-based organization.**

Please review this material carefully. If you have any questions, please contact Tammy Daniels, Multi-Family Housing Processing Division (MFHPD), (202) 720-0021.

Attachments

ADDITIONAL INFORMATION

Preapplication Notice

The State Office should notify all field offices and publish a notice in the local media. The notice should include the field offices where a preapplication package may be obtained and submitted, questions answered, and the open dates that preapplications may be received. States that will be using their state allocation should be aware that the 50 percent rule is mandated by statute. You should note that only a certain dollar amount was allocated to your state. States that intend to return their allocation to the National Office and request funds from the National Office pool must indicate this information in their notice, so that applicants are aware of the amount of grant they may request. The notice should also state that the preapplication must be either to assist individual homeowners or rental properties or cooperative housing projects. Any combination preapplication will not be accepted. However, an applicant may submit more than one type of preapplication. There will be no funds from the National Office for patchouts or additional projects. Exhibit G to RD Instruction 1944-N is still required to be submitted to the National Office.

Additional Grants

Information about the status of prior grants should be made available to State Office approving officials when applications for additional grants are made. An additional grant may be made to a grantee when it has achieved or nearly achieved the goals established for the previous or existing grant. Grantees who have submitted incomplete or untimely reports, failed to properly monitor their own program, or lack the ability to run their own programs would not qualify for additional grants. Documentation is essential in order to deny continuation under this provision.

Administrative Costs Budgeted or Charged as Program Costs

The HPG program is somewhat unique in that administrative costs must not exceed 20 percent of the HPG funds awarded to the grantee. The indirect cost ratio applies to the total cost of the project. Therefore, HPG administrative costs cannot be more than 20 percent of the total HPG funds.

National Office Reserve

Reserve funds will be used first to ensure that each state with an allocation under \$100,000 that chooses to return their funds to the National Office is able to receive one grant from the National Office pool for not more than \$50,000. The remaining funds in the National Office reserve will be used for natural disasters and targeted areas. Priority use will be for natural disasters. However, states may nominate one targeted area for use of reserve funds, which may not exceed \$50,000. Such proposals may be part of a housing strategy in a targeted area program. The State Director must select the proposal that will best serve the community that is in the greatest need of the HPG program. The applicant must provide sufficient documentation in the proposal that indicates that there is a great need.

Please list any proposal that is nominated for National Office Reserve Funds along with the preapplications in Exhibit G. State Directors may request reserve funds by including sufficient documentation to support the reasons why it is in the Government's best interest to consider the request.

Applications for reserve funds for housing preservation in areas that have experienced a natural disaster may be accepted at any time during the fiscal year. However, funding from FY 2004 funds for such applications must occur prior to August 13, 2004, which is the HPG pooling date.

Preapplications for reserve funds other than natural disaster assistance must be received during the announced HPG application period that ends May 6, 2004. Applications for natural disaster are subject to the same requirements under our review and evaluation procedures as other preapplications; however, they do not need to be ranked. Applications nominated for the reserve funds must be submitted along with other information requested on Exhibit G by June 21, 2004, along with a short justification for the nomination. Since the amount of funding remaining in the reserve for these nominated proposals will not be known until after the August 13, 2004, pooling, we will hold the lottery shortly after June 21, 2004, and advise the State Offices of the likelihood of their proposal being funded. State Offices will be advised of authorization of selected reserve projects shortly after the August 13, 2004, pooling.

CRITICAL DATES - FISCAL YEAR 2004

April 21, 2004	Last day for publication of the 15-day public comment process.
May 6, 2004	Closing date for receipt of preapplications
May 21, 2004	Deadline for Area Office/State Office review of preapplications. Issuance of AD-622's, "Notice of Preapplication Review Action," to rejected or incomplete preapplications.
May 24, 2004	Last day for receipt by National Office of EZ/EC/REAP preapplications with the priority scoring information.
June 4, 2004	Notification to State Office for issuance of AD-622 to EZ/EC/REAP applicants selected for funding.
June 21, 2004	Last day for receipt by National Office of Exhibit G listing all preapplications received, reviewed, ranked, amount applied for, number of proposed units, and amount recommended by the State Office. Must include nominations for reserve funds.
June 30, 2004	Last day for obligations of EZ/EC/ REAP setaside funds.
July 12, 2004	National Office selection of preapplications to be funded. Notification to State Office for issuance of AD-622's.
July 19, 2004	Issuance of AD-622's to selected and non-selected applicants.
August 2, 2004	Last day for requests for transfer of funds from Section 533 and Section 504.
August 13, 2004	Pooling date of all unobligated funds and authorization of funds for proposals.
September 8, 2004	Last day for obligation of HPG funds and notifications per RD Instruction 2015-C. (Copy sent to MFHPD).