

Management and Budget (OMB) for review, as required by the Paperwork Reduction Act. The Department is soliciting public comments on the subject proposal.

The Interstate Land Sales Full Disclosure Act, 15 U.S.C. 1701, *et seq.*, requires developers to register subdivisions of 100 or more non-exempt lots with HUD. The developer must give each purchaser a property report that meets HUD's requirements before the purchaser signs the sales contract or agreement for sale or lease.

**DATES:** *Comments Due Date:* June 20, 2005.

**ADDRESSES:** Interested persons are invited to submit comments regarding this proposal. Comments should refer to the proposal by name and/or OMB approval Number (2502-0243) and should be sent to: HUD Desk Officer, Office of Management and Budget, New Executive Office Building, Washington, DC 20503; fax: 202-395-6974.

**FOR FURTHER INFORMATION CONTACT:** Wayne Eddins, Reports Management Officer, AYO, Department of Housing

and Urban Development, 451 Seventh Street, SW., Washington, DC 20410; e-mail [Wayne\\_Eddins@HUD.gov](mailto:Wayne_Eddins@HUD.gov); or Lillian Deitzer at [Lillian\\_L\\_Deitzer@HUD.gov](mailto:Lillian_L_Deitzer@HUD.gov) or telephone (202) 708-2374. This is not a toll-free number. Copies of available documents submitted to OMB may be obtained from Mr. Eddins or Ms. Deitzer or from HUD's Web site at <http://hlannwp031.hud.gov/po/i/icbts/collectionsearch.cfm>.

**SUPPLEMENTARY INFORMATION:** This notice informs the public that the Department of Housing and Urban Development has submitted to OMB a request for approval of the information collection described below. This notice is soliciting comments from members of the public and affecting agencies concerning the proposed collection of information to: (1) Evaluate whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility; (2) Evaluate the accuracy of the agency's estimate of the burden of the proposed collection of

information; (3) Enhance the quality, utility, and clarity of the information to be collected; and (4) Minimize the burden of the collection of information on those who are to respond; including through the use of appropriate automated collection techniques or other forms of information technology, *e.g.*, permitting electronic submission of responses.

This notice also lists the following information:

*Title Of Proposal:* Interstate Land Sales Full Disclosure Requirements.

*OMB Approval Number:* 2502-0243.

*Form Numbers:* None.

*Description Of The Need For The Information And Its Proposed Use:*

The Interstate Land Sales Full Disclosure Act, 15 U.S.C. 1701, *et seq.*, requires developers to register subdivisions of 100 or more non-exempt lots with HUD. The developer must give each purchaser a property report that meets HUD's requirements before the purchaser signs the sales contract or agreement for sale or lease.

*Frequency Of Submission:* On occasion, Annually.

	Number of respondents	Annual responses	×	Hours per response	=	Burden hours
Reporting Burden .....	1,104	23.99		0.935		24,776

*Total Estimated Burden Hours:* 24,776.

*Status:* Extension of a currently approved collection.

**Authority:** Section 3507 of the Paperwork Reduction Act of 1995, 44 U.S.C. 35, as amended.

Dated: May 13, 2005.

**Wayne Eddins,**

*Departmental Paperwork Reduction Act Officer, Office of the Chief Information Officer.*

[FR Doc. E5-2524 Filed 5-19-05; 8:45 am]

**BILLING CODE 4210-27-P**

## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-4890-N-02]

### America's Affordable Communities Initiative HUD's Initiative on Removal of Regulatory Barriers: Identification of HUD Regulations That Present Barriers to Affordable Housing

**AGENCY:** Office of General Counsel, HUD.

**ACTION:** Notice.

**SUMMARY:** On November 25, 2003, HUD published a **Federal Register** notice

seeking comments from HUD's program partners and participants, as well as other interested members of the public, on HUD regulations that address the production and rehabilitation of affordable housing and that present or appear to present barriers to the production and rehabilitation of affordable housing. The November 25, 2003, notice seeking public comment on regulatory barriers is one of several efforts being undertaken as part of America's Affordable Communities Initiative, a HUD initiative that focuses on removing regulatory barriers that impede the production or rehabilitation of affordable housing. This notice responds to the public comments that were submitted in response to the November 25, 2003, notice, and advises of actions taken by HUD since November 2003 to remove HUD regulatory barriers to affordable housing or increase flexibility in program administration of those HUD programs that address affordable housing.

**FOR FURTHER INFORMATION CONTACT:** Camille E. Acevedo, Associate General Counsel for Legislation and Regulations, Office of General Counsel, Room 10282, Department of Housing and Urban Development, 451 Seventh Street, SW.,

Washington, DC 20410-0500, telephone (202) 708-1793 (this is not a toll-free number). Persons with hearing or speech impairments may access this number through TTY by calling the toll-free Federal Information Relay Service at (800) 877-8339.

## SUPPLEMENTARY INFORMATION:

### I. Background

In June 2003, HUD announced America's Affordable Communities Initiative (the Initiative). This departmentwide initiative is devoted to harnessing existing HUD resources to develop tools to measure and ultimately mitigate the harmful effects of excessive barriers to affordable housing, at all levels of government. The Initiative has its roots in the Department's renewed emphasis to increase the stock of affordable housing to meet America's growing housing needs. Another element of that renewed emphasis was the creation, in 2001, of the Regulatory Barriers Clearinghouse, a central, web-based repository of successful affordable housing endeavors. The Regulatory Barriers Clearinghouse offers state and local governments, nonprofits, builders, and developers alike the opportunity to not only share ideas, but also share

solutions to overcome state and local regulatory barriers to affordable housing. The Regulatory Barriers Clearinghouse, like the Initiative, presents a public forum to facilitate the identification of barriers to affordable housing and solutions to their removal. The Regulatory Barriers Clearinghouse can be found at <http://www.regbarriers.org>.

One of the primary tasks of the Initiative is to examine federal, state, and local regulatory barriers to affordable housing and determine the feasibility of removing these barriers or, at a minimum, reducing the burden created by the barriers. HUD, as the federal agency charged with promoting and facilitating the production and rehabilitation of affordable housing, commenced a review of its own regulations. HUD's review involves identifying HUD regulations that may adversely impact the production and rehabilitation of affordable housing, and therefore constitute unnecessary, excessive, cumbersome, or duplicative departmental regulatory requirements. HUD's review is targeting those regulations that raise costs substantially or significantly impede the development or rehabilitation of America's affordable housing stock.

## II. Inviting the Public To Identify HUD Regulatory Barriers

In reviewing its own regulations, HUD sought the assistance of its current and former program participants and partners, which include state and local governments, public housing agencies, state finance agencies, nonprofit and for-profit organizations, and also the general public. This assistance was sought through the notice published on November 25, 2003 (68 FR 66294).

In response to this notice, HUD received 33 public comments. The commenters included units of state and local governments, organizations representative of various private industries involved in housing or HUD programs, as well as nonprofit organizations. The comments covered a broad range of HUD programs. HUD has reviewed all the comments responding to the November 25, 2003, notice and in this notice responds to the recommendations and issues raised by the commenters concerning reduction of HUD regulatory barriers. Several of the commenters responding to the November 25, 2003, notice raised issues about HUD regulations that do not pertain to the production or rehabilitation of affordable housing. Although the issues raised by these comments were not the focus of the November 25, 2003, notice, HUD has

attempted to respond to these issues in this notice.

## III. Regulatory Reform Already Underway at HUD

Under Secretary Alphonso Jackson, the charge of the Department to meet the strategic goals of increasing homeownership and promoting decent affordable housing has been reinforced. The Secretary recognizes that HUD's and the Administration's proposals to increase the availability of affordable rental and homeownership housing, such as the American Dream Downpayment Initiative implemented in 2004, will not gain significant ground if at the same time HUD is issuing regulations that present barriers to affordable housing. The charge of the Initiative, indeed the entire Department, is to identify barriers to affordable housing and remove the barriers if possible or reduce the burden to the extent feasible.

### *Rulemaking Directed at Removing and Reducing Barriers*

Since publication of the November 25, 2003, notice HUD has issued, or will soon be issuing, several rules directed to promoting the availability of affordable housing or removing or reducing regulatory burdens to affordable housing, as reflected by the following examples (listed in chronological order).

On March 10, 2004, HUD published a final rule (69 FR 11500) that made available a new adjustable rate mortgage (ARM) product for HUD-insured single family housing that can be better tailored to the needs of borrowers. This rule provides for seven- and ten-year ARMs adjustable annually by up to two percentage points, and for one-, three-, and five-year ARMs adjustable annually by up to one percentage point.

HUD issued its regulations to implement the American Dream Downpayment Initiative (ADDI) on March 30, 2004 (69 FR 16758). Under ADDI, HUD makes formula grants to participating jurisdictions under the HOME Investment Partnerships Program (HOME program) for the purpose of assisting low-income families achieve homeownership.

By notice issued on November 8, 2004 (69 FR 64826), HUD further simplified the annual plan that must be submitted by public housing agencies (PHAs) in accordance with the U.S. Housing Act of 1937 (see 42 U.S.C. 1437c-1) and HUD's implementing regulations in 24 CFR part 903. The annual plan is the mechanism by which PHAs advise HUD, its residents and members of the public of its strategy, among other things, of serving low-income and very

low-income families. The November 2004 notice streamlined the requirements for high-performing PHAs.

HUD published an interim rule on November 22, 2004 (69 FR 68050) that amends its HOME program regulations to give participating jurisdictions the flexibility to invest additional HOME funds to preserve homebuyer housing for which HOME funds have already been expended.

HUD published its final rule on the Federal Housing Administration (FHA) TOTAL Mortgage Scorecard on November 26, 2004 (69 FR 68784). This final rule adopted a November 21, 2003, interim rule (68 FR 65824), which launched the use of the TOTAL Mortgage Scorecard. The FHA TOTAL Mortgage Scorecard is an empirically-derived, statistically proven mortgage scorecard for installation in various automated underwriting systems. By using automated underwriting systems that employ the TOTAL (Technology Open to Approved Lenders) mortgage scorecard, lenders are able to dramatically reduce the paperwork associated with underwriting FHA insured mortgages, and reduce underwriting staff costs as well. In addition, some borrowers, previously thought to represent too great of an insurance risk to subjective underwriting requirements, may now have their mortgages approved by an objective electronic system.

HUD is working with the Manufactured Housing Consensus Committee (MHCC) to review and propose changes to HUD's manufactured housing safety standards and regulations. The first proposed rule resulting from this collaborative work was issued on December 1, 2004 (69 FR 70016). This December 1, 2004, proposed rule recommends changes to the following manufactured housing standards: Whole-house ventilation, firestopping, body and frame requirements, thermal protection, plumbing systems, and electrical, heating, cooling and fuel burning systems.

On December 15, 2004 (69 FR 75204), HUD issued regulations that provide for a reduced mortgage insurance premium for its Home Equity Conversion Mortgage (HECM) program. HUD's HECM program enables homeowners 62 years or age or older who have paid off their mortgages or have small mortgage balances to stay in their homes while using some of their equity as income.

HUD issued a rule on December 23, 2004 (69 FR 77114), that provided two additional exceptions to the time resale restrictions in HUD's "Prohibition on Property Flipping" regulations

promulgated on May 1, 2003 (69 FR 77114). The December 23, 2004, rule allows two additional categories of properties to be more quickly marketed and sold, thereby removing a regulatory barrier to affordable housing.

On December 30, 2004 (69 FR 78830), HUD issued a proposed rule for public comment to clarify and streamline the consolidated plan, the planning document that states and local jurisdictions receiving funding under HUD's community planning and development formula grant programs must submit to HUD. The consolidated plan serves as the jurisdiction's planning document for the use of the funds received under these programs. Consistent with efforts of the Initiative, the proposed rule would require each jurisdiction to describe specific actions it plans to take during the year addressed by the plan to address public policies and procedures that impact the cost of developing, maintaining, or improving affordable housing.

HUD issued an interim rule on March 29, 2005 (70 FR 16080) that makes available a new ARM product. The rule enables FHA to insure five-year hybrid ARMs with interest rates adjustable up to two percentage points annually. This type of mortgage is known as a 5/1 ARM. The lifetime cap on annual interest rate adjustments for five-year ARMs is set at six percentage points.

On April 26, 2005 (70 FR 21498), HUD issued its second proposed rule developed in consultation with the MHCC. This proposed rule addresses model manufactured home installation standards.

These are a few of the rules issued by HUD that reflect its efforts to remove barriers to affordable housing and increase flexibility in program administration of those HUD programs that address affordable housing. In addition to rules already issued, HUD expects to soon finalize its rule on Mixed-Finance Development for Supportive Housing for the Elderly or Persons with Disabilities, for which an interim rule was published on December 1, 2003. The interim rule enables the use of mixed-finance and for-profit participation in HUD's Section 202 Supportive Housing programs for the elderly and HUD's Section 811 Supportive Housing program for persons with disabilities. The use of a mixed-finance development in these programs allows for leveraging the capital and expertise of the private developer to create attractive and affordable supportive housing developments for the elderly and persons with disabilities.

In addition to the issuance of rules, HUD also has reduced certain barriers through notices related to regulatory policies. For example, in late 2002, the FHA Commissioner issued a mortgagee letter that announced an alternative to existing HUD requirements where state and local statutes differ from FHA guidelines with respect to the distance between domestic wells and septic drain tanks. The mortgagee letter reduces regulatory burden by allowing less onerous state and local standards to prevail over more burdensome HUD requirements.

In early 2003, FHA issued a mortgagee letter that eliminated policies and procedures for approving planned unit developments (PUDs). Based on FHA's experience with PUDs and the role that state and local officials play in the development of PUD projects, HUD abolished its requirement for a detailed examination of the legal and budget documents associated with PUDs. The elimination of this requirement reduces costs to lenders and developers, and possible delays to the mortgage closing.

In June 2004, FHA issued a mortgagee letter announcing that FHA would no longer issue, and lenders need no longer keep copies of, paper mortgage insurance certificates. By relying on FHA's electronic records and data submission systems, the mortgage letter significantly reduced the paperwork and custodial requirements of issuing and maintaining this document, as well as the related costs incurred by lenders.

#### *Internal Rulemaking Procedures*

HUD's internal rulemaking procedures continue to include, as part of the development of new rules, a review to ensure that new regulations do not present new barriers to affordable housing. This procedure was put in place at the commencement of the Initiative and continues as part of HUD's regular internal rulemaking procedures.

#### *New Regulatory Review*

As part of its continuing review of its existing regulations, in 2005, the Initiative has targeted for enhanced review and assessment HUD's regulations governing financing of condominiums, minimum property standards, and its environmental regulations.

#### *Legislation Directed at Removing or Reducing Barriers*

Rulemaking activity is one avenue by which HUD strives to address barriers to affordable housing. Legislation provides another avenue. The President's Fiscal Year (FY) 2006 Budget presented to

Congress on February 7, 2005, includes several legislative proposals directed to removing barriers to affordable housing. The FHA Zero Downpayment and Payment Incentives legislative proposals would remove two larger barriers to homeownership—the downpayment and impaired credit. The Zero Downpayment legislative proposal allows first-time buyers with a strong credit record to finance 100 percent of the home purchase price and closing costs. For borrowers with limited or weak credit histories, the Payment Incentives legislative proposal provides for an initial charge of a higher insurance premium and then reduces the premium after a period of on-time payments. These two legislative proposals, if enacted, would assist more than 250,000 families achieve homeownership. (See page 170 of the FY2006 Budget of the U.S. Government, available at <http://www.whitehouse.gov/omb/budget/fy2006/budget.html>.)

The Single Family Homeownership Tax Credit legislative proposal in the President's FY2006 budget proposes a new homeownership tax credit that will increase the supply of single family affordable homes by up to an additional 50,000 homes annually. Under this proposal, builders of affordable homes for middle-income purchasers will receive a tax credit. State housing finance agencies will award tax credits to single family developments located in a census tract with median income equal to 80 percent or less of area median income and will be limited to homebuyers in the same income range. The credits may not exceed 50 percent of the cost of constructing a new home or rehabilitating an existing property. Each state would have a homeownership credit ceiling adjusted for inflation each year and equal to the greater of \$1.75 times the state population or \$2 million. (See page 170 of the FY2006 Budget of the U.S. Government, available at <http://www.whitehouse.gov/omb/budget/fy2006/budget.html>.)

The prior year's budget, the President's FY2005 Budget announced a HUD legislative proposal that is designed to provide flexibility in administering HUD's Housing Choice Voucher program. (The FY2005 Budget of the U.S. Government can be found at <http://www.gpoaccess.gov/usbudget/fy05/browse.html>.) The Housing Choice Voucher program provides two million low-income families with help to afford a decent place to live. These families contribute 30 percent of their income towards their rent and the government pays the rest. In the past, funds have been appropriated for a specific number

of units each year. These funds were given to PHAs based on the number of vouchers they were awarded. Over the years, HUD and Congress have expressed concern with this program because voucher costs have increased at a rate of more than double the average increase in the private rental market for the past two years. The Administration's proposal is to simplify this program and give more flexibility to PHAs to administer the program to better address local needs. On April 13, 2005, Senator Wayne Allard of Colorado introduced legislation, the State and Local Housing Flexibility Act of 2005 (S.771) that is similar to the Administration's legislative proposal.

#### *Recognizing Successful Efforts at the State and Local Level in Reducing Barriers*

With respect to HUD's funding opportunities, HUD continues to place a premium on funding local communities and organizations that are working toward removing excessive and burdensome regulations that restrict the development of affordable housing at the local level. As HUD provided in FY2004, HUD will continue to award priority points to certain applicants in communities that can demonstrate successful efforts to reduce regulatory barriers that prevent many families from living in the communities where they work. More information about the priority points for reducing regulatory barriers can be found in the **Federal Register** notices published on November 25, 2003 (68 FR 66288), March 22, 2004 (69 FR 13450), April 21, 2005 (69 FR 21664), and also in HUD's FY2004 Super Notice of Funding Availability (NOFA), published on May 14, 2004 (69 FR 26942) and HUD's FY2005 SuperNOFA, published on March 21, 2005 (70 FR 13576).

HUD also seeks to recognize the successful efforts of state and local governments in reducing regulatory barriers to affordable housing through an awards program. On November 17, 2004, Secretary Jackson announced the Affordable Communities Awards program, a new national awards program designed to recognize local governments for reducing regulatory barriers to affordable housing. Interested individuals or groups were invited to nominate either a state or local government that demonstrated extraordinary achievements in eliminating regulatory barriers to housing affordability. State and local governments were also invited to nominate themselves or other local units of government for awards. Submissions will be evaluated and

selected by a diverse group of senior-level HUD staff who comprise the Initiative Team. HUD intends to recognize local governments for their outstanding work to encourage the production of homes affordable to working families. HUD expects to announce the award winners in June 2005. Secretary Jackson recently announced that the Affordable Communities Awards would be named the Robert L. Woodson, Jr. Award, in memory of HUD's former chief of staff.

#### *Reducing Regulatory Barriers Through Information Sharing and Education*

HUD's efforts to reduce regulatory barriers also include information sharing and education. HUD's Regulatory Barriers Clearinghouse (<http://www.regbarriers.org>), a national web-based forum established in 2001 gives state and local governments the ability to share ideas and develop solutions to address unique housing challenges. This website is a primary vehicle for information sharing on reducing regulatory barriers. In July 2004, Secretary Jackson hosted an affordable housing roundtable at HUD Headquarters entitled "Affordable Housing: Confronting Regulatory Barriers Together." The panel that led the discussion of regulatory barriers facing the nation included representatives from nonprofit organizations, industry groups, and government associations from across the country. In February 2005, Secretary Jackson released a major report on affordable housing in America entitled "Why Not in Our Community?" This report constitutes HUD's first substantive examination of the impact of regulatory barriers on affordable housing since the Department's report in 1991 entitled "Not in My Backyard." Like the 1991 report, the 2005 report found that outdated, exclusionary, and unnecessary regulations continue to block the construction or rehabilitation of affordable housing in some parts of America. The 2005 report, however, also found that many communities are actively removing these barriers and promoting the production of housing that was formerly beyond the reach of many working families.

The activities described above constitute a few of the efforts that HUD has taken, through the Initiative, to reduce regulatory barriers to affordable housing. More details about these activities can be found at HUD's Web site at <http://www.hud.gov/initiatives/affordablecom.cfm>.

#### **IV. Discussion of Public Comments**

This section provides response to the public comments received in response to the November 25, 2003, notice. The discussion of public comments is organized in accordance with HUD program area jurisdiction. As will be evident in the discussion that follows, many HUD regulations reflect statutory requirements and therefore HUD has no authority to change these regulations as requested by commenters. Other HUD regulations reflect statutory requirements under which HUD was authorized to exercise discretion, but only within the parameters set by the statute, and therefore, HUD is also unable to revise these regulations through rulemaking. However, in several cases where a specific statute may pose a barrier to affordable housing, the discussion notes that the issue of legislative relief will be taken under advisement.

As noted earlier in this notice, several commenters raised issues about regulations that do not pertain to the production or rehabilitation of affordable housing. HUD recognizes that while certain of its regulations may not directly address the production or rehabilitation of affordable housing, they may nevertheless relate in some way to HUD programs directed to promoting affordable housing or increasing homeownership, and may be found to be administratively burdensome. HUD has included those comments in this notice and has strived to be responsive to the commenters' questions or concerns about such regulations. Other commenters raised questions about activities or procedures, beneficial to the production or rehabilitation of affordable housing, which appeared prohibited or restricted by HUD regulations but, in fact, were not prohibited or restricted. While HUD was pleased to be able to respond positively to the commenters' concerns, the fact that there was ambiguity about a HUD regulation is equally important information to HUD. HUD will review these regulations to determine if they should be revised for clarity or user friendliness.

As highlighted in Section III of this notice, HUD has published rules or proposed legislation to address existing regulatory barriers in response to public comments and its own review of regulations. Finally, some comments addressed governmentwide regulations for which HUD does not have jurisdictional responsibility, such as regulations under the National Historic Preservation Act, the Davis-Bacon Act, or the Uniform Relocation Assistance

and Real Property Acquisition Policies Act. Since HUD is not the lead agency for these authorities, HUD did not include a discussion of comments pertaining to these statutes in this notice.

#### *A. Office of Community Planning and Development (CPD)*

##### 1. Community Development Block Grant (CDBG) Program

*Comment.* One commenter requested that HUD make direct homeownership assistance, such as subsidizing principal and interest rates, a permanent eligible activity under the CDBG program.

*Response.* HUD is pleased to advise that direct homeownership assistance, such as subsidizing principal and interest rates, is a permanent eligible activity under the CDBG program. HUD's regulations at 24 CFR 570.201(n) provide that CDBG funds may be used to provide direct homeownership assistance to low or moderate-income households in accordance with section 105(a) of the Housing and Community Development Act of 1974 (42 U.S.C. 5305(a)). Direct homeownership assistance was made a permanent eligibility category in the CDBG program by the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Pub. L. 104-136), which was enacted April 26, 1996. Direct homeownership assistance may be used to: (1) Subsidize interest rates and mortgage principal amounts for low- and moderate-income homebuyers; (2) finance the acquisition by low- and moderate-income homebuyers of housing that is occupied by the homebuyers; (3) acquire guarantees for mortgage financing obtained by low- and moderate-income homebuyers from private lenders (except that amounts received may not be used to directly guarantee such mortgage financing and grantees may not directly provide such guarantees); (4) provide up to 50 percent of any downpayment required from low- or moderate-income homebuyers; or (5) pay reasonable closing costs (normally associated with the purchase of a home) incurred by low- or moderate-income homebuyers.

*Comment.* One commenter stated that CDBG funds should be allowed to be used for emergency repairs and operating assistance in buildings where a court has seized control and appointed an administrator (for example, as in New York City's 7A Program). The commenter further wrote that, where tax foreclosure has not occurred, HUD should urge Congress to amend section 105(a) of the Housing and Community Development Act (42 U.S.C. 5305(a)), to

authorize use of CDBG funding for "activities necessary to make essential repairs and payment of operating expenses needed to maintain the habitability of housing units under the supervision of a court in order to prevent abandonment and deterioration of such housing in primarily low- and moderate-income neighborhoods."

*Response.* CDBG regulations currently allow the use of CDBG funds to make emergency repairs in privately owned buildings, as long as a national objective can be met. The fact that a privately owned building may be under the control of a court-appointed administrator would not change its eligibility for rehabilitation assistance. A statutory change would be required, however, to allow CDBG funds to be used to pay the operating costs of such buildings. To date, HUD has not pursued a legislative approach because HUD remains concerned that broadening eligibility in this way may draw funds away from other eligible activities.

##### 2. Home Program

*Comment.* One commenter recommended delegating subsidy-layering reviews to state allocating agencies for Low-Income Housing Tax Credit (LIHTC) properties that are HOME-assisted. Subsidy layering reviews are required by 24 CFR 92.250(b) of HUD's HOME regulations. This regulatory section states that before committing funds to a project, a participating jurisdiction (PJ) must evaluate the project in accordance with its own subsidy layering guidelines to ensure that no more HOME funds, in combination with other funds, are invested in the housing than is necessary to provide affordable housing.

*Response.* HUD is pleased to advise that the proposal outlined by the commenter is already allowable under the HOME program. HUD previously provided guidance on this topic in its Notice CPD 98-01. The Notice states that for projects using LIHTC, the PJ may rely upon the state tax credit allocating agency's evaluation (which is conducted to determine whether there are excess tax credits) to ensure that HUD subsidies are not greater than necessary to provide affordable housing when combining HOME assistance with the LIHTC.

*Comment.* One commenter raised the issue of for-profit involvement in the HOME program. Section 231 of the HOME Investment Partnerships Act (42 U.S.C. 12744-12745) (HOME statute) requires that at least 15 percent of a PJ's annual HOME allocation be reserved for projects to be developed, sponsored, or

owned by Community Housing Development Organizations (CHDOs), which are community-based non-profit organizations. To date, 51 percent of all HOME funds in completed projects have been used by CHDOs and other nonprofit organizations, with 49 percent used by for-profit developers for completed HOME projects.

*Response.* Because this requirement is based in statute, HUD could not remove the requirement through regulation. HUD, however, believes strongly in the ability of local PJs to identify affordable housing priorities and independently determine which organizations are best suited to assist them in achieving their goals. HUD believes local flexibility to make such decisions is important.

*Comment.* Five commenters raise a HOME Program topic that was recently highlighted by HUD in its June 2003 HOMEfires policy guidance newsletter (Vol. 5, No. 2). The commenters' issue centers on the statutory and regulatory requirement that a HOME PJ repay its local HOME account from non-federal sources in instances in which a HOME-assisted property does not remain affordable for the entire period of affordability. These provisions can be found in section 219(b) of the HOME statute (42 U.S.C. 12749) and § 92.503(b)(1) of the HOME regulations.

*Response.* HUD regrets that the statutory and regulatory requirements governing repayment may have been misunderstood by some PJs, but notes this is not a new policy. It is also important to recognize that it also has been HUD's longstanding policy to grant requests for waivers of the repayment requirement when a PJ can demonstrate that it took reasonable steps to intervene in a troubled project. Consequently, for rental projects, PJs that practice sound asset management (e.g., exercising a reasonable amount of physical and financial oversight of their HOME-assisted projects and taking feasible actions to correct problems) reduce or eliminate their repayment risk, even if their actions are unsuccessful. With respect to homeownership projects, HUD published an interim rule on November 22, 2004 (69 FR 68050), that mitigates the risk incurred by PJ. HUD believes that the current approach is fair to PJs, while maximizing the continued availability of affordable housing units and protecting public funds.

*Comment.* Two commenters inquired about HUD allowing PJs to charge fees to help defray the cost of complying with the HOME onsite inspection requirement (24 CFR 92.504(d)) during the period of affordability. Section 92.214(b) of the HOME regulations prohibits PJs from charging monitoring,

servicing and origination fees in HOME-assisted projects.

*Response.* HUD agrees that as the number of completed units in a PJ's portfolio increases, its monitoring burden increases as well and that the current 10 percent administrative set-aside may not always cover these costs. Permitting PJs to charge monitoring fees is one method of covering this cost. However, assessing monitoring fees on projects will have the effect of raising rents charged to low- and very low-income tenants, making housing less affordable rather than reducing a barrier to affordable housing.

*Comment.* Three commenters raised the issue of expanding the eligible recipients of CHDO operating expense funds to include nonprofit organizations that do not develop, sponsor, or own HOME-assisted units. Section 92.208(a) of the HOME regulations allows up to five percent of a PJ's annual HOME allocation to be used for the operating expenses of CHDOs. However, § 92.300(e) limits these operating funds to organizations that will enter into a written agreement with the PJ to develop, own or sponsor HOME-assisted housing within the next 24 months following receipt of funds for operating assistance.

*Response.* The purpose of allowing up to five percent of a PJ's annual HOME allocation to be used for operating costs for CHDOs is to support organizations that are undertaking HOME projects. Currently, PJs use much less than the five percent allowed for CHDO operating expenses, choosing instead to use the funds for development of projects. Consequently, allowing HOME funds to be used for operating expenses for nonprofit organizations that do not develop, own or sponsor HOME-assisted housing might subject PJs to local pressure to fund organizations that do not produce HOME-assisted housing, reducing the amount of HOME funds available for affordable housing production and the number of affordable housing units produced.

*Comment.* One commenter noted that for HOME projects involving the new construction of rental housing, § 92.202(b) requires the PJ to meet the site and neighborhood standards at § 983.6(b). The commenter states that the site and neighborhood standards requirement in § 92.202 is unnecessary and that the location of affordable housing developments should be a local land use decision.

*Response.* HUD has an affirmative responsibility to provide equal housing opportunity and to expand housing choice for all persons without regard to race, color, national origin, religion, sex,

familial status, or disability. This responsibility applies to HUD's recipients through site and neighborhood standards. The commenter, however, raises an issue for further consideration within HUD, and HUD will examine the requirements to determine whether modification is needed.

*Comment.* One commenter proposed a change to the regulation at § 92.214(a)(6) of the HOME regulations, which prohibits an additional investment of HOME funds in HOME-assisted properties after one year of completion.

*Response.* The purpose of this regulation is to ensure HOME funds are being invested in projects that will deliver standard units of affordable housing. This regulation prevents HOME funds from being used for (1) staged rehabilitation projects that do not bring properties up to standard, and (2) the ongoing maintenance of HOME-assisted units. HUD, therefore, does not support a change to this regulation. However, HUD recognizes that there are individual circumstances, subject to examination on a case-by-case basis, in which this regulation may constitute a barrier to affordable housing. In these circumstances, HUD has granted waivers of this regulation for good cause for the purpose of salvaging severely financially distressed HOME projects or addressing unforeseen problems.

*Comment.* One commenter advised that the need to document and account for HOME match is overly burdensome to PJs, although the commenter did not elaborate on specific aspects of documenting and accounting for HOME match that the commenter found overly burdensome.

*Response.* By establishing the HOME program, Congress intended to establish a partnership between the federal government and states, units of local government and nonprofit organizations to expand the supply of affordable, standard housing for low-income families. In keeping with the concept of partnership, each PJ is required to make contributions to qualified housing in an amount equal to 25 percent of appropriated HOME funds drawn down for housing projects. These contributions are referred to as "match." The recordkeeping and reporting requirements pertaining to HOME match are necessary to demonstrate compliance with the HOME statute.

*Comment.* One commenter supports the creation of a new HOME loan guarantee program modeled after the CDBG Section 108 Loan Guarantee Program.

*Response.* In the past, HUD has supported attempts to enact a Section

108-style HOME loan guarantee program similar to the program suggested by the commenter. Creation of the type of loan guarantee suggested by the commenter, however, would require a statutory change and previous efforts to establish such a program have been unsuccessful. While loan guarantees are currently an eligible form of assistance under § 92.205(b)(2) of the HOME regulations, it is important to note that loan guarantees have been used infrequently during the history of the HOME program.

*Comment.* One commenter urges HUD to revise the HOME regulations to simplify the rent and income restrictions of HOME-assisted rental projects. The commenter wrote that the HOME rent and income requirements unnecessarily restrict an owner's right to collect reasonable rents, while simultaneously failing to ensure that all tenants are in fact paying a reasonable percentage of their income for rent. The commenter also favors a single income eligibility ceiling of 80 percent of area median income.

*Response.* The HOME rent and income restrictions are found in sections 214 and 215 of the HOME statute and §§ 92.216 and 92.252 of the HOME regulations. HUD agrees that the rent and income restrictions of the HOME program are somewhat complex, but it is this system of rent and income restrictions that ensures the affordability of the housing assisted by HUD. HUD is concerned that the commenter's proposal would result in increased rents and a reduction of the affordability of HOME-assisted rental units for low- and very low-income renters. Increasing rents and weakening income targeting for lower income households would result in HOME funds being used increasingly for those renters with higher incomes or those with tenant-based rental assistance.

A June 28, 2001, study of rental housing under the HOME program performed by Abt Associates, Inc., entitled "Study of Ongoing Affordability of HOME Program Rents," found that 60 percent of all renter households in HOME-assisted rental housing are rent-burdened, or pay more than 30 percent of their income for housing. The study also found that 80 percent of the households living in HOME-assisted rental units have an annual income of 50 percent or less of area median income. An increase in HOME rents would affect not only those tenants that could afford an increase in rent, but also those tenants that are already rent-burdened, thereby increasing their rent burden and making the HOME-assisted units less affordable. Given the findings

of this study, HUD is not inclined to support a statutory or regulatory change to the HOME rent and income requirements.

*Comment.* One commenter advises that HOME funds would be more useful if the funds could be used for project reserves for operating costs and operating reserves for HOME-assisted rental projects. The HOME regulations at § 92.214(1) state that HOME funds may not be used to provide project reserve accounts, except as initial operating deficit reserve, or operating subsidies to cover potential shortfalls in the first 18 months of operation.

*Response.* Based on the purposes of the HOME program, which among others is to increase the supply of decent, safe, sanitary, and affordable housing for very low- and low-income families, and the limited HOME resources appropriated each year, the eligible use of HOME funds should not be expanded to cover operating subsidies and project reserves. In this regard, it is important to recognize that HOME funds are typically a small percentage of the total funding package in most rental housing development projects and are often used as gap financing enabling many affordable housing development projects to happen. HOME funds also often leverage other public and private funds that may be used for project operating costs. If operating reserve funding is necessary, other funding sources can be used to capitalize reserves and HOME funds attributed to other eligible costs. In addition, the limited amount of resources appropriated for the HOME program each year often restricts PJs from investing anything beyond gap financing in rental housing.

*Comment.* Two commenters addressed the HOME onsite inspection requirements at § 92.504(d)(1). The commenters wrote that an onsite inspection requirement of once every three years is more practical than the current HOME regulations, which require periodic inspections based on the total number of units in a HOME-assisted rental project. One of the commenters offers a risk assessment plan to determine how often projects should be inspected, with required inspections at least every three years. The commenter also suggests that the number of HOME-assisted units, and not the total number of units in a project, should determine the frequency of inspections.

*Response.* HUD believes that frequent inspection ensures that beneficiaries of the HOME program are residing in quality, standard housing at affordable rents and, equally as important, ensures

the PJ's investment in affordable housing is protected. However, HUD will further examine this issue to determine whether the inspections currently required are excessive, or whether alternative approaches, such as risk-based approaches, would achieve the same protections.

*Comment.* Two commenters proposed that the HOME program could be more effective by allowing PJs to fund housing counseling for low-income families that will not use HOME funds to assist in the purchase of their own home. The HOME program regulation at § 92.206(d)(6) identifies housing counseling as an allowable project soft cost only if the (homebuyer) project is funded and the individual receiving the counseling becomes the owner of a HOME-assisted project.

*Response.* HUD agrees that housing counseling is a crucial component of a successful homeownership program. The chief purpose of the HOME program is to expand the supply of decent, safe, sanitary and affordable housing. By limiting the use of HOME funds for housing counseling to those who purchase housing with HOME funds, HUD ensures that HOME program beneficiaries are purchasing decent, safe, sanitary and affordable housing. As a result, the HOME program would not be more effective by allowing PJs to fund housing counseling for low-income families that will not use HOME funds to assist in the purchase of their own home. Currently, HUD administers a housing counseling program through HUD's Office of Housing. In a recent study of HOME-assisted homebuyer programs, more than 90 percent of PJs were either requiring or encouraging eligible homebuyers to participate in counseling programs. It is clear that most jurisdictions receiving HOME funds are using HUD-sponsored counseling programs or are supporting other existing counseling programs.

*Comment.* One commenter takes issue with the inclusion of property standards in the HOME program. The commenter submits that the property standard requirements of the HOME program result in fewer households receiving rehabilitation assistance. According to the commenter, this is because rather than only addressing the emergency needs of the unit, the PJ must also ensure that the HOME-assisted unit meets all applicable property standards, which is often a more costly endeavor.

*Response.* As discussed above, a primary purpose of the HOME program is to expand the supply of decent, safe, sanitary, and affordable housing. The HOME program is able to accomplish this goal due, in part, to the provisions

at § 92.251, which address the property standard requirements of HOME-assisted units. The HOME program was not designed to address emergency repair needs, as evidenced by its exclusion as an eligible activity. HUD notes, however, that with respect to emergency needs, CDBG funds can be used to address the emergency repair needs of low-income households.

*Comment.* One commenter wrote that the income verification requirement of the HOME program is a regulatory barrier to affordable housing because it deters many private landlords from participating in the program.

*Response.* For HOME-assisted rental projects, § 92.252(h) of the HOME regulations requires initial determination of income using source documentation and annual recertification of each tenant's annual income during the period of affordability. This requirement ensures compliance with section 215(a)(1)(C) of the HOME statute (42 U.S.C. 12745(a)(1)(C)), which provides that, in order for HOME-assisted rental units to qualify as affordable, they must be occupied only by households that qualify as low-income families. In developing the HOME regulations in 1996, HUD attempted to minimize the burden of performing income determinations on project owners by allowing owners to use tenant income self-certifications for five years after conducting the initial income determination. A complete income determination is required to be performed every sixth year. In addition, HUD posted an interactive online calculator on <http://www.hud.gov> to assist project owners with income determinations. Initial and periodic tenant income determinations ensure that HOME-assisted affordable housing continues to benefit the intended population. Consequently, HUD does not support a statutory change to eliminate this requirement.

*Comment.* One commenter requests a change to § 92.252(a) of the HOME regulations, which bases rent levels in HOME-assisted units on the lesser of the HUD Section 8 fair market rent (FMR) or rent that does not exceed 30 percent of the adjusted income of a family whose annual income equals 65 percent of the area median income. The commenter writes that by basing HOME rent levels on FMR and not on income, tenants at higher income levels are paying less than they can afford under a standard of affordability of 30 percent of income or less.

*Response.* FMRs are set at the 40th percentile rents paid by recent movers for standard quality housing units (e.g.,



40 percent of all recently rented units rent for less than the FMR). They are intended to be high enough to permit program participants to access a wide range of neighborhoods. Local housing authorities are asked to review proposed FMRs each year, and to provide comments and documentation if they believe FMRs are inaccurate and need to be revised. FMRs were established by the Congress as a ceiling on HOME program rents on the premise that rents above that level contributed little to the housing affordability problems faced by low income renters. HUD believes that the Congress's concerns were valid and supports retention of FMRs as a limit on HOME rents.

As discussed above in this notice, a June 28, 2001, study of rental housing under the HOME program performed by Abt Associates, Inc., entitled "Study of Ongoing Affordability of HOME Program Rents," provided significant information about rental housing under the HOME program. This study found that 60 percent of all renter households in HOME-assisted rental housing are rent burdened (*i.e.*, pay more than 30 percent of their income for housing). The study also found that 80 percent of the households living in HOME-assisted rental units have an annual income of 50 percent or less of area median income. Therefore, HUD does not support using a higher rent standard than the FMRs and would not endorse a move to increase rents in HOME-assisted rental projects.

*Comment.* One commenter proposes that all units in HOME-assisted projects that also receive project-based rental assistance should rent at the level allowable under the project-based rental subsidy program so that very low-income tenants would not have to pay more than 30 percent of income as rent. Currently, § 92.252(b)(2) of the HOME regulations allows state or local project-based rents only to be charged in HOME-assisted units occupied by families with income at or below 50 percent of area median income.

*Response.* Currently, project-based rents can only be charged in HOME-assisted units occupied by families with incomes at or below 50 percent of area median income. This is a statutory limitation, which would require legislative change.

### 3. Special Needs Assistance Programs

*Comment.* One commenter stated that a HUD field office has interpreted Supportive Housing (SHP) program regulations at 24 CFR 583.320 (Site Control) to mean that all properties funded for acquisition under a single project award must meet site control

concurrently and that all inspections be completed before grant execution. As a result, properties have been lost when a seller is ready to close before others in the group are ready. This further delays or denies production of housing.

*Response.* The program statute requires HUD to recapture and reallocate funds if an applicant does not obtain ownership or control of the project site within 12 months of notification of the award of a grant. HUD regulations requiring all sites to be under control before the grant is signed are designed to comply with the statute, while ensuring that the entire project selected in the competition will be carried out as described in the application. Applicants who are concerned that they will not be able to obtain control over multiple sites at one time should apply for each individual site as a separate project.

*Comment.* One commenter stated that projects under Housing Preservation and Development programs and the Shelter Plus Care (S+C) program, including Section 8 Single Room Occupancy (SRO) Moderate Rehabilitation projects, should be automatically renewed similar to Section 8 vouchers. Expiring contracts should be renewed through the Section 8 Certificate Fund.

*Response.* Annual appropriations acts specify the source of funds and renewal standards for S+C renewals. Without Congressional action, HUD cannot implement automatic renewals through the Housing Certificate Fund.

*Comment.* One commenter stated that HUD's S+C regulations do not adequately allow for the reality and complexity of new construction projects. The commenter implies a need for a construction period that can exceed one year as currently limited in the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11301 *et seq.*) (McKinney-Vento Act). The commenter recommended that HUD change the statute to expand the time allowed for new construction.

*Response.* The McKinney-Vento Act does not authorize S+C rental assistance in conjunction with new construction. However, where new construction is performed in conjunction with SHP, the construction activities must begin with 18 months of the date of HUD's grant award letter and must be complete with 36 months after that notification.

*Comment.* One commenter stated that HUD's recent reinterpretation of the law has disallowed any "in-place" low-income tenants of a S+C/SRO project from returning to units after renovation to receive rental assistance. The commenter stated that this

interpretation results in the displacement of poor non-homeless persons who are equally in need of housing. The commenter requested that HUD revisit its interpretation to allow for the inclusion of these "in-place" tenants.

*Response.* The McKinney-Vento Act, at section 441(b) (42 U.S.C. 11401(b)), states that the amounts made available under Section 8 Moderate Rehabilitation for the SRO program shall be used only in connection with moderate rehabilitation of housing for occupancy by homeless individuals. Persons who reside in the housing prior to rehabilitation are not homeless, within the McKinney-Vento Act definition, so may not benefit from the S+C rental assistance payments. Such persons are eligible for relocation benefits pursuant to the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. 4601 *et seq.*) (URA) or may return to their unit without rental assistance.

*Comment.* One commenter made the following recommendations. First, the commenter recommended that the McKinney-Vento Act funds authorized for the Continuum of Care (CoC) program should be allowed to assist in the development of ground floor commercial units as part of homeless project development. Such units would help reduce costs and help build support for projects. Second, the commenter recommended that local CoCs should determine the match required for eligible activities.

*Response.* With respect to the first recommendation, the McKinney-Vento Act requires all program funds to be used for homeless persons. HUD does permit the development of commercial activities in homeless facilities with non-McKinney-Vento funds. With respect to the second recommendation, the match is established by statute and HUD therefore cannot make the requested change through regulation.

### B. Office of Fair Housing and Equal Opportunity

*Comment.* One commenter raised a question about uniform federal accessibility standards with respect to HUD's Supportive Housing for Persons with Disabilities (also referred to as the Section 811 program). The commenter stated that participants in the Section 811 program that provide for construction and development should be able to design their group homes for persons with developmental disabilities by working with HUD architects, based on their knowledge and experience with clients. The commenter referred to a group home that has housed persons



with developmental disabilities for the past 18 years. The commenter's issue is directed to section 4.34 of the Uniform Federal Accessibility Standards (UFAS), which pertains to kitchens. Under this requirement, most of the clients are supervised while handling food and cooking and are rarely able to work alone in preparation. The staff at these homes is responsible for utilizing the kitchen appliances in assisting the clients, and it is burdensome for them to work in situations where everything is lowered.

*Response.* Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 791 *et seq.*) (Section 504) prohibits discrimination based on disability in any program or activity receiving federal financial assistance. HUD's regulation implementing Section 504, codified at 24 CFR part 8, requires the design, construction, or alteration of buildings to be in conformance with UFAS. In addition, the Fair Housing Act (42 U.S.C. 3601 *et seq.*) and the regulation implementing the Fair Housing Act (24 CFR part 100) prohibit discrimination in the sale, rental, and financing of dwelling units, regardless of federal financial assistance, based on a variety of factors including disability.

As Section 811 projects are frequently newly constructed, both Section 504 and the Fair Housing Act apply. When projects are designed with accessibility features in mind from the beginning, costs associated with providing such elements are minimal. Additionally, although these accessibility requirements are mandated by statute, recipients have the authority to request waivers in limited situations. For example, although the regulation in 24 CFR 891.310(b)(3) mandates that all dwelling units in acquired or rehabilitated independent living facilities be accessible or adaptable for people with physical disabilities, it also allows for a lesser number of units to be accessible if costs make it financially infeasible, if less than one-half of the intended occupants have mobility impairments, and if the project complies with 24 CFR 8.23.

The Department acknowledges that certain costs are associated with ensuring that facilities are accessible to people with disabilities and that not every person will benefit from all accessible features. Persons with developmental disabilities, however, can also benefit from features of accessible housing under these laws. Additionally, it is incumbent upon the Department and its recipients to comply with the regulatory requirements of Section 504 and the Fair Housing Act.

*Comment.* One commenter wrote that the accessibility requirements are cumbersome and confusing for both the public and private sectors because several federal agencies have overlapping administrative requirements that sometimes appear to conflict with regulations administered by other federal agencies or state and local public housing agencies and builders. The commenter stated that it would like to see more consistency in guidance provided by HUD on the Fair Housing Act and Section 504.

*Response.* HUD recognizes that the existence of more than one federal law mandating accessibility for persons with disabilities in housing presents challenges for the building industry in assuring compliance with all applicable laws. HUD provides ongoing technical assistance and guidance concerning the statutes it enforces and their implementing regulations. HUD has taken a number of steps over a period of years to provide guidance to HUD recipients and the building industry on meeting the accessibility requirements of Section 504, the Architectural Barriers Act (42 U.S.C. 4151 *et seq.*), the Fair Housing Act, and the Americans with Disabilities Act of 1990 (42 U.S.C. 12101 *et seq.*) (ADA). These efforts include holding town meetings and training seminars, disseminating training materials at these meetings, and providing technical guidance to outside housing-industry organizations. More recently, HUD has taken the steps described below:

a. In its role as a standard setting agency and member of the U.S. Access Board, HUD participated in the development of new guidelines covering access to facilities covered by the ADA. These guidelines overhaul the existing ADA Accessibility Guidelines, which were first published in 1991. As part of this effort, HUD has assisted in revising guidelines for federally funded facilities required to be accessible under the Architectural Barriers Act. Both the ADA guidelines and the guidelines for the Architectural Barriers Act specify access in new construction and alterations, and provide detailed provisions for various building elements, including ramps, elevators, restrooms, parking, and signage, among others. The guidelines, which are now in the final stages of development, are expected to be published in the near future.

b. HUD published a final report and policy statement on its review of model building codes for consistency with the accessibility requirements of the Fair Housing Act, including identification of areas of inconsistency and

recommendations for resolution. In response to requests from the industry, HUD provided technical guidance in development of code text language that would address the areas of inconsistency HUD identified for the International Building Code (IBC), and in development of a stand-alone document, entitled "Code Requirements for Housing Accessibility," resulting in HUD's recognition of the 2003 IBC as an additional safe harbors for compliance with the accessibility requirements of the Fair Housing Act. The results of HUD's review were published in the **Federal Register** on February 28, 2005 (70 FR 9738).

c. HUD's program offices issued four notices to its recipients detailing the requirements of Section 504, the Fair Housing Act and the ADA: Two covered CPD programs, one covered Office of Housing programs, and the one most recently covered programs of the Office of Public and Indian Housing. These notices reach thousand of recipients that administer all of HUD's programs and services.

d. HUD's Fair Housing Accessibility FIRST program is providing extensive education and outreach on the accessibility requirements of the Fair Housing Act. (See, for example, the information about the program on the Web site: <http://www.fairhousingfirst.org>.) While the FIRST program focuses on the Fair Housing Act, the training modules, FAQ's and other information also discuss related laws, including Section 504, the Architectural Barriers Act and the ADA. The Disability Rights Laws training module includes a matrix of the laws. HUD acknowledges that it has an ongoing obligation to provide assistance to the public and anticipates more guidance in the future.

*Comment.* HUD has recently denied FHA mortgage insurance under section 221 of the National Housing Act (12 U.S.C. 17151) to properties that restrict occupancy to persons age 62 or over due to HUD's long-standing policy of not discriminating against families with children.

*Response.* HUD is not aware of the situation to which the commenter refers but advises that section 808(e)(5) of the Fair Housing Act requires HUD to administer HUD programs and activities in a manner that affirmatively furthers the purposes of the Fair Housing Act. HUD's handbook entitled Occupancy Requirements of Subsidized Multifamily Housing Programs (Handbook 4350.3, issued on June 12, 2003) is consistent with the Fair Housing Act and addresses the matter raised by the commenter. Paragraph 3-22(D) of this handbook

provides that owners of properties which house elderly persons or which house elderly persons and persons with disabilities may not exclude otherwise eligible elderly families with children. The policy stated in this paragraph furthers the intent of the Fair Housing Act to affirmatively further fair housing for families with children under the age of 18.

*C. Office of Healthy Homes and Lead Hazard Control (OHHLC)*

*Comment.* One commenter stated that lead-based paint inspection and paint removal is required of homes receiving repair loans or grants up to \$20,000 under the Department of Agriculture's Rural Housing Service 504 program, and that this requirement is burdensome and should be withdrawn.

*Response.* The U.S. Department of Agriculture has decided to use HUD's approach for residential properties which the Department of Agriculture provides rehabilitation assistance and that are not also receiving HUD assistance. This was not a requirement imposed by HUD.

*Comment.* One commenter suggested that HUD remove the clearance testing requirement and recognize the training provided by either the Environmental Protection Agency (EPA) or the Occupational Health and Safety Administration (OSHA) as sufficient to perform "interim controls."

*Response.* Clearance is required to ensure that the job is done properly. HUD therefore finds that clearance testing is not a substitute for EPA training, but rather constitutes a quality assurance measure, which is important in striving for lead-hazard free housing. HUD, however, does recognize EPA training, and has for some time.

*Comment.* In a related issue, one commenter stated that HUD's requirement that clearance testing be done prior to completion of any job can result in significant delays in the rehabilitation of housing. The commenter states that neither EPA nor OSHA requires clearance testing prior to conclusion of work on a jobsite.

*Response.* For most rehabilitation, renovation and remodeling projects in pre-1978 assisted housing, clearance is required to ensure that the job is done properly and to reduce the liability of contractors. HUD believes that it has addressed this burden to the extent feasible by allowing an exemption from the clearance requirements for disturbances of only a small area of paint surfaces.

*Comment.* One commenter stated that EPA and OSHA have established worker training and work practice standards

that are duplicative of HUD training requirements.

*Response.* The EPA training and certification requirements for workers are for lead-based paint abatement work (see 40 CFR 745.227). EPA does not require training and certification for rehabilitation, renovation or remodeling work that is not abatement. HUD recognizes the value of the abatement worker training and certification, and has provided, in its regulations at 24 CFR part 35 (the Lead Safe Housing Rule), that anyone who has completed an abatement worker or supervisor course is qualified to perform interim controls in HUD-assisted housing without further training. The OSHA lead-in-construction training (29 CFR 1926.62) covers the same general safety issues as the HUD interim controls training, but OSHA's focus is on protecting the worker, and not on protecting the home after the work is done. The HUD-approved curricula address both issues.

*Comment.* One commenter stated that HUD should streamline and simplify its Lead Safe Housing Rule.

*Response.* HUD agreed with this comment and issued a rule on June 21, 2004 (69 FR 34262), that made a number of technical amendments to its Lead Safe Housing Rule. HUD believes this rule clarified several regulatory provisions and contributed to improving the simplicity and comprehensibility of its regulations. The June 21, 2004, rule also streamlined several regulatory provisions.

*Comment.* One commenter stated that there is a shortage of licensed lead abatement contractors, which hinders implementation of HUD's Lead Safe Housing Rule.

*Response.* A small percentage of HUD-assisted housing requires lead abatement work. HUD's Lead Safe Housing Rule provides that most required lead-related work constitutes interim controls of lead hazards, for which certified/licensed lead abatement contractors are not required. In addition, HUD has provided training to over 40,000 individuals in lead-safe work practices for use in interim control activities.

*Comment.* One commenter stated that HUD's Lead Safe Housing Rule does not significantly distinguish between vacant and occupied buildings, causing unnecessary costs and delays. The commenter offered several suggestions. First, the commenter recommended that for vacant buildings, the regulations should allow lead-based paint inspection, regardless of amount of federal funding. Second, the commenter recommended that if lead-based paint is

found, allow either: (a) A risk assessment and interim controls for rehabilitation between \$5,000 and \$25,000 per unit, or (b) standard treatment or abatement. Third, the commenter stated that a requirement to have certified workers is unnecessary in a vacant building because there are no children or residents to protect; OSHA and EPA requirements would suffice. Fourth, the commenter stated that after substantial rehabilitation work is completed in a building, HUD should require a final clearance test of the whole building.

*Response.* With respect to the commenter's first recommendation, HUD's Lead Safe Housing Rule already allows a lead-based paint inspection for a vacant building (24 CFR 35.115(a)(4) and (a)(5)).

With respect to the commenter's second recommendation, HUD's Lead Safe Housing Rule already allows the approach in: (a) 24 CFR 35.930(c), for rehabilitation of \$5,000 up to and including \$25,000 per unit, and (b) 24 CFR 35.120(a), for rehabilitation up to and including \$25,000 per unit. The governing statutes (the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821 *et seq.*) and the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851 *et seq.*)) and HUD's Lead Safe Housing Rule require abatement of lead hazards for rehabilitation above \$25,000 per unit (see 24 CFR 35.930(d)).

With respect to the commenter's third recommendation, HUD requires certified workers only when EPA requires them, that is, for abatement work. Abatement during rehabilitation is only required under the Lead Safe Housing Rule for those projects with federal assistance over \$25,000 per unit. However, regardless of the cost of a project, HUD believes that lead work should be performed in a protective manner that minimizes the creation and dispersal of lead dust and debris, because children may in fact be present after the work has been completed in a vacant unit. Therefore, for rehabilitation projects over \$5,000 and up to \$25,000 per unit, HUD requires interim controls, and the associated training and clearance, to ensure that the housing will be safe for the family that will occupy the house after the work is completed, whether or not the unit was vacant during the work. Similarly, for work up to \$5,000 per unit, HUD requires that the rehabilitation work be done safely and that clearance is conducted, to achieve the same protective goal.

With respect to the commenter's fourth recommendation, HUD already

requires that a clearance test be conducted after paint disturbance, interim hazard controls, or abatement (Lead Safe Housing Rule, 24 CFR 35.930(b) and 35.1330(a)(3), respectively). HUD's interpretive guidance (item R13) notes that, "Clearance must be performed after all the rehabilitation and/or hazard reduction work is complete."

*Comment.* One commenter stated that HUD should clarify that federal regulations do not require certified abatement personnel for interim controls work.

*Response.* HUD's Lead Safe Housing Rule distinguishes the training requirements for abatement (abatement worker training and certification) at 24 CFR 35.1325, which incorporates EPA's training requirements at 40 CFR 745.226(c) and 745.227(e)(1), and interim controls work (lead-safe work practices training) at 35.1330(a)(4)(iii). HUD is continuing to reach out with this message through its programmatic efforts. HUD believes that its outreach efforts provide the clarification.

*Comment.* One commenter stated that HUD should issue guidance for CPD grantees on how to comply with the Lead Safe Housing Rule efficiently and cost-effectively.

*Response.* HUD is continuing to reach out to CDBG grantees through staff in CPD, both at Headquarters and in the field, and continuing to provide training and technical assistance to these grantees.

*Comment.* One commenter stated that HUD could reduce clearance costs by: (a) Clarifying that a state-certified sampling technician can be used for non-abatement clearance; and (b) including sampling technician training in the housing quality standard core training.

*Response.* With respect to the commenter's first suggestion, HUD notes that its regulations provide that state-certified sampling technicians can be used for clearance examinations. The ability to use state-certified sampling technicians can be found in the Lead Safe Housing Rule at 24 CFR 35.1340(a)(iii) and (iv). With respect to the second suggestion, HUD believes that the technician training proposal merits further consideration, and HUD will take the commenter's recommendation under advisement.

*Comment.* One commenter stated that HUD should provide lead hazard control grant program set-asides for community-based organizations. The commenter also stated that HUD should drop the zero-bedroom exemption from the definition of target housing, and HUD should require disclosure of lead-

based paint hazards to all occupants of multifamily buildings.

*Response.* The limitation of grants to state, tribal, and local governments is a statutory one (42 U.S.C. 4851), as is the zero-bedroom exemption (42 U.S.C. 4851b), and therefore cannot be changed through regulations. For HUD to require disclosure of lead-based paint hazards to all occupants of multifamily housing would require a change to the HUD and EPA position that information or reports on other units in a multifamily building are only relevant to prospective purchasers or lessees if the information stems from a representative sample of the dwelling units in the building and the findings apply to the multifamily housing as a whole (see preamble to the Lead Disclosure Rule, at 61 FR 9072, subunit IV.D.2.c, paragraph 3). When the evaluation findings do apply to the multifamily housing as a whole, the hazards must be disclosed to all tenants. HUD does not believe such a change is necessary (see 42 U.S.C. 4852d).

*Comment.* One commenter stated that HUD should issue lead-safety requirements for housing covered by HUD-insured single family mortgages.

*Response.* Subpart E of HUD's Lead Safe Housing Rule is reserved for possible future rulemaking on lead-based paint poisoning prevention requirements, and HUD is considering rulemaking under this subpart.

*Comment.* One commenter stated that HUD should clarify that the Consolidated Plan must describe the relationship between plans for reducing lead hazards and the extent of lead poisoning and lead hazards.

*Response.* OHHLHC is working with CPD to promote the integration of lead-hazard control into Consolidated Plans.

*Comment.* One commenter stated that the Lead Safe Housing Rule is burdensome to organizations that rehabilitate low-income housing, and many housing providers are no longer rehabilitating existing housing.

*Response.* As noted above in this notice, HUD has streamlined its regulation to provide for use of interim controls rather than abatement in all but those units for which rehabilitation cost over \$25,000. HUD has provided information on how providers can conduct lead-safe rehabilitation cost-effectively. HUD will continue to do so.

#### *D. Office of Housing—Federal Housing Administration*

##### *1. Single Family Housing*

*Comment.* With respect to the FHA Appraiser Roster requirements in 24 CFR 200.202, one commenter stated that, "[i]n order to ensure that FHA

properties are properly appraised, HUD should also require two years as a licensed or certified appraiser as a condition of being placed on the [FHA Appraiser] Roster. Appraisals completed for HUD/FHA are often more complicated than those completed for conventional clients and thus warrant the additional experience. In comparison to conventional appraisals, FHA appraisers require a higher degree of skill and more knowledge of construction, depreciation, cost estimating for repairs and estimating the useful and remaining life of residential improvements and equipment."

*Response.* HUD's regulations governing the FHA Appraiser Roster require that appraisers be state-licensed or state-certified but the regulations do not direct impose a minimum experience requirement. Instead HUD relies on the experience requirements imposed by the states before they will license or certify an individual as an appraiser.

Although FHA does have additional reporting requirements appraisals completed for HUD/FHA are not, intrinsically, more complicated than those completed for conventional lending purposes. The more specific FHA reporting requirements do not require a higher degree of skill, only an adherence to FHA policies and regulations. In addition, conventional appraisers, as well as FHA appraisers, are required to have a working knowledge of residential construction techniques and are typically called upon to estimate the useful and remaining life of residential improvements and equipment as well as be well versed in the application of the cost approach.

In order for an appraiser to be eligible for inclusion on the FHA Appraiser Roster, the appraiser must fall within one of the three Appraiser Qualifications Board (AQB) real property appraiser classifications: (1) Licensed; (2) certified residential; and (3) certified general. The minimum number of required experience hours for these classifications are 2,000, 2,500, and 3,000, respectively.

FHA is interested in maintaining high standards for appraisers listed on the FHA Appraiser Roster and continually revises and updates its quality control and review programs to ensure that such standards are adhered to. Additionally, to increase the accuracy and thoroughness of FHA appraisals, FHA clarifies policies and procedures through mortgagee letters to FHA appraiser and industry partners and continually updates and revises appraisal related handbooks.

HUD believes that the current eligibility requirements for placement on the FHA Appraiser Roster are sufficient to ensure that an appraiser, at time of placement on the FHA Appraiser Roster, has acquired the necessary experience, training and knowledge to adequately perform appraisals of properties that will serve as security for FHA-insured loans.

*Comment.* With respect to the requirements in 24 CFR 203.37a, prohibiting the practice of property "flipping," one commenter expressed concern regarding the restriction on resale of property occurring 90 days or less following acquisition. The regulation provides that if a property is sold within 90 days or less following the date of acquisition by the seller, the property is not eligible for purchase with an FHA-insured mortgage.

The commenter stated "[t]his requirement has had an adverse impact on legitimate business deals because it discourages investors from wanting to participate in property rehabilitation projects that utilize FHA mortgage insurance. Investors make legitimate livings purchasing distressed properties, reconditioning them, and returning them to market at fair market prices and within a reasonable amount of time. The end result of this activity is more homeownership opportunities and improved neighborhood revitalization. HUD should allow more exemptions to the rule."

*Response.* In the proposed rule on property flipping, published on September 5, 2001 (46 FR 46502), HUD proposed to prohibit FHA-insured financing for any property being sold within six months after acquisition by the seller. This proposed six month prohibition generated the most comments on the proposed rule, and many commenters wrote that the six-month ban would reduce the incentive for investors to buy and rehabilitate these properties. In response to these concerns, HUD, in the final rule published May 1, 2003 (68 FR 23370), substantially revised the proposed time restrictions on re-sales while still implementing safeguards to assure that the value of the property is recognized in the marketplace and to reduce the possibility of appraisal fraud.

HUD believes that re-sales executed within 90 days imply prearranged transactions that often prove to be the most egregious examples of predatory lending practices. Furthermore, HUD believes that 90 days is not an unreasonable waiting period if actual rehabilitation and repair of a property occur before the property is resold. It has never been HUD's intention to

eliminate the ability of investors and contractors to profit from their actions, but rather to assure that homeowners are not purchasing overvalued houses and becoming the unwitting victims of predatory practices. To this end, HUD believes the final rule as published on May 2, 2003, as amended by the rule published on December 23, 2004 (and discussed in Section III of this notice) accomplishes this goal.

*Comment.* With respect to the regulations in 24 CFR 203.21, one commenter stated that HUD should lengthen the amortization period for FHA mortgage loans beyond the existing 30-year term. The commenter stated that recently, more and more lenders have begun offering 20- and 40-year loans to facilitate the availability and affordability of homeownership. The commenter suggested that extending the life of the loan above 30 years would reduce the monthly mortgage payment, allowing more households to qualify for a mortgage and, hence, increase homeownership opportunities.

*Response.* FHA is constantly assessing new products that will make homeownership more affordable, but has no plans at this time to offer mortgages that have terms longer than 30 years.

*Comment.* One commenter expressed concern regarding the requirement that condominium developments be at least 51 percent owner-occupied before individual units can be deemed eligible for FHA-insured loans. The commenter wrote that this requirement limits sales and homeownership opportunities, particularly in market areas comprised of significant condominium developments and first-time homebuyers. The condominium market has matured since adoption of the 51 percent rule and as a result liquidity risk has declined. Condominium ownership is now a viable homeownership tool.

*Response.* Since FHA began insuring individual units in condominium developments, it has held the view that condominium associations under the control of owner occupants have a greater probability of flourishing and thereby reducing risk of loss to the insurance fund than would condominium developments that are primarily rental units with the condominium association controlled by investors. Homeowners have different interests regarding condominium properties than investors/tenants. Homeowners are more likely to promote maintenance, repairs and adequate reserves than investors who are inclined to minimize expenditures and tenants

who tend to have less concern for the condition of the property.

HUD recognizes that condominium ownership has matured and is now recognized as a viable housing form. As part of this recognition, HUD is presently exploring the elimination of prior HUD approval for certain types of condominium developments before insuring mortgages in them.

*Comment.* One commenter stated that HUD should establish fire safety requirements for its single-family residential properties similar to those mandated by the Fire Administration Authorization Act of 1992 (Pub. L. 102-522) for its multi-family properties, and should use the National Fire Protection Association (NFPA) Building Construction and Safety Code (NFPA 5000) to reduce HUD's dependence upon its Minimum Property Standards (MPS). The MPS presently establish fire safety standards for single-family residential properties.

*Response.* HUD agrees that the MPS, last updated in 1994, contain outdated construction requirements, including fire-safety standards that are incorporated by reference, and as discussed in Section III of this notice, the Initiative intends to focus its review specifically on the MPS in 2005. While the published MPS do not contain specific or prescriptive requirements, the standards pertaining to fire safety are incorporated by reference to the 1991 Uniform Building Code, the 1993 BOCA Building Code, the 1991 Standard Building Code (24 CFR 200.924c) for multi-family dwellings, and the 1992 CABO Building Code for single family dwellings.

Before incorporating by reference the NFPA 5000 code, HUD must first complete its ongoing assessment of the MPS to determine their use and necessity in today's marketplace, and develop a vision for the future of the MPS. This assessment is also necessary before developing additional fire-safety requirements or incorporating by reference updated model building codes. HUD's Office of Policy Development and Research completed and published a study of the MPS during the first half of 2002, which is currently being reviewed and evaluated within HUD. Should HUD decide to retain the MPS for multifamily housing and single-family dwellings, the fire safety requirements, as well as model building codes incorporated by reference, would be part of the updating efforts.

## 2. Manufactured Housing Program

*Comment.* One commenter stated that HUD should restore a "bright line"

distinction between HUD code manufactured homes and other structures, such as state-regulated modular homes, and clarify responsibilities for regulating aspects of on-site completion of factory-built homes. The commenter stated that HUD should consider the actions described below:

(1) Rescind all prior actions allowing complete or partial removal or alteration of the chassis on-site. A two-story HUD-code home (with the chassis altered) looks just like a two story site-built or modular home. Further, the completion of garages or basements to a HUD-code home, where a specially designed chassis has been removed or sunken underground, looks like state-regulated site-built and modular homes that Congress indicated were not being preempted. Relatively poor performance of manufactured homes hurts the market for affordable factory-built housing, including better-performing modular homes.

(2) Restrict the amount of work that can be done to a manufactured home on-site to placing the home on a foundation or pier system support or pad, to avoid confusion regarding HUD versus state/local jurisdiction.

(3) Rescind all alternative construction letters that permit on-site completion of manufactured homes using factory personnel and approved third agency personnel, and allow state/local governments to inspect/approve all site work in accordance with state manufactured home "installation" requirements. This would remove a major gap in the present regulatory system regarding site completion work on manufactured homes.

The commenter stated that gaps are being created in regulatory oversight by the Department's reduced inspections of manufactured home facilities and the actual or effective unilateral preemption of state and local officials performing inspections of on-site construction and installation of manufactured homes. The commenter wrote that these perceived gaps are eroding public and elected official confidence in both manufactured housing and modular construction. The commenter stated that HUD should work with the modular housing industry to identify actions that can be taken to assist the modular construction industry to produce affordable housing. The commenter wrote that in furtherance of this goal, HUD should consider sponsoring a national conference or workshop as part of its affordable housing initiative with all sectors of the home building industry, consumers, government officials, lenders, and insurers.

The commenter also stated that HUD should strengthen its oversight and enforcement of the federal manufactured housing program to reduce consumer complaints, improve product quality and durability, and increase public acceptance. The commenter states that a significantly higher number of consumer complaints for manufactured homes versus modular homes (10–20 times the number of complaints), together with the public's lack of ability to distinguish between manufactured homes and modular homes, have tainted the public's perception of modular housing as a viable affordable housing alternative. The commenter submits that confusion by public and financial institutions as to what constitutes a HUD-code home has resulted in increasing numbers of local jurisdictions attempting to impose zoning restrictions, which limit the availability of both affordable manufactured and modular homes. The commenter wrote that this problem is being exacerbated by retailers that represent to consumers that they are purchasing modular homes built to higher safety standards, when they are actually purchasing a poorer performing manufactured home. The commenter concludes with the statement that this has also caused taxation problems for consumers and public officials when communities discover that the home is a manufactured home, to be taxed as a chattel, rather than a modular unit taxed as real estate.

*Response.* The nature of the manufactured home industry and the products the industry produces have changed drastically since enactment of the National Manufactured Housing Construction and Safety Standards Act of 1974 (42 U.S.C. 5401 *et seq.*) (1974 Act). Market demands have resulted in changes in design and construction by many manufactured home producers such that their homes do closely resemble modular home construction in appearance. The manufactured housing industry has changed from producing mostly single-section homes that were mobile, to producing multiple-section homes that rarely are moved.

Modular homes are generally either not covered by the 1974 Act, if they also meet the definition of "manufactured home," or can be excluded from coverage. The majority of all manufactured homes being produced today require some on-site work in order to complete them. This does not include their placement on a foundation or stabilization system for support at the site.

HUD has received comments from MHCC on a pre-publication draft

proposed rule to facilitate some on-site construction without the need for HUD approval. Interested parties and the public will have an opportunity to comment on the specifics of this proposal when published. Additionally, HUD will further consider the recommendations made by the commenter.

*Comment.* One commenter stated that state and local jurisdictions should not use zoning and land use regulations to require that manufactured housing in their communities is aesthetically identical to existing single family housing. The commenter wrote that HUD's 1997 statement of policy on this subject should be revised and expanded in accordance with the mandates of the Manufactured Housing Improvement Act of 2000 (title VI Pub. L. 106–569, approved December 27, 2000), (the MHI Act) to include zoning regulations. Discriminatory practices on certain zoning and land use decisions are continuing to be made by state and local governments despite the 1997 statement of policy.

*Response.* The MHI Act does not provide HUD with the authority to extend its preemption of state and local laws over manufactured home construction, under section 604(d) of the 1974 Act, to state and local zoning laws and regulations. Further discussion of this position can be found in a notice published by HUD in the **Federal Register** on July 17, 2003 (68 FR 42327). HUD's Manufactured Housing Program Office worked cooperatively with MHCC to develop a revised draft statement of policy to reflect the changes in the purposes resulting from the MHI Act. While HUD can encourage state and local governments to eliminate certain zoning and land use practices to facilitate the placement of manufactured housing, it cannot require that states or local governments discontinue those practices under the 1974 Act.

*Comment.* One commenter stated that subpart I of HUD's manufactured housing procedural and enforcement regulations (24 CFR part 3282, subpart I) establishes procedures concerning how manufacturers notify and remedy defects in manufactured homes. One commenter wrote that the subpart I requirements are considered vague and confusing by some industry members and others and that there has been significant controversy as to the meaning of certain aspects of the regulations. The commenter also wrote that some industry members claim there have been abuses by HUD contractors, who these industry members describe have financial incentives to find fault with manufactured homes. According to

the commenter, these perceived abuses lead to higher priced homes for consumers. The commenter recommends that HUD impose time limits of one year after initial sale for application of a requirement for notification of defects, and five years for application of a requirement for correction of defects that present an unreasonable risk of death or injury. The commenter describes this change as conforming to existing law. The commenter stated that industry also recommends that the regulations be modified to protect manufacturers that act in "good faith" when making determinations under 24 CFR part 3282, subpart I. The commenter claims this "good faith" is a safe harbor for manufacturers under the law, and would promote affordability by eliminating unnecessary requirements.

*Response.* HUD is in agreement that some streamlining of the current subpart I regulations would help remove some ambiguities and confusion in the existing procedures. The MHCC has been actively reviewing, with HUD participation, the existing regulations to identify areas in need of revision. However, the 1974 Act does not limit manufacturers' responsibilities in some ways suggested by the commenter. For example, there are no provisions in the 1974 Act to establish time limits for manufacturer notification to homeowners of defects, or correction of defects that present unreasonable risks to occupants.

The statute does not contemplate "good faith" as being a safe harbor from notification and correction responsibilities, and HUD believes that, by implication, manufacturers are required to act in good faith. HUD, however, will further consider specific use of the term "good faith" in revising the regulations in subpart I of 24 CFR part 3282.

*Comment.* One commenter stated that the current alternative construction (AC) approval letter procedure, set forth in HUD's regulations in 24 CFR 3282.14, is limited to specific narrow circumstances and requires the manufacturer to submit a formal request to HUD to obtain approval for the completion of homes at the site. The process can take up to three months before an AC letter is issued to permit limited aspects of homes, which did not conform to the federal Manufactured Home Construction and Safety Standards in the factory, to be completed at the site. The commenter noted that HUD provided the statutorily created MHCC with a draft proposed rule for comment that would permit limited on-site completion of new

manufactured homes, and no longer require advance approval by the Secretary under the AC process for specified completion work to be performed at the site. The commenter encourages adoption of this proposed rule to clarify requirements for on-site completion, and streamlining or eliminating certain requirements relating to work performed on site.

*Response.* HUD is in agreement and is pursuing rulemaking on this matter.

### 3. Multifamily Housing Programs

*Comment.* With respect to the regulations governing HUD's Section 202 Supportive Housing for the Elderly (Section 202) and Section 811 Supportive Housing for Persons with Disabilities (Section 811) programs, codified in 24 CFR part 891, several commenters stated that the development cost limits in 24 CFR 891.140 are not reflective of the true costs of development in each region of the country. The commenters wrote that sponsors are therefore forced to exhaust all other funding sources before requesting additional funding from HUD, which delays the development process.

The commenters also expressed concern about the operating costs standards in 24 CFR 891.150, that establish the amount of project rental assistance contract (PRAC) funds awarded to the Section 202 and Section 811 projects. The regulations do not permit any adjustments to the PRAC until after one year of operation. The commenter stated that this is a disincentive to participate in the programs by small nonprofits.

*Response.* With the publication of HUD's FY2004 and FY2005 Section 202 and Section 811 NOFAs (May 14, 2004, 69 FR 26942, March 21, 2005, 70 FR 13576), the Department has raised the development cost limits applicable to the Section 202 and Section 811 programs to be consistent with the cost limits established pursuant to section 221(d)(3) of the National Housing Act (12 U.S.C. 17151(d)(3)) that were raised in January 2004. The Department also contracted for a study, which addresses limits for the total cost of developing a Section 202 or Section 811 project. That study has been completed and is under final review.

Although PRAC authority for the first year cannot be amended because a full year is required to determine the actual cost of operating a project, HUD already has in place a policy to deal with any shortfalls during the first year. Two notes have been added to the PRAC to alleviate concerns expressed by some owners that the PRAC amount set by

HUD would not be sufficient to cover the project's annual expenses for the first year. In year two, when the owner may apply for a PRAC increase, the notes for the PRAC will include records of the discrepancy between the reserved amount and the actual amount needed to operate the project, as well as of the project's actual expenses for the first year. If the formula rents are not sufficient to cover the actual monthly expenses, the owner will still be required to submit a voucher based on the project's actual expenses. When at year's end a budget shortfall occurs, the owner's minimum capital investment is used to cover the deficit and, if there is still a shortfall, the owner, with HUD approval, can borrow against the second year budget authority. HUD's plan is to contract for a study to determine if the initial rewards are consistent with actual operating costs for comparable assisted housing in various housing markets.

*Comment.* Four commenters stated that requiring the removal of all contamination from sites on FHA-insured multifamily properties without taking into account risk, or the use of institutional controls or engineered barriers, is a barrier to the development of affordable properties, especially in older urban areas. The commenters recommended that HUD require that:

(1) Developers enter a program similar to the Illinois Site Remediation Program using "risk-based" decisionmaking and institutional controls, or at least make contact with the state environmental agency as soon as possible in the development process;

(2) Remedial action plans be approved before the start of construction;

(3) Remedial action is completed prior to occupancy; and

(4) A Phase I or Phase II investigation be conducted for the site. The developer would not be required to participate in the Site Remediation Program if it can be shown that no remediation is required for the site.

In summary, the commenters recommend allowing FHA insurance or assistance for properties that meet EPA standards, as these standards are interpreted by the state and local regulatory agency for residential safety.

*Response.* HUD is examining the issue raised by the commenters and is taking the commenters' suggestion under advisement.

*Comment.* One commenter advised of the burden associated with HUD's "previous participation" requirements in 24 CFR 200.217a, referred to as the "2530 review." The commenter stated that the current 2530 review process was established before the involvement

of major corporate entities as passive limited partner investors, and before the availability of contemporary database, credit reporting, and other information systems that allow for the expedited and thorough analysis of a project sponsor's financial strength and background. HUD requires a 2530 review of all individual officers of any corporation directly investing as a limited partner in an FHA insured low-income housing tax credit (LIHTC) transaction. All officers and directors three levels below the mortgagor entity must be listed. The commenter stated that this is a particularly onerous and inhibiting prospect for larger syndications. The commenter recommended that, where the limited partnership is a fund established by a syndicator, the 2530 clearance be required only for that specific fund or a "master 2530" procedure be established for direct corporate investors or syndication firms.

*Response.* HUD is currently considering a revision to the 2530 process based on ownership type. HUD also determined that this process was ideal for e-government. On April 13, 2005 (70 FR 19660), HUD published a final rule which requires all participants in HUD's multifamily housing programs to file their previous participation certificates by a specific date using the Active Partner Performance System on HUD's secure Internet site. This rule reduces the paperwork burden associated with previous participation review.

*Comment.* One commenter stated that under current regulations in 24 CFR part 891, there is no middle ground between extremes of non-compliance versus full compliance with HUD's accessibility requirements. The commenter stated that the cognitive abilities of persons with developmental disabilities are such that the tasks they would be able to perform in the kitchen would not require full accessibility. The shortfalls experienced as a direct consequence of the Section 811 development cost limits not being updated on a regular basis to reflect drastic rises in site acquisition costs, compounded by the strict adherence to UFAS, has the unintended consequence of raising project costs, thus impeding the development and rehabilitation of affordable housing for persons with developmental disabilities.

*Response.* The Section 811 programmatic accessibility requirements at 24 CFR 891.310 allow for a lesser number of accessible units and bedrooms if the project will be rehabilitated for persons with physical or developmental disabilities. However, the Section 504 requirements at 24 CFR part 8, which use UFAS to measure

compliance, cannot be waived. Although current occupants may not need the full accessibility in the kitchen, future tenants may need such accessibility. Furthermore, the choice of new construction or rehabilitation of a property is at the option of the project sponsor. It is much more difficult and costly to make an existing structure accessible than it is to newly construct an accessible project.

As noted in an earlier response, the Department has brought relief by increasing the development cost limits in the FY 2004 and the FY2005 NOFAs and the Department is also contracting for a study to develop realistic cost limits for the development of Section 811 and Section 202 housing, which should alleviate a lot of the shortfalls that sponsors have been experiencing in trying to develop such housing.

*Comment.* One commenter referred to HUD's regulations in 24 CFR 245.310 and stated that certain rent increases are adjustments authorized annually by HUD under an Annual Adjustment Factor (AAF) or an Operating Cost Adjustment Factor (OCAF) that do not impact the portion of the rent that tenants receiving Section 8 assistance pay since their contribution to rent is based on 30 percent of their income regardless of the new rent. The commenter recommended that the regulation should be amended to require that tenants be notified only when owners are seeking budget-based rent increases, special rent adjustments, tenant utility decreases, etc. which cause a change in the dollar amount of the rent paid by the tenant.

*Response.* This requirement predates automatic adjustments such as AAF and OCAF, which do not result in a change in the tenant's portion of the rent. HUD will revise its regulation to reflect current practice.

*Comment.* One commenter expressed concern that HUD policy on occupancy of properties restricted to the elderly is not consistent with the Fair Housing Act. The commenter stated that there is also evidence that it is not consistent with custom and practice, which maintains elderly communities for the elderly population only. HUD has not clarified its position on elderly housing subsequent to amendments to the Fair Housing Act enacted in 1995. The commenter recommended that all housing should conform to the Housing for Older Persons Act (Pub. L. 104-76, approved December 28, 1995), except for specific conditions stipulated in housing specifically restricted to the elderly, such as Section 202. The commenter specifically recommended amending FHA's Multifamily

Accelerated Processing (MAP) guide to explicitly allow age restrictions in properties financed with FHA-insured mortgages. Current interpretation of policy that does not permit age-restricted occupancy on insured properties will be a significant impediment to refinancing Section 202 loans with FHA insurance. HUD participation in affordable housing for the elderly is further constrained in areas with community defined zoning for the elderly that excludes residents under 18.

*Response.* Current HUD policy for its market rate Section 221(d)(4) program (the program provided under section 221(d)(4) of the National Housing Act (12 U.S.C. 17151(d)(4))) requires designated elderly properties to admit families with children and young adults unless the head of household is under age 62. However, under section 231 of the National Housing Act (12 U.S.C. 1715v), all occupants must be 62 years of age or older. HUD has been receiving inquiries from lenders regarding the submission of mortgage insurance applications for properties that will restrict occupancy to only the elderly, defined as an individual who is at least 62 years of age. Lenders currently may choose to submit an application for such properties for mortgage insurance under section 231.

HUD is reviewing its existing regulations and policies regarding elderly restrictions in FHA's various multifamily programs and will publish for public comment a rule that describes the policies affecting the tenant eligibility requirements for residency in FHA mortgage insured projects. Comments received in response to that rulemaking will be thoroughly reviewed and considered, and amendments to the MAP Guide may result from this rulemaking.

*Comment.* With respect to FHA's use of a low-floater finance package to facilitate the production of affordable multifamily housing, one commenter stated that FHA's proposal is too limited in nature to benefit or encourage production of affordable housing. The commenter recommends that HUD meet with industry experts to craft a low-floater finance package that will be of limited risk and maximum benefit to serve the affordable housing objective.

*Response.* HUD met with various industry groups to informally solicit recommendations and HUD is examining its current policy on low-floater finance packages.

#### *E. Office of Public and Indian Housing*

*Comment.* One commenter stated that HUD should establish separate FMRs for



assisted living facilities and allow PHAs to set payment standards at 120 percent of the FMR and/or to move to the 50th percentile FMRs. The commenter also stated that HUD should be more flexible in considering local data in setting FMRs rather than rely on expensive and complex data surveys and streamline the process for PHAs to receive higher FMRs.

*Response.* Legislation similar to HUD's legislative proposals for a Flexible Voucher Program (FVP) (discussed in Section III of this notice), and a public housing Rent Simplification program were recently introduced as part of S.771 in the Senate. If enacted, these proposals would address the statutory barriers raised by the commenter. Under the proposed Flexible Voucher Program, a PHA would no longer be required to set payment standards based on FMRs. PHAs would have full discretion to establish payment standards for modest housing using local data as well as FMRs.

*Comment.* One commenter stated that HUD should make funding for the Section 8 administrative fees sufficient to cover costs.

*Response.* The formula for payment of administrative fees is statutory. HUD cannot alter the formula or the amount established by an appropriations act. The FVP legislative proposal would allow HUD to alter the formula for payment through rulemaking.

*Comment.* One commenter stated that housing assistance payments are late as a result of appropriation problems, bureaucratic delays in Washington DC, and antiquated systems. HUD should continue efforts to provide timely payments to owners by ensuring that PHAs have the ability to make automated electronic fund transfers to owners. Additionally, HUD should provide technical assistance, funding and other support to ensure that all PHAs have the capacity to utilize automated payment systems. One commenter stated that since PHAs are not responsible for delays in payments, owners should be able to directly charge HUD late penalties.

*Response.* Housing assistance payments are obligated on a quarterly basis and are electronically transferred to a PHA's bank accounts on the first business day of each month. Historically, when delays in the passage of appropriation laws occur HUD has operated under continuing resolutions. Therefore, housing assistance payments continue in spite of such delays. HUD's accounting and electronic fund transfer systems are very reliable and have functioned well over the years.

HUD agrees that automated payment systems will provide the most reliable and timely payment to owners. However, individual PHAs must initiate such systems with their financial institutions. PHAs lacking capacity to fully develop such systems need to explore partnerships with other PHAs or organizations to maximize their abilities in this area. As discussed above, housing assistance payments are provided to PHAs through electronic transfer on the first business day of each month. Neither the law (including regulations) nor the housing assistance payment (HAP) contract between the PHA and owner gives the owner a right to seek a late payment from HUD.

*Comment.* Several commenters expressed concern about the regulations governing inspections of units (see 24 CFR 982.305 and 982.405). The commenters stated that unit-by-unit inspections delay resident occupancy from up to 30 days or longer even when done within the required time. The industry relies on seamless turnover to contain overhead costs within tolerable limits. The financial implications of such delays are sufficient to deter them from participating in the program. The organizations recommend that PHAs be permitted to conduct inspections within 60 days of move-in. Alternatively, the PHAs could conduct initial inspections of a representative sample of units to "certify" conditions. This process would reward owners with well-maintained properties.

*Response.* The Administration's FVP legislative proposal would allow inspections within 60 days of the provision of initial assistance.

*Comment.* One commenter stated that each year vouchers are unused because owners are unwilling to participate in the program because of burdensome requirements such as HAP contracts, amendments of landlord leases, and compliance with procedures not normally attendant in conventional housing practices.

*Response.* The FVP legislative proposal, if enacted, will provide PHAs the flexibility to design their programs to meet local needs. PHAs will be able to enter into HAP contracts conditionally with owners before inspecting units. This will ensure that in tight rental markets program families have a fair opportunity to lease units, instead of losing potential units because the landlord is unable or unwilling to hold the units vacant until such time that the PHA is able to complete the paperwork.

*Comment.* One commenter stated that HUD should allow PHAs to use Section 8 funds for acquisition, rehabilitation,

and new construction of affordable units. The commenter believes that if PHAs had more flexibility in the use of Section 8 dollars, the need for recaptures would be reduced.

*Response.* The statutory framework of the Section 8 program only allows PHAs to use Section 8 funds to provide rental assistance on behalf of eligible families. PHAs may, however, use up to 20 percent of the funding authorized by HUD to provide project-based rental assistance to owners of newly constructed, rehabilitated, or existing housing.

*Comment.* One commenter proposed that HUD allow participants in HUD's Section 8 Homeownership program to buy two and three family homes and rent out the other units to generate additional income; permit voucher subsidy periods to coincide with the term of the mortgage by eliminating the mandatory time limit; and allow use of a higher separate payment standard for homeownership families.

*Response.* The regulations that provide the eligible unit must be either a one-unit property or a single dwelling unit in a cooperative or a condominium ensure that the program only subsidizes the unit occupied by the family, as opposed to additional units purchased to generate rental or investment income. This restriction on the use of the homeownership subsidy to the unit occupied by the family is required under current law.

In implementing the homeownership option, HUD decided that a time limit was appropriate for homeownership assistance because the goal of the program was not simply to defray the family's expenses, but to foster responsibility and assist the family in ultimately achieving economic self-sufficiency. HUD also believed that permitting PHAs to set a higher payment standard for homeownership families was problematic in that it would increase program costs and reduce the number of families assisted by the voucher program as a whole. These were two outcomes that HUD specifically wished to avoid in implementing the homeownership option.

Under the FVP legislative proposal, all of these decisions would be delegated to the local PHA. The local PHA would have the administrative flexibility to define unit eligibility, provide a larger or smaller subsidy to homeowners (balanced against the impact on the PHA's funding and the total number of families that the PHA could ultimately serve), and eliminate the time limit on homeownership assistance for all families.

*Comment.* One commenter urged HUD to implement the downpayment component of the Section 8 homeownership program.

*Response.* Section 8(y)(7)(A) of the U.S. Housing Act of 1937 (42 U.S.C. 1437f(y)) provides that a PHA may provide assistance to the family in lieu of monthly assistance payments in the form of a single grant to be used for the downpayment assistance “to the extent provided in advance in appropriations Acts.” To date, Congress has not appropriated funding for this purpose and consequently, HUD is unable, under current law, to authorize use of the downpayment grant option. HUD’s FVP legislative proposal, however, would allow a PHA to offer the downpayment grant option without the necessity of appropriations specifying downpayment assistance as one of the eligible activities of the FVP.

*Comment.* One commenter stated that the 15 percent allocation limit should be increased to facilitate the financing of new construction and rehabilitation of low and moderate-income multifamily housing. Another commenter suggested that PHAs should be allowed to project-base more than 20 percent of their vouchers.

*Response.* The percentage of funding that can be project-based is statutory, and therefore HUD is unable to revise the limit by regulation.

*Comment.* Three commenters stated that supportive services, as used in the context of the Section 8 project-based voucher program, should be defined by regulation. The commenters also expressed concern with the deconcentration requirements applicable to the project-based voucher program. One commenter claimed the initial guidance waiver process was cumbersome. Another commenter stated that the 20 percent poverty limit should be removed. The third commenter stated that regulations regarding the deconcentration requirements should be issued. With respect to HUD’s project-based voucher program, another commenter stated that the process to convert tenant-based vouchers to project-based vouchers was cumbersome.

*Response.* HUD’s proposed rule on project-based vouchers, published in the **Federal Register** on March 18, 2004 (69 FR 12950), proposes to deregulate much of the process for attaching project-based vouchers to structures. As provided in the proposed rule, HUD will no longer approve a PHA’s intent to project-base its units, a PHA’s unit selection policy and advertisement or HAP contract renewal terms. HUD agrees that there is a need to more

clearly define “supportive services.” With respect to the deconcentration requirements, the March 18, 2004, proposed rule deregulates much of the process for attaching project-based vouchers to structures. The rule provides that HUD will no longer approve a PHA’s intent to project-base its units, a PHA’s unit selection policy and advertisement, or HAP contract renewal terms. The public comment period closed on HUD’s project-based voucher proposed rule on May 17, 2004, and HUD has reviewed and considered the comments. The rule is in the final stages of internal review before issuance.

#### *F. Environmental Requirements Applicable to HUD Programs*

*Comment.* HUD-funded developments should not have environmental requirements different or beyond those imposed on non-HUD-funded developments.

*Response.* Like other federal agencies, HUD is subject to the statutes, executive orders, and oversight agency regulations that impose environmental and historic preservation review requirements on federal actions. While HUD favors joint reviews and use of locally generated information, there is no way to avoid the separate statutory federal requirements short of legislative change. HUD has, however, taken several steps to minimize this problem through: (1) Seeking increased use of statutory provisions authorizing environmental processing by states or units of general local government under 24 CFR part 58 so that localities can control the timing of reviews and combine them with those required under state law; (2) providing exemptions and categorical exclusions for activities having minimal impacts; (3) issuing guidance for absorbing processing within normal program operations; and (4) working with oversight agencies (the Council on Environmental Quality and the Advisory Council on Historic Preservation) on simplifying requirements and expediting procedures.

*Comment.* One commenter stated that HUD should defer to states, which have their own requirements for environmental review. HUD should also exempt one-to-four family home rehabilitation under the HOME program and should allow construction for housing the homeless under a risk-based approach rather than requiring 100 percent cleanup.

*Response.* Substitution of state environmental requirements for federal ones would require major legislative changes. Full exclusions or exemptions

from environmental review reflect a judgment that an activity (1) does not have the potential for significant impact on the human environment and therefore is categorically excluded from review under the National Environmental Policy Act (NEPA), and (2) would not alter any conditions so as to require a review or compliance determination under related federal environmental laws listed in 24 CFR 58.5. HUD has already determined that one-to-four family home rehabilitation is categorically excluded from NEPA review under certain conditions, as described in 24 CFR 58.35(a)(3)(i). However, such rehabilitation may require review under the terms of other federal environmental laws or authorities, including consultation under the National Historic Preservation Act. HUD does not have authority to unilaterally exempt a class of HUD actions from environmental review where a law or authority requires review or compliance. HUD regulations do provide that if a HOME recipient carrying out federal environmental responsibilities determines that an action is categorically excluded from NEPA review and does not, in a particular instance, trigger review under the other federal environmental laws and authorities that action may be declared to be exempt from further environmental review (see 24 CFR 58.35(a)(12)). Risk-based methods are acceptable by HUD’s program for the homeless.

#### **V. Ongoing Review of HUD Regulations**

HUD appreciates the time that commenters took to review HUD regulations and submit their comments, questions, and suggestions to HUD. HUD hopes the commenters find that the responses in this notice have addressed their comments. The commenters raised important issues, and HUD has already taken action to respond to these issues and to consider recommended regulatory and statutory changes. It is the intention of HUD to report periodically on its progress in reviewing its regulations and other administrative practices with respect to barriers they may pose to affordable housing. HUD’s review of its regulations is not confined to any specific period. HUD considers this an ongoing process. Therefore, interested members of the public should submit comments to HUD as they work with HUD programs, HUD program requirements and regulations and notify HUD of concerns that may not have already been expressed in this notice or addressed by HUD. HUD acknowledges that regulatory change is not an expeditious process and statutory

change even less so, but HUD is committed to removing its own regulatory barriers to affordable housing for those regulations that are in fact determined to be barriers and where it is feasible to do so.

Dated: May 12, 2005.

**A. Bryant Applegate,**

*Senior Counsel and Director of America's Affordable Communities Initiative.*

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**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

[Docket No. FR-4980-N-20T]

**Federal Property Suitable as Facilities To Assist the Homeless**

**AGENCY:** Office of the Assistant Secretary for Community Planning and Development, HUD.

**ACTION:** Notice.

**SUMMARY:** This Notice identifies unutilized, underutilized, excess, and surplus Federal property reviewed by HUD for suitability for possible use to assist the homeless.

**FOR FURTHER INFORMATION CONTACT:**

Kathy Ezzel, room 7622, Department of Housing and Urban Development, 451 Seventh Street SW., Washington, DC 20410; telephone (202) 708-1234; TTY number for the hearing- and speech-impaired (202) 708-2565 (these telephone numbers are not toll-free), or call the toll-free Title V information line at 1-800-927-7588.

**SUPPLEMENTARY INFORMATION:** In accordance with 24 CFR part 581 and section 501 of the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. 11411), as amended, HUD is publishing this Notice to identify Federal buildings and other real property that HUD has reviewed for suitability for use to assist the homeless. The properties were reviewed using information provided to HUD by Federal landholding agencies regarding unutilized and underutilized buildings and real property controlled by such agencies or by GSA regarding its inventory of excess or surplus Federal property. This Notice is also published in order to comply with the December 12, 1988 Court Order in *National Coalition for the Homeless v. Veterans Administration*, No. 88-2503-OG (D.D.C.).

Properties reviewed are listed in this Notice according to the following categories: Suitable/available, suitable/unavailable, suitable/to be excess, and unsuitable. The properties listed in the three suitable categories have been

reviewed by the landholding agencies, and each agency has transmitted to HUD: (1) Its intention to make the property available for use to assist the homeless, (2) its intention to declare the property excess to the agency's needs, or (3) a statement of the reasons that the property cannot be declared excess or made available for use as facilities to assist the homeless.

Properties listed as suitable/available will be available exclusively for homeless use for a period of 60 days from the date of this Notice. Where property is described as for "off-site use only" recipients of the property will be required to relocate the building to their own site at their own expense. Homeless assistance providers interested in any such property should send a written expression of interest to HHS, addressed to Heather Ranson, Division of Property Management, Program Support Center, HHS, room 5B-17, 5600 Fishers Lane, Rockville, MD 20857; (301) 443-2265. (This is not a toll-free number.) HHS will mail to the interested provider an application packet, which will include instructions for completing the application. In order to maximize the opportunity to utilize a suitable property, providers should submit their written expressions of interest as soon as possible. For complete details concerning the processing of applications, the reader is encouraged to refer to the interim rule governing this program, 24 CFR part 581.

For properties listed as suitable/to be excess, that property may, if subsequently accepted as excess by GSA, be made available for use by the homeless in accordance with applicable law, subject to screening for other Federal use. At the appropriate time, HUD will publish the property in a Notice showing it as either suitable/available or suitable/unavailable.

For properties listed as suitable/unavailable, the landholding agency has decided that the property cannot be declared excess or made available for use to assist the homeless, and the property will not be available.

Properties listed as unsuitable will not be made available for any other purpose for 20 days from the date of this Notice. Homeless assistance providers interested in a review by HUD of the determination of unsuitability should call the toll free information line at 1-800-927-7588 for detailed instructions or write a letter to Mark Johnston at the address listed at the beginning of this Notice. Included in the request for review should be the property address (including zip code), the date of publication in the **Federal Register**, the

landholding agency, and the property number.

For more information regarding particular properties identified in this Notice (*i.e.*, acreage, floor plan, existing sanitary facilities, exact street address), providers should contact the appropriate landholding agencies at the following addresses: AIR FORCE: Ms. Kathryn M. Halvorson, Director, Air Force Real Property Agency, 1700 North Moore St., Suite 2300, Arlington, VA 2209-2802; (703) 696-5502; COE: Ms. Shirley Middleswarth, Army Corps of Engineers, Civil Division, Directorate of Real Estate, 441 G Street, NW, Washington, DC 20314-1000; (202) 761-7425; ENERGY: Mr. Andy Duran, Department of Energy, Office of Engineering & Construction Management, ME-90, 1000 Independence Ave, SW., Washington, DC 20585; (202) 586-4548; GSA: Mr. Biran K. Polly, Assistant Commissioner, General Services Administration, Office of Property Disposal, 18th and F Streets, NW., Washington, DC 20405; NAVY: Mr. Charles C. Cocks, Department of the Navy, Real Estate Policy Division, Naval Facilities Engineering Command, Washington Navy Yard, 1322 Patterson Ave., SE., Suite 1000, Washington, DC 20374-5065; (202) 685-9200; (These are not toll-free numbers).

Dated: May 12, 2005.

**Mark R. Johnston,**

*Director, Office of Special Needs, Assistance Programs.*

**TITLE V, FEDERAL SURPLUS PROPERTY PROGRAM FEDERAL REGISTER REPORT FOR 5/20/2005**

**Suitable/Available Properties**

*Buildings (by State)*

Colorado

Bunkhouse #3540

Forest Road 560

Section 32

Bailey Co: Park CO 80421-

Landholding Agency: GSA

Property Number: 54200520012

Status: Excess

Comment: 560 sq. ft., most recent use—storage, no sanitary facilities/potable water/power

GAS Number: 7-A-CO-0657

Georgia

Bldg. W0-3

West Point Lake

West Point Co: GA 31833-

Landholding Agency: COE

Property Number: 31200520001

Status: Unutilized

Comment: 7 x 7 gatehouse, off-site use only

Missouri

Social Security Building

123 Main Street

Joplin Co: Jasper MO 64801-

Landholding Agency: GSA