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# Chapter 1

## INTRODUCTION

### 1-1 Purpose of Document

This document is intended to provide guidance to Public Housing Authorities (PHAs) and other entities working with PHAs on the Required and Voluntary Conversion Processes. These processes are administered through the Special Applications Center (SAC). SAC is an office within HUD's Office of Public Housing Investments (OPHI), in the Office of Public and Indian Housing (PIH). The SAC office is based in Chicago and provides "back office" operation in support of OPHI's Field Offices.

The first Chapter of this document provides a historical overview of the Required and Voluntary Conversion process. This overview highlights the legislation and Federal regulation behind the program. The Conversion process- from application to approval- is outlined in detail in Chapters 2 and 3 and sample HUD forms are provided as appendices.

Throughout the document there are issues or points that require further clarification; these are highlighted through various graphics or text boxes. Please pay particular attention to these. Readers will also see "MTW" throughout the document. This symbol is intended to provide important information for PHAs that are Moving to Work (MTW) sites as MTW sites may follow a slightly different process than non-MTW sites.

This guide summarizes eligible activities and requirements for both required and voluntary conversion and outlines the rights and responsibilities of PHAs – including the requirement to work with resident groups – to convert their public housing stock. This guide is intended to assist PHAs in assessing the future viability of their public housing stock and in planning appropriate actions for the use of that stock. Specifically, this guide will assist PHAs to:

- Identify public housing units (entire developments or portions of developments) that the PHA is required to convert from its public housing stock;
- Identify public housing units that the PHA is not required to convert, but may be legally authorized to convert, including how to conduct and analyze a conversion assessment;
- Compare the cost of continuing to operate public housing units to the cost of providing tenant-based assistance to the residents of those units;
- Develop and implement a conversion plan to remove the identified public housing units from the PHA's inventory, including how to provide for the transition of displaced residents to other affordable housing; and,
- Comply with HUD forms, procedures, submission requirements, and timelines in connection with the conversion approval process

This guide is not a substitute for the Act or HUD's regulations and rules governing conversions. It is a practical guide that addresses issues that arise during HUD's review and approval process for conversions and provides PHAs with the information they need in order to submit complete and legally sufficient conversion requests to HUD. Please note that future HUD Notices may modify or further clarify the information and instructions presented in this guide.

## 1-2 Historical Overview of the Required and Voluntary Conversion Process

The Quality Housing and Work Responsibility Act of 1998 (QHWRA) made changes to the requirements governing the conversion of public housing to tenant-based assistance by implementing new required and voluntary conversion programs. Section 537 of QHWRA authorized required conversion by adding a new Section 33 to the United States Housing Act of 1937 (42 USC §1437z-5) (the Act). Section 533 of QHWRA authorized voluntary conversion by amending Section 22 of the Act. Separate final rules implementing Sections 537 and 533 of QHWRA were published in the Federal Register on September 17, 2003, with an effective date of March 15, 2004. In addition, an appendix to the rules addressing the methodology for comparing the cost of individual public housing developments to the cost of tenant-based assistance was published in the Federal Register on March 21, 2006, with an effective date of April 20, 2006. These rules amend 24 CFR § 972.



### A Closer Look

**What is Required or Voluntary Conversion of public housing units?** The term "conversion" in this context means the removal of public housing units from the inventory and the Annual Contributions Contract (ACC) of a PHA and the provision of tenant-based or project-based assistance for the residents of the public housing being removed. Conversion does not necessarily mean the physical removal of the public housing development.

PHAs are now required to annually review their public housing inventory and identify distressed developments (or parts of developments) that may be subject to a required conversion. PHAs may also determine, at any time, that certain units in their inventory are eligible for voluntary conversion.

HUD approval is required before a PHA may undertake a required conversion or a voluntary conversion. This approval must be obtained from HUD's Office of Public Housing Investments (OPHI). HUD approval of the PHA's Annual Plan, or if a Moving to Work agency, as part of its MTW Annual Plan, will not constitute a HUD approval of the PHA's conversion program.



### **Take Note**

#### **Required and Voluntary Conversion Requirements**

Required and Voluntary Conversions have separate elements that are required for the conversion program. They are located in separate sections of the regulations. PHAs should identify which program, planning process and regulatory requirements that will apply to the development to be assessed.

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## Chapter 2

# REQUIRED CONVERSION

- 2-1 Overview
- 2-1 Status of Mandatory Conversion
- 2-3 Properties Subject to Required Conversion
- 2-4 Developments Exempt from Required Conversion
- 2-5 Relationship Between Asset Management Project (AMP) Groupings and “Clusters” of Public Housing Units
- 2-6 Identification of Properties on HUD’s Website
- 2-7 Identification of Properties on HUD’s Website: PHA Responsibility to Respond
- 2-8 Cost Analysis
- 2-9 Relationship between Required Conversion and Section 18 of the Act
- 2-10 Applicability of the Uniform Relocation Act (URA)
- 2-11 Required Conversion Plan
  - Identification of Public Housing Units
  - Identification and Obligation Status of Public Housing Funds
  - Evidence of Consultation with Public Officials
  - Evidence of Consultation with Residents
  - Description of PHAs Proposed Future Use of the Development
  - Relocation Plan
- 2-12 Submission Requirements to HUD
- 2-13 Other Possible HUD Actions: Required Conversions
- 2-14 Effect of Required Conversion on Operating Subsidy
- 2-15 Tenant-Based Assistance Funding for Units Approved for Conversion

### 2-1 Overview

Section 33 of the U.S. Housing Act of 1937 requires PHAs to identify developments (or parts of developments) that must be removed from the stock of public housing operated under an Annual Contributions Contract (ACC) with HUD. In order to do this a PHA must:

- Annually review their public housing inventory and identify distressed developments (or parts of developments) that must be removed from their stock of public housing and whose residents must be converted to tenant-based (or project-based) assistance<sup>1</sup>.
- Compare the cost of continuing to operate each of their developments as public housing with the cost of providing tenant-based assistance to the residents of that development.

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<sup>1</sup> Beginning for PHAs with fiscal years commencing on April 1, 2007, Section 33 of the Act, as amended by Section 537 of QHWRA,

In those instances when either: (1) the PHA cannot assure the long-term viability of a distressed development, or (2) it would be more expensive for the PHA to modernize and operate a development as public housing for its remaining useful life than to provide tenant-based assistance to its residents, the PHA must develop and carry out a required conversion plan to remove the development from its public housing inventory.

The required conversion plan must be submitted to the HUD Field Office as part of its PHA Annual Plan. Approval of the PHA Annual Plan or MTW Annual Plan does not constitute approval of the required conversion plan. The PHA must also submit information on its conversion plan to SAC for formal approval of the conversion plan. The PHA may not proceed with implementation of the conversion until it has received written approval from the HUD Office of Public Housing Investments (OPHI). An detailed overview of the required conversion process is provided in Appendix 3.

MTW- MTW PHAs would include the Required Conversion as part of its MTW Annual Plan.

## 2-2 Status of Mandatory Conversion

Section 202 of the Fiscal Year 1996 HUD Appropriations Act (42 USC §1437) provided for a program of mandatory conversion of distressed public housing. Section 537 of QHWRA repealed Section 202 of this 1996 Act (including the implementing regulations at 24 CFR §971). Although Section 202 has been repealed, developments that were identified by PHAs or by HUD before the enactment of QHWRA on October 21, 1998 for a mandatory conversion or for a mandatory conversion assessment continue to be subject to the requirements of Section 202 (and 24 CFR §971) until such requirements are satisfied. Thereafter, Section 33 of the Act, as amended by QHWRA, and 24 CFR §972 will apply to any remaining public housing units on the sites of those developments.

## 2-3 Properties Subject to Required Conversion

Public housing developments, portions of developments, or group of developments may be subject to conversion if they meet **all** of the following criteria:

- The development, portion of a development, or group of developments is in a cluster of 250 or more dwelling units on the same site or contiguous sites<sup>2</sup>.

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<sup>2</sup> Contiguous is defined as sharing a border, or separated by no more than a street.



#### A Closer Look

##### **Clusters for Conversion vs. Groupings for Asset Management Project (AMP)**

Conversion clusters are a development, or group of developments of 250 or more dwelling units on the same site or contiguous sites. AMP groupings are the result of PHA's asset management decisions. In some cases, depending on how the PHA grouped the AMP, the AMP grouping may be the same as the conversion cluster. However, they are not required to always be the same in order to be subject to conversion. For example- Smithfield Apartments has 150 public housing units with 20% vacancy for 3 years, and the PHA has assigned this to AMP Grouping 1. Just across the street, Meadow Gardens has 160 public housing units, with 18% vacancy for 3 years, that the PHA has assigned to AMP Grouping 4.

- The units in the cluster are open to “general occupancy” by families.
- The units in the cluster have a vacancy rate in excess of the threshold for each of the last three years, and the vacancy rate has not significantly decreased during those three years (See Take Note: Vacancy Calculation).
- The properties are either distressed housing for which the PHA cannot assure the long-term viability as public housing, or more expensive for the PHA to operate as public housing.

Public housing properties meet the long-term viability standard only if:

With reasonable investment, for at least 20 years (or at least 30 years for rehabilitation equal to new construction), it is probable that they can sustain structural/system soundness and full occupancy, will not be excessively dense by local community standards, can achieve a broader range of family income, and have no other disqualifying site impairments;

#### **AND**

The property will not be more expensive to operate as public housing than to provide tenant-based assistance for all of the families in occupancy. This assessment will be based on comparing the estimated cost, during the remaining useful life of the project, of continued operation and modernization of the development as public housing with the cost of providing tenant-based assistance (under the Housing Choice Voucher Program or other applicable HUD program). The costs used for public housing must be those necessary to produce a revitalized development as described in 24 CFR §972.124(c)(1). These costs, including estimated operating costs, modernization costs, and accrual needs must be used to develop a per unit monthly cost of continuing to use the development as public housing. That per unit

monthly cost of public housing must be compared to the per unit monthly cost under the applicable tenant-based assistance program.



#### **Take Note- Vacancy Calculation**

For a conversion analysis performed on or before March 16 2009, the specified vacancy rate is 15%. For an analysis done after that date, the specified vacancy rate is 12%.

The PHA must use the data it relied upon for the PHA's latest Public Housing Assessment System (PHAS), as reported on the Form HUD-51234 (report on Occupancy), or successor management performance reporting system, to determine vacancy rates.

**MTW:** MTW PHAs must use the data it relied upon to provide HUD with vacancy information required by the agency's MTW Agreement.

Units in the following categories must not be included in the vacancy calculation:

- Vacant units previously approved by HUD independently for a demolition or disposition action under Section 18 of the Act;
- Vacant units where resident belongings have been abandoned, but only if state law requires the resident belongings to be left in the unit for some period of time, and only for the period of time stated in the law;
- Vacant units that have sustained casualty damage, but only until the insurance claim is adjusted;
- Units occupied by employees of the PHA and units used for resident services; and
- Units HUD determines, in its sole discretion, are intentionally vacant and do not indicate continued distress.

## **2-4 Developments Exempt from Required Conversion**

Developments, portion of developments, or group of developments which otherwise meet the standards above but are not subject to required conversion (and should therefore not be included to determine the vacancy rate calculation of the units in the cluster) include:

- A. Developments with an approved HOPE VI Revitalization Plan. Conversely, a development with a HOPE VI Revitalization Grant, but without an approved



HOPE VI Revitalization Plan is fully subject to required conversion standards, which should be incorporated into its HOPE VI Revitalization Plan;

- B. Developments restricted to occupancy by elderly residents or disabled residents under a HUD-approved Designated Housing Plan; and
- C. Developments identified before October 21, 1998 for Mandatory Conversion under Section 202 of the Fiscal Year 1996 HUD Appropriations Act (42 USC §1437) or for assessment of whether mandatory conversion is required under Section 202.

## 2-5 Relationship Between Asset Management Project (AMP) Groupings and “Clusters” of Public Housing Units

Pursuant to the revisions to the Public Housing Operating Fund Program rule published in the Federal Register on September 19, 2005 (79 FR 54983) and HUD Notice PIH 2006-10, PHAs are required to have assigned new Asset Management Project (AMP) numbers to their existing developments by April 21, 2007. The new AMP numbers (and groupings of public housing) may or may not be the same as the numbers and groupings of public housing developments prior to this date. However, the newly assigned AMP numbers do not impact how HUD determines what units comprise a "cluster" for purposes of determining the units that may be subject to required conversion. Cluster groupings are based on the geographic proximity of units to one another, while AMP groupings are the result of a PHAs asset management decisions.

## 2-6 Identification of Properties on HUD’s Website

To assist PHAs in identifying the developments, portion of developments, or group of developments in their public housing stock that may be subject to required conversion, HUD’s Special Applications Center (SAC) has created, in the form of a report, information from HUD Field Offices listing public housing developments nationwide that contain clusters of at least 250 dwelling units on one or more contiguous sites that may be required conversion candidates.



### Take Note

The report on possible required conversion candidates is posted on the SAC webpage at: <http://www.hud.gov/offices/pih/centers/sac/rconv.cfm>.

The report includes the PHA name, the development number, and an assigned “cluster” number- See “A Closer Look” below. The report is arranged in alphabetical order, first by State and then by PHA, with the developments for each cluster grouped together. Subtotals are included for the number of units within each cluster. Some clusters of 250 or more contiguous units have multiple development numbers while other clusters are entirely within one development. The cluster data has been filtered against information in HUD’s Public and Indian Housing Information Center (PIC) to generate an accurate and current report. Detailed and updated information about cluster data is available on the SAC webpage.



**A Closer Look**

**Sample of Information on Required Conversion**

**DETAILED REPORT**

**HA CODE:** FL 001  
**HA NAME:** Sample Housing Authority  
**Cluster Number:** FL001C009  
**Cluster Total:** 308

Development	Total Units From PIC	Designated Units	DD Approved	Non Designated
FL001025	274	0		274
FL001040	34	0		34



**Take Note**

The report is posted with the expectation that it will be verified and refined with the benefit of further data from HUD Field Offices and PHAs, especially with regard to developments that individually have more than 250 units and are not contiguous to other developments.

The report data will be refreshed periodically based on the PHA's data in PIC and HUD records. Accurate vacancy rates for units ineligible for subsidy are important to the calculation of buildings subject to required conversion. The calculation of public housing unit clusters subject to required conversion is impacted by whether units are ACC-Yes or ACC-No in PIC, as well as whether they are in one of the vacancy categories exempted from this vacancy calculation. PHAs are not to move currently (subsidized) dwelling units to (unsubsidized) non-dwelling unit status (taking units "off-line") in order to avoid a negative impact on their vacancy rates.

If SAC receives no response from a PHA after a report is published on the SAC website, it will assume the data identifying developments that may be candidates for required conversion is correct. If a PHA believes that a development or units in its inventory do not belong in the report because: (1) there are not 250 or more contiguous units in the development/cluster; (2) the occupancy information of the development/cluster is not accurate; or (3) other data relied upon by HUD to generate the report is not correct, the PHA must contact both its HUD Field Office and SAC to request that HUD make any necessary corrections. HUD will evaluate the PHA request, and SAC will update the report based on this evaluation. If the development/cluster remains on the SAC report, the PHA must address the appearance of the development in its next PHA Annual Plan (see Section 1-7).

**MTW-** MTW PHAs must address such developments in their next Annual MTW Plan.

## **2-7 Identification of Properties on HUD's Website: PHAs Responsibility to Respond**

The appearance of a development, portion of a development, or group of developments in the report on the SAC website does not automatically trigger an obligation for the PHA to convert that development under HUD's required conversion regulations. Inclusion in the report identifies the development as a possible candidate for required conversion and triggers an obligation for the PHA to address the situation as part of its next Annual Plan.

Guidance on how this information can be presented in the Annual Plan or Annual MTW Plan can be found in Section 2-12 of this Guide.

PHAs must address the appearance of a development on the SAC website in one of the following ways:

- A. Explain why the development should not be included as a possible candidate for required conversion due to inaccurate data relied upon by HUD (see previous Section);
- B. Certify a Cost Analysis (using the methodology of the Calculation Rule) has been completed and the PHA has determined it is more cost effective to

continue operating the development as public housing than to convert the units in the development to tenant-based assistance; or

- C. Submit a required conversion plan, if after doing the Cost Analysis (using the methodology of the Calculation Rule), the PHA determined the development is not cost effective to maintain when compared to the cost of providing tenant-based assistance to the residents of that development.

If the appearance of a property on the SAC website leaves insufficient time to complete the Cost Analysis and/or develop the required conversion plan before the next PHA Annual Plan submission deadline, the PHA must explain the status of the Cost Analysis and/or required conversion plan in the PHA Annual Plan or MTW Annual Plan.

The SAC office wants to ensure a PHA has adequate time to properly evaluate and respond to the appearance of a property on the SAC website. The tables below identify key dates applicable to each of the four possible PHA fiscal year (FY) start dates.

The first table anticipates that the PHA will be able to complete a Cost Analysis and, if required, complete a required conversion plan within 6 ½ months, once a PHA’s property appears on the SAC website. This information must be finalized and available for public review with the Annual Plan. PHAs with properties that are in danger of appearing on the SAC website, should already be preparing to pursue the required conversion process.

SAMPLE TIMELINE FOR INCLUSION OF FINALIZED REQUIRED CONVERSION INFORMATION IN ANNUAL PLAN				
Action	Jan 1 FY Start	Apr 1 FY Start	Jul 1 FY Start	Oct 1 FY Start
Property appears on SAC website list as a possible conversion candidate	Prior to Nov 1 (13 months or more before FY begins)	Prior to Mar 1 (13 months or more before FY begins)	Prior to Jun 1 (13 months or more before FY begins)	Prior to Sep 1 (13 months or more before FY begins)
PHA issues draft Annual Plan for public review, including <b>FINALIZED</b> required conversion information	Mid July (5 1/2 months before FY begins)	Mid October (5 1/2 months before FY begins)	Mid January (5 1/2 months before FY begins)	Mid April (5 1/2 months before FY begins)
PHA submits Annual Plan to HUD with <b>FINALIZED</b> required conversion information	Mid October (2 1/2 months before FY begins)	Mid January (2 1/2 months before FY begins)	Mid April (2 1/2 months before FY begins)	Mid July (2 1/2 months before FY begins)

The second table provides guidance for PHAs whose properties appear on the SAC website less than 13 months before the start of the PHAs fiscal year. In such cases, the PHA must include a status report on their evaluation of the property’s appearance on the SAC website in that year’s Annual Plan, if the appearance on the SAC website occurred prior to the PHAs issuance of the draft Annual Plan for public review.

SAMPLE TIMELINE FOR INCLUSION OF A REQUIRED CONVERSION STATUS REPORT IN ANNUAL PLAN				
Action	Jan 1 FY Start	Apr 1 FY Start	Jul 1 FY Start	Oct 1 FY Start
Property appears on SAC website list as a possible conversion candidate	Nov 1 to Jul 1 (6 to 13 months before FY begins)	Mar 1 to Oct 1 (6 to 13 months before FY begins)	Jun 1 to Jan 1 (6 to 13 months before FY begins)	Sep 1 to Apr 1 (6 to 13 months before FY begins)
PHA issues draft Annual Plan for public review, including a required conversion evaluation status report *	Mid July (5 1/2 months before FY begins)	Mid October (5 1/2 months before FY begins)	Mid January (5 1/2 months before FY begins)	Mid April (5 1/2 months before FY begins)
PHA submits Annual Plan to HUD with a required conversion evaluation status report *	Mid October (2 1/2 months before FY begins)	Mid January (2 1/2 months before FY begins)	Mid April (2 1/2 months before FY begins)	Mid July (2 1/2 months before FY begins)

\* A PHA may include all finalized conversion information, including a completed required conversion plan, in the Annual Plan, if this information is available in time to be included in the Annual Plan public review process.

## 2-8 Cost Analysis

If a PHA determines that the appearance of one of its developments on the SAC report of possible required conversion candidates is correct, the PHA must compare the costs of continuing to operate that development as public housing to the cost of providing tenant-based assistance to the residents of that development (Cost Analysis). The PHA must conduct this Cost Analysis by using the methodology set forth in the Calculation Rule. In order to assist PHAs in completing the calculations and comparisons required by the Calculation Rule, HUD has created a downloadable spreadsheet calculator.



**Take Note** The spreadsheet calculator is available on the SAC website at: <http://www.hud.gov/offices/pih/centers/sac/docs/costcomparison.xls> (attached as Appendix 7).

Note that the cost methodology for required conversion is different from the cost methodology for voluntary conversion.

PHAs must use the SAC spreadsheet calculator to compute the information on the development’s operating, modernization, and accrual costs, as well as to compute the information on tenant-based assistance costs for required conversion. In addition the PHA must acknowledge additional financial, contractual or legal obligations that may affect the conversion of the development. These may include Energy Performance Contracts with third parties, Capital Fund leveraging agreements, etc. **These factors are not included in the SAC spreadsheet calculator, but must be factored into and addressed in the PHA’s cost analysis.**

When comparing the cost of tenant-based assistance with the costs of continuing to operate public housing, PHAs must determine if the length of the remaining useful life for the public

housing development should be calculated for a 20-, 30-, or 40-year period. Typically, a 40-year period is used when rehabilitation is performed equal to new construction. A 30-year period is used when a PHA plans a modernization effort that addresses all backlog needs and any redesign that is necessary to ensure long-term viability. A 20-year period is used when light or moderate rehabilitation (that does not address all accumulated backlog) is undertaken, but it is compliant with the International Existing Building Codes (ICC) or Public Housing Modernization Standards in the absence of a local rehabilitation code. Additional information on determining the remaining useful life of a public housing development are set forth in the Appendix to 24 CFR 972 (I.B. Modernization).



#### **A Closer Look Other Factors to Consider During the Analysis**

PHAs must review other factors not part of the HUD calculator when determining the feasibility for required conversion, such as:

- Contractual legal obligations that exists on the property that may be contingent on continued occupancy as public housing
- Energy Performance Contracts that obligate the PHA to future years in sharing the cost savings
- Future pledging of Capital Funds in order to expedite the modernization of a development that is being considered

In order to determine if a property meets the standard of long term viability, **all** of the following criteria must be met:

- A. The investment the PHA must make to revitalize the identified units is reasonable. The costs required to revitalize the identified units must not exceed, and under normal circumstances would be far less, than 90 percent of HUD's total development costs (TDC) limit for the units (100 percent of the TDC costs limit for any "infill" new construction). The revitalization cost estimate used in the PHA's most recent Annual Plan or 5-year Plan is to be used for this purpose, unless the PHA demonstrates, or HUD determines, that another cost estimate is more realistic to ensure viability and to sustain the operation costs. The overall projected cost to revitalize the identified units in the development should not exceed the cost estimate previously provided in the PHA's most recent Annual Plan or 5-year Plan, even if the new projected cost of revitalization is a lower percentage of the TDC than the limits stated above. If the previous cost estimate was lower, the PHA must provide a compelling explanation of why the revitalization cost projections have now increased. HUD will only accept such an increase, if HUD determines, at its

sole discretion, that the increase is justified. The source of funding for a revitalization program proposed by a PHA must be identified and available. In addition to other resources already available to the PHA, it may assume that future formula funds provided through the Capital Fund over five years are available for purposes of revitalizing the identified units. The PHA 5-year Plan should therefore indicate that sufficient funding has been budgeted for the revitalization;

- B. The PHA is able to demonstrate appropriate density in the revitalized development will be achieved. The revitalized development must have a density, which is comparable to that which prevails in, or is appropriate for, assisted rental housing or for other similar types of housing in the community; and
- C. The PHA is able to demonstrate a greater income mix will be achieved in the revitalized development. The PHA must be able to demonstrate that the range of resident incomes over time at the development will be broadened to include a significant mix of households with at least one full-time worker. Appropriate evidence would include census or other recent statistical evidence demonstrating a broad mix of incomes of other households located in the same census tract or neighborhood, or other unique advantages of the public housing site.



### A Closer Look

#### Extract of HUD Conversion Website for the Spreadsheets

A rule addressing the methodology for comparing the cost of individual public housing developments to the cost of tenant-based Section 8 assistance was published in the Federal Register March 20, 2006 (Calculation Rule). The rule is effective April 20, 2006. The cost methodology for Required Conversion is different than that for Voluntary conversion.

- ▶ [Calculator Rule 24 CFR 972](#) (Adobe PDF)
- ▶ [Cost Comparison Spreadsheet](#) (MS-Excel)

A sample of a completed spreadsheet has been included as well.

- ▶ [Sample completed Cost Comparison Spreadsheet](#) (MS-Excel)

## 2-9 Relationship Between Required Conversion and Section 18 of the Act

Pursuant to 24 CFR 972.112 and 24 CFR 970.3(15), Section 18 of the Act does not apply to a (full or partial) demolition of a development removed pursuant to a required conversion. Section 18 of the Act, however, does apply to a disposition of a development removed pursuant to a required conversion. Therefore, to dispose of a PHA property as part of a required conversion, the PHA must meet all of the disposition requirements of Section 18 of the Act.

## 2-10 Applicability of the Uniform Relocation Act (URA)

Pursuant to 24 CFR 972.118, the requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 USC 4601) (URA) apply to required conversions to the extent that residents are displaced from a public housing development as a direct result of the demolition, acquisition, or rehabilitation of that development.



Because Section 18 of the Act does not apply to demolitions that a PHA may undertake in connection with a required conversion (e.g. HUD may approve a demolition as part of its approval of a required conversion plan without requiring that the PHA comply with Section 18 requirements), Section 18's exemption to the URA is not applicable and the requirements of the URA apply to demolitions conducted as part of a required conversion.

Section 18 of the Act, however, does apply to dispositions that a PHA may undertake in connection with a required conversion (e.g. HUD will not approve a disposition proposed as part of a required conversion plan without verifying that the PHA has complied with all requirement of Section 18 of the Act and 24 CFR 970). Therefore, a PHA may be entitled to the exemptions from the URA that are included in Section 18, if it is proposing a Section 18 disposition action in connection with its required conversion.

The next section of the document provides detailed information for PHAs that determine a required conversion is in order.

## 2-11 Required Conversion Plan



### Take Note

#### **Six Components of the Required Conversion Plan (Discussed in greater detail in this section)**

- Identification of Public Housing Units
- Identification and Obligation Status of Public Housing Funds
- Evidence of Consultation with Public Officials
- Evidence of Consultation with Residents
- Description of PHA's Proposed Future Use of the Development
- Relocation Plan

The required conversion plan may not be more than a 5-year plan, unless the PHA applies for and receives approval from HUD for a longer period of time.

HUD may approve a plan that is up to 10 years, but only in exceptional circumstances where it determines the extended time is clearly the most cost-effective and beneficial means of providing housing assistance over that same period. For instance, a longer plan may be permissible if a PHA is converting more than one development and a larger number of families require relocation than can be easily absorbed into the local rental market at one time, provided the development has a remaining useful life of longer than 5 years and such a longer time frame will assist in relocation.

If, after doing the Cost Analysis, a PHA determines it is more cost-effective to convert the residents of a development to tenant-based assistance than it is to maintain the development as public housing, the PHA must develop a required conversion plan for removing the identified public housing units from its inventory. .

The PHA must include the required conversion plan as part of PHA's next Annual Plan to HUD.

**MTW-** Subject to their MTW Agreements with HUD, MTW agencies must include the required conversion plan as part of their next Annual MTW Plan.

The 6 components of a required conversion plan are discussed in greater detail below:

- A. Identification of Public Housing Units. The PHA must provide a listing of public housing units that are subject to required conversion and for which it is requesting HUD permission to remove from its inventory;

- B. Identification and Obligation Status of Public Housing Funds. The PHA should identify and provide the obligation status of modernization, reconstruction, or other capital funds for the distressed development that have previously been approved by HUD, along with the PHA's recommendations concerning the transfer of these funds to alternative public housing uses;
- C. Evidence of Consultation with Public Officials: Pursuant to 24 CFR 972.130(3) and 24 CFR 972.133, the PHA must consult with appropriate public officials in developing its required conversion plan. To satisfy this consultation requirement, the PHA may obtain a certification from the appropriate government official that the required conversion plan is consistent with the applicable Consolidated Plan. This may be the same certification as required for the Annual Plan that includes the required conversion plan, so long as the certification specifically addresses the required conversion plan.



#### Take Note

#### Evidence of Consultation and Resident Comments

PHAs should take an active role to engage residents in the process and consider the comments provided by the residents in the final analysis. The comments may help the PHA and provide valuable insight into the final strategy.

- D. Evidence of Consultation with Residents. Pursuant to 24 CFR 972.130(3) and 24 CFR 972.133, the PHA must consult with appropriate public housing residents in developing its required conversion plan and provide a record indicating that it has complied with all applicable requirements. PHAs are reminded that the residents are the PHAs customers and should therefore play a significant role in contributing to the conversion plan. To satisfy this consultation requirement, **IN ADDITION** to the public participation requirements for the Annual Plan, the PHA must do **AT LEAST** the following:
- Hold **AT LEAST** one meeting with the residents (including the duly elected Resident Council of the development, if any) in which the PHA explains the requirements of required conversion, particularly as the requirements apply to the residents of the development. In most cases, PHAs should meet numerous times with the residents of the affected developments to ensure that they fully understand the reasons for the conversion, understand the PHAs anticipated approach to the conversion, have a meaningful opportunity to discuss options, and make suggestions related to the conversion plan;

- Provide draft copies of the required conversion plan to the residents of the development to facilitate this resident review and input process;
  - After it has held the required meeting(s) with the residents and provided the draft required conversion plan to the residents, ensure that a reasonable period for the residents to comment on the draft required conversion plan is provided; and
  - Document and summarize the resident comments and submit these comments to HUD as part of this element of the required conversion plan. The final required conversion plan should show that the PHA considered resident comments to the draft required conversion plan.
- E. Description of PHAs Proposed Future Use of the Development. The PHA must describe how it proposes to use the development after the required conversion as well as the means and timetable for accomplishing any planned demolition, disposition, or redevelopment of the development. Section 18 of the Act does not apply to the demolition of developments implemented in connection with a required conversion. Section 18 of the Act, however, does apply to the disposition of a development implemented in conjunction with a required conversion. Therefore, to dispose of a development as part of a required conversion, the PHA must meet all of the disposition requirements of Section 18 of the Act and 24 CFR § 970.

**Take Note**

Although a required conversion action will remove the converted units from the Annual Contributions Contract (ACC) between the PHA and HUD, the underlying land of the development will continue to subject to a Declaration of Trust (DOT) until HUD releases the DOT, either through a Section 18 removal action, an action under 24 CFR 85, or another means. Thus, if a PHA decides to convert the units now but retains the property, and then later decides to sell the land (to a developer to do a mixed-finance transaction, for example), the PHA must apply to HUD for a Section 18 disposition at that time. HUD intends to provide additional guidance on this subject in the future.

- F. Relocation Plan. The PHA must develop and implement a Relocation Plan that meets the requirements of 24 CFR 972.130. All Relocation Plans must include the following 4 components:

- The number of households to be relocated, by bedroom size, and by the number of accessible units;
- A description of relocation resources that will be needed, including any necessary Section 8 funding requests, as well as, a description of actual or potential public or other assisted housing vacancies that can be used as relocation housing and a budget for carrying out relocation activities;
- A schedule for relocation and removal of units from the public housing inventory (including the schedule for providing actual and reasonable relocation expenses, as determined by the PHA, for families displaced due to conversion); and
- Proof that residents of the affected development were provided with timely written notice of the required conversion pursuant to the timing requirements set forth at 24 CFR 972.130(b):
  - If the required conversion is not subject to the URA, the PHA must provide families with copies of the Notice at least 90 days before displacement.
  - If the required conversion is subject to the URA, the PHA must provide families with copies of the required General Information Notice (GIN) no later than the date the conversion plan is submitted to HUD's Special Applications Center (SAC).



#### **A Closer Look Resources for Relocation**

If the PHA intends to use other local resources for relocation, such as other public housing developments or Housing Choice Vouchers, the PHA should prepare a realistic analysis of unit turnover in the process.

For example, if a PHA is converting 300 units and the average turnover in the other programs and units are 100 per year, then it would be unrealistic, without other housing resources, to complete the process of relocation in less than 3 years.

**Contents of Notice to Residents: Pursuant to 24 CFR 972.103(b), the written Notice to Residents about the required conversion must contain the following information:**

The development must be removed from the PHA's public housing inventory and may no longer be used as public housing. Therefore, the family may be displaced;

Each family displaced as a result of the conversion will be offered comparable housing. (These units must meet HUD's applicable housing quality standards and should be located in an area that is generally not less desirable than the unit that is being vacated.) This comparable housing may include: (a) actual relocation into tenant-based housing, (b) housing with project-based assistance, or (c) housing to another PHA-owned or operated property;

Actual and reasonable moving costs will be paid, and any necessary counseling, including any appropriate mobility counseling, will be provided by the PHA. (The PHA may finance mobility counseling provisions using Operating Fund, Capital Fund, or administrative fee funding);

Each family will be relocated to other decent, safe, sanitary and affordable housing that is, to the maximum extent possible, the housing of their choice;

If the PHA retains the development to use as housing after the required conversion, each family displaced by such action will be given a choice to remain in the housing, using tenant-based assistance towards rent; and

If tenant-based assistance is being used for relocation, each family will be provided with assistance (e.g. vouchers) at least 90 days before displacement.

**If the required conversion is subject to the URA (See Section 2-10) the Notice must also contain the following:**

No family will be required to move without at least a 90-day advance written notice of the earliest date by which the family is required to move, and that the family will not be required to move permanently until the family is offered comparable housing;

Persons who are aliens not lawfully present in the United States are ineligible for relocation payments or assistance under the URA, unless such ineligibility would result in an exceptional and extremely unusual hardship to a qualifying spouse, parent, or child, as provided in the URA regulations at 49 CFR §24.208;

A family has a right to appeal the PHAs determination as to the family's application for relocation assistance for which the family may be eligible under required conversion and the URA;

Families residing in the development will be provided with the URA Notice of Relocation Eligibility or Notice of Non-displacement (as applicable) as of the date HUD approves the required conversion plan. (Note: The date of HUD approval of the required conversion plan shall be the "date of initiation of negotiations" as termed and used in the URA and implementing regulations at 49 CFR §24); and

Any family moving into the development after the PHA submits the required conversion to HUD will be eligible for relocation assistance, unless the PHA issues a written move-in notice to the family prior to leasing and occupancy of the unit advising the family of the development's possible conversion, the impact of the conversion on the family, and that the family will not be eligible for relocation assistance.

## 2-12 Required Conversion Application Submission Requirements

A PHA cannot implement a required conversion plan without first obtaining written approval from HUD's Office of Public Housing Investments (OPHI). In order to receive HUD approval for its required conversion, the PHA must submit a Removal from Inventory Application (HUD-52860) and a required conversion Addendum (HUD-52860-D) to HUD's Special Applications Center (SAC) via PIC<sup>3</sup>. Instructions on completing form HUD-52860 for a required conversion are provided in Appendix 7, and a copy of Addendum (HUD-52860-D) is provided in Appendix 8. The PHA must also execute and provide the HUD-52860 PHA Certification of Compliance – Section 33 Required Conversion form with this submission. A copy of this Certification is provided in Appendix 9.

**Disposition-** If the PHA's required conversion plan calls for the development to be disposed of as part of the required conversion, it may submit an Inventory Removal Application (HUD-52860) to request HUD-approval for both the required conversion and the disposition. However, the PHA must complete the application sections (including all attachments and addendums) for both removal actions in order to evidence that it has satisfied all of the statutory and regulatory requirements for each action (Section 18 of the Act and 24 CFR 970 for the disposition and Section 33 of the Act and 24 CFR 972 for the required conversion).

**Demolition-** If the PHA's required conversion plan calls for the development to be demolished as part of the required conversion, HUD may approve demolition as part of the PHA's application for

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<sup>3</sup> For guidance on how to submit a removal application via PIC, please refer to the following website at: <http://www.hud.gov/offices/pih/systems/pic/sac/index.cfm>

required conversion and will not require the PHA to comply with the Section 18 requirements for demolition. However, HUD will not approve an application for a required conversion or a required conversion plan that includes the demolition (or disposition) of a development until the environmental review required under 24 CFR Part 58 or 24 CFR Part 50 has been completed. Despite this, under certain circumstances, HUD may authorize the PHA to undertake other activities proposed in the required conversion plan that do not require environmental review (i.e., resident relocation, unit deprogramming). See Section IX on “Relationship between required conversion and Section 18 of the Act”.

SAC will review the required conversion application. During the review process HUD may conduct a site visit or request additional information from the PHA before making a final determination. HUD anticipates review of a conversion plan will ordinarily occur within 90 days following submission of a complete plan by a PHA. HUD approval or disapproval of the required conversion plan and application will be issued by OPHI. Under no circumstances should a PHA commence conversion, demolition, or disposition activity until HUD approves the required conversion Application and required conversion plan in writing.



### A Closer Look

#### Referencing Conversion in the PHA Annual Plan or PHA Annual MTW Plan

The existing HUD PHA Plan template (HUD 50075) does not currently provide a format for including information on required conversions. Part 10.C of the template is reserved for this information. However at this time, no guidance within the Plan is provided on what information should be included if a PHA's properties have been identified as potential required conversion candidates. In addition, most MTW PHAs submit an Annual MTW Plan in lieu of a PHA Annual Plan. The required contents for these Plans, as stipulated in the PHA's MTW Agreement with HUD, do not specifically reference required conversions. These MTW Plans, however, are to provide information on the planned removal of units from the PHA's housing stock. 24 CFR 972 requires this information be included in the PHA's Annual Plan, so it is suggested the following methods for providing this information be utilized.

- **Timing:** If a development appears on the report on the SAC website, the PHA must address the situation as part of its next Annual Plan, or if an MTW agency, as part of its next Annual MTW Plan. Please refer to Section 1-7 of this Guide for reasonable timeframes for submitting a finalized required conversion plan as part of its Annual Plan or Annual MTW Plan.
- **Contents:** If a PHA determines the development is subject to a required conversion, it must provide a summary of the required conversion plan to its HUD Field Office as part of its Annual Plan or Annual MTW Plan. This summary must confirm that PHA's required conversion plan addresses each of the six required conversion plan components. The PHA must also provide,



as an attachment to the PHA Annual Plan or MTW Annual Plan, the required certification that Public Officials were consulted and that the conversion plan is in compliance with the applicable Consolidated Plan. The complete required conversion plan and supporting documentation shall remain on file in the central office of the PHA and be available for resident, public and HUD review.

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To help ensure PHAs provide sufficient information in the Annual Plan and Annual MTW Plan document to inform stakeholders and HUD of the required conversion plan, a sample table has been developed. This sample table is presented on the following page. **Use of this table is not required, but it is recommended.** For non-MTW agencies, this sample table can be inserted in Part 10.C of the PHA Plan template. For MTW PHAs submitting an Annual MTW Plan, this table should be inserted into the appropriate section in the Annual MTW Plan.

**Assessments of Required Conversions Pursuant to Section 33 of the U.S. Housing Act of 1937**

The following developments or portions of developments have been identified by HUD or the PHA as potential properties for a required conversion per 24 CFR 972.124.

<b>Required Conversion of Public Housing Activity Description</b>
1a. Development(s) name(s): 1b. Development(s) (project) number(s): 1c. Asset Management Project (AMP) Number(s): 1d. The specific public housing units that are (or may be) involved in the required conversion if only a portion of a development listed above is to be converted.
2. Has the PHA completed the Cost Analysis comparing the costs of continuing to operate the units as public housing to the cost of providing tenant-based assistance? <input type="checkbox"/> Yes <input type="checkbox"/> No
3. Is a Conversion Plan required? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Yet Determined (If yes, go to block 4; if no or not yet determined, explain below.)
4. Status of Required Conversion Plan (select the statement that best describes the current status) <input type="checkbox"/> Conversion Plan is in development <input type="checkbox"/> Conversion Plan has been completed and is being submitted as part of this Plan (if this is the status, complete blocks 5 through 9 below) <input type="checkbox"/> Conversion Plan was submitted to SAC on: (DD/MM/YYYY) <input type="checkbox"/> Conversion Plan was approved by OPHI on: (DD/MM/YYYY) <input type="checkbox"/> Activities pursuant to the HUD-approved Conversion Plan are underway
5. Has the PHA identified the obligation status of modernization, reconstruction, or other capital funds for the distressed development(s), and has the PHA made recommendations concerning the transfer of these funds to alternative public housing uses? <input type="checkbox"/> Yes <input type="checkbox"/> No
6. Has the PHA consulted with appropriate public officials in developing the required conversion plan? <input type="checkbox"/> Yes <input type="checkbox"/> No Has the PHA obtained the required certification? <input type="checkbox"/> Yes <input type="checkbox"/> No
7. Has the PHA consulted with the residents in the development of the conversion plan? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Does not apply because the site is vacant Does the PHA have documentation to support the consultation? <input type="checkbox"/> Yes <input type="checkbox"/> No
8. Has the PHA described how it proposes to use the development after the conversion as well as the means and timetable for accomplishing any planned demolition, disposition, or redevelopment of the development? <input type="checkbox"/> Yes <input type="checkbox"/> No
9. Has the PHA developed a resident Relocation Plan that complies with 24 CFR 792.130? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Does not apply because the site is vacant

## 2-13 Other Possible HUD Actions: Required Conversions

If a PHA fails to properly identify a development for required conversion, or does not address the appearance of a development on the SAC website in its next Annual Plan or Annual MTW Plan, HUD may take any of the following actions:

- Disqualify the PHA from HUD funding competitions;
- Direct the PHA to cease additional spending in connection with a development that meets, or is likely to meet the statutory criteria, except to the extent that failure to expend such amounts would endanger health and safety;
- Identify developments that the PHA has failed to include as falling within the statutory criteria for required conversion;
- Ensure a conversion is carried out in cases where the PHA has failed to develop or implement a required conversion plan;
- Require the PHA to revise the conversion plan, or prohibit conversion, where HUD has determined that the PHA has erroneously identified a development as being subject to Section 33 of the Act;
- Authorize or direct the transfer of capital or operating funding associated with a development that is being removed from the public housing stock for use instead for tenant-based assistance or appropriate site revitalization for the agency; and
- Any other action that HUD determines appropriate and has the authority to undertake.

## 2-14 Effect of Required Conversion on Operating Subsidy

For purposes of determining operating subsidy eligibility, HUD will consider a PHA's submission of a required conversion plan to be the equivalent of a formal request to remove dwelling units from the PHA's inventory and ACC. However, pursuant to 24 CFR 990.190, a PHA that transitions projects or entire buildings out of its inventory is eligible for an asset-repositioning fee. A PHA should contact their HUD financial analyst at their local Field or Regional Office for more information on the asset-repositioning fee. HUD intends issuing additional guidance on this subject in the future.

## 2-15 Tenant-Based Assistance Funding for Units Approved for Conversion

It is HUD's policy to provide funds for one-for-one replacement housing with either public housing or tenant-based assistance, if funds are available. HUD may require funding for the

initial year be provided from the PHA's public housing Capital Fund, Operating Fund, or both.

HUD's approval of a PHA's required conversion plan does not automatically guarantee that a PHA will receive tenant-based assistance funding to provide relocation and/or replacement housing for the residents living in the units approved for conversion. HUD will give the PHA priority for receiving tenant-based assistance to replace the public housing units. PHAs must submit a separate and distinct application to HUD for tenant protection or demolition/disposition vouchers to provide relocation and/or replacement housing for the residents of the units which have been approved by HUD for required conversion, so long as the PHA has received HUD approval of its required conversion plan from OPHI. Such a request for vouchers must be in response to a HUD published invitation for such applications.

Should needed voucher funding not be available to the PHA after the required conversion plan has been approved by OPHI, the PHA may not be able to pursue the conversion per its approved implementation schedule. In such cases, the PHA may submit a request to SAC to revise its implementation plan to reflect these conditions.

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## CHAPTER 3

# Voluntary Conversion

- 3-1 Overview
- 3-2 Identification of Properties
- 3-3 Components of A Voluntary Conversion Assessment
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  - .Analysis of Market Value
  - .Analysis of Rental Market Conditions
  - .Impact Analysis
  - Conversion Implementation
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  - .Required Submission Components of PHA's Voluntary Conversion Plan
  - .Future Use of the Development
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  - .Description of How the Plan is Consistent with the Assessment
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  - .Evidence that Plan was Developed with Appropriate Local Government Consultation
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- 3-5 Relationship between a Voluntary Conversion and Section 18 of the Act
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- 3-7 Submission Requirements
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- 3-10 Effect of a Voluntary Conversion on Operating Subsidy
- 3-11 Tenant-Based Assistance Funding for Units Approved for Voluntary Conversion

### 3-1 Overview

Section 22 of the U.S. Housing Act of 1937 Act, as amended by Section 533 of the Quality Housing and Work Responsibility Act (QHWRA), stipulates that at any time, a PHA may undertake an assessment to determine if units in its public housing inventory are eligible for a voluntary conversion. The PHA must compare the cost of continuing to operate those units as public housing to the cost of providing tenant-based assistance to the residents of those units. To properly identify units that may be eligible for voluntary conversion, the PHA must also take into consideration other factors, including the market value of the development, the rental market conditions in the community, the likely impact of the conversion on affordable housing in the community, and the planned implementation process of the conversion.

In those instances where the results of the assessment show that removing the identified units from PHA's public housing stock would (a) not be more expensive than continuing to operate the units as public housing; (b) principally benefit the residents of the development, the PHA, and the community; and (c) not adversely affect the availability of affordable housing in the community, the PHA may develop and carry out a voluntary conversion plan to remove those units from its public housing inventory and convert the residents of those units to tenant-based (or project-based) assistance.

To receive HUD approval to convert a public housing development to tenant-based assistance, a PHA must comply with the following process:

- On August 2, 2001, HUD issued Notice PIH 2001-26 instructing PHAs to identify those developments that were potentially appropriate for a voluntary conversion. These non-binding preliminary evaluations were called Required Initial Assessments (RIAs). The PHA Certification of Compliance for Section 22 Voluntary Conversions, that must be included as part of the PHA's formal submission of a Inventory Removal Application (form HUD-52860) to SAC, requires that the PHA certify that the PHA has conducted an RIA for the units covered in its voluntary conversion application.

**Take Note**

The PHA Certification of Compliance for Voluntary Conversions is done as part of the HUD-52860 for certification. This must be signed and included in the voluntary conversion application submitted to HUD.

- Complete a new and comprehensive conversion assessment, in accordance with 24 CFR §972.218-§972.224 and reference the assessment in the next PHA Annual Plan submission, or if a MTW agency, in the next Annual MTW Plan submission; and
- Prepare a voluntary conversion plan in accordance with 24 CFR §972.227-§972.233 and reference the plan in the next PHA Annual Plan or Annual MTW Plan submission. This plan must be completed within one year after completing the conversion assessment. Approval of the PHA Annual Plan or MTW Annual Plan, however, will not constitute approval of the voluntary conversion plan. The PHA must also submit information on its voluntary conversion plan to HUD's Special Applications Center (SAC) via HUD Form 52869-E, for formal approval of the conversion plan. The PHA may not proceed with implementation of the conversion until it has received written approval from the HUD Office of Public Housing Investments (OPHI).

**The PHA will only be able to proceed to convert the development if HUD approves the conversion plan.** An overview of the voluntary conversion process is provided in Appendix 4.

## 3-2 Identification of Properties

### Required Initial Assessment

QHWRA required most PHAs to conduct a non-binding Required Initial Assessment (RIA) for each of their developments, (unless the development was exempt from the assessment process under 24 CFR §972.206). PHAs were asked to complete these RIAs in 2001. These assessments were intended to assist PHAs in identifying developments, or portions of developments, that may be appropriate for conversion. PHA need not submit these RIAs as part of the voluntary conversion assessment, plan, or application.

### Conversion Assessment

In order to properly identify units that may currently be eligible for voluntary conversion under Section 22 of the Act, PHAs are required to first complete a more comprehensive and recent conversion assessment, than the previously developed RIAs, for all units they wish to convert to tenant-based assistance. Each component of this conversion assessment must be conducted with care and due diligence and must clearly demonstrate the PHA has satisfied the applicable statutory and regulatory requirements for each component. In performing the conversion assessment, PHAs should consider the intended future use of the development or portion of the development proposed for conversion.



#### **Take Note**

##### **Regulatory Requirements found in 24 CFR § 972.230**

PHAs applying for voluntary conversion for a development must prepare this plan in accordance with 24 CFR 972.230. If pursuing voluntary conversion, a summary of the voluntary conversion plan must be included as a part of the PHAs annual plan.

The PHA must include a summary of the conversion assessment to HUD (once it has been completed), as part of its next PHA Annual Plan, or if an MTW agency, as part of its next Annual MTW Plan. To comply with this requirement, the PHA must provide a confirmation in the PHA Annual Plan or Annual MTW Plan document that each of the five voluntary

conversion assessment elements has been addressed. The complete conversion assessment and supporting documentation shall remain on file in the central office of the PHA and be available for resident, public, and HUD review.



### A Closer Look

#### Referencing Conversion in the PHA Annual Plan or PHA Annual MTW Plan

The existing HUD PHA Plan template (HUD 50075) does not currently provide a format for including information on voluntary conversion assessments. Part 10.B of the template is reserved for voluntary conversion information, but no guidance is provided on what information should be included if a PHA wishes to pursue such a conversion. In addition, MTW Plan requirements do not specifically reference voluntary conversions. These MTW Plans, however, are to provide information on the planned removal of units from the PHA's housing stock. It is therefore suggested that the following methods for providing this information be utilized in the PHA Annual Plan or Annual MTW Plan document.

To help ensure PHAs provide sufficient information in their Annual Plan or Annual MTW Plan document to inform stakeholders and HUD that a voluntary conversion assessment has been completed and a voluntary conversion is contemplated, a table has been developed. This table is presented below. **Use of this table is not required, but it is recommended.** For non-MTW agencies, this table can be inserted in Part 10.B of the PHA Plan template. For MTW PHAs submitting an Annual MTW Plan, this table should be inserted into an appropriate place in the Annual MTW Plan.

#### **Voluntary Conversion Assessment Pursuant to Section 22 of the U.S. Housing Act of 1937**

The following conversion assessment has been completed to evaluate the suitability of the PHA voluntarily converting developments or portions of developments per 24 CFR 972.218, 24 CFR 972.221 and 24 CFR 972.224.



<b>Voluntary Conversion Assessment Activity Description</b>
1a. Development(s) name(s): 1b. Development(s) (project) number(s): 1c. Asset Management Project (AMP) Number(s): 1d. The specific public housing units that are (or may be) involved in the voluntary conversion if only a portion of a development listed above is to be converted.
2. Has the PHA completed the Cost Analysis comparing the costs of continuing to operate the units as public housing to the cost of providing tenant-based assistance? <input type="checkbox"/> Yes <input type="checkbox"/> No
3. Has the PHA completed an independent appraisal (market analysis) of the development <u>before</u> and <u>after</u> conversion? <input type="checkbox"/> Yes <input type="checkbox"/> No
4. Has The PHA completed a rental market analysis of existing conditions to determine the likely success of using tenant-based assistance for the residents of the public housing development? <input type="checkbox"/> Yes <input type="checkbox"/> No
5. Has the PHA completed an analysis of the likely impacts of the voluntary conversion on the community in which the development is located? <input type="checkbox"/> Yes <input type="checkbox"/> No
6. Has the PHA described its conversion implementation plans, including the actions it plans to take to convert the development and to transition the residents to tenant-based assistance? <input type="checkbox"/> Yes <input type="checkbox"/> No
7. Has the PHA consulted with the residents in the development to review the conversion assessment? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Does not apply because the site is vacant  Does the PHA have documentation to support the consultation? <input type="checkbox"/> Yes <input type="checkbox"/> No

If the PHA’s conversion assessment is more than one year older than the voluntary conversion plan submitted to HUD, the PHA is required to update the conversion assessment. To update a conversion assessment, the PHA must ensure that its analysis of rental market conditions is based on the most recent available data and must revise any data that has changed since the initial conversion assessment was completed.

HUD cannot approve a voluntary conversion plan or application from a PHA until the PHA has completed a conversion assessment and included the above information in its PHA Annual Plan or Annual MTW Plan to its HUD Field Office.

**Take Note****Exception for “High Performer” PHAs**

PHAs that are “high performers” or who manage less than 250 public housing units are exempt from the requirement to submit their conversion assessments to HUD as part of their Annual Plans or Annual MTW Plans and can submit this documentation to HUD’s Special Application Center (SAC) and their applicable HUD Field Office at the time they submit their conversion plan.

The PHA must involve the residents of the development in preparing its final conversion assessment. In addition, residents and the public will also play an active role in developing the voluntary conversion plan. Information on the resident’s role in that process can be found in Section 3-11 of this Guide. PHA’s are reminded that the residents are the PHA’s customers and should therefore play a significant role in contributing to the conversion assessment. To satisfy this consultation requirement, **IN ADDITION** to the public participation requirements for the Annual Plan, the PHA must do **AT LEAST** the following:

- In order to show the conversion will benefit the residents (a requirement for HUD approval of the conversion), the PHA must show it held **AT LEAST** one public meeting with the residents of the affected site (including the duly elected Resident Council, if one exists). In most cases, PHAs should meet numerous times with the residents to ensure that they fully understand the reasons for the conversion, understand the PHAs anticipated approach to the conversion, and have a meaningful opportunity to discuss options and make suggestions to ensure that the residents will benefit as a result of the conversion;
- At these resident meeting(s), the PHA must: (i) explain the requirements of the voluntary conversion program (including Section 22 of the Act and 24 CFR 972), particularly as they apply to the residents of the development; and (ii) provide draft copies of the conversion assessment and discuss the conclusions of this assessment to the residents.
- The PHA must also show it has provided a reasonable period for the residents to comment on the draft voluntary conversion assessment. The conversion assessment must contain a summary of resident comments on the conversion assessment and the PHA responses to any significant issues raised by the residents.

For HUD approval of a voluntary conversion plan, the conversion assessment must show that the conversion:

1. Will not be more expensive than continuing to operate the development (or portion thereof) as public housing;
2. Will principally benefit the residents of the proposed public housing development (or portion thereof), the PHA, and the community; and
3. Will not adversely affect the availability of affordable housing in the community.

### 3-3 Components of a Voluntary Conversion Assessment

#### Cost Analysis



#### **A Closer Look**

##### **Cost Analysis**

An effective cost analysis will allow the PHA to look at operating, modernization and accrual cost. This will help the PHA in evaluating the viability of continuing to operate the development in question or converting the assistance to another form. In addition, when pursuing conversion, the PHA should take into consideration, "What is in the best interest of the resident".

Voluntary conversions are permitted only if they are cost-effective. The PHA must submit a Cost Analysis comparing the cost of continuing to operate the development as public housing for the remainder of its useful life to the cost of providing tenant-based assistance to the residents of the development. The Cost Analysis will enable the PHA to compute information on the development's operating, modernization, and accrual costs, as well as information on tenant-based assistance. PHAs must use the methodology set forth in the Calculation Rule and the voluntary conversion Appraisal Notice to conduct the Cost Analysis, and should show cost figures and percentages, as applicable.

**Take Note**

In order to assist PHAs in completing the Cost Analysis, a downloadable spreadsheet calculator is available on the HUD website at: <http://www.hud.gov/offices/pih/centers/sac/docs/costcomparison.xls>; (see Appendix 7). PHAs must use this spreadsheet calculator to compute the PHAs information on the development's operating, modernization, and accrual costs, as well as information on tenant-based assistance.

The PHA must identify additional financial, contractual or legal obligations that may affect the conversion of the development. These may include Energy Performance Contracts with third parties, Capital Fund leveraging agreements, etc. These factors are not included in the SAC spreadsheet calculator, but must be factored into and addressed in the PHA's cost analysis.

When comparing the cost of tenant-based assistance versus public housing, PHAs must determine if the length of the remaining useful life of the public housing development should be calculated for a 20, 30, or 40-year period. Typically, a 40-year period is used when rehabilitation is performed equal to new construction. A 30-year period is used when a PHA can pursue a modernization effort that addresses all backlog needs and any redesign that is necessary to ensure long-term viability. A 20-year period is used when light or moderate rehabilitation (that does not address all accumulated backlog) is undertaken, but it is compliant with the International Existing Building Codes (ICC) or Public Housing Modernization Standards in the absence of a local rehabilitation code. Additional information on determining the remaining useful life of a public housing development are set forth in the Appendix to 24 CFR 972 (I.B. Modernization).

Note that the cost methodology for a voluntary conversion is different from that for a required conversion.

PHAs must have an independent appraisal performed on the Market Value of the public housing property before and after the conversion to complete the required Cost Analysis.

The Cost Analysis will assist the PHA in determining the viability of continuing to operate the development or portion of the development as public housing for its projected useful life. For a PHA to evidence this viability to HUD, the development must meet the following criteria:

- The investment to be made in the development is reasonable: Costs necessary to revitalize the development must not exceed, and under normal circumstances would be far less than 90 percent of HUD's total development costs (TDC) limit for the units proposed to be revitalized (100

percent of the total development cost limit for any “infill” new construction). The revitalization cost estimate used in the PHA’s most recent PHA Five-Year and Annual Plans (HUD-50075) is to be used for this purpose, unless the PHA demonstrates, or HUD determines, that another cost estimate is more realistic to ensure viability and to sustain the operation of the units. The overall projected cost to revitalize the identified units in the development should not exceed the cost estimate previously provided in the PHA’s most recent Annual Plan or 5-Year Plan, even if the new projected cost of revitalization is a lower percentage of the TDC than the limits stated above. If the previous cost estimate was lower, the PHA must provide a compelling explanation of why the revitalization cost projections have now increased. HUD will only accept such an increase, if HUD determines, at its sole discretion, that the increase is justified. The source of funding for such a revitalization program must be identified and available. In addition to other resources already available to the PHA, it may be assumed that future formula funds provided through the Capital Fund over five years are available for this purpose;

- Appropriate density is achieved: The resulting revitalized development must have a density, which is comparable to that which prevails in or is appropriate for assisted rental housing or for other similar types of housing in the community; and
- A greater income mix can be achieved: Measures will generally be required to broaden the range of resident incomes over time to include a significant mix of households with at least one full-time worker. Appropriate evidence would include Census or other recent statistical evidence demonstrating a broad range of incomes of households located in the same Census tract or neighborhood, or unique advantages of the public housing site.

#### Analysis of Market Value

The PHA must complete an independent appraisal (market analysis) of the development before and after rehabilitation, based on the use of the development as public housing, with the market value of the development after conversion (depending on the PHA’s intended future use of the development). The appraisal must also determine the “highest and best use” or “market value” of the development. This value must be inserted at Section 5(c) of the spreadsheet calculator and is necessary to complete the Cost Analysis element of the conversion assessment.

- b. The market analyses required by the appraisal will assist PHAs in considering recapitalization decisions and how the PHA’s proposed future use of the development may affect its value. The market analyses will assist HUD in evaluating the market value of the development before and after conversion, and in assessing the market feasibility of voluntary conversion applications.

- c. The PHA's intended future use of the development after conversion is essential for completing the market analysis. The PHA must have a realistic and achievable plan for how the development will be used after conversion, including the means and timetable for accomplishing any planned demolition, disposition, or redevelopment (See component #5 "Conversion Implementation" of the conversion assessment and component #1 "Future Use of Development" of the voluntary conversion plan). This market analysis is necessary to complete the Cost Analysis described above. In addition, the following matrix must be completed and submitted to the SAC, via HUD Form 52860-E, as part of the PHA's voluntary conversion plan to HUD:

Market Valuation	Approach Used	Value
1. Current Value "As Is" Public Housing	<input type="checkbox"/> Income <input type="checkbox"/> Comparable Sale <input type="checkbox"/> Tax-assessment <input type="checkbox"/> Cost Approach	
2. Future Value "Post-Rehab" Public Housing	<input type="checkbox"/> Income <input type="checkbox"/> Comparable Sale <input type="checkbox"/> Tax-assessment <input type="checkbox"/> Cost Approach	
3. Current Value "As Is" (depends on proposed future use) Select One: <input type="checkbox"/> Assisted Housing <input type="checkbox"/> Unassisted Housing <input type="checkbox"/> Market-Rate Housing <input type="checkbox"/> Other: _____	<input type="checkbox"/> Income <input type="checkbox"/> Comparable Sale <input type="checkbox"/> Tax-assessment <input type="checkbox"/> Cost Approach	
4. Future Value "Post-Rehab" (depends on proposed future use) Select One: <input type="checkbox"/> Assisted Housing <input type="checkbox"/> Unassisted Housing <input type="checkbox"/> Market-Rate Housing <input type="checkbox"/> Other: _____	<input type="checkbox"/> Income <input type="checkbox"/> Comparable Sale <input type="checkbox"/> Tax-assessment <input type="checkbox"/> Cost Approach	
5. "Highest and Best Use" Value or "Market Value" (*Insert this value at Section 5(c) of the Cost Analysis Excel Spreadsheet as the "market value of property". Also insert this value whenever the "market value" of the property is requested in the calculation.)	<input type="checkbox"/> Income <input type="checkbox"/> Comparable Sale <input type="checkbox"/> Tax-assessment <input type="checkbox"/> Residual Land/Value	

Analysis of Rental Market Conditions**A Closer Look****Available Housing**

It is essential the PHA demonstrate the current rental market can absorb the tenants that will be displaced from the conversion, if the PHA is pursuing Housing Choice Vouchers for relocation or conversion. In reviewing the market, the PHA should closely examine the vacancy rates, location of affordable units that will pass HQS, and types of units that will be needed by the participating population.

The PHA must complete an analysis of the likely success of using tenant-based assistance for the residents of the public housing development. This analysis must address existing rental market conditions, including an assessment of rental unit availability located within the vicinity of the development. When describing the rental market conditions, the PHA must take into account:

- the overall use of its tenant-based assistance (vouchers) under lease,
- its current success rates of using tenant-based assistance in the community for the appropriate bedroom sizes,
- its recent success rates for units rented at or below the established payment standard,
- and any particular characteristics of the specific residents of the public housing that may affect their ability to be housed.

The PHA should demonstrate that the existing local rental market has sufficient housing availability to absorb the influx of residents into the community that would result from the voluntary conversion. The PHA should also provide an analysis of housing affordability in the vicinity of the development. This may include an examination of typical rent levels in the surrounding communities for families with similar household income levels as the residents that would be displaced as a result of the voluntary conversion.

The PHA should discuss its success in locating housing for “hard to house” residents (i.e., disabled, elderly, large households if such families are to be relocated), and demonstrate the likelihood of these residents finding tenant-based assistance housing in the local rental

community. PHAs must utilize current census data, local consolidated plan information, and available housing figures when describing the rental market conditions.

Specific areas to be addressed in the rental market analysis should include:

- An overview of the rental housing market in the jurisdiction in which the development is located.
- Identification of the number and location of private rental housing units presently occupied by residents.
- Concentration of poverty in the surrounding community and its specific location(s) within the area around the development.
- An evaluation of the types of housing units and rental rates that are available for occupancy that could accommodate the housing needs of the displaced families (i.e., 3, 4, or 5 bedroom units and units that are available to accommodate persons with disabilities) within the community<sup>4</sup>.
- Areas where residents would likely reside in the surrounding neighborhood, and an evaluation of housing affordability and availability in those areas.
- Location and availability of affordable units in any new housing developments that could accommodate the housing needs of the displaced families.

### Impact Analysis

The PHA must complete an analysis on the likely impact the voluntary conversion would have on the community in which the development is located. The PHA should provide a detailed discussion on how the voluntary conversion would impact (a) the availability of affordable housing in the community; b) the concentration of poverty in the community; and c) any other substantial characteristics of the community. The PHA should specifically address the projected impact of the voluntary conversion on market rental rates, the availability and diversity of housing in the community, and the demand for tenant-based assistance rental units in the community and how the occupancy patterns and rental rates of the housing market will be affected by the new demand for tenant-based assistance units. The PHA must demonstrate how it believes the voluntary conversion will impact fair housing choice in the community.

The PHA's impact analysis should demonstrate how the voluntary conversion will:

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<sup>4</sup> See CFR 972.218 for specific information regarding handicapped accessible units.



- contribute to the diversification of available housing opportunities (types and prices) within the community;
- positively impact the affordability of housing for the displaced residents;
- enable the displaced residents to have easy access to public and private facilities and services, such as retail establishments, parks, public transportation, employment, and schools;
- positively impact the unique needs of special household groups; and
- decrease the concentration of poverty in the community in which the displaced residents will be relocating.



#### **A Closer Look**

##### **Future Use**

HUD does not require a PHS to demolish or dispose of a development. In accordance with local laws, and if permitted by HUD, the PHA may retain the rights of the building and/or land.

### Conversion Implementation

The PHA must describe the actions it plans to take to convert the residents of the development to tenant-based assistance. The description must include information on the planned future uses of the development and the means and timetable for accomplishing those uses. The PHA should provide information on its plans for the development after the voluntary conversion (e.g. whether the development will be demolished, disposed of, retained and utilized as assisted, unassisted, or market-rate housing). The PHA should also identify the resources that will be accessed and utilized to undertake the conversion, and how long will it take for the proposed voluntary conversion to be completed. As part of this element, the PHA must specifically:

- provide a realistic timeframe to undertake the voluntary conversion;
- indicate that adequate resources and financing are available for the implementation of the voluntary conversion, including demolition, disposition, or redevelopment;
- indicate the resources that will be utilized to ensure that residents are appropriately relocated, if such relocation is required; and

- provide credible evidence that the PHA's and its partners, if applicable, have the capacity and capability to successfully achieve the proposed future use of the development.

### 3-4 Voluntary Conversion Plan

After the PHA prepares and submits a conversion assessment that demonstrates the proposed units are eligible for conversion to its HUD Field Office as part of its Annual Plan or Annual MTW Plan, the PHA must prepare a voluntary conversion plan. PHAs may submit the conversion assessment and voluntary conversion plan in the same Annual Plan or Annual MTW Plan. Implementation of the voluntary conversion plan must be completed within 5 years. The plan must also indicate how the PHA will remove the affected public housing units from the inventory.

The PHA must complete the voluntary conversion plan to HUD no later than one year after it submits the final conversion assessment. As detailed in Section 2-7 of this Guide, the PHA must reference the conversion plan in several places:

- HUD Field Office: The PHA must reference the voluntary conversion plan in its Annual Plan or Annual MTW Plan. The PHA may reference the voluntary conversion plan in the same Annual Plan or Annual MTW Plan in which it submits the conversion assessment. The conversion plan can also be referenced as a significant amendment to the Annual Plan or Annual MTW Plan.
- SAC: The PHA must submit its voluntary conversion request in the format suggested in HUD Form 52860-E. This is submitted via the PIC. See Section 2-7 of this Guide for specific guidance on this process.

*HUD also strongly encourages PHAs to publish the draft and final versions of their voluntary conversion plans on their websites and to encourage public comments.*

The SAC will evaluate the voluntary conversion application to determine if it is complete, includes all the information required by 24 CFR 972.230 and if it is consistent with the conversion assessment completed by the PHA.

The 8 required components of the of the voluntary conversion plan are provided in greater detail below:

- A. Future Use of the Development: The PHA must provide information on its plans for the development after the voluntary conversion (e.g. whether the development will be demolished, disposed of, or retained and utilized as assisted, unassisted, or market-rate housing).

**Take Note**

Although a required conversion action will remove the converted units from the Annual Contributions Contract (ACC) between the PHA and HUD, the underlying land of the development will continue to subject to a Declaration of Trust (DOT) until HUD releases the DOT, either through a Section 18 removal action, an action under 24 CFR 85, or another means. Thus, if a PHA decides to convert the units now but retains the property, and then later decides to sell the land (to a developer to do a mixed-finance transaction, for example), the PHA must apply to HUD for a Section 18 disposition at that time. HUD intends to provide additional guidance on this subject in the future.

B. **Impact Analysis:** The PHA must provide an impact analysis of the voluntary conversion of the development on the community. This analysis may include the description that is required as part of the voluntary conversion assessment. The Impact Analysis should include the impacts the PHA believes the voluntary conversion will have on market rental rates and housing availability. PHAs should provide a complete analysis of how the occupancy patterns and rental rates of the market will be affected by an influx of displaced households utilizing tenant-based assistance.

Furthermore, PHAs will be expected to address how the proposed conversion will contribute (or not contribute) to the diversification of available housing opportunities (types, number of units, and prices) within the community; whether rents and housing prices will be affordable to the displaced families; whether the relocated residents will have easy access to public and private facilities and services, such as retail establishments, parks, public transportation, employment, and schools; whether the unique needs of special household groups will be considered and how; and whether there will be a concentration of poverty in the neighborhood(s) in which the residents will be relocating.

If the development is to be retained and used as low-income housing as part of the PHA's conversion plan, the PHA must convincingly demonstrate why retention is a viable option versus relocating residents into the community (i.e., lack of affordable housing, market can't absorb influx of residents, etc.).

Should the PHA decide that demolition/disposition of the development would best serve the interest of residents, the PHA, and surrounding community, the PHA must provide credible evidence to demonstrate that no negative community impact will occur resulting from the relocation of residents from the development (i.e., decrease in affordable housing, increase in concentration of poverty and

distress within local neighborhood, significant impact on transportation, public services, etc.).

C. Description of how the voluntary conversion plan is consistent with the findings of the conversion assessment. The PHA must demonstrate that the voluntary conversion plan accurately describes the findings of the conversion assessment. In addition, the voluntary conversion plan must address any deficiencies or problematic issues that were identified in the conversion assessment. Any differences between the information presented in the conversion assessment with the information provided in the conversion plan must be fully explained.

D. Evidence the voluntary conversion plan was developed with significant participation from public housing residents: To satisfy this requirement, in addition to the public participation requirements for the Annual Plan and the resident consultation process utilized to develop the conversion assessment, the PHA must do **AT LEAST** the following:

- Hold **AT LEAST** one meeting with the residents of the development. This meeting must include the development's duly elected Resident Council, if one exists. At this meeting, the PHA must explain the requirements of the voluntary conversion program (including Section 22 of the Act and 24 CFR 972), particularly as they apply to the residents of the development. The PHA must provide draft copies of the voluntary conversion plan to the meeting attendees. In most cases, PHAs should meet numerous times with the residents to ensure that they fully understand the reasons for the conversion, understand the PHAs proposed approach to the conversion, and have a meaningful opportunity to discuss options and make suggestions to ensure that the residents will benefit as a result of the conversion;
- Provide a reasonable period for the residents to comment on the draft voluntary conversion plan; and
- Summarize the resident comments (as well as the PHA responses to the significant issues raised by the commenter's), and include this summary as part of the final voluntary conversion plan. The PHA can demonstrate significant resident participation by providing documentation from its resident meeting(s). Such documentation may include sign in sheets, meeting agendas, resident comments, and the PHA's responses to those comments, etc. indicating the extent of the input received on the proposed voluntary conversion.

**Take Note****Developing a Plan**

A PHA is required to have input from the residents and the local government. The PHA must be able to provide evidence and documentation showing participation and input. This is critical to the process.

In addition to summarizing the resident comments to the draft voluntary conversion plan, the PHA must specifically describe any follow up actions taken by the PHA as a result of the resident comments received.

E. Evidence the voluntary conversion plan was developed with appropriate local government consultation: To satisfy this requirement of consultation with public officials, the PHA may obtain a certification from the appropriate government official that the voluntary conversion plan is consistent with the applicable Consolidated Plan. This may be the same certification as is required for the Annual Plan that includes the voluntary conversion plan, so long as the certification specifically references the voluntary conversion plan.

F. Confirmation that any proceeds received from the conversion are subject to the limitations under Section 18 applicable to proceeds resulting from demolition or disposition. Any proceeds a PHA receives from a conversion activity are subject to the limitations on the use of these net proceeds found in Section 18 of the Act. Under Section 18, PHAs are permitted to use proceeds to pay the reasonable costs of the disposition, including costs associated with relocation of displaced residents and remediation costs.

Unless waived by HUD, PHAs must use any remaining net proceeds to retire outstanding debt used to finance the original development. If any net proceeds remain after the disposition costs and debts (if applicable) have been paid, with written HUD-approval, the PHA may use these remaining net proceeds for any eligible purpose listed under Section 18(a)(5) of the Act, which provides that proceeds may be used for: (i) the provision of low-income housing or to benefit the residents of the PHA; or (ii) leveraging amounts for securing commercial enterprises, on-site, in public housing projects of the PHA, that are appropriate to serve the needs of the residents. The Act defines low-income housing as decent, safe, and sanitary dwellings assisted under the Act. Accordingly, the provision of low-income housing under Section 18(a)(5) of the Act is limited to public housing units under an ACC or housing assisted by the Housing Choice Voucher Program.

PHAs anticipating net proceeds from conversion activity should include a narrative description of how they intend to use the net proceeds in their conversion plans and applications. The SAC will review the use specified by the PHA and, if it complies with the Act, approve the use. Once HUD approves a disposition application and the PHA's stated intended use for net proceeds, the PHA cannot change its use of those proceeds without the prior written consent of HUD. PHAs are also advised that pursuant to 24 CFR 970.35, they must report the use of net proceeds to their HUD Field Office by providing a financial statement showing how the funds were expended by item and dollar amount.

**G. Relocation Plan:** The PHA must complete a detailed Relocation Plan in accordance with 24 CFR 972.230(b) as part of its voluntary conversion plan. All Relocation Plans must include the following 4 components:

- The number of households to be relocated, by bedroom size, and by the number of accessible units;
- A description of relocation resources that will be needed, including any necessary funding requests, as well as, a description of actual or potential public or other assisted housing vacancies that can be used as relocation housing and a budget for carrying out relocation activities;



#### **A Closer Look** **Tenant Protection Vouchers**

PHAs must not rely on the issuance of tenant protection vouchers from HUD for the residents of units approved for voluntary conversion. Such vouchers will only be issued to PHAs, at HUD's discretion and in accordance with an applicable HUD Notice. The allocation of such vouchers is subject to funding availability.

Applications for vouchers to support voluntary conversions will compete with other voucher applications that will be given a higher priority. Accordingly, as part of their voluntary conversion plans and applications, HUD will require PHAs to report on how a voluntary conversion can be implemented should HUD not be able to provide additional tenant-based or project-based assistance. See Section 3-10 (Tenant-based assistance funding for units approved for Voluntary Conversion) of this Guide.

- A schedule for relocation and removal of units from the public housing inventory (including the schedule for providing actual and reasonable relocation expenses, as determined by the PHA, for families displaced due to conversion);
- Proof that residents of the affected development were provided with timely written Notice of the voluntary conversion pursuant to the timing requirements set forth at 24 CFR 972.230(b);
  - If the voluntary conversion is not subject to the URA, the PHA must provide families with copies of the Notice at least 90 days before displacement; and
  - If the voluntary conversion is subject to the URA, the PHA must provide families with copies of the required General Information Notice (GIN) no later than the date the conversion plan is submitted to the SAC.

The following section provides details on the Notice to Residents from the 24 CFR 972.

**Contents of Notice to Residents: Pursuant to 24 CFR 972.230(b), the written Notice to Residents about the voluntary conversion must contain the following information:**

The development will no longer be used as public housing. Therefore, the family may be displaced as a result of the conversion;

Each family displaced as a result of the conversion will be offered comparable housing that may include: (a) relocation into tenant-based housing, (b) relocation into housing with project-based assistance, or (c) relocation into housing to another PHA-owned or operated property. (If tenant-based housing is used, the comparable housing requirement is fulfilled only upon relocation of the family into such housing. These units must meet HUD's applicable housing quality standards and should be located in an area that is generally not less desirable than the unit that is being vacated);

Actual and reasonable moving costs will be paid, and any necessary counseling, including any appropriate mobility counseling, will be provided by the PHA. (The PHA may finance mobility counseling provisions using Operating Fund, Capital Fund, or administrative fee funding);

Each family will be relocated to other decent, safe, sanitary and affordable housing that is, to the maximum extent possible, the housing of their choice;

If the PHA retains the development to use as housing after the required conversion, each family displaced by such action will be given a choice to remain in the housing, using tenant-based assistance towards rent; and

If tenant-based assistance is being used for relocation, each family will be provided with assistance (e.g. vouchers) at least 90 days before displacement.

**If the voluntary conversion is subject to the URA (See Section 3-6) the Notice must also contain the following:**

No family will be required to move without at least a 90-day advance written notice of the earliest date by which the family is required to move, and that the family will not be required to move permanently until the family is offered comparable housing;

Persons who are aliens not lawfully present in the United States are ineligible for relocation payments or assistance under the URA, unless such ineligibility would result exceptional and extremely unusual hardship to a qualifying spouse, parent, or child, as provided in the URA regulations at 49 CFR §24.208;

A family has a right to appeal the PHA's determination as to the family's application for relocation assistance for which the family may be eligible under voluntary conversion and the URA;

Families residing in the development will be provided with the URA Notice of Relocation Eligibility or Notice of Non-displacement (as applicable) as of the date HUD approves the voluntary conversion plan. (Note: The date of HUD approval of the voluntary conversion plan shall be the "date of initiation of negotiations" as termed and used in the URA and implementing regulations at 49 CFR §24); and

Any family moving into the development after the PHA submits the voluntary conversion plan to HUD will be eligible for relocation assistance, unless the PHA issues a written move-in notice to the family prior to leasing and occupancy of the unit advising the family of the development's possible conversion, the impact of the conversion on the family, and that the family will not be eligible for relocation assistance.

**H. A summary of how the conversion assessment for the public housing project supports the three conditions necessary for HUD to approve a voluntary conversion pursuant to 24 CFR 972.224:**

Pursuant to 24 CFR 972.224, as part of its voluntary conversion plan, the PHA must demonstrate to HUD that the voluntary conversion of the development:



- will not be more expensive than continuing to operate the development (or a portion thereof) as public housing;
- will principally benefit the residents of the development, the PHA, and the community; and
- will not adversely affect the availability of affordable housing in the community.

To demonstrate the voluntary conversion will not be more expensive to convert the development than to continue to operate it as public housing, the PHA should summarize the results of the appraisal and the Cost Analysis conducted pursuant to 24 CFR 972 for the development.

To demonstrate the voluntary conversion will principally benefit the residents of the development, the PHA, and the community, the PHA should summarize the feedback from the residents it received when developing the conversion assessment and conversion plan, the rental market analysis, the analysis of the impact on the neighborhood, and the proposed future use of the development.

The PHA should review whether or not there is adequate availability of landlords providing tenant-based assistance to absorb the displaced residents, and that relocated families will have access to schools, jobs and transportation resources. A PHA must also indicate whether the proposed conversion conflicts with any litigation settlement.

To demonstrate the voluntary conversion will not adversely affect the availability of affordable housing in the community, PHAs should summarize its rental market analysis and the analysis of the impact of conversion on the neighborhood.

**Take Note**

Overall a PHA must show clear and convincing evidence in its conversion assessment to support the PHA's assertion that the proposed conversion activity is both necessary and warranted, and satisfies the three required conditions for HUD to approve a voluntary conversion.

### 3-5 Relationship Between a Voluntary Conversion and Section 18 of the Act

Section 18 of the Act applies to all dispositions of developments done in connection with a voluntary conversion. Therefore to dispose of any units that a PHA proposes for voluntary conversion, the PHA must meet all of the requirements of Section 18 of the Act and 24 CFR 970. However, the SAC will not require the PHA to submit a separate disposition application so long as the PHA evidences its compliance with all applicable Section 18 and 24 CFR 970 requirements as part of its voluntary conversion plan.

### 3-6 Applicability of the Uniform Relocation Act (URA)

Pursuant to 24 CFR 972.215, the requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 USC 4601) (URA) apply to voluntary conversions to the extent that residents are displaced as a direct result of the demolition, acquisition, or rehabilitation of a federally-assisted converted property.

Dispositions that a PHA may undertake in connection with a voluntary conversion are subject to Section 18 of the Act (e.g. HUD will not approve a disposition proposed as part of a voluntary conversion plan without verifying that the PHA has complied with all requirements of Section 18 of the Act and 24 CFR 970). PHAs implementing voluntary conversions that include a disposition are therefore entitled to the exemptions from the URA that are included in Section 18.



#### Take Note

##### **CFR § 972.215 Applicability of the Uniform Relocation Act.**

To the extent tenants are displaced as a direct result of the demolition, acquisition, or rehabilitation of federally-assisted property converted under this subpart, the requirements of the Uniform Relocation Assistance and the Real Property Acquisition Policies Act of 1970 (42 U.S. C. 4601) (URA), and the implementing regulations issued by the Department of Transportation at 49 CFR part 24, apply.

### 3-7 Submission Requirements

A PHA cannot proceed to implement a voluntary conversion plan without prior written approval from HUD's Office of Public Housing Investments (OPHI). This approval will be separate from the approval the PHA obtains from HUD for its Annual PHA Plan or Annual MTW Plan. In order to receive HUD approval of its voluntary conversion plan, the PHA must take the following actions:

A. PHA Annual Plan or PHA Annual MTW Plan

Unless the PHA is exempt from the requirements of submitting its voluntary conversion plan to HUD as part of its Annual Plan or Annual MTW Plan (due to its high performance status or small size), the PHA must complete a voluntary conversion plan (within one year of submitting a voluntary conversion assessment) and reference this its PHA Annual Plan or Annual MTW Plan. The SAC will not accept any applications for voluntary conversion unless the PHA has included a reference to the conversion assessment and voluntary conversion plan in its Annual PHA Plan or Annual MTW Plan. Small size PHAs and PHAs designated high performance status can submit this documentation to HUD's Special Application Center (SAC) and their applicable HUD Field Office at the time they submit their voluntary conversion plan.

Comment [MSOffice1]: Need clarification- do small PHAs submit plan or just application via PIC?

To comply with this requirement, the PHA must provide a confirmation in the PHA Annual Plan or Annual MTW Plan document that each of the eight voluntary conversion plan elements has been addressed. The complete conversion plan and supporting documentation shall remain on file in the central office of the PHA and be available for resident, public and HUD review.

The existing HUD PHA Plan template (HUD 50075) does not currently provide a format for including information on voluntary conversion plans. Part 10.B of the template is reserved for voluntary conversion information, but no guidance is provided on what information should be included if a PHA wishes to pursue such a conversion. In addition, MTW Plan requirements do not specifically reference voluntary conversions. These MTW Plans, however, are to provide information on the planned removal of units from the PHA's housing stock. It is therefore suggested that the following methods for providing this information be utilized in the PHA Annual Plan or Annual MTW Plan document.

To ensure that PHAs provide sufficient information to inform stakeholders and HUD that a voluntary conversion plan has been completed a table has been developed. This table is presented below. **Use of this table is not required, but it is recommended.** For non-MTW agencies, this table can be inserted in Part 10.B of the PHA Plan template. For MTW PHAs submitting an Annual MTW Plan, this table should be inserted into an appropriate place in the Annual MTW Plan. The PHA must also provide, as an attachment to the PHA Annual Plan or MTW Annual Plan, the required certification that Public Officials were consulted and that the conversion plan is in compliance with the applicable Consolidated Plan.

**Voluntary Conversion of Public Housing Pursuant to Section 22 of the U.S. Housing Act of 1937**

The following developments or portions of developments have been identified by the PHA for a voluntary conversion per 24 CFR 972.227, 24 CFR 972.230 and 24 CFR 972.233.

<b>Voluntary Conversion Plan Activity Description</b>
1a. Development(s) name(s): 1b. Development(s) (project) number(s): 1c. Asset Management Project (AMP) Number(s): 1d. The specific public housing units that are (or may be) involved in the voluntary conversion if only a portion of a development listed above is to be converted.
2. Has the PHA provided information on its plans for the development after the voluntary conversion? <input type="checkbox"/> Yes <input type="checkbox"/> No
3. Has the PHA provided an impact analysis of the voluntary conversion of the development on the community? <input type="checkbox"/> Yes <input type="checkbox"/> No
4. Has the PHA demonstrated that the voluntary conversion plan accurately describes the findings of the conversion assessment? <input type="checkbox"/> Yes <input type="checkbox"/> No
5. Has the PHA consulted with the residents in the development to review the conversion plan? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Does not apply because the site is vacant. Does the PHA have documentation to support the consultation? <input type="checkbox"/> Yes <input type="checkbox"/> No
6. Has the PHA consulted with appropriate public officials in developing the voluntary conversion plan? <input type="checkbox"/> Yes <input type="checkbox"/> No Has the PHA obtained the required certification? <input type="checkbox"/> Yes <input type="checkbox"/> No
7. Has the PHA confirmed that any proceeds received from a conversion activity will be subject to the limitations on the use of these net proceeds found in Section 18 of the 1937 Housing Act? <input type="checkbox"/> Yes <input type="checkbox"/> No
8. Has the PHA completed a detailed Relocation Plan in accordance with 24 CFR 972.230(b) as part of its voluntary conversion plan? <input type="checkbox"/> Yes <input type="checkbox"/> No
9. Has the PHA <u>summarized how the conversion of these public housing units supports the three conditions necessary for HUD to approve a voluntary conversion pursuant to 24 CFR 972.224?</u> <input type="checkbox"/> Yes <input type="checkbox"/> No

B. HUD Special Applications Center—voluntary Conversion Application

To begin the voluntary conversion process, PHAs must electronically submit an Inventory Removal Application (HUD-52860), voluntary conversion addendum (HUD-52860-E), and an executed HUD-52860 PHA Certification of Compliance – Section 22 Required Conversion form to the SAC, via PIC. Instructions on completing form HUD-52860 for a voluntary conversion are provided in Appendix 8, a copy of Addendum (HUD-52860-E) is provided as Appendix 10, and a copy of the Certification is provided as Appendix 12. If the voluntary conversion plan calls for the development to be demolished or disposed of as part of the voluntary conversion, it may submit one Inventory Removal Application (HUD-52860) to request HUD-approval for both the voluntary conversion and the demolition/disposition. However, the PHA must complete the application sections (including all attachments and addendums) for both removal actions in order to evidence that it has satisfied all of the statutory and regulatory requirements for each action (Section 18 of the Act and 24 CFR 970 for the demolition or disposition and Section 22 of the Act and 24 CFR 972 for the voluntary conversion). Also, HUD will not approve an application for a voluntary conversion or a voluntary conversion plan that includes the demolition or disposition of a development until the environmental review required under 24 CFR Part 58 or 24 CFR Part 50, as applicable, is complete.



**Take Note**

**HUD Approval**

Before proceeding to implement the conversion plan, make sure the PHA has written approval from HUD specifically for the voluntary conversion plan. Approval of the PHA Annual Plan does not constitute approval of the voluntary conversion plan. A separate approval that is specific to the voluntary conversion plan must come from HUD.

C. HUD Actions — Voluntary Conversion Application

The SAC will review the voluntary conversion application and HUD may conduct a site visit or request additional information from a PHA before a determination on the conversion plan is finalized. HUD anticipates its review of the PHA's voluntary conversion application will occur within 90 days following submission of the application. If a longer review process is required, HUD will provide the PHA with a preliminary response within 90 days following the submission of the voluntary conversion plan. HUD-approval or disapproval of the voluntary conversion plan will come from OPHI and will be separate from

the approval the PHA obtains from HUD for its Annual Plan or Annual MTW Plan. Under no circumstances should a PHA commence to convert units proposed for voluntary conversion until it receives approval from OPHI in writing.

### 3-8 HUD Approval

HUD will approve a PHA's voluntary conversion application and plan if the PHA shows that the conversion:

- Will not be more expensive than continuing to operate the development (or portion thereof) as public housing. PHAs must demonstrate cost comparisons between the continued operation of the proposed development as public housing to the cost of converting to tenant based assistance by using the cost calculation methodology included in the Appendix to 24 CFR 972;
- Will principally benefit the residents of the proposed public housing development (or portion thereof) the PHA, and the community. PHAs must demonstrate the conversion's benefit to residents, the PHA, and the community through the rental market analysis, the analysis of the impact on the neighborhood, the market value analysis, and the proposed future use of the development. The conversion plan must address the availability of landlords providing tenant-based assistance, as well as access to schools, jobs and transportation resources for those families that may be relocated. Significant to HUD's approval process of the proposed voluntary conversion is resident acknowledgement and consultation of the conversion activity; and
- Will not adversely affect the availability of affordable housing in the community. In supporting the continued availability of affordable housing, the PHAs must demonstrate the impact on affordable housing in the rental market analysis and the analysis of the impact of conversion on the neighborhood. PHAs must demonstrate proof of consultation with residents by submitting documentation appended to their conversion assessment to HUD (i.e., sign in sheets, meeting agenda, resident comments, PHA response, etc.) that shows resident participation in providing input into the proposed conversion activity.

Overall, a PHA must show clear and convincing evidence in its conversion assessment to support the PHA's assertion that the proposed conversion activity is both necessary and warranted, and satisfies the threshold test (24 CFR 972.224) for HUD approval of a voluntary conversion.

Upon HUD's written approval, the PHA can commence conversion of the selected development(s) and/or units covered under the conversion plan.

### 3-9 Reasons Why HUD May Disapprove a Voluntary Conversion Plan:

In accordance with 24 CFR 972.224, HUD will not approve a voluntary conversion unless the PHA demonstrates how impacted households would be relocated and that the availability of affordable housing will not be reduced significantly due to the conversion. If the PHA cannot demonstrate how displaced families will be relocated or that the PHA has an adequate number of alternative public or assisted housing units or tenant-based or project-based vouchers available for the relocation, the PHA will be challenged with demonstrating to HUD that the proposed voluntary conversion will primarily benefit residents and not have an adverse impact on the availability of affordable housing in the community.

HUD is permitted to disapprove conversion plans that are not complete in accordance with conditions outlined in regulatory provisions at 24 CFR 972.224, 972.230, 972.236 and 972.239. In accordance with 24 CFR 972.239, HUD will disapprove a conversion plan only if HUD determines that:

- The voluntary conversion plan is inconsistent with the conversion assessment;
- There is reliable information available to HUD that contradicts the conversion assessment; or



#### Take Note

HUD will investigate any apparent contradiction or written challenge to the information presented in the PHA's voluntary conversion assessment of plan. HUD will not approve a conversion application until a determination has been made by HUD on the validity of the challenge or conflict.

- The voluntary conversion plan is incomplete and fails to meet requirements the requirements of 24 CFR 972.230.

**A Closer Look****HUD Disapproval and What to do next**

Just because HUD disapproved of the plan does not mean the PHA cannot resubmit the plan at a latter period. By consulting with HUD and using other viable resources, such as other successful PHAs or outside agencies, the PHA would have a better opportunity to develop a plan that is consistent with HUD guidelines and may result in an approval the next time around. PHAs should internally assess the plan to make sure it is consistent with the conversion assessment, is based on reliable information, and is accurately represents a course of action that the PHA is pursuing for the development..

**3-10 Effect of a Voluntary Conversion on Operating Subsidy**

For purposes of determining operating subsidy eligibility, HUD may consider a PHA's submission of a voluntary conversion plan and application to be the equivalent of a formal request to remove dwelling units from the PHA's inventory and ACC. Pursuant to 24 CFR 990.190, a PHA that transitions projects or entire buildings out of its inventory is eligible for an asset-repositioning fee if approved for demolition or disposition. PHAs should contact their HUD financial analyst at their local Field or Regional Office for more information on the asset-repositioning fee. HUD intends issuing additional guidance on this subject in the future.

**3-11 Tenant-Based Assistance Funding for Units Approved for Voluntary Conversion**

HUD's approval of a PHA's voluntary conversion plan does not automatically guarantee a PHA will receive tenant-based assistance funding to provide relocation and/or replacement housing for the residents living in the units approved for conversion. If vouchers are desired, PHAs must submit a separate and distinct application to HUD for tenant protection or demolition/disposition vouchers to provide relocation and/or replacement housing for the residents of the units which have been approved by HUD for required conversion. Such a request for vouchers must be in response to a HUD published invitation for such applications.

HUD will issue vouchers to PHAs, at its discretion and subject to funding availability in accordance with an applicable HUD Notice inviting such applications. Vouchers required for the relocation of residents displaced through required conversion and HOPE VI revitalization activities currently take precedent over vouchers requested for voluntary conversions.



A PHA may submit an application for tenant protection vouchers as soon as the PHA receives written HUD approval of its voluntary conversion plan (and disposition, if applicable) and a HUD Notice is issued inviting such applications

Should needed voucher funding not be available to the PHA after the voluntary conversion plan has been approved by OPHI, the PHA may not be able to pursue the conversion per its approved implementation schedule. In such cases, the PHA may submit a request to SAC to revise its implementation plan to reflect this situation.

**Appendix 1: Summary of Conversion Requirements**

Summary of Conversion Requirments	Section 33 Required Conversion	Section 22 Voluntary Conversion
Identification of Units for Conversion	<p>The development, or portion thereof, contains 250+ dwelling units and:</p> <ol style="list-style-type: none"> <li>1) is on same or contiguous site;</li> <li>2) has a vacancy rate of 15% (for developments identified through March 16, 2009)</li> <li>3) is either distressed housing for which the PHA cannot assure the long-term viability, or more expensive for the PHA to modernize and operate for its remaining useful life than to provide tenant-based assistance to all of its residents</li> </ol> <p>Developments are published at: <a href="http://www.hud.gov/offices/pih/centers/sac/rconv.cfm">www.hud.gov/offices/pih/centers/sac/rconv.cfm</a></p>	<p>PHA identify public housing units that it is not required to convert, but may be authorized to convert, by conducting a conversion assessment.</p>
Cost Analysis	<p>Must be conducted pursuant to Calculation Rule: published in the Federal Register on March 21, 2006 , as an appendix to 24 CFR 972</p> <p>Downloadable cost comparison spreadsheet calculator posted at: <a href="http://www.hud.gov/offices/pih/centers/sac/docs/costcomparison.xls">http://www.hud.gov/offices/pih/centers/sac/docs/costcomparison.xls</a></p> <p><b>**Note that the cost methodology is different that that for voluntary conversion</b></p>	<p>Must be conducted pursuant to Calculation Rule: published in the Federal Register on March 21, 2006, as an appendix to 24 CFR 972</p> <p>Downloadable cost comparison spreadsheet calculator posted at: <a href="http://www.hud.gov/offices/pih/centers/sac/docs/costcomparison.xls">http://www.hud.gov/offices/pih/centers/sac/docs/costcomparison.xls</a></p> <p><b>**Note that the cost methodology is different than that for voluntary conversion</b></p>
Required Initial Assessment	<p><b>NOT REQUIRED</b></p>	<p>QWHRA required every PHA to conduct for each development. Most PHAs have previously conducted all required Initial assessment and have on file in their central office. The HUD application for voluntary conversion requires PHAs to certify that they have all conducted the required Initial assessment for the development and have it on file in its central office</p>

<p>PHA Annual Plan</p>	<p>PHA must address the appearance of all clusters appearing on the SAC website as possible candidates for required conversion in its next Annual Plan following that appearance. PHA must complete its required conversion plan and provide a summary of that plan in the following year's Annual Plan.</p> <p>Guidance on the timing of Annual Plan submissions is provided in Section 1-7.</p>	<p>PHAs must submit all voluntary conversion assessments and voluntary conversion plans as part of their PHA Annual Plans.</p> <p>Plans must be submitted within one year of the assessment, as part of the same plan that the assessment was submitted, or as a significant amendment to that plan.</p> <p>Guidance on the information to be included in the PHA Annual Plan is provided in Sections 2-2 and 2-6.</p>
<p>Conversion Assessment</p>	<p>See above.</p>	<p>Must be conducted pursuant to 24 CFR 218 and submitted as part of PHA Annual Plan. Guidance on the information to be included in the PHA Annual Plan is provided in Section 2-2.</p>
<p>Conversion Plan</p>	<p>If a PHA determines that a development is subject to required conversion and is correctly appearing on the SAC website, it should develop and submit a conversion plan as part of its PHA Annual Plan. Guidance on the timing of this submission is provided in Section 1-7. Guidance on the information to be included in the PHA Annual Plan is provided in Section 1-12.</p>	<p>After completing a conversion assessment, if a PHA determines that the units identified in the assessment are eligible for voluntary conversion, the PHA should submit a conversion plan to HUD, both as part of its Annual Plan, and also to the SAC for separate review and approval. Guidance on the information to be included in the PHA Annual Plan is provided in Section 2-6.</p>
<p>Submission Requirements to HUD's Special Applications Center (SAC)</p>	<p>A PHA proposing a required conversion must submit the following documentation to the SAC for review and approval:</p> <ul style="list-style-type: none"> <li>1) Required Conversion Application (HUD-52860) and Addendum, via PIC</li> </ul>	<p>A PHA proposing a voluntary conversion must submit the following documentation to the SAC for review and approval:</p> <ul style="list-style-type: none"> <li>1) Voluntary Conversion Application (HUD-52860) and Addendum, via PIC</li> </ul>
<p>HUD Approval</p>	<p>A PHA may proceed to convert the development proposed covered by a conversion plan after it receives written approval from OPHI. This approval will be separate from the approval that the PHA receives for its Annual Plan. This approval does not include an approval for additional vouchers. Vouchers must be applied for separately by the PHA.</p>	<p>A PHA may proceed to convert the development proposed covered by a conversion plan after it receives written approval from OPHI. This approval will be separate from the approval that the PHA receives for its Annual Plan. This approval does not include an approval for additional vouchers. Vouchers are not guaranteed and must be applied for separately by the PHA.</p>

## **Appendix 2: Definition of Terms**

<b>Accrual Needs</b>	The modernization and capital improvement needs that are projected to accrue over time at a public housing development that must be addressed for the development to meet HUD's modernization and energy conservation standards.
<b>The Act</b>	The U.S. Housing Act of 1937 (42 U.S.C. 1547 <i>et. seq.</i> ).
<b>Annual Contributions Contract (ACC)</b>	The written contract, in the form prescribed by HUD, between HUD and a PHA under which HUD agrees to provide assistance for a public housing project and the PHA agrees to comply with HUD requirements.
<b>Annual Plan</b>	The "PHA Five-Year and Annual Plans (HUD-50075)" that non-MTW agencies are required to submit to HUD.
<b>Asset-Repositioning Fee</b>	Pursuant to 24 CFR § 990.190, a fee provided to a PHA (as a phase-out of operating subsidy) for developments or entire buildings approved by HUD for demolition and/or disposition. See Appendix 13.
<b>Cost Analysis</b>	The analysis comparing the costs to the PHA of operating public housing to the costs to the PHA of providing tenant-based or project-based assistance to those residents. To conduct the cost analysis, PHAs should use Calculation Rule and spreadsheet available on HUD's website. Note that the cost analysis is different for required and voluntary conversions.
<b>Conversion Cost Methodology Rule</b>	The final rule for PHAs to use to conduct the Cost Analysis. The Calculation Rule was published in the Federal Register as an appendix to 24 CFR 972 on March 20, 2006, with an effective date of April 20, 2006).
<b>Conversion Assessment</b>	PHAs applying for voluntary conversion for a development must prepare this assessment in accordance with 24 CFR 972.218 and submit it to HUD with their next Annual Plan or Annual MTW Plan. It must include the following five (5) components: (1) Cost Analysis; (2) Analysis of Market Value; (3) Analysis of Rental Market Conditions; (4) Impact Analysis; and (5) Conversion Implementation.
<b>Demolition/Disposition Voucher Notice</b>	The PIH Notice published as PIH 2007-10 (HA) on April 30, 2007 called "Voucher Funding in Connection with the Demolition or Disposition of Occupied Units"
<b>Designated Housing Plan</b>	A HUD approved plan that authorizes a PHA to designate units or developments for elderly families only, disabled families only, or elderly and disabled families.
<b>General Occupancy</b>	Units or developments that are not restricted for use by a special population, such as the elderly or persons with a disability,
<b>Housing Choice Voucher Program</b>	Current Federal tenant-based assistance program that PHAs must use for comparing the costs of administering tenant-based assistance vs. the cost of operating the same number of public housing units.
<b>MTW Annual Plan</b>	The Plan most Moving to Work (MTW) PHAs are required to submit to HUD annually as mandated by the MTW Agreement executed between HUD and each MTW agency.
<b>Office of Public Housing Investments (OPHI)</b>	HUD Office with the delegated authority to approve voluntary and required conversion plans.
<b>PHA Annual Plan</b>	The "PHA Five-Year and PHA Annual Plans (HUD-50075)" that non-MTW agencies are required to submit to HUD.

<b>Property</b>	Real property consisting of vacant land or buildings, or a portion thereof, that is excess, surplus, or designated as unutilized or underutilized in surveys by the heads of landholding agencies conducted pursuant to Section 202(b)(2) of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 483(b)(2)).
<b>Public Housing</b>	Low income housing, and all necessary appurtenances thereto, assisted under this Part. The term public housing includes dwelling units in a mixed finance project that are assisted with assistance under this part and subject to an ACC.
<b>Public Housing Agency (PHA)</b>	Any state, county, municipality, or other governmental entity or public body (or agency or instrumentality thereof) that is authorized to engage or assist in the development or operation of public housing under this Part.
<b>Public Housing Project</b>	Public and Indian housing developed, acquired, or assisted by HUD under the Act, other than under of the Act, and the improvement of such housing. The term shall include all real and personal property, tangible and intangible, which is acquired or held by a PHA in connection with a project covered under their ACC.
<b>Public Housing Requirements</b>	All requirements applicable to public housing including, but not limited to, the Act, HUD regulations, the ACC, HUD notices, and all applicable Federal statutory, executive order and regulatory requirements, as these requirements may be amended from time to time.
<b>Required Conversion Plan</b>	PHAs owning development subject to required conversion must prepare this plan in accordance with 24 CFR 972.130. The required conversion plan must be included as part of PHA's next PHA Annual Plan or MTW Annual Plan to HUD.
<b>Tenant-Based Rental Assistance</b>	HUD assistance to low- and very low-income families (as defined by the Act) in obtaining decent, safe, and sanitary housing in private accommodations by covering the cost difference between what the families can afford and the approved rent for an adequate housing unit.
<b>Tenant Protection Vouchers</b>	Vouchers allocated by HUD to replace dwelling units that cease to be available as assisted housing. Currently, HUD only issues tenant-protection vouchers for occupied units.
<b>Voluntary Conversion Plan</b>	PHAs applying for voluntary conversion for a development must prepare this plan for in accordance with 24 CFR 972.230. The voluntary conversion plan must be included as part of PHA's next Annual Plan or Annual MTW Plan to HUD.

### **Appendix 3: Required Conversion Process Overview**

The following table provides a summary of the steps to be followed to identify candidates for a required conversion, to confirm that a PHA development, group of developments or a portion of a development qualifies for a required conversion, to develop a required conversion plan and to receive HUD approval of that plan. The purpose of each step is also briefly indicated. This table is intended to provide an overview of the process. The specific requirements for completing a required conversion are detailed in the Conversion Guide.

<b>Step</b>	<b>Purpose</b>
SAC identifies potential (250 unit) clusters	To assist in finalizing cluster list
PHAs and Field Offices confirm list is accurate	To ensure list is accurate
SAC identifies which clusters fail vacancy test	To spot candidates for required conversion
PHA can request a re-review of vacancy data	To remove clusters that have excused vacancies
SAC refreshes list monthly.	To notify PHAs that they have a "failed" property
<b>If cluster remains on list:</b>	
PHA must do <b>cost analysis</b> using Excel spreadsheet	To confirm less expensive to convert to vouchers
PHA must report results in next PHA Annual Plan	To inform PHA stakeholders and HUD of status
Explain why property does not qualify for conversion	Because vacancies are justified
Or, demonstrate it is less expensive not to convert	Because spreadsheet indicates site is viable
Or, submit a required conversion plan	Because property fails viability test
<b>If property is less expensive to not convert:</b>	
HUD authorizes the revitalization of the public housing	To reestablish long-term property viability
<b>If a conversion plan is required:</b>	
1) PHA must develop a <b>conversion plan</b> (5-year max.)	To document the PHA's plan for conversion
Develop conversion plan document that includes:	To get public feedback by revealing:
Identify units to be converted	Which units are involved
Identify status of public housing funds	The financial impacts of the conversion
Certification that local officials were consulted	That local government is aware of the plan
Certification that residents were consulted	That residents were involved
Describe future use of development	If demo/dispo/or other uses will be pursued
Relocation plan	That existing residents will be protected
Submit conversion plan in next PHA Plan	To inform HUD that the PHA will convert the site
Describe conversion plan in PHA Plan	Inform HUD of PHA's conversion plan

Provide required conversion plan certifications	To confirm local official's review
Retain conversion plan document at the PHA	For a further HUD or HUD contractor review

**HUD Field Office receives PHA Plan**

Field Office reviews PHA Plan and conversion plan info	To ensure information is accurate and complete
Field Office may approve PHA Plan, not conversion plan	To authorize non-conversion parts of PHA Plan
Field Office provides status of environment review	To enable SAC approval
<b>2) PHA must submit IRA &amp; Addendum D to SAC</b>	To receive HUD approval of conversion plan
Send Relocation Letter to residents if URA applies	To comply with URA requirements
Submit IRA (HUD-52860) electronically with:	To remove units from the ACC
Conversion Addendum HUD-52860-D, with	To justify conversion strategy and plan
Cost Analysis (the Excel spreadsheet)	To confirm conversion is required/appropriate
Description of future use of the property	To confirm PHA's plan for the property
Status of funds/transfer recommendations	To address funding impacts of conversion
Section 33 Certification of Compliance	To confirm PHA has/will comply with HUD rules

**HUD SAC receives IRA and Addendum D:**

SAC reviews HUD-52860 & HUD-52860-D submissions	To ensure they are complete and in compliance
SAC receives Field Office memo on PHA Plan	To ensure PHA Plan/environmental compliance
HUD may do site visit or request additional information	To verify/clarify conversion plan information
HUD will respond to application within 90 days	To inform PHA of application status
OPHI approves conversion plan application	To authorize the PHA to proceed with conversion
OPHI issues written approval letter	To officially approve conversion
Or, OPHI disapproves conversion plan	To prevent PHA from proceeding

**Once the conversion plan is approved by HUD:**

PHA may request replacement/relocation vouchers	To serve the existing residents with HCVs
PHA can only utilize voucher invitation Notices	To request replacement vouchers
PHA can only receive vouchers one year at a time	To broaden distribution of voucher allocations
PHA must reapply for additional vouchers yearly	To relocate just the families moving that year
PHA may use existing PHA funding to start	To begin resident relocation & to prevent delays

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conversion	
If additional vouchers are required for relocation:	To ensure existing residents are protected
Conversion cannot start until vouchers are provided	To ensure residents are relocated appropriately
Conversion must start once vouchers are provided	So conversion can be completed on schedule
After approval, vacant/vacated units are deprogrammed	To start subsidy phase-down, if PHA is entitled
PHA may request an asset-repositioning fee from HUD	To address extra expenses, if PHA is entitled

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## **Appendix 4: Voluntary Conversion Process Overview**

The following table provides a summary of the steps to be followed to receive HUD approval of a PHA's request to remove public housing units from its inventory and to receive tenant-based or project-based assistance for the residents of the units being deprogrammed. The purpose of each step is also briefly indicated. This table is intended to provide an overview of the process. The specific requirements for completing a voluntary conversion are detailed in the Conversion Guide.

<b>Step</b>	<b>Purpose</b>
In 2001, PHAs were to assess units for conversion	To ensure PHAs consider the conversion option
Assess all general occupancy developments	To exclude senior/disabled/etc. developments
Do a <b>Required Initial Assessment (RIA)</b> for each	To spot candidates for voluntary conversion
Include each RIA in PHA Plan	To put HUD, residents & local officials on notice
RIAs are non-binding and can be updated	To enable a PHA to refine its evaluations
RIA documentation kept on file at PHA	To enable a review of assessment assumptions
<b>If PHA Wishes to Pursue Voluntary Conversion:</b>	
1) PHA must ensure an RIA has been done for the site	To ensure HUD and stakeholders were on notice
2) PHA must do a <b>conversion assessment</b>	To ensure conversion plan is justified & realistic
Develop conversion assessment document that:	To provide residents with info on the plan
Includes a cost analysis	To ensure conversion is cost effective
Using Excel spreadsheet	To confirm less expensive to convert to vouchers
Analyzes the market value of the property	To ensure PHA plan is realistic
Requires an independent market study	To ensure the study is objective and professional
Must follow HUD Notice requirements	To ensure market study addresses all issues
Must complete Market Valuation Matrix	To determine market value
Must use to complete Excel spreadsheet	To reflect highest and best use value of property
Analyzes the rental market conditions	To ensure relocation/replacement plan is realistic
Analyzes the impacts of the conversion	To confirm conversion affects will be positive
Describes conversion implementation	To assess if the conversion is risky
Implementation schedule	To ensure timeframe is realistic
Availability of resources & funding	To ensure resources & funding are in place
PHA's capacity & capability to implement	To ensure PHA and its partners can do the job
Review conversion assessment with residents	To receive resident feedback and adjust plan
Submit conversion assessment in next PHA	To inform HUD that the PHA will convert the site

Plan	
Describe conversion assessment in PHA Plan	Inform HUD that conversion is justified
Retain assessment documents at the PHA	For a further HUD or HUD contractor review
<b>3) PHA must develop a voluntary conversion plan</b>	To document the PHA's plan for conversion
Develop conversion plan document that must:	To get stakeholder feedback by revealing:
Describe the future use of development	If demo/dispo/or other uses will be pursued
Analyze the impacts of the conversion	Conversion impacts on residents/community
Be consistent with conversion assessment	Noting & explaining conflicts with assessment
Describe of how residents were consulted	That residents were involved
Describe how local officials were consulted	That plan addresses local needs & priorities
Note how conversion proceeds will be used	To ensure that Section 18 rules are followed
Include a relocation plan	That existing residents will be protected
Address HUD's 3 conversion requirements	That plan meets 3 conversion requirements
Submit voluntary conversion plan in next PHA Plan	To inform HUD that the PHA will convert the site
Conversion Assessment can only be 1 year old	Assessment & plan can be in same PHA Plan
Describe conversion plan in PHA Plan	Inform HUD of PHA's conversion plan
Provide required conversion plan certifications	To confirm local official's review
Retain conversion plan documents at the PHA	For a further HUD or HUD contractor review

**HUD Field Office Receives PHA Plan**

Field Office reviews PHA Plan and conversion plan info	To ensure information is accurate and complete
Field Office may approve PHA Plan, not conversion plan	To authorize non-conversion parts of PHA Plan
Field Office confirms assessment submission date	To ensure assessment submitted within 1 year
Field Office provides status of environment review	To enable SAC approval
<b>4) PHA must submit IRA &amp; Addendum E to SAC</b>	To receive HUD approval of conversion plan
Send relocation letter to residents if URA applies	To comply with URA requirements
Submit IRA (HUD-52860) electronically with:	To remove units from the ACC
Conversion Addendum HUD-52860-E, with	To justify conversion strategy and plan
Cost Analysis (the Excel spreadsheet)	To confirm conversion is required/appropriate

Description of future use of the property	To confirm PHA's plan for the property
Market Valuation Matrix	To determine market value for Excel spreadsheet
Market Analysis Executive Summary	To address funding impacts of conversion
Section 22 Certification of Compliance	To confirm PHA has/will comply with HUD rules

**HUD SAC receives IRA and Addendum E:**

SAC reviews HUD-52860 & HUD-52860-E submissions	To ensure they are complete and in compliance
SAC receives Field Office memo on PHA Plan	To ensure PHA Plan/environmental compliance
HUD may do site visit or request additional information	To verify/clarify conversion plan information
HUD will respond to application within 90 days	To inform PHA of application status
OPHI approves conversion plan application	To authorize the PHA to proceed with conversion
OPHI issues written approval letter	To officially approve conversion
After approval, vacant/vacated units are deprogrammed	To start subsidy phase-down, if PHA is entitled
PHA may request an asset-repositioning fee from HUD	To address extra expenses, if PHA is entitled
PHA may use existing PHA funding to start conversion	To begin resident relocation & to prevent delays

**If Vouchers are Needed for Conversion Plan**

PHA may request replacement/relocation vouchers	To serve the existing residents with HCVs
Only after HUD approves conversion plan	To justify voucher allocation by HUD
PHA can only utilize voucher invitation Notices	To request replacement vouchers
PHA can only receive vouchers one year at a time	To broaden distribution of voucher allocations
PHA must reapply for additional vouchers yearly	To relocate just the families moving that year
Start can be delayed until vouchers allocated, if needed	To ensure residents are appropriately relocated

## **Appendix 5: Conversion (Reconfiguration) of Units**

There are currently no regulations requiring HUD approval for a PHA's voluntary conversion involving the reconfiguration or merger of existing public housing units (i.e. reconfiguring two studio apartments to a 2 bedroom unit). The expired Handbook; #7486.1 "The Public Housing Demolition, Disposition and Conversion Handbook" did require HUD Approval for the reconfiguration of units, but this requirement has been eliminated. PHAs, however, are encouraged to consult this Handbook as a guide.

Changes in the number of units and unit reconfigurations are a matter of local PHA discretion based on the community's housing needs. Such changes, however, are required to be reflected in the agency's Annual Plan and in the PHA's reports to HUD that are impacted by these changes. In addition, PHAs must update PIC to reflect any reconfiguration of units. PHAs should be aware that unit changes might impact on the Operating Subsidy level it receives from HUD.

If the PHA is participating in a Moving to Work (MTW) demonstration, it must include in its PHA Annual MTW Plan an affirmative statement acknowledging that the reconfiguration of units is consistent with the MTW program requirement that the PHA must serve substantially the same number of households it would have served had the PHA not been involved in the MTW agreement. The reconfiguration of units would need to be consistent with the MTW agreement with HUD and the Annual MTW Plan and MTW Report must reflect the unit changes, and the PHA's funding levels must be adjusted accordingly.

**NOTE: PLEASE FOLLOW INSTRUCTIONS ON THIS TAB  
BEFORE PROCEEDING TO THE COST COMPARISON CALCULATOR**

This spreadsheet contains macros that need to be enabled for the spreadsheet to have full functionality. Failure to enable the macros will result in the spreadsheet to function improperly. Follow these steps to enable the macros:

*You may see a "Security Warning" box when opening the file. If you see the "Security Warning" box, click on "Enable Macros."*

*If you do not see a "Security Warning" box when opening the file: Close the spreadsheet and change the security level setting. To change the security level in MS Excel, go to toolbar and click on Tools / Macro / Security. In the Security box, go to the "Security Level" tab and click on "Medium" then click OK. After changing the security level, open the spreadsheet again and follow the instruction above to enable macros.*

## Cost Comparison Spreadsheet Required and Voluntary Conversions under 24 CFR Part 972

### **IMPORTANT: PLEASE READ THE START TAB FIRST**

This spreadsheet is provided as a tool for public housing agencies conducting cost comparisons pursuant to 24 CFR Part 972, "Conversions of Public Housing to Tenant Based Assistance." The spreadsheet assists PHAs in comparing public housing costs to voucher costs using the methodology presented in the appendix to 24 CFR 972 for both Required Conversions (subpart A) and Voluntary Conversions (subpart B).

Spreadsheet cells shaded in green allow PHAs to enter information on the subject property's estimated market value, operating, modernization, and accrual costs, as well as information on voucher costs. A property's market or residual value is incorporated into the cost-test only for voluntary conversion determinations. Use the arrow keys to move from one cell to another. Enter numbers without commas and press "Enter" when you are done with each cell. Enter data only in the cells you need. Green cells may be left blank (you do not need to enter zeros). Cells shaded yellow contain formulas and cannot be changed.

The spreadsheet consists of seven tabs, including this introduction. To move from tab to tab, click on the tab name at the bottom of the screen.

**Tab 2 -- Public Housing Operating Cost.** At this tab, a PHA enters the projected operating costs for the revitalized property and also checks these costs for reasonableness by comparing them to current operating costs, using either the Development or the PHA-wide method.

**Tab 3 -- Public Housing Capital Cost.** At this tab, a PHA must indicate the degree of modernization necessary to keep a property viable based on the physical condition and repairs necessary to retain a viable property competitive in accordance with local, state, and Federal rehabilitation codes and its remaining useful life. A PHA will enter the anticipated costs of revitalization/modernization, relocation, and demolition (if any) and indicate the year in which costs are expected to be incurred based on a PHA's modernization plan for a property. Up to four years are permitted for this activity for the 30 and 40-year evaluation periods for required and voluntary determinations. If a PHA chooses to undertake light or moderate rehabilitation, a 20-year evaluation period must be used. PHAs will also enter data needed to estimate ongoing accrual costs and the estimated market or residual value for a property. The estimated market or residual value of a property must be included within these calculations as an addition to the public housing capital repair costs only for voluntary conversion determinations. This market value is calculated by PHAs who must hire an appraiser to determine the market value. The residual value for a property is determined by PHAs if demolition costs will be covered by a PHA.

Demolition and remediation costs are deducted from the estimated market value for a property to calculate any remaining residual value expected if a PHA were to sell a property proposed for conversion and removal from the inventory. However, under this cost-test, a property's market value is included within these capital costs whether or not a PHA intends to undertake a voluntary conversion and sell the proposed building or land.

**Tab 4 -- Voucher Cost.** At this tab, the PHA enters the average voucher cost (unit weighted average for the monthly payment standard for voucher units occupied by recent movers in the local area in accordance with the respective bedroom categories) and administrative fee in order to calculate annual Housing Choice Voucher (HCV) costs. PHAs will also estimate the relocation costs associated with a conversion.

**Tab 5 -- Cost Comparison.** At this tab, the PHA enters current OMB-specified discount rates found in Appendix C of OMB Circular A-94. These rates will be provided by HUD to PHAs by posting on the HUD website. Note that the rate used for 40-year evaluations is the same as for 30-year. Summary numbers are then presented from the previous tabs (e.g., first year operating cost, capital costs incurred in years 1 to 4, initial accrual, and voucher costs). Finally, the net present value of the costs is compared for Public Housing and for Vouchers.

**Tab 6 -- Net Present Value Calculations for Required Conversions.** This tab shows the costs of each line item in each year as well as the discounted totals for public housing and vouchers. The discounted totals are summed for the relevant period (20, 30, or 40 years) to create the cost comparison results at TAB 5.

**Tab 7 -- New Budget Authority Calculations for Voluntary Conversions.** This tab shows the costs of each line item in each year, including the effects of inflation. The inflated costs are summed for the relevant period (20, 30, or 40 years) to create the cost comparison results at TAB 5.

## Public Housing Operating Cost

### 1. Calculation of Projected Operating Cost for the Revitalized Development

Enter the PHA's projected monthly costs for operating the development after revitalization or modernization in the green cells below. This estimate should reflect the costs of operating comparable developments and must be reasonable in light of the revitalization/modernization plan proposed.

- |   |                                  |
|---|----------------------------------|
| a. Non-utility costs (including pro-rated share of overhead costs)  | <input type="text"/>             |
| Utilities   | <input type="text"/>             |
| Utility Allowances  | <input type="text"/>             |
| Total Projected Monthly Operating Costs for Revitalized Development | <input type="text" value="\$0"/> |
| b. Total Number of Units in Revitalized Development                 | <input type="text"/>             |
| c. Projected Monthly Operating Costs Per Unit                       | <input type="text"/>             |
| d. Total Projected Annual Operating Costs                           | <input type="text" value="\$0"/> |

### 2. Reasonableness Tests

Projected operating costs must be shown to be reasonable. This test compares projected monthly per-unit costs (above) with the current operating costs of the property. If projected costs are more than 10% lower than current costs, a narrative description must be provided detailing how this reduction in costs will be achieved. Current operating costs are calculated using either the development-based method or the PHA-wide method. If the development has a current vacancy rate of less than 20% and there is reliable development-level data on operating costs, use the development-based method (A). If the development has a current vacancy rate of 20% or greater or there is no reliable development-level data available, use the PHA-wide method (B).

What is the current vacancy rate of the development?

Enter vacancy rate here:

Is there reliable development based data available?

Enter Yes or No here:

Method to be used:

**2A. Development-Based Method**

A1 Total Current Operating Cost for the Development

A2 Calculation of Vacancy-Adjusted Units for the Property (Enter the number of units of each type.)

Occupancy Adjustment	Property Units - Current	
	Units	Adjusted
# of Occupied units (x1)	0	0
# of Vacant Fully Funded (x1)	0	0
# of Long-Term Vacant (x0.2)	0	0
Total	0	0

A3 Current Operating Costs Per Unit Per Month (PUM) ((A1/A2)/12)

**2B. PHA-Wide Method**

B1 Total Current Operating Cost for the Agency

B2 Calculation of Vacancy-Adjusted Units for the PHA (Enter the number of units of each type.)

Occupancy Adjustment	PHA Units	
	Units	Adjusted
# of Occupied units (x1)	0	0
# of Vacant Fully Funded (x1)	0	0
# of Long-Term Vacant (x0.2)	0	0
Total	0	0

B3 Current Operating Costs Per Unit Per Month (PUM) ((B1/B2)/12)



B4 Calculation of Bedroom Adjustment Factor (Enter the number of units of each type.)

Bedroom Adjustment	PHA Units		Property Units - Current	
	Units	Unit Cost Factor	Units	Unit Cost Factor
0 BR	0.7	0		0
1 BR	0.85	0		0
2 BR	1	0		0
3 BR	1.25	0		0
4 BR	1.4	0		0
5 BR	1.61	0		0
6 BR	1.82	0		0
Total	0	0	0	0
Adjustment Factors	x		y	

B5 Overall Bedroom Adjustment Factor (y/x)

B6 Current Monthly Operating Cost per Unit (B3\*B5)

3. Comparison of Projected and Current Operating Costs (and Justification)

Projected Operating Costs (from Section 1)

Current Operating Cost

Percent difference

  
  


If current costs exceed the PHA's projection by more than 10 percent, the PHA must justify the use of the lower amount in the space below.

Not Applicable

### Public Housing Capital Cost

1 Type of Modernization (Select one option)

- Light or Moderate Modernization (20 Yrs)
- Addresses All Backlog (30 Yrs)
- Equivalent to New Construction (40 Yrs)

2 Type of Conversion (Select one option)

- Required
- Voluntary

3 Initial Capital Costs (Enter costs over the appropriate time span)

	Year1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
a Modernization Cost											
b Total Initial Capital Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
c Total Number of Units in Revitalized Development	0										
d Capital Cost per Unit											

4 Accrual (Enter the applicable HCC limits below, along with the bedroom distribution for the revitalized development.)

	Detached/Semi-Detached		Row House		Walkup		Elevator	
	# of Units	HCC Limit	# of Units	HCC Limit	# of Units	HCC Limit	# of Units	HCC Limit
0BR								
1BR								
2BR								
3BR								
4BR								
5BR								
	0	\$0	0	\$0	0	\$0	0	\$0

a HCC, per unit average	
b Total Number of Units in Revitalized Development	0
c 50% of Capital Cost per Unit	
d Adjusted HCC (HCC (a) minus 50% of Capital Cost per Unit (c))	
e Annual per Unit Accrual for 40 Year Replacement Cycle (Adjusted ACC (d) x 0.025)	
f Annual Accrual after Modification (e x b)	

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
g Annual Accrual	\$0									

(Accrual begins in the year after modernization is complete.)

5 Opportunity Cost (If this is a voluntary conversion, enter the following costs)

a Demolition Cost Paid for by PHA					
b Remediation Cost (if not in demo) Paid for by PHA					
c Market Value of Property					
d Residual Value					

## Voucher Cost

### Voucher Cost

Enter the number of units in the revitalized development by bedroom size and corresponding voucher costs per month.

Unit Size Post Revitalization	a	b	c
	# of Units	Voucher Costs	Units X Cost
0BR	0		\$0
1BR	0		\$0
2BR	0		\$0
3BR	0		\$0
4BR	0		\$0
5BR	0		\$0
	0		\$0

d Monthly Voucher Cost Per Unit (c / a)


e Monthly Section 8 Administrative Fee (per unit)

f Annual Voucher and Administrative Costs

\$0
-----

g Per Unit Relocation Costs

\$1,000
---------

h Total Relocation Costs

\$0
-----

### Cost Comparisons

**Assumptions**

	20 Year	30/40 Year
OMB Nominal Discount Rate	5.3%	5.2%
OMB Real Discount Rate	3.0%	3.0%
Useful Life (20, 30 or 40 Years)	20	
Inflation Rate for the Selected Useful Life	2.23%	1.022
Real Discount Rate for the Selected Useful Life	3.00%	1.030
Units	0	

**Uninflated/Undiscounted Cost Summary**

Public Housing	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Annual Operating Cost	\$0									
Capital Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Annual Accrual after Modification	\$0									
Residual Value										

**Vouchers**

Annual Voucher and Administrative Costs	\$0
Year 1 Relocation Costs	\$0

**PUM Cost Comparisons:**

**Net Present Value  
(Required Conversions Only)**

**New Budget Authority  
(Voluntary Conversion only)**

Public Housing	#VALUE!
Vouchers	#DIV/0!
Difference	#DIV/0!


**Final Result**

#DIV/0!
---------

--

Required Conversion Calculation  
Net Present Value of the Stream of Costs

Public Housing	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13
Operating	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Initial Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accrual													
Residual													
<b>TOTAL</b>	\$0	\$0	\$0	\$0	\$0	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!

Discount Rates	1.000000	0.970874	0.942596	0.915142	0.888487	0.862609	0.837484	0.813092	0.789409	0.766417	0.744094	0.722421	0.701380
Discounted Costs	\$0	\$0	\$0	\$0	\$0	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!

Required Conversion Net Present Value: 20 Year 30 Year 40 Year

Total #VALUE!  
Per Unit #VALUE!  
Per Unit Month #VALUE!

Voucher	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13
Voucher	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Relocation	\$0												
<b>TOTAL</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Discount Rates	1.000000	0.970874	0.942596	0.915142	0.888487	0.862609	0.837484	0.813092	0.789409	0.766417	0.744094	0.722421	0.701380
Discounted Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Required Conversion Net Present Value: 20 Year 30 Year 40 Year

Total \$0  
Per Unit #DIV/0!  
Per Unit Month #DIV/0!

Required Conversion Net Present Value DELTA: 20 Year 30 Year 40 Year

Dollar #VALUE!  
Percent #DIV/0!

Public Housing	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28
Operating	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Initial Capital															
Accrual															
Residual															
<b>TOTAL</b>	<b>#VALUE!</b>	<b>#VALUE!</b>	<b>#VALUE!</b>	<b>#VALUE!</b>	<b>#VALUE!</b>	<b>#VALUE!</b>	<b>#VALUE!</b>	<b>#VALUE!</b>	<b>#VALUE!</b>	<b>#VALUE!</b>	<b>#VALUE!</b>	<b>#VALUE!</b>	<b>#VALUE!</b>	<b>#VALUE!</b>	<b>#VALUE!</b>
Discount Rates	0.680951	0.661118	0.641862	0.623167	0.605016	0.587395	0.570286	0.553676	0.537549	0.521893	0.506692	0.491934	0.477606	0.463695	0.450189
Discounted Costs	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!

Voucher	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28
Voucher	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Relocation															
<b>TOTAL</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Discount Rates	0.680951	0.661118	0.641862	0.623167	0.605016	0.587395	0.570286	0.553676	0.537549	0.521893	0.506692	0.491934	0.477606	0.463695	0.450189
Discounted Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Public Housing	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
Operating	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Initial Capital												
Accrual												
Residual												
<b>TOTAL</b>	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
Discount Rates	0.437077	0.424346	0.411987	0.399987	0.388337	0.377026	0.366045	0.355383	0.345032	0.334983	0.325226	0.315754
Discounted Costs	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!

Voucher	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
Voucher	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Relocation												
<b>TOTAL</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Discount Rates	0.437077	0.424346	0.411987	0.399987	0.388337	0.377026	0.366045	0.355383	0.345032	0.334983	0.325226	0.315754
Discounted Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Voluntary Conversion Calculation  
New Budget Authority

Public Housing	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14
Operating	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Initial Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accrual		#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
Residual														
<b>TOTAL</b>	\$0	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!

Inflation Factor	1.000	1.0223	1.0452	1.0685	1.0924	1.1167	1.1417	1.1672	1.1932	1.2199	1.2471	1.2750	1.3034	1.3326
------------------	-------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------

Voucher	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14
Voucher	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Relocation	\$0													
<b>TOTAL</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Inflation Factor	1.000	1.0223	1.0452	1.0685	1.0924	1.1167	1.1417	1.1672	1.1932	1.2199	1.2471	1.2750	1.3034	1.3326
------------------	-------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------

Voluntary Conversion New Budget Authority

Public Housing PUM	#VALUE!
Voucher PUM	#DIV/0!
Delta Dollar	#VALUE!
Delta Percent	#DIV/0!



Public Housing	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28
Operating	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Initial Capital														
Accrual	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
Residual														
<b>TOTAL</b>	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
Inflation Factor	1.3623	1.3927	1.4238	1.4556	1.4881	1.5214	1.5553	1.5901	1.6256	1.6619	1.6990	1.7369	1.7757	1.8154

  

Voucher	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28
Voucher	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Relocation														
<b>TOTAL</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Inflation Factor	1.3623	1.3927	1.4238	1.4556	1.4881	1.5214	1.5553	1.5901	1.6256	1.6619	1.6990	1.7369	1.7757	1.8154

Public Housing	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
Operating	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Initial Capital												
Accrual	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
Residual												
<b>TOTAL</b>	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
Inflation Factor	1.8559	1.8973	1.9397	1.9830	2.0273	2.0726	2.1188	2.1662	2.2145	2.2640	2.3145	2.3662

  

Voucher	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
Voucher	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Relocation												
<b>TOTAL</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Inflation Factor	1.8559	1.8973	1.9397	1.9830	2.0273	2.0726	2.1188	2.1662	2.2145	2.2640	2.3145	2.3662

**Appendix 7: Instructions for completing the Inventory Removal Application for a required or voluntary conversion (Form HUD-52860)**

HUD’s Special Applications Center (SAC) is responsible for reviewing and approving all proposed inventory removal actions covered by a required or voluntary conversion application, including demolition and/or disposition applications, should such actions be part of the Conversion Plan. If demolition and/or disposition are included in the conversion plan, separate applications must be submitted for conversion approval, demolition approval and/or disposition approval.

SAC is a center within the HUD’s Office of Public Housing Investments (OPHI), which is within HUD’s Office of Public and Indian Housing. Unless specifically approved by an authorized management agent of the SAC, PHAs must submit an Application on-line via the Inventory Removals Module of the Public and Indian Housing Information Center (PIC). See the PIC website at ([www.hud.gov/offices/pih/systems/pic](http://www.hud.gov/offices/pih/systems/pic)) for detailed instructions on this system. These instructions constitute the processing requirements for each of the possible removal of inventory actions related to a conversion and provide explanations for those questions that may not be self-explanatory. Please complete the information requested for the proposed action being requested. If you have any questions about how to complete an application, contact an authorized management agent of the SAC.

**Attachments:**

Please provide all attachments requested in an application (as scanned PDF files). All attachments must reference the Section and line number to which they apply. For applications submitted on-line using the PIC system, attachments should include filenames that are no longer than 25 characters (including the file type ending, e.g., “doc”) and should conform to Windows Explorer file name rules (e.g. file names with spaces must be enclosed in quotation marks)

Example: Filename as shown in MS Word: PIC FAQ Ideas.doc;  
 Filename to attach to PIC application: “PIC FAQ Ideas.doc”  
 Alternatively, the file name can be revised by submitting underscores “\_” for spaces.

**Submission, Review, and Approval of Inventory Removal Actions:**

Refer to the following chart for guidance submission, review, and approval of proposed inventory removal actions  
 (Refer also to the Detail Matrix for application submission specifics):

Demolition and/or Disposition (Section 18)	--PHA submits application on-line via PIC --SAC reviews and approves application
Disposition—24 CFR 941(Subpart F) (*After the Detailed Matrix, please see additional explanation about these dispositions)	--PHA submits application on-line via PIC --SAC reviews and approves application via a “streamlined” review and approval process (See Detailed Matrix)
Required Conversion (Section 33)	--PHA submits application on-line via PIC --PHA submits proposed action to HUD Field Office as part of its PHA Plan --SAC and OPHI review application & OPHI approves application
Voluntary Conversion (Section 22)	--PHA submits application on-line via PIC --PHA submits proposed action to HUD Field Office as part of its PHA Plan --SAC and OPHI review application & OPHI approves application

## Detail Matrix

This detail matrix reflects the submission requirements for a Demolition, Disposition, and Required or Voluntary Conversion removal application. The PIC edit checks are arranged to expect data in the section noted for each type of proposed inventory removal application. When in doubt, refer to the instructions for each section, attach explanations, or contact SAC management.

KEY: **S**—Data is automatically generated by PIC.

**Y**—Data is required in application

**N**—Data is not required in application

**P**—Data is possibly required, depending on the circumstances. See the detailed instructions for more information.

Form Section	Form Item	Demolition	Demolition & Disposition	Disposition	Required or Voluntary Conversion
<b>Section 1: General Information</b>	All Items	S	S		S
<b>Section 2: Long-Term Impact</b>	All Items	Y	Y		Y
<b>Section 3: PHA Board Resolution, Environmental Review, and Gov't Consultation</b>					
Resolution Number	1	Y	Y	Y	Y
Date of Resolution	2	Y	Y	Y	Y
Name of Responsible Entity conducting Environmental Review	3	Y	Y	Y	Y
Jurisdictions covered by PHA	4	Y	Y	Y	Y
Appropriate Government Official Letter of Support	5	Y	Y	Y	Y
<b>Section 4: Description of Existing Development</b>					
	1-7 & 9	S	S	S	S
	8,10.&11	Y	Y	Y	P
<b>Section 5: Description of Proposed Action, Method of Sale, Value, and Net Proceeds</b>					
Type of action proposed	1	Y	Y	Y	Y
Proposed action by unit type	2	Y	Y	Y	Y
Proposed action by building type	3	Y	Y	Y	Y
Acres included	4	N	Y	Y	Y
Site Map	5	P	P	P	P
Partial Removal Identification	6	Y	Y	Y	Y
Method of Sale	7	N	Y	Y	P
Value	8	N	Y	Y	P
Appraisal	9	N	Y	Y	P
Calculation of Net Proceeds	10	N	Y	Y	P
Use of Net Proceeds	11	N	Y	Y	P
Demolition Costs	12(a)	Y	Y	N	P
Source of Funding for Demolition Costs	12(b)	Y	Y	N	P
Timetable	13	Y	Y	Y	Y
<b>Section 6: Relocation</b>					

Unit Occupancy	1	Y	Y	Y	Y
Individuals affected	2	Y	Y	Y	Y
Counseling and Advisory Services	3	Y	Y	Y	Y
Relocation Housing	4	Y	Y	Y	Y
Cost of Counseling and Advisory Services	5	Y	Y	Y	Y
Moving Costs	6	Y	Y	Y	Y
Total Relocation Costs	7	Y	Y	Y	Y
Source of Funding for Relocation Costs	8	Y	Y	Y	Y
<b>Section 7: Resident Consultation</b>					
Consultation with residents at development	1	Y	Y	Y	Y
Consultation with PHA-wide resident organization	2	Y	Y	Y	P
Consultation with RAB	3	Y	Y	Y	P
Written Comments	4	Y	Y	Y	P
<b>Section 8: Offer of Sale</b>					
Exercise of Exception?	1	N	Y	Y	P
Specific Exception Exercised	2	N	Y	Y	P
Established Eligible Organizations	3	N	Y	Y	P
Written Notification of Sale	4	N	Y	Y	P
Expression of Interest	5	N	Y	Y	P
Proposal to Purchase	6	N	Y	Y	P
Acceptance/Rejection of Proposal	7	N	Y	Y	P
<b>Section 9: Certification ( for specific removal)</b>		Y	Y	Y	Y

## **Appendix 8: HUD-52860-D (Required Conversion Addendum)**

### **Required Conversion Addendum**

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

OMB Approval No. 2577-0075  
(exp. 7/31/2008)

Public reporting burden for this collection of information is estimated to average 5 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. HUD may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

This information is required to as a supplement to the HUD-52860 for all inventory removal actions that involve a required conversion action based on requirements of Section 33 of the United States Housing Act of 1937 as amended ("Act") and 24 CFR Part 972 ("HUD Regulations"), HUD will use this information to determine whether, and under what circumstances, to permit PHAs to remove from their inventories all or a portion of a public housing development, as well as to track removals for other record keeping requirements. Responses to this collection of information are statutory and regulatory to obtain a benefit. Please refer to the instructions for each section for additional guidance on how to complete this application. HUD approval of the proposed removal from inventory action in this application does not constitute HUD approval for funding of the proposed action. All capitalized terms not defined in this form have the meanings as defined in the Act and HUD Regulations. The information requested does not lend itself to confidentiality.

Pursuant to the requirements of Section 33 of the Act and 24 CFR 972, when it is determined that a public housing development is subject to a Required Conversion, the PHA must complete this Required Conversion Addendum (HUD-52860-D) ("RCA") and submit it to HUD as part of its on-line Inventory Removal Application (HUD-52860). This RCA is required in addition to the HUD-52860 and may request some information that already exists in the Public and Indian Housing Information Center (PIC) system or in the PHA's Required Conversion Plan submitted to a HUD Field Office as part of the PHA's PHA Plan. This RCA will become part of the hard paper file of a PHA's approved Required Conversion Plan.

(1) Cost Analysis:

***\*Attach the results of the Cost Analysis (HUD Conversion Calculation Rule) in the form of the HUD-approved Excel Spreadsheet available on the HUD website at:  
<http://www.hud.gov/offices/pih/centers/sac/docs/costcomparison.xls>.***

(2) Future Use: How does the PHA propose the public housing Development will be used after conversion?

***\*Attach a narrative of the planned future use of the development proposed for conversion, and the means and timetable for accomplishing any planned demolition, disposition, or redevelopment and reference it as Item RCA-2.***

(3) Does the PHA have any modernization, reconstruction, or other capital funds for the Development subject to conversion? (  ) Yes (  ) No

***\*If Yes, attach a narrative identifying the funds and the obligation status of those funds. Also indicate the PHA's recommendations concerning the transfer of these funds to Housing Choice Voucher based assistance or other public housing uses and reference it as Item RCA-3.***

Provide attachments as needed.  
All attachments must reference the  
Section and line number to which  
they apply.

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form HUD-52860-D (1/2007)

**INSTRUCTIONS: Required Conversion Addendum (HUD-52860-D):**

Section 33 of the Act requires PHAs to remove certain public housing units from their inventories and convert the residents of those units to other forms of housing (e.g. tenant-based Housing Voucher Assistance, other public housing, project-based housing) if the conversion is determined by HUD to be cost-effective. PHAs are required by Section 33 to annually review their public housing stock by utilizing HUD's Conversion Calculation Rule to examine their public housing stock and identify public housing that may be subject to a Required Conversion. Once a PHA determines that it would be more expensive to modernize and operate a distressed development for its remaining useful life than to provide tenant-based assistance to the residents of that development, or the PHA cannot assure the long-term viability of a distressed development, and concludes that the development is subject to a Section 33 Required Conversion, the PHA must prepare a 5-year conversion plan in accordance with 24 CFR 972.130 ("Required Conversion Plan"). The Required Conversion Plan must be submitted to HUD as part of the PHA's Plan. The SAC will not accept any submissions for Required Conversion until the PHA has completed a Required Conversion Plan and submitted it to HUD in its PHA Plan.

**Item 1:** The cost methodology that PHAs must use to compare the costs of continuing to operate a development as public housing for the remainder of its useful life to the cost of providing tenant-based Housing Voucher Assistance to the residents of that development was published as a final rule on March 21, 2006 (Appendix to 24 CFR 972) ("Conversion Calculation Rule"). In order to assist PHAs in completing the calculations and comparisons required by the Rule, a downloadable spreadsheet calculator is available on the HUD website. HUD will look for completed cost calculations in reviewing the PHA's cost comparison of providing tenant-based Housing Voucher Assistance with the cost of operating the Development as public housing. Note that the cost methodology for Required Conversion is different from that for Voluntary Conversion. When comparing the cost of tenant-based Housing Voucher Assistance versus public housing, PHAs should consider, as essential, the length of the remaining useful life for the public housing development that may be a 20, 30, or 40-year period. (Typically, a 40-year period is used when rehabilitation is performed equal to new construction. A 30-year period is used when a PHA plans a modernization effort that addresses all backlog needs and any redesign that is necessary to keep a property viable and cost-effective for an ongoing useful life in accordance with the useful life of the building and its systems.) PHAs must use this calculation tool (spreadsheet) to compute the PHAs information on the Development's operating, modernization, and accrual costs, as well as information on costs of tenant based assistance (vouchers) for Required Conversion.

**Item 2:** In the narrative describing the intended future use for the affected Development, PHAs must provide their specific plans for the Development after conversion (e.g., whether the property will be demolished, disposed of for other housing, retained and utilized to house low-income residents, etc.) Section 18 of the Act does not apply to demolition of developments removed from the inventory of a PHA pursuant to a Required Conversion. Section 18 of the Act, however, does apply to a disposition of a development removed pursuant to a Required Conversion. Therefore, to dispose of a PHA property as part of a Required Conversion, the PHA must meet all of the disposition requirements of Section 18 of the Act and the HUD-52860.

Provide attachments as needed.  
All attachments must reference the  
Section and line number to which  
they apply.

Page 2 of 2

form HUD-52860-D (1/2007)

## **Appendix 9: PHA Certification of Compliance - Section 33 Required Conversion**

### **PHA Certification of Compliance Section 33 Required Conversion**

*Acting on behalf of the Board of Commissioners of the \_\_\_\_\_ (PHA), as its Chairman, Executive Director, or other authorized PHA official, I approve the submission of this Inventory Removal Application (HUD-52860) dated \_\_\_\_\_ and known as DDA # \_\_\_\_\_, hereinafter referred to as the "Application", of which this document is a part, and make the following certifications, agreements with, and assurances to the Department of Housing and Urban Development (HUD) in connection with the submission of this Application and the implementation thereof:*

- 1) All information contained in the Application (including all attachments and Addendums) is true and correct as of the date of this Application;
- 2) The proposed removal action does not violate any remedial civil rights orders or agreements, compliance agreements, final judgments, consent decrees, settlement agreements, or other court orders or agreements to which this PHA is a party;
- 3) The PHA certifies that it will carry out the proposed removal action in conformity with Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d-2000d-4), the Fair Housing Act (42 U.S.C. 3601-19), section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), and Title II of the Americans with Disabilities Act of 1990 (42 U.S.C. 12101) and the PHA also certifies that it will affirmatively further fair housing in carrying out the proposed removal action;
- 4) If applicable, the PHA has created a Relocation Plan in compliance with all applicable federal, state, and local laws, including, without limitation, Section 33 of the Act and 24 CFR 972, and the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (URA) and its implementing regulations at 49 CFR Part 24, and maintains a written copy of the Relocation Plan on file at the central office;
- 5) The PHA described the proposed removal action in its PHA Annual Plan and timetable under 24 CFR Part 903 (except in the case of small or high-performing PHAs eligible for streamlined annual plan treatment), and the description in the PHA Annual Plan is identical to the removal action proposed in this Application and otherwise complies with the Act;
- 6) All attachments and supporting documentation referenced in the Application have been and will continue to be available at all times in the PHA's primary business office;
- 7) The PHA will comply with all reporting and recordkeeping requirements of HUD and shall make all required reports to the applicable HUD Field Office. The PHA acknowledges that reporting and recordkeeping requirements are ongoing and certifies that it will comply with all applicable reporting requirements after it receives approval to this action from the SAC;
- 8) The PHA has developed a Conversion Plan (of 5 years or less) for the removal of the affected public housing units in compliance with 24 CFR 972.130 and has a written copy of that plan on file at the central office of this PHA;
- 9) The PHA has consulted with the appropriate government officials and affected public housing residents, as required by 24 CFR 972.133, in developing its Conversion Plan;
- 10) The PHA will use any Net Proceeds that it receives from a disposition of PHA property as a result of this conversion subject to the limitations under section 33 of the Act;
- 11) The PHA will not commence the demolition or complete disposition of any occupied building that may be disposed or demolished as a result of this Required Conversion until all residents residing in the affected building are actually relocated;



12) The PHA will not take any action to commence the inventory removal action proposed in this Application, including without limitation the expenditure of HUD funds, until it receives written approval of this proposed action from HUD;

13) The PHA certifies that the proposed removal action complies with all applicable Federal statutory and regulatory requirements;

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate. **Warning:** HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Name of Authorized Official

Title

Signature

Date

## **Appendix 10: HUD-52860-E (Voluntary Conversion Addendum)**

### **Voluntary Conversion Addendum**

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

**OMB Approval No. 2577-0075  
(exp. 07/31/2008)**

Public reporting burden for this collection of information is estimated to average 10 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. HUD may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

This information is required to as a supplement to the HUD-52860 for all inventory removal actions that involve a Voluntary Conversion based on the requirements of Section 22 of the United States Housing Act of 1937 as amended ("Act") and 24 CFR Part 972 ("HUD Regulations"). HUD will use this information to determine whether, and under what circumstances, to permit PHAs to remove from their inventories all or a portion of a public housing development, as well as to track removals for other record keeping requirements. Responses to this collection of information are statutory and regulatory to obtain a benefit. Please refer to the instructions for each section for additional guidance on how to complete this application. HUD approval of the proposed removal from inventory action in this application does not constitute HUD approval for funding of the proposed action. All capitalized terms not defined in this form have the meanings as defined in the Act and HUD Regulations. The information requested does not lend itself to confidentiality.

PHAs applying for Section 22 Voluntary Conversion are required to complete this Voluntary Conversion Addendum (HUD-52860-E) ("VCA") as part of their Inventory Removal Applications (HUD-52860) and submit it to the SAC with their HUD-52860 on-line application. This VCA is required in addition to the HUD-52860 and may request some information that already exists in the Public and Indian Housing Information Center (PIC) system or in the PHA's Conversion Assessment. This VCA will become part of the hard paper file of a PHA's approved Voluntary Conversion Plan.

(1) Cost Analysis:

***\*Attach the results of the Cost Analysis in the form of the HUD-approved Excel Spreadsheet available on the HUD website at <http://www.hud.gov/offices/pih/centers/sac/docs/costcomparison.xls>.***

(2) Future Use: How does the PHA propose the public housing development will be used after conversion?

- (a)  Public Housing
- (b)  Assisted Housing
- (c)  Unassisted Housing
- (d)  Market-Rate Housing
- (e)  Other

***\*Attach a narrative of the planned future use of the development proposed for conversion, and the means and timetable for accomplishing any planned demolition, disposition, or redevelopment and reference it as Item VCA #2.***

Provide attachments as needed.  
All attachments must reference the  
Section and line number to which  
they apply.

(3) Complete the Matrix Below based on the appraisals/market analyses required by 24 CFR 972, the Appendix to 24 CFR 972, published on March 21, 1006 (Cost Methodology Rule), and the applicable HUD Notice on appraisal guidelines for Voluntary Conversion.

Market Valuation	Approach Used (check one)	Value (complete dollar amount)
1. Current Value "As Is" Public Housing	<input type="checkbox"/> Income <input type="checkbox"/> Comparable Sale <input type="checkbox"/> Tax-Assessment <input type="checkbox"/> Cost Approach	
2. Future Value "Post-Rehab" Public Housing	<input type="checkbox"/> Income <input type="checkbox"/> Comparable Sale <input type="checkbox"/> Tax-Assessment <input type="checkbox"/> Cost Approach	
3. Current Value "As Is" (depends on proposed future use) Select One: Assisted Housing Unassisted Housing Market-Rate Housing	<input type="checkbox"/> Income <input type="checkbox"/> Comparable Sale <input type="checkbox"/> Tax-Assessment <input type="checkbox"/> Cost Approach	
4. Future Value "Post-Rehab" (depends on proposed future use) Select One: Assisted Housing Unassisted Housing Market-Rate Housing	<input type="checkbox"/> Income <input type="checkbox"/> Comparable Sale <input type="checkbox"/> Tax-Assessment <input type="checkbox"/> Cost Approach	
5. "Highest and Best Use" Value or "Market Value" (*Insert this value at Section 5(c) of the Cost Analysis Excel Spreadsheet as the "market value of property". Also insert this value whenever the "market value" of the property is requested in the calculation.)	<input type="checkbox"/> Income <input type="checkbox"/> Comparable Sale <input type="checkbox"/> Tax-Assessment <input type="checkbox"/> Residual Land/ Value	

(4) **Attach the "Executive Summary" of the appraisal/market analyses used for Box #5 of the above referenced Matrix and reference it as VCA Item #4.**

Instructions: Voluntary Conversions Addendum (HUD-52860-E)

A PHA submitting an application for Voluntary Conversion must fulfill two primary requirements: (1) perform a conversion assessment in accordance with 24 CFR 972.218 - 24 CFR 972.224 ("Conversion Assessment"); and (2) prepare a conversion plan in accordance with 24 CFR 972.227- 24 CFR.233 within one year of performing the Conversion Assessment ("Voluntary Conversion Plan"). Both the Conversion Assessment and Voluntary Conversion Plan must be approved by HUD as part of the PHA's Plan. The SAC will not accept any applications for Voluntary Conversion until the PHA has completed a Conversion Assessment and Voluntary Conversion Plan and included them in its PHA Plan. The SAC will provide at least a preliminary response to each application for Voluntary Conversion submitted by PHAs within 90 days from the date it receives the application.

Provide attachments as needed.  
All attachments must reference the Section and line number to which they apply.

Item 1: Voluntary Conversions are permitted only if they are cost-effective. The cost methodology that PHAs must use to compare the costs of continuing to operate a development as public housing for the remainder of its useful life to the cost of providing tenant-based Housing Voucher Assistance to the residents of that development was published on March 21, 2006 (Appendix to 24 CFR 972) (“Cost Methodology Rule”). In order to assist PHAs in completing the calculations and comparisons required by the Rule, a downloadable spreadsheet calculator is available on the HUD website. HUD will look for completed cost calculations in reviewing the PHA’s cost comparison of providing tenant-based Housing Voucher Assistance with the cost of operating the Development as public housing. Note that the cost methodology for Required Conversion is different from that for Voluntary Conversion. When comparing the cost of tenant-based Housing Voucher Assistance versus public housing, PHAs should consider, as essential, the length of the remaining useful life for the public housing development that may be a 20 or 30-year period. (Typically, a 40-year period is used when rehabilitation is performed equal to new construction. A 30-year period is used when a PHA plans a modernization effort that addresses all backlog needs and any redesign that is necessary to keep a property viable and cost-effective for an ongoing useful life in accordance with the useful life of the building and its systems.) PHAs must use this calculation tool (spreadsheet) to compute the PHAs information on the Development’s operating, modernization, and accrual costs, as well as information on voucher costs for Voluntary Conversion.

For Voluntary Conversions only, PHAs must have an appraisal performed for the “Highest and Best Use” (as a commercial or residential use) value or potential market value of the public housing development and whether any residual value may be generated from the sale of the Development or the land (after demolition). The information from this appraisal is required to complete the HUD Cost Analysis. Specifically, the value that must be inserted into Section 5(c) of the Cost Analysis Spreadsheet Calculator is the “Highest and Best Use” value or (“Market Value”) (See applicable HUD Notice on appraisal guidelines for Voluntary Conversions).

Item 2: Public Housing is defined as properties built and operated under the Public Housing Act of 1937, as amended. Assisted Housing is housing with some form of subsidy provided by private, state or local agencies, the Rural Development Agency, Tenant-based Housing Choice Voucher assistance, or other non-public housing funding. The income levels of tenants in such properties may be regulated or limited by state or local regulations. Unassisted Housing has no subsidy, but provides for a rental cap such as with property with rent controls consistent with state regulated Low Income Housing Tax Credits or other statutory or regulatory cap such as rent control. The income levels of tenants in such properties may be regulated or limited by state or local regulations. Market Rate housing has no restrictions on rental rates, operating costs, profits, rental rate increases, or improvements that can be made to the property.

In the narrative describing the intended future use for the affected Development, PHAs must provide details of their specific plans for the Development after conversion (e.g., whether the property will be demolished, disposed of for other housing, retained and utilized to house low-income residents, etc.) and provide creditable evidence of the PHA’s and its partners, if applicable, capacity and capability to complete the proposed future use of the property, especially in case where the PHA sells its property for Fair Market Value (FMV) and receives significant sales proceeds, or a PHA leases or sells its property for less than FMV and collaborates with a joint venture partner to develop other types of low-income housing.

Item 3: To satisfy the requirements of 24 CFR 972.218, a PHA must have an appraiser perform the distinct market analyses/appraisals outlined in this Matrix in accordance with the appraisal instructions provided in the applicable HUD Notice on appraisal guidelines for Voluntary Conversions. All values must be based on appraisals performed by independent appraisers. Appraisals must be prepared for the development: (1) assuming that it will continue to be used as public housing (as-is and post-rehab); (2) assuming a specific proposed future use of the development (Assisted, Unassisted, or Market-Rate Housing) (as-is and post-rehab); and (3)

assuming the “Highest and Best Use” or “Market Value” of the development and/or land. Note that if the appraiser is using the “Income Method” appraisal approach, the values for Boxes #1, 2, 3 (and maybe 4) of this Matrix will likely generate the same value.

## **Appendix 11: PHA Certification of Compliance - Section 22 Voluntary Conversion**

### **PHA Certification of Compliance** **Section 22 Voluntary Conversion**

*Acting on behalf of the Board of Commissioners of the \_\_\_\_\_ (PHA), as its Chairman, Executive Director, or other authorized PHA official, I approve the submission of this Inventory Removal Application (HUD-52860) dated \_\_\_\_\_ and known as DDA # \_\_\_\_\_, hereinafter referred to as the "Application", of which this document is a part, and make the following certifications, agreements with, and assurances to the Department of Housing and Urban Development (HUD) in connection with the submission of this Application and the implementation thereof:*

- 1) All information contained in the Application (including all attachments and Addendums) is true and correct as of the date of this Application;
- 2) The proposed removal action does not violate any remedial civil rights orders or agreements, compliance agreements, final judgments, consent decrees, settlement agreements, or other court orders or agreements to which this PHA is a party;
- 3) The PHA certifies that it will carry out the proposed removal action in conformity with Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d-2000d-4), the Fair Housing Act (42 U.S.C. 3601-19), section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), and Title II of the Americans with Disabilities Act of 1990 (42 U.S.C. 12101) and the PHA also certifies that it will affirmatively further fair housing in carrying out the proposed removal action;
- 4) If applicable, the PHA has created a Relocation Plan in compliance with all applicable federal, state, and local laws, including, without limitation, Section 22 of the Act and 24 CFR 972.230, and the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (URA) and its implementing regulations at 49 CFR Part 24, and maintains a written copy of the Relocation Plan on file at the central office. The PHA specifically acknowledges that the URA applies to the extent that any residents are displaced as a direct result of the demolition, acquisition, or rehabilitation of the development proposed for Voluntary Conversion;
- 5) The PHA described the proposed removal action in its PHA Annual Plan and timetable under 24 CFR Part 903 (except in the case of small or high-performing PHAs eligible for streamlined annual plan treatment), and the description in the PHA Annual Plan is identical to the removal action proposed in this Application and otherwise complies with the Act;
- 6) All attachments and supporting documentation referenced in the Application have been and will continue to be available at all times in the PHA's primary business office.;
- 7) The PHA will comply with all reporting and recordkeeping requirements of HUD and shall make all required reports to the applicable HUD Field Office. The PHA acknowledges that reporting and recordkeeping requirements are ongoing and certifies that it will comply with all applicable reporting requirements after it receives approval to this action from the SAC;
- 8) Pursuant to Section 22(b)(2) of the Act and 24 CFR 972.206, this PHA has conducted a required initial assessment for each of its developments for all public housing units covered by this Application and retains documentation of its reasoning with respect to the initial assessment copy at its central office;
- 9) The PHA has conducted a Conversion Assessment in accordance with 24 CFR 972.218 - CFR 972.224 for all public housing units covered by this Application and has determined, based on objective evidence, that the Conversion Assessment demonstrates: (a) the conversion of the proposed public housing units would principally benefit the residents of those affected units, this PHA, and the community in which those units are located; (b) the conversion of the affected residents to Housing Choice Voucher assistance will not be more expensive than continuing to operate their units as public housing; and (c) the conversion of the proposed public housing units will not adversely affect the availability of affordable housing in the

community. A written analysis evidencing (a), (b), and (c) of this Section 11 is on file at the central office of this PHA;

10) Pursuant to 24 CFR 972.218, this PHA has conducted an analysis of the likely success of the residents of the units proposed for conversion in using tenant-based assistance Housing Choice Vouchers and have found that there is a sufficient number of available decent, safe, and sanitary dwelling units being rented at or below Housing Choice Voucher standards in the jurisdiction in which the units proposed for conversion are located. A written analysis evidencing the sufficient number of units is on file at the central office of this PHA;

11) Pursuant to 24 CFR 972.218, this PHA has conducted an impact analysis describing the likely impact of the conversion on the neighborhood in which the units proposed for conversion are located and in that analysis, has specifically addressed: (a) the impact of the conversion on the availability of affordable housing in the neighborhood; (b) the impact on the concentration of poverty in the neighborhood; and (3) other substantial impacts on the neighborhood. A written copy of this impact analysis is on file in the central office of this PHA;

12) The PHA has developed a Voluntary Conversion Plan for the removal of the affected public housing units in compliance with 24 CFR 972.230 and the Plan is consistent with the Conversion Assessment. A written copy of that Voluntary Conversion Plan and a written analysis evidencing its consistency with the Conversion Assessment is on file at the central office of this PHA;

13) The Conversion Assessment was conducted or updated on within one year of the date of this Application and the Voluntary Conversion Plan;

14) The PHA has consulted with the appropriate government officials and affected public housing residents, as required by 24 CFR 972.227, in developing its Voluntary Conversion Plan;

15) The PHA will not commence the demolition or complete disposition of any occupied building that may be disposed or demolished as a result of this Voluntary Conversion until all residents residing in the affected building are actually relocated;

16) The PHA will use any Net Proceeds that it receives from a disposition of PHA property as a result of this conversion subject to the limitations under section 22 of the Act;

17) The PHA has assured that all required appraisals/market values have been conducted in compliance with 24 CFR 972, the Appendix to 24 CFR 972, and all applicable HUD Notices. The PHA further certifies that all appraisals/market values were performed by a licensed independent appraiser and the PHA: (a) verified that the appraiser conducting these appraisals was licensed/certified in the state in which the affected development is located and has evidence of the appraiser’s license on file at its central office; and (b) received a certification from the appraiser that the appraisal was conducted using generally accepted appraisal methods and has a written copy of this certification on file at its central office;

18) The PHA will not take any action to commence the inventory removal action proposed in this Application, including without limitation the expenditure of HUD funds, until it receives written approval of this proposed action from HUD;

19) The PHA certifies that the proposed removal action complies with all applicable Federal statutory and regulatory requirements.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate. **Warning:** HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Name of Authorized Official

Title

Signature

Date



## **Appendix 12: Guidance on Asset-Repositioning Fee**

Pursuant to 24 CFR § 990.190, a PHA shall be entitled to an asset-repositioning fee (as a phase-out of operating subsidy) for developments or entire buildings approved by HUD for demolition and/or disposition. The timing of this asset-repositioning fee depends upon the estimated relocation date included in the PHA's demolition or disposition application that it submits to HUD's Special Application Center (SAC). Pursuant to 24 CFR § 990.190(2), a PHA shall be eligible for this fee beginning on the first day of the next quarter six months after the date the first unit in the application becomes vacant after the "relocation date included in the approved relocation plan."

HUD considers this "relocation date included in the approved relocation plan" to be the date that the PHA estimates it will begin the relocation of residents, which is expressed in the PHA's removal from inventory application as a number of days after the application approval date. The PHA enters the number of days after HUD approval that it plans to begin relocation of residents in Box #1 of the General Timetable of Section 5 of its application in PIC (or #14 of the HUD-52860). Unless all units are vacant at the time the application is submitted, because the PHA must provide residents with at least 90 days of written notice of relocation, the number of days entered in Box #1 of the General Timetable should not be less than 90. If all units are vacant at the time the application is submitted, the PHA should insert "0" (zero) in Box #1 of the General Timeline and HUD will consider the "relocation date" as the date the application is approved by HUD.

For relocations approved as part of a Hope VI demolition, HUD considers the date that the Revitalization Plan is approved by HUD to be the application approval date.

### **Phased Demolitions/Dispositions: Multiple Applications:**

If a PHA wishes to demolish or dispose of different buildings in one development in multiple phases (e.g. a PHA has three high-rise buildings or scattered-site units in one development that it wishes to demolish pursuant to a staggered timeline), the PHA should break down its demolition and/or disposition request into multiple applications in PIC so that each phase of the demolition and/or disposition would be part of a separate application. [NOTE: If multiple applications are being submitted and the same supporting documentation applies to all multiple applications, the PHA is required to submit supporting documentation (e.g. board resolution, government consultation, etc.) with only one application.] By submitting multiple applications, with multiple relocation dates, a PHA will be eligible to receive the asset-repositioning fee when the first unit in the building(s) included *in that phase* of the demolition and/or disposition becomes vacant after the relocation date. HUD will approve the demolition and/or disposition for all of the units in a development at the same time and up-front, even though a PHA will be able to implement the demolition and/or disposition in stages. In HUD's approval documents for such a demolition and/or disposition, it will refer to the different relocation dates by application number as follows:



Number of days after HUD approval that the PHA will begin relocation of residents	
Application (or Phase of Application)	Number of Days

A PHA may also request to demolish different buildings in one development in multiple phases as part of its Hope VI demolition application.

After HUD approval of a demolition and/or disposition, a PHA is eligible to receive an asset-repositioning fee on the first day of the next quarter six months after the first unit becomes vacant after the date calculated from Box #1 of the General Timetable of Section 5 of its application in PIC. If all units are vacant on the day the application is submitted by the PHA (and the PHA enters “0” (zero) in Box #1 of the General Timeline), the PHA is eligible to receive an asset-repositioning fee on the first day of the next quarter six months after the date of HUD approval. Otherwise, the first move-out of a resident, for any reason, after the relocation date in the approved demolition/disposition application will trigger the commencement of the transition period to the asset repositioning fee and to the cessation of operating subsidy for the units at the development.

When justifiable reasons occur for postponing the relocation date estimated in the demolition/disposition application, a PHA should request that the SAC amend its disposition/demolition approval to change this date. The SAC will consult with the HUD Field Office, and in cases where postponements of relocation date are approved, make the adjustment to the data entered into PIC demolition/disposition applications.

Each PHA is responsible for accurately applying and maintaining supporting documentation on its actual “relocation date” and this transition period or is subject to forfeiture of the asset-repositioning fee add-on.

Demolition-24 CFR § 990.190(3)

Units categorized for demolition and which are eligible for an asset repositioning fee are eligible for operating subsidy at the rate of 75 percent PEL per unit for the first twelve months, 50 percent PEL per unit for the next twelve months, and 25 percent PEL per unit for the next twelve months.

Disposition-24 CFR § 990.190(4)

Units categorized for disposition and which are eligible for an asset repositioning fee are eligible for operating subsidy at the rate of 75 percent PEL per unit for the first twelve months and 50 percent PEL per unit for the next twelve months.

**Example From 24 CFR § 990.190(5):**

A PHA has HUD's approval to demolish (or dispose of) a 100-unit project from its 1,000 unit inventory. On January 12th, in conjunction with the PHA's approved Relocation Plan, a unit in that project becomes vacant. Accordingly, the demolition/ disposition-approved project is eligible for an asset-repositioning fee on October 1st. (This date is calculated as follows: January 12th + six months = July 12th. The first day of the next quarter is October 1st.) (ii) Although payment of the asset repositioning fee will not begin until October 1st, the PHA will receive its full operating subsidy based on the 1,000 units through September 30th. On October 1st the PHA will begin to receive the 36-month asset-repositioning fee in accordance with paragraph (h)(3) of this section for the 100 units approved for demolition. (Asset repositioning fee requirements for projects approved for disposition are found in paragraph (h)(4) of this section.) On October 1st, the PHA's units will be 900.