described in paragraphs B.2 and B.3 of this section:

1. A PHA comparison of the costs of new construction (in the neighborhood where the PHA proposes to construct the housing) and the costs of acquisition of existing housing or rehabilitation in the same neighborhood (including estimated costs of lead-based paint testing and abatement); or

2. A PHA certification, accompanied by supporting documentation, that there is insufficient existing housing in the neighborhood to develop housing through acquisition of existing housing or rehabilitation; and

3. A statement that:

(a) Although the application is for new construction, the PHA will accept acquisition of existing housing or rehabilitation, if HUD determines the PHA cost comparison or certification of insufficient housing does not support approval of new construction; or

(b) The application is for new construction only. (In any such case, if HUD cannot approve new construction under section 6(h) of the USHA, the application will be rejected.)

C. Replacement Housing Applications

1. Cover Letter. For both category 1 and category 2 applications, the cover letter must state whether the demo/ dispo or transfer/sale application (to demolish/dispose of units, or to transfer/sell units) (hereinafter referred to as the "underlying application") has been approved; the date of approval; the project number and the name of the project being replaced; and whether it is being replaced in whole or in part. If the underlying application was not approved at the time the replacement housing application is filed, the cover letter must state the date the underlying application was submitted or the estimated date the underlying application will be submitted for consideration. Category 1 or 2 applications will not be funded unless the underlying application is submitted by the time funding selections are made. The Department may make a funding award if the underlying application has not yet been approved, if all aspects of the underlying application other than compliance with section 412 of the Cranston-Gonzalez National Affordable Housing Act of 1990, as amended, are approvable by August 1, 1995.

2. Section 5(j) Certification. The PHA must certify that the units requested are specifically required in FY 1995 either to meet the one-for-one replacement requirement of section 18 of the USHA to replace public housing demolition/ disposition; or to meet the requirements of section 304(g) of the USHA to replace existing public housing approved in FY 1995 or earlier for homeownership transfer under HOPE 1, or for sale under section 5(h) of the USHA.

3. Replacement Application Under Section 18. A PHA submitting a replacement housing application under section 18 (category 1) must demonstrate that the replacement units, alone or together with other identified replacement units, will implement the PHA's Replacement Housing Plan submitted and approved or expected to be submitted and approved under 24 CFR 970.11, including requirements that such units:

(a) Are for no fewer units (or portion thereof approved by HUD) than the number of units to be demolished or disposed of; and

(b) Will house at least the same number of individuals and families that could be served by the housing to be demolished or disposed.

4. Replacement Application for Homeownership Transfers or sales. Applicants submitting applications to meet the requirements of section 304(g) of the USHA to replace existing public housing approved in FY 1995 or earlier for homeownership transfer under HOPE 1, or for sale under section 5(h) of the USHA, must provide the following: a schedule, by federal fiscal year, of the number of units previously transferred and/or expected to be transferred consistent with the actual progress achieved under the approved HOPE 1 or Section 5(h) plan; a listing of the number of replacement housing units already received and accounted for under all the allowable replacement housing options as well as the balance of units not yet replaced; and the number of public housing development units and/or Section 8 units now being requested for homeownership replacement. (The Section 8 units will not be awarded under this NOFA.)

5. Statement Regarding Consistency with HUD Priorities. Appropriations for replacement housing are encouraged to include a statement describing consistency of the application with the replacement housing categories described in paragraph II. C. 2. of this NOFA.

6. Impact of Pending Legislation. The Congressionally approved rescission bill includes a proposal to repeal replacement housing requirements for underlying applications approved on or prior to September 30, 1995. In the event this proposal becomes law, the Department will issue notice of any changes required or authorized for replacement housing applications to be submitted in response to this NOFA.

D. Applications for Units to be Funded from Headquarters Reserve

1. Cover Letter. A PHA submitting a category 3 application shall identify the purpose of the application (see Section I.C.1 of this NOFA).

2. Section 5(j) Certification. The PHA may certify that the units requested are required to comply with court orders or directions of the Secretary; or, as appropriate, the section 5(j) certification applicable to category 4 (Other) applications (see Section III.E.2. below). Court orders must be identified.

(**Note:** Category 3 needs typically are not fulfilled through the application process.)

E. "Other" Applications

Applicants are encouraged to review the rating criteria (Section IV.E. of this NOFA) to ensure rating factors have been addressed in the application. "Curable technical deficiencies" (Section IV.B. of this NOFA) relate only to items that would not improve the substantive quality of applications relative to rating factors. A PHA may file only one application per locality under this category.

1. Cover Letter. Applicants for "other" public housing development units (category 4), must state whether they will accept fewer units than applied for. Refusal to accept fewer units may result in an application not being selected if funds are not sufficient for the full number of units.

2. Section 5(j) Certification. The PHA must certify to one of the following, pursuant to section 5(j) of the USHA (select E.2.a or E.2.b.):

(a) The units requested (limited to 100 or fewer) are needed for family housing to satisfy demands not being met by the section 8 existing or voucher rental assistance programs; *or*

(b) 85 percent of the PHA's dwelling units (select (1), (2), or (3)):

(1) Are maintained in substantial compliance with the section 8 housing quality standards (24 CFR 882.109); or

(2) Will be so maintained upon completion of modernization for which funding has been awarded; *or*

(3) Will be so maintained upon completion of modernization for which applications are pending that have been submitted in good faith under section 14 of the USHA (or a comparable State or local government program), and that there is a reasonable expectation, as determined in writing by HUD, that such application would be approvable; or will be so maintained upon completion of modernization under the Comprehensive Grant program.

3. Funding Preference in Accordance With Section 6(p). Section 6(p) of the USHA requires HUD to provide a