

## CHAPTER 1. PUBLIC SYSTEMS

1. DEFINITIONS. Central water and sewage systems are classified in two general categories, public systems and community systems. The difference between the two relates only to the type of ownership as indicated by the following definitions:
  - a. Public Water (or Sewage) System - A central system owned, operated and maintained by a municipality, county, or other local unit of government with the power of taxation or assessment.
  - b. Community Water (or Sewage) System - A central system which is owned and operated and maintained by a private corporation or a nonprofit property owners' association.
2. REQUIREMENTS. Connection to satisfactory existing public water and sewage systems is a requirement for HUD mortgage insurance in all cases where such connections are determined to be feasible. If these services can be made available at any point adjacent to a tract under consideration, they shall be extended throughout the development to the fullest practical extent.
  - a. The connection to an existing public water or sewage system shall be considered feasible and shall be required under any one of the following conditions:
    - (1) Where the cost of extending a system is not substantially greater than the added value to the property due to the availability of the extended facilities.
    - (2) Where the market situation is such that a typical home buyer would expect to be served by an extended public system.
    - (3) Where it is determined that developed sites cannot complete successfully with sites in nearby areas, unless they are connected to a public system.
  - b. Extension of existing public water and sewage facilities will be considered infeasible and will not be required where the officials of the appropriate unit of government will not permit the facilities to be extended. Acceptable written evidence of such refusal is required.

- (1) Where it is not feasible to provide extensions to existing public water and sewage systems, newly constructed public central systems will be required under any one of the following conditions:
  - (a) Where the cost of constructing a new central system is not substantially greater than the added value to the property due to the availability of the new facility.
  - (b) Where the market situation is such that a typical home buyer would expect to be served by a new public central system.
  - (c) Where it is determined that developed sites cannot compete successfully with sites in nearby areas, unless they are connected to a public central system.
- c. If the local unit of government is unwilling to accept dedication of a new system and the HUD field office is furnished satisfactory evidence of this fact, HUD will consider private ownership of these utilities.