



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING

Special Attention of:
Public Housing Agencies
Public Housing Directors
Regional Public Housing Directors

Notice PIH 2026-23

Issued: August 28, 2026

Expires: The notice remains in effect until amended, superseded, or rescinded.

Amends: Notice PIH 2024-40

Cross References: 24 CFR 8.6, part 35, part 50, part 58, part 970, part 982, part 983; 28 CFR 35.160-163; 49 CFR part 24; Notices PIH 2016-22, 2019-13, 2020-23, 2022-18, 2023-07, and 2026-16; Notices H-2016-17/PIH 2016-17, H-2019-09/PIH 2019-23, H-2023-08/PIH 2023-19, and H-2025-01/PIH 2025-03

Subject: Demolition and/or Disposition of Public Housing Property, Eligibility for Tenant-Protection Vouchers, and Associated Requirements

I. PURPOSE

Section 18 of the United States Housing Act of 1937 (42 U.S.C. 1437p) (“1937 act”) permits a public housing agency (PHA) to demolish or dispose of public housing property that is subject to a Declaration of Trust (DOT) or Declaration of Restrictive Covenants (DORC) with approval by HUD. HUD may only approve a PHA’s application if it determines that the statutory and regulatory requirements have been satisfied. This notice clarifies guidance for submitting a Section 18 Demolition and/or Disposition application pursuant to 24 CFR part 970 to release the project from Public Housing Program requirements.

PHAs may request to remove property from their public housing portfolios if they have followed the required public input process described below to determine whether the reduction is in the public interest and consistent with the PHA’s mission. However, given the national need for affordable housing, most PHAs make the determination to preserve, renovate, or replace public housing and use the authority provided by section 18 of the 1937 act to facilitate the project’s repositioning and improvement.

For the purposes of this notice, “public housing” uses the definition at 24 CFR part 905.108, and the definition includes all dwelling property, including units in mixed-finance transactions and non-dwelling property (e.g., vacant land, administrative

buildings, community buildings) acquired, developed, modernized, operated, or maintained with 1937 act funds (e.g., capital funds and operating funds). This notice does not apply to PHA-owned Section 8 housing.

Changes from the prior demolition/disposition notice ([PIH 2024-40](#)):

- Adjusted the size of a PHA in the definition of “very small PHA” ([section III.A.3.c.](#))
- Increased the maximum number of units allowed to qualify as a scattered site project ([section III.A.3.e.](#))
- Clarified how Section 18 demolition/disposition guidance applies to mixed-finance developments ([section III.A.3.f.](#))
- Clarified when functional obsolescence may be used as a justification for demolition under 24 CFR part 970.15 or as an example that retention is not in the best interest of the tenants or the PHA under 24 CFR part 970.17(c) ([section VI.B.](#))
- Removed barriers to consolidation of very small PHAs with larger PHAs ([section III.A.3.c.](#))
- Guidance for discontinuance of a Special Application Center (SAC) application pursuant to 24 CFR 970.7 submission requirements ([section V.A.](#))
- Clarified when buildings designated as severely distressed in an approved Choice Neighborhoods Planning Grant qualify for the physical obsolescence justification

II. SAC APPLICATION REQUIREMENTS

Demolition and disposition applications are reviewed by SAC in accordance with the requirements of [24 CFR part 970](#). SAC will only process applications that include all components in this section. PHAs wishing to demolish or dispose of public housing must submit their application through HUD’s Inventory Management System/Public and Indian Housing (PIH) Information Center (IMS/PIC). The same required supporting documentation (e.g., board resolution, resident consultation, government consultation, environmental review) may be submitted in support of multiple phases.

A complete Section 18 application includes the following components, as applicable:

A. PHA Plan Certification

The PHA must certify that the proposed demolition or disposition of a public housing property is included in its most recent HUD-approved PHA Annual Plan (including any significant amendment to the PHA Plan) or Moving to Work (MTW) Annual Plan. All PHAs must discuss the demolition or disposition at a public hearing, as required by 24 CFR 903.7(h)(1). The PHA must comply with the resident consultation requirements for the PHA Plan, including discussing with its Resident Advisory Board (RAB) the proposed repositioning or redevelopment option, including demolition/disposition.

B. Property Description

A description of all identifiable property by development, including land, buildings, dwelling units, and other improvements, involved in the proposed demolition or disposition.

C. Removal Description

A description of the specific action proposed. The PHA should indicate whether the application is for demolition, disposition, or demolition with disposition. If disposition is involved, the PHA should describe the method of sale. If demolition occurs after disposition, the transaction requires only a disposition application.

D. Timetable

A general timetable for the proposed action(s), including the initial contract for demolition, the actual demolition, and, if applicable, the closing of sale or other form of disposition. Deviation from the proposed estimate time schedule may have negative effects on funding eligibility (e.g., Asset Repositioning Fee (ARF), Tenant Protection Vouchers (TPV)), and transaction requirements.

E. Justification

A statement justifying the proposed demolition or disposition under 24 CFR part 970. Descriptions of potential justifications for disposition are included in [section III](#) and for demolition in [section IV](#).

F. Relocation Plan

If applicable, a plan for the relocation of tenants who would be displaced by the proposed demolition or disposition (including persons with disabilities requiring reasonable accommodations and a relocation timetable as prescribed in 24 CFR part 970.21). The plan should include an estimate of costs for any required relocation housing, moving costs, and counseling. Relocation includes signing a new lease, even if no physical move occurs.

G. Resident Consultation

A description with supporting evidence of the PHA's consultations with affected residents, any resident organizations, and the RAB, as required under 24 CFR part 970.9(a). Affected residents include public housing residents living in other units not proposed for removal at the same development as the property proposed for removal (units or vacant land). If the public housing property is removed in multiple phases, and the PHA submits more than one SAC application, then consultation with the affected residents is required for each phase.

The PHA must ensure communications and materials are accessible to individuals with disabilities and take reasonable steps to provide meaningful access to persons with limited English proficiency, pursuant to 24 CFR part 8.6 and 24 CFR part 35, subpart E.

Along with a narrative of its consultation process, the PHA must attach evidence of consultation (i.e., sign-in sheets, dates, and agenda for meetings). The PHA must allow residents and their representatives to submit written comments regarding the PHA's proposed Section 18 plan and must consider these comments when determining whether and how to proceed with a proposed demolition or disposition,

including vacant land. If the PHA proposes a demolition-only application, the PHA must conduct a new consultation with residents if it later submits a disposition-only application for the same vacant land post-building demolition.

As a best practice regarding resident consultation, SAC encourages the PHA to follow the Rental Assistance Demonstration (RAD) resident consultation requirements in Sections 3.3 and 4 of [Notice H-2016-17/PIH 2016-17](#), or successor notices. All meetings must be made accessible to people with disabilities and provide language assistance for all residents. The PHA should conduct two meetings with residents before submitting the application, two meetings with residents after HUD accepts the public housing repositioning action, and one meeting before the final removal action occurs.

H. Offer of Sale to Resident Organizations (Disposition Only)

Evidence that the PHA offered to sell a property that is subject to a disposition application to residents unless covered by an exception under 24 CFR part 970.9(b)(3). A PHA requesting consideration of exceptions to 24 CFR part 970.9(b)(1) must follow the process stated at 24 CFR part 970.9(b)(4). A resident entity with an interest in purchasing the property must make the request in writing to the PHA no later than 30 days after having received the notification of sale. For its purchase offer to be considered, the resident entity must demonstrate that it obtained a commitment for the necessary financing within 60 days of serving its written notice of interest under 24 CFR part 970.9(b)(1).

I. Fair Market Value (Disposition Only)

PHAs must receive fair market value (FMV) for all dispositions unless a below FMV transaction meets the criteria in [section V.J](#). A FMV estimate of the property must be provided, established on the basis of one independent appraisal (conducted within the last 12 months), unless otherwise determined by HUD. HUD generally requires that appraisals are made for the highest and best use of the Property as-is, and discounts (e.g., cost of demolition that occurs after disposition) should not be included. FMV cannot include seller credits or other seller discounts. Exceptions can be made regarding the cost of remediation required by HUD.

J. Gross and Net Proceeds (Disposition Only)

In the case of disposition, estimates of the gross and net proceeds to be realized, with an itemization of estimated disposition costs to be paid out of gross proceeds and the proposed use of any net proceeds. All proceeds shall be used in accordance with 24 CFR part 970.19(e) and [Notice PIH 2020-23](#).

K. Board Resolution

The PHA must obtain a signed resolution from its board of commissioners authorizing the PHA to submit the SAC application. The signed board resolution must be dated after all initial resident and local government consultation dates. The board must be consulted and approve all material parts of the SAC application

including the justification, method of disposition (if applicable), use of proceeds, results of resident and local government consultation, and relocation plan.

L. Government Consultation

Evidence that the application was developed in consultation with appropriate government officials as defined in 24 CFR part 970.5, including:

1. ***Consultation Process***

A description of the process of consultation with local government officials, which summarizes dates, meetings, and issues raised by the local government officials and the PHA's responses to those issues;

2. ***Letter of Support***

A signed and dated letter in support of the application from the highest elected official or chief executive officer of the unit of local government that demonstrates that the PHA has consulted with the appropriate local government officials on the proposed demolition or disposition;

3. ***Documentation***

Where the local government consistently fails to respond to the PHA's attempts at consultation, including letters, requests for meetings, public notices, and other reasonable efforts, documentation of those attempts; and

4. ***Multiple Jurisdictions***

Where the PHA covers multiple jurisdictions (such as a regional housing authority), the PHA must meet the previous requirements (1-3) for each jurisdiction where the PHA is proposing demolition or disposition of PHA property.

M. Environmental Requirements

An approved environmental review of the proposed demolition or disposition is required. Proposed demolitions and disposition activities are subject to HUD environmental regulations in accordance with 24 CFR 970.13. The environmental review is conducted by HUD under [24 CFR part 50](#) or by a Responsible Entity under [24 CFR part 58](#). [Notice PIH 2016-22](#) provides environmental review guidance and requirements for PHAs. The PHA is responsible for providing the Responsible Entity or HUD reviewer with a full description of the activities, and any supporting materials to complete the environmental review.

The environmental review covers the demolition and/or disposition and any known future use. Project aggregation requirements are explained in 24 CFR 50.21 and 24 CFR 58.32; refer to 24 CFR 970.13(b) for factors in determining what constitutes a known future use. The environmental review may be valid for up to 5 years; however, the environmental review must be re-evaluated and updated when the basis for the original environmental or compliance findings is affected by a major change in the

nature, magnitude or extent of a project and the project is not yet complete per 24 CFR 58.47 or 24 CFR 50.36 and as clarified in Notice PIH 2016-22.

N. Civil Rights Certification

A certification that the demolition or disposition application does not violate any remedial civil rights order or agreement, voluntary compliance agreement, final judgment, consent decree, settlement agreement, or other court order or agreement.

O. Partial Removal

To qualify for removal of only a portion of a public housing project, the PHA must certify that the removal will help to ensure the viability of the remaining portion of the project. If evidence is required, HUD may request the PHA submit future use plans after disposition and/or building plans demonstrating how the demolition will facilitate the renovation or reconfiguration of the remaining project units.

P. Required Forms for Section 18 Removals

- Form HUD-52860 (required for all inventory removals)
- Form HUD-52860-A (required for all Section 18 applications)
- Form HUD-52860-B (required only for physical obsolescence applications)
- Form HUD-5837 (required only for close out of Annual Contributions Contract (ACC) and future development)

III. DISPOSITION JUSTIFICATION

In addition to other applicable requirements, HUD will approve a request for disposition by sale or other transfer of a public housing project or other real property if the PHA certifies that the retention of the property is not in the best interests of the residents or the PHA for one of the following justification criteria.

A. Justification Criteria for Dwelling Units

HUD approves SAC applications for dwelling unit dispositions based on one of the following three reasons:

1. *Surrounding Area (24 CFR 970.17(a))*

The PHA certifies that the conditions in the area surrounding the project (e.g., density, industrial or commercial development) adversely affect the health or safety of the residents or the feasible operation of the project by the PHA. The PHA must support its application with at least one of the following:

a. *Health or Safety*

The PHA demonstrates conditions that present serious obstacles in maintaining the units as healthy or safe housing, and that the PHA cannot cure or mitigate those conditions in a cost-effective manner. HUD encourages the PHA to submit supporting documentation, which may include environmental reviews. HUD may consider other available information including but not limited to the analyses of land development, community facilities and services, and natural features; or

b. *Infeasible Operation*

The PHA demonstrates a lack of demand for the units with supporting documentation that may include evidence that the units have long-term vacancy issues (e.g., census tract data on declining population in the jurisdiction, units located in an isolated area with limited access to transportation and infrastructure, high turnover rates). On a case-by-case basis, HUD may require a PHA to submit a market analysis or HUD may perform one.

2. ***Development of Off-Site Property That Will Be More Efficiently or Effectively Operated as Low-Income Housing (24 CFR 970.17(b))***

The PHA certifies that the disposition allows the acquisition, development or rehabilitation of other properties that will be more efficiently or effectively operated as low-income housing projects. The PHA must demonstrate to the satisfaction of HUD that sufficient replacement low-income housing units will be provided in connection with the disposition of the property. Low-income housing may include, but is not limited to, public housing, project-based Section 8 housing, and housing developed with LIHTC. The disposition application should be submitted concurrently with the application for acquisition or development of the new units in the case of public housing or MTW local non-traditional housing or with the notice of proposal or project selection per 24 CFR 983.51(f) in the case of project-based vouchers (PBV).

3. ***Disposition is in the Best Interest of Residents or the PHA (24 CFR 970.17(c))***

The PHA certifies that it has determined the disposition is appropriate for reasons that are in the best interests of the residents or the PHA, consistent with the PHA goals and plans, and otherwise consistent with the 1937 act. In making such a certification, a PHA must consider the needs of its jurisdiction for public housing units, the goals and obligations of the PHA to operate, maintain, and provide decent and safe housing in accordance with its ACC, and other tools available to the PHA to preserve and reposition its public housing stock. Below are examples of circumstances where a disposition may be appropriate under best interest:

a. *Physical Obsolescence*

A PHA demonstrates that the units or buildings are obsolete as to physical condition in accordance with applicable criteria described in [section VI.A](#). Physical Obsolescence looks at the immediate repairs needed over the next 3 years as compared to the total development cost (TDC).

b. *Functional Obsolescence*

A PHA demonstrates that the development is functionally obsolete in accordance with applicable criteria described at [section VI.B](#). A PHA must demonstrate that there are building and site design flaws that can only be addressed through the reconstruction of the property. The cost to address obsolete building features must exceed 57.14 percent of TDC for non-elevator buildings or 62.5 percent of TDC for elevator buildings. The PHA may not

place PBVs at an existing structure that has been approved under section 18 pursuant to the functional obsolescence justification.

c. *Very Small PHAs*

The PHA owns and operates 75 or fewer public housing units under its ACC and demonstrates that it is in the best interests of the residents and PHA to close out its Section 9 Public Housing program in accordance with [Notice PIH 2019-13](#), or subsequent notice. For the purposes of this notice, such a PHA is referred to as a “very small PHA.” Following any voluntary transfer of a public housing program from a very small PHA to another PHA, the transferred units will remain eligible for repositioning under the very small PHA justification.

d. *Development of On-Site Property That Will Be More Efficiently or Effectively Operated as Low-Income Housing (24 CFR 970.17(b))*

A PHA demonstrates that it can redevelop property to better meet the affordable housing needs of the community. The requirements of [section III.A.2](#), apply except that the replacement low-income housing units will be located on-site. Low-income housing units may be rehabbed or replaced with newly constructed units. If the PHA is proposing to dispose of public housing units and rehabilitate those same units under the mixed-finance units in the Public Housing Program (24 CFR part 905), the PHA should submit the SAC application under the “MF-MOD” disposition application type in IMS/PIC. This ensures the PHA will continue to receive Capital Fund and Operating Fund subsidies for the units throughout the modernization period.

e. *Scattered-Site Units*

A PHA demonstrates that the distance between units and lack of uniformity of systems (e.g., HVAC, utilities) makes it challenging to continue to operate and/or maintain the units as public housing. For purposes of this notice, scattered-site units are defined as six or fewer total units in contiguous or noncontiguous buildings on one side of a block.

f. *Mixed-Finance Units*

A PHA demonstrates that the long-term viability of ACC units within a mixed-finance development is at risk as demonstrated by i) the expiration of the applicable Low-Income Housing Tax Credit (LIHTC) compliance period or passage of 15 years since the last major recapitalization event, and ii) documentation of capital needs and financial modeling indicating inadequate financial resources to address the underlying operational and capital needs. In such case, the PHA must provide a plan to ensure the property’s long-term financial and physical stability. HUD recommends that the new owner entity have a PHA, a PHA affiliate, or an instrumentality of a PHA as a holder of an interest in a general partner or managing member. For the purposes of this notice, mixed-finance units are those units developed as public housing under 24 CFR 905.604 or its predecessor regulations.

When requesting disposition of a mixed-finance development, the PHA would apply on behalf of, and with the consent of, the mixed-finance owner entity. Procedures for requesting a waiver of 24 CFR 970.3(a) will be published in subsequent guidance. HUD will assess whether a non-PHA mixed-finance owner is eligible to apply under the regulations or whether the owner must request a waiver of 24 CFR 970.3(a) so that the public housing development may be processed under section 18. PHAs seeking to project-base the TPVs resulting from the disposition hereunder should consider any restrictions or conditions on rehabilitation of an occupied structure under the PBV regulations and secure a waiver if such restrictions or conditions are inconsistent with their preferred implementation strategy. For guidance, email PIH's Office of Urban Revitalization at OUR@hud.gov.

B. Justification Criteria of Non-Dwelling Buildings and Vacant Land (24 CFR 970.17(d))

The PHA certifies and provides supporting documentation to demonstrate that disposition of non-dwelling buildings or vacant land meets one of the following criteria:

1. **24 CFR 970.17(d)(1)**
The property exceeds the needs of the project after the date of full availability (DOFA); or
2. **24 CFR 970.17(d)(2)**
The disposition of the property is incidental to, or does not interfere with, continued operation of the remaining portion of the development.

C. Blending Section 18 Disposition Approvals with RAD Conversion (24 CFR 970.17(c))

Provided that a project meets the criteria outlined below, a PHA converting a portion of the public housing units within a converting project and is replacing the units proposed for disposition with project-based Section 8 assistance within the covered project may be subject to the provisions governing RAD/Section 18 blends, as the terms “converting project” and “covered project,” and “RAD/Section 18 blends” are defined in the RAD implementation notice and supplementary notices (Notices H-2019-09/PIH 2019-23, H-2023-08/PIH 2023-19, and H-2025-01/PIH 2025-03), as amended (“RAD notice”). The aggregate number of replacement units under project-based Section 8 must meet the RAD “substantial conversion of assistance” requirements as established in the RAD notice. All residents shall be treated uniformly and in accordance with RAD requirements, including the civil rights requirements and reviews described in the RAD fair housing, civil rights, and relocation notice (H-2016-17/PIH 2016-17). RAD/Section 18 blends are primarily processed by HUD's Office of Recapitalization and are subject to RAD notice requirements and processes related to Financing Plan submission requirements, underwriting, DOT releases, terms of the disposition (e.g., treatment of proceeds), and placement of a long-term use agreement at the covered project.

With the exception of a sequenced blend, described in paragraph 3 below, a PHA seeking a RAD/Section 18 blend must have submitted a RAD application in accordance with the RAD notice. To satisfy the applicable Section 18 regulations, the PHA must submit with the RAD Financing Plan the items described in this notice's [sections II.A., II.B., II.K., and II.L.](#) In addition, when the assistance will be transferred off-site through the RAD/Section 18 blend, the PHA must also submit with the RAD Financing Plan the item described in [section II.H.](#) The item described in section II.H. is not applicable to an on-site RAD/Section 18 blend conversion pursuant to the exceptions set forth in 24 CFR part 970.9(b)(3). The items described in [sections II.I. and II.J.](#) are not applicable to RAD/Section 18 blends. The PHA does not need to separately submit the remaining items in section II of this notice as they are duplicative of RAD requirements, and the RAD requirements satisfy the Section 18 statutory and regulatory requirements.

1. RAD/Section 18 Construction Blend

The percentage of units eligible for disposition under Section 18 within the converting project is based on the following: 1) whether that project will be demolished and redeveloped; 2) whether the assistance will be transferred to a new site under RAD; and 3) the ratio of a proposed transaction's hard construction costs (including general requirements, overhead and profit, and payment and performance bonds) to the Housing Construction Costs (HCC) published by HUD for the given market area. A PHA seeking a RAD/Section 18 Construction Blend must first submit a RAD application in accordance with the RAD guidance. The following table sets forth the eligibility criteria and unit mix for a RAD/Section 18 construction blend and, for each criteria, the maximum percentage of units eligible for Section 18 and the minimum number of units that will convert under RAD within the converting project:

Table: RAD/Section 18 Construction Blend Eligibility Criteria Unit Mix

Eligibility	Unit Mix Percentage (Section 18/RAD)
- Proposed rehab where hard construction costs exceed 90% of the HCC for the given market area <u>OR</u> - Demolition and redevelopment of the project <u>OR</u> - Transfer of Assistance <u>OR</u> - Developments designated as severely distressed housing in an approved Choice Neighborhoods Planning Grant <u>OR</u> - Developments which meet the eligibility requirements set forth in the first sentence of section III.A.3.f. regarding mixed finance units	Up to 90% Section 18 and at least 10% RAD
Proposed rehab where hard construction costs exceed 60% of the HCC for the given market area	Up to 60% Section 18 and at least 40% RAD
Proposed rehab where hard construction costs exceed 30% of the HCC for the given market area	Up to 30% Section 18 and at least 70% RAD

In limited circumstances, prior to closing construction financing for the replacement units, HUD may approve a PHA's request to demolish or dispose of public housing that is covered under a RAD Commitment to Enter into a Housing Assistance Payments (HAP) (CHAP) Contract. In such cases, the units may be eligible for a construction blend as long as proposed plans meet the above criteria. HUD will enter into a RAD/Section 18 Converted Awaiting Transfer (CAT) Agreement that will convert both the public housing assistance and the TPV assistance resulting from the Section 18 approval, allowing a HAP contract to be placed at a future date.

2. *RAD/Section 18 Small PHA Blend*

For any PHA with 250 or fewer public housing ACC units, at the PHA's discretion, up to 90 percent of the units in a converting project may be disposed of under Section 18 and at least 10 percent of the units must be converted under RAD. The PHA is not required to remove all its remaining public housing units through a small PHA blend transaction. However, to be eligible for the Small PHA blend, the PHA must submit a Repositioning Plan to HUD. The PHA's board of commissioners must approve the PHA's Repositioning Plan, and it must be acceptable to HUD. The Repositioning Plan must explain how the PHA will remove all remaining public housing assets and close out the PHA's Section 9 ACC consistent with [Notice PIH 2019-13](#) and subsequent guidance.

Any units under a PHA's ACC that resulted from a voluntary transfer of a public housing program from a very small PHA (as defined in [section III.A.3.c.](#)) to another PHA, are also eligible for the RAD/Section 18 small PHA blend. A Repositioning Plan is not required to convert these units under the RAD/Section 18 small PHA blend.

3. *Sequenced Blends*

A PHA making a RAD application that has first received approval for a property under a Section 18 Disposition application under another justification under [section III.A.](#) (except for under section III.A.2. and section III.A.3.c. shall be subject to the provisions governing RAD/Section 18 blends provided they request and receive SAC approval to conditionally rescind the Section 18 approval for some portion of RAD eligible units and convert the public housing assistance of at least 10 percent of units under RAD.

IV. DEMOLITION JUSTIFICATION

In accordance with the ACC and the 1937 act, public housing property may not be demolished without prior HUD approval. In carrying out approved demolitions under Section 18 of the 1937 act, the PHA must comply with all applicable public housing requirements (e.g., procurement, Davis-Bacon wages, fair housing requirements). If the PHA uses capital funds to pay for the demolition, it must comply with all applicable 5-Year Annual Plan and other Capital Fund Program requirements.

If a PHA's proposed demolition occurs after an approved and executed disposition of public housing units or property under this notice and 24 CFR part 970, HUD approval is not required for that demolition. However, the PHA cannot use Section 9 funds to demolish the property.

A. Justification Criteria (24 CFR 970.15)

HUD approves demolition requests meeting the following criteria: (1) the project or portion of a project is obsolete as to physical condition, location, or other factors, making it unsuitable for housing purposes; and no reasonable program of modifications is cost-effective to return the public housing project or portion of the project to useful life; or (2) in the case of an application for demolition of a portion of a project, the demolition will help to ensure the viability of the remaining portion of the project. These criteria may be satisfied in the following ways:

1. *Physical Condition (24 CFR 970.15(b)(1)(i) and (b)(2))*

The PHA certifies and demonstrates substantial physical conditions issues of the buildings/units that cannot be corrected in a cost-effective manner. See [section VI.A.](#) for more information on physical obsolescence criteria and required submission documents.

2. *Location (24 CFR 970.15(b)(1)(ii) and (b)(2))*

The PHA certifies and demonstrates that the location of the units causes obsolescence, including physical deterioration of the neighborhood; the neighborhood has substantially changed from residential to industrial or commercial; or environmental conditions are present which jeopardize the suitability of the site or a portion of the site and its housing structures for residential use. The cost test for location obsolescence includes the PHA's cost to cure the obsolescence (e.g., buffering nearby industrial or commercial development; mitigating environmental conditions) and whether these costs exceed the TDC percentages for physical obsolescence. In some cases, there may be no way to cure obsolescence, regardless of cost (e.g., project is in a Federal Emergency Management Agency (FEMA) designated floodway). In other cases, obsolescence may be curable with a mitigation cost (e.g., floodproofing and flood insurance for designated floodplains).

3. *Other Factors (24 CFR 970.15(b)(1)(iii) and (b)(2))*

The PHA certifies and demonstrates factors impacting the marketability, usefulness, or management of the units that seriously impede operations for residential use with third party documentation. The cost test for obsolescence based on other factors includes the PHA's cost to cure the cause and whether these costs exceed applicable TDC percentages. In some cases, curing obsolescence is not possible regardless of costs. In cases where obsolescence may be curable, the cost of due diligence in marketing and cost to cure obsolete factors (e.g., cost to add a second bathroom to units with a high number of bedrooms) may be included in the TDC test.

B. Functional Obsolescence Functional Obsolescence (24 CFR 970.15(b)(1)(iii))

Public housing units with a construction completion date of 1950 or older may be functionally obsolete and appropriate for demolition in accordance with applicable criteria described in [section VI.B](#). A PHA must demonstrate that there are design flaws that can only be addressed through the demolition of existing units and construction of new units.

C. De Minimis Demolition (24 CFR 970.27)

In any 5-year period, a PHA may demolish the lesser of five dwelling units or five percent of its total public housing dwelling units without the need to obtain HUD approval under 24 CFR part 970. De minimis demolition is available only where the resulting space is used to meet the service or other needs of the residents, or the PHA determines the unit(s) are beyond repair. Prior to demolishing units under this authority, the PHA must provide information to HUD via IMS/PIC, including a description of the units to be demolished and other items required by 24 CFR 970.7(a)(1), (2), (12), (13), and (14), environmental review under part 50 or 58, and required resident consultation pursuant to 24 CFR 970.9.

V. OTHER REQUIREMENTS

A. Discontinued Review

Pursuant to 24 CFR part 970, substantially incomplete applications or otherwise deficient on material items will not be processed beyond the initial determining review. If the SAC determines that the PHA cannot provide the application submission requirements pursuant to 24 CFR 970.7 as requested within 30 days, the SAC will discontinue review of the application.

B. Disapproval Criteria

SAC reviews Section 18 applications in accordance with the requirements of 24 CFR part 970. Pursuant to 24 CFR 970.29, HUD will disapprove a SAC application if HUD determines: (1) a certification made by the PHA under 42 U.S.C. 1437p is clearly inconsistent with the PHA Plan or any information and data available to or requested by HUD; or (2) the application was not developed in consultation with residents, resident groups, and local government officials. It should be emphasized and recognized that a reason for disapproval is if the information presented is “clearly inconsistent” as presented in the PHA plan and in the application.

C. Existing Financial Transactions

A PHA with an approved transaction through the Capital Fund Financing Program, Section 30 (including PHA Mortgaged Transaction), Energy Performance Contracting (EPC), or Operating Fund Financing program must comply with additional instructions provided by HUD regarding such financing and may not take any steps to implement a SAC-approved application without receiving confirmation from HUD that all applicable requirements of the financing are satisfied. The PHA must certify an existing financial agreement is not at risk because of the proposed demolition or disposition action.

D. Operating Fund Accuracy and Relocation Timeline

As part of the SAC application, a PHA includes an estimated number of days from a SAC-approved application that it plans to start relocation. Per 24 CFR 970.21(e)(1), the PHA is responsible for notifying each family residing in the development of the proposed demolition or disposition 90 days prior to the displacement date, except in cases of imminent threat to health and safety. Although relocation plans sometimes change, the PHA is responsible for ensuring the relocation information remains reasonably accurate because HUD relies on relocation information to determine operating funds. If days to relocation in a SAC application is not reasonably accurate, ARF payments under 24 CFR 990.190 will be affected. See [Notice PIH 2026-16](#) or successor guidance on how to update relocation dates. The PHA shall not preemptively relocate residents from the proposed public housing units prior to receiving signed SAC application approval. Resident relocation shall follow the timeline approved in a PHA's SAC application.

E. Re-Occupying Units Proposed for Removal

24 CFR 970.25(a) requires that a PHA should not re-rent units at turnover while HUD is considering a SAC application. However, due to community needs or for other reasons consistent with its PHA Plan, a PHA may decide it is in the best interests of the PHA, its residents, and the community to re-occupy vacated units that are under SAC review. If the PHA proposes demolition or disposition because units are structurally unsound, located in a floodway, or otherwise uninhabitable, the PHA may not reoccupy the units. The PHA cannot re-occupy units after issuance of the 90-day relocation notice.

F. Reporting Requirements

Within 7 days of completion of the public housing property removal action (e.g., disposition by execution of the sale or lease contract/recorded release of DOT, final payment of demolition contract), the PHA must report the action in IMS/PIC, or as directed in any successor system as required under 24 CFR 970.35. HUD may require other reporting information. Such requirements will appear in the SAC approval letter.

G. False Certifications and HUD Enforcement

Anyone who knowingly submits a false claim or makes a false statement in a Section 18 Demolition/Disposition application is subject to criminal and/or civil penalties, including confinement for up to 5 years, fines, and civil and administrative penalties. (18 U.S.C. 287, 1001, 1010, 1012, 1014; 31 U.S.C. 3729, 3802).

H. Civil Rights and Labor Standards Requirements

This notice does not modify a PHA's fair housing, civil rights, or accessible housing obligations. It does clarify those obligations with respect to public housing demolition/disposition under Section 18.

The PHA must carry out the removal action in compliance with all applicable civil rights requirements, including title VI of the Civil Rights Act of 1964, the Fair

Housing Act, section 504 of the Rehabilitation Act of 1973, title II of the Americans with Disabilities Act of 1990, all regulations implementing these authorities, and other applicable Federal, State, and local civil rights laws.

The PHA is always responsible for understanding and implementing the requirements of HUD fair housing regulations and policies including the 1968 Fair Housing Act, the Housing and Community Development Act of 1974, The Cranston-Gonzalez National Affordable Housing Act, and the Quality Housing and Work Responsibility Act of 1998. (See 42 U.S.C. 3608, 5304(b)(2), 5306(d)(7)(B), 12705(b)(15), and 1437C-1(d)(16).)

1. ***HUD Civil Rights Review***

HUD's Office of Fair Housing and Equal Opportunity (FHEO) may conduct a civil rights review of certain SAC applications based on the removal justification, which may include applications for non-dwelling property. Pursuant to 24 CFR 970.7(a)(17), HUD may request additional information, including information about the PHA's compliance with nondiscrimination requirements in relocations under 24 CFR 970.21(a) and the PHA's Annual Plan fair housing certification under 24 CFR 903.7(o).

2. ***Disclosure of Remedial Orders and Compliance Agreements***

In its SAC application, the PHA provides a certification that the demolition or disposition does not violate any remedial civil rights order or agreement, voluntary compliance agreement, final judgment, consent decree, settlement agreement, or other court order or agreement (per 24 CFR 970.7(a)(16)). In addition, the PHA states whether it is operating under any Federal, State, or local remedial order, compliance agreement, final judgment, consent decree, settlement agreement or other court order or agreement, including but not limited to those related to fair housing or other civil rights finding of noncompliance. If the PHA is operating under such a document, it must provide a citation to the document and attach a narrative describing how the proposed demolition or disposition is consistent with such document.

3. ***Federal Labor Standards and Economic Opportunity***

A PHA using HUD funds for demolition or disposition must comply with all applicable Federal labor standards of section 12 of the 1937 act (42 U.S.C. 1437j) (Davis-Bacon) and requirements of section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), as amended. Activities include but are not limited to demolition and resident relocation. Under Section 3 and 24 CFR part 75, recipients of certain HUD financial assistance must provide employment, training, and economic opportunities to the greatest extent feasible to Section 3 residents or business concerns. Recipients of HUD funds have Section 3 obligations regardless of the amount of funds (see 24 CFR 75.3).

4. ***Resident Consultation for Persons with Disabilities and Persons with Limited English Proficiency (LEP)***

To ensure individuals with disabilities have reasonable opportunities to consult on the SAC application, the PHA must ensure communications and materials are accessible and in compliance with section 504 of the Rehabilitation Act of 1973, 24 CFR 8.6, the Americans with Disabilities Act of 1990, and 28 CFR 35.160-163. This includes ensuring that written and oral communications, including resident meetings, are provided in appropriate alternative formats as needed (e.g., Braille, audio, large type, accessible electronic communications, assistive listening devices, sign language interpreters, computer-assisted real time transcription of meetings, large print documents, and accessible web-based and email communications).

A PHA must provide equal access for persons with disabilities by conducting sessions at locations that are physically accessible to those persons, including individuals who use wheelchairs. Individuals with disabilities must receive services in the most integrated setting appropriate to their needs, meeting the needs of qualified individuals with disabilities that fully enable interactions. The PHA should be guided by the goal of maximizing participation in an integrated setting so that residents with disabilities and residents without disabilities may hear and consider each other's views. Priority shall be given to on-site accessible locations (e.g., TV rooms or informal gathering places) even if this requires multiple sessions with smaller groups of residents.

Title VI of the Civil Rights Act of 1964, HUD's guidance on title VI and LEP discrimination (72 FR 2732), and regulations at 24 CFR part 1 require the PHA to take reasonable steps to ensure meaningful access to their programs and activities for persons who have limited ability to read, speak, or understand English (i.e., individuals who have limited English proficiency or LEP persons). Written materials provided in English are to be provided in regularly encountered languages among the residents. The PHA may need to provide interpreters to communicate between different languages to ensure LEP persons have meaningful access. The PHA may hold meetings in languages other than English to provide direct communication and participation.

I. Lease Dispositions

When redeveloping public housing sites, PHAs may transfer the right to develop the property to another party but maintain control through a ground lease, air rights, easement, or other encumbrances. A PHA may prefer to dispose through a lease instead of fee simple sale because it allows the PHA to retain long-term ownership, maintain real estate tax benefits, and control how the property is used during the lease. A ground lease, air rights lease, or easement requires a disposition application if the lease term is more than 1 year and does not qualify for an exception under 24 CFR 970.3(b). The PHA must describe the terms of the lease in their Section 18 application, including terms, payments (upfront or annual), and legal entity of proposed lessee. A lease is considered a negotiated disposition (vs. fee simple sale);

and HUD will approve leases that satisfy all the relevant regulatory requirements found in part 970.

J. Below Fair Market Value Transactions

A PHA must receive FMV when it disposes of public housing property to a non-affiliated entity. However, a sale for below FMV is permitted if HUD authorizes a negotiated sale for reasons found to be in the best interest of the PHA or the Federal government or determines that the transaction provides a commensurate public benefit to the community, the PHA, or the Federal government. HUD makes this determination on a case-by-case basis. HUD will generally find a commensurate public benefit if the disposed property will serve an affordable housing purpose that is roughly proportional to the fair market value of the public housing project and primarily serves low-income families (i.e., individuals earning at or below 80 percent of area median income (AMI)). Below FMV transactions will be subject to a 30-year use restriction with a low-income housing or other affordable housing purposes. Low-income housing may include, but is not limited to, public housing, project-based Section 8 housing, and housing developed with LIHTC. HUD encourages the PHA to give public housing residents priority for occupancy of the affordable housing units. Public buildings and infrastructure (including streets, bridges, schools, police and fire stations, and other public improvements) do not qualify as a commensurate public benefit.

As part of the SAC application, a PHA may propose a preferred form of use restriction (e.g., LIHTC extended use agreement, HOME agreement, provision in ground lease, separate use agreement) and proposed minimum term, but the final form and term of use restriction must satisfy the requirement for commensurate public benefit. The PHA and the proposed acquiring entity shall be parties to the use restriction.

Each affordable housing use restriction that satisfies the requirement for commensurate public benefit must meet the following requirements:

1. ***Covenants Run with the Land***

All use restriction benefits and burdens must touch, concern, and run with the land, and are binding upon successors and assigns of the parties, including any HUD-approved transferee;

2. ***Written Use Restriction Document***

The use restriction covenants must be evidenced by a written use restriction document that will be recorded against the Property in the first-priority position. The recordation must occur immediately after the release of the DOT and before the recordation of any ground lease. Any foreclosure, bankruptcy, or mortgage liens must be subject and subordinate to the use restriction document.

3. ***Use Restriction Survives Foreclosure***

The affordable housing use restriction must survive foreclosure of mortgages and other liens and be recorded in public land records. Any foreclosure, bankruptcy, or mortgage liens must be subject and subordinate to the use restriction document.

4. ***Use Restriction Document For RAD/Section 18 Blends***

The RAD Use Agreement or RAD Transfer of Assistance Restrictive Covenant satisfies the requirements for a use restriction document to be recorded.

5. ***Use Restrictions to Which HUD is a Party***

Any use restriction to which HUD is a party shall meet the following requirements and be subject to the following conditions:

- i. **Conveyance and Other Transfers.** Prior written HUD approval is required to convey, assign, transfer, lease, sublease, or otherwise dispose of the property or any interest therein or permit such a voluntary conveyance or transfer. Certain involuntary transfers of the property (e.g., to a secured lender upon default under the security documents or foreclosure) must be subject to the Use Restriction Document.
- ii. **Mortgages, Encumbrances, Liens.** Prior written HUD approval is required to mortgage or otherwise encumber the property. Notwithstanding this requirement, HUD approval is not required for: (a) the conveyance or dedication of land for use as streets, alleys or other public rights-of-way, (b) the granting of easements for the establishment, operation and maintenance of public utilities, and/or (c) the documentation of residential leases or other occupancy arrangements in the normal course of operation of the property.
- iii. **Releases and/or Amendments Prior to Expiration of Term.** Though HUD generally will not agree to release use restrictions, it will consider releases due to extraordinary circumstances on a case-by-case basis.
- iv. **Expiration.** Upon the expiration of the term, the use restriction shall cease and terminate, and the property shall be deemed automatically released of the use restriction and the covenants without the requirement of any further writing between the parties. Upon expiration of the use restriction, HUD will execute and deliver such documents that the owner shall reasonably request to release the use restrictions from the property title, thereby clearing the property.
- v. **Events of Default and Notices.** The PHA shall be primarily responsible for enforcing and monitoring the Acquiring Entity's compliance with the use restriction. Further, the PHA and/or HUD may take whatever investigative steps necessary to ensure compliance with the Use Restriction Document upon an event of default. HUD will be notified if the property defaults by the monitoring agent of the affordable housing property.

Records and Reporting. For the duration of the Use Restriction Term, the PHA shall retain records and annually report to its board of directors to confirm that the property is in compliance with the Use Restriction Document. The PHA shall provide such records to HUD whenever HUD approval is needed.

Release of Declaration of Trust/Declaration of Restrictive Covenants. HUD will not release the DOT/DORC (Form HUD-52190) until it approves the final form of use restriction. HUD encourages the PHA to annually report compliance with the Use Restriction Document to its board of commissioners.

K. Changes After SAC Application Approval

The PHA must comply with all terms of the SAC approval. Minor technical corrections to SAC approval letters (i.e., non-substantial changes to acreage, correcting building addresses, change in acquiring entity name, reduction in the number of units approved for removal, or future unit mix corrections that do not affect the commensurate public benefit) may be requested by emailing SACTA@hud.gov. If a PHA wishes to modify a removal into multiple phases, each future phase will need to be reviewed on a phase-by-phase basis and the commensurate public benefit must be met for each individual phase. Absent modification of a removal into multiple phases, no material changes may be made to the SAC approval letter. No units may be added or substituted after the SAC approval that were not part of the original application. Any material changes require a new SAC application submission.

Material changes include, but are not limited to:

- Method of disposition modifications;
- Change in future use proposed at the property no longer matches the conducted environmental review;
- Change in the use restriction after recording;
- Public bid sale for less than 80 percent of the appraised FMV (the PHA must describe its due diligence in offering the public housing property for sale on the open and competitive market and its rationale for accepting an offer that is below 80 percent of appraised FMV; alternatively, the PHA may submit an updated appraisal); and
- Revised terms of commensurate public benefit for below FMV disposition (the PHA must describe the revised future use of the property so HUD can confirm the commensurate public benefit). This includes a substantial reduction in the number of units to be developed.

A PHA may request a new SAC application for material changes by emailing SACTA@hud.gov with evidence that the PHA consulted the residents, the RAB, and resident groups about the change as well as the board resolution approving the change. Only updated or amended portions of the original application require resubmission, however, the SAC may determine that a change in future use is so

significant as to require a supplemental or new environmental review by the responsible entity or HUD (see [section II.M.](#)). Modification requests made more than 5 years after approval under the part 50 or 58 environmental review process will require re-evaluation by the responsible entity or HUD and will require a supplemental or new environmental review. Once a request for material changes has been approved, portions of the prior approval letter will be rescinded.

VI. OBSOLESCENCE CRITERIA

Buildings and units that are obsolete (physically or functionally) may be justified for removal as a demolition under 24 CFR part 970.15 or an example of conditions that justify a PHA's certification that retention of the property is not in the best interest of the PHA or tenants for a disposition under 24 CFR part 970.17(c).

If a project's rehabilitation costs are 57.14 to 90 percent in a non-elevator building or 62.5 to 90 percent in an elevator building of TDC, the PHA may voluntarily pursue a removal action for the project under: 1) physical obsolescence via demolition or disposition, or 2) functional obsolescence via disposition; or the PHA may choose to retain and rehabilitate the project with capital funds.

If rehabilitation costs for a project exceed 90 percent of TDC, the PHA's only choice is to pursue a demolition, pursue disposition, or use funds other than capital funds to address the project's capital needs.

A. Physical Obsolescence

Physical obsolescence demolitions fall under 24 CFR 970.15(b)(1)(i) and (b)(2)) physical condition. Physical obsolescence dispositions fall under 24 CFR 970.17(c) where the PHA certifies that retention is not in the best interest of the PHA and residents. Physical obsolescence issues may include, but are not limited to, critical structural issues, deficiencies in major systems, or deterioration due to prolonged deferred maintenance that needs to be addressed in the next 0 to 3 years. The PHA may submit Physical Needs Assessments (PNAs), government inspections (including condemnation orders), and/or independent architect or engineer's reports as supporting documentation of physical conditions issues. HUD may also consider other available information, including Real Estate Assessment Center scores, Capital Fund program 5-Year Action Plans, EPC information, and/or on-site inspections by HUD staff.

If a PHA has an approved Choice Neighborhoods Planning Grant that classifies certain developments or buildings as distressed, those units are eligible for removal under this section. The PHA must provide proof that the proposed units are included in a Choice Neighborhood distressed unit certification of an approved Choice Neighborhood Planning Grant.

1. Submission Requirements

Submission requirements to certify physical obsolescence:

- Form HUD-52860-B or successor form;
- Scope of Work Report. This includes a list of specific and detailed work items that require rehabilitation or repair, preferably prepared by an outside engineer or architect (see [section VI.A.2.](#)); and
- Microsoft Excel or other compatible editable table form document of scope of work rehab cost estimates (including allowable soft costs, see below); or
- Approved Choice Neighborhoods Planning Grant. For developments designated as severely distressed housing in an approved Choice Neighborhoods Planning Grant, the PHA shall submit a copy of that Choice Neighborhoods distressed unit certification in lieu of Form HUD-52860-B, Scope of Work Report, and Rehab Cost Estimate.

2. ***Scope of Work***

The scope of work should include the following:

- Estimates based on the standards outlined in the most recent International Building Code and National Fire Protection Association 5000 standards. The PHA may include local code requirements in choosing to include items in the scope of work (e.g., fire codes; requirements for natural disasters such as flooding or wildfires).
- Building systems (e.g., HVAC, plumbing, electric), external amenities (e.g., roofs, doors, windows), and internal amenities (e.g., kitchens, bathrooms, flooring) limited to those that address immediate capital needs for a maximum of 3 years. Replacement costs are restricted to items evidenced to be in poor condition that require immediate replacement or with a remaining useful life of 3 years or less. Actual service life may depend on initial quality of the item, local environmental factors, use/abuse, and levels of routine maintenance. The age of an item alone is not evidence of need to repair or replace. Each item is individually estimated and may reference life cycle values per the RSMeans Facilities Maintenance and Repair Cost Data book.
- Underground utilities (e.g., sewer, water, gas, electric), regardless of distances, provided the PHA owns the utility and evidences the need for replacement.
- Mitigation costs of asbestos, lead-based paint, or other environmental issues supported by reports submitted with the SAC application.
- Structural defects when supported by reports from a licensed professional engineer.
- Accessibility improvements for persons with mobility, vision, hearing or other disabilities, provided improvements are consistent with standards, regulations, and other requirements under Section 504 of the Rehabilitation Act of 1973 (including the Uniform Federal Accessibility Standards (UFAS)); Fair Housing Act; Americans with Disabilities Act (ADA); other applicable Federal authorities, State, or local requirements that exceed Federal baseline requirements; and accessibility requirements in remedial agreements or orders.

- Imminent or ongoing health and/or safety issues, even if such costs are otherwise not eligible, provided the PHA provides supporting documentation from an independent party evidencing the occurrence and resulting health and/or safety risks. Due to extreme weather events the cost of installing air conditioning or heating systems (where previously non-existent) may be included.
- Site access work or construction that is essential to completing items included in the building physical obsolescence mitigation, beyond 5 feet of a building exterior (e.g., retaining walls, required ADA compliance).

a. *Items Generally Not Allowed in the Scope of Work*

HUD reserves the right to disallow items in a scope of work if HUD determines there are more cost-effective alternatives to address the rehabilitation or replacement needs. If the PHA completes major capital work after the scope of work is prepared, the PHA must include a description of that work in the SAC application. HUD generally does not allow the following costs to be included in a rehabilitation scope of work:

- Work associated with enhancements or improvements of working systems or fixtures at the project, including energy efficiency “green” improvements.
- Amenities not currently existing at the project (e.g., tankless water heaters, trash enclosures, washer/dryer hook-ups, garbage disposals, central air conditioning, new porches). HUD makes an exception for window air conditioning units if not pre-existing and meets local building code.
- Work items that address a project’s needs beyond immediate 3 years.
- Local code compliance if the building code requirements are otherwise not triggered by the rehabilitation/repair.
- Landscaping or other site work beyond 5 feet of the exterior walls of a building not related to mitigating physical obsolescence.
- Upgrading on-site utility lines that are otherwise in working condition.
- Work items associated with site improvements and appurtenances (e.g., parking lots, security cameras, playgrounds, community centers), even if those site improvements or appurtenances exist and are in need of repairs.
- Replacing PHA personal property (e.g., appliances or other removable fixtures such as refrigerators, ovens, and window treatments).
- Generally, any work item listed in “Fair” or “Good Condition.”

b. *Cost Estimates*

The following should be used for estimates of the eligible scope of work items:

- TDC comparisons per HUD-posted costs for the same year as the rehabilitation estimate is made (see 24 CFR 905.314).
- RSMeans cost index, Marshall and Swift cost index, or other accurate and reliable cost estimates (e.g., actual and competitive bids).

- HCC as defined in 24 CFR part 905, including existing items inside a building or within 5 feet of the exterior walls and costs to repair landscaping damaged due to rehabilitation.

c. *Physical Needs Assessment (PNA)*

If a PNA is used to establish the TDC, the PHA should describe the methodology used to prepare the PNA report including the number of units inspected and the ratio of vacant to occupied units inspected. An occupied building should inspect vacant and occupied units in a ratio representing the property's vacancy rate.

The PHA may not include additional costs attributable to inflation or "cost escalation." For example, if a PNA completed in 2025 indicates a roof replacement is necessary in 2027, the PHA must use current estimated costs without any escalation, cost adjustments, or other means of adjusting for inflation for work projected to be undertaken/completed in 2027. Instead, the PHA should use 2025 cost index information.

d. *Allowable Soft Costs*

The maximum amounts for rehabilitation soft costs as a percentage of hard costs are available in the [Mixed Finance Cost Control and Safe Harbor Standards](#) or successor guidance.

B. Functional Obsolescence

Functional obsolescence demolitions may fall under 24 CFR 970.15(b)(1)(iii) other factors, and dispositions may fall under 24 CFR 970.17(c) best interests of the PHA and residents. The PHA may demonstrate that the removal is in the best interest of residents in order to address building and site design flaws that can only be addressed through reconstruction of the property. The PHA may not place PBVs at an existing structure that has been approved under section 18 pursuant to the functional obsolescence justification.

HUD considers the following criteria in evaluating a PHA's request for disposition or demolition on the basis of functional obsolescence: whether (1) the property construction date was completed in 1950 or earlier; (2) the building is functionally obsolete as to interior utility, configuration, size, or absence of reasonable modern amenities or other factors, making it unsuitable for housing purposes without modification; (3) the site (in addition to dwelling units present) is functionally obsolete as to unit density, environmental hazards, 504 site accessibility, or absence of reasonable modern amenities or other factors; and (4) potential demolition and redevelopment will not result in the net loss of affordable housing for families earning 80 percent of AMI or less, considering both replacement units and issuance of TPVs, as the issuance of TPVs may satisfy the requirement that affordable housing is not lost. Displacement of residents or a net loss of affordable housing may indicate that the transaction is not in the best interest of residents.

Submission requirements to certify functional obsolescence:

1. *Construction Completion Eligibility Date*

PHA must demonstrate that the proposed units have a construction completion date on or before 1950. PHA must provide documentary evidence of construction completion date. PHAs can use the HUD's IMS/PIC as supporting documentation if the construction date meets the construction completion eligibility date.

2. *Functional Obsolescence Documentation*

The PHA must provide documentation describing the functional deficiencies within the building (e.g., ADA noncompliance; the unit configurations no longer meet current living standards, for example only 1 bathroom for units with 3 or more bedrooms, bedrooms that lack closets, bedrooms smaller than 70 square feet for 1 occupant, or 50 square feet per occupant for bedrooms with multiple occupants) that have seriously affected the marketability, usefulness, or management of the property. A PHA wishing to address a functionally obsolete property site must describe the site design flaws (e.g., insufficient affordable housing density, challenges meeting Section 504 accessibility requirements) that cannot be corrected in a cost-effective manner. This can be provided in the application as a summary report with images and cost estimates evidencing design flaws. The cost to address obsolete building features must exceed 57.14 percent of TDC for non-elevator buildings or 62.5 percent of TDC for elevator buildings. The same allowable soft costs apply for functional obsolescence rehabilitation as for physical obsolescence.

VII. RELOCATION OF RESIDENTS

A. Relocation Requirements

When residents will be displaced from their public housing units or lose public housing assistance due to a demolition and/or disposition, the PHA must follow the relocation requirements at 24 CFR 970.21 (as opposed to the relocation requirements at 49 CFR part 24, which implements the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA), as amended). 24 CFR 970.21 requires that a PHA must offer each displaced household comparable housing that meets housing quality standards (HQS) and that is located in an area that is generally not less desirable than the location of the demolished/ disposed housing. The housing must be offered on a nondiscriminatory basis, without regard to race, color, religion, creed, national origin, disability, age, familial status, or gender, in compliance with applicable Federal and State laws. For persons with disabilities displaced from a unit with reasonable accommodations, comparable housing should include similar accommodations. The PHA is required to provide for the payment of the actual and reasonable relocation expenses of each displaced resident, including residents requiring reasonable accommodations because of disabilities.

However, if the proposed acquisition, rehabilitation, or demolition is to be carried out with HUD funds subject to URA requirements or is to be carried out with other HUD-

funded activities subject to URA requirements, the URA may apply to tenant relocations. Additionally, if HUD Community Development Block Grant or HOME funds are used in the demolition or when property is converted to a use other than lower-income dwelling units, the project may be subject to Section 104(d) of the Housing and Community Development Act of 1974, including relocation assistance and one-for-one replacement provisions under 24 CFR part 42 subpart C.

B. Quality of Relocation Units

In accordance with 24 CFR 970.21, PHAs must offer each family displaced by demolition or disposition comparable housing that meets HQS¹. In addition, in accordance with 24 CFR 982.404 and 24 CFR 983.208, if the comparable housing offered is housing choice voucher (HCV) assistance under 24 CFR part 982 or PBV under 24 CFR part 983, the owner must maintain the unit or units (with respect to PBV) in accordance with HQS. If the owner fails to maintain a dwelling unit in accordance with HQS, the PHA must take enforcement action in accordance with 24 CFR 982.404 with respect to HCV and 24 CFR part 983.208 with respect to PBV.

C. Relocation Considerations

If residents are relocated from the public housing units due to demolition or disposition activity and the PHA intends to build or otherwise provide affordable replacement housing for the public housing units proposed for removal, the PHA must comply with all relevant statutes and regulations relating to the residents' first right to return and occupy the new replacement units.

D. Housing Search

In accordance with 24 CFR 970.21, PHAs must provide any necessary counseling for residents that are displaced. When the PHA is relocating families with HCV assistance (including TPVs), HUD encourages the PHA to provide families with mobility counseling and utilize the HCV program and the HUD Exchange Housing Mobility Toolkit. See [Notice PIH 2022-18](#) for guidance on the use of HCV administrative fees to assist HCV families to lease units.

VIII. ELIGIBILITY AND APPLICATION PROCESS FOR TPV

A. TPV Eligibility

Upon approval of a SAC application, a PHA may be eligible to receive tenant protection vouchers to assist in meeting relocation or ongoing housing requirements for the residents of the former public housing project. The issuance of TPVs to a PHA does not occur automatically with SAC approval of an application. Instead, the PHA must apply separately for TPVs in accordance with HUD's annual notice

¹ With the National Standards for Physical Inspection of Real Estate (NSPIRE) standards, available in HUD's website, HUD has consolidated the minimum standards of housing quality across its programs (and, therefore, replaced pre-NSPIRE HQS inspection standards). Yet, the regulations at 24 CFR parts 982 and 983 governing the HCV and PBV Programs will continue to use the terms "HQS" and "housing quality standards" rather than NSPIRE. This is because the definition of HQS at 24 CFR 982.4 and 24 CFR 983.3 means the minimum quality standards developed by HUD in accordance with 24 CFR 5.703 for the HCV and PBV Programs, including any variations approved by HUD for the PHA under 24 CFR 5.705(a)(3).

implementing HCV appropriations act funding provisions (HCV funding notice) and any additional HUD guidance after the SAC application is approved.

HUD determines a PHA's TPV award based on annual appropriations, the HCV funding notice, and other HUD-issued guidance. HUD's approval of the SAC application may indicate the maximum number of both relocation and replacement TPVs that a PHA may be eligible to receive.

Based on limited availability of TPV funding, HUD limits the maximum TPV awards to 25 percent of the occupied units at the development for dispositions under the improved efficiency or effectiveness ([section III.A.2.](#) for off-site development or [section III.A.3.d.](#) for on-site development). Units previously occupied but now vacant may also qualify for TPV funding. For more information, please refer to the most recent notice establishing funding provisions for the HCV Program. A PHA must comply with relocation requirements of 24 CFR 970.21 regardless of the size of any voucher award.

B. TPV Application Process

Refer to the SAC approval letter for the TPV application process.

IX. PRESIDENTIAL ACTIONS AFFECTING FEDERAL FINANCIAL ASSISTANCE

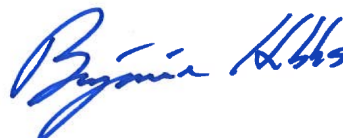
All recipients of Federal financial assistance are responsible for making sure activities funded by Federal awards comply with applicable existing and future executive orders and other Presidential actions, whether the recipients carry out those activities directly or use contractors or subrecipients. Review these directives on the White House's [Presidential Actions webpage](#).

X. PAPERWORK REDUCTION ACT

The information collection requirements contained in this notice are approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3501, et. seq.). In accordance with the PRA, HUD may not conduct or sponsor, and a person is not required to respond to a collection of information unless the collection displays a currently valid OMB Control Number. The active information collections in this notice include OMB Control Number 2577-0075 and 2577-0029. HUD is in the process of updating OMB Control Number 2502-0612.

XI. CONTACT

Direct questions about this notice to SACTA@hud.gov or your [local field office](#).



Benjamin Hobbs
Assistant Secretary
for Public and Indian Housing