

U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT



Desk Guide

Conversion of Public Housing Units

A resource for PHAs, HUD Field Offices, public housing residents, and the public

12/2009

Table of Contents

Chapter 1: Introduction & Overview

1-1	Historical Overview.....	3
1-2	Purpose of Guidebook.....	3
1-3	Organization of Guidebook.....	4
1-3	How does a PHA staff person use this Guidebook.....	4

Chapter 2: Required Conversion (Section 33)

2-1	Overview.....	5
2-1	Status of Mandatory Conversion.....	5
2-3	Properties Subject to Required Conversion.....	5
2-4	Developments Exempt from Required Conversion.....	6
2-5	Relationship Between Asset Management Project (AMP) Groupings and “Clusters” of Units.....	7
2-6	Identification of Properties on SAC’s Website.....	8
2-7	Identification of Properties on SAC’s Website: PHA Responsibility to Respond	9
2-8	Cost Analysis	11
2-9	Relationship between Required Conversion and Section 18 of the Act.....	12
2-10	Environmental Requirements.....	12
2-11	Applicability of the Uniform Relocation Act (URA)	13
2-12	Required Conversion Plan	14
2-13	Required Conversion Submission Requirements.....	17
2-14	Possible HUD Actions: Required Conversions.....	20
2-15	Effect of Required Conversion on Operating Subsidy.....	20
2-16	Tenant-Based Assistance Funding for Units Approved for Conversion.....	20
2-17	Civil Rights.....	21

Chapter 3: Voluntary Conversion (Section 22)

3-1	Overview.....	22
3-2	Identification of Properties.....	23
3-3	Components of A Voluntary Conversion Assessment.....	24
3-4	Voluntary Conversion Plan	30
3-5	Relationship between a Voluntary Conversion and Section 18 of the Act.....	35
3-6	Environmental Requirements.....	36
3-7	Applicability of the Uniform Relocation Act (URA).....	36
3-8	Voluntary Conversion Submission Requirements.....	36
3-9	OPHI Approval of a Conversion Plan.....	40
3-10	Reasons Why OPHI May Disapprove a Voluntary Conversion Plan	41
3-11	Effect of a Voluntary Conversion on Operating Subsidy	41
3-12	Tenant-Based Assistance Funding for Units Approved for Voluntary Conversion.....	41
3-13	Civil Rights.....	42

Appendices

Appendix 1:	Summary of Conversion Requirements
Appendix 2:	Definitions of Terms
Appendix 3:	Required Conversion Process Overview
Appendix 4:	Voluntary Conversion Process Overview
Appendix 5:	Conversion (Reconfiguration) of Unit

Chapter 1 Overview and Introduction

1-1 Historical Overview

The Quality Housing and Work Responsibility Act of 1998 (QHWRA) authorized 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 are implemented at 24 CFR Part 972.

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 from HUD's Office of Public Housing Investments (OPHI), through HUD's Special Applications Center (SAC), is required before a PHA may undertake a conversion. The HUD Field Office approval of a PHA Plan (or HUD Headquarters approval of a MTW Plan) that describes a conversion does not constitute HUD approval of a PHA's conversion program.



Different Statutory and Regulatory Provisions for Required and Voluntary Conversion

The required and voluntary conversion programs are authorized by different sections of the statute (22 and 33) and HUD's rules governing each program are in separate sections (A & B) of HUD's conversion regulation at 24 CFR Part 972

1-2 Purpose of Guidebook

This guidebook will advise Public Housing Agencies (PHAs) and other organizations providing services to PHAs on the administrative and program requirements of required and voluntary conversion. These programs are administered through the Special Applications Center (SAC) of the U.S. Department of Housing and Urban Development (HUD). The SAC, physically located in Chicago, is an office within HUD's Office of Public Housing Investments (OPHI), which is within HUD's Office of Public and Indian Housing (PIH). This guide summarizes the responsibilities and requirements that PHAs must comply with 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 they are 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 rules governing conversions. It is a practical guide that addresses issues that arise during HUD's review and approval process and provides PHAs with the information they need in order to submit complete conversion requests to the SAC. Please note that future HUD Notices may modify or further clarify the information and instructions presented in this guide.

1-3 Organization of Guidebook

This first chapter of the guidebook provides an introduction and historical overview of the required and voluntary conversion programs, including the federal legislative and regulatory history. The second chapter outlines the distinct requirements that PHAs must follow for required conversion. The third chapter outlines the distinct requirements that PHAs must follow for voluntary conversion. And, finally, the appendices provide additional information, forms, and tools that will assist PHAs in the conversion application process.

1-4 How does a PHA staff person use this Guidebook?

This guide is designed to walk the reader through the process that the PHA must take to comply with the requirements of the required and voluntary conversion programs. This guide will help the reader understand the following about conversion:

- What are the steps that a PHA must take to convert its public housing and why is each step important?
- How does a PHA work through the process?
- When, how, and to what HUD Office does a PHA need to submit documentation?
- How long will the process take?
- What are the relevant regulations, forms, notices, and information sources, and where can a PHA find them?

Chapter 2 Required 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) assistance¹.
- 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.

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.

A PHA must include a description of their required conversion plans as part of its PHA Plan (or MTW Plan). However, the HUD Field Office's approval of a PHA Plan does not constitute HUD approval of the required conversion plan. The PHA must submit its conversion plan to the SAC for formal HUD approval of the conversion. 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), which will come through the SAC. A detailed overview of the required conversion process is provided in Appendix 3.

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 Part 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 Part 971) until such requirements are satisfied. Thereafter Section 33 of the Act, as amended by QHWRA, and 24 CFR Part 972 will apply to any remaining public housing units on the sites of those developments. The guidance contained herein is specific to developments identified after October 21, 1998 and should not be applied to projects identified before that date.

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:

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

- ✓ 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 sites².
- ✓ 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 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.



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.

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:

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

- 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;
- Developments restricted to occupancy by elderly residents or disabled residents under a HUD-approved Designated Housing Plan; and
- 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.



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) or successor management performance reporting system, to determine vacancy rates 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.

2-5 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 must assign 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 the SAC'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, the 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.

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.

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 the SAC to request corrections to the report. After consulting the HUD Field Office, the SAC will update the report based on an evaluation of the PHA’s request. If the development/cluster remains on the SAC report, the PHA must address the appearance of the development in its next PHA Plan (or MTW Plan) (see Section 2-7).



SAC Report of Possible Required Conversion Candidates. 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 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.

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 PHA Plan (or MTW Plan). See Section 2-12 for guidance on how this information can be presented in the PHA Plan (or MTW Plan).

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

- 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);
- 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
- 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 Plan submission deadline, the PHA must explain the status of the Cost Analysis and/or required conversion plan in its next PHA Plan.

In order to ensure that PHAs have 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. All tables are designed to assist PHAs that are “non-qualified” under HERA are therefore required to submit Annual PHA Plans to HUD.

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 PHA Plan. PHAs who own properties that they believe may appear on the SAC website begin strategic planning for their required conversion process as early as possible.

<u>Sample of Information on Required Conversion</u>				
<u>Detailed Report</u>				
HA Code:	FL001			
HA Name:	Sample PHA			
Cluster Number:	FLO1C009			
Cluster Total:	308			
Development	Total Units PIC	Designated Units	DD Approved	Non Designated
FL001025	274	0	0	274
FL001040	34	0	0	34

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 <u>FINALIZED</u> 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 <u>FINALIZED</u> 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 PHA Annual Plan if the appearance on the SAC website occurred prior to the PHAs issuance of the draft PHA 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)	Mid January (2 1/2 months before FY)	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 its PHA Plan, if this information is available in time to be included in the PHA 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, the SAC has created a downloadable spreadsheet calculator.



The spreadsheet calculator, and examples, are available on the SAC website at: <http://www.hud.gov/offices/pih/centers/sac/docs/bluecomparison.xls> (attached as Appendix 7).



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 (IEBC) 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).

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

- ✓ 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 PHA Plan is to be used for this purpose, unless the PHA demonstrates, or the SAC 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 PHA 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. The SAC will only accept such an increase, if it

determines, in 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's 5-Year PHA Plan should therefore indicate that sufficient funding has been budgeted for the revitalization;

- ✓ 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
- ✓ 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.



Other Factors to Consider During the Analysis

PHAs must review other factors not part of the SAC 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

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 Section 33 required conversion, but environmental requirements still apply to any demolition done as part of 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, including the environmental requirements found at 24 C.F.R § 970.13.

2-10 Environmental Requirements

Regardless of the applicability of Section 18 to a demolition or disposition done as part of a required conversion, pursuant to 24 CFR § 972.109(b), a PHA may not demolish or dispose of units or property as part of a required conversion until the completion of the required environmental review under 24 CFR Part 58 or 24 CFR Part 50. The SAC will not approve a conversion plan until the completion of the required environmental review. However, the SAC may approve the targeted units for removal from the PHA's inventory and may authorize the

PHA to undertake other activities proposed in the conversion plan that do not require environmental review as long as the buildings in question are adequately secured and maintained.

2-11 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. Additional guidance on the relocation requirements under the URA can be found in HUD Handbook 1378 and on the following HUD web-pages: www.hud.gov/relocation and www.hud.gov/sac.

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 requirements of Section 18 of the Act and 24 CFR Part 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. To the extent that the requirements of the URA apply to disabled residents occupying accessible units and for the purposes of satisfying the implementing regulations at 49 C.F.R. Part 24, a functionally equivalent comparable replacement dwelling unit is one that includes adequate accessibility features or modifications.

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



Duration of Required Conversion Plan

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

2-12 Required Conversion Plan

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 describe its required conversion plan as part of its next PHA Plan (or MTW Plan).



Six Components of the 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 PHA's Proposed Future Use of the Development
- Relocation Plan

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

1. 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 the SAC permission to remove from its inventory;
2. 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 the SAC, along with the PHA's recommendations concerning the transfer of these funds to alternative public housing uses;
3. 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 PHA Plan that includes the required conversion plan, so long as the certification specifically addresses the required conversion plan.
4. 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 PHA 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 the SAC 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.



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.

5. 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 conversation, the PHA must meet all of the disposition requirements of Section 18 of the Act and 24 CFR Part 970, including environmental review requirements.



Removal of ACC, but still subject to DOT

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 be 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 authorized 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 the SAC for a Section 18 disposition at that time. HUD intends to provide additional guidance on this subject in the future.

6. Relocation Plan. The PHA must develop and implement a Relocation Plan that meets the requirements of 24 CFR § 972.130, including fair housing and civil rights requirements. All Relocation Plans must include the following 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 the SAC.



Resources for Relocation: If the PHA intends to use housing choice vouchers as the form of comparable housing, it should indicate if it will use existing resources (turnover) or will rely on HUD issuing future tenant-protection public housing relocation vouchers pursuant to the applicable HUD Notice. If the PHA is relying on existing resources, 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. If the PHA is relying on future vouchers, see Section 2-15 of this chapter.

Contents of Notice to Residents: Pursuant to 24 CFR § 972.130(b)(ii), 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. tenant protection public housing relocation vouchers) at least 90 days before displacement.

If the Required Conversion is subject to the URA, 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 the SAC approves the required conversion plan. (Note: The date of SAC 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 the SAC 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.

2-13 Required Conversion Submission Requirements

PHA Plan or MTW Plan

If a development appears on the report on the SAC website, the PHA must address the situation as part of its next PHA Plan (or MTW Plan). This does not necessarily mean that the PHA must describe its plans to convert the units. It need only address the appearance of the property on the SAC website. Please refer to Section 2-7

of this Guide for reasonable timeframes for including the required conversion information in the PHA Plan (or MTW Plan).

If a PHA determines that a development is subject to a required conversion, it must describe its conversion as part of its next PHA Plan (or MTW Plan). The description must confirm that the PHA’s required conversion plan addresses each of the six required conversion plan components.



Describing Required Conversion Plans in the PHA Plan or MTW Plan

PHAs must address the appearance of a property on the SAC website as part of its next PHA or MTW Plan. PHAs must also describe any plans to implement a required conversion in a PHA Plan or MTW Plan*. The HUD PHA Plan template (HUD-50075) (2008) provides that the following information must be submitted for any required conversions: (1) a description of any building(s) (including project numbers and units count) the the PHA is required to convert; (2) an analysis of the projects or buildings required to be converted; and (3) a statement of the amount of assistance received under this chapter to be used for rental assistance in connection with such conversion. PHAs may use the table provided in this Guide to fulfill the requirements at Part 7(C) of the PHA Plan template.

**** A PHA must describe its required conversion plans in its PHA Plan or MTW Plan submitted to the HUD Field Office. This may be the PHA Annual Plan, the 5-Year PHA Plan, or as a Significant Amendment to its 5-year PHA Plan (depending on if the PHA is a qualified or non-qualified PHA under the Housing and Economic Recovery Act of 2008 or HERA, Public Law 110-289).***

To help ensure PHAs provide sufficient information in its PHA Plan document to inform stakeholders and the HUD Field Office 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.*** This sample table can be inserted in Part 7(C) of the PHA Plan template (HUD-50075).

Required Conversions Plan Descriptions for PHA Plan

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

Required Conversion of Public Housing Activity Description
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

Required Conversion Plan and Application to the SAC

If a PHA determines that it is required to convert the units to tenant-based assistance, in addition to describing the conversion in a PHA Plan (or MTW Plan), it must submit a required conversion plan to the SAC via form HUD-52860 and HUD-52860-D through PIC, for official approval of the conversion action. The PHA may not proceed with implementation of a required conversion until it has received written approval from the HUD Office of Public Housing Investments (OPHI), via the SAC.

Also, the PHA must retain a complete copy of its required conversion plan, including all supporting documentation, shall remain on file in the central office of the PHA so that this material is available for resident, public and HUD review.

2-14 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 PHA Plan (or MTW Plan), the SAC may recommend that the authorized HUD Office or official 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 the SAC 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

If a PHA plans to offer residents in the units that must be converted with comparable housing in the form of housing choice assistance vouchers (under Section 8 of the Act) and is relying on HUD's issuance of tenant-protection public housing replacement vouchers (rather than turn-over) as the source of those vouchers, the SAC will not approve the PHA's conversion plan until it verifies that HUD will be able to provide those vouchers, pursuant to the terms of the applicable voucher notice. The PHA should clearly indicate in its conversion plan that it is relying on HUD's issuance of tenant-protection vouchers.

However, notwithstanding the SAC's approval of a conversion plan that includes tenant protection public housing relocation vouchers as the form of comparable housing, PHAs must submit a separate and distinct application to HUD

for these vouchers. A PHA may submit an application for tenant protection public housing relocation vouchers as soon as the PHA receives written SAC approval of its required conversion plan.

If HUD is unable to issue the tenant protection public housing relocation vouchers that are necessary for a PHA to convert units that required to be converted, the SAC may extend the timeframe for the implementation of the conversion up.

2-16 Civil Rights Considerations Under Required Conversion

Certain classes/groups of residents may be significantly adversely impacted by the application of required conversion. As always, PHAs should ensure compliance with all HUD civil rights requirements. Civil rights considerations are especially relevant when consulting with residents as part of the required conversion plan, when providing required notices to residents as part of the relocation plan, and when providing needed mobility counseling to residents displaced because of the required conversion.

When consulting with residents as part of the required conversion plan, PHAs should ensure compliance with Section 504 of the Rehabilitation Act of 1973 and Title VI of the Civil Rights Act of 1964. HUD's regulations at 24 CFR Part 8 implement the nondiscrimination based on disability requirements of Section 504. PHAs should ensure that residents with disabilities have a full opportunity to participate in consultation and to provide comments in developing the required conversion plan. PHAs should consider the need for meeting accessibility and effective communication and may consult 24 CFR Part 8 for assistance (e.g. 24 CFR § 8.6). In addition, Executive Order 13166 implements Title VI of the Civil Rights Act of 1954 and seeks to improve access to federally assisted programs and activities for individuals who, as a result of national origin, are limited in their English proficiency (LEP). Recipients of HUD funding must take reasonable steps to ensure meaningful access to their programs and activities for LEP individuals. PHAs need to consider the need for language access in consulting with residents and soliciting comments in developing the required conversion plan. For more guidance, PHAs may refer to the Final Guidance to Federal Financial Assistance Recipients Regarding Title VI Prohibition Against National Origin Discrimination Affecting Limited English Proficient Person, 72 Fed. Reg. 2732 (January 22, 2007).

When providing the required notices to residents as part of the relocation plan, PHAs must comply with 24 CFR Part 8 (especially section 8.6) and Title VI of the Civil Rights Acts of 1964. In preparing, delivering, and publicizing such notices, PHAs must consider the need for effective communication for residents with disabilities and the need for meaningful access for LEP persons.

PHAs are required to provide appropriate mobility counseling and notify residents of availability of such services under 24 CFR § 130(b)(4)(ii)(C). Residents with disabilities who have mobility, visual, or hearing limitations may be particularly impacted by conversion and relocation, and their mobility counseling needs should be given appropriated consideration by PHAs to ensure compliance with the disability nondiscrimination requirements of 24 CFR Part 8. Throughout the conversion process, PHAs must address requests for reasonable accommodations by person with disabilities in accordance with their established reasonable accommodation procedures.

Chapter 3 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.



What are PHAs converting : Public Housing Developments or the residents of those developments?

In this context, conversion means the removal of public housing developments (or portions of developments) **from** a PHA's public housing inventory and ACC. Conversion does not require that the PHA convert the development **to** any particular future use after conversion.

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.
- ✓ Complete a new and comprehensive conversion assessment, in accordance with 24 CFR § 972.218-§ 972.224 and describe the assessment as part of its next PHA Plan (or MTW Plan).
- ✓ Prepare a voluntary conversion plan in accordance with 24 CFR § 972.227-§ 972.233 and describe the conversion plan in its next PHA Plan submission (or as a significant amendment to that PHA Plan). The PHA's voluntary conversion plan must be completed within one year after completing the conversion assessment. HUD Field Office approval of the PHA Plan does **not** constitute approval of the PHA's voluntary conversion plan. The PHA must submit its voluntary conversion plan to the SAC via form HUD-52860-E through PIC, for official HUD approval of the conversion action. The PHA may not proceed with implementation of a voluntary conversion until it has received written approval from the HUD Office of Public Housing Investments (OPHI), via the SAC.

The PHA will only be able to proceed to convert the development if the SAC 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.

The SAC will not approve an application for a voluntary conversion plan from a PHA unless the PHA has completed both a timely conversion assessment has included a description of this conversion assessment as part of its PHA Plan (or MTW Plan). HUD also strongly encourages PHAs to publish their conversion assessments on their websites and to encourage resident and public comments.

If the PHA's conversion assessment that is more than one year older than the voluntary conversion plan and application submitted to the SAC, the PHA must update its 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.

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 in the PHA Plan, the PHA must do AT LEAST the following:

- In order to show the conversion will benefit the residents (a requirement for the SAC 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 Part 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.

As part of the voluntary conversion plan and application that the PHA submits to the SAC, the PHA must certify that the conversion assessment demonstrates 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

#1 Cost Analysis



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 (PIH Notice 2008-35: Cost-Test and Market Analyses Guidelines for the Voluntary Conversion of Public Housing Units Pursuant to 24 CFR Part 972, as amended) to conduct the Cost Analysis, and should show cost figures and percentages, as applicable.



Cost Analysis Spreadsheet

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 Part 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 the SAC, 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 Plan shall be used for this purpose, unless the PHA demonstrates, or the SAC 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 PHA 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 the SAC 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.

#2: Analysis of Market Value

Pursuant to the Voluntary Appraisal Notice, (PIH Notice 2008-35: Cost-Test and Market Analyses Guidelines for the Voluntary Conversion of Public Housing Units Pursuant to 24 CFR Part 972, as amended), PHAs must complete an independent appraisal (market analysis) of each development proposed for conversion 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.

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

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 the SAC:

Market Valuation	Approach Used	Value
1. Current Value "As Is" Public Housing	()Income ()Comparable Sale ()Tax-assessment ()Cost Approach	
2. Future Value "Post-Rehab" Public Housing	()Income ()Comparable Sale ()Tax-assessment () Cost Approach	
3. Current Value "As Is" (depends on proposed future use) Select One: ()Assisted Housing ()Unassisted Housing ()Market-Rate Housing ()Other: _____	()Income ()Comparable Sale ()Tax-assessment ()Cost Approach	
4. Future Value "Post-Rehab" (depends on proposed future use) Select One: ()Assisted Housing ()Unassisted Housing ()Market-Rate Housing ()Other: _____	()Income ()Comparable Sale ()Tax-assessment ()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.)	()Income ()Comparable Sale ()Tax-assessment ()Residual Land/Value	

#3: Analysis of Rental Market Conditions



Available Affordable Housing

It is essential 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 tenant protection public housing relocation vouchers. In reviewing the market, the PHA should closely examine the vacancy rates, location of affordable units that will pass Housing Quality Standards (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 community³.
- ✓ 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.

#4: 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:

- ✓ 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.



Future Use of the Public Housing Development after Conversion of the Units

The conversion programs do not require a PHA to do anything specific with the development(s) whose units it converts from public housing. However, the SAC will not approve a conversion plan unless the PHA describes in detail its planned future use of the property and HUD finds that proposed future use to be acceptable. Also, if the PHA intends to demolish or dispose of public housing property as part of a voluntary conversion, Section 18 requirements (including environmental requirements) apply.

HUD encourages PHAs to explore all options so that they can determine the optimal future use of the development(s) they are planning to convert. In proposing a future use to HUD, PHAs should consider the physical condition of the developments as well as the economic and social conditions facing the PHA, its residents, and the community.

PHAs may propose to do a variety of things with the development after conversion, including:

- demolish the development;
- sell the property to a third party to use the property as low-income housing;
- sell the property to a third party for another use; or
- retain the property to use as housing for low-income families (e.g. project-based 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 tenant protection public housing relocation vouchers. In reviewing the market, the PHA should closely examine the vacancy rates, location of affordable units that will pass Housing Quality Standards (HQS), and types of units that will be needed by the participating population.

#5: 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 a conversion assessment that demonstrates the proposed units are eligible for conversion to tenant-based assistance, the PHA must prepare a voluntary conversion plan and submit it to the SAC via the Inventory Removals Application (HUD-52860 and HUD-52860-E) via PIC. If the PHA fails to submit a voluntary conversion plan and application to the SAC within one year after preparing its conversion assessment, it must prepare an amendment to its conversion assessment.

HUD also strongly encourages PHAs to publish the draft and final versions of their voluntary conversion plans on their websites and to encourage public and resident comments. The SAC will evaluate the voluntary conversion plan and 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:

#1: 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).



HUD's interest in building and land after conversion of units

Although the public housing units will be removed from a PHA's Annual Contributions Contract (ACC) upon the conversion action, unless the conversion also includes a disposition under Section 18 of the Act, HUD will retain an interest in the buildings and underlying land of the development. If the PHA would like to remove the federal interest on the property, it should request that HUD release the Declaration of Trust (DOT) on the property under 24 CFR 85, or another means. HUD intends to provide additional guidance on this subject in the future.

#2: 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.).

#3: Description of how the 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.

#4: 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 PHA 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. 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.

#5: Evidence the voluntary conversion plan was developed with 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 PHA Plan that describes the voluntary conversion plan, so long as the certification specifically references the voluntary conversion.

#6: 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 generally limited to public housing units under an ACC or housing assisted under Section 8 of the Act, including 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 the SAC 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.

#7: 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 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.



Are PHAs required to convert the residents to tenant-based or project-based assistance?

This is usually the case. A PHA is required to offer “comparable housing” to the residents of the units it is converting. PHAs will usually offer tenant-based or project-based assistance as the form of comparable housing to the residents of the units to-be-converted. This makes sense since the PHA has shown (as part of the conversion application process) that the costs of providing residents with tenant-based assistance is less than the costs of providing residents with public housing in their units. However, PHAs are not automatically required to offer the residents of the units tenant or project-based assistance and may offer residents ACC units (in other developments in its inventory) as comparable housing.

Can PHAs rely on HUD issuing tenant protection relocation vouchers as the form of comparable housing?

If a PHA is relying on HUD issuing it tenant protection public housing relocation vouchers as the form of comparable housing that it will offer to the residents in the units proposed for conversion, it must clearly indicate this in the conversion plan. Such vouchers will be issued in accordance with an applicable HUD Notice. Thus, if a PHA is relying on the future issuance of these vouchers, OPHI will not approve the conversion plan until it verifies that the vouchers are available to the PHA in accordance with the Notice.

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

Contents of Notice to Residents: Pursuant to 24 CFR § 972.240(g)(4)(ii), 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, as provided in 24 CFR § 972.230(g)(4)(ii)(B)
- ✓ 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 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 the SAC approves the voluntary conversion plan. (Note: The date of SAC 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 Part 24); and
- ✓ Any family moving into the development after the PHA submits the voluntary conversion plan to the SAC 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.

#8: A summary of how the conversion assessment 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 Part 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.

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 Part 970, including the environmental requirements found at 24 C.F.R § 970.13. 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 Part 970 requirements as part of its voluntary conversion plan.

3-6 Environmental Requirements

Because the requirements of Section 18 of the Act apply to both demolitions or dispositions done as part of a voluntary conversion, pursuant to 24 CFR § 972.212(b), a PHA may not demolish or dispose of units or property as part of a voluntary conversion until the completion of the required environmental review under 24 CFR Part 58 or 24 CFR Part 50. The SAC will not approve a conversion plan until the completion of the required environmental review. However, the SAC may approve the targeted units for removal from the PHA's inventory and may authorize the PHA to undertake other activities proposed in the conversion plan that do not require environmental review as long as the buildings in question are adequately secured and maintained.

3-7 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. Additional guidance on the relocation requirements under the URA can be found in HUD Handbook 1378 and on the following HUD web-pages: www.hud.gov/relocation and www.hud.gov/sac.

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 Part 970). PHAs implementing voluntary conversions that include a disposition are therefore entitled to the exemptions from the URA that are included in Section 18. To the extent that the requirements of the URA apply to disabled residents occupying accessible units and for the purposes of satisfying the implementing regulations at 49 C.F.R. Part 24, a functionally equivalent comparable replacement dwelling unit is one that includes adequate accessibility features or modifications.

3-8 Voluntary Conversion 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), which will come through the SAC. This approval will be separate from the approval the PHA obtains from its HUD Field Office for its PHA Plan or from HUD Headquarters for its MTW Plan. In order to receive OPHI approval of a voluntary conversion plan, the PHA must take the following actions:

#1 PHA Plan or MTW Plan

The PHA must describe its conversion assessment and its voluntary conversion plans as part of an Annual or 5-Year PHA plan (or Significant Amendment to that Plan) or MTW Plan that is submitted to the HUD Field Office (or to HUD Headquarters from MTW Plans). The conversion assessment and conversion plan can be described in the same PHA or MTW Plan or in subsequent PHA Plans. Also, if a PHA is required to update its conversion assessment (because it was prepared more than one year before the conversion plan was submitted

to the SAC), then it must describe any amendments to that conversion assessment in its PHA or MTW Plan. **However, note that HUD Field Office approval of a PHA's Annual or 5-Year Plan (or MTW Plan) does not constitute HUD approval of a PHA's conversion program** and under no circumstances shall a PHA commence to convert units proposed for voluntary conversion until it receives approval from OPHI (through the SAC) in writing.



Describing Voluntary Conversion Assessments & Plans in the PHA Plan & MTW Plan

PHAs must describe their voluntary conversion assessment and voluntary conversion plans in their next PHA Plans (or MTW Plans) submitted to their HUD Field Office*. The HUD PHA Plan template (HUD-50075) (2008) provides that the following information must be provided about a proposed voluntary conversion: (1) a description of any building(s) (including project numbers and units count) the PHA proposes to convert to tenant-based assistance; (2) an analysis of the projects or buildings required to be converted; and (3) a statement of the amount of assistance received under this chapter to be used for rental assistance in connection with such conversion. PHAs may use the table provided in this Guide to fulfill the requirements at Part 7(C) of the PHA Plan template.

**** A PHA must describe its conversion assessment and voluntary conversion plans in its PHA Plan submitted to the HUD Field Office. This may be the PHA Annual Plan, the 5-Year PHA Plan, or as a Significant Amendment to its 5-year PHA Plan (depending on if the PHA is a qualified or non-qualified PHA under the Housing and Economic Recovery Act of 2008 or HERA, Public Law 110-289). The conversion assessment and conversion plan can be described in the same PHA Plan or in subsequent PHA Plans (or Significant Amendments to PHA Plans). Also, if a PHA fails to submit a voluntary conversion plan to the SAC within one year after preparing its conversion assessment, it must prepare an amendment to its conversion assessment and describe the amendment (if any) in its PHA Plans. For more information about PHA Plan requirements, see the applicable HUD Notice on PHA Plan Requirements for PHAs identified as Qualified PHAs under HERA.***

To help ensure PHAs provide sufficient information in their PHA Plans to inform stakeholders and their HUD Field Office that a voluntary conversion assessment has been completed and a voluntary conversion has been completed (or is contemplated), template tables have been developed. These tables are presented below. Use of these tables is not required, but it is recommended. PHAs can insert these tables in Part 7(c) of the PHA Plan template (HUD-50075). For MTW PHAs, this table should be inserted into an appropriate place in the MTW Plan. The PHA must also provide, as an attachment to the PHA Plan or MTW Plan, the required certification that Public Officials were consulted and that the conversion plan is in compliance with the applicable Consolidated Plan.



HUD Approval of a PHA Plan is NOT HUD Approval of a Conversion Plan

The approval of a PHA Plan or MTW Plan from a HUD Field Office (or HUD Headquarters for a MTW Plan) does not constitute HUD approval of the conversion action. A PHA must obtain a separate approval from OPHI, through the SAC, prior to implementing a conversion plan.

Voluntary Conversion Assessment Description for a PHA Plan or MTW Plan

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.

Voluntary Conversion Assessment Activity Description
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

Voluntary Conversion Plan Description for a PHA Plan or MTW Plan

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

Voluntary Conversion Plan Activity Description
<p>1a. Development(s) name(s):</p> <p>1b. Development(s) (project) number(s):</p> <p>1c. Asset Management Project (AMP) Number(s):</p> <p>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.</p>
<p>2. Has the PHA provided information on its plans for the development after the voluntary conversion? <input type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>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</p>
<p>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</p>
<p>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.</p> <p>Does the PHA have documentation to support the consultation? <input type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>6. Has the PHA consulted with appropriate public officials in developing the voluntary conversion plan? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Has the PHA obtained the required certification? <input type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>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</p>
<p>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</p>
<p>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</p>

#2: Voluntary Conversion Plan and Application to the SAC

The PHA must submit a conversion application and conversion plan to the SAC through the form HUD-52860 Inventory Removals Application and HUD-52860-E Addendum, via PIC. The SAC will review the voluntary conversion plan and application. The SAC may also conduct a site visit or request additional information from a HUD Field Office or PHA before making a determination to recommend that OPHI approve or disapprove a conversion plan. The SAC 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, the SAC 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, through the SAC.

3-9 OPHI Approval of a Conversion Plan

OPHI, through the SAC, will approve a PHA's voluntary conversion application and plan if the PHA demonstrates 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 the SAC (i.e., sign in sheets, meeting agenda, resident comments, PHA response, etc.) that shows resident participation in providing input into the proposed conversion activity.



Clear and Convincing Evidence

A PHA's conversion plan must clearly and convincingly evidence that the conversion meets the three criteria necessary for OPHI, through the SAC, to approve the conversion.

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

The PHA must retain a complete conversion assessment and conversion plan, including all supporting documentation, on file in the central office of the PHA and this material must be made available for resident, public and HUD review.

3-10 Reasons Why OPHI May Disapprove a Voluntary Conversion Plan

In accordance with 24 CFR § 972.224, OPHI, through the SAC, 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 the SAC that the proposed voluntary conversion will primarily benefit residents and not have an adverse impact on the availability of affordable housing in the community.

OPHI may 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, OPHI, through the SAC, will disapprove a conversion plan only if it 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
- The voluntary conversion plan is incomplete and fails to meet requirements the requirements of 24 CFR 972.230.



Investigating Allegedly Inconsistent Information

If the SAC receives any information from the public, from residents, or from a HUD Field Office that is alleged to be inconsistent with a PHA's voluntary conversion assessment or plan, or the certifications made by a PHA to HUD as part of the conversion plan, the SAC will thoroughly investigate all matters and will not approve a conversion application until it determines the validity of the challenge or conflict.

3-11 Effect of a Voluntary Conversion on Operating Subsidy

For purposes of determining operating subsidy eligibility, HUD will 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 may be eligible for an asset-repositioning fee. 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.

3-12 Tenant-Based Assistance Funding for Units Approved for Voluntary Conversion

OPHI'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. However, if a PHA plans to offer residents in the units proposed for conversion with housing-choice assistance vouchers as comparable housing and is relying on HUD's issuance of tenant-protection public housing relocation vouchers (rather than turn-over) to do this, it must clearly indicate this in its conversion plan.

Notwithstanding HUD's approval of a conversion plan that includes replacement tenant protection public housing relocation vouchers as the form of comparable housing that the PHA will offer to residents, PHAs must submit a separate and distinct application to HUD for these vouchers. Such a request for vouchers must be in accordance with PIH handbook notices or other instructions for such applications.

HUD will issue tenant protection public housing relocation vouchers to PHAs, at its discretion and subject to funding availability in accordance with an applicable HUD Notice inviting such applications. A PHA may submit an application for tenant protection public housing relocation vouchers as soon as the PHA receives written SAC approval of its voluntary conversion plan.

If HUD is unable to issue tenant protection public housing relocation vouchers that are necessary for a PHA to convert units that the SAC has approved for conversion, a PHA may not be able to pursue the conversion per its approved implementation schedule. In such cases, a PHA may submit a request to SAC to revise its implementation plan to reflect this situation.

3-13 Civil Rights Considerations Under Voluntary Conversion

Certain classes/groups of residents may be significantly adversely impacted by the application of required conversion. As always, PHAs should ensure compliance with all HUD civil rights requirements. Civil rights considerations are especially relevant when consulting with residents as part of the voluntary conversion plan, when providing required notices to residents as part of the relocation plan, and when providing needed mobility counseling to residents displaced because of the voluntary conversion.

Civil rights considerations are especially relevant to conducting a voluntary conversion assessment (See 3-3). PHAs should ensure that any voluntary conversion complies fully with Title VI of the Civil Rights Act of 1964, which prohibits discrimination based on race, color, or national origin in programs and activities receiving federal financial assistance, the Fair Housing Act, which prohibits discrimination based on race, color, national origin, disability, religion, sex and familial status and requires recipients of HUD financial assistance to affirmatively further fair housing; and Section 504 of the Rehabilitation Act of 1973, which prohibits discrimination based on disability in programs or activities receiving federal financial assistance. As noted in Section 3-3, Analysis of Rental Market Conditions, PHAs must consider the "particular characteristics of the specific residents of the public housing that may affect their ability to be housed." Additionally, in Section 3-3, Impact Analysis, PHAs must demonstrate how they believe voluntary conversion will "impact fair housing choice in the community" and "positively impact the unique needs of special household groups." Residents with disabilities and other protected groups may be particularly impacted by conversion. PHAs should take into account the impact on and needs of the protected classes of residents noted above, and especially consider the impact of resident with disabilities and the availability of suitable accessible units in the rental market.

When consulting with residents as part of the voluntary conversion plan, PHAs should ensure compliance with Section 504 of the Rehabilitation Act of 1973 and Title VI of the Civil Rights Act of 1964. HUD's regulations at 24 CFR Part 8 implement the nondiscrimination based on disability requirements of Section 504. PHAs should ensure that residents with disabilities have a full opportunity to participate in consultation and to provide comments in developing the voluntary conversion plan. PHAs should consider the need for meeting accessibility and effective communication and may consult 24 CFR Part 8 for assistance (e.g. 24 CFR § 8.6). In addition, Executive Order 13166 implements Title VI of the Civil Rights Act of 1954 and seeks to improve access to federally assisted programs and activities for individuals

who, as a result of national origin, are limited in their English proficiency (LEP). Recipients of HUD funding must take reasonable steps to ensure meaningful access to their programs and activities for LEP individuals. PHAs need to consider the need for language access in consulting with residents and soliciting comments in developing the voluntary conversion plan. For more guidance, PHAs may refer to the Final Guidance to Federal Financial Assistance Recipients Regarding Title VI Prohibition Against National Origin Discrimination Affecting Limited English Proficient Person, 72 Fed. Reg. 2732 (January 22, 2007).

When providing the required notices to residents as part of the relocation plan, PHAs must comply with 24 CFR Part 8 (especially section 8.6) and Title VI of the Civil Rights Acts of 1964. In preparing, delivering, and publicizing such notices, PHAs must consider the need for effective communication for residents with disabilities and the need for meaningful access for LEP persons.

PHAs are required to provide appropriate mobility counseling and notify residents of availability of such services under 24 CFR § 230(g)(4)(ii)(C). Residents with disabilities who have mobility, visual, or hearing limitations may be particularly impacted by conversion and relocation, and their mobility counseling needs should be given appropriated consideration by PHAs to ensure compliance with the disability nondiscrimination requirements of 24 CFR Part 8. Throughout the conversion process, PHAs must address requests for reasonable accommodations by person with disabilities in accordance with their established reasonable accommodation procedures.

Appendix 1: Summary of Conversion Requirements

Summary of Conversion Requirements	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"> 1) is on same or contiguous site; 2) has a vacancy rate of 15% (for developments identified through March 16, 2009) 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 <p>Developments are published at:</p> <p>www.hud.gov/offices/pih/centers/sac/rconv.cfm</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:</p> <p>http://www.hud.gov/offices/pih/centers/sac/docs/costcomparison.xls</p> <p>**Note that the cost methodology is different that that for voluntary conversion</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:</p> <p>http://www.hud.gov/offices/pih/centers/sac/docs/costcomparison.xls</p> <p>**Note that the cost methodology is different than that for voluntary conversion</p>

Required Initial Assessment	NOT REQUIRED	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
PHA Plan or MTW Plan	<p>PHA must address the appearance of all clusters appearing on the SAC website as possible candidates for required conversion in its next PHA Plan following that appearance.</p> <p>If a PHA must complete a required conversion plan, it must describe that plan in a PHA Plan.</p> <p>Guidance on the timing of PHA Plan submissions is provided in Section 2-7 and 2-12.</p>	<p>PHAs must describe the conversion assessments (including any required amendments to the assessment) and voluntary conversion plans as part of their PHA Plan or MTW Plan.</p> <p>Guidance on the information to be included in the PHA Plan is provided in Sections 3-7.</p>
Conversion Assessment	NOT REQUIRED	<p>Must be conducted pursuant to 24 CFR 972.218 and described in a PHA Plan.</p> <p>Guidance on the information to include in the PHA Plan is provided in Section 3-7.</p>
Conversion Plan	<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 required conversion plan as part of its PHA Plan. Guidance on the timing of this submission is provided in Section 2-7. Guidance on the information to be included in the PHA Plan is provided in Section 2-12.</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 the SAC, via PIC for review and approval. The PHA must also describe the conversion plan in a PHA Plan. Guidance on the information to include in the PHAI Plan is provided in Section 3-7.</p>
Submission Requirements to HUD's Special Applications Center (SAC)	<p>A PHA proposing a required conversion must submit the following documentation to the SAC for review and approval:</p> <p>Required Conversion Application (HUD-52860) and Addendum, via PIC</p>	<p>A PHA proposing a voluntary conversion must submit the following documentation to the SAC for review and approval:</p> <p>Voluntary Conversion Application (HUD-) and Addendum, via PIC</p>

<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 through the SAC. This approval will be separate from the approval that the PHA receives from its HUD Field Office or Headquarters Office for its PHA Plan or MTW Plan. This approval does not include an approval for tenant protection public housing relocation vouchers. Vouchers must be applied for separately by the PHA.</p>	<p>A PHA may proceed to convert development covered by a conversion plan after it receives written approval from OPHI. This approval will be separate from the approval that the PHA receives from its HUD Field Office or Headquarters Office for its PHA Plan or MTW Plan. This approval does not include an approval for tenant protection public housing relocation vouchers. Vouchers are not guaranteed and must be applied for separately by the PHA.</p>
---------------------	--	--

Appendix 2: Definition of Term

Accrual Needs	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.
Act	The U.S. Housing Act of 1937 (42 U.S.C. 1547 <u>et. seq.</u>).
Annual Contributions Contract (ACC)	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.
Asset-Repositioning Fee	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.
Cost Analysis	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.
Conversion Cost Methodology Rule	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 Part 972 on March 20, 2006, with an effective date of April 20, 2006).
Conversion Assessment	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 PHA 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.
Demolition/Disposition Voucher Notice	The PIH handbook, notice or other HUD instructions on the issuance tenant protection public housing relocation vouchers
Designated Housing Plan	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.
General Occupancy	Units or developments that are not restricted for use by a special population, such as the elderly or persons with a disability,

Housing Choice Voucher Program	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.
MTW Annual Plan	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.
Office of Public Housing Investments (OPHI)	HUD Office with the delegated authority to approve voluntary and required conversion plans.
PHA Plan	The Annual PHA Plan and/or 5-Year PHA Plan (including any Significant Amendment to 5-Year Plans) that non-MTW public housing agencies are required to prepare (and possibly submit to HUD). (*Note that PHA Plan Requirements were amended in 2008 by the Housing and Economic Recovery Act of 2008 or HERA
Property	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)).
Public Housing	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.
Public Housing Agency (PHA)	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.
Public Housing Project	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.
Public Housing Requirements	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.

Required Conversion Plan	PHAs owning development subject to required conversion must prepare this plan in accordance with 24 CFR § 972.130. A summary of the required conversion plan must be included as part of PHA's next PHA Plan or MTW Annual Plan. In addition, components of the plan must be included as part of the voluntary conversion application (HUD-52860) to the Special Applications Center (SAC).
Tenant-Based Rental Assistance	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.
Tenant Protection Public Housing Relocation Vouchers	Vouchers allocated by HUD to replace dwelling units that cease to be available as assisted housing. Unless otherwise required by appropriations acts, HUD only issues tenant-protection vouchers for occupied units.
Voluntary Conversion Plan	PHAs applying for voluntary conversion for a development must prepare this plan for in accordance with 24 CFR § 972.230. A summary of the voluntary conversion plan must be included as part of PHA's next PHA Plan or Annual MTW Plan to HUD. In addition, the plan must be included as part of the voluntary conversion application (HUD-52860) to the Special Applications Center (SAC).

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.

Step	Purpose
SAC identifies potential (250 unit) clusters	To assist in finalizing cluster list
PHAs 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
If cluster remains on list:	
PHA must do cost analysis using Excel spreadsheet	To confirm less expensive to convert to vouchers
PHA must describe in next PHA 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
If property is less expensive to not convert:	
HUD authorizes the revitalization of the public housing	To reestablish long-term property viability
If a conversion plan is required:	
1) PHA must develop a conversion plan (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
Describe conversion plan in next PHA Plan	To inform HUD Field Office and public that the PHA plans to convert the site
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 verify conversion plan description	To ensure information is accurate and complete
Field Office may approve PHA Plan, not conversion plan	To authorize non-conversion parts of PHA Plan
PHA submits HUD-52860 & Addendum D to SAC	To receive OPHI approval of conversion plan
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 certification that conversion was described in PHA Plan	To ensure PHA Plan compliance
SAC may do site visit or request additional information	To verify/clarify conversion plan information
SAC will respond to application within 90 days	To inform PHA of application status
OPHI approves or disapproves conversion plan	To authorize PHA to proceed with conversion
Once the conversion plan is approved by OPHI (through the SAC)	
PHA may request tenant protection public housing relocation vouchers from its HUD Field Office	To serve the existing residents with tenant-based assistance vouchers
PHA can only utilize PIH handbook notices or other HUD instructions	To request tenant protection public housing relocation vouchers

PHA can only receive vouchers one year at a time	To broaden distribution of voucher allocations
PHA may use existing PHA funding to start conversion	To begin resident relocation & to prevent delays
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

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.

Step	Purpose
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 Required Initial Assessment (RIA) 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
If PHA Wishes to Pursue Voluntary Conversion:	
1) PHA must ensure an RIA has been done	To ensure HUD and stakeholders were on notice
2) PHA must do a conversion assessment	To ensure conversion plan is justified & realistic
Develop conversion assessment 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 Value 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
Describe conversion assessment in PHA Plan	To inform HUD Field Office and public that the PHA plans to convert the units
Describe conversion assessment in PHA Plan	Inform HUD Field Office and public that conversion is justified
Retain assessment documents at the PHA	For a further HUD or HUD contractor review
3) PHA must develop a voluntary conversion plan	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
Describe voluntary conversion plan in next PHA Plan	To inform HUD Field Office and public of PHA's plans to convert the site
Conversion Assessment can only be 1 year older than conversion plan	Assessment & plan can be in same PHA Plan
Describe conversion plan in PHA Plan or MTW Plan	Inform HUD Field Office and public of PHA's conversion plans
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 (including description of conversion assessment and plan)	To ensure information is accurate and complete
Field Office may approve PHA Plan, but not voluntary conversion plan	To authorize non-conversion parts of PHA Plan

SAC Receives IRA and Addendum E:

SAC reviews HUD-52860 & HUD-52860-E submissions (including cost analysis, description of future use, market value matrix)	To ensure PHA is in compliance with regulatory and statutory conversion requirements and to obtain OPHI approval of the conversion
SAC receives Field Office certification	To ensure PHA Plan compliance
SAC may do site visit or request additional information	To verify/clarify conversion plan information
SAC will respond to application within 90 days	To inform PHA of application status
OPHI, through the SAC, 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 tenant protection public housing relocation vouchers from its HUD Field Office	To relocate the residents impacted by the conversion with tenant-based assistance
Only after HUD approves conversion plan	To justify tenant protection public housing relocation voucher allocation by HUD
PHA can only utilize PIH handbook notices or other HUD instructions	To request tenant protection public housing relocation vouchers

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 PHA Plan (or MTW 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 next 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.