

percent vacancy rate will be used after the expiration of this five-year period. The use of the 15 percent vacancy rate will allow PHAs and HUD to focus their conversion efforts on the most distressed public housing during the initial implementation of the final rule.

2. *Prevention of intentional vacancies.* The final rule adds a new provision that prevents the intentional creation of vacancies by PHAs for purposes of triggering a required conversion. Specifically, the final rule provides that vacant units will not be considered in the determination of distress if HUD, in its sole discretion, determines that the vacancies were created intentionally and do not indicate continued distress.

3. *Standards for distressed properties.* The final rule provides that a property that meets the standards for a distressed development will not be considered to be distressed if HUD determines that the reasons the property meets such standards are temporary in duration and are unlikely to recur.

4. *Income-mix standard.* HUD has revised the income-mix component of the long-term viability test to more closely track the statutory language of section 33. Specifically, the final rule provides that a development satisfies the income-mix requirements if, after reasonable investment for the specified period of time, it is probable that the development "can achieve a broader range of family income."

5. *Reasonableness of proposed revitalization costs for viability.* In order for a development to satisfy the long-term viability test, the proposed revitalization costs for viability must be reasonable. The proposed rule provided that the revitalization cost estimate contained in the PHA's most recent comprehensive plan for modernization should be used for this purpose. However, since HUD no longer requires comprehensive plans for modernization, this final rule provides that a PHA shall use the revitalization cost estimate contained in the PHA's most recent Annual Plan or 5-Year Plan, unless the PHA demonstrates, or HUD determines, that another cost estimate is clearly more realistic to ensure viability and to sustain the operating costs.

C. Changes Regarding Conversion Plan Requirements

1. *Relocation Plan.* The final rule provides that the relocation-related requirements of a conversion plan must be contained in a relocation plan, which must include a budget for carrying out relocation activities.

2. *Schedule for the provision of moving expenses.* The final rule clarifies that any required conversion plan must

also include a schedule for providing actual and reasonable relocation expenses, as determined by the PHA, to families displaced by the conversion.

3. *URA notices of displacement.* For purposes of clarity, HUD has revised the rule to more closely conform to the notice requirements of the URA and the implementing regulations at 49 CFR part 24. As required by 49 CFR 24.203, if a required conversion is subject to the URA, PHAs must provide families scheduled to be displaced with a General Information Notice, a Notice of Relocation Eligibility or Notice of Non-displacement (as applicable), and a 90-day advance notice of the earliest date by which a resident may be required to move.

The General Information Notice provides families subject to displacement with certain information regarding their rights under URA. Under the URA regulation at 49 CFR 24.203, persons subject to displacement must be provided with the General Information Notice "as soon as feasible." Accordingly, this final rule requires that the PHA provide families with the General Information Notice no later than the date the conversion plan is submitted to HUD.

The Notice of Relocation Eligibility advises families subject to displacement that they are eligible for relocation assistance as of a certain date that agencies are free to define (called the "date of initiation of negotiations" in the URA regulations). This final rule provides that, for purposes of required conversions, the "date of initiation of negotiations" shall be the date that HUD approves the conversion plan.

HUD Handbook 1378.0, "Tenant Assistance, Relocation and Real Property Acquisition" (issued on March 28, 1996), provides additional details and helpful information regarding the basic statutory and regulatory requirements that must be followed by an agency that carries out real property acquisition or the displacement of a person for a project or program for which HUD financial assistance is provided, including the notice requirements discussed above. Interested persons may download a copy of Handbook 1378.0 through HUD's Client Information and Policy System (HUDCLIPS) Web page at <http://www.hudclips.org>.

4. *Provision of voucher assistance used for relocation.* The final rule provides that, where Section 8 voucher assistance is being used for relocation, the vouchers must be provided to the family at least 90 days before conversion.

5. *Comparable housing in the form of tenant-based assistance.* The final rule revises the "comparable housing" requirements of the proposed rule to more closely track the statutory language of section 33 of the 1937 Act. Specifically, the final rule provides that families displaced as a result of conversion be offered comparable housing, which may include tenant-based or project-based assistance, or occupancy in a unit operated or assisted by the PHA. Further, if tenant-based assistance is used, the comparable housing requirement is fulfilled only upon relocation of the family into such housing.

6. *Mobility counseling.* For purposes of clarity, this final rule specifies that the required PHA counseling to displaced families must include appropriate mobility counseling. The PHA may finance the mobility counseling using Operating Fund, Capital Fund, or Section 8 administrative fee funding.

7. *Certification of consistency with Consolidated Plan.* The final rule clarifies that if a PHA elects to satisfy the consultation requirements by certifying that its conversion plan is consistent with the Consolidated Plan, this certification may be the same certification as is required for the PHA Annual Plan that includes the conversion plan, so long as the certification specifically addresses the conversion plan.

8. *Clarification of consultation requirements.* The final rule clarifies that the PHA must hold at least one meeting with the residents of the affected sites. The language of the proposed rule would have required one meeting between the PHA and residents, but was silent regarding the possibility of the PHA sponsoring additional meetings. This final rule also clarifies that the PHA must meet to discuss the required conversion with any duly elected resident council that covers the development in question.

9. *Incorporation of conversion plan in PHA Plan.* As provided in the July 23, 1999, proposed rule, this final rule requires that a PHA must submit any required conversion plan as part of the PHA's Annual Plan. Since the cost methodology necessary to conduct the required cost comparisons has not yet been finalized, this final rule provides that this requirement will not become effective until PHA fiscal years commencing six months after the effective date of the cost methodology. A proposed cost methodology was contained in HUD's July 23, 1999, proposed rule on voluntary conversions (although the methodology also applies