

proposed rule being published today. However, because final methodology may differ from what is contained in the proposed rule, PHAs should not assume that the proposed cost test will be final with respect to possible required or voluntary conversions.

IV. This Final Rule

This final rule furthers HUD's implementation of the voluntary conversion program authorized by amended section 22 of the 1937 Act. The final rule follows publication of the July 23, 1999, proposed rule and takes into consideration the public comments received on the proposed rule.

The major differences between this final rule and the July 23, 1999, proposed rule are described below.

A. General Changes

1. *Initial assessment requirements not addressed in this final rule.* As noted above in section II of this preamble, this final rule does not address the initial assessment requirements contained in the July 23, 1999, proposed rule. These requirements were the subject of a separate June 22, 2001, HUD final rule. Interested readers should refer to that final rule for a detailed discussion of the streamlined initial assessment requirements, and HUD's responses to the public comments received on the initial assessment procedures contained in the proposed rule. For the convenience of readers, the regulatory text of this final rule repeats the initial assessment requirements established by the June 22, 2001, final rule, but does not modify these requirements.

2. *Cost methodology subject of separate HUD rulemaking.* As noted above in section III of this preamble, this final rule does not address the cost methodology that PHAs must use to compare the cost of public housing with the provision of tenant-based assistance. HUD has decided to significantly revise the cost methodology contained in the July 23, 1999, proposed rule. HUD has, therefore, issued a new proposed rule published elsewhere in today's **Federal Register**, which provides the public with an additional opportunity to comment on the methodology that will be used for the required cost comparisons. PHAs may not undertake the cost test necessary for conversions until HUD's publication of the final rule establishing the cost methodology.

3. *Reorganization of voluntary conversion requirements.* For purposes of clarity, this final rule reorganizes several of the regulatory provisions contained in the proposed rule. For example, the final rule now groups all regulatory provisions concerning similar

subject matter (such as the voluntary conversion process or conversion plans) under undesignated headings that identify the subject of the related requirements. In addition, the final rule replaces the question and answer format used in the proposed rule with standard section headings that identify the subject of the regulatory provisions.

4. *Applicability of the Uniform Relocation Act.* This final rule adds a new § 972.215, which affirms that, to the extent that tenants are displaced as a direct result of the demolition, acquisition, or rehabilitation of federally-assisted property converted pursuant to this final rule, the requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. 4601) (URA), and the implementing regulations issued by the Department of Transportation at 49 CFR part 24, apply.

B. Changes Regarding Conversion Assessment Requirements

1. *Payment standard use for analysis of rental market conditions.* This final rule continues to require that a PHA conduct an analysis of rental market conditions as part of a conversion assessment required for approval of voluntary conversion. This analysis must include an assessment of the availability of decent and safe dwelling units rented at or below the payment standard established for Section 8 tenant-based assistance. This final rule clarifies that the payment standard used for this determination is the applicable section 8 payment standard for the jurisdiction or designated part of the FMR area in which the development is located.

2. *Tenant-based success rates.* This final rule continues to require that, as part of the analysis of rental market conditions, the PHA consider the success rate of using Section 8 tenant-based assistance in the community for the appropriate bedroom size. The final rule, however, clarifies that this determination includes recent success rates for units renting at or below the established payment standard.

3. *Characteristics that may affect a family's ability to be housed.* This final rule continues to provide that, as part of the required analysis of rental market conditions, a PHA must consider any particular characteristics of the specific residents of the public housing that may affect their ability to be housed. For purposes of clarity, the regulatory text has been revised to provide two examples of such characteristics—large household size and the presence of an elderly or disabled family member.

These examples are meant to illustrate the types of characteristics that a PHA should consider in making this determination. The examples do not preclude a PHA from considering other characteristics that may impact a family's ability to locate housing.

4. *Consideration of other substantial impacts.* This final rule clarifies that, in addition to the identified potential impacts of conversion, the required impact analysis must also assess "any other substantial impacts on the neighborhood."

5. *Additional guidance on what it means to "principally benefit" residents, the PHA, and the community.* This final rule clarifies that in determining whether conversion will principally benefit public housing residents, the PHA, and the community, the PHA must consider such factors as the availability of landlords providing section 8 tenant-based assistance, as well as access to schools, jobs, and transportation. Further, the final rule provides that, in determining whether a conversion will principally benefit residents, the PHA, and the community, HUD will consider whether the conversion will conflict with any litigation settlement agreements, voluntary compliance agreements, or other remedial agreements signed by the PHA with HUD.

6. *Resident participation in development of conversion assessments.* This final rule expands the resident participation process for developing a conversion assessment. The conversion assessment consultation process established by this final rule is similar to the consultation process for conversion plans. Specifically, the final rule requires a PHA to hold at least one public meeting with residents of the affected site (including the duly elected Resident Council, if any, that covers the development in question). At the meeting, the PHA must explain the voluntary conversion requirements (especially as they apply to residents of affected developments), and provide draft copies of the conversion assessment to the residents. The PHA must also provide the residents with a reasonable period of time to submit comments on the draft conversion assessment. The conversion assessment submitted to HUD must contain a summary of the resident comments, as well as the PHA responses to any significant issues raised by the commenters. (This process may be combined with the process for submitting a conversion plan if the PHA will submit the assessment and plan to HUD together, but otherwise must be