

# Supporting Statement for Paperwork Reduction Act Submissions

## Conversion of Efficiency Units to One-Bedroom Units Multifamily Housing Package

HUD-9647, HUD-92030, HUD-92030-I, HUD-92031-IRP, HUD-92032, HUD-92033 and HUD-92040

### A. JUSTIFICATION

#### 1. Why this information is necessary:

The Department has received requests from owners of assisted housing to convert efficiencies to one-bedroom units. Owners have indicated that such conversions will better serve resident needs, alleviate recurring vacancies, and provide the financial relief necessary to avoid default. The Department understands that conversions may be necessary to ensure that projects are preserved and resident needs are adequately met. Pursuant to the HUD Regulations at 24 CFR Part 207 and as stated in the Regulatory Agreement for Multifamily Projects, HUD-92466 Section 6(d) (which is attached):

“Owners shall not without prior permission from the Secretary...Remodel, add to, reconstruct, or demolish any part of the mortgaged property or subtract from any real or personal property of the project.”

Therefore, this information needs to be collected by the Department to verify the contents of an owners request to convert these units into one bedroom apartments. In addition, this information collection is aligned with the President’s American Reinvestment and Recovery Plan of reducing and/or preventing mortgage defaults because permitting owners to convert of efficiency units into one-bedroom units will improve a project’s marketability and reduce its vacancies. As such, the Department has developed policies and procedures to permit the conversion of efficiencies to one-bedroom units provided it can be demonstrated that the conversion is warranted by local market demands for affordable housing and results in the long-term financial and physical repositioning of the project.

#### 2. How this information will be used:

The Department has received several requests to convert efficiency to one-bedroom units in certain types of assisted and insured housing. Owners have indicated that such conversions will better serve resident needs, alleviate recurring vacancies, and provide the financial relief necessary to avoid default. The Department understands that conversions may be necessary to ensure that projects are preserved and resident needs are adequately met. As such, the Department has developed this Housing Notice to permit the conversion of efficiencies to one-bedrooms provided it can be demonstrated that the conversion is warranted by local demands and results in the long-term financial and physical repositioning of the project.

Conversion actions will result in the loss of existing, underutilized affordable housing. The policy set forth in the proposed Notice balances this loss with the expressed needs of the industry by requiring owners to demonstrate that conversions will satisfy local affordable housing demand and will result in the long term preservation of the remaining project units. The information collection from owners is vital to ensure that the loss of the units can be justified and will be converted in accordance with HUD requirements. For example, despite sustained marketing efforts, the vacancy rate for efficiency units targeted for conversion must have been at least 25% over a prior three-year period and there must be a waiting list for the post conversion unit type. Extended preservation of the remaining project units is achieved by requiring owners to accept contract renewals as long as they are offered by the Department. In addition, owners must demonstrate that conversions will improve the overall financial and physical condition of the project, thereby ensuring lengthened viability.

Altogether, these requirements will prohibit the conversion of units with current or projected demand, will ensure the improved condition of the remaining stock, and will provide owners with increased flexibility to respond to local market conditions.

3. The Department does not anticipate a high volume of submissions that would warrant developing automated processing. Electronic submission of this information is not feasible. Servicing HUD's multifamily portfolio has become more complex with the changes in the programs, the uniqueness of each property, and the increasing complexity of mortgage finance. Each package will consist of unique characteristics for the property (units, financing, etc.) requiring owner certified documents. Consequently, the creation of a blanket automated system to process a low volume of requests would not be practical.
4. There are no duplicate methods in place to collect and monitor this information.
5. The information collected does not have a significant economic impact on a substantial number of small entities.
6. The reporting burden is project-specific, thus, cannot be conducted less frequently than on properties where owners are willing to convert efficiency units into one bedroom units. Additionally, if owners want to pursue a conversion they first have to meet with Department staff and adhere to programmatic requirements before they begin the paperwork.
7. There are no special reporting requirements.
8. In accordance with the requirements of 5 CFR 1320.8(d), the Notice soliciting comments on this collection of information was published in the Federal Register on October 8, 2010, (Volume 75, Number 195, Page 62411). No comments.
9. There are no gifts or other type payments made to respondents.
10. The information collected is not of a confidential nature. HUD does not assure confidentiality to respondents.
11. This form does not request information that is sensitive in nature.
12. Estimated Annual Cost to Respondents.

Information Collection	Number of Respondents	Frequency of Response*	Total Annual Responses	Burden Hours per Response	Total Annual Burden Hrs	Hourly Cost	Total Annual Cost
1) HAP Contract Amendment- HUD9647	23,578	1	1,179	1	1,179	\$16	\$18,864
2) Conversion Request Letter	23,578	1	1,179	2	2,358	\$16	\$37,728
3) Letter of Lender Consent	23,578	1	1,179	1	1,179	\$16	\$18,864
4) Vacancy Information	23,578	1	1,179	1	1,179	\$16	\$18,864
5) Marketing Efforts	23,578	1	1,179	1	1,179	\$16	\$18,864
6) Evidence of Need for Conversion	23,578	1	1,179	2	2,358	\$16	\$37,728
7) Rental information	23,578	1	1,179	1	1,179	\$16	\$18,864
8) Annual Operating Statement	23,578	1	1,179	2	2,358	\$16	\$37,728
9) Sources and Uses of Funds Statement	23,578	1	1,179	2	2,358	\$16	\$37,728
10) Project Capital Needs Assessment	23,578	1	1,179	3	3,537	\$16	\$56,592

(PCNA)							
11) Proposed Rehabilitation	23,578	1	1,179	2	2,358	\$16	\$37,728
12) Owner Notification to Tenants*	23,578	100	117,900	1	117,900	\$16	\$1,886,400
13) Owner Certification of Notice to Tenants – HUD-92032	23,578	1	1,179	0.5	590	\$16	\$9,432
14) Temporary Relocation Plan	23,578	1	1,179	1	1,179	\$16	\$18,864
15) Owner Certification of No Permanent Relocation of Residents- HUD-92033	23,578	1	1,179	0.5	590	\$16	\$9,432
16) Letter of Local Government Support	23,578	1	1,179	1	1,179	\$16	\$18,864
17) Tenant Selection Plan	23,578	1	1,179	2	2,358	\$16	\$37,728
18) Executed Unit Conversion Agreement – HUD-92030	23,578	1	1,179	1	1,179	\$16	\$18,864
19) MF Unit Conversion Checklist– HUD-92040	23,578	0	0	0	0	0	0
19) Extension Amendment to Old Regulation State Agency Housing Assistance Payments Contract	23,578	1	1,179	1	1,179	\$16	\$18,864
20. Steps for Reconfiguring Section 8 Contracts in Unit Conversions – HUD-92030-I	23,578	0	0	0	0	0	0
21, Section 236 Interest Reduction Program OCFO Change Control Form	23,578	0	0	0	0	0	0
22, Regulatory Agreement MF Housing Projects	23,578	0	0	0	0	0	0
<b>TOTALS</b>	<b>23,578</b>		<b>1,179</b>	<b>26</b>	<b>147,375</b>	<b>\$16</b>	<b>\$2,358,000</b>

**Items 1 through 19** - Number of respondents is based on the current inventory of projects that are in the applicable projects with efficiency units.

**Items 1 through 19** - Hourly cost is based on an estimate of the potential owner's staff to gather, complete, and submit the required documents to HUD for review and approval. Hourly estimated costs estimate obtained from payscale.com.

The number of annual responses is based on an estimate of 5% of potential requests to convert efficiency units into one-bedroom units.

**\*Frequency of Response-** is the number of times the owner will have to complete that information collection requirement for their package to convert efficiency units into one-bedroom units.

**\*\*Owner Notification to Tenants** – This estimated frequency is based on an average project with 100 units. Although providing a notice to each individual unit is not required, owners may post the notice by:

- (a) Sending a copy by first class mail (properly stamped and addressed to the tenant with a proper return address);
- (b) Serving a copy to any adult answering the door at the tenant's leased dwelling unit;
- (c) Placing the notice under or through the door;

- (d) Attaching the notice to the door; or,
- (e) Posting a copy (in cases of high-rise buildings) in at least three conspicuous places within the building and maintaining the posted notices intact and in legible form for 30 days.

13. There are no additional costs to respondents.

14. The estimated annual cost to the federal government.

Number of Respondents	Number of Responses	Staff Hours Per Response	Total Annual Burden Hours	*Cost Per Hour	Total Annual Cost
<b>23,578</b>	<b>1,179</b>	<b>4</b>	<b>4,716</b>	<b>\$28.00</b>	<b>\$136,198</b>

\*Estimated cost per hour for HUD staff (GS-12) to review and process the documents for this collection. Data was obtained from [www.opm.gov](http://www.opm.gov) for the 2009 general scale/hourly rates.

15. This is an extension of a currently approved collection. There have been no program changes.

16. This information collection does not include results that will be published.

17. We are not seeking approval to avoid displaying the expiration date of the OMB approval.

18. There are no exceptions to the certification statement identified in item 19 of the OMB 83-I.

**B. Collections of Information Employing Statistical Methods**

The collection of information does not employ statistical methods.