

**The Housing Authority of the County of Salt Lake**  
**d/b/a Housing Connect (“Housing Connect”)**  
**PHA Plan Amendment**

**Attachment [ ] – Rental Assistance Demonstration (RAD)**

Housing Connect was a successful applicant in the Rental Assistance Demonstration (“RAD”). As a result, Housing Connect’s 2021-2022 Annual Plan previously considered only the RAD conversion of County High Rise (“**Highrise**”) one hundred forty-nine (149) public housing units under the guidelines of PIH Notice 2019-23, REV-4 and any successor notices. However, since the U.S. Department of Housing and Urban Development’s (“**HUD**”) introduction of the RAD/Section 18 Construction blend (the “**Blend**”) in PIH Notice 2021-07, Housing Connect has adjusted the planned RAD conversion for Highrise. The Blend offers greater options for a portion of the RAD converting project to be “disposed” of through Section 18 of the U.S. Housing Act of 1937 (“**Section 18**”). The benefits of the blend authority, specifically the addition of Section 18, include the issuance of Tenant-Protection Vouchers for disposed units with subsidy required to be project-based at the development up to fair market rent amounts instead of the lower RAD contract rents. All units proposed for removal via Section 18 and RAD must comprise a project, as defined in RAD Notice (PIH Notice 2019-23/ H Notice 2019-09) equating to a single transaction or phase.

This amendment to the Annual Plan (this “**Significant Amendment**”) includes a RAD Conversion pursuant to blend authority. Housing Connect plans to enter into a joint partnership with the Housing Authority of Salt Lake City (“**HASLC**”) where both parties will have equal interest in the general partner of the new owner entity known as New City Plaza, LLC (the “**Partnership**”). The Partnership will be the owner of a project comprised of two buildings currently separately owned and operated and situated on a single parcel of 3.16 acres. The first building, City Plaza, contains one hundred sixty-six (166) one-bedroom units and one (1) two-bedroom unit and is currently under an annual contributions contract (“**ACC**”) with HASLC; the second building, Highrise, contains one hundred thirty-two (132) one-bedroom units and is currently under an ACC with Housing Connect. HASLC and Housing Connect currently own the

buildings as tenants in common. While HASLC and Housing Connect will have equal interest in the Partnership, it is intended that HASLC will be the contract administrator for all units under a housing assistance payment contract (“**HAP Contract**”) with HUD, and Housing Connect will provide onsite property management, to comprise a portion of the total project units. The joint partnership conversion includes the disposition of up to 60% of the total project units and the remaining 40% to transfer out of public housing through RAD. This equates to 120 RAD Project Based Vouchers (“**PBV**”) and 179 Section 18 Tenant Protection Vouchers.

To facilitate the uniform treatment of residents, households living in either RAD PBV units or “Section 18” non-RAD PBV units at New City Plaza Apartments will be entitled to the same residents rights, participation, waiting list and grievance procedures listed within per Notice H-2019-09, PIH 2019-23 (the RAD Notice), and Joint Housing Notice H 2016-17/PIH 2016-17. Housing Connect maintains the certification that the proposed RAD/Section 18 Conversion will comply with all applicable site and neighborhood standards, and the site will be in full compliance with applicable provisions of Title VI of the Civil Rights Act of 1964, Title VIII of the Civil Rights Act of 1968, Executive Order 11063, and HUD regulations. Review will be completed for accessibility for persons with disabilities and the design of any proposed improvements will be consistent with applicable accessibility standards under the Fair Housing Act, Section 504 of the Rehabilitation Act of 1973, and the regulations in the American with Disabilities Act.

RAD was designed by HUD to assist in addressing the capital needs of public housing by providing Housing Connect with access to private sources of capital to repair and preserve its affordable housing assets. Please be aware that upon conversion, the Housing Connect’s Capital Fund Budget will be reduced by the pro rata share of public housing developments converted as part of the Demonstration, and that Housing Connect may also borrow funds to address their capital needs.

Below, please find specific information related to the Public Housing Development(s) selected for RAD:

## Development #1

<u>Name of Public Housing Development:</u> City Plaza Apartments/County Highrise	<u>PIC Development ID:</u> UT004000402/UT003000001	<u>Conversion type (i.e., PBV or PBRA):</u> RAD_PBV Section 18 TPV Blend	<u>Transfer of Assistance:</u> 149 County Highrise units transferring to HASLC HAP Contracts
<u>Total Units:</u> 150/149	<u>Pre- RAD Unit Type (i.e., Family, Senior, etc.):</u> Combined: 143 Senior, 156 Mixed Designation	<u>Post-RAD Unit Type if different (i.e., Family, Senior, etc.):</u> 299 Senior	<u>Capital Fund allocation of Development:</u> (Annual Capital Fund Grant, divided by total number of public housing units in PHA, multiplied by total number of units in project) n/a
<b>Bedroom Type</b>	<b>Number of Units Pre-Conversion</b>	<b>Number of Units Post-Conversion</b>	<b>Change in Number of Units per Bedroom Type and Why (De Minimis Reduction, Transfer of Assistance, Unit Reconfigurations, etc.)</b>
One Bedroom	298	298	The HAP Contracts to be managed by HASLC with Property Management by Housing Connect non-profit
Two Bedroom	1	1	
<u>(If performing a Transfer of Assistance, explain how transferring waiting list):</u>	Highrise holds a designated waiting list Pre-RAD. This waiting list will be combined with the existing HASLC City Plaza Apartments waiting list by time and date order.		
	There will be no change in number of units per bedroom type, no De Minimis Reduction, and no unit reconfigurations. Project includes issuance of 4% tax credit, FHA 221 (d)(4) debt.		
<u>Evidence of Consultation with residents</u>	Meetings were initially held in 2018 and 2019 with most recent resident meetings held in June 24, 2021 and August 19, 2021.		
<u>Description of PHA's proposed future use of the development</u>	Existing PH units are being converted to project based vouchers and tenant protection vouchers. Residential configuration of City Plaza has no change, while County Highrise is to transition to Senior from mixed designation.		
<u>Relocation Plan</u>	Relocation plans are within the building phases of approximately 70 units in stacks per phase on a 24-month schedule. The majority of residents will move once with moving assistance provided (first resident phase may have to move twice.) Relocation specialist has been procured and in planning with the contractor and partnership owners.		

## PBV Resident Rights and Participation

- 1. No Re-screening of Tenants upon Conversion.** Pursuant to the RAD statute, at conversion, current households are not subject to rescreening, income eligibility, or income targeting. Consequently, current households will be grandfathered for conditions

that occurred prior to conversion but will be subject to any ongoing eligibility requirements for actions that occur after conversion. For example, a unit with a household that was over-income at time of conversion would continue to be treated as an assisted unit. Thus, 24 CFR § 982.201, concerning eligibility and targeting, will not apply for current households. Once that remaining household moves out, the unit must be leased to an eligible family. MTW agencies may not alter this requirement.

**2. Right to Return.** City Plaza- Residents have the full right to stay at the property with relocation within the building in phases, blocks of 70 units per phase over a 24-month period.

**3. Renewal of Lease.** Since publication of the PIH Notice 2012-32 Rev 3, the regulations under 24 CFR § 983.257(b)(3) have been amended requiring Project Owners to renew all leases upon lease expiration, unless cause exists. MTW agencies may not alter this requirement.

**4. Phase-in of Tenant Rent Increases.** If a tenant's monthly rent increases by more than the greater of 10 percent or \$25 purely as a result of conversion, the rent increase will be phased in over 3 or 5 years. To implement this provision, HUD is specifying alternative requirements for section 3(a)(1) of the Act, as well as 24 CFR § 983.3(definition of "total tenant payment" (TTP)) to the extent necessary to allow for the phase-in of tenant rent increases. A PHA must create a policy setting the length of the phase in period at three years, five years or a combination depending on circumstances. For example, a PHA may create a policy that uses a three year phase in for smaller increases in rent and a five year phase-in for larger increases in rent. This policy must be in place at conversion and may not be modified after conversion. The method described below explains the set percentage-based phase-in the owner must follow according to the phase-in period established. For purposes of this section "standard TTP" refers to the UP calculated in accordance with regulations at 24 CFR §5.628 and the "most recently paid TTP" refers to the TTP recorded on line 9j of the family's most recent HUD Form 50058. If a family in a project converting from public housing to PBV was paying a flat rent immediately prior to conversion, the PHA should use the flat rent amount to calculate the phase-in amount for Year 1, as illustrated below.

Three Year Phase-in:

Year 1: Any recertification (interim or annual) performed prior to the second annual recertification after conversion — 33% of difference between most recently paid TTP or flat rent and the standard TTP

Year 2: Year 2 Annual Recertification (AR) and any Interim Recertification (IR) prior to Year 3 AR — 66% of difference between most recently paid TTP and the standard TTP

Year 3: Year 3 AR and all subsequent re-certifications — Full standard TTP

#### Five Year Phase-in:

Year 1: Any recertification (interim or annual) performed prior to the second annual recertification after conversion — 20% of difference between most recently paid TTP or flat rent and the standard TTP

Year 2: Year 2 AR and any IR prior to Year 3 AR —40% of difference between most recently paid TTP and the standard TTP

Year 3: Year 3 AR and any IR prior to Year 4 AR — 60% of difference between most recently paid TTP and the standard TTP

Year 4: Year 4 AR and any IR prior to Year 5 AR — 80% of difference between most recently paid TTP and the standard TTP

Year 5 AR and all subsequent re-certifications — Full standard TTP

*Please Note:* In either the three-year phase-in or the five-year phase-in, once the standard TTP is equal to or less than the previous TTP, the phase-in ends and tenants will pay full TTP from that point forward. MTW agencies may not alter this requirement.

Housing Connect has elected to follow the Three-Year Phase-in Plan.

#### **Family Self Sufficiency (FSS) and Resident Opportunities and Self Sufficiency Service Coordinator (ROSS-SC) programs.**

Public housing residents that are current FSS participants will continue to be eligible for FSS once their housing is converted under RAD, and PHAs will be allowed to use any remaining PH FSS funds, to serve those FSS participants who live in units converted by RAD. Due to the program merger between PH FSS and HCV FSS that took place pursuant to the FY14

Appropriations Act (and was continued in the FY15 Appropriations Act), no special provisions are required to continue serving FSS participants that live in public housing units converting to PBV under RAD.

However, PHAs should note that there are certain FSS requirements (e.g. escrow calculation and escrow forfeitures) that apply differently depending on whether the FSS participant is a participant under the HCV program or a public housing resident, and PHAs must follow such requirements accordingly. All PHAs will be required to administer the FSS program in accordance with FSS regulations at 24 CFR Part 984, the participants' contracts of participation, and the alternative requirements established in the "Waivers and Alternative Requirements for the FSS Program" Federal Register notice, published on December 29, 2014, at 79 FR 78100. Further, upon conversion to PBV, already escrowed funds for FSS participants shall be transferred into the HCV escrow account and be considered TBRA funds, thus reverting to the HAP account if forfeited by the FSS participant.

**Housing Connect has no FSS participants in the current Public Housing program and all units are Senior/Disabled. Eligible participants may enroll in FSS following entry into the PBV program. Housing Connect currently has a ROSS coordinator at Highrise ~~and has applied for, which is funded through~~ a ROSS grant ~~to transfer ROSS participants to another Housing Connect project, this request is still pending. The ROSS grant will be transferred to other public housing developments and the service coordinator at Highrise will be funded through the operating budget.~~**

**Resident Participation and Funding.** In accordance with Attachment 1B, residents of Covered Projects with converted PBV assistance will have the right to establish and operate a resident organization for the purpose of addressing issues related to their living environment and be eligible for resident participation funding.

**Resident Procedural Rights.** The following items must be incorporated into both the Section 8 Administrative Plan and the Project Owner's lease, which includes the required tenancy addendum, as appropriate. Evidence of such incorporation may be requested by HUD for purposes of monitoring the program.

**Termination Notification.** HUD is incorporating additional termination notification requirements to comply with section 6 of the Act for public housing projects that convert assistance under RAD. In addition to the regulations at 24 CFR § 983.257 related to Project Owner termination of tenancy and eviction (which MTW agencies may not alter) the termination procedure for RAD conversions to PBV will require that PHAs provide adequate written notice of termination of the lease which shall not be less than:

- a. A reasonable period of time, but not to exceed 30 days:
  - i. if the health or safety of other tenants, PHA employees, or persons residing in the immediate vicinity of the premises is threatened; or
  - ii. In the event of any drug-related or violent criminal activity or any felony conviction;
- b. 14 days in the case of nonpayment of rent; and
- c. 30 days in any other case, except that if a State or local law provides for a shorter period of time, such shorter period shall apply.

**Grievance Process.** Pursuant to requirements in the RAD Statute, HUD is establishing additional procedural rights to comply with section 6 of the Act. For issues related to tenancy and termination of assistance, PBV program rules require the Project Owner to provide an opportunity for an informal hearing, as outlined in 24 CFR § 982.555. RAD will specify alternative requirements for 24 CFR § 982.555(b) in part, which outlines when informal hearings are not required, to require that:

- a. In addition to reasons that require an opportunity for an informal hearing given in 24 CFR § 982.555(a)(1)(i)-(v), an opportunity for an informal hearing must be given to residents for any dispute that a resident may have with respect to a Project Owner action in accordance with the individual's lease or the contract administrator in accordance with RAD PBV requirements that adversely affect the resident's rights, obligations, welfare, or status.
  - i. For any hearing required under 24 CFR § 982.555(a)(1)(i)-(v), the contract administrator will perform the hearing, as is the current standard in the program. The hearing officer must be selected in accordance with 24 CFR § 982.555(e)(4)(i).
  - ii. For any additional hearings required under RAD, the Project Owner will perform the hearing.
- b. There is no right to an informal hearing for class grievances or to disputes between residents not involving the Project Owner or contract administrator.
- c. The Project Owner gives residents notice of their ability to request an informal hearing as outlined in 24 CFR § 982.555(c)(1) for informal hearings that will address circumstances that fall outside of the scope of 24 CFR § 982.555(a)(1)(i)-(vi).

- d. The Project Owner provides opportunity for an informal hearing before an eviction.

Pursuant to current PBV program rules requirements, the above procedures are found in Chapter 17 of Housing Connect's HCV Administrative Plan.

**Earned Income Disregard (EID).** Tenants who are employed and are currently receiving the EID exclusion at the time of conversion will continue to receive the EID after conversion, in accordance with regulations at 24 CFR § 5.617. Upon the expiration of the EID for such families, the rent adjustment shall not be subject to rent phase-in, as described in Section 1.6.C.4; instead, the rent will automatically rise to the appropriate rent level based upon tenant income at that time.

Under the Housing Choice Voucher program, the EID exclusion is limited only to persons with disabilities (24 CFR § 5.617(b)). In order to allow all tenants (including non-disabled persons) who are employed and currently receiving the EID at the time of conversion to continue to benefit from this exclusion in the PBV project, the provision in section 5.617(b) limiting EID to disabled persons is waived. The waiver, and resulting alternative requirement, apply only to tenants receiving the EID at the time of conversion. No other tenant (e.g., tenants who at one time received the EID but are not receiving the EID exclusion at the time of conversion e.g., due to loss of employment; tenants that move into the property following conversion, etc.) is covered by this waiver.

#### **Jobs Plus.**

**When Total Tenant Payment Exceeds Gross Rent.** Under normal PBV rules, the PHA may only select an occupied unit to be included under the PBV HAP Contract if the unit's occupants are eligible for housing assistance payments (24 CFR §983.53(d)). Also, a PHA must remove a unit from the contract when no assistance has been paid for 180 days because the family's TTP has risen to a level that is equal to or greater than the contract rent, plus any utility allowance, for the unit (i.e., the Gross Rent)) (24 CFR§983.258). Since the rent limitation under this Section of the Notice may often result in a family's TTP equaling or exceeding the gross rent for the unit, for current residents (i.e. residents living in the public housing property prior to conversion), HUD is waiving both of these provisions and requiring that the unit for such families be placed on and/or remain under the HAP Contract when TTP equals or exceeds than the Gross Rent. Further, HUD is establishing the alternative requirement that the rent to owner for the unit equal the family's TTP until such time that the family is eligible for a housing assistance payment. HUD is waiving as necessary to implement this alternative provision, the provisions of Section 8(o)(13)(H) of the Act and the implementing regulations at 24 CFR 983.301 as modified by Section 1.6.B.5 of this

Notice. In such cases, the resident is considered a participant under the program and all of the family obligations and protections under RAD and PBV apply to the resident. Likewise, all requirements with respect to the unit, such as compliance with the HQS requirements, apply as long as the unit is under HAP Contract. Assistance may subsequently be reinstated if the tenant becomes eligible for assistance. The PHA is required to process these individuals through the Form- 50058 submodule in PIC.

Following conversion, 24 CFR §983.53(d) applies, and any new families referred to the RAD PBV project must be initially eligible for a HAP payment at admission to the program, which means their TTP may not exceed the gross rent for the unit at that time. Further, a PHA must remove a unit from the contract when no assistance has been paid for 180 days. If units are removed from the HAP Contract because a new admission's TTP comes to equal or exceed the gross rent for the unit and if the project is fully assisted, HUD is imposing an alternative requirement that the PHA must reinstate the unit after the family has vacated the property; and, if the project is partially assisted, the PHA may substitute a different unit for the unit on the HAP Contract in accordance with 24 CFR §983.207 or, where "floating" units have been permitted, Section 1.6.B.10 of this Notice.

**Under-Occupied Unit.** If a family is in an under-occupied unit under 24 CFR 983.259 at the time of conversion, the family may remain in this unit until an appropriate-sized unit becomes available in the Covered Project. When an appropriate sized unit becomes available in the Covered Project, the family living in the under occupied unit must move to the appropriate-sized unit within a reasonable period of time, as determined by the administering Voucher Agency. In order to allow the family to remain in the under-occupied unit until an appropriate-sized unit becomes available in the Covered Project, 24 CFR 983.259 is waived. MTW agencies may not modify this requirement.

PBV: Other Miscellaneous Provisions

- 1. Access to Records, Including Requests for Information Related to Evaluation of Demonstration.** PHAs must agree to any reasonable HUD request for data to support program evaluation, including but not limited to project financial statements, operating data, Choice-Mobility utilization, and rehabilitation work. Please see Appendix IV for reporting units in Form HUD-50058.
- 2. Additional Monitoring Requirement.** The PHA's Board must approve the operating budget for the Covered Project annually in accordance with HUD requirements.
- 3. Bacon Act and Section 3** of the Housing and Urban Development Act of 1968 (Section 3). This section has been moved to 1.4.A.13 and 1.4.A.14.

- 4. Establishment of Waiting List.** 24 CFR § 983.251 sets out PBV program requirements related to establishing and maintaining a voucher-wide, PBV program wide, or site-based waiting list from which residents for the Covered Project will be admitted. These provisions will apply unless the project is covered by a remedial order or agreement that specifies the type of waiting list and other waiting list policies.
- i. Transferring an existing site-based waiting list to a new site-based waiting list. If the PHA is transferring the assistance to another neighborhood, the PHA must notify applicants on the waitlist of the transfer of assistance, and on how they can apply for residency at the new project site or other sites. Applicants on a project-specific waiting list for a project where the assistance is being transferred shall have priority on the newly formed waiting list for the new project site in accordance with the date and time of their application to the original project's waiting list.
  - ii. Informing applicants on the site-based waiting list on how to apply for a PBV program-wide or HCV program-wide waiting list.

Informing applicants on a public housing community-wide waiting list on how to apply for a voucher-wide, PBV program-wide, or site-based waiting list. If using a site-based waiting list, PHAs shall establish a waiting list in accordance with 24 CFR § 903.7(b)(2)(ii)-(iv) to ensure that applicants on the PHA's public housing community-wide waiting list have been offered placement on the converted project's initial waiting list. In all cases, PHAs have the discretion to determine the most appropriate means of informing applicants on the public housing community-wide waiting list given the number of applicants, PHA resources, and admissions requirements of the projects being converted under RAD. A PHA may consider contacting every applicant on the public housing waiting list via direct mailing; advertising the availability of housing to the population that is less likely to apply, both minority and non-minority groups, through various forms of media (e.g., radio stations, posters, newspapers) within the marketing area; informing local non-profit entities and advocacy groups (e.g., disability rights groups); and conducting other outreach as appropriate. Applicants on the agency's public housing community-wide waiting list who wish to be placed onto the newly established site-based waiting list must be done so in accordance with the date and time of their original application to the centralized public housing waiting list. Any activities to contact applicants on the public housing waiting list must be conducted in accordance with the requirements for effective communication with persons with disabilities at 24 CFR §8.6 and with the obligation to provide meaningful access for persons with limited English proficiency (LEP).

A PHA must maintain any site-based waiting list in accordance with all applicable civil rights and fair housing laws and regulations unless the project is covered by a remedial order or agreement that specifies the type of waiting list and other waiting list policies.

To implement this provision, HUD is specifying alternative requirements for 24 CFR §983.251(c)(2). However, after the initial waiting list has been established, the PHA shall administer its waiting list for the converted project in accordance with 24 CFR §983.251(c).

Housing Connect currently maintains site based Public Housing wait lists and will convert from Public Housing.

Site Based to PBV Site Based waiting list. There will be no change to placement, a straight conversion. All those currently on the wait list will be notified of the transition within the requirements for effective communication.

City Plaza/ County Highrise currently maintain individual site-based waiting list for the respective properties. The two waiting lists will be merged with date and time priority to create one site-based waiting list for the New City Plaza, LLC.

5. **Mandatory Insurance Coverage.** The Covered Project shall maintain at all times commercially available property and liability insurance to protect the project from financial loss and, to the extent insurance proceeds permit, promptly restore, reconstruct, and/or repair any damaged or destroyed project property.
6. **Agreement Waiver.** This section has been moved to 1.6.(B)(7).
7. **Future Refinancing.** Project Owners must receive HUD approval for any refinancing or restructuring of permanent debt during the HAP Contract term, to ensure the financing is consistent with long-term preservation. (Current lenders and investors are also likely to require review and approval of refinancing of the primary permanent debt.)

**Administrative Fees for Public Housing Conversions during Transition Period.** For the remainder of the Calendar Year in which the HAP Contract is effective (i.e. "transition period"), RAD PBV projects will be funded with public housing funds. For example, if the project's assistance converts effective July 1, 2015, the public housing Annual Contributions Contract (ACC) between the PHA and HUD will be amended to reflect the number of units under HAP Contract, but will be for zero dollars, and the RAD PBV contract will be funded with public housing money for July through December 2015. Since TBRA is not the source of funds, PHAs should not report leasing and expenses into VMS during this period, and PHAs will not receive section 8 administrative fee funding for converted units during this time.

For fiscal years 2014 and 2015, PHAs operating HCV program received administrative fees for units under a HAP Contract, consistent with recent appropriation act references to "section 8(q) of the [United States Housing Act of 1937] and related appropriations act provisions in effect immediately before the Quality Housing and Responsibility Act of 1998" and 24 CFR § 982.152(b). During the transition period mentioned in the preceding paragraph, these provisions are waived, and PHAs will not receive section 8 ongoing administrative fees for PBV RAD units.

After this transition period, the Section 8 ACC will be amended to include Section 8 funding that corresponds to the units covered by the Section 8 ACC. At that time, the regular Section 8 administrative fee funding provisions will apply.

**Choice-Mobility.** One of the key features of the PBV program is the mobility component, which provides that if the family has elected to terminate the assisted lease at any time after the first year of occupancy in accordance with program requirements, the PHA must offer the family the opportunity for continued tenant based rental assistance, in the form of either assistance under the voucher program or other comparable tenant-based rental assistance.

If as a result of participation in RAD a significant percentage of the PHA's HCV program becomes PBV assistance, it is possible for most or all of a PHA's turnover vouchers to be used to assist those RAD PBV families who wish to exercise mobility. While HUD is committed to ensuring mobility remains a cornerstone of RAD policy, HUD recognizes that it remains important for the PHA to still be able to use tenant based vouchers to address the specific housing needs and priorities of the community. Therefore, HUD is establishing an alternative requirement for PHAs where, as a result of RAD, the total number of PBV units (including RAD PBV units) under HAP Contract administered by the PHA exceeds 20 percent of the PHA's authorized units under its HCV ACC with HUD.

The alternative mobility policy provides that an eligible voucher agency would not be required to provide more than three-quarters of its turnover vouchers in any single year to the residents of Covered Projects. While a voucher agency is not required to establish a voucher inventory turnover cap, if such a cap is implemented, the voucher agency must create and maintain a waiting list in the order in which the requests from eligible households were received. In order to adopt this provision, this alternative mobility policy must be included in an eligible PHA's administrative plan. To effectuate this provision, HUD is providing an alternative requirement to Section 8(o)(13)(E) and 24 CFR part 983.261(c). Please note that this alternative requirement does not apply to PBVs entered into outside of the context of RAD. MTW agencies may not alter this requirement.

**Reserve for Replacement.** The Project Owner shall establish and maintain a replacement reserve in an interest-bearing account to aid in funding extraordinary maintenance and repair and

replacement of capital items in accordance with applicable regulations. The reserve must be built up to and maintained at a level determined by HUD to be sufficient to meet projected requirements. For FHA transactions, Replacement Reserves shall be maintained in accordance with the FHA Regulatory Agreement. For all other transactions, Replacement Reserves shall be maintained in a bank account covered under a General Depository Agreement (HUD-51999) or similar instrument, as approved by HUD, where funds will be held by the Project Owner or mortgagee and may be drawn from the reserve account and used subject to HUD guidelines and as directed by HUD.

### **Significant Amendment Definition**

As part of the Rental Assistance Demonstration (RAD), Housing Connect is redefining the definition of a substantial deviation from the PHA Plan to exclude the following RAD-specific items:

- a. The decision to convert to either Project Based Rental Assistance or Project Based Voucher Assistance;
- b. Changes to the Capital Fund Budget produced as a result of each approved RAD Conversion, regardless of whether the proposed conversion will include use of additional Capital Funds;
- c. Changes to the construction and rehabilitation plan for each approved RAD conversion; and
- d. Changes to the financing structure for each approved RAD conversion.

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