

**Required Conversion
Addendum**

U.S. Department of Housing
and Urban Development
Office of Public and Indian Housing

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Public reporting burden for this collection of information is estimated to average 5 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. HUD may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

This information is required to as a supplement to the HUD-52860 for all inventory removal actions that involve a required conversion action based on requirements of Section 33 of the United States Housing Act of 1937 as amended ("Act") and 24 CFR Part 972 ("HUD Regulations"), HUD will use this information to determine whether, and under what circumstances, to permit PHAs to remove from their inventories all or a portion of a public housing development, as well as to track removals for other record keeping requirements. Responses to this collection of information are statutory and regulatory to obtain a benefit. Please refer to the instructions for each section for additional guidance on how to complete this application. HUD approval of the proposed removal from inventory action in this application does not constitute HUD approval for funding of the proposed action. All capitalized terms not defined in this form have the meanings as defined in the Act and HUD Regulations. The information requested does not lend itself to confidentiality.

Pursuant to the requirements of Section 33 of the Act and 24 CFR 972, when it is determined that a public housing development is subject to a Required Conversion, the PHA must complete this Required Conversion Addendum (HUD-52860-D) ("RCA") and submit it to HUD as part of its on-line Inventory Removal Application (HUD-52860). This RCA is required in addition to the HUD-52860 and may request some information that already exists in the Public and Indian Housing Information Center (PIC) system or in the PHA's Required Conversion Plan submitted to a HUD Field Office as part of the PHA's PHA Plan. Even if HUD agrees with a PHA that a public housing development must be converted, the PHA cannot commence the conversion until it receives written approval to the conversion from HUD's Special Applications Center (SAC). This approval will be separate from the approval that a PHA receives from HUD for its PHA Plan. This RCA will become part of the hard paper file of a PHA's approved Required Conversion Plan.

(1) Cost Analysis:

****Attach the results of the Cost Analysis (HUD Conversion Calculation Rule) in the form of the HUD-approved Excel Spreadsheet available on the HUD website at:
<http://www.hud.gov/offices/pih/centers/sac/docs/costcomparison.xls>.***

(2) Future Use: How does the PHA propose the public housing Development will be used after conversion?

****Attach a narrative of the planned future use of the development proposed for conversion, and the means and timetable for accomplishing any planned demolition, disposition, or redevelopment and reference it as Item RCA-2.***

(3) Does the PHA have any modernization, reconstruction, or other capital funds for the Development subject to conversion? () Yes () No

****If Yes, attach a narrative identifying the funds and the obligation status of those funds. Also indicate the PHA's recommendations concerning the transfer of these funds to Housing Choice Voucher based assistance or other public housing uses and reference it as Item RCA-3.***

INSTRUCTIONS: Required Conversion Addendum (HUD-52860-D):

Section 33 of the Act requires PHAs to remove certain public housing units from their inventories and convert the residents of those units to other forms of housing (e.g. tenant-based Housing Voucher Assistance, other public housing, project-based housing) if the conversion is determined by HUD to be cost-effective. PHAs are required by Section 33 to annually review their public housing stock by utilizing HUD's Conversion Calculation Rule to examine their public housing stock and identify public housing that may be subject to a Required Conversion. Once a PHA determines that it would be more expensive to modernize and operate a distressed development for its remaining useful life than to provide tenant-based assistance to the residents of that development, or the PHA cannot assure the long-term viability of a distressed development, and concludes that the development is subject to a Section 33 Required Conversion, the PHA must prepare a 5-year conversion plan in accordance with 24 CFR 972.130 ("Required Conversion Plan"). The Required Conversion Plan must be submitted to HUD as part of the PHA's Plan. The SAC will not accept any submissions for Required Conversion until the PHA has completed a Required Conversion Plan and submitted it to HUD in its PHA Plan.

Item 1: The cost methodology that PHAs must use to compare the costs of continuing to operate a development as public housing for the remainder of its useful life to the cost of providing tenant-based Housing Voucher Assistance to the residents of that development was published as a final rule on March 21, 2006 (Appendix to 24 CFR 972) ("Conversion Calculation Rule"). In order to assist PHAs in completing the calculations and comparisons required by the Rule, a downloadable spreadsheet calculator is available on the HUD website. HUD will look for completed cost calculations in reviewing the PHA's cost comparison of providing tenant-based Housing Voucher Assistance with the cost of operating the Development as public housing. Note that the cost methodology for Required Conversion is different from that for Voluntary Conversion. When comparing the cost of tenant-based Housing Voucher Assistance versus public housing, PHAs should consider, as essential, the length of the remaining useful life for the public housing development that may be a 20, 30, or 40-year period. (Typically, a 40-year period is used when rehabilitation is performed equal to new construction. A 30-year period is used when a PHA plans a modernization effort that addresses all backlog needs and any redesign that is necessary to keep a property viable and cost-effective for an ongoing useful life in accordance with the useful life of the building and its systems.) PHAs must use this calculation tool (spreadsheet) to compute the PHAs information on the Development's operating, modernization, and accrual costs, as well as information on costs of tenant based assistance (vouchers) for Required Conversion.

Item 2: In the narrative describing the intended future use for the affected Development, PHAs must provide their specific plans for the Development after conversion (e.g., whether the property will be demolished, disposed of for other housing, retained and utilized to house low-income residents, etc.) Section 18 of the Act does not apply to demolition of developments removed from the inventory of a PHA pursuant to a Required Conversion. Section 18 of the Act, however, does apply to a disposition of a development removed pursuant to a Required Conversion. Therefore, to dispose of a PHA property as part of a Required Conversation, the PHA must meet all of the disposition requirements of Section 18 of the Act and the HUD-52860.