



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Grants Management Division

m e m o r a n d u m

TO: Bruce K. Walden, Chief Administrative Office

FROM: Elizabeth Tyler, AICP, City Planner/Director

DATE: February 19, 2004

SUBJECT: Proposed Redevelopment Alternatives for Lakeside Terrace

Description

The Urbana City Council and the Urbana Community Development Commission met on January 28, 2004 to discuss the proposed redevelopment alternatives for Lakeside Terrace Apartments. A copy of the minutes of this meeting is attached.

Urbana Community Development staff, Housing of Authority of Champaign County (HACC) staff and representatives from Brinshore Development LLC were present to provide information and answer questions.

In the course of the meeting, a number of questions were raised, along with requests for additional information. Answers to many of the questions and the additional information requested are contained in the Background section of this memo.

Also included is a new, proposed alternative that incorporates many of the same components discussed earlier, but arranges these in a different sequence, that will provide more flexibility and local control for the creation of additional housing opportunities for very low-income persons.

In addition, a Resolution is attached that reconfirms the City's commitment to provide a minimum replacement of 80 units, affordable to very low-income families as a prerequisite for redevelopment of Lakeside Terrace and the City's position that an acceptable redevelopment plan be in place prior to the demolition of unit at Lakeside Terrace. The Resolution further encourages the creation of new, permanent project-based Section 8 Vouchers sufficient for the full replacement of units lost at Burch Village and Lakeside Terrace.

Issues

There are a number of issues to consider. These issues include, but are not limited to the following:

- Determine the preferred redevelopment alternative for Lakeside Terrace
- Determine the level of financial assistance the City of Urbana desires to contribute to this project.
- Consider the level and quality of the redevelopment project.
- Address the requirements set forth in the Consolidated Plan and related policy concerns.
- Address the concerns related to the relocation of tenants.
- Consider the impact on the surrounding neighborhood and community.

Background

The Urbana City Council and the Urbana Community Development Commission met on January 28, 2004 to discuss the proposed redevelopment alternatives for Lakeside Terrace Apartments. A copy of the minutes of this meeting is attached.

The following is an outline listing of answers to questions and responses to requests for additional information.

1. Request: HACC should provide specific information related to the use of Section 8 vouchers (tenant based and project based vouchers) and plans for the utilization of the Replacement Housing Funds

The HACC has prepared a memorandum dated February 13, 2004. A copy of this memorandum is attached. Note that Item 1. of the memo is titled the Use of Vouchers/Replacement Housing Plan.

The memo notes that the HACC has applied for 96 additional vouchers to relocate current residents of Lakeside Terrace and that they expect to receive 75 vouchers through this request. HACC expects to receive another 21 replacement vouchers via the provisions of the HUD PIH Notice 2002-21,4 (a).

Further, the HACC expects to receive an additional 49 vouchers related to the redevelopment of Burch Village and another 92 replacement vouchers for Scottswood Manor. (Scottswood Manor is being purchased and opting out of their affordability requirements. They will repay an appropriate amount of funds to HUD and are requesting 92 additional vouchers to help residents transition to new housing.)

The HACC has also identified the opportunity create another 150 vouchers from their existing budgetary authority.

The above developments result in an increase of 387 vouchers, which increases the current number of vouchers from 1,111 to 1,498.

The HACC notes that they cannot convert more than 15% of their Section 8 Vouchers to project-based vouchers. This would allow the HACC to convert 224 units from tenant-based to project-based vouchers. However, the HACC anticipates that only 150 vouchers may be needed to accommodate public housing redevelopment demands.

Without complete information, the HACC is only able to estimate the amount of funding that might be available through the Replacement Housing Funds. The HACC estimates that it could receive up to \$1,743,000 over 5 years or \$3,486,000 over a ten-year period. These funds would only be used for developing replacement public housing units.

The memorandum cites the following HUD regulations that concern the use of Housing Choice Vouchers, copies of these regulations are attached:

- PIH Notice 2002-21, 4 (a)
- 24 CFR 983
- HUD Notice 2003-10

Copies of these regulations are attached.

2. Request: HACC requested to provide a legal opinion, in writing, as to their ability to demolish Lakeside without City approval and the specific HUD policies that support the opinion.

The HACC has addressed this in their February 13, 2004 memorandum under Item 2. Demolition Policy.

The HACC notes that they have submitted an application for approval to demolish Lakeside Terrace and that they expect to receive approval for demolition by April 1, 2004.

The memorandum cites the following HUD regulations that concern the HACC's ability to pursue the demolition of Lakeside Terrace:

- HUD Form 52860 – Demolition/Disposition Application (completed)
- 24 CFR 970

Copies of these regulations/applications are attached.

HACC staff has verbally indicated that while HUD may allow demolition without City support, the HACC is not interested in pursuing any redevelopment without the support of the City of Urbana.

3. Request: Brinshore Development LLC to provide rationale for the relatively high cost of units.

Richard Sciortino, Brinshore Development, has provided the following rationale for the projected costs of the units to be developed:

“We currently estimate the total development costs to be \$140,000/unit. Which has been deemed to be higher than some Council members may have seen with other developments. First, these costs are not high. They may not be the lowest cost, but they are certainly in-line with comparable developments. The reason that the costs are higher than say Homestead’s projects (which Jim Rose indicated to be about \$100,000/unit) includes the following:

- *Higher site costs due to all new infrastructure improvements (\$5,000/unit)*
- *Higher labor costs due to Davis-Bacon wage restrictions (\$15-20,000/unit)*
- *Acquisition costs re-paid to Urbana (\$10,000/unit)*
- *Larger units due to family orientation*
- *High quality to create a desirable product and overcome possible stigma associated with public housing*
- *Higher professional fees to deal with the complexities of tax credit deals”*

Also consider that the units costs associated with the Eads at Lincoln project did not take into account the cost for property acquisition, infrastructure and professional services. The costs most often discussed are only the construction cost and sale price for the units.

4. Request: Brinshore to provide rationale for why unit mix includes 25% low income, and not 30% low income. Provide relevant IHDA policies for tax credit.

Richard Sciortino, Brinshore Development has provided the following rationale why unit mix has 25% low income, and not 30%:

“The unit mix is at 25% instead of 30% because the PHA units are being subsidized through a project based voucher conversion program that limits the percent of voucher units to 25% of the total units. We could increase the percent of units for very low-income households, but we couldn’t restrict them for public housing. Keep in mind, however, that targeting more units for very low-income households will increase the need for HOME Funds.”

5. Request: City of Urbana, Grants Management Division, requested to provide analysis to show payback for land acquisition

Brinshore has indicated that a later repayment arrangement helps with the performance of the financial model for the project.

Under the proposed development scenario, it would seem that the HOME funds would not be repaid until the year 2011, after the last of the HOME funds would be utilized.

While it is obviously advantageous that the City receives the repayment of HOME funds invested in the project in the long-term, the City will forego the use of a portion of the HOME funds for other affordable housing projects/programs during this 8-year development period.

6. Request: City of Urbana, Grants Management Division, requested to revise spreadsheet analysis to quantify the impact to the CDBG and HOME programs for each alternative.

City staff have amended the spreadsheets by including an IMPACT/REMEDY section at the bottom of the worksheet.

In conducting this analysis staff, staff began by adjusting the amount of HOME funds project for each alternative. Brinshore estimated \$1,000,000 of HOME funds would be necessary for property acquisition. Staff has determined that the estimate is closer to \$500,000. This is due to the fact that some parcels in the project area, that are rental properties, are no longer being considered as part of the acquisition strategy. This decreases the amount of HOME funds by \$500,000 for each alternative.

Staff also considered the impact of utilizing additional HOME funds from IHDA. Conservatively, staff made the assumption that \$100,000 of IHDA HOME funding would be available to support the alternatives.

Staff also made some modifications to the CDBG analysis. The rate of yearly increase for housing rehabilitation projects was changed to 1% rather than the 5% provided in the earlier analysis.

Keep in mind that there are numerous alternatives to reducing funding and related projects for both the HOME and CDBG programs. Staff has provided the following as an illustration of how the necessary amount of funding could be identified.

The following is summary of the impact to the CDBG and HOME programs for each alternative:

**Alternative 1.
HOME Program**

HOME funding deficit over the life of the program is \$1,032,555, compared to \$1,532,555 in the initial analysis.

The additional IHDA HOME funding of \$100,000 over the 9 (nine)-year life of the project provides an additional \$900,000. This leaves a shortfall of only \$132,555, which could be realized by reducing the number of owner-occupied housing rehabilitation projects by 5 units.

**Alternative 2.
HOME Program**

HOME funding deficit over the life of the program is \$72,555, compared to \$693,555 in the initial analysis.

The additional IHDA HOME funding of \$100,000 over the 9 (nine)-year life of the project provides an additional \$900,000. This leaves a shortfall of only \$72,555, which could be realized by reducing the number of owner-occupied housing rehabilitation projects by 3 units.

**Alternative 3.
HOME Program**

This analysis provided no change since no HOME funds were included in the alternative.

**Alternative 1.
CDBG Program**

Since additional funding was identified to support CDBG funded activities, the revenues remained the same as the earlier analysis. This resulted in a deficit of \$809,779 over nine (9) year life of the project.

The deficit could be addressed by the following measures:

Reducing public service funding by one-half. This could provide \$352,247 for the redevelopment project. This could result in elimination of the City's Transitional Housing Program or reduction of the CBDG contribution to the City's Public Service Funding Pool.

Reducing Housing Rehabilitation Programs by one-half. This could provide \$278,948 for the redevelopment project. This would allow staff to only pursue only one-half of the current Emergency Grant, Access Grants and Lead Paint Reduction Grants.

Reducing participation in the City' Capital Improvement Plan (CIP). This could provide \$178,584 for the redevelopment project.

**Alternative 2.
CDBG Program**

The impact to this alternative is identical to Alternative 1 above.

**Alternative 3.
CDBG Program**

This analysis provided no change since no CDBG funds were included in the alternative.

7. Request: GMD is requested to inquire about the Illinois Housing Development Authority (IHDA) providing additional HOME funds towards the project in exchange for ceding bond cap allocation to IHDA.

IHDA has indicated that the provision of HOME funding in exchange for bond cap is not a policy. IHDA noted that they would be able to meet with staff to discuss the project and help us identify possible solutions to remedy gaps in the financial package for the redevelopment of Lakeside Terrace.

As the project becomes more defined, staff will arrange to meet with IHDA to discuss the possibility of additional HOME funds in exchange for ceding bond cap.

Under Item 6. above staff provides analysis on the positive financial impact of additional HOME funding from IHDA.

8. Request: Brinshore to investigate with IHDA the potential for special HOME fund allocation. Provide documentation if possible and the GMD to revise spreadsheets accordingly.

Brinshore, like CD staff, has determined that IHDA does not have a given formula to determine the likelihood of additional HOME funding for a project. Rather, IHDA has indicated that they would be able to meet in order to review a project and determine if they can provide financial assistance to address gaps in the financial package.

Specifically, Richard Sciortino, Brinshore Development provided the following perspective:

“IHDA will not give a firm commitment for additional HOME funds except in response to a formal application. Nevertheless, there is precedent of IHDA supplementing HOME Funds for Home Rule jurisdictions for deals they want to fund. There is also precedent of a swap of HOME Funds in return for Bond Cap.”

9. Request: CD staff to project future EAV attributed to the project and share by taxing body.

CD staff has prepared an initial estimate of increase in EAV. A copy of this analysis is attached.

The first part of the analysis provides a current analysis of EAV on the properties related to the redevelopment project. Note that the properties owned by the City of Urbana and the HACC have \$0.00 Base EAV. Alternatives 1 and 2 would add EAV of \$5.67 million and Alternative 3 would add \$2.71 million to the tax base.

Also provided is an analysis of potential property tax increases, by taxing body. The last analysis adjusts the total property tax increase by factoring in the tax credit reduction that is provided to Low Income Housing Tax Credit (LIHTC) projects. This analysis indicates that the total annual tax increment accruing to all districts would be \$353,164 for Alternatives 1 and 2 and \$174,788 for Alternative 3.

10. Request: Brinshore to contact Jim Rose about participation in CHDO portion of project.

Richard Sciortino, Brinshore Development indicated the following:

“We spoke with Jim Rose after the City Council meeting. He is interested in participating with us on this development and, likewise, we are interested in partnering with Homestead. Once we have the framework for the development we can put forth a partnership proposal.”

Staff has also met with Jim Rose, Homestead Corporation, to continue discussions about non-profits being involved with developing affordable rental housing and refining a pro-forma that details the feasibility of creating rental units for very low-income families.

11. Request: Brinshore to provide written reasons for including 40% AMI rather than 30% AMI in proposal.

Richard Sciortino, Brinshore Development has provided the following reason for targeting 40% AMI:

“The reason that 15% of the units are targeted at 40% AMI instead of 30% AMI is because it leverages the HOME Funds and is the minimum required by IHDA to score the highest points in this scoring category. Reducing the target to 30%AMI will reduce the Net Operating Income, which will result in less cash to pay debt service. This in turn will require additional HOME Funds that do not require interest or principal payments during the term of the loan (i.e. all payments accrue during the loan term and are paid in a balloon at the end of the term). Since HOME Funds are at a premium we assumed that we would leverage these funds to the greatest extent possible. We estimate that it would require an additional \$3,500/unit in HOME Funds to reduce the AMI from 40% to 30%.”

12. Request: HACC to hold resident meeting ASAP to present plans and inform residents of project specifics.

In their February 13, 2004 memorandum, the HACC has indicated that they have arranged for monthly meetings for the Lakeside Terrace residents. These meeting dates are as follows:

February 20, 2004 at 2:00 PM

March 19, 2004 at 2:00 PM

April 16, 2004 at 2:00 PM

May 21, 2004 at 2:00 PM

Meeting announcements are attached.

13. Request: HACC Review/Revise Relocation Plan

In their February 13, 2004 memorandum, the HACC has indicated that the updated Lakeside Terrace Relocation Plan will be distributed to Lakeside Terrace residents at their February 20, 2004 meeting. Other agencies will receive the updated Lakeside Terrace Relocation Plan, after the February 26, 2004 HACC Board of Commissioners regular meeting. Comments on the updated draft will be accepted until 5:00 PM Thursday, April 15, 2004.

14. Request: Brinshore to provide information on the optimal and minimal size (critical mass) of the project to make it workable from their standpoint.

Richard Sciortino, Brinshore Development has provided the following perspective on the minimal size of a redevelopment project.

“The only constraint is the minimum size of any particular phase. It is not practical to pursue a transaction of less than 50 units. Otherwise, the phasing and size are completely flexible. We think that we have proposed the most flexible plan already which allows for phased transactions and the orderly relocation of Lakeside residents.”

NEW REDEVELOPMENT ALTERNATIVE (ALTERNATIVE NO. 4)

New Alternative (Alternative No. 4)

In reviewing the three alternatives developed thus far, several councilmembers and commissioners have expressed concern about the length of time that full redevelopment would require and the extent of commitment of City funds. In response to these concerns, the Mayor has worked with staff to develop a fourth alternative that allows for greater flexibility in the use of City funds, achieves results more quickly, provides a variety of affordable housing types, and spreads the responsibilities for providing replacement housing across entities (both public and private), with an associated reduction in the use of City funds. Under this alternative, the City would be able to continue to pursue its other affordable housing initiatives through its internal programs and those provided by local non-profits and CHDO's.

Under this scenario, the existing Lakeside Terrace site would be demolished and would be redeveloped as a tax credit project by Brinshore with 100 units, 24 of which will be set aside for project-based Section 8 voucher holders (thereby guaranteeing their affordability by very low income families). According to the Housing Authority, demolition of Lakeside Terrace will result in the acquisition of 75 (per HACC memo) new Section 8 “relocation” vouchers plus 21 (per HACC memo) new Section 8 “replacement” vouchers via the provisions of the HUD Notice PIH 2002-22-4-a which provides guidance for the provision of relocation and replacement vouchers. In addition, a total of approximately 25 new public housing units may be created through the use of replacement housing funds that are provided pursuant to demolition of units at Lakeside Terrace (additional units can be created due to loss at Burch Village and Scottswood Manor). These 96 newly created vouchers and 25 newly created units represent a pool of 121 potential permanent housing for low-income residents that will more than meet the City’s minimum goal of 80 units (see attached table for numerical summary).

In addition, the HACC has indicated that they intend to convert a total of 150 Section 8 Vouchers from tenant-based assistance to project-based assistance (including the 24 vouchers to be dedicated to the redeveloped Lakeside Terrace project). This conversion along with the maximized utilization of Replacement Housing Funds will help to ensure additional permanent public housing type replacement units throughout Champaign County.

The 150 vouchers to be converted to project-based vouchers will be used for new and existing (but newly affordable) units throughout Champaign County. In addition to the 24 to be sited at Lakeside Terrace, other sites could include:

- a. Kerr Site development
- b. CHDO projects
- c. Other CDBG and HOME projects
- d. Agreements with property owners on existing units via a Request for Proposal (RFP) process

If the redevelopment of Lakeside Terrace with 100 tax credit units is successful, then a similar development could next take place at the Kerr St. site. Alternatively, the City may wish to provide a different affordable housing type or density at this site.

This phased approach would allow the City flexibility in determining the long-term use of its entitlement funds without an upfront commitment of several years’ worth of funding. The City would commit a much lower level of its HOME/CDBG funds than shown in either the first or second alternative – but would participate in an equitable manner. In order to minimize impacts on existing HOME/CDBG grantees and programs, the majority of the local funding will derive from ceding of a portion of the City’s IHDA bond cap towards the project. A similar approach is being used by the City of Champaign for the Burch Village project.

The end result of this alternative would be a minimum of:

- 100 new units to be developed at Lakeside Terrace, **24** of which will be project-based Section 8 units
- **56** additional project-based Section 8 units to be developed throughout Champaign County as replacement units (thus meeting the City's minimum goal of 80 replacement units, 24 + 56)
- **14** new public housing type units to be created through the use of replacement housing funds
- **16** additional tenant-based Section 8 vouchers from Lakeside replacement vouchers
- For a total of **110** new affordable housing opportunities at the site and throughout Champaign County attributable to this project (24+56+14+16 = 110)

In this scenario, the City would commit its support of the project, a certain level of HOME/CDBG funds towards redevelopment (with an emphasis on infrastructure improvements), ceding of a portion of the HOME bond cap towards the project, and future development of the City-owned Kerr Street site for affordable housing. Development of the Lakeside Terrace site with tax credit housing will result in approximately \$233,000 annually in tax increment to the taxing bodies. The attached example spreadsheet depicts a total City financial contribution of \$400,000, but the actual amount would be dependent upon the funding gap that emerges from a more detailed pro-forma.

The HACC would commit its land at Lakeside Terrace towards redevelopment, would apply its grant funds for demolition, and would commit Section 8 vouchers and any capital replacement funds towards permanent project based vouchers to make up for the loss of existing public housing units at Lakeside. The HACC would continue to provide management support and programming for its Section 8 voucher holders.

Brinshore would bring private financing, extensive development experience with similar projects, and State tax credits.

Fiscal Impacts

Staff has prepared the analysis above concerning the fiscal impacts of the proposed alternatives.

Future Actions

Future actions involve continued coordination and dialogue with the Housing Authority of Champaign County and other parties involved in the redevelopment of Lakeside Terrace.

Recommendations

Considering the many obligations and agreements necessary for this redevelopment project to move forward, staff submits that these efforts should be set forth in a written resolution.

Staff has prepared a *Resolution Supporting Certain Activities Related to the Redevelopment of Lakeside Terrace* that creates a development framework by identifying the assurances necessary for both the City of Urbana and the Housing Authority of Champaign County to move forward in pursuing the redevelopment of Lakeside Terrace.

Staff recommends that the Urbana City Council approve this resolution.

Memorandum Prepared By:

Bob Grewe, AICP
Grants Management Division, Manager

Attachments:

Lakeside Terrace Property Tax Revenue Projection

Lakeside Terrace Redevelopment – Alternative 4

Lakeside Terrace Redevelopment Impact on affordable housing units

Resolution Supporting Certain Activities Related to the Redevelopment of Lakeside Terrace

Minutes of the January 28, 2004 Joint Study Session for the Redevelopment of Lakeside Terrace

Housing Authority of Champaign County
Interoffice Memorandum – Friday, February 13, 2004

PIH Notice 2002-21, 4 (a)
24 CFR 983

HUD Form 52860 – Demolition/Disposition Application
24 CFR 970

Lakeside Terrace Resident Meeting Announcements

Lakeside Terrace Redevelopment\Urbana Entitlement Funding Analysis

Home Program

Alternative 1

Alternative 2

Alternative 3

CDBG Program

Alternative 1

Alternative 2

Alternative 3

Cc:

Ed Bland, HACC

Members of the City of Urbana Community Development Commission

Matthew Hogan, Housing Authority of Champaign County

Peter Levavi, Brinshore Development LLC

Rich Sciortino, Brinshore Development LLC

Lakeside Terrace Property Tax Revenue Projection

PIN	ADDRESS	BASE EAV	ALT 1 EAV	ALT 2 EAV	ALT 3 EAV
91-21-08-257-011	800 N. Broadway	\$0			
91-21-08-280-033	800 N. Broadway	\$0			
91-21-08-404-031	800 N. Broadway	\$0			
91-21-08-257-010	901 N. Division	\$0			
91-21-08-257-013	903 N. Division	\$0			
91-21-08-280-007	401 E. Kerr	\$11,940			
91-21-08-280-008	401 1/2 E. Kerr	\$4,200			
91-21-08-280-009	403 E. Kerr	\$13,930			
91-21-08-280-010	405 E. Kerr	\$9,620			
91-21-08-280-011	407 E. Kerr	\$13,720			
		\$53,410	\$5,720,000	\$5,720,000	\$2,760,000
EAV Over Base*:		\$0	\$5,666,590	\$5,666,590	\$2,706,590

Property Tax Increase**		ALT 1	ALT 2	ALT 3
School		\$264,635	\$264,635	\$126,400
City		\$74,674	\$74,674	\$35,667
Park		\$44,012	\$44,012	\$21,022
County		\$40,329	\$40,329	\$19,262
Comm Coll		\$26,361	\$26,361	\$12,591
MTD		\$15,458	\$15,458	\$7,383
Twncshp		\$11,605	\$11,605	\$5,543
Total	N/A	\$488,420	\$488,420	\$233,289

Total w/ Tax Credit Reduction***		\$353,164	\$353,164	\$174,798
School		\$191,351	\$191,351	\$94,709
City		\$53,995	\$53,995	\$26,724
Park		\$31,824	\$31,824	\$15,751
County		\$29,161	\$29,161	\$14,433
Comm Coll		\$19,061	\$19,061	\$9,434
MTD		\$11,178	\$11,178	\$5,532
Twncshp		\$8,391	\$8,391	\$4,153

*EAV assumptions based on project costs and comparable unit EAV's

**Upon Completion of project, only applies to Lakeside Terrace development

***LIHTC Value reduces taxable EAV assessment, and is thus reflected in property taxes

Created February 18, 2004 by RLB, City of Urbana Community Development Department

Lakeside Terrace Redevelopment Alternative 4

<u>Phases</u>	<u>PH-Type Units</u>	<u>Total Costs</u>	<u>City Funds</u>	<u>Funding Sources</u>
Phase I	-96			
Demolition/Relocation of Existing Lakeside Terrace Apartments		\$1,397,900	\$0	HOPE VI or HACC Bond Issue
Phase II	24			
100 units constructed on former Lakeside Terrace parcel		\$13,800,000	bond cap \$400,000	LIHTC and City Bond Cap Allocation *Brinshore's Alternative 3, with no city funding 24 project based Section 8 Vouchers (\$400,000 CDBG & HOME funds and bond cap)
Phase III	25			
HACC Replacement Housing Funds		\$3,486,000	\$0	HACC's Replacement Housing Fund Allocation from HUD
Options for Additional PH-Type Units	56			
Kerr Street development Scattered site development CHDO projects Request for Proposal (RFP) process			bond cap	LIHTC and City Bond Cap Allocation *Brinshore's Alternative 3, with no city funding 24 project based Section 8 Vouchers (possibly small contribution of CDBG/HOME)
Net Gain/Loss of PH-type units	9			
Total Cost		\$18,683,900		
City Investment			\$400,000	and bond cap allocation

Lakeside Terrace Redevelopment
Impact on affordable housing units

	Initial Section 8 Voucher Pool	Section 8 Tenant-Based Vouchers	Section 8 Project-Based Vouchers	Public Housing Units	Affordable Housing UnitsTotal
Current:	1,111		0		1,111
Demolition of Lakeside Terrace (Likely to receive only 75% of Relocation Vouchers requested for Lakeside Terrace units.)		75	0	-96	
Lakeside Terrace Replacement Vouchers		21			
Subtotal:		96		-96	1,111
Project-Based Vouchers To Lakeside Terrace (Created via conversion of Tenant-Based Vouchers)		-24	24		
Subtotal:	1,111	-24	24		1,111
Capital Fund Replacement Public Housing Units (Urbana pro-rated share of 25 units)				14	
Subtotal:	1,111			14	1,125
Convert 56 vouchers to project based vouchers		-56	56		
Subtotal	1,111	-56	56		1,125
TOTAL:	1,111	16	80	-82	1,125

RESOLUTION NO.

**A Resolution Supporting Certain Activities Related to the Redevelopment of
Lakeside Terrace**

WHEREAS, the Lakeside Terrace housing project in Urbana is owned and operated by the Housing Authority of Champaign County and consists of up to 99 units of public housing for very low income residents, including several families with children; and

WHEREAS, Lakeside Terrace is several decades old and has been determined by the Housing Authority to be of obsolete design and construction; and

WHEREAS, the Housing Authority of Champaign County has for several years indicated its desire and intent to demolish Lakeside Terrace and to redevelop the site with new housing; and

WHEREAS, the City of Urbana, through various actions, including policies set forth in the Consolidated Plan 2000-2004, has indicated its support for redevelopment of Lakeside Terrace so long as a minimum of 80 replacement units be designated for very low income families earning 30% or less of median family income; and

WHEREAS, City actions taken to support the planned redevelopment of Lakeside Terrace include funding of significant pre-development activities through the 02-03 Annual Action Plan allocation to the Housing Authority; commitment of significant City staff time towards preparation of grant applications and coordination on redevelopment activities; and support of the HACC Annual Plan, including planned demolition of Lakeside Terrace, contingent on preparation of an acceptable redevelopment plan (e.g., per Resolution No. 2002-112-031R, A Resolution Authorizing the Mayor to Execute a Certification of Consistency for the Housing Authority of Champaign County 2003 Annual Plan); and

WHEREAS, the Housing Authority of Champaign County has retained the development group of Brinshore Development to assist in the preparation of redevelopment plans for Lakeside Terrace and to serve as developer for redevelopment of the site, and has presented three possible alternative development scenarios for consideration by the City of Urbana, including provisions for replacement with at least 80 units that are affordable to very low income families; and

WHEREAS, the Housing Authority is enabled to convert a portion of its tenant-based Section 8 vouchers to project-based voucher status and is further able to develop additional public housing units through capital fund replacement should Lakeside Terrace be demolished; and

WHEREAS, one means to ensure a continued stock of housing affordable to very low income residents would be to increase the number of project-based Section 8 vouchers that are available in Champaign County.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF URBANA, ILLINOIS, as follows:

Section 1. That the City hereby reconfirms its previously stated position that the demolition of Lakeside Terrace not be initiated without a viable redevelopment plan which is consistent with the provisions of the Consolidated Plan for the replacement of at least 80 units of housing affordable to very low income families earning 30% or less of the Median Family Income.

Section 2. That the City through its staff continue to work with the Housing Authority and the developer to develop a redevelopment plan for Lakeside Terrace that incorporates the required replacement housing; that is efficient of public funds, including the City's entitlement dollars; that involves relocation provisions consistent with HUD policies; and that results in an attractive and environmentally sensitive reuse of the site and any other affected property.

Section 3. That continued progress towards a Redevelopment Plan that is mutually agreeable shall be predicated on the minimum replacement of affordable units set forth in the Consolidated Plan and a commitment from the Housing Authority that no demolition activities take place until such time as the Redevelopment Plan is finalized and interagency agreement is completed. Section 4. That as a first step in formalizing a redevelopment plan for Lakeside Terrace the City enter into an interagency development agreement with the HACC providing for replacement housing of affordable units lost at Lakeside Terrace through the use of relocation and replacement housing vouchers to be provided by HUD for use throughout Champaign County, conversion of tenant-based Section 8 vouchers to project-based status, and use of expected capital fund replacement funds pursuant to demolition of Lakeside Terrace to create new public housing units.

Section 5. That City staff be further authorized to begin the drafting of an interagency agreement with the Housing Authority to address continued support of the Lakeside Terrace redevelopment; commitment of a certain level of City entitlement funds towards completion of the project; and provision of replacement units as a part of the project, as dedicated in newly created project-based Section 8 vouchers, and/or as developed in new projects in a variety of scattered sites

PASSED by the City Council this _____ day of _____

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this _____ day of _____

Tod Satterthwaite, Mayor



**UNAPPROVED
MINUTES
JOINT STUDY SESSION
URBANA CITY COUNCIL AND
COMMUNITY DEVELOPMENT COMMISSION
Wednesday, January 28, 2004, City Council Chambers**

Call to Order: Mayor Tod Satterthwaite called the meeting to order at 7:06 p.m.

Roll Call: City Clerk Phyllis Clark called the roll.

City Council Members Present: Esther Patt, Ruth Wyman, James Hayes, Danielle Chynoweth, Laura Huth

City Council Members Absent: Joseph Whelan, Milton Otto

Commission Members Present: Fred Cobb, Robert Lewis, Joanna Shisler, Dennis Vidoni (arrived 7:20 p.m.). Umesh Thakkar participated via teleconference

Commission Members Absent: Chris Diana, Carl Perry, Anne Heinze Silvis, and Nancy Quisenberry

Others Present: Bob Grewe, Connie Eldridge, Melissa Headley, Karen Rasmussen, and Dr. Elizabeth Tyler, Community Development Services; Matthew Hogan, Ed Bland, Jeffrey Ford, Clyde Walker, Housing Authority of Champaign County; Jim Rose, Homestead Corporation; Kerri Forsyth, City of Champaign; Peter Levavi and Rich Sciortino, Brinshore Development LLC; Bob Cook, Urbana Permaculture Project; John L. Johnson, Eads Street Development Corporation.

Introductory Remarks: Mayor Satterthwaite stated this joint study session is the result months of work by the Housing Authority of Champaign County, their developer, Brinshore Development LLC, and the City of Urbana. It has been the objective of the City of Urbana and an important goal of the mayor to consider redevelopment of Lakeside Terrace since it has become obsolete. It is too costly to renovate and run it as was done in the past. The area, which has one of the highest crime rates, is in need of redevelopment. Problems at Lakeside Terrace permeate throughout the community. There is a need to address these problems to provide good affordable housing and a better environment for families in need.

Overview of Redevelopment Alternatives for Lakeside Terrace: Mr. Grewe noted this project was complex, and there were many issues to consider. The Housing Authority intends to pursue redevelopment of Lakeside Terrace, as evidenced by their applications to the Department of Housing and Urban Development (HUD) for demolition and relocation funds. The Housing Authority, which has procured Brinshore Development, wants the City of Urbana to participate in this large redevelopment project.

Noting there has been continued dialog, Mr. Grewe said the goal of this meeting was to get a basic understanding of the fiscal and policy implications. This is why staff has developed three alternatives for consideration. Mr. Grewe added that Brinshore would redevelop both Lakeside Terrace and Burch Village, which is in Champaign.

The City of Urbana's Consolidated Plan for FY 2000-2004 states that 80 percent of public housing units should be replaced when Lakeside Terrace was redeveloped. With planning for the next Consolidated Plan 2005-2009 on the horizon, the City of Urbana must consider how to address future needs. Both HOME and Community Development Block Grant (CDBG) funding involve more regulations. Another consideration is relocation of the tenants.

Mr. Grewe explained that staff was trying to create a continuum of alternatives. Alternative 1 meets the City's goal of 80 percent replacement of public housing units. Alternative 2 offers partial replacement with 48 public housing units. Alternative 3, which has no investment of City funds, is a limited replacement with only 24 public housing units. The alternatives reference tax credit units Area Median Income (AMI), which in Champaign County is \$58,700. The term public housing units referred to 30 percent AMI per unit, with recent discussions concerning 40 percent AMI.

Alternative 1 would provide full replacement of 80 public housing type units. The key component involved single-family scattered site units to provide a significant number of public housing units. Mr. Grewe added that the ability to find the units has not yet been entirely market tested. The impact to CDBG funding is significant. This alternative also runs a deficit, which could be addressed by making funding choices for capital improvement, public service funding, etc. The decision would be whether to continue funding programs that have received past funding versus changing direction to fund a new large project. The impact on HOME funding would be similar, with HOME funds needing to be redirected to accomplish this.

Alternative 2 is nearly identical to the first alternative, except there would not be 32 scattered site public housing type units. This alternative takes less HOME funding, and the net deficit runs half of Alternative 1.

Alternative 3 would provide 100 units with only 24 being public housing type units. There is not much of an impact to the City's HOME and CDBG funding.

Mr. Grewe mentioned density issues and unit costs compared to local funding. Staff counted the tax credit units, which are considered affordable, plus the public housing type units and divided the total number by the amount of City funding in the project. Alternative 1 would cost \$18,600 per unit, and Alternative 2 would cost \$16,600 per unit. Mr. Grewe noted this was within the range of investments in affordable housing that the City has made through other programs such as Urban League's Lease-Purchase Program. He added that closeout of Eads at Lincoln Subdivision incurred more development costs, so there was more cost per unit.

Noting that the current administration in Washington, D.C. prefers HOME Program funding, Mr. Grewe discussed other funding possibilities. Another source is the Community Housing Development Organization (CHDO) funding, which is 15 percent of the total HOME portion. While the City of Urbana cannot require CHDOs to pursue this particular project, the CHDOs may partner and invest set-asides if the project is mutually beneficial. Mr. Grewe also discussed

the City's bond cap allocation, which has been used in the past for homebuyer assistance programs. There has been dialog with the Illinois Housing Development Authority (IHDA) to trade bond cap monies for HOME funds for a Lakeside Terrace type project. It is possible the City could receive \$250,000 per year, but this has not been firmed up yet.

Mr. Grewe mentioned the possibility of purchasing additional land near Lakeside Terrace with the City of Urbana's resources. Noting the City of Urbana owns two properties in the area, he mentioned analyzing whether to lease or transfer ownership of the land. The Housing Authority's plan for HOPE VI demolition would help with costs.

Another key resource would be Section 8 Project Based Vouchers. The current Tenant Based Vouchers are converted to Project Based Vouchers, thereby the voucher is tied to a building for a certain number of years as opposed to being used by an individual. Low Income Housing Tax Credits are a key component for this redevelopment program. Mr. Grewe added that the City of Urbana has done a number of tax credits in the past.

Another source of funds might be an Affordable Housing Program Grant, which is administered by the Federal Home Loan Bank. Also, the Illinois Housing Trust Fund assists with providing affordable housing for low- and very low-income households.

Mr. Grewe mentioned that the draft timeline is based on submitting IHDA tax credits in May.

Dr. Tyler remarked that the City of Urbana is in the process of acquiring a large property to the east of Lakeside Terrace.

Mayor Satterthwaite stated the three alternatives helped with understanding the possible choices. He viewed Alternative 3 as a basic building block—to redevelop the Lakeside Terrace site alone. The nine acres would be divided in two phases of 4.5 acres each. This would allow 100 housing units, with 24 dedicated to public housing units. Alternative 2 would add development of an additional 10 acres, some of which the City owns or is attempting to acquire. There would be two phases with each phase having five acres, 50 housing units and 12 public housing units. Alternative 1 would develop all 19 acres plus include the development of 32 single-family units over eight years. The alternatives are not entirely separate but build upon each other and add to the total number of units and public housing units.

Rich Sciortino, President of Brinshore Development LLC, briefly summarized Brinshore's history. Brinshore Development, an eleven year old company from Northbrook, IL, has expertise in creating mixed income residential communities. It has constructed 2,000 apartments, with 2,500 under construction. Brinshore has developed housing for seniors and has rehabilitated historic mixed income units in Rock Island. Brinshore is the master developer for two Chicago public housing projects in Chicago--the Robert Taylor Homes and Henry Horner Homes. All projects have mixed income components, which is market rate rental or owner units mixed with affordable and public housing units. All projects have been within the State of Illinois except for their current mixed income housing project in Indianapolis.

Discussion: Councilperson Esther Patt was concerned that the packet information for the relocation plan was different from recent and past discussions. Referencing the Lakeside Terrace Relocation Plan, she requested solid answers about one-for-one replacement of public housing

units. When the City of Urbana wanted one-for-one replacement, she was told that HUD did not require this and would not approve it. Councilperson Patt said this was the only reason that the City of Urbana would support redevelopment that replaced only 80 percent of the units.

Matthew Hogan replied this was a typographical error. The Housing Authority has not applied for nor been granted an exception. Concerning a request for an exception to the one-for-one replacement rule, Mr. Hogan said this was not for the Housing Authority, rather it concerned use of HOME funds. Mr. Grewe referenced page four of the City's memorandum that did address HOME and CDBG rules about one-for-one replacement. In response to City staff's inquiry, HUD has stated that Housing Authority rules for replacement would apply rather than HOME and CDBG rules. Mr. Levavi stated that in 1996 HUD eliminated the requirement that required one-for-one replacement of public housing units. In response to Councilperson Patt, Mr. Levavi said there were no regulations that prohibited one-for-one replacement of public housing units. However, HUD is strongly favoring mixed income development. In response to Councilperson Patt, Mr. Levavi said a mixed income plan could include one-for-one if the density increased to a much higher percentage. HUD is looking for a density of 30-35 percent or 25-30 percent. One-for-one replacement of public housing units would triple the density on the same land.

Councilperson Patt referred to studies that indicated the number of homeless children in Champaign County was growing. She felt this redevelopment effort would likely increase the number of homeless children in Champaign County. Councilperson Patt noted that a needy family could live indefinitely in one of Lakeside Terrace's 98 permanent public housing units. She was concerned with families being forced into a hostile community where there is discrimination against them. Many times there was no good cause for termination of their rights as tenants, so families had to move often. She felt it was bad for the welfare of children to be taken out of stable housing situation and put into unstable housing situations.

Councilperson Patt requested clarification on the number of relocation vouchers, how many were project-based, and the number of additional vouchers for which the Housing Authority has applied. Ed Bland replied that the Housing Authority would receive additional relocation vouchers for 60-70 percent of the public housing units. HUD assumes the Housing Authority will also use its existing vouchers for any leftover clients. HUD does not provide vouchers for 100 percent relocation since many public housing units are vacant before a demolition. Councilperson Patt asked if HUD regulations required a replacement voucher for each displaced family. Mr. Bland answered that HUD regulations require the Housing Authority to provide affordable, decent housing for every family who will be relocated. The Housing Authority would use a combination of additional vouchers from HUD, vouchers from the existing pool, and available units in the present housing inventory. He noted that it was HUD's normal past practice to provide 60-70 percent voucher replacement when public housing units are being demolished.

Referencing the current voucher program, Councilperson Patt asked about the Housing Authority losing 30 housing opportunities. Mr. Bland replied that the voucher program was driven by the budget authority as determined by HUD's annual allocations. For example, in 2003 the Housing Authority's voucher program paid landlords over \$6,000,000 in subsidies for families. When a family's income rises, the amount of rental subsidy goes down. As a result, the Housing Authority can make additional vouchers available. Councilperson Patt questioned losing 99 permanent public housing units and 30 Section 8 vouchers and only receiving 65-70 new

vouchers in return. Mr. Bland said over the next five to ten years the Housing Authority would receive replacement dollars for the 99 units. The Housing Authority could then build another 20-25 true public housing units. When the replacement vouchers were added to the developer's project and money to build additional units, the result would almost equal the original number of units at Lakeside Terrace. Councilperson Patt noted the Housing Authority would spend \$32,000,000 and end up with the same number of housing units as today. Mr. Bland replied that the result would be more units than the Housing Authority currently has, not counting the developer's units. Discussion continued on the possible number of vouchers as compared to the current number of permanent housing units.

Councilperson Patt questioned whether the subsidy was coming from the existing Section 8 vouchers or from new project based vouchers. Mr. Levavi added that the 60-70 percent replacement is based on HUD's formula. Many residents will not use Section 8 vouchers but will move to existing units in the Housing Authority's stock. Noting that Burch Village will also be demolished, Councilperson Patt wondered about the number of available public housing units. Based on his experience, Mr. Levavi said many public housing residents chose to stay in public housing. He said there were vacancies in every development from time to time. The 60-70 percent relocation vouchers would be in addition to any of the Housing Authority's current vouchers.

Mr. Levavi compared the condition of the current units to the proposed mixed income units. He noted the current units are not sustainable while the proposed units would be viable and sustainable for future generations. This project represents a transition from the current conditions to a healthy community. City staff developed the three alternatives to help decide the amount of support to replace public housing units and create affordable housing alternatives at the 50-60 percent level.

Councilperson Patt stated there was no vital need for affordable housing at 50-60 percent AMI; rather, there was a vital need for people who make less than 15 percent AMI. This housing only exists in public housing. Her highest goal was to make sure that no children were made homeless during this redevelopment process. Stating that this involved millions of taxpayers' dollars, Councilperson Patt asked if the redevelopment would result in fewer, the same or more affordable housing units for persons who make less than \$12,000 a year. She mentioned an earlier compromise to replace only 80 percent of public housing units at Lakeside Terrace.

Noting the relocation vouchers were good for only 60 months, Councilperson Patt asked how long the replacement units would remain affordable. Mr. Levavi answered proposed on-site buildings would be subject to tax credit rules, which are 15 years. At the end of the compliance period, the Housing Authority would have the right of first refusal to purchase the property. The Housing Authority would presumably purchase this partnership and keep it as permanent affordable units. In response to Councilperson Patt, he clarified the partnership would be the entire development. Mr. Levavi said there would be many tools such as bond or private financing to purchase this property at the end of the compliance period.

Mr. Sciortino did not anticipate providing an option for the Housing Authority to purchase the property, and this has not even been discussed. Mr. Sciortino explained the Housing Authority owned the land at Lakeside Terrace. Brinshore would have a ground lease on the land for 30-40 years. Mr. Sciortino expected the property to be affordable for the next 40 years. He stated that

Brinshore would have no objections to the development remaining affordable for more than 40 years. The ground lease controls what would happen after 40 years.

Councilperson Patt stated that HUD regulations require local governments to approve a Housing Authority's replacement housing plan. She indicated that she would not vote for anything that did not include an additional 32 units. Dr. Tyler replied that the goal of Alternative 1 was to meet the City's policy as stated and consider fiscal implications. It implied a commitment for 32 other units; approval would be contingent upon this. Dr. Tyler explained that funding is critical since it will require giving up other programs. The choices involve a range of housing types and affordability to meet different goals. Staff was trying to "take a pulse" to see what the City of Urbana would support. The City is a potential funding partner in the partnership with the private developer, Housing Authority, and the State of Illinois. One possibility for Alternative 3 would be the State of Illinois providing match funds to support this level of public housing without using CDBG and HOME funds.

Mayor Satterthwaite stated the alternatives were not yet fleshed out. The discussion was to consider redevelopment of Lakeside Terrace and the Kerr Avenue sites--the financial aspects, mix of units, and impact on Section 8. Councilperson Patt commented that redevelopment of the land was not high on her priority list, and housing of low-income persons must be part of this proposal.

Noting the land is free and there were tax credits, Councilperson Patt wondered how it could cost \$141,000 per unit to develop this housing. She felt this was more costly than building a single family home even when the land had to be purchased. Mr. Sciortino explained that constructing higher quality affordable housing is more costly than constructing market rate housing. In order to offset fear of public housing, the product must be better than what a contractor would build in a market rate setting. Also, affordable housing has larger family size units, such as three to four bedrooms, versus typical market rate units of one to two bedroom units.

In response to Councilperson Patt, Mr. Sciortino said all hard and soft construction costs are 35 percent more for affordable housing projects than market rate projects. One reason is that IHDA requires all projects to pay union wages. Also, federal funds require Davis Bacon that will raise the cost 15-20 percent. Additional soft costs include professional costs and reserves. IHDA requires substantially more in reserves than a market rate project. For a market rate project, a developer would allocate 20-25 percent of the total development costs for soft costs. However, for an affordable housing project, a developer would allocate 35-40 percent for soft costs.

Councilperson Patt felt there was an interest in making Alternative 1 work, but the cost was high and hard to justify to the taxpayers. She questioned the cost per unit as compared to a single family house. Mr. Sciortino noted that one of their recent projects cost \$248,000 per unit in Chicago.

Mayor Satterthwaite requested clarification of the Housing Authority's Section 8 Program. He mentioned hearing different things: (1) there is a current pool of 1050 Section 8 vouchers, (2) the demolition of Lakeside Terrace would add 60-70 vouchers to the program, and (3) there is a pool of money that funds the vouchers, with the number of vouchers based on participants' income levels. Mayor Satterthwaite asked how often the Housing Authority reassesses its Section 8 Program to determine if they may "put more vouchers on the street." Mr. Bland

answered that the Housing Authority did that assessment a few weeks ago. Based on the budget authority, the Housing Authority will add more vouchers on the street. Mayor Satterthwaite inquired (1) if the Housing Authority would have a dollar amount coming into the program that would equate to 60-70 additional vouchers, or (2) the Housing Authority would have the ability to fund 60-70 vouchers whatever the cost would be for the Lakeside Terrace families. Mr. Bland indicated that the Housing Authority would receive additional money that would equate to 65-70 percent just for those families moving out of Lakeside Terrace.

Referencing a HUD letter regarding demolition of Burch Village, Mayor Satterthwaite said that HUD was providing 49 vouchers for 70 units. He asked if HUD provides an annual check that equates the corresponding number of vouchers. Mr. Bland replied yes, there is a dollar value included. Concerning an alternative that includes 48 units of public housing, Mayor Satterthwaite asked if the Housing Authority would allocate 48 units of project-based public housing and then pay the difference between the developer's rate and what a family could afford to pay based on 30 percent of their adjusted gross income. Mr. Bland answered that the developer would apply for project based vouchers. If a Section 8 client moved into that particular unit, the client would pay the same rent as if the client lived at Lakeside Terrace. The federal government will make up the difference.

Mayor Satterthwaite asked if a Section 8 voucher was attached to a unit at 40 percent Area Median Income (AMI), was the rent capped? Mr. Sciortino reviewed the rents at 40 percent AMI and the market rate for one, two and three bedroom units. Mayor Satterthwaite clarified that a project based Section 8 voucher covers the difference between what a family can afford and the actual rent. This money would come out of the Housing Authority's Section 8 pool. If the Section 8 voucher was tenant based rather than project based, the tenant could rent anywhere in the community. If the market rate was higher, the Section 8 pool would have to pay a higher amount to make up the difference. Assigning Section 8 project based units to 40 percent units will result in a lower cost to Section 8 than others because the rent is capped at a lower amount. Mr. Bland agreed. Rather than one-for-one replacement, Mayor Satterthwaite said the Housing Authority could afford more project based Section 8 vouchers than tenant based Section 8 vouchers. Because the rent would be lower in the new development, Mr. Bland said the Housing Authority would be able to put additional vouchers "on the street."

Councilperson Patt noted the Housing Authority's memorandum indicated that the funding term for replacement units at Burch Village was only for 12 months. Mr. Bland answered that every year there is a new appropriation for Section 8, which has grown since 1962. Every person who actually has a voucher continues to be served. Public housing units are also only funded on a yearly basis. Councilperson Patt asked about HUD regulations that would guarantee funding for relocation of public housing tenants for a certain time period. Mr. Bland referred to HUD's track record of continual funding of relocation vouchers. Councilperson Patt mentioned attempts to cut the total number of vouchers. She was concerned with the trend to eliminate public housing and then using Section 8 vouchers from the existing pool.

Councilperson Patt asked if there were any guarantees from HUD regarding the life of the replacement vouchers. Mr. Levavi said that HUD was concerned about residents being moved and those residents had rights under the Uniform Relocation Act. HUD will provide the Housing Authority additional vouchers for redevelopment; however, he was not aware of the time commitment. All funding is subject to the annual appropriation, and there are no guarantees

from the federal government. Mr. Levavi added that HUD has always funded Section 8, which is a popular program with bi-partisan support. Section 8 is the preferred method of providing housing today, and it is likely to continue. Councilperson Patt referenced proposed regulation to cut Section 8 funding.

Councilperson Patt asked if the persons being relocated would need to first pay the relocation costs and then be reimbursed. Mr. Bland answered no; the Housing Authority will bear the relocation costs up front. Families have a choice of either the Housing Authority hiring a moving company or taking the money and moving themselves. Each family is eligible for about \$2,000 in family relocation costs, which include deposits for utilities, security deposits, etc. Federal law requires the Housing Authority to do this. Mr. Bland explained that the relocation plan is a draft and has not been finalized.

Councilperson Danielle Chynoweth asked if Brinshore Developers' involvement would be the same in both Alternatives 1 and 2 and if CHDOs would develop the additional 32 units. Mr. Grewe replied yes; the City would collaborate with others. Councilperson Chynoweth expressed concern about losing capacity to support local CHDOs and asked if Alternative 1 would continue that support. Mr. Grewe said the alternatives did not address the impact on CHDO funds because these funds are a 15 percent setaside from HOME funds. Dr. Tyler confirmed that Alternative 1 had a deficit that would affect current programs.

Councilperson Chynoweth wondered about the unit cost for public housing units. Mr. Sciortino said this was no different than any other unit since all units float. For example, if a market rate unit becomes vacant and there is a need to occupy it with a public housing tenant, the unit then becomes a public housing unit. The apartment units are not permanently assigned to be public housing or affordable units.

Councilperson Chynoweth asked if the City's portion of costs through CDBG and HOME funds is \$50,000 per public housing unit in Alternative 1. She compared the City's funding formula to what was being provided for persons in need. She noted that the City would pay nine percent of the overall costs of the redevelopment project.

Referencing the local rental market, Councilperson Chynoweth believed there were enough market rate units and did not see enough units for those under 30 percent AMI. Councilperson Chynoweth referred to the recent homes constructed by local CHDOs and noted the most expensive unit was \$120,000, which is lower than Brinshore's proposal. If the CHDOs could build three bedroom homes for \$120,000-\$130,000, she asked why the City should consider funding smaller housing units for \$141,000 each. Noting there should be an economy of scale and that the land would be donated, she asked why Brinshore's units were more costly.

Mr. Sciortino clarified that there were \$1,000,000 in site costs associated with property acquisition. Alternative 1 assumed the City of Urbana would get repaid for property acquisition. Referencing rental costs, he noted there was a huge difference between a new rental unit and one in an older development, because people are willing to pay more rent for a new unit. The market study indicated these rents would be substantially below the area market rents. Mr. Sciortino discussed building less expensive single-family homes versus apartment units. He referenced the new urban design of Burch Village apartments, which were designed to resemble single-family

homes rather than an apartment community. Although there are cost savings due to economy of scale, the developer used higher quality components than are usually found in apartments.

Dr. Tyler remarked that there are different types of housing units that serve different parts of the population. There is a need to find sites, build CHDO capacity and develop another subdivision similar to Eads at Lincoln. The challenge is achieving this in addition to addressing the needs of public housing. The goal is to create a community of choice and achieve both objectives, if possible. Dr. Tyler commented on the loss of public housing units and struggling with new federal policies. Because the Housing Authority's new projects focus on mixed income units, staff must balance many concerns to avoid losing public housing altogether.

Councilperson Chynoweth asked (1) if the alternatives included management costs, and (2) who will pay for on-going management—the developer, the Housing Authority or the City of Urbana. Mr. Sciortino replied that the development budget does not reflect the cost of managing the property and paying for the debt service. Market rate and affordable rents plus project based vouchers will pay for operating expenses, property management and debt services. Councilperson Chynoweth asked if the developer would require additional funds from the City of Urbana or the Housing Authority. Mr. Sciortino replied that the Housing Authority would provide funds in the form of voucher payments, but there would be no other funds from the City.

Councilperson Chynoweth asked how long Brinshore Development would be involved in the project. Mr. Sciortino said the minimum period of time would be 31 years for an extended use period. Although the low income housing tax credits have a life of 15 years, Brinshore is willing to discuss a longer affordability period with the Housing Authority and the City of Urbana.

Referencing the business plan's moving from 30 to 40 percent AMI, Councilperson Chynoweth wondered if there would be a written guarantee this project would serve persons at 30 percent or below AMI. Mr. Sciortino answered that there were two practical reasons for earmarking units at 40 percent AMI versus 30 percent AMI. When you limit the percent of household's income, you must limit the rents to adjust to those same household incomes. Higher rents can be charged for 40 percent AMI units than 30 percent AMI units. If the number of higher income households is reduced, this would result in less income coming into the project. This means less money for debt service and would require more HOME funds to subsidize the debt service. He assumed the private loan would be maximized to the highest extent possible. Brinshore is not opposed to more units at 30 percent; however, this would require additional HOME funds. Mr. Sciortino added that the tax credits through the State of Illinois are obtained in a competitive process. Because an applicant gets points based on income distribution, there should be some units at 40 percent AMI.

Councilperson Chynoweth wanted to make certain there were a number of units available to the poorest of the poor. She inquired about a guarantee that the 80 units in Alternative 1 would be reserved for the poorest of the poor regardless of their ability to pay. Mr. Sciortino replied there would be a regulatory operating agreement with the IHDA that would set aside 20 units for families at 30 percent AMI. This would be the controlling document for the operation of the development. Also, the City and Housing Authority could stipulate in land use agreements and ground leases that include restrictive covenants that run with the land on affordability of units. He stated that the Housing Authority, rather than the developer, would have to guarantee that the 80 units would be built.

Mayor Satterthwaite asked if the Housing Authority would refer potential tenants for the project-based Section 8 vouchers or if potential tenants could apply directly to the developer. Mr. Sciortino said the application process could be structured any way, and Brinshore would want the Housing Authority to refer tenants.

Referencing the City of Urbana's Capital Improvement Projects (CIP), Councilperson Chynoweth asked if CIP funds could be used rather than CDBG. Dr. Tyler responded that all funds are stretched so thin that each city ward has a longer list of projects than can be funded. Some CDBG funds are used in eligible wards. She noted there will be tradeoffs with any alternatives. Mayor Satterthwaite agreed that if a project was added or accelerated in the CIP, something else had to give. In response to Councilperson Chynoweth, Mayor Satterthwaite said the most of the funds for Stone Creek generally did not come out of the CIP but rather the general reserves.

Councilperson Chynoweth suggested considering the following: (1) what kind of equalized assessment value (EAV) and tax increase would be added to the City of Urbana, and (2) can the projected tax increase be used to invest in this redevelopment. Dr. Tyler replied this was one way to fund the project. Creating another Tax Increment Financing (TIF) district is cumbersome, but they have been used successfully. Residential TIFs have their own requirements and are more rigorous in terms of reporting than commercial districts. Councilperson Chynoweth asked if a TIF was needed since the taxes would go into the general fund. Dr. Tyler answered that only a small portion (15-20 percent) of the taxes goes into the general fund to pay for services associated with the TIF. If the City wanted the project to pay for itself, a TIF would be a good approach. However, it brings a host of other obligations. The City is currently managing four TIF districts and working with other taxing bodies.

Councilperson Chynoweth asked if any residents at Lakeside Terrace were involved in the redevelopment process. If the goal is not mixed income residential but to get rid of the stigma and reduce crime, mixed income housing is a means to the end. She felt it was more important to work with the residents to address crime and stigma rather than to build nice housing.

Commissioner Joanna Shisler remarked that she and Commissioner Dennis Vidoni had attended two of the four focus group meetings for residents at Lakeside Terrace about 18 months ago. Residents told developers what they wanted in a new environment. In response to Councilperson Chynoweth, Mr. Bland said the Housing Authority is required to keep residents informed and has done so in the past. The residents are aware of what will happen; they want new housing; and they fully support the Housing Authority to bring about a change of life. The Housing Authority will continue to hold more informational meetings for the residents. When the redevelopment plan has been determined, the Housing Authority will accelerate the meetings.

Commissioner Fred Cobb asked if Brinshore would be the on-site developer construction manager. Mr. Sciortino replied that Brinshore will be the on-site construction manager but not the general contractor, who will actually build the units. Brinshore will share an on-site office with the general contractor. Commissioner Cobb asked (1) if Brinshore would accept the bids, (2) what would happen if the project came in over budget, and (3) what was Brinshore's minority participation. Mr. Sciortino responded that the general contractor accepts the bids. If the project was over budget, costs come out of the developer's fee. If the costs were under budget, IHDA

has a formula where funding agencies receive funds on a pro-rata basis. Brinshore's highest minority participation in Illinois was over 60 percent, with 35-40 percent in Galesburg and Rockford.

Councilperson Ruth Wyman asked if Lakeside Terrace residents were informed and understood that half of the current residents would not return after the redevelopment. Mr. Sciortino replied that the meetings were held before the Housing Authority had procured Brinshore. He noted that Brinshore sets up meetings and invites community participation in all of their mixed income redevelopment projects. There were three to four meetings with a working group of community representatives for Burch Village, and the project was redesigned. Community meetings are held when certain milestones are reached. Mr. Bland stated there will be additional focus meetings with Lakeside Terrace residents. He stated that the residents clearly understand that not all will return. Some residents do not want other residents back. Councilperson Wyman asked if the residents voted on who would return. Mr. Bland said the residents are involved in the process.

Noting the City of Urbana was expected to contribute \$3, 500,000 through CDBG and HOME funds, Councilperson Wyman inquired about the Housing Authority's contributions either yearly or over a nine year period. Mr. Bland explained that the Housing Authority has submitted a grant application to HUD for \$1,000,000 to demolish Lakeside Terrace and relocate residents. If they do not receive the grant, the Housing Authority will raise the funds through revenue bonds or leverage capital funds to generate other funds. Councilperson Wyman asked if the Housing Authority could use both the grant from HUD plus raise other funds to create more housing opportunities for affordable housing. Mr. Bland replied when public housing is demolished, the Housing Authority would get replacement funds, which is a separate fund that can only be used to build new units. These funds have not been included. Mr. Bland anticipated that HUD's formula would allow the Housing Authority to replace 20-25 units over a period of time.

Mayor Satterthwaite requested more information about HUD's formula, how much the Housing Authority program would receive, and how many units this would equate. None of the alternatives include these replacement units; they would be in addition to the alternatives. Councilperson Patt asked if these were additional units beyond the 32 undefined units. Mayor Satterthwaite responded yes.

Councilperson Wyman wondered about the impact of Lakeside Terrace's redevelopment on programs funded through CDBG and HOME. She asked if programs would be lost or diminished and if the CHDOs would still be around to address additional needs for low income households. Mr. Grewe answered that CHDO money would be reserved because it is a set-aside. Using Urbana's allocation, Alternative 1 would be a very intense investment for the City of Urbana and would eliminate the owner-occupied housing rehabilitation program, property acquisition, and Eads at Lincoln type developments. Mayor Satterthwaite remarked that 15 percent of the total HOME funds are set aside for CHDO funding. Dr. Tyler stated there would be fewer City of Urbana dollars allocated to the CHDOs for their projects; however, the City of Champaign would still have its HOME allocation. Alternative 1 would result in losing one staff person. The City would need to hold off on the Whole House Rehabilitation Program for a period of time. The question is whether to build new housing versus rehabilitating older houses. It is possible that bond cap or TIF funds may prevent this.

Councilperson Wyman asked when the Housing Authority receives its demolition permit, will the Housing Authority have the authority to and plan to demolish Lakeside Terrace with or without the City of Urbana's approval. Mr. Bland stated the Housing Authority wanted to collaborate with and get the support of the City of Urbana. Councilperson Wyman stated that the City of Urbana also wants to collaborate and asked about authority to proceed. Mr. Bland said this would need to go before the Housing Authority Board for approval, and he assumed the Board would want the City of Urbana's agreement, as would HUD. He noted the planned redevelopment reflects the national trends toward mixed income communities.

Councilperson Wyman said it appeared that the Housing Authority did not need either HUD's or Urbana City Council's approval to demolish Lakeside Terrace. She then asked if the Housing Authority would proceed with demolition if its Board gave approval. Mr. Bland replied that the Housing Authority had a net fiscal year loss of \$48,981 on Lakeside Terrace. Lakeside Terrace is not financially supporting itself and does not attract working families. For the Lakeside Terrace community to survive it must be redeveloped to fit into the community. This will also positively enhance the adjacent properties.

Councilperson Wyman understood that mixed income housing was good; however, she did not see a great need to use taxpayers money to create more housing in the community for households at 60 to 80 percent of AMI. She preferred using CDBG and HOME funds for very low income families. Councilperson Wyman was more concerned with using taxpayer money to alleviate homelessness in the community. She questioned considering an alternative that did not meet minimum requirements and wondered if the City of Urbana did not fund this project, would other CHDOs address the need.

Dr. Tyler responded that Alternative 3 was to consider what the result would be if the City of Urbana did not participate. Points to consider would be the net result, how many public housing units would be affected, and what the City would do with its allocation. She questioned whether the State of Illinois would participate if the City of Urbana did not use some portion of its entitlement funds. Noting this is not finalized, she believed there would be a net loss of public housing units at Lakeside Terrace under this alternative. Mayor Satterthwaite remarked that Alternative 3 was a baseline that did not require any funding from the City of Urbana. Points to consider would be what benefit does the City receive by funding the project, how is the money being used, and what is the impact on affordable housing.

Noting she was not familiar with Brinshore Development, Councilperson Wyman preferred to provide more affordable units for very low-income households with children rather than constructing nice apartments. She also did not want to decrease the number of affordable housing units.

Commissioner Robert Lewis mentioned the Community Development (CD) Commission's discussion of CDBG and HOME funding. The CD Commission has realized that federal funds are diminishing which limits the types of projects that can be funded. He suggested investing in bigger projects for a longer period of time. Although the Housing Authority received significant funding for upgrading over the years, Commissioner Lewis stated the Housing Authority does not have enough funds to "take care of business." He suggested investing the bulk of those funds into a project that will create quality housing. Commissioner Lewis commented that HUD wants

out of the housing business. Noting that Lakeside Terrace is at a point of diminishing returns, he saw the redevelopment as a way to provide an opportunity for growth.

Commissioner Dennis Vidoni remarked on city staff's and the CD Commission's legitimate concerns about the loss of federal funds. He proposed Housing Authority funds could possibly mitigate some of the City of Urbana's losses. Mayor Satterthwaite agreed and asked what was the nature of Housing Authority funds available for replacement of public housing units or for the redevelopment project. Mr. Grewe responded this would be a new opportunity that has not been included in the alternatives yet.

Mr. Sciortino stated that the City of Urbana's involvement, which was shown as \$3,500,000, was not accurate. The \$1,000,000 for purchasing the Kerr properties would be repaid. Also, \$1,000,000 was for 32 units for CHDOs to build housing for households at or below 30 percent AMI. The City of Urbana would only be providing \$1,500,000 of city funds into a \$32,000,000 project. He pointed out that \$30,000,000 was coming from outside of Urbana to create new affordable housing in Urbana. Mr. Sciortino mentioned applying to IHDA for HOME funds.

In response to Councilperson Patt, Mr. Grewe said the \$1,000,000 for property acquisition was a combination of HOME and CDBG funds. Mayor Satterthwaite said the funds would be returned to the line item from where it came. Mayor Satterthwaite asked if the City acquired the Kerr properties and if the developer partnership paid the City for the properties, the City would no longer own the properties but would get the use of the returned funds. Mr. Sciortino explained that Brinshore was treating the funds as a loan from the City of Urbana that Brinshore would pay back. It would be similar to seller financing, with the City having a loan against the property for \$1,000,000 that would be paid back over a period of time. The time could range from 15-30 years. HOME funds typically require no payment of interest but there would be a balloon payment at the end of the project for the entire amount of the HOME funds. There could be a 30 year amortization period with no payments or it could be fully amortized. It has yet to be determined.

Councilperson Patt questioned the likelihood of the City of Urbana getting paid back within nine years. Mr. Sciortino said that he did not know about the timing. If IHDA was inclined to provide HOME funds, those could be used for land acquisition. Mayor Satterthwaite remarked that the City could craft the payback in any way. The City could negotiate for an earlier payback, if another funder wanted to wait until later.

Concerning stigma in public housing units, Councilperson Jim Hayes commented that persons who live at Lakeside Terrace "have a destination rather than an address." Mr. Sciortino said it was Brinshore's intent to create a new image and community for the property at Lakeside Terrace. Market rate tenants bring different perspectives to a neighborhood, which is why marketing is so important. Transforming public housing communities into mixed income communities changes the entire tenor of development. Mr. Sciortino said this takes more than bricks and mortar, and encouraged the City of Urbana to be involved in this process. Councilperson Hayes felt the Lakeside Terrace location near Crystal Lake Park deserved a better image.

Councilperson Chynoweth requested more information and suggested reducing the cost per unit by varying the amenities. She also requested a list of current projects that would be affected by

redirecting the funding. She recommended that City Council and the CD Commission not completely give up programs on housing rehabilitation and homeownership. Councilperson Chynoweth requested figures on replacement housing factor funding and TIF exploration or a reinvestment of the City's portion of taxes over 30 years. She suggested leveraging some general fund future dollars, using the 30 unit project to build local CHDO capacity, and distinguishing acquisition loans versus grant funds.

Concerning the 32 single family in-fill homes, Councilperson Patt asked if the City's vision for owner-occupied homes was for higher incomes or for public housing equivalent. Dr. Tyler replied the scattered sites should be for public housing equivalent. Councilperson Patt wanted to know the federal legal requirements on demolition and relocation, not just what HUD preferred. She wanted definitive answers on whether or not the Housing Authority can move forward on demolition and redevelopment without city approval.

Commissioner Lewis referred to an annual assessment of the Housing Authority's five year development plan. Part of the five year plan encompasses any type of demolition and redevelopment. When the Housing Authority submits the annual plan to the cities for approval, the municipal governments grant approval by approving the annual plan. Councilperson Patt stated that plan referred to 80 public housing units, so Alternative 3 was not approved by the City of Urbana. Commissioner Lewis said the document referred to demolition. Councilperson Patt replied the plan indicated the City would approve demolition if a replacement plan would include 80 permanent housing units. Dr. Tyler added that the plan refers to an acceptable redevelopment plan. In the City's last review of the Housing Authority's Annual Plan, the City made sure the demolition was tied to the redevelopment plan. The City was poised well in regards to the City's Consolidated Plan, the PHA plan, and HUD regulations.

Councilperson Patt wanted to know if the Housing Authority could go forward with Alternatives 2 or 3 if the City signed off on changing the plan. Dr. Tyler would need to find the answer.

Public Participation: John L. Johnson said that Brinshore and the Housing Authority were committed to a mixed income project. Because Congress, HUD and IHDA require this, the only way to move forward would be with a mixed income project. He suggested more site-based vouchers to allow more low income persons to live there. He noted the developer would want higher income persons to live there since they would pay higher rent. Mr. Johnson also suggested having a non-profit agency such as a CHDO do the project. This would not change the Housing Authority's responsibility or the fact that nonprofits must compete with other programs to get funding.

Mr. Johnson stated the Eads at Lincoln project did not have to meet prevailing wage standards because it was a smaller project. A developer must meet prevailing wage rates on larger projects.

Stating that the era of Lakeside Terrace projects is over, Mr. Johnson urged the City of Urbana to consider single family development. He asked who would manage the project over the long term before it was turned over to the Housing Authority. He was concerned that the housing units be sturdy so the property will last, since the Housing Authority will not accept rundown property. Mr. Johnson stated the Housing Authority and private developer must meet the City of Urbana's terms, such as meeting codes, setting an affordability period, and providing a demolition permit.

Mr. Johnson discussed choosing a private developer versus using a CHDO to build replacement units. If the City wanted a CHDO to create housing, he suggested using the Consolidated Plan and the Annual Action Plans. Stating that Lakeside Terrace is not self-sustaining, Mr. Johnson encouraged the City to work out a solution with the Housing Authority to create homeownership opportunities. He felt that many Lakeside Terrace residents would not return, but a strategy could be developed for them. Mr. Johnson stated the City and Housing Authority did not need the private market to do this redevelopment. The Housing Authority would contribute money to the project, with the rest from local banks and Federal Home Loan Bank. He encouraged the City of Urbana to drive the project, provide terms for the private sector, and try to mitigate future blight.

Jeffrey Ford, formerly with Habitat for Humanity and now on the Housing Authority Board, discussed past efforts to work with nonprofit housing providers to develop small neighborhoods. Mr. Ford stated that nonprofits do not have the capacity to take on projects and suggested asking them about their capacity. He was very concerned about increasing the number of low income units in the community. He saw the redevelopment of Lakeside Terrace as a base project. Mr. Ford supported this redevelopment project as the best way of solving problems at Lakeside Terrace and maximizing the amount of housing. The Housing Authority does not have funds to do this project by itself since it is also redeveloping Burch Village. There is no big pool of funds. Noting that a great deal of work has gone into this, Mr. Ford wanted to work with Brinshore. He also suggested building the capacity of nonprofit agencies so they could also address these issues.

Councilperson Patt asked if the nonprofit agencies had the capacity to construction 32 of the 232 units. Mr. Ford responded the nonprofit agencies could take a piece of the redevelopment but they could not do the entire redevelopment. For example, Habitat for Humanity could construct eight units, Urban League 10-15 units, and Homestead five units per year. He stated that a nonprofit agency must have demonstrated capacity.

Councilperson Patt asked if the Housing Authority Board was interested in reducing the number of housing units that it was managing. She asked if the City build 80 scattered site single-family units, would the Housing Authority be able to manage them? Mr. Ford replied that he was interested in building and maintaining capacity for low income families in the community. He added that the Housing Authority cannot redevelop Burch Village and Lakeside Terrace and solve capacity issues in the same development. Although he felt that HUD's policies were misguided, he noted that options were quickly narrowing and suggested being careful about what the Housing Authority could and could not do.

Councilperson Patt wondered about selling Lakeside Terrace and starting somewhere else. She questioned how much the Housing Authority wanted to manage property, either at scattered locations or current units. Mr. Ford replied that, speaking for himself, he was not specifically opposed to managing property. Given the Housing Authority's current capacity, he did not see any way to rehabilitate Lakeside Terrace.

Mr. Johnson stated there were benefits to using area CHDOs to construct housing rather than using a private developer. Mr. Johnson felt the City of Urbana had the resources to bring the project to life and could help the Housing Authority redevelop Lakeside Terrace. He noted that

the City of Champaign had Oak Trace, Mansard Square, and Burch Village in the same development period and they also had the CHDOs operating. He questioned why this would overwhelm the City of Urbana.

Clyde Walker, chairperson of the Housing Authority Board, described his choice as a single parent to raise his children in low-income housing. Rather than struggle to earn more and live in more expensive housing, he chose to spend more time with his children. Mr. Walker also participated in the redevelopment of Parkside Mansard. He did not want others to grow up and deal with issues in low-income housing as he had. He attended meetings, provided input, and listened to the pros and cons of reducing the number of units of public housing. His discussions with other low-income persons revealed that they also preferred fewer units of low-income housing to having concentrated areas of low-income units. Mr. Walker felt that large numbers of low-income units result in problems with drugs, crime and complacency by residents. Noting that many residents become complacent with their situation, Mr. Walker found their attitude affecting him.

Mr. Walker supported the Housing Authority's proposal. He would like 80 percent of the public housing units preserved—even 100 percent if they were not concentrated in one area. Although Mr. Walker agreed with the Urbana City Council's concerns, he said he was a voice for persons who lived at Lakeside Terrace. Mr. Walker noted the project would “get us out of our comfort zone” to make changes happen. He felt the majority of displaced persons will have chosen to go elsewhere, rather than going against their will.

Mayor Satterthwaite asked if Mr. Walker supported the Housing Authority's proposal because Lakeside Terrace is not a viable place for low-income families. Mr. Walker responded that the biggest problem was not actually the housing units but rather the problems when people are forced to live in one small area. These persons share the same dilemma and compromise their sense of right and wrong to survive. People from outside the community lobby the residents to participate in illegal activities. The rest of the community then holds the low-income residents at arms-length because of the stigma.

Adjournment: Mayor Satterthwaite adjourned the meeting at 10:17 p.m.

Recorded by Connie Eldridge



Housing Authority of Champaign County

INTEROFFICE MEMORANDUM

To: Tod Satterthwaite

From: Edward Bland

Subject: Response to Lakeside Terrace Questions/Issues from City of Urbana Council/CDC Study Session on January 28, 2004

Date: Thursday, February 19, 2004

cc: Matthew Hogan
Libby Tyler
Bob Grewe

Lakeside Issues: HACC Response

1. Use of Vouchers/Replacement Housing Plan.

Replacement Vouchers. The HACC has applied for 96 additional vouchers for use in the relocation of current residents – we are anticipating receiving approximately 75 relocation vouchers and 21 replacement housing vouchers (see attached PIH Notice 2002-21, 4 (a)). The addition of these 96 vouchers to the 49 relocation vouchers from Burch Village, 92 replacement vouchers for Scottswood Manor, and the 150 newly issued vouchers from our current budget authority (approximately \$478/month per unit), the HACC is anticipating administering 1,498 Section 8 Housing Choice Vouchers by the fall of 2004. This will increase the total HACC Section 8 Department's annual rent subsidy from approximately \$6.3 million to approximately \$8.5 million.

Project-Based Section 8. According to 24 CFR 983.3 (see attached 24 CFR 983) a public housing authority is limited to converting 15% of their Section 8 vouchers to project-based assistance. The HACC anticipates having the ability to convert up to 224 vouchers to project-based assistance; however, only 40 to 90 are being projected for conversion for our first 2 public housing site redevelopments, Burch Village and Lakeside Terrace.

Replacement Housing Funds. In addition to the planned redevelopment of Lakeside Terrace, the HACC plans to maximize the use of HUD allocated Replacement Housing Funds (see attached PIH Notice 2003-10) that will be received from the demolition of Burch Village and Lakeside Terrace. At this time not enough information is available from HUD as to the amount of funds the HACC will receive. Based on a past demolition project at Burch Village, we estimate \$2,100 per unit over a 5 year period with a possible 5 year extension (10 years total). With this base to work from, the HACC would possibly receive up to \$348,600 a year for 5 to 10 years (5 years = \$1,743,000 or 10 years = \$3,486,000). These funds,

however, can only be used for replacing public housing units and not for project-based section 8 units. These new public housing units will be separate from the Burch Village and Lakeside Terrace redevelopment projects.

2. Demolition Policy.

On January 6, 2004 the HACC submitted the application for demolition of Lakeside Terrace to HUD's Special Application Center. The justification for demolition of Lakeside Terrace was based on this public housing sites' obsolescence (see attached HUD Form 52860 – Demolition/Disposition Application) and the application was completed in accordance with the HUD demolition regulations found at 24 CFR 970 (see attached 24 CFR 970). The HACC anticipates receiving approval for demolition of Lakeside Terrace by April 1, 2004.

8. Schedule.

Edward Bland, Matthew Hogan, and any other HACC staff person will be available to attend Lakeside Terrace Working Group meetings as needed.

13. Public Participation.

The HACC has scheduled monthly Lakeside Terrace Resident Meetings through May 2004:

- February 20, 2004 at 2:00 pm
- March 19, 2004 at 2:00 pm
- April 16, 2004 at 2:00 pm
- May 21, 2004 at 2:00 pm

Additional meeting dates and times may be necessary.

15. Review/Revise Relocation Plan.

The HACC will distribute an updated draft of the Lakeside Terrace Relocation Plan to the residents of Lakeside Terrace at the February 20, 2004 meeting. The City of Urbana staff, City of Urbana council, Brinshore Development, relevant local agencies, and the HUD Office of Community Planning and Development will receive the draft plan after the February 26, 2004 HACC Board of Commissioners meeting. The HACC will receive comments for the Lakeside Terrace Relocation Plan until 5 pm on Thursday, April 15, 2004.



U.S. Department of Housing and Urban Development

Public and Indian Housing

Special Attention of:
Public Housing Office Directors;
Program Center Coordinators; Public Housing
Agencies

Notice PIH 2002-21 (HA)

Issued: October 2, 2002

Expires: Indefinite

Cross References: OMB Approval No.
2577-0169. Supersedes Notice PIH 2001-20
(HA) issued June 21, 2001, expiring June 30,
2002.

Subject: Submission and Processing of Public Housing Agency (PHA) Applications for Housing Choice Vouchers for Relocation or Replacement Housing Related to Demolition or Disposition (Including HOPE VI), and Plans for Removal (Mandatory Conversion) of Public Housing Units Under Section 33 of the U.S. Housing Act of 1937, As Amended.

1. **Purpose.** The purpose of this Notice is to advise PHAs that they may apply for funding for housing choice vouchers to assist with relocation or replacement housing needs resulting from the demolition, disposition or mandatory conversion of public housing units. In addition, this Notice advises PHAs and local HUD Field Offices of the procedures for submitting a request for housing choice vouchers and the processing requirements.

The term local HUD Field Office will be used throughout this Notice to mean the local HUD Field Office Hub or local HUD Field Office Program Center.

2. **Categories of Eligibility.** A PHA that qualifies under either of the two categories listed below is eligible to submit an application for housing choice voucher funding for relocation or replacement units on the basis of demolition, disposition or mandatory conversion in the current fiscal year or in any prior years for which the PHA has not been fully compensated for the loss of public housing units.
 - a. The PHA has a HUD-approved application for demolition or disposition; a HUD-approved (or conditionally approved) HOPE VI Revitalization Plan that contains a demolition approval; or a HUD-approved plan for removal (mandatory conversion) of public housing units under Section 33 of the U.S. Housing Act of 1937, as amended.

- b. The PHA has reported to HUD's Special Applications Center (SAC) on form HUD-52860, Demolition/Disposition Application, that it is demolishing the lesser of 5 units or 5 percent of the units in its inventory during a five year period, where the vacant space will be used for meeting the service or other needs of public housing residents, or the units to be demolished are beyond repair. (An application requesting HUD's approval of demolition in such instance is not required, based upon provisions in Section 531 of the Quality Housing and Work Responsibility Act (Public Housing Reform Act) of 1998 (PL 105-276) effective as of the date of the publication of the Public Housing Reform Act of 1998; Initial Guidance; Notice in the Federal Register on February 18, 1999.)

If the PHA has already been fully funded for relocation or replacement housing units under the housing choice voucher or certificate program, public housing development, vacancy consolidation, condemnation proceeds, replacement insurance, Major Reconstruction of Obsolete Projects (MROP), HOPE VI, Comprehensive Improvement Assistance Program (CIAP), Comprehensive Grant Program (CGP), or the Replacement Housing Factor at the development, the PHA is not eligible for housing choice voucher funding for relocation or replacement housing. For example, if a PHA received housing choice voucher or certificate funding for the relocation of a public housing resident living in a public housing unit to be demolished, the PHA is not eligible to receive replacement funding for the same unit under the housing choice voucher program. Similarly, if a PHA received public housing development funds to replace a demolished public housing unit, the PHA is not eligible to receive relocation or replacement funding for the same unit under the housing choice voucher program. Likewise, each Capital Fund Replacement Housing Factor unit will offset 15 percent of a voucher, as an approximation for the amount of replacement housing units that the Replacement Housing Factor subsidy can fund. A PHA shall, however, be eligible to apply for funding for relocation vouchers to the extent the number of residents that need to be relocated exceeds the number of replacement vouchers for which the PHA is eligible.

3. **Expanding Housing Opportunities.** PHAs are required, in accordance with 24 CFR 985.3 (g), Expanding Housing Opportunities, to assist families with relocation or replacement housing vouchers in locating suitable units outside areas of low income or minority concentration. This can be accomplished for these families through such actions as providing lists of landlords or other parties who are willing to lease units or help families outside such areas; counseling services to inform families about the benefits of living in lower-poverty and non-minority concentrated neighborhoods; assisting families with transportation to facilitate their visiting potential units; establishing a mentoring program where current voucher holders leasing in lower-poverty and non-minority concentrated neighborhoods provide support to families wishing to also live in such neighborhoods; and networking with real estate boards, property management associations, and other groups and organizations that can assist in locating owners and managers willing to lease units in lower-poverty and non-minority concentrated areas. PHAs are also reminded that under 24 CFR 982.54(d)(5) each PHA administering a housing choice voucher program must address in its administrative plan its policies for "encouraging participation by owners of suitable units located outside areas of

low income or minority concentration.”

The PHA should also explain the relocation benefits to be provided to families, including the assurance of affordable rents, in addition to the PHA paying all reasonable expenses for moving and such moving-related expenses as the PHA determines are reasonable and necessary.

4. **Maximum Voucher Request and Reduction for Underutilization.**

- a. Maximum voucher request. The maximum number of relocation and replacement vouchers that may be requested by a PHA is based upon: the number of units demolished, sold or otherwise disposed of minus the number of public housing units rebuilt with federal funding from HUD. Also, see paragraph 2 of this Notice. The following are examples that illustrate these guidelines:

Example 1: A 500 unit complex is demolished and no public housing units are rebuilt. At the time of demolition approval, 300 of the 500 units were occupied. Families who indicated a preference for relocating with vouchers numbered 200, and 100 families indicated a preference for relocating to other public housing. (Note: See the requirements at 24 CFR 903.2 regarding the deconcentration of all public housing projects by income and provision to tenants of “housing choice” for those wishing to relocate to other public housing units.)

In this example, the PHA may apply for 500 vouchers, of which 200 should be identified as relocation vouchers and 300 identified as replacement vouchers.

Example 2: Same as Example 1, except 200 units of public housing are scheduled to be rebuilt with federal funding from HUD.

In this example, the PHA may apply for 300 vouchers; i.e., the original total of 500 public housing units minus the 200 public housing units scheduled to be rebuilt with federal funding from HUD.

Example 3: Same as Example 1, except 100 public housing units are to be rebuilt with local funds and 100 public housing units are to be rebuilt with federal funding from HUD.

In this example, the PHA may apply for 400 vouchers; i.e., the original total of 500 public housing units minus the 100 public housing units scheduled to be rebuilt with federal funding from HUD.

Example 4: Same as example 1, except 400 public housing units are to be rebuilt with federal funding from HUD.

In this example, the PHA may apply for 200 vouchers; i.e., 100 should be identified as replacement vouchers and 100 should be identified as relocation vouchers.

- b. Reduction for underutilization. In order for a PHA to not have the number of vouchers it is requesting under this Notice reduced by HUD, it must have either a 97 percent lease-up rate or 97 percent budget authority utilization rate for its voucher program. PHAs which do not have either a 97 percent lease-up rate or 97 percent budget authority utilization rate for their voucher program shall have their requested number of vouchers reduced. This reduction shall be commensurate with the dollar amount by which the PHA falls below a 97 percent rate of budget authority utilization; i.e., the number of vouchers that such a shortfall will fund. (Note: Percentages of 96.5 percent but less than 97 percent shall be rounded up to 97 percent.)
 - c. Methodology for calculating lease-up and budget authority utilization. The methodology to be used by HUD in calculating a PHA's voucher lease-up and budget authority utilization rate shall be the same as that used for the Section Eight Management Assessment Program (SEMAP), with one exception. In calculating the lease-up and budget authority utilization rates, HUD will use the most recent fiscal year ended for the PHA for which there is a HUD-approved form HUD-52681, Year End Settlement Statement; or the most recent fiscal year ended for which the PHA has submitted information with its application (following the methodology in Appendix A and using the blank format in Appendix B) where the form HUD-52681 has not yet been processed by HUD; or lease-up and budget authority utilization information submitted by the PHA with its application based upon the most recent 12-month period prior to the PHA's submission of its application. PHAs submitting such 12-month information must follow the methodology in Appendix A and enter the information on the blank form in Appendix B. The Appendix B blank format must be filled out in its entirety, including the certification signatures.
 - d. Moving to Work (MTW) certification. MTW agencies required to report under SEMAP, as well as those MTW agencies not required to report under SEMAP, must submit a certification with their application certifying as to their lease-up and budget authority utilization percentages for their voucher program consistent with the requirements of paragraph 4 b. and c. of this Notice.
 - e. Subsequent year applications associated with underutilization. A PHA that is not eligible to apply for as many vouchers as it would otherwise be eligible for, due to underutilization, may wish to apply for the additional vouchers in a subsequent year when its utilization rate has improved to at least 97 percent.
5. **PHA Submission of Application for Relocation or Replacement Vouchers.** A PHA interested in requesting funding for housing choice vouchers for relocation or replacement of units under categories 2. a. or b. above must submit the following information to the

Director, Office of Public Housing or Program Center Coordinator, as appropriate, in the local HUD Field Office:

- a. A cover letter stating the number of housing choice vouchers being requested, the number of units that will be demolished or disposed of in the public housing development for which housing choice vouchers are being requested, the name and project number of the public housing development, and the funding category; i.e., relocation or replacement. Along with the cover letter, the PHA must also submit a copy of the HUD letter advising the PHA of the approval of the demolition or disposition application, HUD-approved (or conditionally approved) HOPE VI Revitalization Plan that contains a demolition approval, or HUD-approved plan for the removal (mandatory conversion) of distressed public housing units under Section 33 of the U.S. Housing Act of 1937, as amended. (A copy of the HUD approval letter is not applicable in the case of a demolition covered under paragraph 2.b. of this Notice. However, the PHA must provide either a copy of the letter of acknowledgement from the SAC regarding such a demolition, or a copy of the form HUD-52860 and a dated copy of the transmittal letter to the SAC where a letter of acknowledgement from the SAC has not yet been received.)
- b. Form HUD-52515, Funding Application.
- c. The number of housing choice vouchers needed for relocation and those needed for replacement, and an indication as to whether any of the requested vouchers are specific to a HOPE VI project. The PHA submission must identify the number of vouchers to be issued month-by-month on a calendar year schedule for the current and subsequent calendar year. Only those vouchers scheduled to be issued during the current and subsequent calendar year should be requested. PHAs may apply to HUD during future years for the balance of vouchers needed for relocation and replacement housing. Vouchers will be funded on a per unit cost basis for each calendar year funding increment, with those vouchers to be issued in the current calendar year having first priority for funding. HUD will establish separate annual contributions contract (ACC) terms for each funding increment.
- d. Compliance with non-discrimination and affirmatively furthering fair housing requirements.
 - (i) All applicants and their subrecipients must comply with all Fair Housing and civil rights laws, statutes, regulations, and executive orders as enumerated in 24 CFR 5.105 (a). If the applicant (a) has been charged with a systemic violation of the Fair Housing Act by the Secretary alleging ongoing discrimination; (b) is a defendant in a Fair Housing Act lawsuit filed by the Department of Justice alleging an ongoing pattern or practice of discrimination; or (c) has received a letter of noncompliance findings under Title VI, Section 504, or Section 109, the application will not be considered for funding under this Notice if the charge, lawsuit, or letter of findings

has not been resolved to the satisfaction of the Department before the application submission. HUD's decision regarding whether a charge, lawsuit, or letter of findings has been satisfactorily resolved will be based upon whether appropriate actions have been taken to address allegations of ongoing discrimination in the policies or practices involved in the charge, lawsuit, or letter of findings. Local HUD Field Office staff in the Office of Public Housing will contact their counterparts in the Office of Fair Housing and Equal Opportunity to determine if any applicants are to be disqualified under the requirements of this paragraph d.

- (ii) Under Section 808(e)(5) of the Fair Housing Act, HUD is obliged to affirmatively further fair housing. HUD requires the same of its grant recipients. If you are a successful applicant under this Notice, you will have a duty to affirmatively further fair housing for classes protected under the Fair Housing Act. Protected classes are race, color, national origin, religion, sex, disability, and family status. Your application must include specific steps to:
 - (a) Overcome the effect of impediments to fair housing that were identified in the jurisdiction's Analysis of Impediments (AI) to Fair Housing Choice;
 - (b) Assist in providing remedies for discrimination in housing; and/or
 - (c) Promote fair housing rights and fair housing choice.

Your application should show how you plan to affirmatively further fair housing by promoting fair housing choice, expanding housing opportunities, providing opportunity and housing counseling and promoting income deconcentration of neighborhoods and public housing projects.

- e. Voucher lease-up and budget authority utilization information, as appropriate to certain PHA applicants (see requirements of paragraphs 4 b., c., and d. of this Notice).

Housing choice vouchers that are not leased more than 12 months after initial obligation by HUD will be reflected in the PHA's utilization rate and may be subject to reallocation by HUD.

Applications may be submitted to the local HUD Field Office at any time during the Federal Fiscal Year (FFY), but will have a greater chance of being funded during any current FFY if submitted by not later than **June 30**.

6. **Field Office Review of Applications and Notification of PHA of Deficiencies.**

- a. Processing of applications and notification of PHA of deficiencies. Applications for relocation or replacement funding will be processed by the local HUD Field Offices on a

rolling basis. The review of a PHA's application must be completed, and the PHA notified in writing of any deficiencies (information either missing or requiring correction), immediately following the date of receipt of the PHA's application. The PHA should promptly submit the missing or corrected information to the local HUD Field Office following receipt of that office's deficiency notification letter.

- b. Contacting appropriate HUD Offices regarding a troubled PHA's application. The local HUD Field Office will contact and consult the appropriate HUD Offices regarding any relocation or replacement housing application from a PHA designated as troubled under SEMAP. This shall be done in order to more fully determine the accuracy and appropriateness of such an application, and whether it should be recommended to Headquarters for approval for funding.
7. **Notification of Unacceptable Applications.** The local HUD Field Office must immediately notify any PHA whose application the local HUD Field Office determined is unacceptable for processing. The local HUD Field Office's rejection letter to the PHA must state the basis for the decision.
8. **Notification of Approvable Applications.** The local HUD Field Office must advise the Section 8 Finance Division in Headquarters by electronic mail of approvable applications for funding. The electronic notification must be sent to the Section 8 Finance Division's general mailbox at: PIH_Conversions_Actions. Eileen T. Davis is the principal point of contact in the Section 8 Finance Division. For each approvable application the Field Office shall provide the Section 8 Finance Division with all of the information called for in paragraph 5 a., c., and e. above.

The Section 8 Finance Division shall promptly notify the Section 8 Financial Management Center (FMC) of approvable applications and the fund assignments by not later than **September 15** of each FFY.
9. **Funding of Applications.** Headquarters will fund all applications from PHAs that are recommended for funding by the local HUD Field Offices on a first-come, first-served basis as the information in paragraph 8 is received from local HUD Field Offices on an ongoing basis, provided relocation/replacement voucher funding is available during the FFY. Headquarters' Section 8 Finance Division will notify the FMC of applications being funded. The FMC will reserve the funds and notify the local HUD Field Offices of approved applications.
10. **Notification of Office of Congressional and Intergovernmental Relations and PHA.** Upon receipt of the form HUD-185, Fund Assignment, the Financial Management Center shall promptly prepare and transmit the HUD Notification memorandum to the Assistant Secretary for Congressional and Intergovernmental Relations for purposes of obtaining a Congressional release date. Following receipt of the release date, the FMC shall promptly

notify the PHA by letter of its approved application and provide a copy to the local HUD Field Office.

11. **Unfunded Approvable Applications.** Approvable applications which remain unfunded, due to a lack of funding availability, will be funded in the subsequent FFY contingent upon Congressional appropriations for relocation/replacement vouchers.
12. **Deferral of Annual Contributions Contract (ACC) Increment Commencement Date.** PHAs are advised that HUD will not defer the commencement date of the ACC funding increment for relocation and replacement vouchers.
13. **Paperwork Reduction Act Statement.** The information collection requirements contained in this Notice have been approved by the Office of Management and Budget under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520), and assigned OMB control number 2577-0169. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a valid control number.

/s/

Michael Liu, Assistant Secretary for Public and
Indian Housing

APPENDIX A
METHODOLOGY FOR DETERMINING LEASE-UP AND BUDGET
AUTHORITY UTILIZATION PERCENTAGE RATES

Using data from the HUDCAPS system, HUD will determine which PHAs meet the 97% budget authority utilization or 97% lease-up criteria. The data used in the determination will be based upon the PHA's most recent fiscal year ended for which there is either a HUD-approved form HUD-52681, Year End Settlement Statement, or a form HUD-52681 not yet processed by HUD. The budget authority utilization and lease-up rates will be determined based upon the methodology {same as that used under the Section Eight Management Assessment Program (SEMAP)} indicated below.

Note: A PHA may also submit lease-up and budget authority utilization information based upon its most recent 12-month period prior to the PHA's submission of its signed application. A PHA opting to do so must follow the methodology in the "Budget Authority Utilization" and "Lease-up Rate" paragraphs of this Appendix A, but will be using information based upon the most recent 12-month period prior to application submission in lieu of information based upon the most recent fiscal year ended.

Budget Authority Utilization

Percentage of budget authority utilization was determined by comparing the total contributions required to the annual budget authority (ABA) available for the PHA's most recent fiscal year ended for the PHA's housing choice voucher program. Annual budget authority associated with new funding increments obligated during the last PHA fiscal year and annual budget authority for litigation were excluded.

Total contributions required were determined based on the combined actual costs approved by HUD on the form HUD-52681, Year End Settlement Statement. The components which make up the total contributions required are the total of housing assistance payments, ongoing administrative fees earned, hard to house fees earned, and IPA audit costs. From this total any interest earned on administrative fees is subtracted. The net amount is the total contributions required.

ABA is the prorated portion applicable to the PHA year for each funding increment which had an active contract term during all or a portion of the PHA year. ABA is adjusted for new funding increments obligated during the last PHA fiscal year and for litigation funding increments.

EXAMPLE:
PHA ABC

Fiscal year 10/1/01 through 9/30/02	
HUD 52681 Approved Data:	
HAP	\$2,150,000
Administrative Fee	\$ 215,000
Hard to House Fee	\$ 1,000
Audit	\$ 2,000
Total	\$2,368,000
Program receipts other than Annual Contributions	(\$2,500)

Total contributions required \$2,365,500

Calculation of Annual Budget Authority

<u>Increments</u>	<u>Contract Term</u>	<u>Total BA</u>	<u>ABA</u>
001	11/01/01 -10/31/02	\$1,300,000	\$1,191,667
002	01/01/02-12/31/02	\$1,200,000	\$ 900,000
003	04/01/02-03/31/03	\$ 950,000	\$ 475,000
004	07/01/02-06/30/03	\$1,500,000	\$ 375,000
Totals		\$4,950,000	\$2,941,667
ABA associated with litigation			(\$475,000)
Total ABA			(\$2,466,667)

Budget Authority Utilization

Total contributions required	\$2,365,500
divided by	
Annual budget authority	\$2,466,667
equals	
Budget Authority Utilization	95.9%

Lease-up Rate

The lease-up rate was determined by comparing the reserved units (funding increments active as of the end of the PHA year) to the unit months leased (divided by 12) reported on the combined HUD 52681, Year End Settlement Statement(s) for the PHA's most recent fiscal year ended. Units associated with new funding increments obligated during the last PHA fiscal year and units obligated for litigation were excluded from the reserved units.

EXAMPLE:

<u>Increments</u>	<u>Contract Term</u>	<u>Units</u>
001	11/01/01-10/31/02	242
002	01/01/02-12/31/02	224
003	04/01/02-03/31/03	178

004	07/01/02-06/30/03	280
Totals		924
Increment 003 litigation		(178)
Adjusted contract units		746
Unit months leased reported by PHA		8,726
divided by 12		727
Units Leased		727
<u>Lease-up Rate</u>		
Units leased		727
divided by adjusted contract units		746
equals		
Lease-up Rate		97.5%

APPENDIX B

Example**Main Street HA 12/31/02 Year End, January 1, 2002 through December 31, 2002****ACC units applicable: 653 (Litigation and new units obligated during the fiscal year are excluded)**

Month	Total HAP	UMLs	Admin Fee	HH Fee	Requirements	Cumulative Total	Annual Budget Authority (ABA)
January	\$291,874	623	\$29,119	\$0	\$320,993	\$320,993	\$295,650
February	\$211,945	620	\$30,058	\$1,125	\$243,128	\$564,121	\$295,650
March	\$234,521	618	\$29,961	\$450	\$264,932	\$829,053	\$295,650
April	\$226,489	620	\$30,058	\$750	\$257,297	\$1,086,350	\$295,650
May	\$240,414	616	\$29,864	\$675	\$270,953	\$1,357,303	\$295,650
June	\$245,600	614	\$29,767	\$825	\$276,192	\$1,633,495	\$295,650
July	\$251,300	615	\$29,815	\$675	\$281,790	\$1,915,285	\$309,103
August	\$265,304	611	\$29,621	\$900	\$295,825	\$2,211,110	\$309,103
September	\$285,504	610	\$29,573	\$375	\$315,452	\$2,526,562	\$309,103
October	\$298,503	612	\$29,670	\$525	\$328,698	\$2,855,260	\$309,103
November	\$325,008	628	\$30,445	\$300	\$355,753	\$3,211,013	\$309,103
December	\$355,006	640	\$31,027	\$225	\$386,258	\$3,597,271	\$309,105
Totals	\$3,231,468	7,427	\$358,978	\$6,825		\$3,597,271	\$3,628,520

Lease-up**Rate: 94.78%(UMLs/ACC units)****ABA****Utilization: 99.14%(Requirements/ABA)****Certification:**_____
Executive Director_____
**Section 8 Program
Administrator**

HA Name and fiscal year end or
 12-month ending period:
 ACC Units applicable in fiscal year or 12-month period:

Month	Total HAP	UMLs	Admin Fee	Hard to House Fee	Requirements	Cumulative Total	Annual Budget Authority (ABA)
Totals							

Lease-up Rate: 0.00% (UMLs/ACC units)
 ABA Utilization: 0.00% (Requirements/ABA)

Certification:

 Executive Director

 Section 8 Program
 Administrator

Electronic Code of Federal Regulations (e-CFR):

BETA TEST SITE

ECFR Data is current as of February 17, 2004

Title 24: Housing and Urban Development

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PART 983—SECTION 8 PROJECT-BASED CERTIFICATE PROGRAM

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Authority: 42 U.S.C. 1437f and 3535(d).

Source: 60 FR 34717, July 3, 1995, unless otherwise noted.


Subpart A—General Information

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§ 983.1 Purpose and applicability.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=2>

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- (a) This part 983 applies to the Section 8 Project-based Certificate (PBC) program.
- (b)(1) Except as otherwise expressly modified or excluded by this part 983, provisions of 24 CFR part 982 apply to the PBC program.
- (2) The following provisions of 24 CFR part 982 do not apply to the PBC program:
 - (i) Provisions on tenant-based assistance, on issuance or use of a voucher or certificate; and on portability;
 - (ii) Provisions on voucher tenancy or over-FMR tenancy;
 - (iii) In subpart D, §982.158(e) (retention of lease, HAP contract and family application);
 - (iv) In subpart E, §982.202(b)(3) (where family will live); §982.204(d) (family size); §982.205(a) (waiting lists);
 - (v) Subpart G, except that the following provisions of subpart G are applicable to the PBC Program: §982.308 (lease); §982.311(a), (b), (c) and (d)(1) (when assistance is paid); §982.312 (absence from unit); and §982.313 (security deposit);
 - (vi) Subpart H (where family can live and move);
 - (vii) In subpart I of this part, §982.401(j) (lead-based paint requirements); §982.402(a)(3), §982.402(c) and (d) (Subsidy standards); and §982.403 (Terminating HAP contract when unit is too small);
 - (viii) In subpart J, §982.451(a), §982.451(b)(2) (term of HAP contract same as lease); §982.454 (termination of HAP contract because of insufficient funding); §982.455 (termination of HAP contract; termination notice);
 - (ix) Subpart K, except that the following provisions of Subpart K are applicable to the PBC Program: §982.504 (for determination of the FMR/exception rent limit); §982.516 (family income and composition);

regular and interim examinations), §982.517 (utility allowance schedule);

(x) In subpart M, all provisions authorizing assistance for shared housing (including §982.615 through §982.618); or assistance for a family occupying a manufactured home (including §982.620 through §982.624).

(3) This part does not apply to the voucher program, or to an over-FMR tenancy under the certificate program. Every tenancy assisted in the PBC program is a regular tenancy under the certificate program. [63 FR 23870, Apr. 30, 1998, as amended at 64 FR 50230, Sept. 15, 1999; 65 FR 16819, 16823, Mar. 30, 2000]

§ 983.2 Additional definitions.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=24-PartTop>  [top](#)

The following definitions apply to assistance subject to this part 983, in addition to the definitions in 24 CFR 982.4:

Agreement to enter into housing assistance payments contract (“Agreement”). A written agreement between the owner and the HA that, upon satisfactory completion of the new construction or the rehabilitation in accordance with requirements specified in the Agreement, the HA will enter into a HAP contract with the owner.

15-percent limit. Fifteen percent of the total number of budgeted units for an HA's Section 8 certificate program.

Funding source. The ACC funding authority from which the HAP contract is to be funded. Each funding increment identified in the ACC is a separate, potential funding source.

Percent limit. The applicable maximum number of budgeted units for an HA's certificate program that may be project-based. (The applicable percent limit is either the 15-percent limit or the 30-percent limit.)

Project-based Certificate (PBC) program. A Section 8 program administered by an HA pursuant to 24 CFR part 983.

Repair or replacement of a major building system or component. The complete electrical rewiring of a unit; the installation of new plumbing supply or waste pipes in a unit; the installation of a new heating distribution system, including piping and ductwork, or the installation of a new boiler or furnace; the installation of a new roof; or the replacement or major repair of exterior structural elements which are essential to achieve a stable general condition with no threat of further deterioration.

State certified appraiser. Any individual who satisfies the requirements for certification as a certified general appraiser in a State that has adopted criteria that currently meet or exceed the minimum certification criteria issued by the Appraiser Qualifications Board of the Appraisal Foundation. The State criteria must include a requirement that the individual have achieved a satisfactory grade upon a State-administered examination consistent with and equivalent to the Uniform State Certification Examination issued or endorsed by the Appraiser Qualifications Board of the Appraisal Foundation. Furthermore, if the Appraisal Foundation has issued a finding that the policies, practices, or procedures of the state are inconsistent with the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, an individual must comply with any additional standards for state certified appraisers imposed by HUD under 24 CFR 267.11(c)(1).

30-Percent limit. Thirty percent of the total number of budgeted units for a HA's Section 8 certificate program.

[60 FR 34717, July 3, 1995, as amended at 63 FR 23870, Apr. 30, 1998]

§ 983.3 Information to be submitted to HUD by the HA concerning its plan to attach assistance to units.

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(a) Requirements. An HA may attach certificate assistance to units in accordance with this part 983 if:

(1) The number of units to be project-based does not exceed the applicable percent limit.

(2) The number of units to be project-based are not under a tenant-based or project-based HAP contract or otherwise committed (e.g., certificates issued to families searching for housing or units under an Agreement).


- (b) Percent limit. The applicable percent limit is either the 15-percent limit or the 30-percent limit. The 30-percent limit is only applicable if:
- (1) There are no project-based new construction units in the HA's certificate program;
 - (2) The additional 15 percent of project-based units (in excess of the 15-percent limit) is for the rehabilitation of units in projects assisted under a State program that permits owners to prepay State-assisted or subsidized mortgages; and
 - (3) The additional 15 percent of project-based units is necessary to provide incentives for project owners to preserve the projects for occupancy by low and moderate income families for the term of the HAP contract, and assist low-income tenants to afford any rent increases.
- (c) HA notification to HUD of intent to attach assistance to units. Before implementing a PBC program, the HA must submit the following information to the HUD field office for review:
- (1) The total number of units for which the HA is requesting approval to attach assistance;
 - (2) The number of budgeted certificate units;
 - (3) The number of certificate units available to be project-based; i.e., the number of budgeted certificate units that are not under a tenant-based or project-based HAP contract or otherwise committed (e.g., certificates issued to families searching for housing or units under an Agreement).
- (d) Amount of assistance. The HA must ensure that the amount of assistance that is attached to units is within the amounts available under the ACC.
- (Approved by the Office of Management and Budget under control number 2577-0169)
[60 FR 34717, July 3, 1995, as amended at 60 FR 45661, Sept. 1, 1995; 63 FR 23870, Apr. 30, 1998]

§ 983.4 HUD review of HA plans to attach assistance to units.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=24-PartTop>  [top](#)


- (a) Notice to HA. (1) If the requirements of §983.3 are satisfied, the field office must authorize the HA to proceed in accordance with this part 983.
- (2) If the submission is approved, the field office must notify the HA that the HA may implement a PBC program subject to the requirements of this part 983, including the requirements for approval by the HUD field office of the HA unit selection policy and advertisement, and competitive selection of eligible units. The approval letter must specify the maximum number of units for which the HA may execute Agreements.
- (3) If any of the requirements of §983.3 are not satisfied, the field office must not approve the HA submission. The field office must notify the HA of the reasons for disapproval.
- (b) [Reserved]

§ 983.5 Physical condition standards; physical inspection requirements.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=24-PartTop>  [top](#)

- (a) General. Housing used in this program must be maintained and inspected in accordance with the requirements in 24 CFR part 5, subpart G.
- (b) Space and security. In addition to the standards in 24 CFR part 5, subpart G, the dwelling unit must have a living room, a kitchen area, and a bathroom. The dwelling unit must have at least one bedroom or living/sleeping room for each two persons.
- (c) The Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821-4846), the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851-4856), and implementing regulations at part 35, subparts A, B, H, and R of this title apply to units assisted under this part.
- [63 FR 46580, Sept. 1, 1998, as amended at 64 FR 50230, Sept. 15, 1999]

§ 983.6 Site and neighborhood standards.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=24-PartTop>  [top](#)

(a) Rehabilitation site and neighborhood standards. In addition to meeting the standards required in §982.401(l) of this chapter, the proposed sites for rehabilitation units must meet the following site and neighborhood standards:

(1) Be adequate in size, exposure and contour to accommodate the number and type of units proposed; adequate utilities and streets must be available to service the site. (The existence of a private disposal system and private sanitary water supply for the site, approved in accordance with law, may be considered adequate utilities.)

(2) Be suitable from the standpoint of facilitating and furthering full compliance with the applicable provisions of (Title) _____ VI of the Civil Rights Act of 1964, (Title) _____ VIII of the Civil Rights Act of 1968, E.O. 11063, and HUD regulations issued pursuant thereto.

(3) Promote greater choice of housing opportunities and avoid undue concentration of assisted persons in areas containing a high proportion of low-income persons.

(4) Be accessible to social, recreational, educational, commercial, and health facilities and services, and other municipal facilities and services that are at least equivalent to those typically found in neighborhoods consisting largely of unassisted, standard housing of similar market rents.

(5) Be so located that travel time and cost via public transportation or private automobile from the neighborhood to places of employment providing a range of jobs for lower-income workers is not excessive. (While it is important that housing for the elderly not be totally isolated from employment opportunities, this requirement need not be adhered to rigidly for such projects.)

(b) New construction site and neighborhood standards. The proposed sites for new construction units must be approved by the HUD field office as meeting the following site and neighborhood standards:

(1) The site must be adequate in size, exposure, and contour to accommodate the number and type of units proposed, and adequate utilities (water, sewer, gas, and electricity) and streets must be available to service the site.

(2) The site and neighborhood must be suitable from the standpoint of facilitating and furthering full compliance with the applicable provisions of title VI of the Civil Rights Act of 1964, the Fair Housing Act, Executive Order 11063, and implementing HUD regulations.

(3)(i) The site must not be located in an area of minority concentration, except as permitted under paragraph (b)(3)(ii) of this section, and must not be located in a racially mixed area if the project will cause a significant increase in the proportion of minority to non-minority residents in the area.

(ii) A project may be located in an area of minority concentration only if:

(A) Sufficient, comparable opportunities exist for housing for minority families, in the income range to be served by the proposed project, outside areas of minority concentration (see paragraph (b)(3)(iii) of this section for further guidance on this criterion); or

(B) The project is necessary to meet overriding housing needs that cannot be met in that housing market area (see paragraph (b)(3)(iv) of this section for further guidance on this criterion).

(iii)(A) "Sufficient" does not require that in every locality there be an equal number of assisted units within and outside of areas of minority concentration. Rather, application of this standard should produce a reasonable distribution of assisted units each year, that, over a period of several years, will approach an appropriate balance of housing choices within and outside areas of minority concentration. An appropriate balance in any jurisdiction must be determined in light of local conditions affecting the range of housing choices available for low-income minority families and in relation to the racial mix of the locality's population.

(B) Units may be considered "comparable opportunities" if they have the same household type (elderly, disabled, family, large family) and tenure type (owner/renter); require approximately the same tenant contribution towards rent; serve the same income group; are located in the same housing market; and are in standard condition.

(C) Application of this sufficient, comparable opportunities standard involves assessing the overall impact of HUD-assisted housing on the availability of housing choices for low-income minority families in and outside areas of minority concentration, and must take into account the extent to which the following factors are present, along with other factors relevant to housing choice:

(1) A significant number of assisted housing units are available outside areas of minority concentration.

(2) There is significant integration of assisted housing projects constructed or rehabilitated in the past 10 years, relative to the racial mix of the eligible population.

(3) There are racially integrated neighborhoods in the locality.

(4) Programs are operated by the locality to assist minority families that wish to find housing outside areas of minority concentration.

(5) Minority families have benefited from local activities (e.g., acquisition and write-down of sites, tax relief programs for homeowners, acquisitions of units for use as assisted housing units) undertaken to expand choice for minority families outside of areas of minority concentration.

(6) A significant proportion of minority households has been successful in finding units in non-minority areas under the Section 8 certificate and voucher programs.

(7) Comparable housing opportunities have been made available outside areas of minority concentration through other programs.

(iv) Application of the “overriding housing needs” criterion, for example, permits approval of sites that are an integral part of an overall local strategy for the preservation or restoration of the immediate neighborhood and of sites in a neighborhood experiencing significant private investment that is demonstrably changing the economic character of the area (a “revitalizing area”). An “overriding housing need,” however, may not serve as the basis for determining that a site is acceptable if the only reason the need cannot otherwise be feasibly met is that discrimination on the basis of race, color, religion, sex, national origin, age, familial status or disability renders sites outside areas of minority concentration unavailable or if the use of this standard in recent years has had the effect of circumventing the obligation to provide housing choice.


(4) The site must promote greater choice of housing opportunities and avoid undue concentration of assisted persons in areas containing a high proportion of low-income persons.

(5) The neighborhood must not be one which is seriously detrimental to family life or in which substandard dwellings or other undesirable conditions predominate, unless there is actively in progress a concerted program to remedy the undesirable conditions.

(6) The housing must be accessible to social, recreational, educational, commercial, and health facilities and services, and other municipal facilities and services that are at least equivalent to those typically found in neighborhoods consisting largely of unassisted, standard housing of similar market rents.

(7) Except for new construction housing designed for elderly persons, travel time and cost via public transportation or private automobile, from the neighborhood to places of employment providing a range of jobs for lower-income workers, must not be excessive.

§ 983.7 Eligible and ineligible properties and HA-owned units.

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(a) Section 982.352 of this chapter, Eligible Housing, does not apply. Newly constructed and existing structures of various types may be appropriate for attaching assistance to the units under this part 983, including single-family housing and multifamily structures.

(b) An HA may not attach or pay PBC assistance to units in the following types of housing:

(1) Housing for which the construction is started before Agreement execution;

(2) Housing for which the rehabilitation is started before Agreement execution;

(3) Shared housing; nursing homes; and facilities providing continual psychiatric, medical, nursing services, board and care or intermediate care;

(4) Units within the grounds of penal, reformatory, medical, mental, and similar public or private institutions;

(5) Housing located in the Coastal Barrier Resources System designated under the Coastal Barrier Resources Act;

(6) Housing located in an area that has been identified by the Federal Emergency Management Agency (FEMA) as having special flood hazards, unless:

(i)(A) The community in which the area is situated is participating in the National Flood Insurance Program (see 44 CFR parts 59 through 79); or

(B) Less than a year has passed since FEMA notification regarding such hazards; and

(ii) The HA will ensure that flood insurance on the structure is obtained in compliance with section 102(a) of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4001 et seq.);

(7) College or other school dormitories; or

(8) A manufactured home.

(c) An HA may not attach or pay PBC assistance to units in any of the following types of subsidized housing:

- (1) Public housing;
 - (2) A unit subsidized by any other form of Section 8 assistance (tenant-based or project-based);
 - (3) A unit subsidized with any local or State rent subsidy;
 - (4) A Section 236 project (insured or noninsured); or a unit subsidized with Section 236 rental assistance payments;
 - (5) A Rural Development Administration Section 515 project;
 - (6) A unit subsidized with rental assistance payments under Section 521 of the Housing Act of 1949 (a Rural Development Administration Program);
 - (7) Housing assisted under former Section 23 of the United States Housing Act of 1937 (before amendment by the Housing and Community Development Act of 1974);
 - (8) A Section 221(d)(3) project;
 - (9) A project with a Section 202 loan;
 - (10) A Section 202 project for non-elderly persons with disabilities (Section 162 assistance);
 - (11) Section 202 supportive housing for the elderly;
 - (12) Section 811 supportive housing for persons with disabilities;
 - (13) A Section 101 rent supplement project;
 - (14) A unit subsidized with tenant-based assistance under the HOME program; or
 - (15) Any unit with any other duplicative Federal State, or local housing subsidy, as determined by HUD. For this purpose, "housing subsidy" does not include the housing component of a welfare payment, a social security payment received by the family, or a rent reduction because of a tax credit.
- (d) An HA may attach assistance under this part 983 to a highrise elevator project for families with children only if HUD determines there is no practical alternative. HUD may make this determination for an HA's project-based assistance, in whole or in part, and need not review each project on a case-by-case basis.
- (e) Assistance may not be attached to a unit that is occupied by an owner; however, cooperatives are considered to be rental housing for purposes of this part 983.
- (f)(1) HA-owned unit means a unit (other than public housing) that is owned by the HA which administers the assistance under this part 983 pursuant to an ACC between HUD and the HA (including a unit owned by an entity substantially controlled by the HA).
- (2) An HA-owned unit may only be assisted under the project-based certificate program if:
- (i) The HA-owned unit is not ineligible housing under this section.
 - (ii) The HUD field office selects the HA-owned unit pursuant to the competitive ranking and rating process specified in the HA's HUD-approved unit selection policy (see §983.51).
 - (iii) The HUD field office establishes the initial contract rents.
 - (iv) The HUD field office has conducted all HA reviews required under this part before execution of the Agreement.
- (3) Any adjustment of the contract rent for an HA-owned unit must be approved in advance by the HUD field office.
- (4) As owner of an HA-owned unit, the HA is subject to all of the same program requirements that apply to other owners in the program.
- (5) HUD headquarters establishes the amount of the administrative fee for an HA-owned unit. The HA will earn a lower ongoing administrative fee for an HA-owned unit than for a unit not owned by the HA, and no fee for the cost to help a family experiencing difficulty in renting appropriate housing.
- (6) HA-owned units are subject to the same requirements as units that are not HA-owned, including the ineligibility of units that are currently public or Indian housing and units constructed or rehabilitated with other assistance under the U.S. Housing Act of 1937.
- [60 FR 34717, July 3, 1995, as amended at 63 FR 23870, Apr. 30, 1998]

§ 983.8 Rehabilitation: Minimum expenditure requirement.

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- (a) To qualify as rehabilitation under this part 983, existing structures must require a minimum expenditure of \$1000 per assisted unit, including the unit's prorated share of work to be accomplished on common areas or systems, in order to:
- (1) Upgrade the property to decent, safe, and sanitary condition to comply with the housing quality standards

- or other standards approved by HUD, from a condition below those standards;
- (2) Repair or replace major building systems or components in danger of failure within two years from the date of the initial HA inspection;
 - (3) Convert or merge units to provide housing for large families; or
 - (4) For up to seven percent of the units to be assisted, make accessibility improvements to the property necessary to meet the requirements of Section 504 of the Rehabilitation Act of 1973 and the Fair Housing Amendments Act of 1988.
- (b) In determining the minimum expenditure of \$1000 per assisted unit, the HA must include the prorated cost of common improvements in the costs of the individual units.

§ 983.9 Prohibition against new construction or rehabilitation with U.S. Housing Act of 1937 assistance and use of flexible subsidy; pledge of Agreement or HAP contract.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=2>

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- (a) Assistance may not be attached to any unit which was in the five years before execution of the Agreement, or will be, constructed or rehabilitated with other assistance under the U.S. Housing Act of 1937 (e.g., public housing (development or modernization), rental rehabilitation grants under 24 CFR part 511, housing development grants under 24 CFR part 850, or other Section 8 programs). In addition, a unit to which assistance is to be attached under this part 983 may not be rehabilitated with flexible subsidy assistance under part 219 of this title. HUD may approve attachment of assistance to a unit that was rehabilitated with public housing modernization funds before conveyance to a resident management corporation under section 21 of the U.S. Housing Act of 1937 (42 U.S.C. 1437s) if attachment of project-based assistance would further the purposes of the sale of the public housing project to the corporation.
- (b) If an owner is proposing to pledge the Agreement or HAP contract as security for financing, the owner must submit the financing documents to the HA. In determining the approvability of a pledge arrangement, the HA must review the documents submitted by the owner to ensure that the financing documents do not modify the Agreement or HAP contract, and do not contain any requirements inconsistent with the Agreement or HAP contract. Any pledge of the Agreement or HAP contract must be limited to amounts payable under the HAP contract in accordance with the terms of the HAP contract.

§ 983.10 Displacement, relocation, and acquisition.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=2>

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- (a) Minimizing displacement. (1) Consistent with the other goals and objectives of this part, an owner must assure that it has taken all reasonable steps to minimize the displacement of persons (households, businesses, nonprofit organizations, and farms) as a result of a rehabilitation project assisted under this part.
- (2) Whenever a building or complex is rehabilitated and some, but not all, of the rehabilitated units will be assisted upon completion of the rehabilitation, the relocation requirements described in this section cover the occupants of each rehabilitated unit, whether or not Section 8 assistance will be provided for the unit.
- (b) Temporary relocation. The following policies cover residential tenants who will not be required to move permanently but who must relocate temporarily for the project. Such tenants must be provided:
- (1) Reimbursement for all reasonable out-of-pocket expenses incurred in connection with the temporary relocation, including the cost of moving to and from the temporary housing and any increase in monthly rent/utility costs;
 - (2) Appropriate advisory services, including reasonable advance written notice of:
 - (i) The date and approximate duration of the temporary relocation;
 - (ii) The location of the suitable, decent, safe and sanitary dwelling to be made available for the temporary period;
 - (iii) The terms under which the tenant may lease and occupy a suitable, decent, safe, and sanitary dwelling in the project upon completion of the project; and
 - (iv) The assistance required under paragraph (b)(1) of this section.
 - (c) Relocation assistance for displaced persons. A “displaced person” (defined in paragraph (g) of this

section) must be provided relocation assistance at the levels described in, and in accordance with the requirements of, the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (URA) (42 U.S.C. 4201–4655) and implementing regulations at 49 CFR part 24. A “displaced person” must be advised of his/her rights under the Fair Housing Act (42 U.S.C. 3600–3620), and, if the representative comparable replacement dwelling used to establish the amount of the replacement housing payment to be provided to a minority is located in an area of minority concentration, such person must also be given, if possible, referrals to comparable and suitable, decent, safe, and sanitary replacement dwellings not located in such areas.

(d) Real property acquisition requirements. The acquisition of real property for a project is subject to the URA and the requirements of 49 CFR part 24, subpart B.

(e) Appeals. A person who disagrees with the HA's determination concerning whether the person qualifies as a “displaced person,” or the amount of relocation assistance for which the person is eligible, may file a written appeal of that determination with the HA. A person who is dissatisfied with the HA's determination on the appeal may submit a written request for review of that determination to the HUD field office responsible for administering the URA requirements in the jurisdiction.

(f) Responsibility of HA. (1) The HA must provide assurance of compliance as required by 49 CFR part 24 that it will comply with the URA, the regulations at 49 CFR part 24, and the requirements of this section, and must ensure such compliance notwithstanding any third party's contractual obligation to the HA to comply with these provisions.

(2) The cost of required relocation assistance may be paid for with funds provided by the owner, or with local public funds, or with funds available from other sources. The cost of HA advisory services for temporary relocation of tenants may be paid from preliminary fees or ongoing administrative fees.

(3) The HA must maintain records in sufficient detail to demonstrate compliance with the provisions of this section. The HA must maintain data on the race, ethnicity, gender, and disability of displaced persons.

(g) Definition of displaced person. (1) For purposes of this section, the term displaced person means a person (household, business, nonprofit organization, or farm) that moves from real property, or moves personal property from real property, permanently, as a direct result of acquisition, rehabilitation, or demolition for a project assisted under this part. The term “displaced person” includes, but may not be limited to:

(i) A person who moves permanently from the real property after receiving a notice from the owner requiring such move, if the move occurs on or after the date of the submission of the owner application to the HA;

(ii) A person who moves permanently before the submission of the owner application to the HA, if the HA or HUD determines that the displacement resulted directly from acquisition, rehabilitation, or demolition for the assisted project; or

(iii) A tenant-occupant of a dwelling unit who moves from the building or complex, permanently, after execution of the Agreement between the owner and the HA, if the move occurs before the tenant is provided written notice offering the opportunity to lease and occupy a suitable, decent, safe, and sanitary dwelling in the same building or complex under reasonable terms and conditions, upon completion of the project. Such reasonable terms and conditions include a monthly rent and estimated average monthly utility costs that do not exceed the greater of:

(A) The tenant's monthly rent before execution of the Agreement and estimated average monthly utility costs; or

(B) The total tenant payment, as determined under 24 CFR 5.613, if the tenant is low-income, or 30 percent of gross household income, if the tenant is not low-income; or

(iv) A tenant-occupant of a dwelling who is required to relocate temporarily, but does not return to the building or complex, if either:

(A) The tenant is not offered payment for all reasonable out-of-pocket expenses incurred in connection with the temporary relocation, including the cost of moving to and from the temporarily occupied unit and any increased housing costs; or

(B) Other conditions of the temporary relocation are not reasonable; or

(v) A tenant-occupant of a dwelling who moves from the building or complex permanently after he or she has been required to move to another dwelling unit in the same building or complex in order to carry out the rehabilitation or construction, if either:

(A) The tenant is not offered reimbursement for all reasonable out-of-pocket expenses incurred in connection with the move; or

(B) Other conditions of the move are not reasonable; or

(2) Notwithstanding the provisions of paragraph (g)(1) of this section, a person does not qualify as a

“displaced person” (and is not eligible for relocation assistance under the URA or this section), if:

(i) The person has been evicted for serious or repeated violation of the terms and conditions of the lease or occupancy agreement, violation of applicable Federal, State or local law, or other good cause, and the HA determines that the eviction was not undertaken for the purpose of evading the obligation to provide relocation assistance;

(ii) The person moved into the property after the submission of the owner application to the HA and, before signing a lease and commencing occupancy, was provided written notice of the owner application, its possible impact on the person (e.g., the person may be displaced, temporarily relocated, or suffer a rent increase) and the fact that the person would not qualify as a “displaced person” (or for any assistance provided under this section) if the owner application is approved;

(iii) The person is ineligible under 49 CFR 24.2(g)(2); or

(iv) HUD determines that the person was not displaced as a direct result of acquisition, rehabilitation, or demolition for the project.

(3) The HA may request, at any time, HUD's determination of whether a displacement is or would be covered by this section.

(h) Definition of initiation of negotiations. For purposes of determining the formula for computing a replacement housing payment to be provided to a residential tenant displaced as a direct result of privately undertaken rehabilitation or demolition of the real property, the term “initiation of negotiations” means the execution of the Agreement between the owner and the HA.

[60 FR 34717, July 3, 1995, as amended at 63 FR 23871, Apr. 30, 1998]

§ 983.11 Other Federal requirements.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=2>

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(a) Equal Opportunity and related requirements. Participation in this program requires compliance with the Equal Opportunity requirements specified in §982.53 of this chapter including Section 504 of the Rehabilitation Act of 1973 (24 CFR part 8) and the Fair Housing Amendments Act of 1988 (24 CFR part 100).

(b) Environmental requirements. Activities under this part 983 are subject to HUD environmental regulations at 24 CFR part 58. An HA may not attach assistance to a unit unless, before the HA enters into an Agreement to provide project-based assistance for the unit:

(1) The unit of general local government within which the project is located that exercises land use responsibility or, as determined by HUD, the county or State has completed the environmental review required by 24 CFR part 58 and provided to the HA for submission to HUD the completed request for release of funds and certification; and

(2) HUD has approved the request for release of funds.

(c) Other Federal requirements. The following requirements must be met, if applicable:

(1) Clean Air Act and Federal Water Pollution Control Act;

(2) Flood Disaster Protection Act of 1973;

(3) Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) and the regulations in 24 CFR part 135;

(4) Executive Order 11246, Equal Employment Opportunity (for all construction contracts of over \$10,000);

(5) Executive Order 11625, Prescribing Additional Arrangements for Developing and Coordinating a National Program for Minority Business Enterprises;

(6) Executive Orders 12432, Minority Business Enterprise Development, and 12138, Creating a National Women's Business Enterprise Policy; and

(7) Payment of not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor pursuant to the Davis-Bacon Act, to all laborers and mechanics employed in the construction or rehabilitation of the project under an Agreement covering nine or more assisted units, and compliance with the Contract Work Hours and Safety Standards Act, Department of Labor regulations in 29 CFR part 5, and other Federal laws and regulations pertaining to labor standards applicable to such an Agreement.

(8) The provisions of part 24 of this title relating to the employment, engagement of services, awarding contracts, or funding of any contractors or subcontractors during any period of debarment, suspension, or placement in ineligibility status.

§ 983.12 Program accounts and records.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=2>

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- (a) During the term of each assisted lease, and for at least three years thereafter, the HA must keep:
- (1) A copy of the executed lease; and
 - (2) The application from the family.
- (b) During the HAP contract term, and for at least three years thereafter, the HA must keep a copy of:
- (1) The HAP contract; and
 - (2) Records to document the basis for determination of the initial rent to owner, and for the HA determination that rent to owner is a reasonable rent (initially and during the term of the HAP contract).
- [63 FR 23871, Apr. 30, 1998]

§ 983.13 Special housing types.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=2>

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- (a) Applicability. For applicability of rules on special housing types at 24 CFR part 982, subpart M, see §983.1(b)(2)(x). In the PBC program, the HA may not provide assistance for shared housing or for manufactured homes.
- (b) Group homes. A group home may include one or more group home units. There must be a single PBC HAP contract for units in the group home. A separate lease is executed for each elderly person or person with disabilities who resides in a group home.
- [63 FR 23871, Apr. 30, 1998]

Subpart B—Owner Application Submission to Agreement

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=2>

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§ 983.51 HA unit selection policy, advertising, and owner application requirements.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=2>

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- (a) General. The HA must adopt a written policy establishing competitive procedures for owner submission of applications and for HA selection of units to which assistance is to be attached and must submit the policy to the HUD field office for review and approval. The HA must select units in accordance with its approved selection policy. The HA's written selection policy must comply with the requirements of paragraph (b) of this section.
- (b) Advertising requirements. The HA must advertise in a newspaper of general circulation that the HA will accept applications for assistance under this part 983 for specific projects. The advertisement must be approved by the HUD field office and may not be published until after the later of HUD authorization to implement a project-based program or ACC execution. The advertisement must: be published once a week for three consecutive weeks; specify an application deadline of at least 30 days after the date the advertisement is last published; specify the number of units the HA estimates it will be able to assist under the funding the HA is making available for this purpose; and state that only applications submitted in response to the advertisement will be considered.
- (c) Selection policy requirements. The HA's written selection policy must identify, and specify the weight to be given to, the factors the HA will use to rank and select applications. These factors must include consideration of: site; design; previous experience of the owner and other participants in development, marketing, and management; and feasibility of the project as a whole (including likelihood of financing and

marketability). The HA may add other factors, such as responsiveness to local objectives specified by the HA.

(d) Owner application. The owner's application submitted to the HA must contain the following:

(1) A description of the housing to be constructed or rehabilitated, including the number of units by size (square footage), bedroom count, bathroom count, sketches of the proposed new construction or rehabilitation, unit plans, listing of amenities and services, and estimated date of completion. For rehabilitation, the description must describe the property as is, and must also describe the proposed rehabilitation;

(2) Evidence of site control, and for new construction identification and description of the proposed site, site plan and neighborhood;

(3) Evidence that the proposed new construction or rehabilitation is permitted by current zoning ordinances or regulations or evidence to indicate that the needed rezoning is likely and will not delay the project;

(4) The proposed contract rent per unit, including an indication of which utilities, services, and equipment are included in the rent and which are not included. For those utilities that are not included in the rent, an estimate of the average monthly cost for each unit type for the first year of occupancy;

(5) A statement identifying:

(i) The number of persons (families, individuals, businesses and nonprofit organizations) occupying the property on the date of the submission of the application;

(ii) The number of persons to be displaced, temporarily relocated or moved permanently within the building or complex;

(iii) The estimated cost of relocation payments and services, and the sources of funding; and

(iv) The organization(s) that will carry out the relocation activities;

(v) The identity of the owner and other project principals and the names of officers and principal members, shareholders, investors, and other parties having a substantial interest; certification showing that the above-mentioned parties are not on the U.S. General Services Administration list of parties excluded from Federal procurement and nonprocurement programs; a disclosure of any possible conflict of interest by any of these parties that would be a violation of the Agreement or the HAP contract; and information on the qualifications and experience of the principal participants. Information concerning any participant who is not known at the time of the owner's submission must be provided to the HA as soon as the participant is known;

(vi) The owner's plan for managing and maintaining the units;

(vii) Evidence of financing or lender interest and the proposed terms of financing;

(viii) The proposed term of the HAP contract; and

(ix) Such other information as the HA believes necessary.

(e) Resident management corporation competitive selection exception. An HA may select units to which assistance is to be attached, without advertising under paragraph (b) of this section and without applying the selection factors otherwise required by paragraph (c) of this section, if attachment of project-based assistance would further the purposes of the sale of a public housing project to a resident management corporation under section 21 of the U.S. Housing Act of 1937 (42 U.S.C. 1437s).

[Approved by the Office of Management and Budget under control number 2577-0169]

[60 FR 34717, July 3, 1995, as amended at 60 FR 45661, Sept. 1, 1995; 63 FR 23871, Apr. 30, 1998]

§ 983.52 Rehabilitation: Initial inspection and determination of unit eligibility.

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[idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=2](http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=2)

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(a) Before selecting a unit or executing an Agreement, the HA must determine that the application is responsive to and in compliance with the HA's written selection criteria and procedures, and is otherwise in conformity with HUD program regulations and requirements. The HA must inspect the property to determine that rehabilitation has not begun and that the property meets the \$1000 per assisted unit rehabilitation requirement under §983.8 of this chapter. If the property meets this rehabilitation requirement, the HA must determine the specific work items that are needed to bring each unit to be assisted up to the housing quality standards specified in §983.5 (or other standards as approved in the HA's application), to complete any other repairs needed to meet the \$1000 per assisted unit rehabilitation requirement and, in the case of projects of five or more units, any work items necessary to meet the accessibility requirements of Section 504 of the Rehabilitation Act of 1973.

(b) Before selecting a unit or executing an Agreement, the HA must also consider whether the property is eligible housing under §983.7; meets the other Federal requirements in §983.11 and the site and neighborhood standards cross-referenced in §983.6; and will be rehabilitated with other than assistance under the U.S. Housing Act of 1937 in accordance with §983.9. The HA must also determine the number of current tenants that are low-income families. An HA may not select a unit, or enter into an Agreement with respect to a unit, if the unit is occupied by persons who are not eligible for participation in the program.

(c) Before executing an Agreement, the HA must contract with a State certified general appraiser and establish the rents in accordance with §983.202, or seek and obtain the HUD-determined initial contract rents for any HA owned or controlled units or projects financed with a HUD insured or coinsured multifamily mortgage; obtain subsidy layering contract rent reviews from HUD or a Housing Credit Agency; obtain environmental clearance in accordance with §983.11; submit a certification to the HUD field office stating that the unit or units were selected in accordance with the HA's approved unit selection policy; and receive approval from the HUD field office to execute an Agreement pursuant to the reviews required in §983.53.

(d) When the HA administering the ACC or an entity substantially controlled by the HA administering the ACC has submitted an application, the HUD field office will select the owner applications. The HA must submit to the HUD field office all owner applications in response to the advertisement.

(e) The HUD field office may terminate the Agreement or HAP contract upon at least 30 days written notice to the owner by the HUD field office if the HUD field office determines at any time that the units were not selected in accordance with the HA's approved written selection policy or that the units did not initially meet the HUD eligibility requirements.

(Approved by the Office of Management and Budget under control number 2577-0169)

[60 FR 34717, July 3, 1995, as amended at 60 FR 45661, Sept. 1, 1995; 63 FR 23871, Apr. 30, 1998]


§ 983.53 Rehabilitation: HUD field office review of applications.

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(a) The HUD field office must establish initial contract rents for any HA owned units or projects financed with a HUD insured or coinsured multifamily mortgage. HUD (or a Housing Credit Agency) must also conduct subsidy layering contract rent reviews.

(b) When the HA administering the ACC or an entity substantially controlled by the HA administering the ACC has submitted an application, the HA must submit to the HUD field office all owner applications in response to the advertisement. The HUD field office must review the owner applications and make the final selections based on the criteria in the HA selection policy approved by the HUD field office.

§ 983.54 Rehabilitation: Work write-ups.


<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=24-PartTop>  [top](#)

The owner must prepare work write-ups and, where determined necessary by the HA, specifications and plans. The HA has flexibility to determine the appropriate documentation to be submitted by the owner based on the nature of the identified rehabilitation. The work write-ups must address the specific work items identified by the HA under §983.52.

(Approved by the Office of Management and Budget under control number 2577-0169)

[60 FR 34717, July 3, 1995, as amended at 60 FR 45661, Sept. 1, 1995]

§ 983.55 New construction: HA evaluation and technical processing.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=24-PartTop>  [top](#)

(a) Before selecting a unit or executing an Agreement, the HA must determine that the application is responsive to and in compliance with the HA's written selection criteria and procedures, and is otherwise in conformity with HUD program regulations and requirements. For example, the owner must submit with the

application evidence of site control and the certification required by §983.51(d)(5)(v). The HA must determine that construction (foundation work) has not begun. The HA must determine that the proposed initial gross rents are within the fair market rent limitation under §983.202. The HA must also consider whether the property is eligible housing within the meaning of §983.7; meets the other Federal requirements in §983.11 and the site and neighborhood standards in §983.6; will be constructed with other than assistance under the U.S. Housing Act of 1937 in accordance with §983.9; and, in the case of projects of four or more units, whether any work items necessary to meet the accessibility requirements of Section 504 of the Rehabilitation Act of 1973 and the Fair Housing Amendments Act of 1988 will be completed.

(b) Before executing an Agreement, the HA must contract with a State certified general appraiser and establish the rents in accordance with §983.202 or seek and obtain the HUD-determined initial contract rents for any HA owned or controlled units or projects financed with a HUD insured or coinsured multifamily mortgage; seek and obtain subsidy layering contract rent reviews from HUD or a Housing Credit Agency; seek and obtain environmental clearance in accordance with §983.11; and receive approval from the HUD field office to execute an Agreement pursuant to the reviews required in §983.56.

(c) If the HA administering the ACC or an entity substantially controlled by the HA administering the ACC has submitted an application, the HA must submit to the HUD field office all owner applications in response to the advertisement. The HUD field office will select the owner applications to be funded from the applications received in response to the HA advertisement.

(d) If there are no HA-owned or controlled applicants, the HA must submit to the HUD field office for the site and neighborhood review only those applications determined by the HA to be eligible for further processing pursuant to paragraph (a) of this section, and must submit a certification to the HUD field office stating that the unit or units were selected in accordance with the HA's approved unit selection policy. The HA's submission must not exceed the number of uncommitted units for which the HA is authorized to project-base assistance in connection with new construction. If the number of units contained in applications the HA has determined to be eligible for further processing exceeds the number for which the HA is authorized to project-base assistance, the HA may submit only the top-ranked applications.

(e) The HUD field office may terminate the Agreement or HAP contract upon at least 30 days written notice to the owner by HUD if the HUD field office determines that the units were not selected in accordance with the HA's approved written selection policy or that the units did not initially meet the HUD eligibility requirements.

(Approved by the Office of Management and Budget under control number 2577-0169)

[60 FR 34717, July 3, 1995, as amended at 60 FR 45661, Sept. 1, 1995; 63 FR 23871, Apr. 30, 1998]

§ 983.56 New construction: HUD field office review of applications.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=24-PartTop>  [top](#)

(a) The HUD field office must review the owner applications submitted by an HA to determine compliance with requirements concerning the site and neighborhood standards in §983.6.

(b) The HUD field office must establish initial contract rents for any HA owned units or projects financed with a HUD insured or coinsured multifamily mortgage. HUD (or a Housing Credit Agency) must also conduct subsidy layering contract rent reviews.

(c) When the HA administering the ACC or an entity substantially controlled by the HA administering the ACC has submitted an application, the HA must submit to the HUD field office all owner applications in response to the advertisement. The HUD field office must review the owner applications and make the final selections based on the criteria in the HA selection policy approved by the HUD field office.

§ 983.57 New construction: Working drawings and specifications.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=24-PartTop>  [top](#)

Before an Agreement is executed for new construction units, the owner must submit the design architect's certification that the proposed new construction reflected in the working drawings and specifications complies with housing quality standards, local codes and ordinances, and zoning requirements.

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[60 FR 34717, July 3, 1995, as amended at 60 FR 45661, Sept. 1, 1995]

Subpart C—Agreement and New Construction or Rehabilitation Period

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=2>

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§ 983.101 Agreement to enter into HAP contract, and contract rents in Agreement.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=2>

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(a) Agreement. The HA must enter into an Agreement with the owner in the form prescribed by HUD for assistance provided under this part 983. The Agreement must be executed before the start of any new construction or rehabilitation. Under the Agreement, the owner agrees to construct the units in accordance with the HA-approved working drawings and specifications or to rehabilitate the units in accordance with the HA-approved work write-ups.

(b) Contract rents in Agreement. The Agreement must list the initial contract rents that will apply to the units after they are constructed or rehabilitated. The amounts of the contract rents that are listed in the Agreement or, if applicable, as lowered under §983.103(c), must be the initial contract rents upon execution of the HAP contract. These initial contract rents may only be increased if:

- (1) The project is financed with a HUD insured or coinsured multifamily mortgage;
- (2) The initial contract rents listed in the Agreement were based on the amount determined by HUD to be necessary to amortize the insured or coinsured mortgage; and
- (3) The HUD field office approves a cost increase prior to closing. In such a case, the HUD field office may redetermine the initial contract rents in accordance with §983.202 except that the field office may use the comparable rents originally used in processing the insured or coinsured mortgage in lieu of the amount determined in accordance with §983.202.

[60 FR 34717, July 3, 1995, as amended at 63 FR 23871, Apr. 30, 1998]

§ 983.102 Owner selection of contractor.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=2>

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The owner is responsible for selecting a competent contractor to undertake the new construction or rehabilitation work under the Agreement. The owner may not award contracts to, otherwise engage the services of, or fund any contractor or subcontractor, to perform such work, that fails to provide a certification that neither it nor its principals is presently debarred, suspended, or placed in ineligibility status under 24 CFR part 24, or is on the list of ineligible contractors or subcontractors established and maintained by the Comptroller General under 29 CFR part 5. The HA must promote opportunities for minority contractors to participate in the program.

§ 983.103 New construction or rehabilitation period.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=2>

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(a) Timely performance of work. After the Agreement has been executed, the owner must promptly proceed with the construction or rehabilitation work as provided in the Agreement. In the event the work is not so commenced, diligently continued, or completed, the HA may terminate the Agreement or take other appropriate action.

(b) Inspections. The HA must inspect during construction or rehabilitation to ensure that work is proceeding on schedule and is being accomplished in accordance with the terms of the Agreement. The inspection must

be carried out to ensure that the work meets the types of materials specified in the work write-ups or working drawings and specifications, and meets typical levels of workmanship in the area.

(c) Changes. The owner must obtain prior HA approval for any changes from the work specified in the Agreement that would alter the design or the quality of the required new construction or rehabilitation. The HA may disapprove any changes requested by the owner. HA approval of changes may be conditioned on establishing lower initial contract rents in the amount determined by the HA (or the HUD field office for HA owned units or projects financed with a HUD insured or coinsured multifamily mortgage). If the owner makes any changes without prior HA approval, the HA may lower the initial contract rents in the amount determined by the HA (or the HUD field office for HA owned units or projects financed with a HUD insured or coinsured multifamily mortgage), and may require the owner to remedy any deficiencies, prior to, and as a condition for, acceptance of the units. Initial contract rents, however, must not be increased because of any change from the work specified in the Agreement as originally executed. When a HUD insured or a HUD coinsured multifamily mortgage is used to finance new construction or rehabilitation of the units to which assistance is to be attached under this part 983, the HUD field office may lower the initial contract rents to reflect any reduction in the amount necessary to amortize the insured or coinsured mortgage.

(d) Notification of vacancies. At least 60 days before the scheduled completion of the new construction or rehabilitation, the owner must notify the HA of any units expected to be vacant on the anticipated effective date of the HAP contract. The HA must refer to the owner appropriate-sized families from the HA waiting list. When the HAP contract is executed, the owner must notify the HA which units are vacant. (See also §983.253).

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[60 FR 34717, July 3, 1995, as amended at 60 FR 45661, Sept. 1, 1995; 63 FR 23871, Apr. 30, 1998]

§ 983.104 New construction or rehabilitation completion.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=2>

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(a) Notification of completion. The owner must notify the HA when the work is completed and submit to the HA the evidence of completion described in paragraph (b) of this section.

(b) Evidence of completion. To demonstrate completion of the work the owner must furnish the HA with:

(1) A certificate of occupancy or other official approvals as required by the locality.

(2) A certification by the owner that:

(i) The work has been completed in accordance with the requirements of the Agreement;

(ii) There are no defects or deficiencies in the work except for items of delayed completion which are minor or which are incomplete because of weather conditions and, in any case, do not preclude or affect occupancy;

(iii) The unit(s) has been constructed or rehabilitated in accordance with the applicable zoning, building, housing and other codes, ordinances or regulations, as modified by any waivers obtained from the appropriate officials;

(iv) Units are in compliance with the lead-based paint requirements in part 35, subparts A, B, H, and R of this title; and

(v) The owner has complied with any applicable labor standards requirements in the Agreement.

(3) For projects where a HUD field office construction inspection is not required during construction, a certification from the inspecting architect stating that the units have been constructed in accordance with the certified working drawings and specifications, housing quality standards, local codes and ordinances, and zoning requirements.

(c) Review and inspections. The HA must review the evidence of completion for compliance with paragraph (b) of this section. The HA also must inspect the unit(s) to be assisted to determine that the unit(s) has been completed in accordance with the Agreement, including meeting the housing quality standards or other standards approved by the HUD field office for the program. If the inspection discloses defects or deficiencies, the inspector must report these in detail.

(d) Acceptance. (1) If the HA determines from the review and inspection that the unit(s) has been completed in accordance with the Agreement, the HA must accept the unit(s).

(2) If there are any items of delayed completion that are minor items or that are incomplete because of weather conditions, and in any case that do not preclude or affect occupancy, and all other requirements of the Agreement have been met, the HA may accept the unit(s). The HA must require the owner to deposit in

escrow with the HA funds in an amount the HA determines to be sufficient to ensure completion of the delayed items. The HA and owner must also execute a written agreement, specifying the schedule for completion of these items. If the items are not completed within the agreed time period, the HA may terminate the HAP contract or exercise other rights under the HAP contract.

(3) If other deficiencies exist, the HA must determine whether and to what extent the deficiencies are correctable and whether a time extension is warranted, and HUD must determine whether the contract rents should be reduced.

(4) Otherwise, the unit(s) may not be accepted, and the owner must be notified with a statement of the reasons for nonacceptance.

(Approved by the Office of Management and Budget under control number 2577-0169)

[60 FR 34717, July 3, 1995, as amended at 60 FR 45661, Sept. 1, 1995; 64 FR 50230, Sept. 15, 1999]

Subpart D—Housing Assistance Payments Contract

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=2>

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§ 983.151 Housing assistance payments contract (HAP contract).

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=2>

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(a) Required form. The HA must enter into a HAP contract with the owner in the form prescribed by HUD for assistance provided under this part 983.

(b) Term of HAP contract. (1) The initial HAP contract term may not be less than one year nor more than five years, and may not extend beyond the ACC expiration date for the funding source from which the HAP contract is to be funded.

(2) The contract authority for the funding source must exceed the estimated annual housing assistance payments for all tenant-based and project-based HAP contracts funded from the funding source.

(3) Within these limitations, the HA has the sole discretion to determine the HAP contract term.

(c) Renewal of HAP contracts. With HUD field office approval and at the sole option of the HA, HAs may renew expiring HAP contracts for such period or periods as the HUD field office determines appropriate to achieve long-term affordability of the assisted housing, provided that the term does not extend beyond the ACC expiration date for the funding source. HAs must identify the funding source for renewals; different funding sources may be used for the initial term and renewal terms of the HAP contract. In addition to assessing whether the HAP contract should be renewed to achieve long term affordability, HUD will review an HA's renewal request to determine that the requirements listed in §983.3(a) will be satisfied, and to determine if a rent reduction is warranted pursuant to 24 CFR part 12. The owner and owner's successors in interest must accept all HAP contract renewals agreed to by the HA and approved by HUD.

(d) Time of execution. The HA must execute the HAP contract if the HA accepts the unit(s) under §983.104. The effective date of the HAP contract may not be earlier than the date of HA inspection and acceptance of the unit(s).

(e) Units under lease. After commencement of the HAP contract term, the HA must make the monthly housing assistance payments in accordance with the HAP contract for each unit occupied under lease by a family.

(Approved by the Office of Management and Budget under control number 2577-0169)

[60 FR 34717, July 3, 1995, as amended at 60 FR 45661, Sept. 1, 1995; 63 FR 23871, Apr. 30, 1998]

§ 983.152 Reduction of number of units covered by HAP contract.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=2>

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(a) Limitation on leasing to ineligible families. Owners must lease all assisted units under HAP contract to eligible families. Leasing of vacant, assisted units to ineligible tenants is a violation of the HAP contract and grounds for all available legal remedies, including suspension or debarment from HUD programs and

reduction of the number of units under the HAP contract, as set forth in paragraph (b) of this section. Once the HA has determined that a violation exists, the HA must notify the HUD field office of its determination and the suggested remedies. At the direction of the HUD field office, the HA must take the appropriate action.

(b) Reduction for failure to lease to eligible families. If, at any time beginning 180 calendar days after the effective date of the HAP contract, the owner fails for a period of 180 continuous calendar days to have the assisted units leased to families receiving housing assistance or to families who were eligible when they initially leased the unit but are no longer receiving housing assistance, the HA may, on at least 30 calendar days notice, reduce the number of units covered by the HAP contract. The HA may reduce the number of units to the number of units actually leased or available for leasing by eligible families plus 10 percent (rounded up). If the owner has only one unit under HAP contract and if one year has elapsed since the date of the last housing assistance payment, the HAP contract may be terminated with the consent of the owner.

(c) Restoration. The HA will agree to an amendment of the HAP contract to provide for subsequent restoration of any reduction made pursuant to paragraph (b) of this section if:

- (1) The HA determines that the restoration is justified by demand,
- (2) The owner otherwise has a record of compliance with obligations under the HAP contract; and
- (3) Contract authority is available.

Subpart E—Management

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=24-PartTop>  [top](#)

§ 983.201 Responsibilities of the HA.


<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=24-PartTop>  [top](#)

The HA must:

- (a) Inspect the project before, during and upon completion of new construction or rehabilitation; and
- (b) Ensure that the amount of assistance that is attached to units is within the amounts available under the ACC.

[63 FR 23871, Apr. 30, 1998]

§ 983.202 Responsibilities of the owner.


<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=24-PartTop>  [top](#)

Section 982.452 of this chapter, Owner responsibilities, applies. The owner is also responsible for performing all of the owner responsibilities under the Agreement and the HAP contract, providing the HA with a copy of any termination of tenancy notification, and offering vacant, accessible units to a Family with one or more members with a disability requiring accessibility features of the vacant unit and occupying an assisted unit not having such features.

(Approved by the Office of Management and Budget under control number 2577-0169)

[60 FR 34717, July 3, 1995, as amended at 60 FR 45661, Sept. 1, 1995; 63 FR 23871, Apr. 30, 1998]

§ 983.203 Family participation.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=24-PartTop>  [top](#)

Subpart E of part 982 of this chapter, Selection for Tenant-based Program, does not apply, except as it is expressly made applicable by this section.

(a) HA selection for participation. (1) The following provisions apply to this part: §§982.201, 982.202 except

paragraph (b)(3), 982.203, 982.204 except paragraph (a) and (d), 982.205 except paragraph (a), 982.206, 982.207.

(2) For purposes of this part, a family becomes a participant when the family and owner execute a lease for a unit with project-based assistance.

(3) An HA may use the tenant-based waiting list, a merged waiting list, or a separate PBC waiting list for admission to the PBC program. If the HA opts to have a separate PBC waiting list, the HA may use a single waiting list for all PBC projects, or may use a separate PBC waiting list for an area not smaller than a county or municipality.

(4) Except for special admissions and admissions pursuant to paragraph (c)(3) of this section, participants must be selected from the HA waiting list. The HA must select participants from the waiting list in accordance with admission policies in the HA administrative plan.

(5) HAs authorized to use the 30-percent limit to prevent prepayments under State mortgage programs must not count families selected to occupy units in these State-assisted or subsidized projects against the local preference limit.

(6) The selection of eligible in-place families does not count against the local preference limit.

(b) HA determination of eligibility of in-place families. Before an HA selects a specific unit to which assistance is to be attached, the HA must determine whether the unit is occupied, and if occupied, whether the unit's occupants are eligible for assistance. If the unit is occupied by an eligible family (including a single person) and the HA selects the unit, the family must be afforded the opportunity to lease that unit or another appropriately sized, project-based assisted unit in the project without requiring the family to be placed on the waiting list. An HA may not select a unit, or enter into an Agreement with respect to a unit, if the unit is occupied by persons who are not eligible for participation in the program.

(c) Filling vacant units. (1) When the owner notifies the HA of vacancies in the units to which assistance is attached, the HA will refer to the owner one or more families of the appropriate size on its waiting list. A family that refuses the offer of a unit assisted under this part 983 keeps its place on the waiting list.

(2) The owner must rent all vacant units to eligible families referred by the HA from its waiting list. The HA must determine eligibility for participation in accordance with HUD requirements.

(3) If the HA does not refer a sufficient number of interested applicants on the HA waiting list to the owner within 30 days of the owner's notification to the HA of a vacancy, the owner may advertise for or solicit applications from eligible very low-income families, or, if authorized by the HA in accordance with HUD requirements, low-income families. The owner must refer these families to the HA to determine eligibility.

(4)(i) The owner is responsible for screening and selection of tenants. The owner must adopt written tenant selection procedures that are consistent with the purpose of improving housing opportunities for very low-income families, and reasonably related to program eligibility and an applicant's ability to perform the lease obligations.

(ii)(A) An owner must promptly notify in writing any rejected applicant of the grounds for any rejection.

(B) If the owner rejects an applicant family who believes that the rejection was the result of unlawful discrimination, the family may request the assistance of the HA in resolving the issue. The family may also file a discrimination complaint with the HUD field office or exercise other rights provided by law.

(d) Briefing of families. When a family is selected to occupy a project-based unit, the PHA must provide the family with information concerning the tenant rent and any applicable utility allowance and a copy of the lead hazard information pamphlet, as required by part 35, subpart A of this title. The family must also, either in group or individual sessions, be provided with a full explanation of the following:

(1) Family and owner responsibilities under the lease and HAP contract;

(2) Information on Federal, State, and local equal opportunity laws;

(3) The fact that the subsidy is tied to the unit, that the family must occupy a unit constructed or rehabilitated under the program, and that a family that moves from the unit does not have any right to continued assistance;

(4) The likelihood of the family receiving a certificate after the HAP contract expires;

(5) The family's options under the program, if the family is required to move because of a change in family size or composition;

(6) Information on the HA's procedures for conducting informal hearings for participants, including a description of the circumstances in which the HA is required to provide the opportunity for an informal hearing (under §983.207), and of the procedures for requesting a hearing.

(e) Continued assistance for a family when the HAP contract is terminated. If the HAP contract for the unit expires or if the HA terminates the HAP contract for the unit:

(1) The HA must issue the assisted family in occupancy of a unit a certificate of family participation for assistance under the HA's certificate program unless the HA has determined that it does not have sufficient funding for continued assistance for the family, or unless the HA denies issuance of a certificate in accordance with §982.552 of this chapter.

(2) If the unit is not occupied by an assisted family, then the available funds under the ACC that were previously committed for support of the project-based assistance for the unit must be used for the HA's certificate program.

(f) Amount of rent payable by family to owner. The amount of rent payable by the Family to the owner must be the Tenant Rent.

(g) Lease requirements. (1) The lease between the family and the owner must be in accordance with §983.206 and any other applicable HUD regulations and requirements. The lease must include all provisions required by HUD and must not include any of the provisions prohibited by HUD.

(2) When offering an accessible unit to an applicant not having disabilities requiring the accessibility features of the unit, the owner may require the applicant to agree (and may incorporate this agreement in the Lease) to move to a non-accessible unit when available.

(Approved by the Office of Management and Budget under control number 2577-0169)

[60 FR 34717, July 3, 1995, as amended at 60 FR 45661, Sept. 1, 1995; 61 FR 9048, Mar. 6, 1996; 61 FR 27163, May 30, 1996; 63 FR 23871, Apr. 30, 1998; 64 FR 50230, Sept. 15, 1999]

§ 983.204 Maintenance, operation and inspections.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=24-PartTop>  [top](#)

(a) Section 982.404 of this chapter, Maintenance: Owner and family responsibility; HA remedies, pertaining to owner responsibilities and HA remedies, does not apply. Section 982.405 of this chapter, HA periodic unit inspection, and §982.406 of this chapter, Enforcement of HQS, do not apply.

(b) Maintenance and operation. The owner must provide all the services, maintenance and utilities as agreed under the HAP contract, subject to abatement of housing assistance payments or other applicable remedies if the owner fails to meet these obligations.


(c) Periodic inspection. In addition to the inspections required prior to execution of the HAP contract, the HA must inspect or cause to be inspected each dwelling unit under HAP contract at least annually and at such other times as may be necessary to assure that the owner is meeting the obligations to maintain the unit in decent, safe and sanitary condition and to provide the agreed upon utilities and other services. The HA must take into account complaints and any other information coming to its attention in scheduling inspections.

(d) Units not decent, safe and sanitary. If the HA notifies the owner that the unit(s) under HAP contract are not being maintained in decent, safe and sanitary condition and the owner fails to take corrective action within the time prescribed in the notice, the HA may exercise any of its rights or remedies under the HAP contract, including abatement of housing assistance payments (even if the family continues in occupancy), termination of the HAP contract on the affected unit(s) and termination of assistance to the family in accordance with §982.552 of this chapter.

(e) Enforcement of HQS. 24 CFR part 982 and this part 983 do not create any right of the family, or any party other than HUD or the HA, to require enforcement of the HQS requirement by HUD or the HA, or to assert any claim against HUD or the HA, for damages, injunction or other relief, for alleged failure to enforce the HQS.

[60 FR 34717, July 3, 1995, as amended at 63 FR 23871, Apr. 30, 1998]

§ 983.205 Overcrowded and underoccupied units.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=24-PartTop>  [top](#)

(a) 24 CFR 982.403, Terminating HAP contract: When unit is too big or too small, does not apply.

(b) If the HA determines that a contract unit is not decent, safe, and sanitary because of an increase in family size that causes the unit to be overcrowded or that a contract unit is larger than appropriate for the size of the family in occupancy under the HA's subsidy standards, housing assistance payments with respect to the unit

may not be terminated for this reason. The owner, however, must offer the family a suitable alternative unit if one is available and the family shall be required to move. If the owner does not have available a suitable unit within the family's ability to pay the rent, the HA (if it has sufficient funding) must offer Section 8 assistance to the family or otherwise assist the family in locating other standard housing in the HA's jurisdiction within the family's ability to pay, and require the family to move to such a unit as soon as possible. The family must not be forced to move, nor shall housing assistance payments under the HAP contract be terminated for the reasons specified in this paragraph, unless the family rejects, without good reason, the offer of a unit that the HA judges to be acceptable.
[60 FR 34717, July 3, 1995. Redesignated and amended at 63 FR 23871, Apr. 30, 1998]

§ 983.206 Assisted tenancy and termination of tenancy.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=1160d87b9c5630c552a5f5b5ca694ee6&rgn=div5&view=text&node=24:4.0.3.1.23&idno=24-PartTop>  [top](#)

(a) Section 982.309 of this chapter, Term of assisted tenancy, and §982.310 of this chapter, Owner termination of tenancy, do not apply.

(b) Term of lease. The term of a lease, including a new lease or a lease amendment, executed by the owner and the family must be for at least one year, or the remaining term of the HAP contract if the remaining term of the HAP contract is less than one year.

(c) Move from unit. The family must notify the HA and the owner before the family moves out of the unit.

(d) Termination of tenancy. (1) Subpart A of part 247 of this title, Eviction from Certain Subsidized and HUD-Owned Projects, applies, except §247.4(d) of this title.

(2) The lease may contain a provision permitting the family to terminate the lease on not more than 60 days advance written notice to the owner. In the case of a lease term for more than one year, the lease must contain a provision permitting the family to terminate the lease on such notice after the first year of the term.


(3) The owner may offer the family a new lease for execution by the family for a term beginning at any time after the first year of the term of the lease. The owner must give the family written notice of the offer at least 60 days before the proposed commencement date of the new lease term. The offer may specify a reasonable time for acceptance by the family. Failure by the family to accept the offer of a new lease in accordance with this paragraph shall be "other good cause" for termination of tenancy (under §247.3(a)(3) of this title).
(Approved by the Office of Management and Budget under control number 2577-0169)
[60 FR 34717, July 3, 1995, as amended at 60 FR 45661, Sept. 1, 1995. Redesignated at 63 FR 23871, Apr. 30, 1998]

§ 983.207 Informal review or hearing.

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24 CFR 982.554 (Informal review for applicants) and 24 CFR 982.555 (Informal hearing for participants) are applicable.
[63 FR 23871, Apr. 30, 1998]

Subpart F—Rent and Housing Assistance Payment

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Source: 63 FR 23871, Apr. 30, 1998, unless otherwise noted.

§ 983.251 Applicability.

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- (a) This subpart describes how to determine the amount of the rent to owner and the housing assistance payment in the PBC program.
- (b) In subpart K of 24 CFR part 982 (rent and housing assistance payment for tenant-based program), the following are the only sections that apply to the PBC program under this Part: §982.504 (for determination of the FMR/exception rent limit); §982.516 (regular and interim examinations of family income and composition); and §982.517 (utility allowance schedule).

§ 983.252 Limits on initial rent to owner.

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- (a) Reasonable rent. The initial rent to owner for a unit may not exceed the reasonable rent as determined by the HA in accordance with §983.256.
- (b) FMR/exception rent limit. The initial gross rent for a unit (rent to owner plus utility allowance) may not exceed the FMR/exception rent limit on the date the Agreement is executed. The FMR/exception rent limit is determined by the HA in accordance with 24 CFR 982.504.

§ 983.253 Initial rent: Who approves.

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- (a) For units that are not HUD-insured or HA-owned. The HA approves the initial rent to owners for PBC units that are not financed with a HUD-insured multifamily mortgage, and are not owned by the HA.
- (b) For units that are insured or HA-owned. For HA-owned PBC units or PBC units financed with a HUD insured multifamily mortgage, the initial rents must be approved by HUD.

§ 983.254 Annual adjustment of rent to owner.

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- (a) Owner request for adjustment and compliance with contract. At each annual anniversary date of the HAP contract, the HA must adjust the rent to owner in accordance with the following requirements:
- (1) The owner must request a rent increase (including a comparability study to determine the amount of such increase) by written notice to the HA at least 120 days before the HAP contract anniversary. The request must be submitted in the form and manner required by the HA.
 - (2) The HA may not increase the rent at the annual anniversary unless:
 - (i) The owner requested the increase by the 120 day deadline; and
 - (ii) During the year before the contract anniversary, the owner complied with all requirements of the HAP contract, including compliance with the HQS for all contract units.
 - (b) Amount of annual adjustment. (1) The adjusted rent to owner equals the lesser of:
 - (i) The pre-adjustment rent to owner multiplied by the applicable Section 8 annual adjustment factor published by HUD in the Federal Register;
 - (ii) The reasonable rent as determined by the HA in accordance with §983.256; or
 - (iii) The rent requested by owner.
 - (2) For a HAP contract under an Agreement executed on or after June 1, 1998, the applicable factor is the published annual adjustment factor in effect 60 days before the HAP contract anniversary. For a HAP contract under an Agreement executed before June 1, 1998, the applicable factor is the published annual adjustment factor in effect on the contract anniversary date.
 - (3) In making the annual adjustment, the pre-adjustment rent to owner does not include any previously approved special adjustments.
 - (4) The rent to owner may be adjusted up or down in accordance with this section.
- (c) Rent adjustments for HA-owned units. For HA-owned PBC units, the HA must request HUD approval of the annual adjustment. The HA may not increase the rent at the annual anniversary until and unless HUD has

reviewed the HA comparability study, and has approved the adjustment.

(d) Initial rent. Except as necessary to correct errors in establishing the initial rent in accordance with HUD requirements, the adjusted rent to owner must not be less than the initial rent.

(Information collection requirements in this section have been approved by the Office of Management and Budget under control number 2577-0169.)

§ 983.255 Special adjustment of rent to owner.

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(a) HUD discretion. (1) At HUD's sole discretion, HUD may approve a special adjustment of the rent to owner. An HA may only make a special adjustment of the rent to owner if the adjustment has been approved by HUD.

(2) The owner does not have any right to receive a special adjustment.

(b) Purpose of special adjustment. A special adjustment may only be approved to reflect increases in the actual and necessary costs of owning and maintaining the contract units because of substantial and general increases in:

- (1) Real property taxes;
- (2) Special governmental assessments;
- (3) Utility rates; or
- (4) Costs of utilities not covered by regulated rates.

(c) Limits on special adjustment. (1) A special adjustment may only be approved if and to the extent the owner demonstrates that cost increases are not adequately compensated by application of the published annual adjustment factor at the contract anniversary (see §983.254). The owner must demonstrate that the rent to owner is not sufficient for proper operation of the housing.

(2) The adjusted rent may not exceed the reasonable rent as determined by a comparability study in accordance with §983.256.

(d) Financial information. The owner must submit financial information, as requested by the HA, that supports the grant or continuance of a special adjustment. For HAP contracts of more than twenty units, such financial information must be audited.

(e) Term of special adjustment. (1) The HA may withdraw or limit the term of any special adjustment.

(2) If a special adjustment is approved to cover temporary or one-time costs, the special adjustment is only a temporary or one-time increase of the rent to owner.

(Information collection requirements in this section have been approved by the Office of Management and Budget under control number 2577-0169.)

§ 983.256 Reasonable rent.

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(a) Requirement. (1) The HA may not enter an agreement to enter into housing assistance payments contract until the HA determines that the initial rent to owner under the HAP contract is a reasonable rent.

(2) During the term of a HAP contract, the rent to owner may not exceed the reasonable rent as determined by the HA.

(3) At least annually during the HAP contract term, the HA must redetermine that the current rent to owner does not exceed a reasonable rent.

(b) Comparability. The HA must determine whether the rent to owner is a reasonable rent in comparison to rent for other comparable unassisted units. To make this determination, the HA must consider:

- (1) The location, quality, size, unit type, and age of the contract unit; and
- (2) Any amenities, housing services, maintenance and utilities to be provided by the owner in accordance with the lease.

(c) Appraisal—(1) Determining initial rent. (i) To determine that the initial rent to owner is reasonable, the HA must use a qualified State-certified appraiser who has no direct or indirect interest in the property or otherwise.

(ii) For each unit type, the appraiser must submit a completed comparability analysis on Form HUD-92273 (Estimates of Market Rent by Comparison—the form is available at the Department of Housing and Urban

Development, HUD Custom Service Center, 451 7th Street, SW, Room B-100, Washington, DC 20410) for HA review and approval. The appraisal must use at least three comparable units in the private unassisted market.

- (iii) The HA must certify to HUD that the initial rent to owner for a unit does not exceed the reasonable rent.
- (2) Annual Adjustment: Comparability study. (i) In determining the annual adjustment of rent to owner (in accordance with §983.254), the adjusted rent to owner must not exceed a reasonable rent as determined by an HA “comparability study.”
- (ii) The comparability study is an analysis of rents charged for comparable units. The HA comparability study must determine the reasonable rent for the contract units as compared with rents for comparable unassisted units. The adjusted rent for a contract unit may not exceed the reasonable rent as shown by the comparability study.
- (iii) The comparability study must include a completed comparability analysis for each unit type on Form HUD-92273 (Estimates of Market Rent by Comparison). The comparability study may be prepared by HA staff or by another qualified appraiser. The appraiser may not have any direct or indirect interest in the property or otherwise.
- (iv) The comparability study must show how the reasonable rent was determined, including major differences between the contract units and comparable unassisted units.
- (v) If the owner requests a rent increase by the 120 day deadline (in accordance with §983.254(a)), the HA must submit a comparability study to the owner at least 60 days before the HAP contract anniversary. If the HA does not submit the comparability study to the owner by this deadline, an increase of rent by application of the annual adjustment factor (in accordance with §983.254(b)) is not subject to the reasonable rent limit.
- (d) Owner certification of rents charged for other units. By accepting each monthly housing assistance payment from the HA, the owner certifies that the rent to owner is not more than rent charged by the owner for comparable unassisted units in the premises. The owner must give the HA information requested by the HA on rents charged by the owner for other units in the premises or elsewhere. (Information collection requirements in this section have been approved by the Office of Management and Budget under control number 2577-0169.)

§ 983.257 Other subsidy: Effect on rent to owner.

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- (a) HOME. For units assisted under the HOME program, rents are subject to requirements of the HOME program (24 CFR 92.252).
- (b) Combining subsidy. The HA may only approve or assist a project in accordance with HUD regulations and guidelines designed to ensure that participants do not receive excessive compensation by combining HUD program assistance with assistance from other Federal, State or local agencies, or with low income housing tax credits. (See 42 U.S.C. 3545(d) and section 3545 note.)
- (c) Other subsidy: HA discretion to reduce rent. The HA may reduce the initial rent to owner because of other governmental subsidies, including tax credit or tax exemption, grants or other subsidized financing.
- (d) Prohibition of other subsidy. For provisions prohibiting PBC assistance to units in certain types of subsidized housing, see §983.7(c).

§ 983.258 Rent to owner: Effect of rent control.

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In addition to the rent reasonableness limit, and other rent limits under this rule, the amount of rent to owner also may be subject to rent control limits under State or local law.

§ 983.259 Correction of rent.

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At any time during the life of the HAP contract, the HA may revise the rent to owner to correct any errors in establishing or adjusting rent to owner in accordance with HUD requirements. The HA may recover any excess payment from the owner.

§ 983.260 Housing assistance payment: Amount and distribution.

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- (a) Amount. The monthly housing assistance payment equals the gross rent, minus the higher of:
- (1) The total tenant payment; or
 - (2) The minimum rent as required by law.
- (b) Distribution. The monthly housing assistance payment is distributed as follows:
- (1) The HA pays the owner the lesser of the housing assistance payment or the rent to owner.
 - (2) If the housing assistance payment exceeds the rent to owner, the HA may pay the balance of the housing assistance payment either to the family or directly to the utility supplier to pay the utility bill.

§ 983.261 Family share: Family responsibility to pay.

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- (a) The family share is calculated by subtracting the amount of the housing assistance payment from the gross rent.
- (b) The HA may not use housing assistance payments or other program funds (including any administrative fee reserve) to pay any part of the family share. Payment of the family share is the responsibility of the family.

§ 983.262 Other fees and charges.

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- (a) The cost of meals or supportive services may not be included in the rent to owner, and the value of meals or supportive services may not be included in the calculation of reasonable rent.
- (b) The lease may not require the tenant or family members to pay charges for meals or supportive services. Non-payment of such charges is not grounds for termination of tenancy.
- (c) The owner may not charge the tenant extra amounts for items customarily included in rent in the locality or provided at no additional cost to the unsubsidized tenants in the premises.

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Last updated: February 18, 2004

**U.S. Department of Housing and Urban Development
Office of Public and Indian Housing**

Notice PIH 2003-10 (HA)

Special Attention of:

All Public Housing Directors;
Public Housing Agencies;
HUD Field Offices;

**Issued: April 4, 2003
Expired: April 30, 2004**

SUBJECT: Capital Fund - Replacement Housing Factor Funding-Instructions

A. General. The Capital Fund Formula Rule at 24 CFR 905.10(i) provides that a public housing agency (PHA) may receive Replacement Housing Factor (RHF) funding for a period of up to 5 years. A PHA may be given RHF funding only if the PHA did not receive funding for public housing units under public housing development, Major Reconstruction of Obsolete Public Housing, HOPE VI or other programs that would otherwise provide replacement housing. Beginning with funding provided in Fiscal Year (FY) 2000, RHF funding can only be used for replacement public housing.

A PHA may receive funding for an additional 5 years if it will be leveraging substantial additional funding from sources other than public housing funds. The PHA seeking the additional funding must have all required PHA Plans approved and be in compliance with statutory obligation and expenditure deadlines. Section 905.10(i)(7) provides that RHF funds must be obligated within:

1. 24 months from the date that the funds become available, or
2. with specific HUD approval, 24 months from the date the PHA accumulates adequate funds to undertake replacement housing.

All replacement housing must be undertaken in accordance with the public housing development regulations at 24 CFR 941. All PHAs, including Moving-To-Work (MTW) PHAs, must (a) submit an RHF Plan, (b) submit a development proposal as described below and (c) proceed in accordance with their plan upon receiving the 5th year of funding. If the PHA requests an additional 5 years of funding, it must proceed with the development of the first 5-year increment and submit a plan for a second, discrete, development based on the second increment of funding provided in years 6 through 10. If the PHA fails to meet the 2-year obligation deadline for the development funded from the first 5-year increment, the PHA will receive no further RHF funding for the second increment, and any grants provided for the second increment will be recaptured.

In submitting its development proposal pursuant to 24 CFR 941, PHAs must comply with Section 9(g)(3) of the U.S. Housing Act of 1937. Section 9 provides that a PHA may not

construct any new units if the construction would result in a net increase from the number of public housing units owned, assisted or operated by the PHA on October 1, 1999, including any public housing units demolished as a part of any revitalization effort. This provision does not apply to the development of additional public housing through the acquisition (with or without rehabilitation) of units from the open market.

The PHA may construct new units in excess of the number of units in its inventory on October 1, 1999, but will not be eligible for additional funding under the Capital or Operating Fund formulas. The PHA may also construct new units in excess of the number of units in its inventory on October 1, 1999, if the units are part of a mixed-finance project or otherwise leverage significant additional private or public investments and the estimated cost of the useful life of the project is less than the estimated cost of providing tenant-based assistance under Section 8(o) of the U.S. Housing Act of 1937 for the same period.

Field Offices will be responsible for reviewing each development proposal, in accordance with Section 9(g)(3). The Public Housing Information Center (PIC) is being modified to provide data elements to reflect these requirements. Field Offices will be responsible for ensuring that PIC contains the appropriate data for each development proposal approved, that is to be excluded from the Capital or Operating Fund formula.

B. RHF Plans. An RHF Plan is a description of the steps that a PHA will carry out to provide replacement housing. A PHA must submit an RHF Plan for each 5-year increment of funding. RHF Plans must contain the following:

1. A Brief Description.
 - a. The total units to be developed,
 - b. The development method (e.g., new construction, acquisition with or without rehabilitation), and
 - c. Structure type (single family, row, walk-up, etc.).
2. Schedule. A schedule of major development milestones (e.g., hire the architect, prepare plans and specifications, etc.), through and including the date the PHA plans to submit its development proposal to the HUD Field Office, and the Date of Fund Availability (DOFA). The latest date that a PHA can submit a development proposal, for a PHA's first 5 years of RHF funding, is 90 days after execution of the Annual Contributions Contract (ACC) by the HUD Field Office, or the due date of the PHA's Annual Plan for that year (the 5th year), whichever is later. The latest date that a PHA can submit a development proposal, for the second 5-year increment of RHF funding, is 90 days after execution of the ACC by the HUD Field Office, or the due date of the PHA's Annual Plan for the 7th year, whichever is later. A development plan may be submitted earlier.
3. Amount and Sources of Funding. The RHF Plan must include information describing the amount and sources of funding for the replacement housing for both the first and second 5-year increments of RHF funding. In accordance with HUD regulations at 24 CFR

905.10(i)(2)(ii), as a prior condition of a PHA's receipt of the second increment of RHF funding, a PHA must obtain a firm commitment of substantial additional funds, other than public housing funds, for replacement housing, as determined by HUD. A PHA should document the resources it proposes to use as leverage, including the name of the organization providing the resource, the dollar value of the proposed resource, and the proposed use. PHAs may use any funds other than public housing funds for leveraging. Examples include: Community Development Block Grant (CDBG) funds, tax credits, State or local grants, private mortgage-secured loans and other debt, donations and contributions, and housing trust funds. In addition, leveraging may include funds borrowed by the PHA through such sources as bank loans and bond issuances that are to be repaid with RHF funds. When borrowing funds, PHAs may pledge up to 100 percent of the RHF funds towards payment of debt service. (For reference, HUD has typically permitted PHAs to pledge up to one-third of their annual Capital Fund grants for financing.) Any pledge of RHF funds or other Capital Funds by a PHA must be approved by Headquarters.

As stated above, a PHA's RHF Plan must demonstrate "substantial leveraging". In general, this standard is met where a PHA leverages an amount of non-public housing funds at least equal to one-third of the total RHF funds in the first 5-year increment. For example, a PHA receiving \$105,000 in RHF funding in each of the first 5 years, would have received a total of \$525,000 in RHF funds. One-third of \$525,000 is \$175,000. Therefore, the PHA must leverage funding from non-public housing sources totaling at least \$175,000 to qualify for a second 5-year increment of RHF funds.

4. Plan and Obligation/Expenditure Status. A statement addressing (1) the approval status of the 5-year PHA Plan and all annual plans, and (2) compliance with obligation and expenditure deadlines in FY's 1998-2000.

C. Obligation and Expenditure Commencement Dates. If no RHF Plan is received as required in paragraph D below, the commencement date will automatically be 24 months from the date that funds become available for each year of RHF funding. If the RHF Plan is submitted as required, the obligation and expenditure commencement dates will be established 30 days from the date the PHA proposes to submit its development proposal to the local HUD Field Office. The commencement date will be the basis for establishing the statutory obligation and expenditure deadlines. For PHAs only developing the first 5-year increment, all funds must be obligated within 2 years and expended within 4 years from the start date established in their HUD Field Office approved Plan. For PHAs requesting a second increment of RHF funding, HUD will require, as a condition for receiving additional grants in years 6 through 10, notwithstanding any other requirement of this Notice, that all funding (increments one and two) be fully expended by the end of the 10th year of funding.

D. Timing of RHF Plan Submission.

1. RHF Funding Received Prior to FY 2003-First Increment. All PHAs, regardless of their intent to request a second increment, must submit an RHF Plan for the use of the first increment of RHF funding to the local HUD Field Office for approval by **May 30, 2003**,

or the due date of the PHA's Annual Plan for that year, whichever is later. No RHF Plan is required if the HUD Field Office has already approved a development proposal for the entire first increment. If a development proposal has been approved for less than the entire first increment, an RHF Plan for the remaining funding is required. PHAs that do not submit an RHF Plan will have an obligation/expenditure commencement date based on the date when the funds were originally made available for each grant. As a result, some PHAs and RHF grants will be subject to penalties required by law (e.g., recapture). HUD Field Offices that approve the RHF Plan for the first increment are to enter the obligation deadline in the Line Of Credit Control System (LOCCS).

2. FY 2003 Capital Fund Formula Amount-Requesting Second Increment. In order to request funding for an additional, second 5-year increment beginning with the FY 2003 Capital Fund grant (relevant to PHAs that first received RHF funds for FY 1998) and to have an obligation deadline beyond 24 months from the date funds became available for each grant received in prior years, a PHA must submit an RHF Plan to HUD Headquarters for the second increment in years 6 and beyond, **no later than May 30, 2003**. A copy of the RHF Plan must be submitted to the local HUD Field Office at the same time for approval. If funding is provided, HUD Field Offices will establish obligation and expenditure deadlines in accordance with paragraph C above. The RHF Plan must be submitted to William C. Thorson, Director, Office of Capital Improvements. Submission by fax is acceptable. Mr. Thorson's fax number is (202) 401-3997. PHAs that do not submit an RHF Plan will not receive a second increment of funding. PHAs that have received an initial 5 years of RHF funding, and do not want a second increment of funding, should proceed in accordance with paragraph D.1. above.
3. First RHF Funding Received in FY 2003. PHAs receiving RHF funding for the first time beginning in FY 2003 must submit an RHF Plan for the use of RHF funding no later than 90 days after funds become available, or the due date for the receipt of its Annual Plan for that year, whichever is later. If no RHF Plan is received, the obligation and expenditure deadlines will automatically be established based on 24 months from the date funds become available. If the development proposal is not received and funds are not obligated by the deadline, a PHA will be subject to the penalties required by law (e.g., recapture).

E. Paperwork Reduction. The information collection requirements contained in this notice have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and assigned OMB control numbers 2577-0226 and 2577-0033. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

/s/

Michael Liu, Assistant Secretary
for Public and Indian Housing

Electronic Code of Federal Regulations (e-CFR):

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ECFR Data is current as of February 17, 2004

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PART 970—PUBLIC HOUSING PROGRAM—DEMOLITION OR DISPOSITION OF PUBLIC HOUSING PROJECTS

Section Contents

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Authority: 42 U.S.C. 1437p and 3535(d).

Source: 50 FR 50894, Dec. 13, 1985, unless otherwise noted.

§ 970.1 Purpose.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=a4253a1cd8b14133feec67d165f2eb0e&rgn=div5&view=text&node=24:4.0.3.1.19&idno=24-PartTop>

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This part sets forth requirements for HUD approval of a public housing agency's application for demolition or disposition (in whole or in part) of public housing projects assisted under (Title

_____ I of the U.S. Housing Act of 1937 (the "Act"). The rules and procedures contained in 24 CFR part 85 are inapplicable.

[53 FR 8067, Mar. 11, 1988, as amended at 56 FR 923, Jan. 9, 1991]

§ 970.2 Applicability.


<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=a4253a1cd8b14133feec67d165f2eb0e&rgn=div5&view=text&node=24:4.0.3.1.19&idno=24-PartTop>

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(a) This part applies to public housing projects that are owned by public housing agencies (PHAs) and that are subject to Annual Contributions Contracts (ACCs) under the Act. It also applies to Section 23 bond-financed projects that have received modernization (i.e., Comprehensive Improvement Assistance Program (CIAP) or Comprehensive Grant funds (CGP)). This part does not apply to the following:

- (1) PHA-owned Section 8 housing, or housing leased under section 10(c) or section 23 of the Act, except for section 23 bond-financed projects that have received modernization funding under the CIAP or the Comprehensive Grant Programs;
 - (2) Demolition or disposition before the End of the Initial Operating Period (EIOP), as determined under the ACC, of property acquired incident to the development of a public housing project; (however, this exception shall not apply to dwelling units);
 - (3) The conveyance of public housing for the purpose of providing homeownership opportunities for lower income families under section 21 of the Act, the Turnkey III/IV or Mutual Help Homeownership Opportunity Programs, or other homeownership programs established under sections 5(h) or 6(c)(4)(D) of the Act and in existence before February 5, 1988, the date of enactment of the 1987 Act. (Where a plan submitted by the PHA for homeownership includes a component of demolition, the plan must meet the requirements of section 18 and this part.);
 - (4) The leasing of dwelling or nondwelling space incident to the normal operation of the project for public housing purposes, as permitted by the ACC;
 - (5) The reconfiguration of the interior space of buildings (e.g., moving or removing interior walls to change the design, sizes, or number of units) without “demolition”, as defined in §970.3. (This includes the conversion of bedroom size, occupancy type, changing the status of unit from dwelling to nondwelling.);
 - (6) Easements, rights-of-way and transfers of utility systems incident to the normal operation of the development for public housing purposes, as permitted by the ACC;
 - (7) A whole or partial taking by a public or quasi-public entity through the exercise of its power of eminent domain; however, HUD requirements with respect to the replacement housing requirement for one-for-one dwelling units shall be followed (see HUD Handbook 7486.1, Demolition, Disposition and Conversion);
 - (8) Disposition of a public housing project in accordance with an approved homeownership program under title III of the United States Housing Act of 1937 (42 U.S.C. 1437p) (HOPE 1);¹
¹In keeping with section 412(b) of the National Affordable Housing Act (Pub.L. 101–625), the provisions of this part do not apply to the disposition of a public housing project in accordance with an approved homeownership program under title III of the United States Housing Act of 1937, as added by section 411 of that legislation, (HOPE 1 for Public and Indian Housing Homeownership). In the case of a HOPE 1 proposal from a PHA involving partial or total demolition of units, this part does apply. HOPE 3 proposals involving public housing units approved prior to the 1992 Act are likewise covered by the requirements of section 18. [The 1992 Act took scattered-site single family public housing from under the requirements of HOPE 3 and moved it to HOPE 1.]
 - (9) Demolition after conveyance of a public housing project to a non-PHA entity in accordance with an approved homeownership program under title III of the United States Housing Act of 1937 (42 U.S.C. 1437p) (HOPE 1);
 - (10) Units leased for non-dwelling purposes for one year or less;
 - (11) A public housing development that is conveyed by a PHA to an owner entity pursuant to an approved proposal under 24 CFR part 941, subpart F and prior to the determination of the Actual Development Cost to enable an owner entity to develop the project using the mixed-finance development method; and
 - (12) Public housing units that are developed pursuant to the mixed-finance development method at 24 CFR part 941, subpart F, and that are reconveyed by the owner entity to the PHA.
- (b) Demolition or disposition that was approved by HUD before February 5, 1988, but not carried out by that date, may be carried out according to the terms of such approval, without reference to subsequent amendments to this part and without obtaining any further HUD approval.
[60 FR 3716, Jan. 18, 1995; as amended at 61 FR 19719, May 2, 1996]

§ 970.3 Definitions.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=a4253a1cd8b14133feec67d165f2eb0e&rgn=div5&view=text&node=24:4.0.3.1.19&idno=24-PartTop>  [top](#)

Act means the United States Housing Act of 1937.

Chief Executive Officer of a unit of general local government means the elected official or the legally designated official, who has the primary responsibility for the conduct of that entity's governmental affairs. Examples of the “chief executive officer of a unit of general local government” are: the elected mayor of a municipality; the elected county executive of a county; the chairperson of a county commission or board in a

county that has no elected county executive; and the official designated pursuant to law by the governing body of a unit of general local government.

Demolition means the razing, in whole or in part, of one or more permanent buildings of a public housing project.

Disposition means the conveyance or other transfer by the PHA, by sale or other transaction, of any interest in the real estate of a public housing project, subject to the exceptions stated in §970.2.

[50 FR 50894, Dec. 13, 1985, as amended at 60 FR 3716, Jan. 18, 1995]

§ 970.4 General requirements for HUD approval of applications for demolition or disposition.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=a4253a1cd8b14133feec67d165f2eb0e&rgn=div5&view=text&node=24:4.0.3.1.19&idno=2>

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HUD will not approve an application for demolition or disposition unless:

- (a) The application has been developed in consultation with tenants of the project involved, any tenant organizations for the project, and any PHA-wide tenant organizations that will be affected by the demolition or disposition;
- (b) Environmental review. Activities under this part are subject to HUD environmental regulations in part 58 of this title. However, HUD may make a finding in accordance with §58.11(d) and may itself perform the environmental review under the provisions of part 50 of this title if a PHA objects in writing to the responsible entity's performing the review under part 58.
- (c) [Reserved]
- (d) The public housing agency has developed a replacement housing plan, in accordance with §970.11, and has obtained a commitment for the funds necessary to carry out the plan over the approved schedule of the plan. To the extent such funding is not provided from other sources (e.g., State or local programs or proceeds of disposition), HUD approval of the application for demolition or disposition is conditioned on HUD's agreement to commit the necessary funds (subject to availability of future appropriations).
- (e) The PHA has complied with the offering to resident organizations, as required under §970.13.
- (f) The PHA has prepared a certification regarding relocation of residents, in accordance with §970.5(h)(1). If relocation is required, the PHA must submit a relocation plan in accordance with §970.5.
- (g) The PHA has made the appropriate certifications regarding site and neighborhood standards, in accordance with §970.11(h) (2) and (4).

[50 FR 50894, Dec. 13, 1985, as amended at 53 FR 30987, Aug. 17, 1988; 60 FR 3717, Jan. 18, 1995; 68 FR 56131, Sept. 29, 2003]

§ 970.5 Displacement and relocation.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=a4253a1cd8b14133feec67d165f2eb0e&rgn=div5&view=text&node=24:4.0.3.1.19&idno=2>

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- (a) Relocation of displaced tenants on a nondiscriminatory basis. Tenants who are to be displaced as a result of demolition or disposition must be offered opportunities to relocate to other comparable/suitable (see HUD Handbook 1378, Tenant Assistance, Relocation and Real Property Acquisition) decent, safe, sanitary, and affordable housing (at rents no higher than permitted under the Act,) which is, to the maximum extent practicable, housing of their choice, on a nondiscriminatory basis, without regard to race, color, religion (creed), national origin, handicap, age, familial status, or sex, in compliance with applicable Federal and State laws.
- (b) Relocation resources. Relocation may be to other publicly assisted housing. Housing assisted under Section 8 of the Act, including housing available for lease under the Section 8 Housing Voucher Program, may also be used for relocation, provided the PHA ensures that displaced tenants are provided referrals to comparable/suitable relocation dwelling units where the family's share of the rent to owner following relocation will not exceed the total tenant payment, as calculated in accordance with §813.107 of this title. If the PHA provides referrals to suitable/comparable relocation housing (comparable housing if the displacement is subject to the URA) and a tenant with a rental voucher elects to lease a housing unit where the family's share of rent to owner exceeds the amount calculated in accordance with §813.107 of this title, the tenant will be responsible for the difference between the voucher payment standard and the rent to owner.

If there are no units with rents at or below the voucher payment standard to which the PHA may refer families, then the PHA cannot use vouchers as a relocation housing source.

(c) Applicability of URA rules. (1) The displacement of any person (household, business or nonprofit organization) as a direct result of acquisition, rehabilitation, or demolition for a Federal or federally assisted project (defined in paragraph (j) of this section) is subject to the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, (URA) (42 U.S.C. 4601–4655) and implementing regulations at 49 CFR part 24. Therefore, if the PHA demolishes the property, or disposes of it to a Federal agency or to a person or entity that is acquiring the property for a federally assisted project, the demolition or acquisition is subject to the URA, and any person displaced (as described in paragraph (i) of this section) as a result of such action is eligible for relocation assistance at the levels described in, and in accordance with the requirements of 49 CFR part 24.

(2) As described in §970.11, public housing units that are demolished must be replaced. Any person displaced (see paragraph (i) of this section) as a direct result of acquisition, demolition or rehabilitation for a project receiving Federal financial assistance (e.g., ACC) that provides the required replacement housing, must be provided relocation assistance at the levels described in, and in accordance with the requirements of 49 CFR part 24.

(d) Applicability of antidisplacement plan. If CDBG funds (part 570 of this title), or HOME funds (part 91 of this title) are used to pay any part of the cost of the demolition or the cost of a project (defined in paragraph (j) of this section) for which the property is acquired, the transaction is subject to the Residential Antidisplacement and Relocation Assistance Plan, as described in the cited regulations.

(e) Relocation assistance for other displaced persons. Whenever the displacement of a residential tenant (family, individual or other household) occurs in connection with the disposition of the real property, but the conveyance is not for a Federal or federally assisted project (and is, therefore, not covered by the URA), the displaced tenant shall be eligible for the following relocation assistance:

(1) Advance written notice of the expected displacement. The notice shall be provided as soon as feasible, describe the assistance to be provided and the procedures for obtaining the assistance; and contain the name, address and phone number of an official responsible for providing the assistance;

(2) Other advisory services, as appropriate, including counseling and referrals to suitable, decent, safe, and sanitary replacement housing. Minority persons also shall be given, if possible, referrals to suitable decent, safe and sanitary replacement dwellings that are not located in an area of minority concentration;

(3) Payment for actual reasonable moving expenses, as determined by the PHA;

(4) The opportunity to relocate to a suitable, decent, safe and sanitary dwelling unit at a rent that does not exceed that permitted under section 3(a) of the 1937 Act. All or a portion of the assistance may be provided under section 8 of the 1937 Act; and

(5) Such other Federal, State or local assistance as may be available.

(f) Temporary relocation. Residential tenants who will not be required to move permanently, but who must relocate temporarily (e.g., to permit property repairs), shall be provided:

(1) Reimbursement for all reasonable out-of-pocket expenses incurred in connection with the temporary relocation, including the cost of moving to and from the temporary housing, any increase in monthly rent/utility costs, and the cost of reinstalling telephone and cable TV service.

(2) Appropriate advisory services, including reasonable advance written notice of:

(i) The date and approximate duration of the temporary relocation;

(ii) The suitable, decent, safe and sanitary housing to be made available for the temporary period;

(iii) The terms and conditions under which the tenant may lease and occupy a suitable, decent, safe and sanitary dwelling in the building/complex following completion of the repairs; and

(iv) The provision for reimbursement of out-of-pocket expenses (see paragraph (f)(1) of this section).

(g) Appeals. A person who disagrees with the PHA's determination concerning whether the person qualifies as a "displaced person" or the amount of the relocation assistance for which the person is eligible, may file a written appeal of that determination with the PHA. A person who is dissatisfied with the PHA's determination on his or her appeal may submit a written request for review of the PHA's determination to the HUD Field Office.

(h) Responsibility of PHA. (1) The PHA shall certify that it will comply with the URA, implementing regulations at 49 CFR part 24, and the requirements of this section, and shall ensure such compliance, notwithstanding any third party's contractual obligation to the PHA to comply with these provisions.

(2) The cost of required relocation assistance is an eligible project cost in the same manner and to the same extent as other project costs. (See definition of "project" in paragraph (j) of this section.) Such costs may also

be paid for with funds available from other sources.

(3) The PHA shall maintain records in detail sufficient to demonstrate such compliance. The PHA shall maintain data on the race, ethnic, gender, and handicap status of displaced persons.

(i) Definition of displaced person. (1) General definition. For purposes of this section, the term “displaced person” means any person (household, business, nonprofit organization, or farm) that moves from real property, or moves personal property from real property, permanently, as a direct result of acquisition, rehabilitation, or demolition for a Federal or federally assisted project.

(2) Persons who qualify. The term “displaced person” includes, but may not be limited to:

(i) A person who moves permanently from the real property after the PHA, or the person acquiring the property, issues a vacate notice to the person, or refuses to renew an expiring lease in order to evade the responsibility to provide relocation assistance, if the move occurs on or after the date of HUD approval of the demolition or disposition;

(ii) Any person who moves permanently, including a person who moves before the date of HUD approval of the demolition or disposition, if HUD or the PHA determines that the displacement resulted from the demolition or disposition of the property and is subject to the provisions of this section; or

(iii) A tenant-occupant of a dwelling who moves permanently from the building/complex on or after the date HUD approves the demolition or disposition, if the move occurs before the tenant is provided written notice offering him or her the opportunity to lease and occupy a suitable, decent, safe, and sanitary dwelling in the same building/complex, under reasonable terms and conditions, upon completion of the project. Such reasonable terms and conditions shall include a monthly rent and estimated average monthly utility costs that do not exceed that permitted under section 3(a) of the 1937 Act.

(iv) A tenant-occupant of a dwelling who is required to relocate temporarily and does not return to the building/complex, if either:

(A) The tenant is not offered payment for all reasonable out-of-pocket expenses incurred in connection with such temporary relocation (including the cost of moving to and from the temporarily occupied unit, any increase in rent/utility costs, and the cost of reinstalling telephone and cable TV service).

(B) Other conditions of the temporary relocation are not reasonable.

(v) A tenant-occupant of a dwelling who moves from the building/complex permanently after he or she has been required to move to another unit in the same building/complex if either:

(A) The tenant is not offered reimbursement for all reasonable out-of-pocket expenses incurred in connection with the move; or

(B) Other conditions of the move are not reasonable.

(3) Persons not eligible. Notwithstanding the provisions of paragraphs (i)(1) and (i)(2) of this section, a person does not qualify as a “displaced person” (and is not eligible for relocation assistance under this section), if:

(i) The person has been evicted for serious or repeated violation of the terms and conditions of the lease or occupancy agreement, violation of applicable Federal, State or local law, or other good cause, and the PHA determines that the eviction was not undertaken for the purpose of evading the obligation to provide relocation assistance;

(ii) The person moved into the property after the submission of the application for the demolition or disposition and, before commencing occupancy, received written notice of the project, its possible impact on the person (e.g., the person may be displaced, temporarily relocated, or suffer a rent increase) and the fact that he or she would not qualify as a “displaced person” (or for assistance under this section) as a result of the project;

(iii) The person is ineligible under 49 CFR 24.2(g)(2); or

(iv) HUD determines that the person was not displaced as a direct result of an action covered by this section.

(j) Definition of project. For purposes of this section, the term “project” means one or more activities (e.g., real property acquisition, demolition or construction) paid for in whole or in part with Federal financial assistance. Two or more activities that are integrally related, each essential to the other(s), are considered one project, whether or not all of the component activities are federally assisted.

(k) Definition of initiation of negotiations. For purposes of providing the appropriate notices and determining the formula for computing a replacement housing payment under the URA to a tenant displaced from a dwelling as a direct result of demolition or private owner acquisition, the term “initiation of negotiations” means HUD approval of the demolition or disposition under this part.

[60 FR 3717, Jan. 18, 1995]

§ 970.6 Specific criteria for HUD approval of demolition requests.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=a4253a1cd8b14133feec67d165f2eb0e&rgn=div5&view=text&node=24:4.0.3.1.19&idno=2>

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In addition to other applicable requirements of this part, HUD will not approve an application for demolition unless HUD determines that one of the following criteria is met:

(a) In the case of demolition of all or a portion of a project, the project, or portion of the project, is obsolete as to physical condition, location, or other factors, making it unusable for housing purposes and no reasonable program of modifications, is feasible to return the project or portion of the project to useful life. The Department generally shall not consider a program of modifications to be reasonable if the costs of such program exceed 90 percent of total development cost (TDC). Major problems indicative of obsolescence are—

(1) As to physical condition: Structural deficiencies (e.g. settlement of earth below the building caused by inadequate structural fills, faulty structural design, or settlement of floors), substantial deterioration (e.g., severe termite damage or damage caused by extreme weather conditions), or other design or site problems (e.g., severe erosion or flooding);

(2) As to location: physical deterioration of the neighborhood; change from residential to industrial or commercial development; or environmental conditions as determined by HUD environmental review in accord with part 50 of this title, which jeopardize the suitability of the site or a portion of the site and its housing structures for residential use;

(3) Other factors which have seriously affected the marketability, usefulness, or management of the property.

(b) In the case of demolition of only a portion of a project, the demolition will help to assure the useful life of the remaining portion of the project (e.g., to reduce project density to permit better access by emergency, fire, or rescue services).

[60 FR 3719, Jan. 18, 1995]

§ 970.7 Specific criteria for HUD approval of disposition requests.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=a4253a1cd8b14133feec67d165f2eb0e&rgn=div5&view=text&node=24:4.0.3.1.19&idno=2>

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(a) In addition to other applicable requirements of this part, HUD will not approve a request for disposition unless HUD determines that retention is not in the best interests of the tenants and the PHA because at least one of the following criteria is met:

(1) Developmental changes in the area surrounding the project (e.g., density, or industrial or commercial development) adversely affect the health or safety of the tenants or the feasible operation of the project by the PHA.

(2) Disposition will allow the acquisition, development, or rehabilitation of other properties that will be more efficiently or effectively operated as lower income housing projects, and that will preserve the total amount of lower income housing stock available to the community. A PHA must be able to demonstrate to the satisfaction of HUD that the additional units are being provided in connection with the disposition of the property.

(3) There are other factors justifying disposition that HUD determines are consistent with the best interests of the tenants and the PHA and that are not inconsistent with other provisions of the Act. As an example, if the property meets any of the criteria for demolition under §970.6, it may be disposed of under this criterion (§970.7(a)(3)), subject to conditions that HUD may impose (e.g., demolition to follow disposition in order to assure abatement of a threat to safety or health).

(b) In the case of disposition of property other than dwelling units, (1) the property is determined by HUD to be excess to the needs of the project (after EIOP), or (2) the disposition of the property is incidental to, or does not interfere with, continued operation of the remaining portion of the project.

[50 FR 50894, Dec. 13, 1985, as amended at 53 FR 30988, Aug. 17, 1988; 60 FR 3719, Jan. 18, 1995]

§ 970.8 PHA application for HUD approval.

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<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=a4253a1cd8b14133feec67d165f2eb0e&rgn=div5&view=text&node=24:4.0.3.1.19&idno=24-PartTop>  [top](#)

Written approval by HUD shall be required before the PHA may undertake any transaction involving demolition or disposition. To request approval, the PHA shall submit an application to the appropriate HUD Field Office which includes the following:

- (a) A description of the property involved;
- (b) A description of, as well as a timetable for, the specific action proposed (including, in the case of disposition, the specific method proposed);
- (c) A statement justifying the proposed demolition or disposition under one or more of the applicable criteria of §970.6 or §970.7;
- (d) If applicable, a plan for the relocation of tenants who would be displaced by the proposed demolition or disposition (see §970.5). The relocation plan must at least indicate:
 - (1) The number of tenants to be displaced;
 - (2) What counseling and advisory services the PHA plans to provide;
 - (3) What housing resources are expected to be available to provide housing for displaced tenants;
 - (4) An estimate of the costs for counseling and advisory services and tenant moving expenses, and the expected source for payment of these costs (see §§970.9); and
 - (5) The minimum official notice that the PHA will give tenants before they are required to move;
- (e) A description of the PHA's consultations with tenants and any tenant organizations (as required under §970.4(a)), with copies of any written comments which may have been submitted to the PHA and the PHA's evaluation of the comments;
- (f) A replacement housing plan, as required under §970.11, and approved by the unit of general local government which approval shall be provided by the chief executive officer of the jurisdiction in which the project is located (e.g., the mayor or the county executive), indicating approval of the replacement plan.
- (g) Evidence of compliance with the offering to resident organizations, as required under §970.13.
- (h) A certification regarding relocation of residents, in accordance with §970.5(h)(1).
- (i) Appropriate certifications regarding site and neighborhood assessment, in accordance with §§970.11(h)(2), (3), and (4).
- (j) Appropriate certification regarding compliance with environmental authorities, where required in accordance with §970.4(c).
- (k) The estimated balance of project debt, under the ACC, for development and modernization;
- (l) In the case of disposition, an estimate of the fair market value of the property, established on the basis of one independent appraisal unless, as determined by HUD, (1) more than one appraisal is warranted, or (2) another method of valuation is clearly sufficient and the expense of an independent appraisal is unjustified because of the limited nature of the property interest involved or other available data;
- (m) In the case of disposition, estimates of the gross and net proceeds to be realized, with an itemization of estimated costs to be paid out of gross proceeds and the proposed use of any net proceeds in accordance with §970.9;
- (n) A copy of a resolution by the PHA's Board of Commissioners approving the application;
- (o) If determined to be necessary by HUD, an opinion by the PHA's legal counsel that the proposed action is consistent with applicable requirements of Federal, State, and local laws; and
- (p) Any additional information necessary to support the application and assist HUD in making determinations under this part.

(Approved by the Office of Management and Budget under control number 2577-0075)

[50 FR 50894, Dec. 13, 1985, as amended at 60 FR 3719, Jan. 18, 1995]

§ 970.9 Disposition of property; use of proceeds.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=a4253a1cd8b14133feec67d165f2eb0e&rgn=div5&view=text&node=24:4.0.3.1.19&idno=24-PartTop>  [top](#)

- (a) Where HUD approves the disposition of real property of a project, in whole or in part, the PHA shall dispose of it promptly by public solicitation of bids for not less than fair market value, unless HUD authorizes negotiated sale for reasons found to be in the best interests of the PHA or the Federal Government, or sale for less than fair market value (where permitted by State law), based on commensurate public benefits to the community, the PHA or the Federal Government justifying such an exception.

Reasonable costs of disposition, and of relocation of displaced tenants allowable under §970.5, may be paid by the PHA out of the gross proceeds, as approved by HUD.

(b) Net proceeds, including any interest earned on the proceeds, (after payment of HUD-approved costs of disposition and relocation under paragraph (a) of this section) shall be used, subject to HUD approval, as follows:

(1) For the retirement of outstanding obligations, if any, issued to finance original development or modernization of the project; and

(2) Thereafter, to the extent that any net proceeds remain, for the provision of housing assistance for low-income families, through such measures as modernization of low-income housing or the acquisition, development or rehabilitation of other properties to operate as low-income housing.

(c) In the case of scattered-site housing of a public housing agency, the net proceeds of a disposition shall be used for the retirement of outstanding obligations issued to finance original development or modernization of the project, in an amount that bears the same ratio to the total of such costs and obligations as the number of units disposed of bears to the total number of units of the project at the time of disposition. For example, in cases where debt has not been forgiven, if a development project of ten units that cost \$100,000 has one unit disposed of for \$10,000, then there would be no net proceeds after paying off the proportional cost (\$100,000 divided by 10=\$10,000/unit) of the project. If, however, the unit was disposed of and net proceeds were \$12,000, there would be \$2,000 available that the PHA would use for the provision of housing assistance for lower income families. Where debt has been forgiven, all the net proceeds may be used by the PHA for the provision of low income housing assistance.

[50 FR 50894, Dec. 13, 1985, as amended at 53 FR 30988, Aug. 17, 1988; 60 FR 3719, Jan. 18, 1995]

§ 970.10 Costs of demolition and relocation of displaced tenants.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=a4253a1cd8b14133feec67d165f2eb0e&rgn=div5&view=text&node=24:4.0.3.1.19&idno=24-PartTop>  [top](#)

Where HUD has approved demolition of a project, or a portion of a project, and the proposed action is part of a modernization program under the Comprehensive Improvement Assistance Program (24 CFR part 968), the costs of demolition and of relocation of displaced tenants may be included in the modernization budget.

§ 970.11 Replacement housing plan.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=a4253a1cd8b14133feec67d165f2eb0e&rgn=div5&view=text&node=24:4.0.3.1.19&idno=24-PartTop>  [top](#)

(a) One-for-one replacement. HUD may not approve an application or furnish assistance under this part unless the PHA submitting the application for demolition or disposition also submits a plan for the provision of an additional decent, safe, sanitary, and affordable rental dwelling unit (at rents no higher than permitted under the Act) for each public housing dwelling unit to be demolished or disposed of under the application, except as provided in paragraph (j) of this section. A replacement housing plan may provide for the location of the replacement housing outside the political boundaries of the locality of the PHA, provided all relevant program requirements are satisfied including the approval of the replacement housing plan by the unit of general local government in which the project being demolished or disposed is located. In order to assure that all program requirements are satisfied, the PHA must enter into any necessary agreements, including where applicable, the execution of a Cooperation Agreement between the PHA and the locality in which the replacement housing will be located, prior to submission of the replacement housing plan to HUD for approval. In addition, the PHA must ensure that such agreements provide that the families selected for occupancy in the replacement housing will be families who would have been eligible for occupancy in the replacement housing if it had been replaced in the same locality as the project being demolished or disposed. The plan must include any one or combination of the following:

(1) The acquisition or development of additional public housing dwelling units;

(2) The use of 15-year project-based assistance under section 8, to the extent available, or if such assistance is not available, in the case of an application proposing demolition or disposition of 200 or more dwelling units in a development, the use of available project-based assistance under section 8 having a term of not less than 5 years;

(3) The use of not less than 15-year project-based assistance under other Federal programs, to the extent available, or if such assistance is not available, in the case of an application proposing the demolition or disposition of 200 or more dwelling units in a development, the use of available project-based assistance under other Federal programs having a term of not less than 5 years. (NOTE: In the case of 15-year project based assistance under other Federal programs, the Department has determined that low-income housing credits under Section 42 of the Internal Revenue Service Code is a Federal program providing 15-year project-based assistance and, therefore, qualifies as a source of replacement housing. Any replacement housing plan proposing the use of these credits must assure that the low-income housing units in the low-income housing credit project which are designated as replacement housing will be reserved for low-income families for the requisite period. Units which at the time of allocation of the credit are also receiving Federal assistance under Section 8 (except tenant-based assistance) or Section 23 of the Act, or Section 236, 221(d)(3) BMIR or Section 221(d)(5) of the National Housing Act (12 U.S.C. 1701 et seq.), or Section 101 of the Housing and Urban Development Act of 1965 (12 U.S.C. 1701s), or other similar Federal program, are not eligible as replacement housing under paragraph (a)(3) of this section.);

(4) The acquisition or development of dwelling units assisted under a State or local government program that provides for project-based rental assistance comparable in terms of eligibility, contribution to rent, and length of assistance contract (not less than 15 years) to assistance under section (8)(b)(1) of the Act; or

(5)(i) The use of 15-year tenant-based assistance under section 8 of the Act, (excluding rental vouchers under section 8(o)), under the conditions described in paragraph (b) of this section, to the extent available, or if such assistance is not available, in the case of an application proposing the demolition or disposition of 200 or more dwelling units in a development, the use of tenant-based assistance under section 8 (excluding rental vouchers under section 8(o)) having a term of not less than 5 years.

(ii) However, in the case of an application proposing demolition or disposition of 200 or more units, not less than 50 percent of the dwelling units for replacement housing shall be provided through the acquisition or development of additional public housing dwelling units or through project-based assistance, and not more than 50 percent of the additional dwelling units shall be provided through tenant-based assistance under section 8 (excluding vouchers) having a term of not less than 5 years. The requirements of §970.11(b) do not apply to applications for demolition or disposition of 200 or more units that propose the use of tenant-based assistance under section 8 having a term of not less than 5 years for the replacement of not more than 50 percent of the units to be demolished or disposed of.

(b) Conditions for use of tenant-based assistance. Fifteen-year tenant-based assistance under section 8 may be approved under the replacement plan only if provisions listed in paragraphs (b)(1) through (3) of this section are met.

(1) There is a finding by HUD that replacement with project-based assistance (including public housing, as well as other types of project-based assistance under paragraph (a) of this section) is not feasible under the feasibility standards established for project-based assistance; that the supply of private rental housing actually available to those who would receive tenant-based assistance under the plan is sufficient for the total number of rental certificates and rental vouchers available in the community after implementation of the plan; and that this available housing supply is likely to remain available for the full 15-year term of the assistance;

(2) HUD's findings under paragraph (b)(1) of this section are based on objective information, which must include rates of participation by landlords in the Section 8 program; size, condition, and rent levels of available rental housing as compared to Section 8 standards; the supply of vacant existing housing meeting the Section 8 housing quality standards with rents at or below the fair market rent or the likelihood of adjusting the fair market rent; the number of eligible families waiting for public housing or housing assistance under Section 8; the extent of discrimination practiced against the types of individuals or families to be served by the assistance; an assessment of compliance with civil rights laws and related program requirements; and such additional data as HUD may determine to be relevant in particular circumstances; and

(3) To justify a finding under paragraph (b)(1) of this section, the PHA must provide sufficient information to support both parts of the finding—why project-based assistance is infeasible and how the conditions for tenant-based assistance will be met, based on the pertinent data from the local housing market, as prescribed in paragraph (b)(2) of this section. The determination as to the lack of feasibility of project-based assistance must be based on the standards for feasibility stated in the respective regulations which govern each type of eligible project-based program identified in paragraph (a) of this section, including public housing under paragraph (a)(1) of this section as well as the other types of eligible Federal, State and local programs of

project-based assistance under paragraphs (a)(2) through (4) of this section. A finding of lack of feasibility may thus be made only if the applicable feasibility standards cannot be met under any of those project-based programs, or any combination of them. For example, with regard to additional public housing development, feasibility would be determined by reference to part 941 of this chapter and any other applicable regulations and requirements, to include consideration of such factors as local needs for new construction or rehabilitation, availability of suitable properties for acquisition or sites for construction, and HUD determinations under cost containment policies. With regard to Section 8 programs involving rehabilitation, an example of a major feasibility factor would be the prospects for participation of private owners willing to meet the rehabilitation requirements.

(c) Approval of unit of general local government. The plan must be approved by the unit of general local government in which the project proposed for demolition or disposition is located, which approval shall be provided by the chief executive officer (e.g., the mayor or the county executive).

(d) Schedule for replacement housing plan. (1) The plan must include a schedule for carrying out all its terms within a period consistent with the size of the proposed demolition or disposition, except that the schedule for completing the plan shall in no event exceed 6 years from the date specified to begin plan implementation, which is the date of HUD approval of the demolition or disposition application.

(2) Where demolition or disposition will occur in phases, the schedule shall provide for completing the plan within six years from the date of the HUD approval letter for a specific demolition or disposition action requested. "Completion" does not mean that the replacement housing must be built or rehabilitated within the six years. For replacement units developed under the public housing development program, the completion of the plan would be units that have reached the stage of notice to proceed for conventional units and contract of sale for Turnkey units.

(e) Housing the same number of individuals and families. The plan must include a method which ensures that at least the same total number of individuals and families will be provided housing, allowing for replacement with units of different sizes to accommodate changes in local priority needs, as determined by the PHA and reviewed and approved by HUD as a part of the demolition or disposition application.

(f) Relocation plan. Where existing occupants will be displaced, the plan must include a relocation plan in accordance with §§970.5 and 970.8(d).

(g) Assurances regarding relocation. The plan must prevent the taking of any action to demolish or dispose of any unit until the tenant of the unit is relocated in accordance with §970.5. This does not preclude actions permitted under §970.12, actions required under this part for development and submission of the PHA's application for HUD approval of demolition or disposition, or actions required to carry out a relocation plan which has been approved by HUD in accordance with §§970.5 and 970.8(d).

(h) Site and neighborhood standards assessment. With respect to replacement housing, PHAs must comply with site and neighborhood standards, as follows:

(1) If units under the Public Housing Development Program or the Section 8 project-based assistance program have been requested as replacement housing in the PHA's application, except when the PHA plans to build back on the same site, the site and neighborhood standards applicable for those programs will apply and be assessed at the appropriate time as required by that program rule or handbook and not at the time of the demolition or disposition application. The PHA must certify to HUD at the time of application for demolition or disposition, that once the site is identified, the PHA will comply with the site and neighborhood standards applicable for those programs.

(2) If units under the Public Housing Development Program or the Section 8 project-based assistance program have been requested as replacement housing in the PHA's application and the PHA plans to build back on the same site, the PHA shall comply with the site and neighborhood standards applicable for those programs when the demolition or disposition application is submitted to HUD. A complete site and neighborhood standards review shall be done by HUD subsequent to the submission of the demolition or disposition application but prior to approval.

(3)(i) If the replacement housing units are to be provided under a State or local program, and the site is known (including building back on the same site), the PHA is required to comply with site and neighborhood standards comparable to part 882 of this title when the demolition or disposition application is submitted to HUD. A complete site and neighborhood standards review shall be done by HUD subsequent to the submission of the demolition or disposition application but prior to approval.

(ii) However, if the site is not known, the PHA shall include in the application for demolition or disposition a certification that it will comply with site and neighborhood standards comparable to part 882 of this title once the site is known.

(iii) In the case of replacement housing funded by State or local government funds, the PHAs must demonstrate in the application that it has a commitment for funding the replacement housing.

(4)(i) If the replacement housing units are to be provided out of the proceeds of the disposition of public housing property, and the site is known (including building back on the same site), the PHA is required to comply with site and neighborhood standards comparable to part 941 of this chapter (or under part 882 of this title in the case of use of Section 8 assistance) when the demolition or disposition application is submitted to HUD. A complete site and neighborhood standards review shall be done by HUD subsequent to the submission of the demolition or disposition application but prior to approval.

(ii) However, if the site is not known, the PHA shall include in the application for demolition or disposition a certification that it will comply with site and neighborhood standards comparable to part 941 of this chapter or under part 882 of this title once the site is known.

(i) Assurances regarding accessibility. The plan must contain assurances that any replacement units acquired, newly constructed or rehabilitated will meet the applicable accessibility requirements set forth in §8.25 of this title.

(j) Exception for replacement housing in cases of demolition. In any 5-year period, a public housing agency may demolish not more than the lesser of 5 dwelling units or 5 percent of the total dwelling units owned and operated by the public housing agency, without providing an additional dwelling unit for each public housing unit to be demolished, but only if the space occupied by the demolished unit is used for meeting the service or other needs of public housing residents. If the PHA elects to use this exception, it shall meet all other requirements of this part except §970.11.

(Approved by the Office of Management and Budget under control number 2577-0075)
[60 FR 3719, Jan. 18, 1995]

§ 970.12 Required and permitted actions prior to approval.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=a4253a1cd8b14133feec67d165f2eb0e&rgn=div5&view=text&node=24:4.0.3.1.19&idno=24-PartTop>  [top](#)

A PHA may not take any action to demolish or dispose of a public housing project or a portion of a public housing project without obtaining HUD approval under this part. Until such time as HUD approval may be obtained, the PHA shall continue to meet its ACC obligations to maintain and operate the property as housing for low-income families. This does not, however, mean that HUD approval under this part is required for planning activities, analysis, or consultations, such as project viability studies, comprehensive modernization planning or comprehensive occupancy planning.

[53 FR 30987, Aug. 17, 1988]

§ 970.13 Resident organization opportunity to purchase.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=a4253a1cd8b14133feec67d165f2eb0e&rgn=div5&view=text&node=24:4.0.3.1.19&idno=24-PartTop>  [top](#)

(a) Applicability. (1) This section applies to applications for demolition or disposition of a development which involve dwelling units, nondwelling spaces (e.g. administration and community buildings, maintenance facilities), and excess land.

(2) The requirements of this section do not apply to the following cases which it has been determined do not present appropriate opportunities for resident purchase:

(i) The PHA has determined that the property proposed for demolition is an imminent threat to the health and safety of residents;

(ii) The local government has condemned the property proposed for demolition;

(iii) A local government agency has determined and notified the PHA that units must be demolished to allow access to fire and emergency equipment;

(iv) The PHA has determined that the demolition of selected portions of the development in order to reduce density is essential to ensure the long term viability of the development or the PHA (but in no case should this be used cumulatively to avoid Section 412 requirements);

(v) A public body has requested to acquire vacant land that is less than 2 acres in order to build or expand its services (e.g., a local government wishes to use the land to build or establish a police substation); or

(vi) PHA seeks disposition outside the public housing program to privately finance or otherwise develop a facility to benefit low-income families (e.g., day care center, administrative building, other types of low-income housing).

(3) In the situations listed in paragraph (a) of this section, the PHA may proceed to submit its request to demolish or dispose of the property, or the portion of the property, to HUD, in accordance with Section 18 of the United States Housing Act of 1937 and 24 CFR part 970 without affording an opportunity for purchase by a resident organization. However, resident consultation would be required in accordance with §970.4(a).

The PHA must submit written documentation, on official stationery, with date and signatures to justify paragraphs (a)(2)(i), (ii), (iii), (iv), and (v) of this section. Examples of such documentation include:

(i) A certification from a local agency, such as the fire or health department, that a condition exists in the development that is an imminent threat to residents; or

(ii) A copy of the condemnation order from the local health department. If, however, at some future date, the PHA proposes to sell the remaining property described in paragraphs (a)(2)(i) through (iii) of this section, the PHA will be required to comply with this section.

(b) Opportunity for residents to organize. Where the affected development does not have an existing resident council, resident management corporation or resident cooperative at the time of the PHA proposal to demolish or dispose of the development or a portion of the development, the PHA shall make a reasonable effort to inform residents of the development of the opportunity to organize and purchase the property proposed for demolition or disposition. Examples of "reasonable effort" at a minimum include one of the following activities: convening a meeting, sending letters to all residents, publishing an announcement in the resident newsletter, where available, or hiring a consultant to provide technical assistance to the residents. The Department will not approve any application that cannot demonstrate that the PHA has allowed at least 45 days for the residents to organize a resident organization. The PHA should initiate its efforts to inform the residents of their right to organize as an integral part of the resident consultation requirement under §970.4(a).

(c) Established Organizations. Where there are duly formed resident councils, resident management corporation, or resident cooperative at the affected development, the PHA shall follow the procedures beginning in paragraph (d) of this section. Where the affected development is fully or partially occupied, the residents must be given the opportunity to form under the procedures in paragraph (b) of this section.

(d) Offer of sale to resident organizations. (1) The PHA shall make the formal offer for sale which must include, at a minimum, the information listed in this paragraph (d). All contacted organizations shall have 30 days to express an interest in the offer. The PHA must offer to sell the property proposed for demolition or disposition to the resident management corporation, the resident council or resident cooperative of the affected development under at least as favorable terms and conditions as the PHA would offer it for sale to another purchaser:

(i) An identification of the development, or portion of the development, in the proposed demolition or disposition, including the development number and location, the number of units and bedroom configuration, the amount of space and use for non-dwelling space, the current physical condition (e.g., fire damaged, friable asbestos, lead-based paint evaluation results), and occupancy status (e.g., percent occupancy).

(ii) In the case of disposition, a copy of the appraisal of the property and any terms of sale.

(iii) A PHA disclosure and description of plans proposed for reuse of land, if any, after the proposed demolition or disposition.

(iv) An identification of available resources (including its own and HUD's) to provide technical assistance to the resident management corporation, resident council or resident cooperative of the affected development to enable the organization to better understand its opportunity to purchase the development, the development's value and potential use.

(v) Any and all terms of sale that the PHA requires for the Section 18 action. (If the resident management corporation, resident council or resident cooperative of the affected development submits a proposal that is other than the terms of sale (e.g., purchase at less than fair market value with demonstrated commensurate public benefit or for the purposes of homeownership), the PHA may consider accepting the offer).

(vi) A date by which the resident management corporation, resident council or resident cooperative of the affected development must respond to the PHA's offer to sell the property proposed for demolition or disposition, which shall be no less than 30 days from the date of the official offering of the PHA. The response from the resident management corporation, resident council or resident cooperative of the affected development shall be in the form of a letter expressing its interest in accepting the PHA's written offer.

(vii) A statement that the resident council, resident management corporation, and resident cooperative of the

affected development will be given 60 days to develop and submit a proposal to the PHA to purchase the property and to obtain a firm financial commitment. It shall explain that the PHA shall approve the proposal from the resident council, resident management corporation or resident cooperative of the affected development, if it meets the terms of sale. However, the statement shall indicate that the PHA can consider accepting an offer from the resident council, resident management corporation or resident cooperative of the affected development that is other than the terms of sale; e.g., purchase at less than fair market value with demonstrated commensurate public benefit or for the purposes of homeownership. The statement shall explain that if the PHA receives more than one proposal from a resident council, resident management corporation or resident cooperative at the affected development, the PHA shall select the proposal that meets the terms of sale. In the event that two proposals from the affected development meet the terms of sale, the PHA shall choose the best proposal.

(2) After the 30 day time frame for the resident council, resident management corporation, or resident cooperative of the affected development to respond to the notification letter has expired, the PHA is to prepare letters to those organizations that responded affirmatively inviting them to submit a formal proposal to purchase the property. The organization has 60 days from the date of its affirmative response to prepare and submit a proposal to the PHA that provides all the information requested in paragraph (g) of this section and meets the terms of sale.

(e) PHA Review of Proposals. The PHA has up to 60 days from the date of receipt of the proposal(s) to review them and determine whether they meet the terms of sale set forth in its offer. If the resident management corporation, resident council or resident cooperative of the affected development submits a proposal that is other than the terms of sale (e.g., purchase at less than the fair market value with demonstrated commensurate public benefit or for the purposes of homeownership), the PHA may consider accepting the offer. If the terms of sale are met, within 14 days of the PHA's final decision, the PHA shall notify the resident management corporation, resident council or resident cooperative of the affected development of that fact and that the proposal has been accepted or rejected.

(f) Appeals. The resident management corporation, resident council or resident cooperative of the affected development has the right to appeal the PHA's decision to the HUD field office. A letter requesting an appeal has to be made within 30 days of the decision by the PHA. The request should include copies of the proposal and any related correspondence. The field office will render a final decision within 30 days. A letter communicating the decision is to be prepared and sent to the PHA and the resident management corporation, resident council or resident cooperative of the affected development.

(g) Contents of Proposal. (1) The proposal from the resident management corporation, resident council or resident cooperative of the affected development shall at a minimum include the following:

- (i) The length of time the organization has been in existence;
- (ii) A description of current or past activities which demonstrate the organization's organizational and management capability or the planned acquisition of such capability through a partner or other outside entities;
- (iii) A statement of financial capability;
- (iv) A description of involvement of any non-resident organization (non-profit, for profit, governmental or other entities), if any, the proposed division of responsibilities between these two, and the non-resident organization's financial capabilities;
- (v) A plan for financing the purchase of the property and a firm commitment for funding resources necessary to purchase the property and pay for any necessary repairs;
- (vi) A plan for the use of the property;
- (vii) The proposed purchase price in relation to the appraised value;
- (viii) Justification for purchase at less than the fair market value in accordance with §970.9, if appropriate;
- (ix) Estimated time schedule for completing the transaction;
- (x) The response to the PHA's terms of sale;
- (xi) A resolution from the resident organization approving the proposal; and
- (xii) A proposed date of settlement, generally not to exceed six months from the date of PHA approval of the proposal, or such period as the PHA may determine to be reasonable.

(2) If the proposal is to purchase the property for homeownership under 5(h) or HOPE 1, then the requirements of Section 18 of the United States Housing Act of 1937 and 24 CFR part 970 do not apply, but the applicable requirements shall be those under the HOPE 1 guidelines, as set forth at 57 FR 1522, or the section 5(h) regulation, as set forth in parts 905 and 906 of this chapter. In order for a PHA to consider a proposal to purchase under section 412, using homeownership opportunities under section 5(h) or HOPE 1,

the resident council, resident management corporation or resident cooperative of the affected development shall meet the provisions of this rule, including paragraphs (g)(1)(i) through (g)(1)(xii) of this section.

(3) If the proposal is to purchase the property for other than the aforementioned homeownership programs or for uses other than homeownership, then the proposal must meet all the disposition requirements of Section 18 of the United States Housing Act of 1937 and 24 CFR part 970.

(h) PHA obligations. (1) Prepare and disperse the formal offer of sale to the resident council, resident management corporation and resident cooperative of the affected development.

(2) Evaluate proposals received and make the selection based on the considerations set forth in paragraph (b) of this section. Issuance of letters of acceptance and rejection.

(3) Prepare certifications, where appropriate, as discussed in paragraph (i)(3) of this section.

(4) The PHA shall comply with its obligations under §970.4(a) regarding tenant consultation and provide evidence to HUD that it has met those obligations. The PHA shall not act in an arbitrary manner and shall give full and fair consideration to any qualified resident management corporation, resident council or resident cooperative of the affected development and accept the proposal if it meets the terms of sale.

(i) PHA application submission requirements for proposed demolition or disposition. (1) If the proposal from the resident organization is rejected by the PHA, and either there is no appeal by the organization or the appeal has been denied, the PHA shall submit its demolition or disposition application to HUD in accordance with Section 18 of the United States Housing Act of 1937 and part 970 of this chapter. The demolition or disposition application must include complete documentation that the requirements of this section have been met. PHAs must submit written documentation that the resident council, resident management corporation and tenant cooperative of the affected development have been apprised of their opportunity to purchase under this section. This documentation shall include:

(i) A copy of the signed and dated PHA notification letter(s) to each organization informing them of the PHA's intention to submit an application for demolition or disposition, the right to purchase; and

(ii) The responses from each organization.

(2) If the PHA accepts the proposal of the resident organization, the PHA shall submit a disposition application in accordance with Section 18 of the United States Housing Act of 1937 and part 970 of this chapter, with appropriate justification for a negotiated sale and for sale at less than fair market value, if applicable.

(3) HUD will not process an application for demolition or disposition unless the PHA provides the Department with one of the following:

(i) Where no resident management corporation, resident council or resident cooperative exists in the affected development and the residents of the affected development have not formed a new organization in accordance with paragraph (b) of this section, a certification from either the executive director or the board of commissioners stating that no such organization(s) exists and documentation that a reasonable effort to inform residents of their opportunity to organize has been made; or

(ii) Where a resident management corporation, resident council or resident cooperative exists in the affected development one of the following, either paragraph (i)(3)(ii)(A) or paragraph (i)(3)(ii)(B) of this section:

(A) A board resolution or its equivalent from each resident council, resident management corporation or resident cooperative stating that such organization has received the PHA letter, and that it understands the offer and waives its opportunity to purchase the project, or portion of the project, covered by the demolition or disposition application. The response should clearly state that the resolution was adopted by the entire organization at a formal meeting; or

(B) A certification from the executive director or board of commissioners of the PHA that the thirty (30) day timeframe has expired and no response was received to its offer.

(Approved by the Office of Management and Budget under control number 2577-0075)

[60 FR 3721, Jan. 18, 1995, as amended at 64 FR 50229, Sept. 15, 1999]

§ 970.14 Reports and records.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=a4253a1cd8b14133feec67d165f2eb0e&rgn=div5&view=text&node=24:4.0.3.1.19&idno=2>

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(a) After HUD approval of demolition or disposition of all or part of a project, the PHA shall keep the appropriate HUD Field Office informed of significant actions in carrying out the demolition or disposition, including any significant delays or other problems. When demolition or disposition is completed, the PHA

shall submit to the Field Office a report confirming such action, certifying compliance with all applicable requirements of Federal law and regulations and, in the case of disposition, accounting for the proceeds and costs of disposition.

(b) The PHA shall be responsible for keeping records of its HUD-approved demolition or disposition sufficient for audit by HUD to determine the PHA's compliance applicable requirements of Federal law and this part.

(Approved by the Office of Management and Budget under control number 2577-0075)

[50 FR 50894, Dec. 13, 1985. Redesignated at 53 FR 30987, Aug. 17, 1988. Redesignated at 60 FR 3721, Jan. 18, 1995]

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Last updated: February 18, 2004

Alternative 1

Lakeside Terrace/Urbana Entitlement Funding Analysis

HOME Program

	*allocated 2003-2004	YEAR 1 2004-2005	YEAR 2 2005-2006	YEAR 3 2006-2007	YEAR 4 2007-2008	YEAR 5 2008-2009	YEAR 6 2009-2010	YEAR 7 2010-2011	YEAR 8 2011-2012	YEAR 9 2012-2013	Total
HOME (Urbana Allocation Grant)	\$284,563	\$284,000	\$284,563	\$284,563	\$284,563	\$284,563	\$284,563	\$284,563	\$284,563	\$284,563	\$2,560,504
HOME (Match)	\$71,141	\$71,000	\$71,141	\$71,141	\$71,141	\$71,141	\$71,141	\$71,141	\$71,141	\$71,141	\$640,126
HOME Total Funds	\$355,704	\$355,000	\$355,704	\$355,704	\$355,704	\$355,704	\$355,704	\$355,704	\$355,704	\$355,704	\$3,200,630
Personnel (program delivery)	\$63,000	\$64,890	\$66,837	\$68,842	\$70,907	\$73,034	\$75,225	\$77,482	\$79,807	\$82,201	\$659,224
Owner-Occupied Rehabilitation	\$140,000	\$142,800	\$145,656	\$148,569	\$151,541	\$154,571	\$157,663	\$160,816	\$164,032	\$167,313	\$1,392,961
Property Acquisition	\$75,000	\$121,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$121,000
Fixed HOME Cost		\$328,690	\$212,493	\$217,411	\$222,448	\$227,606	\$232,888	\$238,298	\$243,839	\$249,514	\$2,173,185
Lakeside Project Phase I (A-D)		\$120,000	\$120,000	\$120,000	\$120,000	\$120,000	\$120,000	\$120,000	\$120,000		\$960,000
Lakeside Project Phase I (Kerr)		\$0	\$137,500	\$137,500	\$0	\$0	\$0	\$0	\$0	\$0	\$275,000
Lakeside Project Phase II (Kerr)		\$0	\$0	\$0	\$137,500	\$137,500	\$0	\$0	\$0	\$0	\$275,000
Lakeside Project Phase III (North)		\$0	\$0	\$0	\$0	\$0	\$137,500	\$137,500	\$0	\$0	\$275,000
Lakeside Project Phase IV (South)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$137,500	\$137,500	\$275,000
Lakeside Project Costs Subtotal		\$120,000	\$257,500	\$257,500	\$257,500	\$257,500	\$257,500	\$257,500	\$257,500	\$137,500	\$2,060,000
Remainder for Projects/Programs		-\$93,690	-\$114,289	-\$119,207	-\$124,244	-\$129,402	-\$134,684	-\$140,094	-\$145,635	-\$31,310	-\$1,032,555

***Assumptions**

Program Delivery: 3%/year increase

Urbana Allocation: no change, more funding a bonus. HUD trend is earmarking HOME \$ for homeownership

IMPACT/REMEDY	
Deficit	-1,032,555
IHDA HOME funds	\$900,000
10% Reduction in O/O Rehabilitation	\$132,555
Total	\$1,032,555

Conservatively estimate \$100,000 of IHDA HOME funds in exchange for \$3,000,000 in bond allocation (starting 04-05)
At \$28,000 per unit, 5 fewer houses are rehabilitated.

Alternative 2

Lakeside/Urbana Entitlement Funding Analysis

HOME Program

	*allocated	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	
	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	Total
HOME (Urbana Allocation Grant)	\$284,563	\$284,000	\$284,563	\$284,563	\$284,563	\$284,563	\$284,563	\$284,563	\$284,563	\$284,563	\$2,560,504
HOME (Match)	\$71,141	\$71,000	\$71,141	\$71,141	\$71,141	\$71,141	\$71,141	\$71,141	\$71,141	\$71,141	\$640,126
HOME Total Funds	\$355,704	\$355,000	\$355,704	\$355,704	\$355,704	\$355,704	\$355,704	\$355,704	\$355,704	\$355,704	\$3,200,630
Personnel (program delivery)	\$63,000	\$64,890	\$66,837	\$68,842	\$70,907	\$73,034	\$75,225	\$77,482	\$79,807	\$82,201	\$659,224
Owner-Occupied Rehabilitation	\$140,000	\$142,800	\$145,656	\$148,569	\$151,541	\$154,571	\$157,663	\$160,816	\$164,032	\$167,313	\$1,392,961
Property Acquisition	\$75,000	\$121,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$121,000
Fixed HOME Cost		\$328,690	\$212,493	\$217,411	\$222,448	\$227,606	\$232,888	\$238,298	\$243,839	\$249,514	\$2,173,185
Lakeside Project Phase I (A-D)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Lakeside Project Phase I (Kerr)		\$0	\$137,500	\$137,500	\$0	\$0	\$0	\$0	\$0	\$0	\$275,000
Lakeside Project Phase II (Kerr)		\$0	\$0	\$0	\$137,500	\$137,500	\$0	\$0	\$0	\$0	\$275,000
Lakeside Project Phase III (North)		\$0	\$0	\$0	\$0	\$0	\$137,500	\$137,500	\$0	\$0	\$275,000
Lakeside Project Phase IV (South)		\$0	\$0	\$0	\$0	\$0			\$137,500	\$137,500	\$275,000
Lakeside Costs Subtotal		\$0	\$137,500	\$137,500	\$137,500	\$137,500	\$137,500	\$137,500	\$137,500	\$137,500	\$1,100,000
Other Projects/Programs		\$26,310	\$5,711	\$793	-\$4,244	-\$9,402	-\$14,684	-\$20,094	-\$25,635	-\$31,310	-\$72,555

*Assumptions
 Program Delivery: 3%/year increase
 Urbana Allocation: no change, more funding a bonus. HUD trend is earmarking HOME \$ for homeownership

-\$72,555

IMPACT/REMEDY

Deficit	-\$72,555
Reduce 3 O/O rehab jobs	\$72,555
Total	\$0

Alternative 3

Lakeside\Urbana Entitlement Funding Scenario

HOME Program

	*allocated	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	
	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	Total
HOME (Urbana Allocation Grant)	\$284,563	\$284,000	\$284,563	\$284,563	\$284,563	\$284,563	\$284,563	\$284,563	\$284,563	\$284,563	\$2,560,504
HOME (Match)	\$71,141	\$71,000	\$71,141	\$71,141	\$71,141	\$71,141	\$71,141	\$71,141	\$71,141	\$71,141	\$640,126
HOME Total Funds	\$355,704	\$355,000	\$355,704	\$355,704	\$355,704	\$355,704	\$355,704	\$355,704	\$355,704	\$355,704	\$3,200,630
Personnel (program delivery)	\$63,000	\$64,890	\$66,837	\$68,842	\$70,907	\$73,034	\$75,225	\$77,482	\$79,807	\$82,201	\$659,224
Owner-Occupied Rehabilitation	\$140,000	\$142,800	\$145,656	\$148,569	\$151,541	\$154,571	\$157,663	\$160,816	\$164,032	\$167,313	\$1,392,961
Property Acquisition	\$75,000	\$121,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$121,000
Fixed HOME Cost	\$278,000	\$328,690	\$212,493	\$217,411	\$222,448	\$227,606	\$232,888	\$238,298	\$243,839	\$249,514	\$2,173,185
Lakeside Project Phase I (A-D)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Lakeside Project Phase I (Kerr)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Lakeside Project Phase II (Kerr)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Lakeside Project Phase III (North)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Lakeside Project Phase IV (South)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Lakeside Costs Subtotal		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Projects/Programs		\$26,310	\$27,014	\$67,152	\$133,256	\$128,098	\$122,816	\$117,406	\$111,865	\$106,190	\$840,107

Assumptions:

Urbana Allocation: Assume no change, more funding a bonus. HUD trend is earmarking HOME \$ for homeownership

Program Delivery: Assume 3%/year increase

IMPACT/REMEDY

No program deficit.

Alternative 1

Lakeside Terrace\Urbana Entitlement Funding Analysis

CDBG Program

	*allocated 2003-2004	YEAR 1 2004-2005	YEAR 2 2005-2006	YEAR 3 2006-2007	YEAR4 2007-2008	YEAR 5 2008-2009	YEAR 6 2009-2010	YEAR 7 2010-2011	YEAR 8 2011-2012	YEAR 9 2012-2013	Total
CDBG Grant	\$577,000	\$565,000	\$553,700	\$542,626	\$531,773	\$521,138	\$510,715	\$500,501	\$490,491	\$480,681	\$4,131,626
Personnel	\$180,000	\$185,400	\$190,962	\$196,691	\$202,592	\$208,669	\$214,929	\$221,377	\$228,019	\$234,859	\$1,883,498
Administration	\$30,000	\$26,000	\$26,260	\$26,523	\$26,788	\$27,056	\$27,326	\$27,600	\$27,876	\$28,154	\$243,582
Public Services	\$86,550	\$84,750	\$83,055	\$81,394	\$79,766	\$78,171	\$76,607	\$75,075	\$73,574	\$72,102	\$704,494
Capital Improvement Plan	\$71,141	\$71,141	\$71,141	\$71,141	\$71,141	\$71,141	\$71,141	\$71,141	\$71,141	\$71,141	\$640,269
Fixed CDBG costs	\$367,691	\$367,291	\$371,418	\$375,748	\$380,286	\$385,037	\$390,004	\$395,193	\$400,609	\$406,257	\$3,471,843
Property Acquisition		\$115,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Lakeside Project Phase I (A-D)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Lakeside Project Phase I (Kerr)		\$0	\$250,000	\$250,000	\$0	\$0	\$0	\$0	\$0	\$0	\$500,000
Lakeside Project Phase II (Kerr)		\$0	\$0	\$0	\$250,000	\$250,000	\$0	\$0	\$0	\$0	\$500,000
Lakeside Project Phase III (North)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Lakeside Project Phase IV (South)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Lakeside CostsSubtotal		\$0	\$250,000	\$250,000	\$250,000	\$250,000	\$0	\$0	\$0	\$0	\$1,000,000
Housing Rehabilitation Programs	\$100,000	\$100,000	\$101,000	\$102,010	\$103,030	\$104,060	\$105,101	\$106,152	\$107,214	\$108,286	\$836,853
Remainder for Projects/Programs	\$109,309	-\$17,291	-\$168,718	-\$185,132	-\$201,543	-\$217,959	\$15,610	-\$844	-\$17,331	-\$33,861	-\$809,779
Capitol Improvement Program		\$220,000	\$20,000	\$315,000	\$65,000		\$300,000				\$920,000
		Sunset	Harvey sidewalk	Oakland	Church St.		Bradley St.				

*Assumptions:
 CDBG Grant: 2% reduction in funding each year. Current administration seems to be reducing CDBG and increasing HOME funding.
 Personnel: 3%/year increase
 Administration: 1%/year increase
 Public Service: 15% of CDBG grant amount
 Housing Rehabilitation Programs: 1%/year increase for inflation
 Capitol Improvement Plan: funded amount is related to providing HOME match

IMPACT/REMEDY	
Deficit	-\$809,779
Public Service (cut 1/2)	\$352,247
Housing Rehab (cut 1/3)	\$278,948
Reduce CIP Programming (cut 1/3)	\$178,584
Total	\$809,779

Eliminate Transitional Housing or contribution to City's Social Service Funding Pool
 Do only 1/2 the units or reduce \$5,000 Emergency/Access Grant to \$2,500 and Senior Repair from \$550 to \$275.

Alternative 2

Lakeside/Urbana Entitlement Funding Analysis

CDBG Program

	*allocated 2003-2004	YEAR 1 2004-2005	YEAR 2 2005-2006	YEAR 3 2006-2007	YEAR 4 2007-2008	YEAR 5 2008-2009	YEAR 6 2009-2010	YEAR 7 2010-2011	YEAR 8 2011-2012	YEAR 9 2012-2013	Total
CDBG Grant	\$577,000	\$565,000	\$553,700	\$542,626	\$531,773	\$521,138	\$510,715	\$500,501	\$490,491	\$480,681	\$4,131,626
Personnel	\$180,000	\$185,400	\$190,962	\$196,691	\$202,592	\$208,669	\$214,929	\$221,377	\$228,019	\$234,859	\$1,883,498
Administration	\$30,000	\$26,000	\$26,260	\$26,523	\$26,788	\$27,056	\$27,326	\$27,600	\$27,876	\$28,154	\$243,582
Public Services	\$86,550	\$84,750	\$83,055	\$81,394	\$79,766	\$78,171	\$76,607	\$75,075	\$73,574	\$72,102	\$704,494
Capital Improvement Plan	\$71,141	\$71,141	\$71,141	\$71,141	\$71,141	\$71,141	\$71,141	\$71,141	\$71,141	\$71,141	\$640,269
Fixed CDBG costs	\$367,691	\$367,291	\$371,418	\$375,748	\$380,286	\$385,037	\$390,004	\$395,193	\$400,609	\$406,257	\$3,471,843
Property Acquisition		\$115,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Lakeside Project Phase I (A-D)											\$0
Lakeside Project Phase I (Kerr)		\$0	\$250,000	\$250,000	\$0	\$0	\$0	\$0	\$0	\$0	\$500,000
Lakeside Project Phase II (Kerr)		\$0	\$0	\$0	\$250,000	\$250,000	\$0	\$0	\$0	\$0	\$500,000
Lakeside Project Phase III (North)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Lakeside Project Phase IV (South)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Lakeside Costs Subtotal		\$0	\$250,000	\$250,000	\$250,000	\$250,000	\$0	\$0	\$0	\$0	\$1,000,000
Housing Rehabilitation Programs	\$100,000	\$100,000	\$101,000	\$102,010	\$103,030	\$104,060	\$105,101	\$106,152	\$107,214	\$108,286	\$836,853
Remainder for Projects/Programs	\$109,309	-\$17,291	-\$168,718	-\$185,132	-\$201,543	-\$217,959	\$15,610	-\$844	-\$17,331	-\$33,861	-\$809,779
FYI: Capitol Improvement Program		\$220,000	\$20,000	\$315,000	\$65,000		\$300,000				\$920,000
		Sunset	Harvey sidewalk	Oakland	Church St.		Bradley St.				

***Assumptions:**

CDBG Grant: 2% reduction in funding each year. Current administration seems to be reducing CDBG and increasing HOME funding.

Personnel: 3%/year increase

Administration: 1%/year increase

Public Service: 15% of CDBG grant amount

Housing Rehabilitation Programs: 5%/year increase for inflation

Capitol Improvement Plan: funded amount is related to providing HOME match

IMPACT/REMEDY	
Deficit	-\$809,779
Public Service (cut 1/2)	\$352,247
Housing Rehab (cut 1/3)	\$278,948
Reduce CIP Programming (cut 1/3)	\$178,584
Total	\$809,779

Eliminate Transitional Housing or contribution to City's Social Service Funding Pool
Do only 1/2 the units or reduce \$5,000 Emergency/Access Grant to \$2,500 and Senior Repair from \$550 to \$275.

Alternative 3

Lakeside/Urbana Entitlement Funding Analysis

CDBG Program

	*allocated 2003-2004	YEAR 1 2004-2005	YEAR 2 2005-2006	YEAR 3 2006-2007	YEAR 4 2007-2008	YEAR 5 2008-2009	YEAR 6 2009-2010	YEAR 7 2010-2011	YEAR 8 2011-2012	YEAR 9 2012-2013	Total
CDBG Grant	\$577,000	\$565,000	\$553,700	\$542,626	\$531,773	\$521,138	\$510,715	\$500,501	\$490,491	\$480,681	\$4,131,626
Personnel	\$180,000	\$185,400	\$190,962	\$196,691	\$202,592	\$208,669	\$214,929	\$221,377	\$228,019	\$234,859	\$1,883,498
Administration	\$30,000	\$26,000	\$26,260	\$26,523	\$26,788	\$27,056	\$27,326	\$27,600	\$27,876	\$28,154	\$243,582
Public Services	\$86,550	\$84,750	\$83,055	\$81,394	\$79,766	\$78,171	\$76,607	\$75,075	\$73,574	\$72,102	\$704,494
Capital Improvement Plan	\$71,141	\$71,141	\$71,141	\$71,141	\$71,141	\$71,141	\$71,141	\$71,141	\$71,141	\$71,141	\$640,269
Fixed CDBG costs	\$367,691	\$367,291	\$371,418	\$375,748	\$380,286	\$385,037	\$390,004	\$395,193	\$400,609	\$406,257	\$3,471,843
Property Acquisition		\$115,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Housing Rehabilitation Programs	\$100,000	\$100,000	\$101,000	\$102,010	\$103,030	\$104,060	\$105,101	\$106,152	\$107,214	\$108,286	\$836,853
Other Projects/Programs	\$109,309	-\$17,291	\$81,282	\$64,868	\$48,457	\$32,041	\$15,610	-\$844	-\$17,331	-\$33,861	\$190,221
Capitol Improvement Program		\$220,000	\$20,000	\$315,000	\$65,000		\$300,000				\$920,000
		Sunset	Harvey sidewalk	Oakland	Church St.		Bradley St.				

***Assumptions:**

CDBG Grant: 2% reduction in funding each year. Current administration seems to be reducing CDBG and increasing HOME funding.

Personnel: 3%/year increase

Administration: 1%/year increase

Public Service: 15% of CDBG grant amount

Housing Rehabilitation Programs: 5%/year increase for inflation

Capitol Improvement Plan: funded amount is related to providing HOME match

IMPACT/REMEDY

No deficit at the end of project