**12 U.S.C. § 1701z-11 : US Code - Section 1701Z-11: Management and disposition of multifamily housing projects**

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(a) Goals

The Secretary of Housing and Urban Development shall manage or

dispose of multifamily housing projects that are owned by the

Secretary or that are subject to a mortgage held by the Secretary

in a manner that -

(1) is consistent with the National Housing Act [12 U.S.C. 1701

et seq.] and this section;

(2) will protect the financial interests of the Federal

Government; and

(3) will, in the least costly fashion among reasonable

available alternatives, address the goals of -

(A) preserving certain housing so that it can remain

available to and affordable by low-income persons;

(B) preserving and revitalizing residential neighborhoods;

(C) maintaining existing housing stock in a decent, safe, and

sanitary condition;

(D) minimizing the involuntary displacement of tenants;

(E) maintaining housing for the purpose of providing rental

housing, cooperative housing, and homeownership opportunities

for low-income persons;

(F) minimizing the need to demolish multifamily housing

projects;

(G) supporting fair housing strategies; and

(H) disposing of such projects in a manner consistent with

local housing market conditions.

In determining the manner in which a project is to be managed or

disposed of, the Secretary may balance competing goals relating to

individual projects in a manner that will further the purposes of

this section.

(b) Definitions

For purposes of this section:

(1) Multifamily housing project

The term "multifamily housing project" means any multifamily

rental housing project which is, or prior to acquisition by the

Secretary was, assisted or insured under the National Housing Act

[12 U.S.C. 1701 et seq.], or was subject to a loan under section

1701q of this title.

(2) Subsidized project

The term "subsidized project" means a multifamily housing

project that, immediately prior to the assignment of the mortgage

on such project to, or the acquisition of such mortgage by, the

Secretary, was receiving any of the following types of

assistance:

(A) Below market interest rate mortgage insurance under the

proviso of section 221(d)(5) of the National Housing Act [12

U.S.C. 1715l(d)(5)].

(B) Interest reduction payments made in connection with

mortgages insured under section 236 of the National Housing Act

[12 U.S.C. 1715z-1].

(C) Direct loans made under section 1701q of this title.

(D) Assistance in the form of -

(i) rent supplement payments under section 101 of the

Housing and Urban Development Act of 1965 [12 U.S.C. 1701s],

(ii) additional assistance payments under section 236(f)(2)

of the National Housing Act [12 U.S.C. 1715z-1(f)(2)],

(iii) housing assistance payments made under section 23 of

the United States Housing Act of 1937 [42 U.S.C. 1421b] (as

in effect before January 1, 1975), or

(iv) housing assistance payments made under section 8 of

the United States Housing Act of 1937 [42 U.S.C. 1437f]

(excluding payments made for tenant-based assistance under

section 8),

if (except for purposes of section 183(c) of the Housing and

Community Development Act of 1987) such assistance payments are

made to more than 50 percent of the units in the project.

(3) Formerly subsidized project

The term "formerly subsidized project" means a multifamily

housing project owned by the Secretary that was a subsidized

project immediately prior to its acquisition by the Secretary.

(4) Unsubsidized project

The term "unsubsidized project" means a multifamily housing

project owned by the Secretary that is not a subsidized project

or a formerly subsidized project.

(5) Affordable

A unit shall be considered affordable if -

(A) for units occupied -

(i) by very low-income families, the rent does not exceed

30 percent of 50 percent of the area median income, as

determined by the Secretary, with adjustments for smaller and

larger families; and

(ii) by low-income families other than very low-income

families, the rent does not exceed 30 percent of 80 percent

of the area median income, as determined by the Secretary,

with adjustments for smaller and larger families; or

(B) the unit, or the family residing in the unit, is

receiving assistance under section 8 of the United States

Housing Act of 1937 [42 U.S.C. 1437f].

(6) Low-income families and very low-income families

The terms "low-income families" and "very low-income families"

shall have the meanings given the terms in section 3(b) of the

United States Housing Act of 1937 [42 U.S.C. 1437a(b)].

(7) Preexisting tenant

The term "preexisting tenant" means, with respect to a

multifamily housing project acquired pursuant to this section by

a purchaser other than the Secretary at foreclosure or after sale

by the Secretary, a family that resides in a unit in the project

immediately before the acquisition of the project by the

purchaser.

(8) Market area

The term "market area" means a market area determined by the

Secretary.

(9) Secretary

The term "Secretary" means the Secretary of Housing and Urban

Development.

(c) Disposition of property

(1) Disposition to purchasers

In carrying out this section, the Secretary may dispose of a

multifamily housing project owned by the Secretary on a

negotiated, competitive bid, or other basis, on such terms as the

Secretary deems appropriate considering the low-income character

of the project and consistent with the goals in subsection (a) of

this section, only to a purchaser determined by the Secretary to

be capable of -

(A) satisfying the conditions of the disposition plan

developed under paragraph (2) for the project;

(B) implementing a sound financial and physical management

program that is designed to enable the project to meet

anticipated operating and repair expenses to ensure that the

project will remain in decent, safe, and sanitary condition and

in compliance with any standards under applicable State or

local laws, rules, ordinances, or regulations relating to the

physical condition of the housing and any such standards

established by the Secretary;

(C) responding to the needs of the tenants and working

cooperatively with tenant organizations;

(D) providing adequate organizational, staff, and financial

resources to the project; and

(E) meeting such other requirements as the Secretary may

determine.

(2) Disposition plan

(A) In general

Prior to the sale of a multifamily housing project that is

owned by the Secretary, the Secretary shall develop an initial

disposition plan for the project that specifies the minimum

terms and conditions of the Secretary for disposition of the

project, the initial sales price that is acceptable to the

Secretary, and the assistance that the Secretary plans to make

available to a prospective purchaser in accordance with this

section.

(B) Market-wide plans

In developing the initial disposition plan under this

subsection for a multifamily housing project located in a

market area in which at least 1 other multifamily housing

project owned by the Secretary is located, the Secretary may

coordinate the disposition of all such multifamily housing

projects located within the same market area to the extent and

in such manner as the Secretary determines appropriate to carry

out the goals under subsection (a) of this section.

(C) Sales price

The initial sales price shall be reasonably related to the

intended use of the project after sale, any rehabilitation

requirements for the project, the rents for units in the

project that can be supported by the market, the amount of

rental assistance available for the project under section 8 of

the United States Housing Act of 1937 [42 U.S.C. 1437f], the

occupancy profile of the project (including family size and

income levels for tenant families), and any other factors that

the Secretary considers appropriate.

(D) Community and tenant input

In carrying out this section, the Secretary shall develop

procedures -

(i) to obtain appropriate and timely input into disposition

plans from officials of the unit of general local government

affected, the community in which the project is situated, and

the tenants of the project; and

(ii) to facilitate, where feasible and appropriate, the

sale of multifamily housing projects to existing tenant

organizations with demonstrated capacity, to public or

nonprofit entities that represent or are affiliated with

existing tenant organizations, or to other public or

nonprofit entities.

(E) Technical assistance

To carry out the procedures developed under subparagraph (D),

the Secretary may provide technical assistance, directly or

indirectly, and may use amounts available for technical

assistance under the Emergency Low Income Housing Preservation

Act of 1987, subtitle C of the Low-Income Housing Preservation

and Resident Homeownership Act of 1990 [12 U.S.C. 4141 et

seq.], subtitle B of title IV of the Cranston-Gonzalez National

Affordable Housing Act [42 U.S.C. 12871 et seq.], or this

section, for the provision of technical assistance under this

paragraph. Recipients of technical assistance funding under the

provisions referred to in this subparagraph shall be permitted

to provide technical assistance to the extent of such funding

under any of such provisions or under this subparagraph,

notwithstanding the source of the funding.

(3) Foreclosure sale

In carrying out this section, the Secretary shall -

(A) prior to foreclosing on any mortgage held by the

Secretary on any multifamily housing project, notify both the

unit of general local government in which the property is

located and the tenants of the property of the proposed

foreclosure sale; and

(B) dispose of a multifamily housing project through a

foreclosure sale only to a purchaser that the Secretary

determines is capable of implementing a sound financial and

physical management program that is designed to enable the

project to meet anticipated operating and repair expenses to

ensure that the project will remain in decent, safe, and

sanitary condition and in compliance with any standards under

applicable State or local laws, rules, ordinances, or

regulations relating to the physical condition of the housing

and any such standards established by the Secretary.

(d) Management and maintenance of properties

(1) Contracting for management services

In carrying out this section, the Secretary may -

(A) contract for management services for a multifamily

housing project that is owned by the Secretary (or for which

the Secretary is mortgagee in possession) with for-profit and

nonprofit entities and public agencies (including public

housing authorities) on a negotiated, competitive bid, or other

basis at a price determined by the Secretary to be reasonable,

with a manager the Secretary has determined is capable of -

(i) implementing a sound financial and physical management

program that is designed to enable the project to meet

anticipated operating and maintenance expenses to ensure that

the project will remain in decent, safe, and sanitary

condition and in compliance with any standards under

applicable State or local laws, rules, ordinances, or

regulations relating to the physical condition of the project

and any such standards established by the Secretary;

(ii) responding to the needs of the tenants and working

cooperatively with tenant organizations;

(iii) providing adequate organizational, staff, and

financial resources to the project; and

(iv) meeting such other requirements as the Secretary may

determine; and

(B) require the owner of a multifamily housing project that

is subject to a mortgage held by the Secretary to contract for

management services for the project in the manner described in

subparagraph (A).

(2) Maintenance of projects owned by Secretary

In the case of multifamily housing projects that are owned by

the Secretary (or for which the Secretary is mortgagee in

possession), the Secretary shall -

(A) to the greatest extent possible, maintain all such

occupied projects in a decent, safe, and sanitary condition and

in compliance with any standards under applicable State or

local laws, rules, ordinances, or regulations relating to the

physical condition of the housing and any such standards

established by the Secretary;

(B) to the greatest extent possible, maintain full occupancy

in all such projects; and

(C) maintain all such projects for purposes of providing

rental or cooperative housing.

(3) Projects subject to a mortgage held by Secretary

In the case of any multifamily housing project that is subject

to a mortgage held by the Secretary, the Secretary shall require

the owner of the project to carry out the requirements of

paragraph (2).

(e) Required assistance

In disposing of multifamily housing property under this section,

consistent with the goal of subsection (a)(3)(A) of this section,

the Secretary shall take, separately or in combination with other

actions under this subsection or subsection (f) of this section,

one or more of the following actions:

(1) Contract with owner for project-based assistance

In the case of multifamily housing projects that are acquired

by a purchaser other than the Secretary at foreclosure or after

sale by the Secretary, the Secretary may enter into contracts

under section 8 of the United States Housing Act of 1937 [42

U.S.C. 1437f] (to the extent budget authority is available) with

owners of the projects, subject to the following requirements:

(A) Subsidized or formerly subsidized projects receiving

mortgage-related assistance

In the case of a subsidized or formerly subsidized project

referred to in subparagraphs (A) through (C) of subsection

(b)

(2) of this section -

(i) the contract shall be sufficient to assist at least all

units covered by an assistance contract under any of the

authorities referred to in subsection (b)(2)(D) of this

section before acquisition or foreclosure, unless the

Secretary acts pursuant to the provisions of subparagraph

(C);

(ii) the contract shall provide that, when a vacancy occurs

in any unit in the project requiring project-based rental

assistance pursuant to this subparagraph that is occupied by

a family who is not eligible for assistance under such

section 8 [42 U.S.C. 1437f], the owner shall lease the

available unit to a family eligible for assistance under such

section 8; and

(iii) the Secretary shall take actions to ensure that any

unit in any such project that does not otherwise receive

project-based assistance under this subparagraph remains

available and affordable for the remaining useful life of the

project, as defined by the Secretary; to carry out this

clause, the Secretary may require purchasers to establish use

or rent restrictions maintaining the affordability of such

units.

(B) Subsidized or formerly subsidized projects receiving rental

assistance

In the case of a subsidized or formerly subsidized project

referred to in subsection (b)(2)(D) of this section that is not

subject to subparagraph (A) -

(i) the contract shall be sufficient to assist at least all

units in the project that are covered, or were covered

immediately before foreclosure on or acquisition of the

project by the Secretary, by an assistance contract under any

of the provisions referred to in such subsection, unless the

Secretary acts pursuant to provisions of subparagraph (C);

and

(ii) the contract shall provide that, when a vacancy occurs

in any unit in the project requiring project-based rental

assistance pursuant to this subparagraph that is occupied by

a family who is not eligible for assistance under such

section 8 [42 U.S.C. 1437f], the owner shall lease the

available unit to a family eligible for assistance under such

section 8.

(C) Exceptions

(i) Authority

In lieu of providing project-based assistance under section

8 of the United States Housing Act of 1937 [42 U.S.C. 1437f]

in accordance with subparagraph (A)(i) or (B)(i) for a

project, the Secretary may, for certain units in unsubsidized

projects located within the same market area as the project

otherwise required to be assisted with such project-based

assistance -

(I) require use and rent restrictions providing that such

units shall be available to and affordable by very low-

income families for the remaining useful life of the

project (as defined by the Secretary), or

(II) provide project-based assistance under section 8 for

such units to be occupied by only very low-income persons,

but only if the requirements under clause (ii) are met.

(ii) Requirements

The requirements under this clause are that -

(I) upon the disposition of the project otherwise

required to be assisted with project-based assistance under

subparagraph (A)(i) or (B)(i), the Secretary shall make

available tenant-based assistance under section 8 [42

U.S.C. 1437f] to low-income families residing in units

otherwise required to be assisted with such project-based

assistance; and

(II) the number of units subject to use restrictions or

provided assistance under clause (i) shall be at least

equivalent to the number of units otherwise required to be

assisted with project-based assistance under section 8 in

accordance with subparagraph (A)(i) or (B)(i).

(D) Unsubsidized projects

Notwithstanding actions taken pursuant to subparagraph (C),

in the case of unsubsidized projects, the contract shall be

sufficient to provide -

(i) project-based rental assistance for all units that are

covered, or were covered immediately before foreclosure or

acquisition, by an assistance contract under -

(I) the new construction and substantial rehabilitation

program under section 8(b)(2) of the United States Housing

Act of 1937 [42 U.S.C. 1437f(b)(2)] (as in effect before

October 1, 1983);

(II) the property disposition program under section 8(b)

of such Act;

(III) the project-based certificate program under section

8 of such Act;

(IV) the moderate rehabilitation program under section

8(e)(2) of such Act;

(V) section 23 of such Act [42 U.S.C. 1421b] (as in

effect before January 1, 1975);

(VI) the rent supplement program under section 101 of the

Housing and Urban Development Act of 1965 [12 U.S.C.

1701s]; or

(VII) section 8 of the United States Housing Act of 1937,

following conversion from assistance under section 101 of

the Housing and Urban Development Act of 1965; and

(ii) tenant-based assistance under section 8 of the United

States Housing Act of 1937 for families that are preexisting

tenants of the project in units that, immediately before

foreclosure or acquisition of the project by the Secretary,

were covered by an assistance contract under the loan

management set-aside program under section 8(b) of the United

States Housing Act of 1937.

(2) Annual contribution contracts for tenant-based assistance

In the case of multifamily housing projects that are acquired

by a purchaser other than the Secretary at foreclosure or after

sale by the Secretary, the Secretary may enter into annual

contribution contracts with public housing agencies to provide

tenant-based assistance under section 8 of the United States

Housing Act of 1937 [42 U.S.C. 1437f] on behalf of all low-income

families who are otherwise eligible for assistance in accordance

with subparagraph (A), (B), or (D) of paragraph (1) on the date

that the project is acquired by the purchaser, subject to the

following requirements:

(A) Requirement of sufficient affordable housing in area

The Secretary may not take action under this paragraph unless

the Secretary determines that there is available in the area an

adequate supply of habitable, affordable housing for very low-

income families and other low-income families using tenant-

based assistance.

(B) Limitation for subsidized and formerly subsidized projects

The Secretary may not take actions under this paragraph in

connection with units in subsidized or formerly subsidized

projects for more than 10 percent of the aggregate number of

units in such projects disposed of by the Secretary in any

fiscal year.

(3) Other assistance

(A) In general

In accordance with the authority provided under the National

Housing Act [12 U.S.C. 1701 et seq.], the Secretary may provide

other assistance pursuant to subsection (f) of this section to

the owners of multifamily housing projects that are acquired by

a purchaser other than the Secretary at foreclosure, or after

sale by the Secretary, on terms that ensure that -

(i) at least the units in the project otherwise required to

receive project-based assistance pursuant to subparagraphs

(A), (B), or (D) of paragraph (1) are available to and

affordable by low-income persons; and

(ii) for the remaining useful life of the project, as

defined by the Secretary, there shall be in force such use or

rent restrictions as the Secretary may prescribe.

(B) Very low-income tenants

If, as a result of actions taken pursuant to this paragraph,

the rents charged to any very low-income families residing in

the project who are otherwise required (pursuant to

subparagraph (A), (B), or (D) of paragraph (1)) to receive

project-based assistance under section 8 of the United States

Housing Act of 1937 [42 U.S.C. 1437f] exceed the amount payable

as rent under section 3(a) of the United States Housing Act of

1937 [42 U.S.C. 1437a(a)], the Secretary shall provide tenant-

based assistance under section 8 of such Act to such families.

(f) Discretionary assistance

In addition to the actions required under subsection (e) of this

section for a subsidized, formerly subsidized, or unsubsidized

multifamily housing project, the Secretary may, pursuant to the

disposition plan and the goals in subsection (a) of this section,

take one or more of the following actions:

(1) Discounted sales price

In accordance with the authority provided under the National

Housing Act [12 U.S.C. 1701 et seq.], the Secretary may reduce

the selling price of the project. Such reduced sales price shall

be reasonably related to the intended use of the property after

sale, any rehabilitation requirements for the project, the rents

for units in the project that can be supported by the market, the

amount of rental assistance available for the project under

section 8 of the United States Housing Act of 1937 [42 U.S.C.

1437f], the occupancy profile of the project (including family

size and income levels for tenant families), and any other

factors that the Secretary considers appropriate.

(2) Use and rent restrictions

The Secretary may require certain units in a project to be

subject to use or rent restrictions providing that such units

will be available to and affordable by low- and very low-income

persons for the remaining useful life of the property, as defined

by the Secretary.

(3) Short-term loans

The Secretary may provide short-term loans to facilitate the

sale of a multifamily housing project if -

(A) authority for such loans is provided in advance in an

appropriation Act;

(B) such loan has a term of not more than 5 years;

(C) the Secretary determines, based upon documentation

provided to the Secretary, that the borrower has obtained a

commitment of permanent financing to replace the short-term

loan from a lender who meets standards established by the

Secretary; and

(D) the terms of such loan are consistent with prevailing

practices in the marketplace or the provision of such loan

results in no cost to the Government, as defined in section

661a of title 2.

(4) Up-front grants

If the Secretary determines that action under this paragraph is

more cost-effective than establishing rents pursuant to

subsection (h)(2) of this section, the Secretary may utilize the

budget authority provided for contracts issued under this section

for project-based assistance under section 8 of the United States

Housing Act of 1937 [42 U.S.C. 1437f] to (in addition to

providing project-based section 8 rental assistance) provide up-

front grants for the necessary cost of rehabilitation and other

related development costs. This paragraph shall be effective

during fiscal years 2006 through 2010 only to the extent that

such budget authority is made available for use under this

paragraph in advance in appropriation Acts.

(5) Tenant-based assistance

The Secretary may make available tenant-based assistance under

section 8 of the United States Housing Act of 1937 to families

residing in a multifamily housing project that do not otherwise

qualify for project-based assistance.

(6) Alternative uses

(A) In general

Notwithstanding any other provision of law, after providing

notice to and an opportunity for comment by preexisting

tenants, the Secretary may allow not more than -

(i) 10 percent of the total number of units in multifamily

housing projects that are disposed of by the Secretary during

any fiscal year to be made available for uses other than

rental or cooperative uses, including low-income

homeownership opportunities, or in any particular project,

community space, office space for tenant or housing-related

service providers or security programs, or small business

uses, if such uses benefit the tenants of the project; and

(ii) 5 percent of the total number of units in multifamily

housing projects that are disposed of by the Secretary during

any fiscal year to be used in any manner, if the Secretary

and the unit of general local government or area-wide

governing body determine that such use will further fair

housing, community development, or neighborhood

revitalization goals.

(B) Displacement protection

The Secretary may take actions under subparagraph (A) only if

-

(i) tenant-based rental assistance under section 8 of the

United States Housing Act of 1937 [42 U.S.C. 1437f] is made

available to each eligible family residing in the project

that is displaced as a result of such actions; and

(ii) the Secretary determines that sufficient habitable,

affordable rental housing is available in the market area in

which the project is located to ensure use of such

assistance.

(7) Transfer for use under other programs of Secretary

(A) In general

Notwithstanding the provisions of subsection (e) of this

section, the Secretary may, pursuant to an agreement under

subparagraph (B), transfer a multifamily housing project -

(i) to a public housing agency for use of the project as

public housing; or

(ii) to an entity eligible to own or operate housing

assisted under section 1701q of this title or under section

811 of the Cranston-Gonzalez National Affordable Housing Act

[42 U.S.C. 8013] for use as supportive housing under either

of such sections.

(B) Requirements for agreement

An agreement providing for the transfer of a project

described in subparagraph (A) shall -

(i) contain such terms, conditions, and limitations as the

Secretary determines appropriate, including requirements to

ensure use of the project as public housing, supportive

housing under section 1701q of this title, or supportive

housing under section 811 of the Cranston-Gonzalez National

Affordable Housing Act [42 U.S.C. 8013], as applicable; and

(ii) ensure that no tenant of the project will be displaced

as a result of actions taken under this paragraph.

(8) Rebuilding

Notwithstanding any provision of section 8 of the United States

Housing Act of 1937 [42 U.S.C. 1437f], the Secretary may provide

project-based assistance in accordance with subsection (e) of

this section to support the rebuilding of a multifamily housing

project rebuilt or to be rebuilt (in whole or in part and on-

site, off-site, or in a combination of both) in connection with

disposition under this section, if the Secretary determines that -

(A) the project is not being maintained in a decent, safe,

and sanitary condition;

(B) rebuilding the project would be less expensive than

substantial rehabilitation;

(C) the unit of general local government in which the project

is located approves the rebuilding and makes a financial

contribution or other commitment to the project; and

(D) the rebuilding is a part of a local neighborhood

revitalization plan approved by the unit of general local

government.

The provisions of subsection (j)(2) of this section shall apply

to any tenants of the project who are displaced.

(9) Emergency assistance funds

The Secretary may make arrangements with State agencies and

units of general local government of States receiving emergency

assistance under part A of title IV of the Social Security Act

[42 U.S.C. 601 et seq.] for the provision of assistance under

such Act [42 U.S.C. 301 et seq.] on behalf of eligible families

who would reside in any multifamily housing projects.

(g) Protection for unassisted very low-income tenants

For each multifamily housing project disposed of under this

section, the Secretary shall require that, for any very low-income

family who is a preexisting tenant of the project who (upon

disposition) would be required to pay rent in an amount in excess

of 30 percent of the adjusted income (as such term is defined in

section 3(b) of the United States Housing Act of 1937 [42 U.S.C.

1437a(b)]) of the family -

(1) for a period of 2 years beginning upon the date of the

acquisition of the project by the purchaser under such

disposition, the rent for the unit occupied by the family may not

be increased above the rent charged immediately before

acquisition;

(2) such family shall be considered displaced for purposes of

any system of preferences established pursuant to section

6(c)(4)(A),(!1) 8(d)(1)(A), or 8(o)(6)(A) of the United States

Housing Act of 1937 [42 U.S.C. 1437d(c)(4)(A), 1437f(d)(1)(A),

and 1437f(o)(6)(A)]; and

(3) notice shall be provided to such family, not later than the

date of the acquisition of the project by the purchaser -

(A) of the requirements under paragraphs (1) and (2); and

(B) that, after the expiration of the period under paragraph

(1), the rent for the unit occupied by the family may be

increased.

(h) Contract requirements

Contracts for project-based rental assistance under section 8 of

the United States Housing Act of 1937 [42 U.S.C. 1437f] provided

pursuant to this section shall be subject to the following

requirements:

(1) Contract term

The contract shall have a term of 15 years, except that the

term may be less than 15 years -

(A) to the extent that the Secretary finds that, based on the

rental charges and financing for the multifamily housing

project to which the contract relates, the financial viability

of the project can be maintained under a contract having such a

term; except that the Secretary shall require that the amount

of rent payable by tenants of the project for units assisted

under such contract shall not exceed the amount payable for

rent under section 3(a) of the United States Housing Act of

1937 [42 U.S.C. 1437a(a)] for a period of at least 15 years; or

(B) if such assistance is provided -

(i) under a contract authorized under section 6 of the HUD

Demonstration Act of 1993; and

(ii) pursuant to a disposition plan under this section for

a project that is determined by the Secretary to be otherwise

in compliance with this section.

(2) Contract rent

The Secretary shall establish the contract rents under such

contracts at levels that, together with other resources available

to the purchasers, provide sufficient amounts for the necessary

costs of rehabilitating and operating the multifamily housing

project and do not exceed the percentage of the existing housing

fair market rentals for the market area in which the project

assisted under the contract is located as determined by the

Secretary under section 8(c) of the United States Housing Act of

1937 [42 U.S.C. 1437f(c)].

(i) Right of first refusal for local and State government agencies

(1) Notification

Not later than 30 days after the Secretary acquires title to a

multifamily housing project, the Secretary shall notify the

appropriate unit of general local government (including public

housing agencies) and State agency or agencies designated by the

chief executive officer of the State in which the project is

located of such acquisition of title and that, for a period

beginning upon such notification that does not exceed 90 days,

such unit of general local government and agency or agencies

shall have the exclusive right under this subsection to make bona

fide offers to purchase the project.

(2) Right of first refusal

During the 90-day period, the Secretary may not sell or offer

to sell the multifamily housing project other than to a party

notified under paragraph (1), unless the unit of general local

government and the designated State agency or agencies notify the

Secretary that they will not make an offer to purchase the

project. The Secretary shall accept a bona fide offer to purchase

the project made during such period if it complies with the terms

and conditions of the disposition plan for the project or is

otherwise acceptable to the Secretary.

(3) Procedure

The Secretary shall establish any procedures necessary to carry

out this subsection.

(j) Displacement of tenants and relocation assistance

(1) In general

Whenever tenants will be displaced as a result of the

demolition of, repairs to, or conversion in the use of, a

multifamily housing project that is owned by the Secretary (or

for which the Secretary is mortgagee in possession), the

Secretary shall identify tenants who will be displaced, and shall

notify all such tenants of their pending displacement and of any

relocation assistance that may be available. In the case of a

multifamily housing project that is subject to a mortgage held by

the Secretary, the Secretary shall require the owner of the

project to carry out the requirements of this paragraph, if the

Secretary has authorized the demolition of, repairs to, or

conversion in the use of such multifamily housing project.

(2) Rights of displaced tenants

The Secretary shall ensure for any such tenant (who continues

to meet applicable qualification standards) the right -

(A) to return, whenever possible, to a repaired or rebuilt

unit;

(B) to occupy a unit in another multifamily housing project

owned by the Secretary;

(C) to obtain housing assistance under the United States

Housing Act of 1937 [42 U.S.C. 1437 et seq.]; or

(D) to receive any other available similar relocation

assistance as the Secretary determines to be appropriate.

(k) Mortgage and project sales

(1) In general

The Secretary may not approve the sale of any loan or mortgage

held by the Secretary (including any loan or mortgage owned by

the Government National Mortgage Association) on any subsidized

project or formerly subsidized project, unless such sale is made

as part of a transaction that will ensure that such project will

continue to operate at least until the maturity date of such loan

or mortgage, in a manner that will provide rental housing on

terms at least as advantageous to existing and future tenants as

the terms required by the program under which the loan or

mortgage was made or insured prior to the assignment of the loan

or mortgage on such project to the Secretary.

(2) Sale of certain projects

The Secretary may not approve the sale of any subsidized

project -

(A) that is subject to a mortgage held by the Secretary, or

(B) if the sale transaction involves the provision of any

additional subsidy funds by the Secretary or a recasting of the

mortgage,

unless such sale is made as part of a transaction that will

ensure that the project will continue to operate, at least until

the maturity date of the loan or mortgage, in a manner that will

provide rental housing on terms at least as advantageous to

existing and future tenants as the terms required by the program

under which the loan or mortgage was made or insured prior to the

proposed sale of the project.

(3) Mortgage sales to State and local governments

Notwithstanding any provision of law that requires competitive

sales or bidding, the Secretary may carry out negotiated sales of

mortgages held by the Secretary, without the competitive

selection of purchasers or intermediaries, to units of general

local government or State agencies, or groups of investors that

include at least one such unit of general local government or

State agency, if the negotiations are conducted with such

agencies, except that -

(A) the terms of any such sale shall include the agreement of

the purchasing agency or unit of local government or State

agency to act as mortgagee or owner of a beneficial interest in

such mortgages, in a manner consistent with maintaining the

projects that are subject to such mortgages for occupancy by

the general tenant group intended to be served by the

applicable mortgage insurance program, including, to the extent

the Secretary determines appropriate, authorizing such unit of

local government or State agency to enforce the provisions of

any regulatory agreement or other program requirements

applicable to the related projects; and

(B) the sales prices for such mortgages shall be, in the

determination of the Secretary, the best prices that may be

obtained for such mortgages from a unit of general local

government or State agency, consistent with the expectation and

intention that the projects financed will be retained for use

under the applicable mortgage insurance program for the life of

the initial mortgage insurance contract.

(4) Sale of mortgages covering unsubsidized projects

Notwithstanding any other provision of law, the Secretary may

sell mortgages held on projects that are not subsidized or

formerly subsidized projects on such terms and conditions as the

Secretary may prescribe.

(5) Mortgage sale demonstration

The Secretary may carry out a demonstration to test the

feasibility of restructuring and disposing of troubled

multifamily mortgages held by the Secretary through the

establishment of partnerships with public, private, and nonprofit

entities.

(6) Project sale demonstration

The Secretary may carry out a demonstration to test the

feasibility of disposing of troubled multifamily housing projects

that are owned by the Secretary through the establishment of

partnerships with public, private, and nonprofit entities.

(l) Report to Congress

Not later than June 1 of each year, the Secretary shall submit to

the Congress a report describing the status of multifamily housing

projects owned by or subject to mortgages held by the Secretary, on

an aggregate basis, which highlights the differences, if any,

between the subsidized and the unsubsidized inventory. The report

shall include -

(1) the average and median size of the projects;

(2) the geographic locations of the projects, by State and

region;

(3) the years during which projects were assigned to the

Department, and the average and median length of time that

projects remain in the HUD-held inventory;

(4) the status of HUD-held mortgages;

(5) the physical condition of the HUD-held and HUD-owned

inventory;

(6) the occupancy profile of the projects, including the

income, family size, race, and ethnic origin of current tenants,

and the rents paid by such tenants;

(7) the proportion of units that are vacant;

(8) the number of projects for which the Secretary is mortgagee

in possession;

(9) the number of projects sold in foreclosure sales;

(10) the number of HUD-owned projects sold;

(11) a description of actions undertaken pursuant to this

section, including a description of the effectiveness of such

actions and any impediments to the disposition or management of

multifamily housing projects;

(12) a description of the extent to which the provisions of

this section and actions taken under this section have displaced

tenants of multifamily housing projects;

(13) a description of any of the functions performed in

connection with this section that are contracted out to public or

private entities or to States; and

(14) a description of the activities carried out under

subsection (i) of this section during the preceding year.