



**U.S. Department of Housing and Urban Development
Office of Public and Indian Housing**

Special Attention:

Housing Choice Voucher Program
Administrators; Public Housing
Field Office Directors; Section 8
Financial Management Center

NOTICE PIH 2012-11 (HA)

Issued: February 15, 2012

Expires: Effective until amended, superseded,
or rescinded

Cross References:

Notice PIH 2010-39 (HA)

Notice PIH 2007-6 (HA)

Notice PIH 2001-25 (HA)

Subject: Process for Public Housing Agency Voluntary Transfers and Consolidations of Housing Choice Vouchers, Five-Year Mainstream Vouchers, Project-Based Vouchers and Project-Based Certificates

1. Applicability. This notice applies to public housing agencies (PHAs) that administer the Housing Choice Voucher (HCV), Project-Based Vouchers (PBV) and/or Project-Based Certificates/(PBC) and Five-Year Mainstream (MS5) programs. This notice does not cover the public housing program or the Section 8 Moderate Rehabilitation program. Please note that MS5 vouchers have not been included in prior notices; however, these vouchers are now included in HCV funding appropriations, but are still reported separately under section 14.879 (Mainstream Vouchers) of the Catalog of Federal Domestic Assistance.

2. Purpose. The purpose of this notice is to clarify the circumstances under which HUD will consider a **voluntary transfer** or **consolidation** of budget authority (including net restricted assets (NRA), unrestricted net assets (UNA) and other capital assets) and corresponding baseline units for the HCV program (including PBVs, PBCs and MS5) from the divesting PHA's Consolidated Annual Contributions Contract (CACC) to the receiving or consolidating PHA(s)' CACC. In a **voluntary transfer** one PHA's identifying number and CACC remains intact. In a **consolidation**, both or all of the PHAs' names, CACCs and identifying numbers will be permanently terminated and replaced by a new PHA with a new name, identifying number and CACC.

This notice also explains the process and procedures associated with such a transfer or consolidation. Sections 3 through 14 address the HCV and MS5 programs. Special additional provisions for transfers of PBVs and PBCs are addressed in Section 15.

3. Eligibility for HCV Transfers and Consolidations. All transfers and consolidations will be permanent and for the entire balance of one PHA's HCV program to one or more receiving PHAs. The transfer or consolidation must be between PHAs within the same metropolitan area, within the same non-metropolitan county, or within the same state where the HCV program administration is voluntarily shifted from a city or county PHA to its state PHA or from a state PHA to one or more of its county or city PHAs. All the divesting and receiving or consolidating PHAs are bound by fair

housing requirements, including the responsibility to affirmatively further fair housing and to reduce racial and national origin concentrations. No transfers may be permitted to a PHA with a troubled Section 8 Management Assessment Program (SEMAP) performance designation, nor may transfers be permitted where a receiving PHA has failed to comply with corrective action plans to address financial or program audit findings related to the HCV program.

4. Exceptions to Eligibility for HCV transfers. The Department will consider approving voluntary partial transfers only in the following cases: (1) the transfer is for the purpose of developing PBV units in an area of low poverty concentration; (2) the transfer is to a state or regional PHA; or (3) for a compelling business reason. These exceptions do not apply to consolidations.

5. Application Process for Transfers and Consolidations. At least 90 days before the requested effective date of the voluntary transfer or consolidation both the divesting and receiving PHAs must submit letters to their respective field offices indicating agreement upon the part of the PHAs of the transfer or consolidation and the date upon which the PHAs would like the transfer to occur. All transfers must have an effective date of either January 1st or July 1st of a given calendar year (CY); however, HUD will determine whether there are compelling business reasons to make an exception to this requirement. **No transfers or consolidations may be retroactive.** The letters must be signed by their respective Executive Directors with an accompanying board resolution. If the PHA is a unit of local government, the appropriate authorized official must sign the letter.

6. Renewal and Administrative Fee Funding Amounts for Units Transferred or Consolidated and Equity Balances. At the time of the transfer or consolidation, the divesting PHA(s) must transfer to the receiving PHA(s) the total budget authority on hand and accumulated NRA and UNA to ensure the latter has enough funding to continue operations uninterrupted. If the divesting PHA(s) owes money to HUD (such as NRA used for other purposes), these funds must be paid prior to the transfer from the PHA's non-federal funds or available UNA. When neither is available, and compelling reasons exist to ensure uninterrupted housing assistance to families, the transfer or consolidation will be processed. Funds owed to HUD include executed repayment agreements and audit findings involving money due for which a management decision has not yet been rendered. Forgiveness of amounts due to the Department must be approved pursuant to the Audits Management System Handbook 2006.06, paragraph 5-7.B.3. No receiving PHA/s will be responsible for a divesting PHA's debts.

Administrative fees earned by the divesting PHA(s) and/or HAP funds disbursed to the divesting PHA(s) during the months not yet reconciled by the time of the transfer or consolidation (whether an underpayment owed to the PHA or an overpayment owed HUD), will be provided (or offset) to the receiving or consolidating PHA(s) based on the divesting PHA(s)' rates. For subsequent years the renewal funding and administrative fee calculations will be considered based on the receiving or consolidating PHA's eligibility and leasing reported, respectively, subject to the mandates of the Appropriations Bill for that year.

7. Special Purpose Vouchers. Any special purpose vouchers (HUD-Veterans Affairs Supportive Housing (VASH); Family Unification Program (FUP); Non-Elderly Disabled (NED) and Five-Year Mainstream (MS5) vouchers) must be maintained and accounted for as such by the receiving PHA(s) or consolidating PHA.

8. Recommendation to Headquarters. No later than 30 days after the receipt of the documents referenced in section 5 of this notice, the field office will complete its review of the transfer or

consolidation documents. If the field office determines that the request is unacceptable, the Public Housing Director will submit a written notice to the PHA. If the field office determines that the request is acceptable, the Public Housing Director will prepare a memorandum to the Housing Voucher Financial Management Division Director with the following information:

- (1) name and code of the divesting and receiving or consolidating PHA(s);
- (2) the requested effective date of the transfer or consolidation;
- (3) the number of HCVs that will be divested to each receiving PHA or combined into the new consolidated PHA;
- (4) the number of special purpose vouchers by category (HUD-VASH, FUP, NED and MS5) that will be divested to each receiving PHA or combined into the new consolidated PHA. If the Public Housing Director does not have information on the number of special purpose vouchers of the divesting PHA(s), he or she may contact Miguel Fontanez-Sanchez, Director of the Financial Management Division, by email or by phone at 202-402-4212.

The field office will consider a number of factors in determining whether to recommend approval of the transfer to the receiving PHA(s) or consolidation including:

- (1) the receiving or consolidating PHAs' most recent SEMAP performance designation;
- (2) under utilization based on the receiving or consolidating PHAs' SEMAP leasing indicator regardless of performance;
- (3) outstanding debts to HUD and the status of the divesting, receiving or consolidating PHAs' repayment; and
- (4) estimated NRA and UNA balances as of the latest audited Financial Assessment Subsystem (FASS) submission, and restricted cash and investments for all divesting or consolidating PHAs as determined by the field office.

Finally, all transfers and consolidations are considered permanent. PHAs will not be able to decouple from the transferred or consolidated entity to reinstate a former program or PHA.

8. Approval Notification. Once Headquarters has approved the transfer or consolidation, the Public Housing Field Office and Financial Management Center (FMC) Director will be notified. The Public Housing Field Office Director will notify the respective PHAs of the approved transfer or consolidation of HCV budget authority and units. The FMC will prepare and transmit the requisite amendments to the CACC of all affected PHAs including a new CACC in the case of a consolidation.

9. Owner and Tenant Notification. No later than 30 days after approval notification, the receiving or consolidated PHA must notify owners and participants of the transfer.

10. HAP Contracts. No later than at the family's next annual recertification, new HAP contracts must be executed with the existing owners reflecting the name of the receiving or consolidated PHA. No other changes to the HAP contracts will be required.

11. Receiving or Consolidated PHA Management Responsibilities. At the time of the family's next annual recertification, the receiving or consolidated PHA may apply its occupancy and subsidy standards and any other applicable administrative policies. However, if the payment standards of the receiving or consolidated PHA are lower than those of the divesting PHA(s), the receiving or consolidated PHA must maintain the higher payment standard for the family until its second annual reexamination in accordance with 24 CFR § 982.505(c). In addition, the receiving or consolidating

PHA must honor all reasonable accommodation waivers and exceptions. If there are issues with the reasonable accommodation waivers or exceptions, they should be addressed with the field office.

12. Public Housing Information Center (PIC) Data. Headquarters will complete the transfer or consolidation of all Family Reports (form HUD-50058) in PIC so that all affected families will be recorded under the receiving PHA's code or consolidated PHA's new code with the last action code (field 2a on the Family Report) that was entered by the divesting PHA.

13. Voucher Management System (VMS) Data Entry. Starting with the effective date of the transfer or consolidation, the receiving or consolidated PHA will begin including the transferred or consolidated units for the applicable month in its next VMS submission. Conversely, the divesting PHA(s) will stop including any divested units starting with the effective month of the transfer.

14. HUD Self-Reported Systems. PHAs that are transferring or consolidating will be responsible for submitting their individual financial statements through VMS, PIC, FASS, and other self-reported HUD systems for periods prior to the effective date of the transfer or consolidation.

15. PBV and PBC Units. All provisions in sections 1 through 14 will apply. However, PBV and PBC HAP contracts must be executed as soon as possible between the receiving or consolidated PHA and the owner with the expiration date and all terms and conditions unchanged. The field office will consider whether the receiving or consolidated PHA has the capacity to manage assistance under the PBV and PBC programs.

16. Information Contact. Inquiries about this Notice should be directed to your field office Public Housing Director or Financial Management Center representative.

17. Paperwork Reduction Act. The information collection requirements contained in this document have been submitted to the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1955 (44 U.S.C. 3501-3520) and assigned OMB control number 2577-0169. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

/s/
Sandra B. Henriquez,
Assistant Secretary for Public and Indian Housing