



U.S. Department of Housing and Urban
Development

Office of Public and Indian Housing

Special Attention: Directors, Offices of
Public Housing; Administrators, Offices of
Native American Programs; Section 8 Public
Housing Agencies and Indian Housing
Authorities

Notice: PIH 96-68 (HA)

Issued: August 23, 1996

Expires: August 31, 1997

Cross References:

Subject: Restrictions on Leasing Additional Units;
Budget Guidance

1. **Purpose:** This Notice provides guidance to public housing agencies and Indian housing authorities (HAs), and HUD staff regarding the number of units that can be approved in an HA's budget. Guidance is also provided regarding the utilization of funds from an HA's Annual Contributions Contract (ACC) Program Reserve Account to support the budgeted units, provided that additional units are not approved.

2. **Applicability:** These policies apply to HAs administering the rental certificate and rental voucher programs. These policies do not apply to the moderate rehabilitation or single room occupancy programs.

Please note that Notice PIH 96-7 issued on February 13, 1996 covering mandatory delays in reissuing turnover rental certificates and rental vouchers, optional suspension of the federal preferences, and FY 1996 administrative fees is still applicable to these three areas.

3. **Leasing Policy:** HAs may approve leases for the number of units of assistance approved by HUD in the budget for the current HA fiscal year. However, HAs should not submit, and State or Area Offices should not approve, subsequent fiscal year budgets which reflect the use of funds from the ACC Program Reserve Account to provide assistance for additional units.

Previously, HAs were permitted to use ACC Program Reserves to lease-up additional units, as long as the contract authority and ACC Program Reserves covered the subsidy and administrative fee costs of those units and the additional lease-up was approved by HUD. That policy has been revised as follows:

- A. An HA may not use ACC Program Reserve funds to lease-up additional units;
- B. An HA may lease-up more than the number of units

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- C. If an HA currently has an approved budget to assist more units than the number of units initially reserved by HUD, and the contract authority will not support the additional units, HUD will approve subsequent budgets to continue assisting all families currently assisted. However, the HA must reduce the number of assisted units through attrition until the HA is within the number of units that HUD initially reserved for the HA, or the number of units that can be supported by the contract authority, whichever is higher.
- D. ACC Program Reserve Account funds will be used to extend the term of expiring funding increments, and to cover increased costs of continuing to assist the number of units reserved by HUD.

4. **Budget Review and Approval:** State or Area Offices shall use the budget review and approval process to monitor and manage the number of unit leases which a HA may approve.

A State or Area Office may approve a budget for more units than are currently under lease, or were initially reserved by HUD, as long as the proposed number of units can be supported within the contract authority amount for the HA fiscal year, as well as subsequent HA fiscal years. If the budget reflects the use of ACC Program Reserves, the State or Area Office must carefully review the proposed units budgeted to ensure the ACC Program Reserves are being used to continue assistance to families currently assisted, not to lease-up additional units. This review must also consider any portion of the ACC Program Reserve Account which has been restricted. Restricted ACC Program Reserves, set aside to support contract extensions, should not be included in this analysis.

If the HA's rental certificate or rental voucher program is overleased at a level which cannot be supported within the contract authority available for the HA fiscal year and/or is not sustainable in future HA fiscal years, the State or Area Office may approve continued assistance, including the use of ACC Program Reserves, for all families currently under lease. However, the budget approval letter to the HA must direct the HA to stop reissuing turnover rental certificates or rental vouchers until the number of units under lease has declined to the number of units which can be assisted within the contract authority available for the HA fiscal year. Of course, HAs may not reissue turnover rental vouchers and rental certificates for 90 days.

5. **Issuance of Rental Certificates or Rental Vouchers:** In the past, many HAs have found it necessary to issue two, three or more rental certificates or rental vouchers to eligible families in order to achieve one successful lease-up. This is most common in rental markets with low vacancy rates and/or limited availability of affordable and adequate housing units. This practice does not need to change under these revised policies.

Where market conditions adversely affect the ability of rental certificate and rental voucher holders to find suitable units, it is anticipated that HAs will continue to have to issue multiple rental certificates or rental vouchers to achieve one successful lease-up. Occasionally, rental certificate or rental voucher holders may be more successful than normal in their search for units, and the HA may find itself briefly in an overleased situation. If so, the HA must not reissue turnover rental certificates or rental vouchers until the number of units under lease can be fully supported by the contract authority. Also, the HA will be required to hold additional turnover rental vouchers or rental certificate up to the number of units subsequently overleased for 90 days.

6. **Contact:** If questions arise, please contact Mary Conway, Director of the Finance Division in the Office of Rental Assistance on (202) 708-2934, extension 4078.

/s/ Chris Hornig for
Kevin Emanuel Marchman,
Acting Assistant Secretary
for Public and Indian Housing

