and safety, correction of development deficiencies, physical accessibility, energy audits and cost-effective energy conservation measures, or LBP testing, interim containment, professional risk assessment and abatement. In addition, eligible costs include management improvements under the modernization type of Other Modernization. Turnkey III units which have been paid off, but not conveyed, are eligible for funding, but if funded, the modernization work must be completed before conveyance. The cost of the physical and management improvements shall not increase the purchase price and amortization period for the homebuyer families.

- (2) Ineligible Costs. Nonroutine maintenance or replacements, dwelling additions, and items that are the responsibility of the homebuyer families are ineligible costs.
- (3) Exception for vacant or nonhomebuyer-occupied Turnkey III units.
- (i) Notwithstanding the requirements of subparagraph (1) of this paragraph, an HA may carry out Other Modernization in a Turnkey III development, whenever a Turnkey III unit becomes vacant or is occupied by a non-homebuyer family. An HA that intends to use funds under this paragraph must identify in its CIAP Application, the estimated number of units proposed for Other Modernization and subsequent sale. In addition, an HA must certify that: the proposed modernization under this paragraph would result in bringing the identified units into full compliance with the homeownership objectives under the Turnkey III Program; and the HA has homebuyers who both are eligible for homeownership, in accordance with the regulatory requirements, and have demonstrated their intent to be placed into each of the Turnkey III units proposed for Other Modernization.
- (ii) Before an HA may be approved for Other Modernization of a unit under this paragraph, it must first deplete any Earned Home Payments Account (EHPA) or Non-Routine Maintenance Reserve (NRMR) pertaining to the unit, and request the maximum operating subsidy. Any increase in the value of a unit caused by its Other Modernization under this paragraph shall be reflected solely by its subsequent appraised value, and not by an automatic increase in its purchase price.
- (b) Mutual Help Developments.
 Mutual Help developments are eligible for the same physical and management improvement costs as are rental developments. Mutual Help units which have been paid off, but not conveyed, are eligible for funding, but if funded,

the modernization work must be completed before conveyance.

- (c) Professional Risk Assessment for LBP. A set-aside may be made available for LBP professional risk assessments under a separate NOFA and Processing Notice. HAs with pre-1980 family developments are strongly encouraged to apply for these funds to conduct LBP professional risk assessments.
- (d) In-Place Management (Interim Containment of LBP). Where the results of the LBP professional risk assessment recommend that the HA undertake inplace management measures, the HA is strongly encouraged to apply for CIAP funds to carry out such measures. However, if the HA is not successful in obtaining CIAP funds for in-place management measures, the HA may request a budget revision of previously approved, but unobligated CIAP funds to accomplish such measures. Where the HA had a CIAP budget revision approved for this purpose in FY 1994, the HA may request FY 1995 CIAP funds to complete the items which were eliminated as a result of the budget revision.
- (e) Long-Term Viability and Reasonable Cost.
- (1) Long-Term Viability. On Form HUD-52822, CIAP Application, the HA certifies whether the developments proposed for modernization have longterm viability, including prospects for full occupancy. If, during Joint Review, the HA or Field Office believes that a particular development may not have long-term viability, the Field Office shall make a final viability determination. If the Field Office determines that a development does not have long-term viability, the Field Office shall only approve Emergency Modernization or nonemergency funding necessary to maintain habitability until the demolition or disposition application is approved and residents can be relocated. In making the final viability determination, the Field Office shall consider whether:
- (i) Any special or unusual conditions have been adequately explained, all work has been justified as necessary to meet the modernization and energy conservation standards, including development specific work necessary to blend the development in with the design and architecture of the neighborhood; and
- (ii) Reasonable cost estimates have been provided, and every effort has been made to reduce costs; and
- (iii) Rehabilitation of the existing development is more cost-effective in the long-term than construction or acquisition of replacement housing; or

(iv) There are no practical alternatives for replacement housing.

- (2) Reasonable Cost. During the Joint Review, the Field Office shall determine reasonable cost for the proposed work, using one of the following methods: (i) unfunded hard cost of 90 percent or less of computed Total Development Cost (TDC), which is easier to apply when comprehensive-type modernization is proposed; or (ii) the reasonableness of the estimated cost of individual work items, using national indices, such as R.S. Means Index, the Dodge Report or Marshall and Swift, adjusted to reflect local conditions and actual experience, which is easier to apply when piecemeal-type modernization is proposed. No computation of the TDC is required where the estimated per unit unfunded hard cost is equal to or less than the per unit TDC for the smallest bedroom size at the development.
- (f) Use of Dwelling Units for Economic Self-Sufficiency Services and/or Drug Elimination Activities. On August 24, 1990, the Department issued HUD Notice PIH 90–39 (PHA), concerning the eligibility for funding under the Performance Funding System of dwelling units used to promote economic self-sufficiency services for residents and anti-drug programs. CIAP funds may be used to convert units for these purposes. Also refer to the Family Self-Sufficiency Program Guidelines (56 FR 49592, September 30, 1991).
- (g) Duplication of Funding. The HA shall not receive duplicate funding for the same work item or activity under any circumstance and shall establish controls to assure that an activity, program, or project that is funded under any other HUD program, shall not be funded by CIAP.

VI. Application Deadline Date and Summary of FY 1995 CIAP Processing Steps

The deadline date for submission of the FY 1995 CIAP Application will be established in the NOFA to be published at a future date. Dates for other processing steps will be established by each Field Office to reflect local workload issues.

Summary of Processing Steps

- 1. HA submits CIAP Application.
- 2. Field Office conducts completeness review and requests corrections to deficient applications.
- 3. HA submits corrections to deficient applications within 14 calendar days of notification from Field Office.
- 4. Field Office conducts eligibility review and technical review (rating and ranking) and makes Joint Review selections.