



U.S. Department of Housing and Urban Development

Public and Indian Housing

Special Attention of:
Public Housing Office Directors;
Program Center Coordinators; Public Housing
Agencies

Notice PIH 2002-21 (HA)

Issued: October 2, 2002

Expires: Indefinite

Cross References: OMB Approval No.
2577-0169. Supersedes Notice PIH 2001-20
(HA) issued June 21, 2001, expiring June 30, 2002.

Subject: Submission and Processing of Public Housing Agency (PHA) Applications for Housing Choice Vouchers for Relocation or Replacement Housing Related to Demolition or Disposition (Including HOPE VI), and Plans for Removal (Mandatory Conversion) of Public Housing Units Under Section 33 of the U.S. Housing Act of 1937, As Amended.

1. **Purpose.** The purpose of this Notice is to advise PHAs that they may apply for funding for housing choice vouchers to assist with relocation or replacement housing needs resulting from the demolition, disposition or mandatory conversion of public housing units. In addition, this Notice advises PHAs and local HUD Field Offices of the procedures for submitting a request for housing choice vouchers and the processing requirements.

The term local HUD Field Office will be used throughout this Notice to mean the local HUD Field Office Hub or local HUD Field Office Program Center.

2. **Categories of Eligibility.** A PHA that qualifies under either of the two categories listed below is eligible to submit an application for housing choice voucher funding for relocation or replacement units on the basis of demolition, disposition or mandatory conversion in the current fiscal year or in any prior years for which the PHA has not been fully compensated for the loss of public housing units.
 - a. The PHA has a HUD-approved application for demolition or disposition; a HUD-approved (or conditionally approved) HOPE VI Revitalization Plan that contains a demolition approval; or a HUD-approved plan for removal (mandatory conversion) of public housing units under Section 33 of the U.S. Housing Act of 1937, as amended.

- b. The PHA has reported to HUD's Special Applications Center (SAC) on form HUD-52860, Demolition/Disposition Application, that it is demolishing the lesser of 5 units or 5 percent of the units in its inventory during a five year period, where the vacant space will be used for meeting the service or other needs of public housing residents, or the units to be demolished are beyond repair. (An application requesting HUD's approval of demolition in such instance is not required, based upon provisions in Section 531 of the Quality Housing and Work Responsibility Act (Public Housing Reform Act) of 1998 (PL 105-276) effective as of the date of the publication of the Public Housing Reform Act of 1998; Initial Guidance; Notice in the Federal Register on February 18, 1999.)

If the PHA has already been fully funded for relocation or replacement housing units under the housing choice voucher or certificate program, public housing development, vacancy consolidation, condemnation proceeds, replacement insurance, Major Reconstruction of Obsolete Projects (MROP), HOPE VI, Comprehensive Improvement Assistance Program (CIAP), Comprehensive Grant Program (CGP), or the Replacement Housing Factor at the development, the PHA is not eligible for housing choice voucher funding for relocation or replacement housing. For example, if a PHA received housing choice voucher or certificate funding for the relocation of a public housing resident living in a public housing unit to be demolished, the PHA is not eligible to receive replacement funding for the same unit under the housing choice voucher program. Similarly, if a PHA received public housing development funds to replace a demolished public housing unit, the PHA is not eligible to receive relocation or replacement funding for the same unit under the housing choice voucher program. Likewise, each Capital Fund Replacement Housing Factor unit will offset 15 percent of a voucher, as an approximation for the amount of replacement housing units that the Replacement Housing Factor subsidy can fund. A PHA shall, however, be eligible to apply for funding for relocation vouchers to the extent the number of residents that need to be relocated exceeds the number of replacement vouchers for which the PHA is eligible.

3. **Expanding Housing Opportunities.** PHAs are required, in accordance with 24 CFR 985.3 (g), Expanding Housing Opportunities, to assist families with relocation or replacement housing vouchers in locating suitable units outside areas of low income or minority concentration. This can be accomplished for these families through such actions as providing lists of landlords or other parties who are willing to lease units or help families outside such areas; counseling services to inform families about the benefits of living in lower-poverty and non-minority concentrated neighborhoods; assisting families with transportation to facilitate their visiting potential units; establishing a mentoring program where current voucher holders leasing in lower-poverty and non-minority concentrated neighborhoods provide support to families wishing to also live in such neighborhoods; and networking with real estate boards, property management associations, and other groups and organizations that can assist in locating owners and managers willing to lease units in lower-poverty and non-minority concentrated areas. PHAs are also reminded that under 24 CFR 982.54(d)(5) each PHA

administering a housing choice voucher program must address in its administrative plan its policies for “encouraging participation by owners of suitable units located outside areas of low income or minority concentration.”

The PHA should also explain the relocation benefits to be provided to families, including the assurance of affordable rents, in addition to the PHA paying all reasonable expenses for moving and such moving-related expenses as the PHA determines are reasonable and necessary.

4. **Maximum Voucher Request and Reduction for Underutilization.**

- a. Maximum voucher request. The maximum number of relocation and replacement vouchers that may be requested by a PHA is based upon: the number of units demolished, sold or otherwise disposed of minus the number of public housing units rebuilt with federal funding from HUD. Also, see paragraph 2 of this Notice. The following are examples that illustrate these guidelines:

Example 1: A 500 unit complex is demolished and no public housing units are rebuilt. At the time of demolition approval, 300 of the 500 units were occupied. Families who indicated a preference for relocating with vouchers numbered 200, and 100 families indicated a preference for relocating to other public housing. (Note: See the requirements at 24 CFR 903.2 regarding the deconcentration of all public housing projects by income and provision to tenants of “housing choice” for those wishing to relocate to other public housing units.)

In this example, the PHA may apply for 500 vouchers, of which 200 should be identified as relocation vouchers and 300 identified as replacement vouchers.

Example 2: Same as Example 1, except 200 units of public housing are scheduled to be rebuilt with federal funding from HUD.

In this example, the PHA may apply for 300 vouchers; i.e., the original total of 500 public housing units minus the 200 public housing units scheduled to be rebuilt with federal funding from HUD.

Example 3: Same as Example 1, except 100 public housing units are to be rebuilt with local funds and 100 public housing units are to be rebuilt with federal funding from HUD.

In this example, the PHA may apply for 400 vouchers; i.e., the original total of 500 public housing units minus the 100 public housing units scheduled to be rebuilt with federal funding from HUD.

Example 4: Same as example 1, except 400 public housing units are to be rebuilt with federal funding from HUD.

In this example, the PHA may apply for 200 vouchers; i.e., 100 should be identified as replacement vouchers and 100 should be identified as relocation vouchers.

- b. Reduction for underutilization. In order for a PHA to not have the number of vouchers it is requesting under this Notice reduced by HUD, it must have either a 97 percent lease-up rate or 97 percent budget authority utilization rate for its voucher program. PHAs which do not have either a 97 percent lease-up rate or 97 percent budget authority utilization rate for their voucher program shall have their requested number of vouchers reduced. This reduction shall be commensurate with the dollar amount by which the PHA falls below a 97 percent rate of budget authority utilization; i.e., the number of vouchers that such a shortfall will fund. (Note: Percentages of 96.5 percent but less than 97 percent shall be rounded up to 97 percent.)
- c. Methodology for calculating lease-up and budget authority utilization. The methodology to be used by HUD in calculating a PHA's voucher lease-up and budget authority utilization rate shall be the same as that used for the Section Eight Management Assessment Program (SEMAP), with one exception. In calculating the lease-up and budget authority utilization rates, HUD will use the most recent fiscal year ended for the PHA for which there is a HUD-approved form HUD-52681, Year End Settlement Statement; or the most recent fiscal year ended for which the PHA has submitted information with its application (following the methodology in Appendix A and using the blank format in Appendix B) where the form HUD-52681 has not yet been processed by HUD; or lease-up and budget authority utilization information submitted by the PHA with its application based upon the most recent 12-month period prior to the PHA's submission of its application. PHAs submitting such 12-month information must follow the methodology in Appendix A and enter the information on the blank form in Appendix B. The Appendix B blank format must be filled out in its entirety, including the certification signatures.
- d. Moving to Work (MTW) certification. MTW agencies required to report under SEMAP, as well as those MTW agencies not required to report under SEMAP, must submit a certification with their application certifying as to their lease-up and budget authority utilization percentages for their voucher program consistent with the requirements of paragraph 4 b. and c. of this Notice.
- e. Subsequent year applications associated with underutilization. A PHA that is not eligible to apply for as many vouchers as it would otherwise be eligible for, due to underutilization, may wish to apply for the additional vouchers in a subsequent year when its utilization rate has improved to at least 97 percent.

5. **PHA Submission of Application for Relocation or Replacement Vouchers.** A PHA interested in requesting funding for housing choice vouchers for relocation or replacement of units under categories 2. a. or b. above must submit the following information to the Director, Office of Public Housing or Program Center Coordinator, as appropriate, in the local HUD Field Office:
- a. A cover letter stating the number of housing choice vouchers being requested, the number of units that will be demolished or disposed of in the public housing development for which housing choice vouchers are being requested, the name and project number of the public housing development, and the funding category; i.e., relocation or replacement. Along with the cover letter, the PHA must also submit a copy of the HUD letter advising the PHA of the approval of the demolition or disposition application, HUD-approved (or conditionally approved) HOPE VI Revitalization Plan that contains a demolition approval, or HUD-approved plan for the removal (mandatory conversion) of distressed public housing units under Section 33 of the U.S. Housing Act of 1937, as amended. (A copy of the HUD approval letter is not applicable in the case of a demolition covered under paragraph 2.b. of this Notice. However, the PHA must provide either a copy of the letter of acknowledgement from the SAC regarding such a demolition, or a copy of the form HUD-52860 and a dated copy of the transmittal letter to the SAC where a letter of acknowledgement from the SAC has not yet been received.)
 - b. Form HUD-52515, Funding Application.
 - c. The number of housing choice vouchers needed for relocation and those needed for replacement, and an indication as to whether any of the requested vouchers are specific to a HOPE VI project. The PHA submission must identify the number of vouchers to be issued month-by-month on a calendar year schedule for the current and subsequent calendar year. Only those vouchers scheduled to be issued during the current and subsequent calendar year should be requested. PHAs may apply to HUD during future years for the balance of vouchers needed for relocation and replacement housing. Vouchers will be funded on a per unit cost basis for each calendar year funding increment, with those vouchers to be issued in the current calendar year having first priority for funding. HUD will establish separate annual contributions contract (ACC) terms for each funding increment.
 - d. Compliance with non-discrimination and affirmatively furthering fair housing requirements.
 - (i) All applicants and their subrecipients must comply with all Fair Housing and civil rights laws, statutes, regulations, and executive orders as enumerated in 24 CFR 5.105
 - (a). If the applicant (a) has been charged with a systemic violation of the Fair

Housing Act by the Secretary alleging ongoing discrimination; (b) is a defendant in a Fair Housing Act lawsuit filed by the Department of Justice alleging an ongoing pattern or practice of discrimination; or (c) has received a letter of noncompliance findings under Title VI, Section 504, or Section 109, the application will not be considered for funding under this Notice if the charge, lawsuit, or letter of findings has not been resolved to the satisfaction of the Department before the application submission. HUD's decision regarding whether a charge, lawsuit, or letter of findings has been satisfactorily resolved will be based upon whether appropriate actions have been taken to address allegations of ongoing discrimination in the policies or practices involved in the charge, lawsuit, or letter of findings. Local HUD Field Office staff in the Office of Public Housing will contact their counterparts in the Office of Fair Housing and Equal Opportunity to determine if any applicants are to be disqualified under the requirements of this paragraph d.

- (ii) Under Section 808(e)(5) of the Fair Housing Act, HUD is obliged to affirmatively further fair housing. HUD requires the same of its grant recipients. If you are a successful applicant under this Notice, you will have a duty to affirmatively further fair housing for classes protected under the Fair Housing Act. Protected classes are race, color, national origin, religion, sex, disability, and family status. Your application must include specific steps to:
 - (a) Overcome the effect of impediments to fair housing that were identified in the jurisdiction's Analysis of Impediments (AI) to Fair Housing Choice;
 - (b) Assist in providing remedies for discrimination in housing; and/or
 - (c) Promote fair housing rights and fair housing choice.

Your application should show how you plan to affirmatively further fair housing by promoting fair housing choice, expanding housing opportunities, providing opportunity and housing counseling and promoting income deconcentration of neighborhoods and public housing projects.

- e. Voucher lease-up and budget authority utilization information, as appropriate to certain PHA applicants (see requirements of paragraphs 4 b., c., and d. of this Notice).

Housing choice vouchers that are not leased more than 12 months after initial obligation by HUD will be reflected in the PHA's utilization rate and may be subject to reallocation by HUD.

Applications may be submitted to the local HUD Field Office at any time during the Federal Fiscal Year (FFY), but will have a greater chance of being funded during any current FFY if submitted by not later than **June 30**.

6. **Field Office Review of Applications and Notification of PHA of Deficiencies.**
 - a. Processing of applications and notification of PHA of deficiencies. Applications for relocation or replacement funding will be processed by the local HUD Field Offices on a rolling basis. The review of a PHA's application must be completed, and the PHA notified in writing of any deficiencies (information either missing or requiring correction), immediately following the date of receipt of the PHA's application. The PHA should promptly submit the missing or corrected information to the local HUD Field Office following receipt of that office's deficiency notification letter.
 - b. Contacting appropriate HUD Offices regarding a troubled PHA's application. The local HUD Field Office will contact and consult the appropriate HUD Offices regarding any relocation or replacement housing application from a PHA designated as troubled under SEMAP. This shall be done in order to more fully determine the accuracy and appropriateness of such an application, and whether it should be recommended to Headquarters for approval for funding.
7. **Notification of Unacceptable Applications.** The local HUD Field Office must immediately notify any PHA whose application the local HUD Field Office determined is unacceptable for processing. The local HUD Field Office's rejection letter to the PHA must state the basis for the decision.
8. **Notification of Approvable Applications.** The local HUD Field Office must advise the Section 8 Finance Division in Headquarters by electronic mail of approvable applications for funding. The electronic notification must be sent to the Section 8 Finance Division's general mailbox at: PIH_Conversions_Actions. Eileen T. Davis is the principal point of contact in the Section 8 Finance Division. For each approvable application the Field Office shall provide the Section 8 Finance Division with all of the information called for in paragraph 5 a., c., and e. above.

The Section 8 Finance Division shall promptly notify the Section 8 Financial Management Center (FMC) of approvable applications and the fund assignments by not later than **September 15** of each FFY.
9. **Funding of Applications.** Headquarters will fund all applications from PHAs that are recommended for funding by the local HUD Field Offices on a first-come, first-served basis

as the information in paragraph 8 is received from local HUD Field Offices on an ongoing basis, provided relocation/replacement voucher funding is available during the FFY. Headquarters' Section 8 Finance Division will notify the FMC of applications being funded. The FMC will reserve the funds and notify the local HUD Field Offices of approved applications.

10. **Notification of Office of Congressional and Intergovernmental Relations and PHA.** Upon receipt of the form HUD-185, Fund Assignment, the Financial Management Center shall promptly prepare and transmit the HUD Notification memorandum to the Assistant Secretary for Congressional and Intergovernmental Relations for purposes of obtaining a Congressional release date. Following receipt of the release date, the FMC shall promptly notify the PHA by letter of its approved application and provide a copy to the local HUD Field Office.
11. **Unfunded Approvable Applications.** Approvable applications which remain unfunded, due to a lack of funding availability, will be funded in the subsequent FFY contingent upon Congressional appropriations for relocation/replacement vouchers.
12. **Deferral of Annual Contributions Contract (ACC) Increment Commencement Date.** PHAs are advised that HUD will not defer the commencement date of the ACC funding increment for relocation and replacement vouchers.
13. **Paperwork Reduction Act Statement.** The information collection requirements contained in this Notice have been approved by the Office of Management and Budget under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520), and assigned OMB control number 2577-0169. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a valid control number.

/s/

Michael Liu, Assistant Secretary for Public and Indian Housing

APPENDIX A
METHODOLOGY FOR DETERMINING LEASE-UP AND BUDGET
AUTHORITY UTILIZATION PERCENTAGE RATES

Using data from the HUDCAPS system, HUD will determine which PHAs meet the 97% budget authority utilization or 97% lease-up criteria. The data used in the determination will be based upon the PHA's most recent fiscal year ended for which there is either a HUD approved form HUD-52681, Year End Settlement Statement, or a form HUD-52681 not yet processed by HUD. The budget authority utilization and lease-up rates will be determined based upon the methodology {same as that used under the Section Eight Management Assessment Program (SEMAP)} indicated below.

Note: A PHA may also submit lease-up and budget authority utilization information based upon its most recent 12-month period prior to the PHA's submission of its signed application. A PHA opting to do so must follow the methodology in the "Budget Authority Utilization" and "Lease-up Rate" paragraphs of this Appendix A, but will be using information based upon the most recent 12-month period prior to application submission in lieu of information based upon the most recent fiscal year ended.

Budget Authority Utilization

Percentage of budget authority utilization was determined by comparing the total contributions required to the annual budget authority (ABA) available for the PHA's most recent fiscal year ended for the PHA's housing choice voucher program. Annual budget authority associated with new funding increments obligated during the last PHA fiscal year and annual budget authority for litigation were excluded.

Total contributions required were determined based on the combined actual costs approved by HUD on the form HUD-52681, Year End Settlement Statement. The components which make up the total contributions required are the total of housing assistance payments, ongoing administrative fees earned, hard to house fees earned, and IPA audit costs. From this total any interest earned on administrative fees is subtracted. The net amount is the total contributions required.

ABA is the prorated portion applicable to the PHA year for each funding increment which had an active contract term during all or a portion of the PHA year. ABA is adjusted for new funding increments obligated during the last PHA fiscal year and for litigation funding increments.

EXAMPLE:

PHA ABC

Fiscal year 10/1/01 through 9/30/02

HUD 52681 Approved Data:

HAP	\$2,150,000
Administrative Fee	\$ 215,000
Hard to House Fee	\$ 1,000
Audit	\$ 2,000
Total	\$2,368,000
Program receipts other than Annual Contributions	(\$2,500)

Total contributions required \$2,365,500

Calculation of Annual Budget Authority

<u>Increments</u>	<u>Contract Term</u>	<u>Total BA</u>	<u>ABA</u>
001	11/01/01 - 10/31/02	\$1,300,000	\$1,191,667
002	01/01/02-12/31/02	\$1,200,000	\$ 900,000
003	04/01/02-03/31/03	\$ 950,000	\$ 475,000
004	07/01/02-06/30/03	\$1,500,000	\$ 375,000
Totals		\$4,950,000	\$2,941,667
ABA associated with litigation			(\$475,000)
Total ABA			(\$2,466,667)

Budget Authority Utilization

Total contributions required \$2,365,500

divided by

Annual budget authority \$2,466,667

equals

Budget Authority Utilization 95.9%

Lease-up Rate

The lease-up rate was determined by comparing the reserved units (funding increments active as of the end of the PHA year) to the unit months leased (divided by 12) reported on the combined HUD 52681, Year End Settlement Statement(s) for the PHA's most recent fiscal year ended. Units associated with new funding increments obligated during the last PHA fiscal year and units obligated for litigation were excluded from the reserved units.

EXAMPLE:

<u>Increments</u>	<u>Contract Term</u>	<u>Units</u>
001	11/01/01-10/31/02	242
002	01/01/02-12/31/02	224

003	04/01/02-03/31/03	178
004	07/01/02-06/30/03	280
Totals		924
Increment 003 litigation	(178)	
Adjusted contract units		746

Unit months leased reported by PHA	8,726
divided by 12	727
Units Leased	727

<u>Lease-up Rate</u>	
Units leased	727
divided by adjusted contract units	746
equals	
Lease-up Rate	97.5%

APPENDIX B

Example

Main Street HA 12/31/02 Year End, January 1, 2002 through December 31, 2002

ACC units applicable: 653 (Litigation and new units obligated during the fiscal year are excluded)

Month	Total HAP	UMLs	Admin Fee	HH Fee	Requirements	Cumulative Total	Annual Budget Authority (ABA)
January	\$291,874	623	\$29,119	\$0	\$320,993	\$320,993	\$295,650
February	\$211,945	620	\$30,058	\$1,125	\$243,128	\$564,121	\$295,650
March	\$234,521	618	\$29,961	\$450	\$264,932	\$829,053	\$295,650
April	\$226,489	620	\$30,058	\$750	\$257,297	\$1,086,350	\$295,650
May	\$240,414	616	\$29,864	\$675	\$270,953	\$1,357,303	\$295,650
June	\$245,600	614	\$29,767	\$825	\$276,192	\$1,633,495	\$295,650
July	\$251,300	615	\$29,815	\$675	\$281,790	\$1,915,285	\$309,103
August	\$265,304	611	\$29,621	\$900	\$295,825	\$2,211,110	\$309,103
September	\$285,504	610	\$29,573	\$375	\$315,452	\$2,526,562	\$309,103
October	\$298,503	612	\$29,670	\$525	\$328,698	\$2,855,260	\$309,103
November	\$325,008	628	\$30,445	\$300	\$355,753	\$3,211,013	\$309,103
December	\$355,006	640	\$31,027	\$225	\$386,258	\$3,597,271	\$309,105
Totals	\$3,231,468	7,427	\$358,978	\$6,825		\$3,597,271	\$3,628,520

Lease-up

Rate: 94.78% (UMLs/ACC units)

ABA

Utilization: 99.14% (Requirements/ABA)

Certification:

Executive Director

Section 8 Program
Administrator

HA Name and fiscal year end or
 12-month ending period:
 ACC Units applicable in fiscal year or 12-month period:

Month	Total HAP	UMLs	Admin Fee	Hard to House Fee	Requirements	Cumulative Total	Annual Budget Authority (ABA)
Totals							

Lease-up Rate: 0.00% (UMLs/ACC units)
 ABA Utilization: 0.00% (Requirements/ABA)

Certification:

 Executive Director

 Section 8 Program
 Administrator