

meeting the requirements of this section shall be restricted from producing profit in excess of the following limitations:

(1) *Monthly rental limitation.* The aggregate monthly rental for each eligible project may not exceed the operating costs of the project (including debt service, management, adequate reserves, and other operating costs) plus a 6 percent return on any equity investment of the project owner.

(2) *Profit limitations on partners.* A nonprofit organization receiving Youthbuild assistance for a residential rental housing project shall agree to use any profit received from the operation, sale, or other disposition of the project for the purposes of providing housing for low- and moderate-income families. Profit-motivated partners in a nonprofit partnership may receive:

(i) Not more than a 6 percent return on their equity investment from project operations; and

(ii) Upon disposition of the project, not more than an amount equal to their initial equity investment plus a return on that investment equal to the increase in the Consumer Price Index for the geographic location of the project since the time of the initial investment of such partner in the project.

(f) *Restrictions on conveyance.* Conveyance restrictions apply to Youthbuild residential rental housing project(s) meeting the requirements of this section. Ownership of the property may not be conveyed unless the instrument of conveyance requires a subsequent owner to comply with the same restrictions imposed upon the original owner for the balance of the 10 year period.

(g) *Ten year restriction.* The restrictions listed in paragraphs (a) through (f) of this section shall remain in force for a period of not less than 10 years after construction completion and issuance of an occupancy permit for all Youthbuild residential rental housing projects receiving Youthbuild assistance.

(Approved by the Office of Management and Budget under control number 2506-0142)

§ 585.310 Project-related restrictions applicable to Youthbuild transitional housing for the homeless.

Where the award of a Youthbuild implementation grant includes the eligible activities of acquisition, architectural and engineering fees, construction, rehabilitation, operating costs or replacement reserves of transitional housing units, and where the costs for these activities are funded, in whole or in part, with Youthbuild grant funds, the housing project shall be

required to comply with the following Youthbuild project-related restrictions:

(a) *Limitations on profit.* (1) Youthbuild transitional housing projects meeting the requirements of this section shall be restricted from producing profit in excess of the following limitations:

(i) *Monthly rental limitation.* The aggregate monthly rental for each Youthbuild project may not exceed the operating costs of the project (including debt service, management, adequate reserves, and other operating costs) plus a six (6) percent return on any equity investment of the project owner.

(ii) *Profit limitations on partners.* A nonprofit organization receiving Youthbuild assistance for a housing project shall agree to use any profit received from the operation, sale, or other disposition of the project for the purposes of providing housing for low- and moderate-income families.

(2) Profit-motivated partners in a nonprofit partnership may receive:

(i) Not more than a six (6) percent return on their equity investment from project operations; and

(ii) Upon disposition of the project, not more than an amount equal to their initial equity investment plus a return on that investment equal to the increase in the Consumer Price Index for the geographic location of the project since the time of the initial investment of such partner in the project.

(b) *Restrictions on conveyance.* Conveyance restrictions apply to Youthbuild transitional housing projects meeting the requirements of this section. Ownership of the property may not be conveyed unless the instrument of conveyance requires a subsequent owner to comply with the same restrictions imposed upon the original owner for the balance of the 10 year period.

(c) *Program requirements for Transitional housing.* (1) Youthbuild transitional housing projects meeting the requirements of this section shall adhere to the requirements regarding service delivery, housing standards and rent limitations applicable to comparable housing receiving assistance under the Transitional Housing component of the Supportive Housing Program (title IV of the Stewart B. McKinney Homeless Assistance Act).

(2) The Secretary may waive these requirements to permit the conversion of a Youthbuild transitional housing project to a permanent housing project only if such housing complies with the Youthbuild project-related restrictions for residential rental housing projects found in § 585.309.

(d) *Ten Year Restriction.* The restrictions listed in paragraphs A

through C of this section shall remain in force for a period of not less than 10 years after construction completion and issuance of an occupancy permit for a Youthbuild transitional housing project receiving Youthbuild assistance.

§ 585.311 Project-related restrictions applicable to Youthbuild homeownership housing.

Where the award of a Youthbuild implementation grant includes the eligible activities of acquisition, architectural and engineering fees, construction, or rehabilitation of homeownership housing, and where the costs for these activities are to be funded, in whole or in part, with Youthbuild grant funds, the housing project shall be required to comply with the following Youthbuild project-related restrictions:

(a) *Program compliance.* Each homeownership project meeting the requirements of this section shall comply with the requirements of the HOPE II or HOPE III programs authorized under subtitles B or C respectively of title IV of the National Affordable Housing Act.

(b) *Restrictions on conveyance.* Conveyance restrictions apply to Youthbuild homeownership housing projects meeting the requirements of this part. Ownership of the property may not be conveyed unless the instrument of conveyance requires a subsequent owner to comply with the same restrictions imposed upon the original owner for the balance of the 10 year period.

(c) *Ten Year Restriction.* The restrictions listed in paragraphs (a) and (b) of this section shall remain in force for a period of not less than 10 years after construction completion and issuance of an occupancy permit for Youthbuild homeownership housing projects meeting the requirements of this part.

§ 585.312 Wages, labor standards, and nondiscrimination.

Sections 142 (wages and benefits), 143 (labor standards), and 167 (nondiscrimination) of the Job Training Partnership Act shall apply to Youthbuild programs as if the programs were conducted under the Job Training Partnership Act. This provision may not be construed to prevent Youthbuild recipients from using funds from non-Federal sources to increase wages and benefits under such programs, if appropriate.

§ 585.313 Labor standards.

(a) *Trainees.* Davis-Bacon prevailing wage rate requirements are not applicable to trainees on housing