

June 2, 1967

Mr. Rector Swearingin
301 West Main
Durant, Oklahoma 74701

Dear Rector:

Ben Carter was out of town on vacation, but I ran down a fellow in the Public Housing Administration who sent over the enclosed information. I haven't studied it yet, but have made a copy of this entire file and will look it over the first chance I have.

Note Mr. Weissheimer's suggestion that if you have any questions, you should write Assistant Secretary of Housing and Urban Development Don Hummel.

Let us know how we can help further. It was good to talk with you and Bennett and the others.

Our best always.

Sincerely,

CHARLES L. WARD
Administrative Assistant

Encl.

CLW:ih

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
PUBLIC HOUSING ADMINISTRATION

DESK MEMORANDUM

Date: 6-1-67

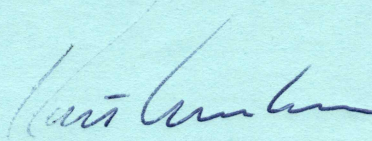
To : Mr. Charles Ward - H148 US Capitol

From : Kurt Weissheimer

Subject:

In response to your request of this date, enclosed are (1) material related to the acquisition or acquisition and rehabilitation of existing housing (including hotel buildings) for use as low-rent housing and (2) descriptive material on the HUD Indian housing program.

If there are any questions, please communicate with Assistant Secretary Don Hummel.

A handwritten signature in dark ink, appearing to read "Kurt Weissheimer", is written over a faint, circular official stamp. The signature is fluid and cursive.

HUD

Rector Swearengin, Bennett Story, David Webb and Ship Bullard, all of Durant, called clw 6-1-67 to seek information about the possible use of the Bryan Hotel in Durant for public housing, perhaps for Indians.

They said they had understood that a hotel at Tahlequah may have been used for Cherokee Indian Housing there.

The hotel has 69 rooms, 4 apartments, is fire proof, etc.

CEW talked with ~~K~~urt Weissheimer, 128-7213, who sent over atchd material for Durant group. He said if they had any questions, they should contact Asst. Secy. Don Hummel.

clw

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
PUBLIC HOUSING ADMINISTRATION

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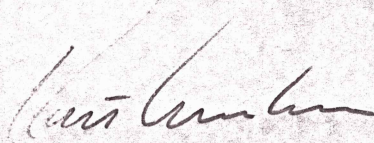
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Public Housing Program for Indians

Under the United States Housing Act of 1937, as amended, the Housing Assistance Administration, Department of Housing and Urban Development, is authorized to make loans and pay annual contributions to local housing authorities to assist in developing low-rent housing projects and achieving and maintaining their low-rent character. Local housing authorities, typically, are corporate bodies authorized to function in a locality pursuant to State law for the purpose of developing, owning, and managing low-rent housing projects.

Where an Indian tribe, under its Constitution and Bylaws, has an established governing body with police power for its Reservation (that is, the legislative power to promote peace, health, safety, and morals on the Reservation), the governing body can perform the legal functions, for purposes of public housing projects, which are otherwise performed by the State legislature and local government. Specifically, such a tribal governing body is legally competent to enact an ordinance creating a housing authority with the necessary local cooperation. In the states of Oklahoma and Maine where the tribes do not have such police power, the state legislatures have enacted statutes to provide for the establishment of housing authorities for the tribes in those states.

The public housing program for Indians offers a choice of two types of housing projects: conventional low-rent housing and mutual-help housing.

The conventional low-rent housing program for Indians is essentially similar to the low-rent program in non-Indian areas in which the housing is constructed by a building contractor and is thereafter operated as rental housing by the local housing authority. For permanent financing of the development cost of the projects, the local authority sells its 40-year bonds to private investors; however, the HAA agrees to pay annual contributions in an amount sufficient to assure payment of the annual debt service (interest and principal), and these annual contributions are pledged as security for the bonds, thereby enabling them to be sold at unusually low interest cost. The dwelling units are rented by the housing authority to families of low income at rents based on their incomes but the rents must be sufficient in the aggregate to pay the authority's operating expenses, except that in the case of elderly (including disabled and handicapped) families and families displaced by an urban renewal or low-rent public housing project, an additional annual contribution of up to \$120 per unit can be paid by the HAA under certain conditions.

The mutual-help program was devised by the HAA in cooperation with the Bureau of Indian Affairs to meet the needs of very low-income Indians on reservations who cannot afford even the rents necessarily required in conventional low-rent housing projects and in whom home ownership provides a strong incentive for self-help in building and maintaining their homes. Under the plan, a group of participating Indians contribute their labor in the construction of homes for their families. In addition, the participants or the tribe contributes the building sites and, where feasible,

indigenous building materials will be contributed by the participants or the tribe. The participants are given a lease-purchase type of agreement and are given credit in amounts approved by the HAA for these contributions in lieu of payment for them in cash. There is an incentive for the participants to make as great a contribution as possible because the greater the portion of the development cost represented by the credit given them, the shorter is the period of time before they become home owners.

The HAA contracts to pay annual contributions at the highest authorized annual rate to help repay the funds borrowed by the housing authority in the development of the mutual-help housing. Should the participants' contributions (i.e., their initial equity) constitute 20% of the development cost of the housing, the HAA's annual contribution could retire the borrowings (and the participants achieve home ownership) in about 17 years.

After the homes are built, each participant is responsible for the maintenance and utility costs for his home and will pay an administration charge to the tribal housing authority for administrative costs and insurance. On the basis of income, participants will be required to make additional payments which will increase their equity toward home ownership. The participant is provided with incentives to properly maintain his home and to help keep the tribal authority's administrative costs at a minimum. Should a participant fail to maintain his house, the authority will have the necessary work done and pay for it out of funds obtained by deducting from the equity payments and mutual-help contribution made by the participant. Such deductions would reduce the participant's equity toward home ownership. Since the participant's minimal rent must cover administrative costs of the authority plus insurance, this provides a mechanism for on-the-spot policing of administrative costs of the authority because of the self-interest of the participants to keep their rental charges at a minimum.

A vital element in the mutual-help housing program for Indians is the assistance provided by the Bureau of Indian Affairs on the reservations. The BIA provides the tribal housing authorities with administrative guidance and assistance as well as with construction supervision for the participants and the skilled help employed by the authorities. Recently, the BIA, in cooperation with the HAA, has prepared standardized dwelling designs and plans for mutual-help housing based on the objectives of -- (1) simple construction, enabling maximum amount of labor contribution by the participant; (2) minimum cost so that ownership by the participants can be achieved in the shortest possible time; (3) minimum maintenance; (4) suitability to various climatic and topographical conditions; and (5) a house of adequate size to accommodate the needs of most Indian families. We anticipate that the use of such standardized plans will result in greater production of mutual-help housing in the future.

In addition, the United States Public Health Service has a program under which water and sewerage facilities are provided for Indian homes and the PHS also provides important cooperation in the above housing programs by providing such facilities.



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
PUBLIC HOUSING ADMINISTRATION
HOUSING AND HOME FINANCE AGENCY

WASHINGTON ~~XX~~ D. C. 20413

CIRCULAR
11-12-65

TO: Local Authorities
Regional Directors
Central Office Division and Branch Heads

FROM: Commissioner

SUBJECT: Acquisition, or acquisition and rehabilitation, of existing housing

Enclosed is a copy of a PHA release establishing procedures and standards and describing techniques to implement a program consisting of acquisition, or acquisition and rehabilitation, of existing housing by Local Authorities for use in their low-rent housing programs. This is the latest PHA release to implement the new approaches envisaged by Congress in connection with the Housing and Urban Development Act of 1965. (Our Circular of 10-6-65 explains the effect of the leasing authorization under the new section 23 of the USHAct, and another Circular of 10-12-65 explains the method of determining the amount of the fixed annual contribution under the new "Flexible Formula" for projects consisting of leased privately owned housing or housing acquired under the provisions of the attached procedure (see par. 18) for a term substantially less than 40 years.)

Acquisition of existing housing (with or without rehabilitation) is not a new field in this country or in the PHA-aided program, but has been done on a very limited basis thus far. Local Authorities have been acquiring FHA and VA defaulted standard housing, and both standard and substandard existing housing from private owners and doing the rehabilitation work by contract or with their own employees. However, the will of the Congress is that Local Authorities will strive to provide about 60,000 units in the next four years by this method. This major increase in emphasis will involve using existing techniques to the maximum and the development of entirely new ones. One such major new technique is spelled out in paragraph 6. This and other methods will be the subject of more detailed discussion and implementation in the future.

I wish to direct your attention to paragraph 8, and particularly to subparagraph c which enumerates the new aids provided under the Housing and Urban Development Act of 1965 to improve neighborhoods and provide open space, neighborhood centers, beautification assistance, etc. PHA staff will do its utmost to advise and help you in this regard even though the funds are not provided under the United States Housing Act of 1937.

(Cont'd)

The enclosed release will be incorporated in our permanent Manual system at the earliest possible date.

Marie C. McLine
Commissioner

Enclosure

ACQUISITION OR ACQUISITION AND REHABILITATION
OF EXISTING HOUSING

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b. Except as provided in paragraph 2c below, in proposing the acquisition of standard housing the Local Authority shall present, at the time of tentative site approval, information on standard housing as to vacancy rates and housing available for rent. A proposed program involving the acquisition of standard rental housing which would reduce such a vacancy ratio to less than 3 percent for any unit size will not be approved unless the Local Authority satisfies the PHA that the program will not have a substantial inflationary effect on the private rental market, or that the acquisition is justified by the exigencies of a particular situation.

c. In the case of the proposed acquisition of a multiple family structure with a persistent vacancy rate of at least 10 percent, it will not be necessary to demonstrate that acquisition will not have an inflationary effect on the private rental market.

d. In most communities information on vacancy rates in standard rental housing is not currently available from surveys and the data to be presented at the time of tentative site approval must be based on estimates which should be prepared in consultation with real estate brokers and agents and other competent sources. The sources and methods used to arrive at the estimates shall be included in the presentation to the PHA.

3. Methods

a. Three basic methods have been used by housing authorities in programs which have been completed or are currently under way:

- (1) Acquisition of the property and subsequent rehabilitation by contract. (See paragraph 4.)
- (2) Acquisition of the property and subsequent rehabilitation by Local Authority employees. (See paragraph 5.)
- (3) Acquisition of properties after rehabilitation by a seller-rehabilitator to standards established by the Local Authority and the PHA. (See paragraph 6.)

b. All arrangements with property owners for the acquisition of their property for purposes of this program must be accomplished by negotiation. The power of eminent domain or threat of its use may not be employed to induce an owner to sell his property.

4. Rehabilitation by Contract After Acquisition

a. The Local Authority may select and acquire properties and obtain necessary rehabilitation by contract after competitive bidding. Annual

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Local Authority under whatever method it subsequently adopts. Consideration should also be given to the use of this method in combination with contracting for portions of the work which can be better or more economically performed in that manner.

b. In considering this method, the Local Authority must take into account that it is assuming many responsibilities which would otherwise be the responsibility of a contractor. These include the hiring of personnel, purchasing, storage and protection of materials, insurance and protection

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of the buildings against theft and vandalism, and detailed cost control accounting. Cost control is of special concern since statutory cost limits cannot be exceeded.

6. Acquisition After Rehabilitation

a. This method contemplates that the Local Authority will select properties which have been recently renovated, or which can be rehabilitated to standards by rehabilitators who will acquire and rehabilitate the property prior to sale to the Local Authority. Since the ultimate transaction involves a contract for the purchase and sale of real property, this method has the advantages of eliminating most of the problems and delays involved in direct Local Authority rehabilitation work and reducing the administrative burden on the Local Authority and the PHA. Such a program will also effectively mobilize and utilize the skills and resources of real estate brokers and agents, home builders, rehabilitators, and lending institutions who do not ordinarily participate in new public housing construction. The essentials of such a program follow.

b. When the Local Authority has designated the geographical areas or neighborhoods within which the acquisition program will operate, properties in the areas can be submitted to the Local Authority for consideration by any owner or real estate broker or by the prequalified rehabilitators (hereinafter referred to as "sellers") who will ultimately sell the rehabilitated property to the Local Authority. The sellers are prequalified on the basis of experience, ability to meet financial obligations, references, availability of required equipment, adequate organization structure, and extent of bank credit available.

c. Properties offered are inspected for suitability and are appraised, and a price acceptable to the owner is determined. When groups of properties are selected for acquisition (preferably in increments of not less than 20), they are designated for, and referred to, one of the prequalified sellers. The Local Authority and the seller jointly inspect each property and prepare a check list of work required to bring the property to the standards hereinafter prescribed. Specifications adequate for the rehabilitation work are prepared. The seller then submits to the Local Authority the lump-sum price for sale of the group of properties after acquisition and rehabilitation by the seller.

d. The seller and the Local Authority enter into an agreement of sale designating the properties and the acquisition price accepted by the Local Authority, and scheduling acquisition. This provides the seller with the means of obtaining financing for acquisition and rehabilitation from a lending institution.

e. The Local Authority inspects the properties as it deems necessary to insure progress and the quality of performance and conducts a full final inspection prior to acquisition. The seller receives payment for each property when it is accepted for acquisition by the Local Authority, less an appropriate withholding, for example 10 percent, pending completion of the group. Final payment is made upon transfer of the last property in that group.

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f. Within this general outline, the purpose to be achieved is to make it as feasible as possible for persons and organizations engaged in the private residential selling, rehabilitation and lending industries to work with Local Authorities in developing the most economical and acceptable methods of rehabilitation. The number of units and other details of the arrangement can be tailored to the relevant factors in each community in line with the available market, the need, and the interest on the part of the local home building industry.

7. General Standards

Housing provided by acquisition or by acquisition and rehabilitation:

- a. Shall provide decent, safe, and sanitary housing in a suitable living environment over the period for which PHA annual contributions are to be made available;
- b. Shall not be of elaborate or extravagant design or material;
- c. Shall be developed and administered so as to promote livability, serviceability, efficiency, economy and stability;
- d. Shall be developed within the statutory per room cost limits (see paragraph 13) and at a total project development cost not exceeding 90 percent of that of comparable new accommodations; and
- e. Shall meet the standards set forth in paragraphs 8, 9, and 10.

8. Neighborhood Standards

a. The neighborhood in which property is located shall meet the following standards or there must be assurance that the neighborhood will be brought up to such a standard as a result of the rehabilitation program and other actions:

- (1) The neighborhood will be primarily residential in character and free of any land uses, nuisances, or other characteristics which are detrimental to family life.
- (2) The continued maintenance of the residential character of the neighborhood will be protected by zoning or other acceptable control.
- (3) The neighborhood will be one in which substantially all the dwellings are standard.

(Cont'd)

- (4) The neighborhood will be readily accessible to public transportation, schools, churches, playgrounds, and shopping.
- (5) Adequate and readily accessible on or off street parking will be available.
- (6) There will be adequate sidewalks, street paving and street lighting.
- (7) The neighborhood is not subject to flooding.
- (8) The location will meet the requirements pursuant to the Civil Rights Act of 1964 as set forth in paragraphs 4g and 7b of Low-Rent Housing Manual Section 205.1.

b. Where property is included in an urban renewal project it may be assumed that the neighborhood will meet the above standards.

c. The PHA will approve acquisition of properties in below standard or deteriorating neighborhoods outside of urban renewal project areas only if the Local Authority offers documentation in its Development Program of an acceptable plan for bringing the neighborhood up to the standard of paragraph 8a, above. The Local Authority should cooperate with or induce the city or county to improve the neighborhood through intensive code enforcement and the demolition of unfit housing with two-thirds grants provided under the Housing and Urban Development Act of 1965. Assistance for code enforcement activities includes the cost of planning and carrying out such programs and the cost of providing and repairing necessary streets, curbs, sidewalks, street lighting, tree planting, and similar improvements. The 1965 Act also provides assistance for water and sewer facilities (grants of 50 percent are available; 90 percent in small communities with no such facilities and where the unemployment rate has been 100 percent above the national average continuously for the preceding year). The Act also provides two-thirds grants for neighborhood facilities (for health, recreational, social, educational, or similar activities for low- and middle-income families) available to any public body (including a Local Authority). Projects may be undertaken through nonprofit organizations provided that a public body such as a Local Authority maintains control of the facility. Such neighborhood facilities may be combined with public housing facilities to create a larger or more desirable facility to serve the entire neighborhood. The 1965 Act also includes 50 percent grants to any public body (including a Local Authority) to acquire, preserve, and develop open space, or to acquire developed land in built-up portions of the neighborhood to be cleared and used as permanent open-space land. The cost of necessary demolition and removal is included. Also included in the Act are 50 percent grants for beautification (landscaping; refurbishing of streets, squares and waterfronts; construction of malls and greenways, outdoor exhibit facilities, benches, bus shelters, etc.) available to public bodies including Local Authorities.

(Cont'd)

d. Thus, a complex of assistances is available which, properly coordinated, can--in some cases through the efforts of the Local Authority alone, and in other cases through the combined effort of the Local Authority, the city or other public bodies, and nonprofit organizations--create the neighborhood improvements and facilities which will provide a suitable living environment not only for the public housing tenants but for the neighboring community as well.

e. The PHA will provide advice and such financial assistance as may be necessary to Local Authorities so that they can cooperate with the city and other local agencies in providing necessary open space and related facilities.

9. Consistency With City Plans. In selecting properties, consideration should be given to existing long-range city plans, the Workable Program for Community Improvement, and any urban renewal plans which would control or influence continued use of the property as proposed. Areas scheduled for clearance should not be selected.

10. Dwelling Standards

a. Codes, Regulations, or Requirements

(1) Applicable laws, regulations, codes, and other local legal requirements (including any requirements for an urban renewal area as to a project within such area) shall be followed unless modifications are obtained.

(2) With respect to any items not covered by subparagraph 10a(1), the Local Authority shall come to an agreement with the PHA Regional Office as to the standards to be followed. The Regional Office shall use the nationally recognized model codes as a guide (these codes are listed in Answers on Codes and Ordinances, Program Guide No. 1, HHFA).

(3) Where the above requirements permit lower standards than those required in this release, the latter shall apply.

b. Space and Arrangement

The space in the dwelling unit shall be sufficient and be so arranged as to:

(1) Provide for decent, safe, and healthful family living and to accommodate the furniture and equipment required for the number of persons to be housed in the dwelling.

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- (2) Permit free circulation with due allowance for heating devices, door swings, accessibility to electric outlets, etc.

c. Bedrooms. Privacy for sleeping shall be provided on the basis of not over two persons per bedroom except that for dwellings with more than two bedrooms any bedroom in excess of two may provide for up to four persons if adequate in size and arrangement.

d. Bath. The bath shall provide privacy and shall include a water closet, lavatory, and tub or shower. A half-bath (water closet and lavatory) shall be added in units for over six persons, unless a waiver on substantial grounds is obtained from the PHA.

e. Kitchens. Each kitchen shall be equipped with sink, counter space, base and wall cabinets, cooking range, and refrigerator (or space for a refrigerator and range if it is customary for tenants to supply these items).

f. Laundry. Space and connections for a washing machine shall be available in the dwelling unless laundry facilities are provided nearby.

g. Storage. Adequate closets or other enclosures shall be provided for clothes, linens, brooms, etc.

h. Light and Ventilation. All living and bedrooms shall have adequate natural light and ventilation. Kitchens and bathrooms may have artificial light and mechanical ventilation.

i. Heating. Heat shall be provided by means of equipment capable of maintaining a temperature of at least 70° F. (75° F. for elderly) in all habitable rooms, bath and toilet rooms, and halls, when the outside temperature is at the design temperature noted for the locality in the current ASHRAE (American Society of Heating, Refrigerating and Air-Conditioning Engineers) guide. All heating equipment shall be inspected and determined to be safe by the proper authority.

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j. Plumbing

(1) Each building or living unit within a building shall have adequate automatic domestic water heating and storage equipment in serviceable condition. Single dwellings of three bedrooms or less shall have hot water storage heater capacity of at least 30 gallons, and dwellings of four or more bedrooms shall have a minimum of 40 gallon capacity.

(2) Fully automatic reseating type pressure and temperature relief valves shall be used on individual domestic water heaters, hot water storage tanks, and solar water storage tanks. Domestic hot water storage tanks and water heating exchanger storage tanks serving a group of dwellings shall have either a combination valve, as above, or separate valves to accomplish the above requirement. Relief valves shall be located to permit the "temperature sensing element" of the valve to be immersed in the water within the upper six inches of the storage tank.

(3) If new water or gas service is required, insulating fittings shall be installed in ferrous lines prior to take-off of any connections, preferably on the service side of the meter.

k. Air Cooling. Electric outlets, related electric service, and provision for wall (window) air cooling equipment may be added upon request of the Local Authority and approval of the Regional Director. The tenant shall bear the cost of the equipment and its installation, repair, and maintenance as well as the extra charges for electricity required by its use.

l. Exterior Appearance and Outdoor Areas

(1) The appearance of rehabilitated buildings is important to both the tenants and the neighborhood. Therefore, careful consideration should be given to the types of exterior work, such as modified entrance details, window trim, a change in paint colors, and improvements of porches and steps, which can enhance a building's external appearance at little cost. Such work shall be undertaken where indicated. However, no major reconstruction of a building's exterior merely to improve appearance should be undertaken.

(2) Walkways, yards, and other outdoor areas should be brought up to a pleasing and acceptable condition through repair or replacement and judicious landscaping. Outdoor structures such as garages and fencing should be removed or repaired depending upon their appropriateness in the rehabilitation program.

(Cont'd)

m. Utility Service Lines, Inside or Outside. If new services are required, no metal-to-metal contact of any type shall be made between gas and water systems, outside or within buildings; nor shall there be any metal-to-metal contact between a pipe of one metal and any pipe support of another metal.

n. Underground Piping (New Services Only)

(1) To retard corrosion, if new services are required, all underground steel and wrought iron gas and cold water pipe and fittings connected therewith, including pipe risers at buildings to a minimum of six inches above grade, shall be coated and wrapped as follows:

- (a) A primer, two coats of tar enamel, a tar base felt wrapping, and a final kraft paper protective wrapping; or
- (b) Double wrapped with coal-tar or plastic tape of high dielectric properties having a total minimum thickness of 20 mils; or
- (c) Hot extruded polyethylene plastic over a hot-applied adhesive undercoating having a total minimum thickness of 25 mils.

Where insulating fittings are required as mentioned below for copper water piping, the above coating and wrapping shall be applied on each side of the insulating fitting for a minimum distance of six inches.

(2) To permit the installation of cathodic protection, if such becomes necessary, all nonwelded joints in ferrous underground piping, except where insulated joints are required, shall be provided with a jumper bond of not less than No. 8 stranded insulated copper wire. All bond terminals shall be coated and wrapped to exclude moisture.

(3) Positive means shall be provided to guard against breaking of pipes or loosening of joints due to settlement of the building or the pipe itself. Such means shall be in the form of swing-joints or other positive and permanent means, including special foundations for outside underground lines where necessary.

(4) Insulating fittings shall be provided where copper water pipe connects to cast-iron or other ferrous water pipe.

11. Selection of Buildings

a. No building should be selected until it has been determined that it is structurally sound and can be brought to the dwelling standards of paragraph 10 consistent with applicable cost limitations.

(Cont'd)

b. It is not assumed in this type of program that all equipment and fixtures in a building would be replaced simply because of obsolescence or that all structural parts of a building should be good for the life of the project. To the contrary, existing installations for fixtures for plumbing, heating, cooking, lighting, and baths should remain in service if they are or can be put in a safe, sanitary, and economical operating condition and provided they are adequate for the size of the family for which the dwelling is planned. Similarly, items such as roofing, flooring, windows, trim, etc., which appear to have a remaining useful life of five years or more should be retained without immediate replacement at the time of initial rehabilitation.

c. The effect of local building and housing codes should be considered before selecting a building. For example: Such codes may limit permits for alterations to a value of not more than 50 percent of assessed valuation of the existing building, or they may prohibit rehabilitation for the purpose intended if certain conditions or violations exist. Waivers should be sought if rehabilitation is a desirable and practical solution.

d. Plans of existing building should be obtained where possible, although these should not be assumed to be an accurate record or a substitute for field measurement and investigation of actual conditions.

12. Considerations With Respect to Elderly and Handicapped

a. The acquisition and rehabilitation program offers particularly good potentials for well-located housing for the elderly or handicapped. Because so many rehabilitatable structures are in older neighborhoods close to downtown areas, their location will provide convenient public transportation and shopping, social, religious, medical, and recreational facilities. Such locations also may make it possible for many elderly tenants to remain in familiar neighborhoods.

b. Existing buildings can provide desirable choices of dwelling types as well as location for elderly or handicapped persons, and many such buildings may be suited to a rehabilitation program. However, the certain common infirmities that develop with age must be recognized both in selection of structures and in extent of rehabilitation. Similar special considerations apply to the use of existing housing for handicapped persons.

c. All properties acquired for housing elderly or handicapped persons shall be capable of being brought to a condition which will provide a safe and healthful environment for continued independent living, in accordance with recognized criteria. Any conditions hazardous or potentially hazardous to infirm or physically impaired persons shall be corrected as part of the rehabilitation process.

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d. Many older buildings will require extensive structural and other alterations in order to bring them into reasonable compliance with the above criteria. Older buildings may also be located in neighborhoods which lack accessible open space for sitting out and recreation. Therefore, Local Authorities are urged to make careful studies of the structural and livability characteristics of particular buildings and of the accessibility of open space, both on the site and nearby, before acquiring properties for the purpose of housing the elderly or handicapped. Local Authorities should consult with the PHA to ascertain criteria and detailed requirements for this type of housing.

13. Application of Statutory Room Cost Limits

a. Determination of Dwelling Construction and Equipment Cost. The room cost limitations set forth in Low-Rent Housing Manual Section 207.1 ^{1/} shall apply to the cost of dwelling construction and equipment which shall include the cost of acquiring the dwellings and their equipment and of any rehabilitation, but shall exclude the cost of land, demolition, and nondwelling facilities. The cost of acquiring the dwellings and their equipment shall be determined by prorating the total purchase price of the property acquired in the ratio that the appraised value of such dwellings and equipment bears to the total appraised value of the property acquired.

b. Room count. Determination of the number of rooms in a dwelling shall be made as follows: The space for living, dining, and kitchen use, whether completely separated or not, counts as 2½ rooms; each bedroom is 1 room; a bed alcove for an efficiency unit is 1/2 a room. A dormitory type bedroom with space to accommodate beds on the floor (not double decked) and other necessary furniture, and with closet space for three persons will count as 1½ rooms; and similar space for four persons will count as two rooms.

14. Feasibility

a. Cost Estimates. Experience indicates that actual cost of rehabilitation work often substantially exceeds estimates because of the difficulty of determining, especially in large multiple family structures, the actual condition of hidden elements. Initial cost estimates, therefore, should take this into account. The estimated cost of rehabilitation should include an appropriate contingency allowance to cover the correction of latent defects during the acquisition or development period.

1/ To be revised to reflect changes made in the light of the 1965 Act.

(Cont'd)

b. Contingency Allowance in Final Development Cost Budget

(1) Where appropriate, an allowance for contingencies may be included in the Final Development Cost Budget to allow for undisclosed defects or to provide for the replacement of equipment or of parts of the structure which are currently serviceable but appear to have a short-term life.

(2) To permit utilization of the contingency allowance, issuance of the Actual Development Cost Certificate may normally be delayed until five years from date of approval of the Final Development Cost Budget. Where the contingency allowance includes specific amounts for the replacement of certain equipment or parts of structures and where such items have not been replaced by the end of such five-year period, the PHA will give consideration to extension of the five-year period.

c. Utility Costs. Utility analysis and evaluation is particularly important in this program. The cost of heating and other utilities because of uneconomical systems, high heat losses, and retail rates may jeopardize the feasibility of the undertaking. A careful utility analysis is especially important in scattered site rehabilitation, and the possibility of obtaining wholesale rates should be explored.

15. Development Program

a. Before the PHA will enter into an Annual Contributions Contract, the Local Authority will submit a Development Program on Form PHA-1954 (see Low-Rent Housing Manual Section 206.3) which shall be appropriately modified.

b. When a project consists of one or a few definite properties containing a substantial number of dwellings, such as one or more apartment buildings, the properties should be specifically identified and described in the Development Program.

c. In other cases, the Development Program need not identify the specific properties, but the Program should describe the types of properties to be acquired and the nature of the improvements generally required, and it should identify the neighborhoods in which they will be located. In such cases, subsequent PHA approval of each property will be required.

16. Professional Services

a. Where rehabilitation consists of extensive changes in structure or utilities, of alterations to large multi-family buildings, or of cluster, block or neighborhood development, or where extensive planning is involved, the services of architects, engineers, or planners will usually be necessary.

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b. Where extensive rehabilitation is not required, consideration should be given by the Local Authority to the employment of professional staff or consulting architects, landscape architects, or engineers to assist in establishing the character of the program and the possible site and neighborhood improvements, including such items as color schemes, planting, recreation space and general livability.

c. The form of contract for professional services and the determination of fees shall be submitted to the PHA for approval prior to execution.

17. Relocation Responsibilities and Benefits

a. The provisions of Low-Rent Housing Manual Sections 209.1 through 209.5 relating to the relocation of site occupants, do not apply to owner-occupants of structures acquired for use as low-rent housing. Since the use or threat of eminent domain may not be used to acquire a structure for use as low-rent housing, it must be assumed that the owner will sell only when he determines that it is to his advantage to sell and that in making such determination he takes all factors into consideration, including the inconvenience and cost of finding other quarters and moving. Accordingly, owner-occupants are not eligible to receive relocation payments.

b. The statements made in paragraph 17a with respect to owner-occupants are equally applicable to a tenant who is occupying under a lease for a term which runs beyond the point at which the Local Authority requires possession. In such a case, neither the owner nor the Local Authority could legally compel the tenant to vacate, so that the Local Authority must negotiate with the tenant on a mutually free and voluntary basis.

c. The essential characteristic of negotiations with an owner, or the holder of a leasehold, to obtain a structure for use as low-rent housing is its voluntary nature with respect to both parties to the transaction. In such negotiations, it should be made clear from the beginning that (1) the property cannot be taken by condemnation and (2) there will be no additional payments for moving costs or other expenses. The written agreement of sale or lease termination should include a statement to this effect.

d. The provisions of Sections 209.1 through 209.5 are applicable to non-owner occupants who do not have a leasehold interest beyond the point at which the Local Authority requires possession. Thus, the Local Authority, as provided in Section 209.1, must demonstrate that there are or will be adequate resources for relocating such tenants and develop a plan for their relocation. Such tenants will be entitled to the relocation assistance, services, and payments authorized for displaced families and individuals in Sections 209.1 through 209.5.

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Any such tenants who qualify as eligible under the Local Authority's regular admission limits or special admission limits for displaced families may be assigned dwellings of appropriate size in the acquired property (whether or not a physical move is involved) or in other projects of the Local Authority. Where no rehabilitation is required or where the work is of such nature that families can continue in residence while the work is being done, families who are to be relocated may be allowed to continue in residence for a reasonable length of time (up to one year if necessary) to give them sufficient opportunity to find housing which meets their needs and desires satisfactorily even though they could have been, at an earlier date, offered housing which meets the minimum requirements for relocation.

18. Application of the Flexible Formula to Housing Provided by Acquisition or Acquisition and Rehabilitation

a. For a project constructed by the Local Authority, the fixed annual contribution from the PHA is the level debt service required to repay the development cost with interest over a period of 40 years. For a project providing housing through the acquisition or acquisition and rehabilitation of existing structures, a 40-year amortization period may not in all cases be reasonable because of factors such as the condition of the housing, plans for use of the land, demographic and economic changes, etc. In such cases, the PHA may use, as a fixed annual contribution, the same annual dollar amount as would be required to amortize over 40 years the cost of a newly constructed project which would provide housing for the comparable number, sizes, and kinds of families. This alternative provision is called the "flexible formula." (See Circular of 10-12-65 for the method of obtaining a determination of the amount of annual contribution under the flexible formula.)

b. Although the fixed annual contribution under the flexible formula would provide the same number of dollars per year as in the case of a newly constructed project, it was explained to the Congress, in presenting the flexible formula proposal, that the maximum rate of annual contribution the PHA would allow under the flexible formula for the acquisition of existing housing (with or without rehabilitation) would be limited to 90 percent of the amount that would be allowed for new construction. Thus total project cost including acquisition and rehabilitation shall not exceed 90 percent of the development cost of comparable new accommodations (see paragraph 7d above). To determine the maximum amount of annual contribution under the flexible formula as applied to the acquisition or acquisition and rehabilitation programs, the following will be helpful:

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Table A 1/

Maximum debt service per year available to liquidate a \$1,000 loan at the fixed annual contribution rate established for the six months period ending December 31, 1965:

<u>Period of Loan</u> <u>(Years)</u>	<u>\$ Per Year</u>
40	45.80
35	49.12
30	53.52
25	59.85
20	69.57
15	86.06
10	119.49

For example, if the total development cost per unit of new construction were \$15,000, the maximum amount at which comparable units could be acquired or acquired and rehabilitated would be: $\$15,000 \times 90\% = \$13,500$.

Debt service that would be required to pay off TDC of \$13,500 in 40 years would be \$618.30 ($13.5 \times \45.80).

\$618.30 per unit would become the maximum amount of annual contribution that could be paid in the given locality for property acquired or acquired and rehabilitated.

Having established the maximum amount that could be paid for existing property with a useful life of 40 years, the maximum amounts that can be paid for properties with useful life of less than 40 years is obtained by use of Table A above as follows:

<u>Maximum Debt Service</u>	<u>Useful Life</u>	<u>Debt Service</u> <u>Per \$1,000</u> <u>Per Year</u>	<u>Maximum</u> <u>TDC</u>
\$618.30	35 years	\$49.12	\$12,588
618.30	30 "	53.52	11,553
618.30	25 "	59.85	10,331
618.30	20 "	69.57	8,887
618.30	15 "	86.06	7,185
618.30	10 "	119.49	5,174

1/ The fixed annual contribution rate and other factors will vary according to the investment market interest cost.

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The following table shows approximately how high a capital cost could be amortized over various periods of useful life for each \$100 of annual contribution:

<u>Useful Life in Years</u>	<u>Debt Service Per Year to Liquidate \$1,000 Loan</u>	<u>Annual Contribution</u>	<u>Capital Cost Amortizable During Useful Life</u>
35	\$49.12	\$100.00	\$2036
30	53.52	"	1868
25	59.85	"	1671
20	69.57	"	1437
15	86.06	"	1162
10	119.49	"	837

c. The PHA will contract for a flexible formula contribution based on less than 40-year amortization only where it is clearly demonstrated, on the basis of factors such as those mentioned in paragraph 18a above, that the anticipated useful life would not be consistent with 40-year amortization. In such case, the PHA will require that for a period of 40 years after the date of payment of the first annual contribution with respect to the project, (1) no debt in connection with the project, except for necessary project expenditures, shall be incurred by the Local Authority, and (2) if during such period the property is disposed of or put to other than low-rent housing use, the Local Authority shall obtain fair market value and pay all proceeds, together with any reserves, after application to any outstanding debt in respect to the project, to the PHA, provided that the aggregate of amounts payable to the PHA will not exceed the total amount of its contributions to the project.