assistance to be provided or the restrictions to be imposed) depend upon the type of multifamily housing project involved, and the statute provides definitions of subsidized project, formerly subsidized project, and unsubsidized project, for this purpose. The interim rule cuts back on the number of cross references necessary to determine what actions may be taken by combining the definitions for *subsidized* and *formerly subsidized* into a single definition of subsidized project. Subsidized project includes projects both before foreclosure and after HUD assumes ownership of the project, when the mortgage which governs the project has been extinguished. Subsidized projects and unsubsidized projects are the subsets within the category of multifamily housing projects.

Although section 203(b)(8) lists *market area* among the definitions, its meaning is left to the determination of the Department. The Department has determined that this is a term best defined on a case-by-case basis at the local level, particularly when the new goal of disposing of projects in a manner consistent with local housing market conditions is taken into consideration. The interim rule provides for the market area for a project to be defined by the local HUD Office, which would have the best grasp of local conditions, in terms of the area from which a multifamily housing project may reasonably be expected to draw a substantial number of its tenants.

The statute also permits HUD to define the term *useful life*, used to determine how long certain requirements will apply to a project. The Department has determined to define *useful life* as 20 years, the period adopted in the August 17, 1993 final rule for maintaining a project as rental or cooperative housing, but it may be more or less, as determined by the Department.

## Section 203(c)—Disposition of Property

Section 203(c)(1) lists "negotiated, competitive bid, or other basis" as methods of disposition. The interim rule at § 290.30 lists the basic methods of disposition as: (1) Foreclosure sales, (2) sale of HUD-owned projects, and (3) transfer for use under other HUD programs.

Method (3) is taken from section 203(f), entitled "Discretionary Assistance," where "transfer for use under other HUD programs" is listed as an action the Department may take to facilitate disposition. However, in the Department's analysis, a transfer is actually a method of disposition, rather than a form of assistance or restriction such as the other actions given in section 203(f).

The transfer option permits the Department, "notwithstanding the provisions of subsection (e)" (which lists the basic actions and the alternatives to the basic actions to facilitate disposition), to transfer a multifamily housing project for use as public housing or supportive housing, subject to any terms, conditions, and limitations determined to be appropriate by the Department. The disposition is complete upon the transfer.

Section 203(c) also lists the qualities of an eligible purchaser (incorporated in the interim rule at § 290.32); and requirements for an initial disposition plan and initial sales price (§ 290.34 of the interim rule). Section 203(c)(2)(D)requires the Department to obtain timely and appropriate input into disposition plans from the community and tenants. This requirement is stated in §290.34, and is also laid out in more detail at § 290.26 in subpart C of the interim rule where the notification requirements are gathered. HUD views the requirement for community and tenant input into the disposition plan as a process similar to providing public notice and an opportunity for comment in rulemaking. Just as a proposed rule is published for comment, followed by consideration of the comments before a final rule is issued, HUD will make an initial disposition plan available to the community and tenants, consider the comments it receives, and then issue its final disposition plan.

A requirement for a pre-foreclosure notification is included in section 203(c)(3), which appears in subpart C of the interim rule as § 290.22.

## Section 203(d)—Management and Maintenance of Properties

This subsection of the statute is the only one that explicitly addresses management and maintenance of HUDowned projects, or projects where HUD is the mortgagee in possession (MIP). These provisions, which provide management standards and permit HUD to contract or require an owner to contract for management services, are basically identical to those in §290.51 of the August 17, 1993 final rule, and are incorporated in this interim rule at §§ 290.10 (standards) and 290.12 (contracting), under subpart B, titled, 'Management Provisions.'' Also included in subpart B are provisions for determining occupancy (§ 290.14) and rental rates (§ 290.16) while a project is managed by HUD. These provisions are based largely on the August 17, 1993 final rule and, in general, provide that the requirements of the project's

mortgage insurance program before HUD assumed management will continue to apply.

## **Actions to Facilitate Disposition**

Section 203(e)—Required Assistance; Section 203(f)—Discretionary Assistance; Section 203(g)—Protection for Very Low-Income Tenants; Section 203(j)—Displacement of Tenants and Relocation Assistance

Sections 203 (e), (f), (g), and (j) are discussed together because of their close interrelationship. The actions the Department may take to facilitate disposition are the common subject matter of these sections. The regulation organizes the statutorily permitted actions into four categories: "required," "basic," "alternatives to basic," and "additional." The table which immediately precedes subpart E provides an overview of these assistance and restrictions provisions.

Section 203(e) is divided into three sections, each delineating actions that the statute requires HUD to take separately, or in combination with each other or with actions under section 203(f). These actions are the assistance that may be provided or the restrictions (mainly to preserve affordability) that may be imposed. The basic actions are established by section 203(e)(1), which identifies the units in subsidized projects and unsubsidized projects that are to receive project-based Section 8 assistance or that are to be subject to use or rent restrictions. The alternatives to these basic actions appear in: (1) Section 203(e)(1)(C), which permits projectbased Section 8 assistance and/or use and rent restrictions in unsubsidized projects to be substituted for the "basic" project-based Section 8 assistance in subsidized projects; (2) section 203(e)(2), which permits tenant-based Section 8 assistance to be provided to tenants instead of the project-based Section 8 assistance required under (e)(1); and (3) section 203(e)(3), which provides that the additional actions listed in section 203(f) may be used as long as, first, affordability use and rent restrictions are imposed on units that otherwise would have received the basic project-based Section 8 assistance under (e)(1), and second, very low-income tenants in units that otherwise would have received project-based Section 8 assistance under (e)(1) receive tenantbased Section 8 assistance.

Section 203(f) then lists the additional actions that may be used in subsidized and unsubsidized projects. Included by this interim rule in the category of additional actions are provisions taken from the August 17, 1993 final rule.