

the following additional revisions are made in this final rule. These revisions include modifications and new requirements originating out of the URA, the NAHA, and the 1992 Act.

Section 970.2, Applicability, is revised to except, from coverage of the disposition requirements of section 18 and part 970, homeownership sales under (1) section 21 of the 1937 Act (as added by section 123 of the 1987 Act); (2) the Turnkey III/IV and Mutual Help Homeownership Opportunity Programs; and (3) other homeownership programs established under sections 5(h) or 6(c)(4)(D) of the 1937 Act and in existence before February 5, 1988, the effective date of the 1987 Act. (Section 21 pertains to homeownership programs through resident management corporations.) Thus, the demolition/disposition regulations will be inapplicable to all conveyances under existing homeownership programs. In addition, in keeping with section 412(b) of NAHA, the provisions of Part 970 do not apply to the *disposition* of a public housing project in accordance with an approved homeownership program under title III of the 1937 Act, as added by section 411 of that legislation, (Hope 1 for Public and Indian Housing Homeownership). However, in the case of a homeownership proposal under HOPE 1 or section 5(h) from a PHA involving partial or total *demolition* of units, Section 18 and this rule apply. Hope 3 proposals involving public housing units approved prior to the 1992 Act are likewise covered by the requirements of section 18. [The 1992 Act took homeownership for scattered-site single family public housing from under the requirements of HOPE 3 and moved it to HOPE 1.]

Section 970.2 is also revised to except easements, rights-of-way, and transfers of utility systems incident to the normal operations of the development.

A correction is made to § 970.4(b) to be redesignated as § 970.4(c) the paragraph regarding the requirements of the environmental and historic preservation statutes. Furthermore, this section requires that where the site for the replacement housing is known at the time of application for the demolition or disposition, the site must comply with these requirements. However, the amendment to this section clarifies that where the site(s) of the replacement housing is not known at the time of application (whether federally or non-federally funded), the PHA shall follow the requirements of 24 CFR 50.3(i), as set forth in the rule text at § 970.4(c).

In addition, paragraphs (d), (e), (f), and (g) are added to § 970.4(c) regarding assurances and certifications for

commitment of funds to carry out the replacement housing plan, compliance with the offering to resident organizations, relocation of residents, and site and neighborhood standards.

[**Note:** In sec. 970.4 of the final rule as it existed prior to the 1988 interim rule, paragraph (c) required a certification from the chief executive officer that the proposed activity was consistent with the housing assistance plan (HAP). The requirements regarding the HAP were replaced by the Comprehensive Housing Affordability Strategy (CHAS). However, under 24 CFR 91.1(b)(3), all public housing programs, except HOPE 1, are excluded from the requirements of the CHAS.] Therefore, the previous requirement for consistency with the HAP has been dropped.

Paragraph (c) of § 970.5 of this final rule is added to set forth the requirements of the URA. Effective April 2, 1989, the URA was amended to, among other things, expand coverage. It now covers all persons displaced as a direct result of publicly or privately undertaken rehabilitation, demolition or acquisition for a Federal or federally assisted project. Therefore, demolition of any public housing property that is owned by PHAs and that is subject to the Annual Contributions Contract under the 1937 Act, or the disposition of the property to a Federal agency or to any person or entity that acquires the property for a federally assisted project, would make the transaction subject to the URA and make any person displaced as a result of such action eligible for relocation assistance at URA levels. Families and individuals who are not eligible for relocation assistance at URA levels are eligible for the relocation assistance described in section 970.5(e). Required relocation assistance is described in HUD Handbook 1378, Tenant Assistance, Relocation and Real Property Acquisition.

Section 970.8, paragraph (f) is revised to clarify that approval of the replacement housing plan shall be provided by the unit of general local government which shall be the chief executive officer of the jurisdiction in which the project is located (e.g., the mayor or the county executive).

In § 970.9, paragraph (b)(1) is amended to state that net proceeds (after payment of HUD-approved costs of disposition and relocation) shall be used for the retirement of outstanding obligations, *if any*, issued to finance original development or modernization of the project. This is in recognition of the possibility that such obligations may not have been forgiven. (See 42 U.S.C. 1437b.) (If project debt has been forgiven, there will be no outstanding obligations.) Reference to the payment

of development costs has been removed because development cost is contained in the outstanding obligation, and double payment should not be implied.

A new paragraph (c) is added to § 970.9 which states that in the case of scattered-site housing of a public housing agency, the net proceeds of a disposition shall be used in an amount that bears the same ratio to the total of such costs and obligations as the number of units disposed of bears to the total number of units of the project at the time of disposition. This is a direct statutory requirement in compliance with section 512 of the National Affordable Housing Act (Pub. L. 101-625) and, therefore, is contained in this final rule. An example of how this provision would be applied in cases where debt has not been forgiven is: If a development project of ten units that cost \$100,000 has one unit disposed of for \$10,000, then there would be no net proceeds after paying off the proportional cost (\$100,000 divided by 10 = \$10,000/unit) of the project. If, however, the unit was disposed of and net proceeds were \$12,000, there would be \$2,000 available that the PHA would use for the provision of housing assistance for low-income families.) Where debt has been forgiven, all the net proceeds may be used by the PHA for the provision for low-income housing.

Section 970.11(a) is revised to clarify that in the event that the replacement housing will be located outside the political boundaries of the locality of the PHA, all relevant program requirements must be satisfied, including approval of the replacement housing plan by the unit of general local government in which the project being demolished or disposed is located, and the execution of such agreements as may be necessary between the PHA and the locality in which the replacement housing will be located. In the case of new public housing, this would require a Cooperation Agreement between the PHA and the locality in which the replacement housing would be located. It is expected that replacement housing would be operated or administered by the PHA. However, in instances where the PHA can make arrangements for another PHA to develop, operate or administer the new public housing, the section 8 assisted housing, or other replacement housing such as a State or Local program Section 8 assisted housing that is outside the PHA's area of operation, the PHA must ensure that the families that would have been eligible to occupy the replacement housing if it had been replaced in the same locality as the project being