

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**24 CFR Part 972****[Docket No. FR-4718-P-01]****RIN 2577-AC33****Conversion of Developments From Public Housing Stock; Methodology for Comparing Costs of Public Housing and Tenant-Based Assistance****AGENCY:** Office of the Assistant Secretary for Public and Indian Housing, HUD.**ACTION:** Proposed rule.

SUMMARY: This proposed rule would establish the cost methodology that Public Housing Agencies (PHAs) must use under HUD's programs for the required and voluntary conversion of public housing developments to tenant-based assistance. Both programs require that PHAs, before undertaking any conversion activity, compare the cost of providing tenant-based assistance with the cost of continuing to operate the development as public housing. The cost methodology was originally contained in HUD's July 23, 1999, proposed rule on voluntary conversions (although the methodology also applies to required conversions). HUD has decided to significantly revise the proposed methodology, based both on public comments received on the proposed rule and upon further consideration of the cost factors that should be assessed by PHAs in making conversion determinations. Accordingly, HUD is issuing this new proposed rule, which will provide the public with an additional opportunity to comment on the methodology that will be used for the required cost comparisons.

DATES: *Comments Due Date:* November 17, 2003.

ADDRESSES: Interested persons are invited to submit comments regarding this proposed rule to the Regulations Division, Office of General Counsel, Room 10276, Department of Housing and Urban Development, 451 Seventh Street, SW, Washington, DC 20410-0500. Communications should refer to the above docket number and title. Facsimile (FAX) comments are not acceptable. A copy of each communication submitted will be available for public inspection and copying between 7:30 a.m. and 5:30 p.m. weekdays at the above address.

FOR FURTHER INFORMATION CONTACT: Bessy Kong, Acting Deputy Assistant Secretary for Policy, Program, and

Legislative Initiatives, Department of Housing and Urban Development, Office of Public and Indian Housing, 451 Seventh Street, SW., Room 4116, Washington, DC 20410-5000; telephone (202) 708-0713 (this is not a toll-free telephone number). Persons with hearing or speech impairments may access this number via TTY by calling the toll-free Federal Information Relay Service at 1-800-877-8339.

SUPPLEMENTARY INFORMATION:**I. Background—HUD's Rules on Required and Voluntary Conversion of Public Housing to Tenant-Based Assistance**

On July 23, 1999, HUD published for public comment two proposed rules to implement the required and voluntary conversion programs authorized by the Quality Housing and Work Responsibility Act of 1998 (Title V of the Fiscal Year 1999 HUD Appropriations Act; Pub. L. 105-276, approved October 21, 1998) (QHWRA) (see 64 FR 40232 for HUD's proposed rule on required conversion; 64 FR 40240 for the proposed rule on voluntary conversion).

The required conversion program is authorized under section 537 of QHWRA, which added a new section 33 to the United States Housing Act of 1937 (42 U.S.C. 1437 *et seq.*) (1937 Act). Section 33 requires Public Housing Agencies (PHAs) to annually review their public housing inventory and identify distressed developments that must be removed from the public housing inventory. If it would be more expensive to modernize and operate a distressed development for its remaining useful life than to provide tenant-based assistance to all residents, or the PHA cannot assure the long-term viability of a distressed development, then it must develop and carry out a plan to remove the development from its public housing inventory, and convert it to tenant-based assistance.

The voluntary conversion program is authorized under section 533 of QHWRA, which amended section 22 of the 1937 Act. As amended, section 22 authorizes PHAs to voluntarily convert a development to tenant-based assistance by removing the development or a portion of a development from its public housing inventory and providing for relocation of the residents or provision of tenant-based assistance to them. This action is permitted only when that change would be cost effective, principally benefits residents of the development and the surrounding area, and not have an adverse impact on the availability of affordable housing.

HUD's final rules on required and voluntary conversions are published elsewhere in today's **Federal Register**. The regulations for the conversion programs will be located in a new 24 CFR part 972 (entitled "Conversion of Public Housing to Tenant-Based Assistance"). The regulations for required conversions will be located in subpart A of new part 972. The voluntary conversion regulations will be codified in subpart B of part 972. Interested readers should consult those final rules for additional information regarding required and voluntary conversion of public housing stock to tenant-based assistance.

II. This Proposed Rule—Cost Methodology for Conversions

This proposed rule would establish the cost methodology that PHAs must use for the required and voluntary conversion of public housing developments to tenant-based assistance. Both conversion programs require that PHAs, before undertaking any conversion activity, compare the cost of providing tenant-based assistance with the cost of continuing to operate the development as public housing. The methodology would be codified as an appendix to new 24 CFR part 972.

The cost methodology was originally contained in HUD's July 23, 1999, proposed rule on voluntary conversions (although the methodology also applies to required conversions). However, HUD has decided to significantly revise the proposed methodology, based both on public comments received on the proposed rule and upon further consideration of the cost factors that should be assessed by PHAs in making conversion determinations. Accordingly, HUD is issuing this new proposed rule, which will provide the public with an additional opportunity to comment on the methodology that will be used for the required cost comparisons. HUD plans to publish this rule as final prior to the effective date for the required and voluntary conversion rules, published in final elsewhere in this **Federal Register**.

III. Significant Changes to Proposed Cost Methodology

The most significant differences between the cost methodology contained in the July 23, 1999, proposed rule on voluntary conversions and this proposed rule are as follows:

1. *Use of OMB Circular A-94.* This proposed rule provides for use of OMB Circular A-94 (Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs) in performing the