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TURNKEY HOUSING
PROGRAM STEPS AND PROCESSING PROCEDURES

The Turnkey program was started by HUD on an experimental basis in January of 1966. Its basic purpose is to permit better utilization of the means and knowledge of private enterprise in producing public housing.

Under the Turnkey method, a developer or builder who owns a site or an option, or can obtain one, may submit, in response to an invitation from a Local Housing Authority (LHA), a proposal to build housing ... for low income families. If the developer's proposal is acceptable to the LHA and HUD, the LHA will enter into a Contract of Sale under which the LHA agrees to purchase the completed development. This contract will be backed up by the financial assistance commitment of the United States of America, acting through HUD, to the LHA, and it will enable the developer to secure commercial construction financing in his usual way.

At the National level, responsibility for this program is under the Assistant Secretary for Renewal and Housing Assistance of HUD. Program responsibility is further delegated to the Deputy Assistant Secretary for Housing Assistance, the Head of the Housing Assistance Administration. The Turnkey Program is administered by the Director of the Production Division. There are three program managers within this Division who serve as liaison officers between the HUD Regions and Headquarters for this and other public housing programs administered by HUD.

At the Local level, there are generally only two participants: The Local Housing Authority and the private developer. The LHA's vary in powers and structure as they are established under the authority of State enabling legislation.

The Turnkey method encompasses only the construction phase of a low rent housing project. It has no direct bearing on the initial application made by a community for low rent housing or the management and operation of a low rent housing project.

The processing steps outlined below for a turnkey project follow the approval by HUD of a LHA's application for a low rent housing program:

1. The LHA makes the initial decision to construct proposed low rent housing by the Turnkey method.
2. If not already versed in the application of the Turnkey method, the LHA consults with regional officials, obtains sufficient information on requirements and procedures, and decides to proceed by that method.
3. The LHA may request a preliminary loan from HUD to cover turnkey expenses; if approved by HUD, a loan contract is negotiated between HUD and the LHA.
4. The LHA invites proposals from private developers for participation in a Turnkey project. This must be done by public advertisement stating type of project desired, number of units, and other details of the proposed project. The notice also must specify the federal requirements that must be complied with.
5. The private developer(s) submits 3 copies of a proposal in response to the LHA's solicitation.
6. The LHA sends two copies of all the proposals received to the Regional Housing Assistance Office (HAO).
7. The LHA and HAO evaluate the proposals and come to a mutual agreement of the developer to be chosen. This involves, among other things, site evaluations made by the HAO Realty Officer.
8. The LHA notifies the developer of his tentative selection by letter.
9. The LHA contracts for two independent appraisals of the site.
10. A Feasibility Conference is held in the HAO with the following participants: the LHA representatives, the developer, his architect and other associates, and HAO staff.
This conference has three primary purposes:
 - (1) to negotiate the purchase price of the land;

- (2) to discuss project design and HUD requirements;
- (3) to set dates for:
 - (a) submission and review in the HAO of the preliminary drawings and other dates required for the Letter of Intent;
 - (b) a Negotiation Conference;
 - (c) execution of the Letter of Intent;
 - (d) submission and review by LHA and HAO of working drawings and specifications; and
 - (e) execution of Contract of Sale.

11. After the Feasibility Conference has been held and an understanding reached, the developer proceeds with the preparation of the material required for the Negotiation Conference.

12. The developer submits his preliminary plans which are reviewed by the LHA and HAO. The plans are discussed with the developer and his architect and any necessary changes are made.

13. The preliminary plans are submitted to two individual cost estimators employed for this purpose by the LHA.

14. The approved cost estimates are evaluated and considered by the LHA and the HAO.

15. The Negotiation Conference is held in the HAO with the developer and his associates, and LHA and HAO staffs participating. The purpose of the conference is to negotiate a price for the improvements (the price of the land is already settled, step 10).

16. Following agreement at the Negotiation Conference, the LHA prepares a Development Program on Form HUD-5080 and submits an original and four copies to the HAO. The Development Program is a statement of the developer's proposal and price as agreed upon and approved at the Negotiation Conference.

17. The HAO approves the LHA Development Program and sends an annual Contribution Contract List to the Central Office for its approval.

18. The Central Office approves the HAO submission authorizing HUD execution of an Annual Contributions Contract with the LHA and approval of the Letter of Intent between the LHA and the Developer.

19. Following the HAO approval and LHA issuance of the Letter of Intent, the developer prepares and submits working drawings and specifications to the LHA.

20. The LHA reviews and approves the working drawings and submits them to the HAO.

21. The HAO reviews the working drawings, discusses them with them, the LHA, and developer, and, if necessary, schedules a meeting at which the LHA, the developer and his associates will be present.

22. After approval of the working drawings and specifications, the LHA shall obtain two updated cost estimates, review and evaluate them in the same manner as the first estimates, and submit two copies with the results of its evaluation to the HAO for review and approval.

23. On the basis of their review and evaluation of the approved, updated cost estimates, the LHA and HAO agree on a price to be offered to the developer for inclusion in the Contract of Sale, and negotiate that price with the developer.

24. Upon agreement as to the price to be included in the Contract of Sale, the LHA and HAO shall confer and prepare the Contract of Sale, which is then executed by the developer, the LHA, and HUD.

25. The LHA selects an architect who is to perform inspection services for the LHA in connection with the project and executes a contract with him.

26. The LHA notifies the general public by newspaper advertisement of the award of the Contract of Sale to the named developer, including the price he is to receive and a description of the project.

27. The Construction of the Turnkey project begins with sale to the LHA upon completion.

If required, plans for the relocation of ^{those residents} occupying the site are prepared, and relocation assistance payments are made.

During construction of the project, the HAO observes and reviews the activities of the LHA and its architect to ensure compliance in administration and in inspection under the pertinent contracts. The HAO also reviews construction operations and visits the site periodically to insure compliant performance.

LHA's are encouraged by HUD to use Urban Renewal project land for a Turnkey site. In this case, the Local Public Agency may sell such land to a private developer.

Where it is economically feasible, the projects should be so designed that individual units or groups of units could be sold to individuals, or to groups under some form of condominium or cooperative ownership.