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CHAPTER 10. TROUBLED PHAS

- 10-1. PURPOSE. The purpose of the Troubled PHA effort is to focus attention on those PHAs identified by the Regions as having major problems in key performance areas. A PHA's performance relative to the performance standards addressed in this chapter forms the basis upon which HUD will make decisions to designate the PHA as Troubled. Significant, expeditious, long-lasting improvements in such PHAs are sought -- improvements sufficient to ultimately allow the PHA to reach the standards needed to indicate that the PHA is well managed. This chapter draws upon the Department's past experience with the Troubled PHA effort initiated in 1979.
- 10-2. APPLICABILITY. The procedures outlined in this chapter are applicable to large (1250+ PHA-owned units) PHAs. This does not, however, obviate Headquarters' concern for PHAs of lesser size. For small and medium-sized PHAs the decision to designate a PHA as Troubled shall be optional for the Regional Office. However, if so designated, at a minimum, performance targets must be established as described in paragraph 10-7(b) of this chapter. Headquarters will not be involved with the oversight of development of approaches to the small and medium-sized PHAs.
- 10-3. MEMORANDUM OF AGREEMENT (MOA) REQUIREMENT/ACC AMENDMENT. An MOA shall be required for each large PHA designated as Troubled. An additional review during the Comprehensive Improvement Assistance Program (CIAP) joint review is required for Troubled PHAs, regardless of size, to determine whether all major management deficiencies are being satisfactorily addressed (see Public Housing CIAP Handbook 7485.1 REV-4 Chapter 3). The ACC amendment for a large Troubled PHA approved to receive comprehensive modernization funding may be amended by the Field Office to include the supplemental wording reflected in Appendix 21. The supplemental wording should be seriously considered in those instances where a PHA evidences a lack of cooperation in complying with the MOA requirements and/or consistently fails to achieve MOA performance targets. The supplemental wording conditions the receipt of funding on the PHA's entering into, carrying out, modifying as necessary and extending the MOA as required by HUD. Subsequent ACC amendments for comprehensive modernization are to include the supplemental wording until such time as the PHA's performance is complying with the MOA requirements and achievement of performance

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targets substantially improves. The Region's approval of comprehensive modernization funding in subsequent Federal Fiscal Years shall be based on the PHA's performance under the MOA. The MOA, Form HUD-53332, (see Appendix 18)

constitutes a binding contractual agreement between the U.S. Department of Housing and Urban Development and the PHA (see paragraph 10-7). Its scope may vary depending upon the extent of problems present in the PHA. However, at a minimum, it shall include:

- a. A description of the involvement of the locality/private sector.
- b. Baseline data in each of the performance areas identified as problematic.
- c. Annual Performance Targets, which to the extent possible, shall be quantified. If not possible, a description of the proposed action may serve as the performance target, i.e., submission of demolition application by a specified date.
- d. Major strategies to be used by the PHA in achieving the targets.

#### 10-4. DESIGNATION OF A PHA AS TROUBLED.

- a. Responsibility. The Regional Administrator has the responsibility for the designation of Troubled PHAs. The Regional Office shall perform a risk assessment analysis of large, non-Troubled PHAs and large Troubled PHAs, utilizing the PHA Performance Profile (Form HUD-52413) submitted by the Field Office, to determine the necessity for additional monitoring/review, on-site visits and/or the imposition of appropriate sanctions (see Chapter 12).
- b. Annual Evaluation Under Performance Standards. As part of the Annual Performance Review described in Chapter 2 of this Handbook, the Assisted Housing Management Branch (AHMB) shall determine if any PHAs are potential candidates for the designation of Troubled. The performance standards in Chapter 2 of this Handbook shall constitute the criteria by which PHAs shall be evaluated. The designation of Troubled will depend upon: (1) whether the PHA has failed any of the performance standards; (2) if it has failed any, the degree of failure; (3) the trend for the past five years; and (4) the number of failed

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performance standards, etc. (see also paragraph 10-4c). Until such time as reporting systems to track data for all performance standards have been developed, other information shall be used. This shall include such data sources as HUD management and maintenance reviews, etc., as well as PHA internal audit reports or other available information in order to get as clear a picture as possible of the PHA's performance for these standards.

- c. Other Factors. There may be instances where the results of the analysis of the performance standards are such that the PHA is a "borderline" candidate for the Troubled designation. When this occurs, in addition to an analysis of the performance standards, the Field Office should consider the PHA's performance relative to the other factors and such other data that characterize significant aspects of the PHA's operations. Examples of such other factors/data include, but are not limited to: Comprehensive Improvement Assistance Program (CIAP) funds which have not been obligated within 36 months of fund reservation, drug and other crime-related problems, inadequate city services adversely impacting the operation of the PHA's projects, etc. If, after this analysis, the PHA is considered a candidate for the Troubled designation, the AHMB shall next be required to conduct an on-site review.
- d. On-Site Review. For PHAs that are candidates for the Troubled PHA designation, an on-site review must be completed by the AHMB within a period of not more than 120 days from the date of the conclusion of the Annual Performance Review. The Field Office Manager may waive the requirement for the on-site review if there is significant information available pursuant to reviews conducted within the preceding 12 months to adequately assess the failed standards. The type of on-site review to be performed will depend upon the type of failed standards. For example, if the failed standards are of a management and maintenance nature, then a management and maintenance operations review/project engineering survey shall be conducted. All such reviews shall be conducted in a manner consistent with Chapters 2 through 6 of this Handbook.

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If an occupancy audit is deemed appropriate, the requirements of the Public Housing Occupancy Audit Handbook 7465.2 REV-1 shall be followed.

- e. Designation Guidelines. There are no automatic thresholds. The percent of failed standards, severity of failure, degree of likelihood for improved performance, etc., as described in paragraph 10-4b, shall be used as determinants in arriving at a decision regarding whether a PHA should be designated as Troubled. Generally, a PHA which has failed 75% or more of the performance standards shall be designated as Troubled. Variations from this general approach might include:
- (1) A PHA with 75% or more failed standards has been making steady progress at improvement on all or a majority of the standards, thus, a Troubled

designation may not be warranted.

- (2) A PHA with 75% or less failed standards may exhibit a severe degree of failure spanning an extended period of time. A Troubled designation may be warranted.
- f. Field Office Consultation With Regional Office. The Field Office shall consult with and keep the Regional Office thoroughly informed of its proposed coverage/scheduling of on-site reviews of Troubled PHA candidates and the results of the reviews. The Regional Director, Office of Public Housing, shall maintain close liaison with the Field Office on Troubled PHA candidates and shall provide appropriate technical assistance and guidance.
- g. Field Office Recommendation. Immediately following the in-office/on-site review, the Field Office Manager shall forward a memorandum to the Regional Administrator, Attention: Director, Office of Public Housing, specifying the name and size of the Troubled PHA candidate, the results of the Annual Performance Review and on-site review and a recommendation as to whether the Regional Administrator should designate it as Troubled. All PHAs for which an on-site review is performed for purposes of a possible Troubled PHA designation, as well as those for which the on-site review was waived, shall be referred to the Regional Office for a determination. Concurrently, the Field Office should begin preparation of the Final Report

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as prescribed in Chapter 8 of this Handbook with the appropriate modification referenced in paragraph 10-5b. It is anticipated that the report will be ready for issuance when the Regional Administrator makes the final decision relative to the Troubled designation.

- h. Regional Office Determination. Due to the close liaison of the Regional Office with the Field Office described in this chapter, the determination to designate a PHA as Troubled should be made by the Regional Administrator within 30 days of the Regional Office's receipt of the Field Office Manager's memorandum of recommendation. When the Regional Office determines whether a PHA shall be designated as Troubled, the Field Office shall be immediately notified and the Field Office shall issue the Final Report.

#### 10-5. NOTIFICATION.

- a. Notification of Headquarters. Immediately following the Regional Office's designation of a large PHA as

Troubled, a memorandum shall be forwarded from the Regional Administrator to the Assistant Secretary for Public and Indian Housing, Attention: Director, Project Management Division, providing the following information on the PHA:

- (1) Name of the PHA.
- (2) Number of PHA-owned public housing dwelling units.
- (3) Name and telephone number of the Executive Director, Board Chairman and Chief Executive of local government.
- (4) Basis for Troubled designation, i.e., failed performance standards and any other indicator, including all other pertinent information sufficient to support the basis for the designation.
- (5) A copy of the most recently completed PHA Performance Profile.
- (6) Initiatives to be taken by the Regional Office Field Office in assisting the PHA to seek City/

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private sector involvement and any suggestions/recommendations as to how this might be best accomplished.

NOTE: A copy of the Field Office's PHA on-site review report should be forwarded to Headquarters as soon as it is ready for issuance.

- (7) Proposed date to begin on-site negotiation of the MOA, with a listing of participants and their areas of expertise, as well as any request for special technical expertise from Headquarters.

b. Regional Office/Field Office Notification of the PHA and Local Government.

- (1) Immediately upon notification from the Regional Office, the Field Office shall issue the Final Report resulting from the on-site review, as prescribed in Chapter 8 of this Handbook. The following modification shall be made where a PHA has been designated as Troubled:
  - (a) Part I, Introduction, shall delete the request for an Action Plan.
  - (b) Part II, Findings and Recommendations, shall

delete the performance goals and provide preliminary recommendations.

- (2) A cover letter shall be co-signed by the Field Office Manager and the Regional Administrator, and shall specify the following:
  - (a) The basis for the Troubled PHA designation.
  - (b) The purpose of and the requirements for an MOA. This portion of the letter should briefly outline the basis upon which an MOA is required for the PHA (see paragraph 10-3) and the purpose the MOA is to serve, i.e., improvement in the failed performance standards sufficient to remove the PHA from the Troubled category and ultimately to allow the PHA to reach the standards needed to determine that it is well managed (see paragraph 10-1). The cover letter should also indicate that failed performance by

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the PHA under its MOA may result in the Department's imposition of financial/other sanctions (see Chapter 12 which lists available sanctions, Appendix 21 concerning termination of comprehensive modernization, and paragraph 10-3 regarding approval of new comprehensive modernization).

- (c) Proposed date to initiate the on-site development of the MOA and an explanation of the role the PHA/HUD/local government team participants are requested to play. See paragraph 10-6.
  - (d) Special note: The letter to the Chief Executive of local government should point out the importance of the local government's active participation in assisting efforts to improve the PHA and the need for financial support, technical expertise, and linkages to the private sector, as is appropriate to the PHA's Troubled condition and needs.
- (3) If the on-site review was waived pursuant to paragraph 10-4d, the Field Office shall issue a letter as delineated in paragraph 10-5b(2)(a) through (d).

10-6. MOA DEVELOPMENT. The development of the MOA requires extremely close communication and coordination between all parties involved. This is particularly true regarding local government and private sector involvement. The PHA shall have primary responsibility for obtaining active

local government and private sector participation in assisting PHA improvement efforts. The Regional Administrator and Field Office Manager shall be vested with the responsibility for taking all possible actions to help the PHA in attaining such participation. This participation should include active involvement in the establishment of performance targets and identification of strategies to attain the targets. Appendix 22 provides a checklist of strategies for cutting costs and increasing income which should be considered in those instances involving failed performance standards which are financially related. See paragraph 10-9 regarding public and private sector involvement. The development process is as follows:

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- a. Purpose. The primary purpose of the on-site work is to arrive at preliminary agreements among the participants as to the MOA baseline data, performance targets, major strategies to achieve the targets and related time frames based upon the resources and capabilities of the participants. Resources and capabilities relate to: the PHA's management capability and financial resources; the local government's willingness to provide technical/financial assistance in making on-going improvements; and the degree and type of private sector assistance which can be obtained. To the extent it is determined that improvement in specific areas is dependent upon other than local resources, i.e., HUD, consideration shall be given to HUD resources which may be available. Private sector and local government involvement should be encouraged in MOA negotiations. Such technical advice, hands-on assistance and monetary support should be pursued by the PHA and supported by the Field and Regional Offices.
- (1) Participants. The participants shall include PHA staff, representatives from HUD's Field Office and Regional Office. Headquarters may be involved on a case-by-case basis as circumstances may warrant. Local government and private sector representatives shall be included as determined appropriate and based on their willingness to participate. Participants shall be selected on the basis of their knowledge of the PHA, ability to contribute technical expertise with regard to the PHA's specific problem areas and authority to make preliminary/tentative commitments of support (financial and otherwise). In addition to the above listed participants, the PHA shall ensure that a resident representative is also included in the MOA development process, as well as ensuing negotiations. It is expected that the resident representative would be selected by the

city-wide resident organization where one exists. Otherwise, the most equitable and representative process possible shall be used.

- (2) On-Site Work. The team participants shall meet at the PHA as soon as possible following the PHA being designated as Troubled. This effort shall be coordinated by the Regional Administrator or his/her designee. A period of not longer than 60 days should elapse from the date of designation to the arrival of the team participants.

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Based in significant part on the results of the Field Office's on-site review and preliminary recommendations, the team shall work together to arrive at agreements regarding performance targets, strategies to achieve the targets and understandings regarding incentives/sanctions to be linked to the PHA's performance. The end product resulting from the on-site work should be a draft MOA. Any performance area on which an agreement could not be reached shall be clearly identified in the MOA, along with a representation of the varying viewpoints.

- (3) Organizational Review. The team participants shall be responsible for the concurrent review of the draft MOA by their organizations, i.e., PHA Board of Commissioners and Executive Director, Chief Executive Officer of the local government, Field Office Manager, Regional Administrator and Assistant Secretary for Public and Indian Housing. It is extremely important at this juncture that all parties to the impending MOA work together in a spirit of mutual cooperation in order to resolve any differences. It is anticipated that the team participants will converse via telephone, conference calls and local meetings.
  - (a) Lead Responsibilities. The Field Office shall be the primary party responsible for following up with the PHA, local government and the private sector to ensure to the maximum extent possible that any differences of approach or opinion on the draft MOA are resolved and, if not, raised to the attention of the Regional Office. The Regional Office shall be responsible for coordinating the review process within HUD to resolve any differences as quickly as possible on the content of the MOA.
  - (b) On-Site Reassessment. Although not intended as a normal operating procedure, there may be instances arising from the organizational reviews which dictate the return of team participants to

the PHA. This may be necessary in order to pull together additional information, present new proposals and to finalize an MOA on which the PHA and HUD can agree.

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(4) Final Negotiations/Execution of MOA.

(a) Scheduling/Location. The Field Office shall have the lead responsibility in coordinating with all other MOA participants, internal or external to HUD, to schedule the on-site gathering of all key parties (see paragraph 10-7a) for the purpose of signing the MOA as well as to negotiate any remaining points which could not otherwise be resolved. The key participants shall meet on site at the PHA or office of the Chief Executive of local government, or such other local site as is deemed appropriate.

(b) Key Participants and Media Coverage. The primary signatories to the MOA shall normally be the PHA and HUD (see paragraph 10-7a below regarding the Chief Executive of local government). The Field Office shall be responsible for working with the PHA to ensure public awareness and attention are focused on the participants' mutual, cooperative efforts to bring about improvement in the local PHA's condition. Media (newspaper, television, etc.) coverage should be pursued as one means of accomplishing this end.

10-7. SPECIFIC REQUIREMENTS OF THE MOA AND ITS RELATIONSHIP TO OTHER APPROVED PLANS.

a. Part A2, Agreement, of the MOA (see Appendix 18, Form HUD-53332) is a binding contractual agreement between HUD and the Troubled PHA. It shall set forth, by reference, the targets agreed upon in Part B1 and the PHA's commitment to taking all actions within its control to achieve the targets as well as the consequences of failing to meet the targets. Part A2 may be modified to include prefacing statements delineating certain circumstances/conditions and agreements between HUD and the PHA which are specific to the PHA's Troubled condition. The Agreement shall be executed by: (1) the PHA Board Chairman and accompanied by a Board Resolution; (2) the PHA Executive Director; (3) the Regional Administrator and Field Office Manager; and (4) the Assistant Secretary for Public and Indian Housing. (Note: The

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signature of the Chief Executive of local government, in addition to that of the Executive Director and Board Chairperson, shall be required where the PHA is a department within the City/County governmental structure.) Additionally, while not normally signatories to the MOA, it is hoped that the Chief Executive of local government (see note in prior sentence), and/or a representative from the private sector (where appropriate to active participation in PHA improvement efforts and as evidence of commitment to effecting change at the PHA and/or a commitment to provide assistance, financial or otherwise, to the PHA) will be agreeable to providing a letter of support, City Council resolution, etc. The resident representative shall not be a signatory to the MOA, but is expected to play a role in follow-up monitoring of MOA performance.

- b. Part B1, Performance Targets, of the MOA (see Appendix 18, Form HUD-53332) lists quarterly targets for improvement of performance standards. The targets shall generally span a maximum period of one year. It is anticipated that in most instances they will be quantified, i.e., vacancies reduced to 3% within one year. However, it may be appropriate to include nonquantified targets to achieve improvement, i.e., conduct evaluation of the maintenance system within one year. Longer periods may be allowed as deemed appropriate by the Regional Office. Two subsequent one year Plans (maximum total of 3 years) may be negotiated. A written request from the Regional Administrator to the Assistant Secretary for Public and Indian Housing required for consideration of any time interval beyond three years. If less than six months remain in the PHA's current fiscal year at the point the initial MOA is to be executed, the MOA shall cover the remaining months in the current fiscal year plus an additional year. The additional months shall be considered as part of the "first year" of the MOA.
- c. Part C, Strategies, of the MOA (see Appendix 18, Form HUD-53332) provides a listing of those major strategies to be relied upon to achieve the performance targets listed in Part 81. This portion of the MOA is prepared by the PHA and documents how it proposes to achieve the performance targets. It is expected that these major strategies will have evolved from the on-site review and MOA processes and shall be subject to revision by the PHA, as

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necessary, to ensure the achievement of the targets in Part B1. The content of Part C is the sole responsibility of the PHA as to content and

implementation.

- d. Limited Scope MOA. The MOA shall ordinarily be prepared on a comprehensive basis, i.e., containing Parts A, B and C as described above. However, there may be instances where the Field and/or Regional Office has reason to doubt the accuracy of basic data related to some or all of the performance standards. Therefore, as a prerequisite to the development of performance targets, it may be necessary for the PHA to initiate an assessment of part or all of its operation for the purpose of establishing pertinent baseline data and for making recommendations in terms of the degree of improvement which can realistically be achieved. Under such circumstances, one or more performance targets shall be established in Part B1 by reference to the advertisement of the Request for a Proposal (RFP), award of the contract, completion of the study, etc. Upon completion, the PHA and HUD shall negotiate the new targets which shall form the basis for Part B1 along with appropriate major strategies to be set forth in Part C. These modifications shall be accomplished as an amendment to the MOA. Those areas in which the data are deemed reliable shall be handled in the manner prescribed earlier in this Chapter, i.e., the PHA and HUD shall agree to quantifiable targets with revised performance targets being added at a later date for those areas in which additional study was needed. There may also be instances where the PHA simply lacks the capacity to carry out a multifaceted improvement effort to address failed performance standards. A limited scope MOA may be appropriate in such an instance.
  
- e. Relationship of MOA to Other Approved Plans. Pursuant to HUD guidelines, PHAs may have been required to develop other planning documents, i.e., Comprehensive Plan for Modernization (CPM), Comprehensive Occupancy Plan (COP), Nondiscrimination Plan (NP), or Action Plan. Part B1 of the MOA which delineates performance targets must be completed for failed standards even though they may have been previously listed in another plan(s). However, Part C, Strategies, need not be completed for those failed standards that the MOA Team deems to have been appropriately addressed in another plan(s). In such case,

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Part C shall incorporate a reference to the appropriate plan and a copy(s) shall be appended. Although other approved plans may have performance targets that span a period greater than one year, the performance targets in Part B1 of the MOA shall reflect a one year period as required by paragraph 10-7b. Following approval of the MOA (reflective of the accelerated efforts of the

PHA, HUD, the local government and the private sector to achieve performance targets) the Field Office/Regional Office and the PHA may determine that adjustments to other plans are warranted.

10-8. RELATIONSHIP OF MOA TO BUDGET AND BUDGET APPROVAL.

- a. The PHA's budget bears a direct relationship to the PHA's MOA. The operating budget must support all targets outlined in Part B of the MOA. To ensure this, Troubled PHA budgets shall be subject to a detailed budget review.
- b. A PHA budget submission shall be considered unapprovable under section 407(E)(1) of the ACC if it fails to reflect an assignment of resources and financial expenditures supportive of attaining the performance targets in Part B1 of the MOA. The Field Office's review of Part C, Strategies, of the MOA will be very helpful in arriving at this determination. See paragraph 10-8d regarding the use of a letter of intent where the budget is not considered approvable.
- c. Budget approval shall not be withheld on the basis of a MOA which is yet to be approved where any of the following apply:
  - (1) The Regional Office is satisfied that the proposed operating budget reflects the MOA which is considered approvable, but not yet approved.
  - (2) The MOA is still under development and it is anticipated that this will entail a lengthy process. In such instances, the Regional Office shall be satisfied that the budget proposal meets the requirements of 24 CFR Part 990.112(a)(1) and Section 407(E)(1) of the ACC relative to efficient and economical operation. (Note: In the event the Regional Office determines that such a situation exists for a large

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PHA and that in its opinion budget approval is warranted, the Regional Office shall, prior to budget approval by the Field Office, contact Headquarters to obtain agreement for budget approval processing to proceed.)

- (3) The Field Office shall exercise care in giving PHAs appropriate notification, within required time frames, to ensure that automatic budget approval does not ensue (see Section 407(F) of the ACC).
- d. For use of Letter of Intent refer to paragraph 3-10 of the Financial Management Handbook 7475.1 REV.

10-9. PUBLIC AND PRIVATE SECTOR INVOLVEMENT. PHAs are encouraged on an ongoing basis to aggressively pursue obtaining local assistance. Involvement of outside organizations, public and private, will be necessary if a Troubled PHA is to attract the resources necessary to assist it in bringing about substantial improvements. Failure to initiate such outreach may severely limit a PHA's ability to bring about significant changes in its public housing condition. Many PHAs have been successful in receiving CDBG funding, additional police support, etc., from their cities. Private enterprise has provided expertise in such areas as data processing, fiscal management, etc., at little or no cost to the PHA. However, attracting such assistance requires that the PHA aggressively promote its role as a vital part of the community. The Field Office Manager and Regional Administrator shall ensure that they support, as much as possible, PHA attempts to enlist the assistance of local government, the community and the private business sector. Attempts should be made to seek local press coverage regarding City/Private Sector/HUD/PHA cooperative efforts to improve the local public housing program. See paragraph 10-6.

10-10. ONGOING PHA COMMITMENT TO APPROVED MOA. Once approved by a PHA and HUD, a PHA shall be bound by the contractual terms of its MOA. Subsequent changes in the membership of a PHA's Board do not entitle the new Board to disregard the provisions of the MOA adopted by the previous Board. Should a new Board approve actions inconsistent with the PHA's obligations under the previously adopted MOA, HUD may proceed to impose those sanctions which may be appropriate (see Chapter 12 and Appendix 21).

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10-11. REMOTE MONITORING. HUD and the PHA shall monitor MOA implementation to ensure that performance targets are met in terms of quantity, timeliness and quality.

- a. Quarterly Performance Target Progress Report. A PHA's progress subsequent to Plan approval will be monitored through the Quarterly Performance Target Progress Report, Form HUD-53333, (see Appendix 19). The Report shall be prepared by the Field Office on the basis of information provided by the PHA. The PHA shall provide the resident representative with like information.
- b. Report Submittal. The Field Office shall initiate those actions necessary to ensure the receipt of thorough and accurate information from the PHA in a timely manner, so as to allow for Field Office review and comment, preparation of the Report, transmittal and receipt of the required Report by the Regional Office within sixty (60) days following the end of the quarter covered by the

Report. The Report shall be forwarded by the Field Office to the Regional Administrator, Attention: Director, Office of Public Housing. The Report shall be forwarded under the signature of the Regional Administrator to Headquarters, Assistant Secretary for Public and Indian Housing, Attention: Director, Project Management Division. Reporting shall begin with the close of the quarter in which a PHA's MOA is approved by HUD, i.e., the initial Report on a Troubled PHA shall cover the first quarter addressed under the approved MOA.

- c. Letter to Chairman and Local Government. Concurrent with the Field Office's preparation of the Quarterly Performance Target Progress Report, it should be determined whether the Troubled PHA's performance should be brought to the attention of the PHA Board Chairperson and its Chief Executive of local government. At a minimum, this action should be taken at the time of the Annual Performance Review. Copies of the letter shall be forwarded to the Region and Headquarters.

10-12. ON-SITE MONITORING. The Field Office shall perform a PHA on-site analysis at least twice during a PHA's fiscal year. Such visits may be coordinated with other reviews, if timely, to minimize staff and travel fund impact. The purpose of the on-site analysis shall be to

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assess the accuracy of PHA-reported MOA target achievements, the quality of the PHA's work resulting in target achievements and to provide technical assistance, as needed. In addition to the on-site monitoring, a full coordinated review shall be conducted no less than every four years.

10-13. ANNUAL MOA NEGOTIATIONS. An MOA of one year's duration may not result in improved PHA performance to a point where HUD can remove the Troubled designation. In such instances, a new one-year MOA shall be negotiated for the subsequent year.

- a. Not later than 60 days prior to the scheduled ending date of the one-year MOA, the Field Office, Regional Office and Headquarters shall make a determination relative to the need to negotiate a new MOA for the subsequent year. If appropriate, the MOA development process shall be repeated (refer to paragraph 10-6). The content of the new MOA shall rely heavily upon the PHA's past performance. As a result, the MOA may need a heavier infusion of City involvement/support, a revision of the projected rate at which performance targets are anticipated to improve, a substantial revision of the strategies to be relied upon, imposition/heavier reliance on sanctions, etc. It is at the point of negotiation of the new MOA that HUD shall normally make a final determination regarding the PHA's compliance with Parts A2 and B1 of the MOA and whether it is appropriate to

proceed with the enforcement of sanctions.

10-14. REMOVAL FROM TROUBLED PHA CATEGORY. Removal shall be based upon agreement among the Field Office Manager, Regional Administrator and Assistant Secretary for Public and Indian Housing that the PHA's performance has improved to a level sufficient to remove the Troubled designation. The same process involved in originally designating a PHA as Troubled shall be used (refer to paragraph 10-4), including the requirement for an on-site review. Additionally, Headquarters' approval shall be required to remove a Troubled PHA's designation. Where the Regional Office determines that the Troubled designation should be removed, a memorandum shall be forwarded to the Assistant Secretary for Public and Indian Housing, Attention: Director, Project Management Division, requesting concurrence on the removal. The Troubled PHA designation shall be removed only for those PHAs for which sustained/continued improvement in performance is fully anticipated.