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CHAPTER 16. PARTIAL RELEASE OF SECURITY; ALTERATIONS,  
MODIFICATIONS, OR ADDITIONS TO PHYSICAL STRUCTURES

Section 1. PARTIAL RELEASE OF SECURITY

Subsection A. INTRODUCTION

16-1.

PURPOSE.

- a. The regulatory agreement provides that the owner shall not, without the prior written approval of HUD, convey, transfer, or encumber any of the mortgaged property.
- b. This chapter provides instructions on submitting a request for partial release of security from the insured mortgage; instructions on owner notification to tenants of the proposed request; instructions for field office processing and authorization of such requests.

EXAMPLES: Local government wants to acquire land from apartment complex through imminent domain to widen road.

Project is not located close to shopping. Owner of apartment complex wants to sell off some of the land to developer to build a small shopping center.

Owner wants to sell portions of project property that provide amenities, such as parking space and recreational areas.

Section 202 sponsor wants to build a nursing home on the mortgaged property.

16-2.

COVERED PROGRAMS.

- a. This chapter applies to:
  - 1) Projects with mortgage insurance in force, including formerly coinsured mortgages.

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NOTE: For hospitals, group practice facilities and manufactured home communities, references to tenants and tenancy throughout this chapter apply also to the beneficiaries of these programs.

- 2) Projects with HUD-held mortgages.
- 3) Coinsured mortgages
- b. Paragraph 13-d only applies to formerly HUD insured projects that were sold with a use agreement.

16-3. DELEGATION OF AUTHORITY.

a. Negotiated Releases

1. Headquarters Authorization

- a) Office of Multifamily Housing Management, Operations Division, must authorize requests for partial releases of security that are not covered in the Field Office delegation in paragraph 3a.2).
- b) The Office of Elderly and Assisted Housing must authorize requests for partial releases of security for projects with direct HUD loans or capital advances under Sections 202 or 811.
- c) The Office of Preservation and Property Disposition must authorize requests for partial releases of security that meet the criteria in paragraph 16-15.

2. Field Office Authorization. The Director of Housing Management may authorize requests for partial releases of security when:

- a) The quiet enjoyment of the present tenancy will not be negatively affected.

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- b) The amount of the reimbursement is greater than or equal to the HUD determined value of the severed portion at the time of severance.
  - c) The value of the property will be unaffected by the partial release of security or the value will increase as a result of it.
  - d) The terms of the sale are cash.
- 3. The Director of Housing Management may reject negotiated releases.
  - 4. When paragraph 16-3a.1) above provides for Headquarters' review and authorization of a partial release of security, the Director of Housing Management shall forward a copy of the request and the field office review, analyses and recommendation to the Headquarters office indicated.

b. Mandated Releases

- 1) When a portion of the mortgaged property is taken by a public authority through the use of condemnation proceedings, such taking can be without the prior approval of either the mortgagee or HUD.
- 2) However, if the Field Office's review indicates that the proposed condemnation has the potential to cause default of the mortgage or negatively impact on the quiet enjoyment of the intended purpose, as early as possible in the process, Housing Management staff must consult with their Desk Officer in the Operations Division in the Office of Multifamily Housing Management, or in the case of a project with a direct HUD loan or capital advance under Sections 202 or 811, the Office of Elderly and Assisted Housing.

EXAMPLE OF POTENTIAL IMPACT ON QUIET ENJOYMENT: Quiet picnic and recreational space on the grounds of a HUD insured project

is being sought by the local government to provide a pumping station or a garage for heavy equipment.

- 3) Headquarters Desk Officer must then immediately advise Director of the Operations Division and/or Office of General Counsel.

Subsection B. TENANT NOTIFICATION

16-4. APPLICABILITY. This Section:

- a. Does not apply to cooperative housing corporations or associations.
  - b. Applies only to:
    - 1) Negotiated Releases. (See 24 CFR 245, Subpart G, Procedures for Requesting Approval of a Partial Release of Security, Tenant Participation in Multifamily Housing Projects).
    - 2) Insured or HUD-held mortgages that have received final endorsement under Section 236 of the National Housing Act or Section 221(BMIR) of the National Housing Act AND are assisted under either Rent Supplements under the Housing and Urban Development Act of 1965 or Section 8 Loan Management Set-aside Program (LMSA) following conversion from Rent Supplements or which have a use agreement restricting use and the proposed partial release of security is inconsistent with that agreement.
    - 3) Projects that were assisted under Rent Supplements or Section 8 LMSA following conversion from Rent Supplements before acquisition by the Secretary and sold by the Secretary subject to a mortgage insured or held by the Secretary and an agreement to maintain the low-and moderate income character of the project.
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- 4) Section 202 projects under the Housing Act of 1959 that receive Rent Supplements or that are assisted under the Section 8 Loan management Set-aside Program following conversion to such assistance from Rent Supplements. Notice to tenants is not required for projects with direct loans or capital advances under Sections 202 and 811 which have Section 8 contracts, Project Assistance Contracts (PAC) or Project Rental Assistance Contracts (PRAC) for all units.

- 16-5. TENANT NOTICE. At least 30 days before submitting a request to HUD for approval of a partial release of security, the owner must serve notice of the proposed conversion on the project tenants as provided in 24 CFR 245.15. The notice must state the following:
- a. That the owner intends to submit a request to HUD for approval of a partial release of security (as described in the notice).
  - b. That the tenants have the right to participate as provided in 24 CFR 245.620, and what those rights are (paragraph 16-7), including the address at which the materials required to be made available for inspection and copying under that section are to be kept.
  - c. That tenant comments on the proposed partial release may be sent to the owner at a specified address or directly to the local HUD Office, and that comments sent to the owner will be transmitted to HUD, along with the owner's evaluation of them, when the request for HUD approval of the partial release of security is submitted.
  - d. That HUD will approve or disapprove the proposed partial release based on its review of the information submitted and all tenant comments received.
  - e. That the proposed partial release may require the owner to request HUD approval of a rent increase; and

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4350.1 REV-1

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- f. That the owner will notify the tenants of HUD's decision and that it will not affect any approved partial release transaction (in accordance with the terms of existing leases) until at least 30 days from the date of service of the notification.

16-6. SERVICE OF NOTICE.

- a. The notice must be served by delivery except, for a high-rise project, the notice may be served either by delivery or by posting.
  - 1) If service is made by delivery, a copy of the notice must be delivered directly to each unit in the project or mailed to each tenant.
  - 2) If service is made by posting, the notice must:
    - a) Be posted in at least three conspicuous places within each building in which the affected dwelling units are located and during any prescribed tenant period.
    - b) Be posted throughout the comment period in a conspicuous place at the address stated in the notice where the materials in support of the mortgagor's proposed action are to be made available for inspection and copying.
    - c) Be maintained and in legible form during any prescribed comment period.

16-7. INITIAL SUBMISSION OF MATERIALS TO HUD. At the same time the notice required in paragraph 16-5 is served on the tenants, the owner must submit the following materials to the local HUD Office:

- a. A statement describing the portion of the property that is proposed to be released and

the transaction requiring the release.

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9/92

16-6

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4350.1 REV-1

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- b. A statement describing the estimated effect of the proposed release on the following factors both before and after the release: the value of the project, the number of dwelling units in the project, the project income and expenses (including property taxes), the amount of subsidy available to the project, and the project rent schedule.
- c. A statement describing the proposed use of the property to be released and the persons who will have responsibility for the operation and maintenance of that property, and assessing the compatibility of that use with the residential character of the project.
- d. A statement describing the proposed use of any proceeds to be received by the mortgagor as a result of the release.
- e. A copy of the notice to the tenants.
- f. A relocation plan, if appropriate.

16-8.

RIGHTS OF TENANTS TO PARTICIPATE

- a. The tenants (including any legal or other representatives acting for the tenants individually or as a group) have the right to inspect and copy the materials that the owner is required to submit to HUD under paragraph 16-7, for a period of 30 days from the date on which the notice required under paragraph 16-5 is served on the tenants. During this period the owner must provide a place (as specified in the notice) reasonably convenient to tenants in the project where tenants and their representatives can inspect and copy these materials during normal business hours.
- b. The tenants have the right during this period to submit written comments on the proposed partial release transaction to the owner and to the local HUD office. Tenant

representatives may assist tenants in preparing these comments.

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16-7

9/92

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4350.1 REV-1

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c. If the owner, whether at HUD's request or otherwise, makes any material change during a tenant comment period in the materials submitted to HUD under paragraph 16-7, the owner must notify the tenants of the change, in the manner provided in paragraph 16-6, and make the materials as changed available for inspection and copying at the address specified in the notice for this purpose. The tenants have a period of 15 days from the date of service of this additional notice (or the remainder of any applicable comment period, if longer) in which to inspect and copy the materials as changed and to submit comments on the proposed partial release transaction, before the owner may submit its request to HUD for approval of the partial release.

16-9. SUBMISSION OF REQUEST FOR APPROVAL TO HUD. Upon completion of the tenant comment period, the owner must review the comments submitted by tenants and their representatives and prepare a written evaluation of the comments.

16-10. NOTIFICATION TO TENANTS OF HUD'S DECISION. The owner must notify the tenants of HUD's decision as provided in paragraph 13-5f. If HUD has approved the proposed partial release transaction, the notice must state the date on which the mortgagor intends to effect the partial release transaction (which must be at least 30 days from the date of service of the notice and in accordance with the terms of existing leases).

Subsection C. REQUEST FOR PARTIAL RELEASE OF SECURITY -- OWNER SUBMISSION REQUIREMENTS

16-11. NEGOTIATED RELEASE (VOLUNTARY). Upon completion of the tenant comment period in Subsection B of this chapter, the owner may submit a written request for HUD approval of a partial release of security to the Director of Housing Management. A request shall be accompanied by:

- a. A statement setting forth the intended use of that portion of the property to be released and consideration, if any, to be received by the owner.

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9/92

16-8

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4350.1 REV-1

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- b. A statement from the mortgagee including:
- 1) its consent to the transaction, subject to whatever conditions and restrictions the mortgagee may require.
  - 2) the current status of the insured mortgage and the current mortgage balance with an evaluation of the proposed release on the escrows.
  - 3) the nature of any default on the mortgage, if applicable.
  - 4) The impact of the release on the tax obligations of the project.
  - 5) how the proceeds of the partial release will be applied.

NOTE: This paragraph does not apply to projects with direct loans or capital advances under Sections 202 or 811.

- c. Copies of all written tenant comments submitted under paragraph 16-5.
- d. The owner's evaluation of the tenant comments on the proposed partial release.
- e. A certification by the owner that it has complied with all of the requirements of paragraphs 16-5 (Content of Notice), 16-7 (Initial Submission of Materials to HUD) and 16-8 (Rights of Tenants of Participate).
- f. If additional tenant notice is required under paragraph 16-8c, the owner must submit to the local HUD Office the changes to the materials.
- g. Legal description of the property to be severed.

- h. In the event there are privately owned utility lines or mains located within the portion of the property to be released, a written statement setting forth the identity of those who will have responsibility for continued operation and maintenance of the

utility lines and mains. The mortgagor must arrange for any easements which may be required in the future operation and maintenance of the utility lines or mains.

- i. A plat showing the property to be released with metes and bounds shown and showing the relationship of the property to be released to the entire mortgaged property.
- j. The proposed form of deed whereby the property is to be conveyed, a legal description thereof, and the proposed form of easement deed or easement reservation to be used, if any, in accordance with paragraph 16-11th above.
- k. A letter from the title insurance company which issued the existing mortgagee's title policy to the effect that the release of a portion of the mortgage security will not adversely affect the policy or title insurance and the validity or priority of the lien of the insured mortgage on the remaining property.
- l. The proposed form of letter agreement to be executed by the owner and mortgagee whereby both parties agree that the payment to principal on the mortgage, if any, as required by the mortgagee or HUD because of the partial release of mortgaged property is not to be considered as an optional prepayment, as that term is used in the mortgage or note, and that failure to make the regular monthly payments will constitute a default under the mortgage.
- m. A written statement from the governmental unit having jurisdiction if the partial

release of mortgaged property is for street dedication or other public purpose, setting forth the consideration to be paid, if any; whether or not assessments are involved; and the obligation being assumed as to continuing operation and maintenance, if appropriate; accompanied by the proposed form of conveyance to be used.

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9/92

16-10

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4350.1 REV-1

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- n. A copy of the as-built survey.
- o. A description of any improvements authorized since final endorsement.
- p. A statement describing any changes the partial release will have on project amenities, security, peaceful enjoyment and any other factors affecting the project and/or its tenants.

EXAMPLES: changes in the number of parking spaces, changes in the level of security, changes in the recreation facilities and relocation of tenants

- q. Any other documents to be executed by the owner affecting its interest in the mortgaged property or other documents requested by HUD (e.g., use agreement).
- r. An agreement between the owner of the insured mortgage and the purchaser of the released security that the purchaser of the released security will pay for any damages to the insured property that result from making improvements to the released security.

EXAMPLE: A city widens a road and damages the project's sprinkler system.

- s. A copy of the tenant notification prepared by the owner in accordance with Section 2 of this Chapter.
- t. Any relocation plan.

16-12.

JUDICIAL/MANDATED RELEASE (Partial Taking of Security by Condemnation).

- a. It is the mortgagee's responsibility to keep currently informed concerning such proceedings to assure that the claim for adequate compensation is properly instituted.
- b. The Director of Housing Management in the HUD Field Office shall also keep currently informed as to the status of the proceedings.

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16-11

9/92

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4350.1 REV-1

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- c. The owner must submit the following to the HUD Field Office of Housing Management:
  - 1) A written statement from the governmental unit having jurisdiction if the partial release of mortgaged property is for street dedication or other public purpose, setting forth the consideration to be paid, if any; whether or not assessments are involved; and the obligation being assumed as to continuing operation and maintenance, if appropriate; accompanied by the proposed form of conveyance to be used.
  - 2) When condemnation proceedings have been concluded, the owner shall submit certified copies of the award and all related documents to the Director of Housing Management.

16-13.

EASEMENTS.

- a. On occasion, owners are requested by municipalities, public utilities, or others to grant easements or rights-of-way for construction of sewer or power lines, or for other purposes.
- b. Easements are not partial releases of security.
- c. The Owner must request the government body requesting the easement to state that it will pay for damages to the insured property that result from repairs or improvements to the easement.

- d. The owner shall provide the Director of Housing Management with a copy of all executed documents.
- e. Field Office Manager must determine and certify that the proposed easement will not negatively affect the quiet enjoyment of tenants.

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9/92

16-12

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4350.1 REV-1

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Subsection D. HUD PROCESSING OF REQUEST FOR PARTIAL  
RELEASE OF SECURITY

NOTE: For partial releases dealing with condominium conversions, see Chapter 30, 4350.1, Conversion to Condominium Ownership.

16-14. HOUSING ACTIONS.

- a. Valuation Branch will perform an appraisal to determine the:
  - 1) value of the entire property before release;
  - 2) value of the property remaining after the release, taking into account any and all severance damage;
  - 3) value of the property to be released; and
  - 4) total value of land included in Section 202 or 811 loan or capital advance and value of property proposed for release as percentage of total land values.
  - 5) effect of the release on the remaining portion of the mortgaged property, if any, other than the monetary value.
- b. Valuation Branch will determine whether the compensation is reasonable and that the remaining mortgage is in line with the value.
- c. Valuation Branch will perform an environmental review as required by 24 CFR Part 50. The Environmental Officer in the HUD Field/Regional Office will provide

assistance as necessary.

- d. For a project with a direct HUD loan or capital advance under Section 202 or 811, the entire amount must be applied to reduce the note.
- e. Housing Management Branch will review the mortgagee's statement showing how proceeds of

the partial release of security are to be applied. As a general rule they should be applied in the following order of priority:

- 1. any delinquencies;
  - 2. any deficient reserves/escrows;
  - 3. the unpaid principal. Assure that this amount is at least equal to the greater of the following:
    - a) An amount which will result in the adjusted unpaid balance of principal having a ratio to the value of the mortgaged property, after the release, no higher than the present unpaid balance of principal now has to the value of the mortgaged property; OR
    - b) an amount equal to the loss in value to the project resulting from the release of that portion of the property.
  - 4. improvements to the property.
- f. The Housing Management Branch will perform a file search to make sure that the proposed partial release of security is consistent with any use agreement that was executed as part of workout agreement, refinancing or sale from PD inventory.
  - g. The Housing Management Branch should consult with the Community Planning and Development Office/Division in the HUD Field Office as

needed regarding any relocation plan.

- h. Architectural and Engineering Branch will review the as-built drawings to assure that the partial release of security will not impair any part of the project, common areas or infrastructure.
- i. Director of Housing Management will approve/disapprove the request or forward the request to the Headquarters Office as

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9/92

16-14

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4350.1 REV-1

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instructed by paragraph 16-3. When forwarding the package to Headquarters for approval, send a copy of the request for partial release of security with all of the attachments, field office reviews and recommendation.

- 1) The HUD Office or Headquarters, as appropriate, must notify the owner and the mortgagee in writing of its approval or disapproval of the proposed partial release of security, providing its reasons for such determination.
- 2) Prepare a modification to the mortgage, if required.
- 3) Provide Chief Counsel with a copy of the request and Housing's approval for oversight and/or execution of the required documents.
- 4) Send a copy of any mortgage modification agreement to the Office of Mortgage Insurance Accounting and Servicing, so that they can recalculate the mortgage insurance premium.

16-15.

COORDINATION WITH THE OFFICE OF PRESERVATION AND PROPERTY DISPOSITION. Office of Preservation and Property Disposition in Headquarters must authorize field office recommendations for approval of partial releases of security involving any property which has filed a Plan of Action as part of the prepayment provisions under Titles II and VI of the National Housing Act and is insured

or held by HUD under the following sections of the National Housing Act:

- a. Section 221(d)(3) program AND assisted under Rent Supplements.
- b. Section 221(d)(3) AND assisted under the Section 8 New Construction, section 8 Substantial Rehabilitation or Section 8 Loan Management Set-aside Programs.
- c. Section 221(d)(3) BMIR program.
- d. Section 236 OR

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16-15

9/92

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4350.1 REV-1

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- e. A purchase money mortgage held by HUD with respect to a project which, immediately prior to HUD's acquisition, would have been classified under paragraphs a, b, c, or d.

NOTE: The HUD Field Office must perform all of the reviews in paragraph 16-14.

SECTION 2. ALTERATIONS, MODIFICATIONS, OR ADDITIONS  
TO PHYSICAL STRUCTURES

Subsection A. ALTERATIONS TO PHYSICAL STRUCTURES  
AND CONVERSIONS OF RESIDENTIAL UNITS  
TO COMMERCIAL USE

16-16. ALTERATIONS TO PHYSICAL STRUCTURES. In certain instances in order to conform to market demands and successful leasing of insured projects, conversion, modification, additions or deletions to physical structures may be necessary and desirable.

- a. The Director of Housing Management in the HUD Field Office is responsible for approving or disapproving requests of this nature and shall, in every instance, closely scrutinize each proposal to assure the protection of the Secretary's interest and that such conversions are not in violation of the National Housing Act or the Regulatory Agreement.
- b. Prior to approving any structural change, the

written consent of the mortgagee must have been obtained and owners must provide tenant notification as provided in paragraphs 16-18 through 23.

- c. The Valuation Branch must perform an environmental review as required by 24 CFR Part 50. The Environmental Officer in the HUD Field/Regional Office will provide assistance as necessary.

16-17. CONVERSION OF RESIDENTIAL UNITS TO COMMERCIAL USE.

- a. It has been the intent of Congress since the enactment of the National Housing Act that housing constructed with mortgage insurance

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9/92

16-16

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4350.1 REV-1

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be used principally for residential purposes. Therefore, conversions to commercial use should not be permitted as a general rule, although it is not precluded.

- b. As a general standard, commercial or other non-dwelling use should not exceed 20% of the total square footage of the rentable floor area. In the event a request is made to exceed the 20% limitation, such request shall be transmitted to the Director, Operations Division, Office of Multifamily Housing Management in Headquarters for consideration on a case-by-case basis. (Projects constructed with mortgage insurance under Sections 232 and 242 are exempt from these limitations.
- c. All proposals to convert residential space to commercial use shall demonstrate that such conversions will be to the benefit of the tenants and the rents charged shall reflect commercial or professional use of the premises. If it is the opinion of the Director of Housing Management that such commercial use will have an adverse impact on the tenants and the project as a whole, the proposal shall be rejected.
- d. There may be instances in which residential space is converted to commercial use without

the knowledge of HUD. Upon learning of such conversions, the Director of Housing Management shall inform the project owner, in writing, that such action is in violation of the Regulatory Agreement and that failure to correct this violation may result in HUD exercising its rights under the Regulatory Agreement, including denial of future participation in HUD programs. The Director of Housing Management may approve the conversion retroactively, provided all requirements are met which would have been imposed had a request been made in proper fashion. However, if the conversion is unacceptable, the mortgagor is unwilling to make the required restoration or meet HUD requirements in order to obtain approval, the Director of Housing Management shall impose

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16-17

9/92

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4350.1 REV-1

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sanctions as outlined in paragraph 2-30, Use of Enforcement Tools, in Handbook 4370.1, Reviewing Annually and Monthly Financial Reports until compliance is achieved.

- e. When a HUD subsidized insured project (Sections 8, 221(d)(3) BMIR, 236, and any projects receiving rent supplement or interest reduction payments) or a portion thereof is altered for conversion to commercial or other non-housing uses, it is subject to Section 504 of the Rehabilitation Act of 1974. See 24 CFR Part 8 in its entirety, and in particular Section 8.21, Non-housing Facilities. Alterations to the facility must be accessible to persons with handicaps, in accordance with 24 CFR Part B.
- f. The Valuation Branch in the Office of Housing in the HUD Field Office must perform an environmental review as required by 24 CFR Part 50. The Environmental Officer in the HUD Field/Regional Office will provide assistance as necessary.

#### Subsection 2. TENANT NOTIFICATION

16-18.

#### TENANT NOTICE.

- a. Owners are required to comply with 24 CFR 245.15 when requesting approval of a

conversion of residential units to a non-residential use or when requesting approval for major capital additions.

- b. At least 30 days before submitting a request to HUD for approval of a conversion of residential units to a non-residential use or for major capital additions, the owner must serve notice of the proposed conversion on the project tenants as provided in 24 CFR 245.15. The notice must state the following:

- 1) That the owner intends to submit a request to HUD for approval of a conversion of residential units to commercial use or for approval of major capital additions (as described in the notice).

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9/92

16-18

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4350.1 REV-1

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- 2) That the tenants have the right to participate as provided in 24 CFR 245.620, and what those rights are (paragraph 16-21), including the address at which the materials required to be made available for inspection and copying under that section are to be kept.
- 3) That tenant comments on the proposed conversion to commercial use or proposed major capital additions, whichever is applicable, may be sent to the owner at a specified address or directly to the local HUD office, and that comments sent to the owner will be transmitted to HUD, along with the owner's evaluation of them, when the request for HUD approval of the conversion to commercial use or major capital additions is submitted.
- 4) That HUD will approve or disapprove the proposed conversion to commercial use or the proposed major capital additions based on its review of the information submitted and all tenant comments received.
- 5) That the proposed conversion to

commercial use or proposed major capital additions may require the owner to request HUD approval of a rent increase; and

- 6) That the owner will notify the tenants of HUD's decision and that it will not affect any approved conversion to commercial use or major capital additions (in accordance with the terms of existing leases) until at least 30 days from the date of service of the notification.

16-19. SERVICE OF NOTICE. See paragraph 16-6.

16-20. INITIAL SUBMISSION OF MATERIALS TO HUD. At the same time the notice required in paragraph 16-18 is served on the tenants, the owner must submit the following materials to the local HUD Office:

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16-19

9/92

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4350.1 REV-1

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- a. Proposal to Convert Residential Units to a Non-Residential use
  - 1) A statement describing the proposed conversion.
  - 2) A statement describing the estimated effect of the proposed conversion on the value of the project, the project rent schedule, the number of dwelling units in the project, a list of the units to be converted and their occupancy, the amount of subsidy available to the project, and the project income and expenses (including property taxes).
  - 3) A statement assessing the compatibility of the proposed non-residential use with the residential character of the project.
  - 4) Written approval of the mortgagee if required.
  - 5) An undertaking by the mortgagor to pay all relocation costs that may be required by HUD for tenants required to

vacate the project because of the conversion AND

- 6) A copy of the notice to tenants.
- b. Proposal to Provide Major Capital Additions
- 1) The general plans and sketches of the proposed capital additions.
  - 2) A statement describing the estimated effect of the proposed capital additions on the value of the project, the project income and expenses (including property taxes), and the project rent schedule.
  - 3) A statement describing how the proposed capital additions will be financed and the effect, if any, of that financing on the tenants.

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9/92

16-20

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4350.1 REV-1

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4) A statement assessing the compatibility of the proposed capital additions with the residential character of the project AND

5) A copy of the notice to tenants.

16-21. RIGHTS OF TENANTS TO PARTICIPATE. Follow paragraph 16-7 substituting the terms, "proposed conversion of residential units to a non-residential use" or "proposed major capital addition", whichever is applicable, whenever the term "proposed partial release of security" appears.

16-22. SUBMISSION OF REQUEST FOR APPROVAL TO HUD. Upon completion of the tenant comment period, the mortgagor must review the comments submitted by tenants and their representatives and prepare a written evaluation of the comments. The mortgagor must then submit the following materials to the local HUD office:

- a. The mortgagor's written request for HUD approval of a conversion of residential space in the project to nonresidential use or the mortgagor's written request for HUD approval to make major capital additions, whichever is

applicable.

- b. Copies of all written tenant comments.
- c. The mortgagor's evaluation of the tenant comments.
- d. A certification by the mortgagor that it has complied with all of the requirements of paragraphs 16-18 (Tenant Notice), 16-20 (Initial Submission of Materials to HUD) and 16-21 (Rights of Tenants to Participate)

16-23.

DECISION ON REQUEST FOR APPROVAL.

- a. After consideration of the mortgagor's request for approval and the materials submitted in connection with the request, the Director of Housing Management must notify the mortgagor and the mortgagee in writing of his/her approval or disapproval of the proposal, providing his/her reasons for such determination.

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16-21

9/92

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4350.1 REV-1

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- b. The mortgagor must notify the tenants of HUD's decision in the manner provided in paragraph 16-6. If HUD has approved the proposal the notice must state:
    - 1) For conversions, which residential units are to be converted to non-residential use.
    - 2) The effective date of the conversion/major capital additions (which must be at least 30 days from the date of service of the notice and in accordance with the terms of existing leases).

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9/92

16-22