



Special attention of:

Agencies that Administer the Public Housing program; and Directors of HUD Regional and Field Offices of Public Housing

NOTICE PIH 2023-33(HA)

Issued: December 4, 2023

Expires: This notice remains in effect until amended, superseded, or rescinded.

Cross Reference: 24 CFR Parts 5 and 902

SUBJECT: Implementation of Small Rural Assessments of Public Housing (24 CFR 902 Subpart H) and Publication of Initial List of Small Rural PHAs

1. Purpose

This notice provides guidance to Public Housing Agencies (PHAs) on the implementation of 24 CFR 902, Subpart H, Assessment of Small Rural Public Housing Agencies.

Specifically, this notice contains guidance on the:

- initial list of small rural PHAs;
- frequency of updates to the small rural list;
- appeals process;
- assessment;
- performance designations;
- frequency of assessments; and
- financial data submissions.

A separate notice will be issued for the Section 8 Management Assessment Program (SEMAP) and small rural PHAs subject to SEMAP.

2. Applicability

This notice applies to eligible PHAs that are considered “small rural,” as defined in the Economic Growth Act and at 24 CFR 902 Subpart H.¹ A PHA is considered small rural under 24 CFR 902.101 if it administers 550 or fewer combined public housing units and vouchers under section 8(o) of the Act, and either has a primary administrative building with a physical address in a rural area, or more than 50 percent of its combined units are in rural areas.

PHAs that are eligible for the small rural designation but are considered troubled within the Public Housing Assessment System (PHAS) must successfully complete their milestones per their Corrective Action Plan and no longer be considered troubled before their small rural assessment/inspection cycle begins.

¹ For more detail on the small rural PHA designation methodology see Economic Growth, Regulatory Relief, and Consumer Protection Act: Initial Guidance on Property Inspections and Environmental Reviews, 85 FR 11381, (February 26, 2020).

Small rural assessments apply to Expansion Moving to Work (MTW) PHAs operating under the MTW Operations Notice. However, small rural assessments do not apply to the Initial MTW PHAs that are specifically exempted in their MTW Agreement.

3. Effective Dates of the Lists of Small Rural PHAs

HUD determined which PHAs qualify as small rural prior to October 30, 2023 under 24 CFR 902.101(b) , and published the list at HUDs Web Application Security System (WASS) on the Public Housing Portal and on the [REAC small rural website](#).² For this initial list, HUD used data available as of September 1, 2023. This initial list will be used for Fiscal Year (FY) 2023 assessments and to determine Calendar Year (CY) 2025 funding. The Appendix contains a copy of the list that will be posted.

After the initial list, HUD will determine if a PHA qualifies as a small rural PHA every 3 years thereafter under 24 CFR 902.101(b). HUD will generate lists every 3 years using data available as of June 30, Eastern Daylight Time. The first update to the list will be generated using data as of June 30, 2026. These subsequent lists will be utilized for the next assessment cycle and for the next calendar funding year. This timeline coincides with the Operating Fund and Capital Fund annual profile update requirement in accordance with 24 CFR 905.324.

4. Small Rural List Appeal Process

PHAs may challenge HUD's determination concerning whether the PHA qualifies as small rural under the criteria in 24 CFR 902.101(c). There are two causes for an appeal: (1) an objectively verifiable and material error occurred in determining the PHAs status; or (2) there has been a change in the PHAs status since the list was posted that now qualifies them as small and rural. To challenge the determination, the PHA must upload to the Public Housing Portal: (1) a letter from the Executive Director on PHA letterhead; and (2) documentation that supports the PHA's claim. An example of an objectively verifiable material error is a computation mistake.

HUD REAC staff in the Integrated Assessment Division (IAD) will review the appeal and provide an email response to the PHA. If the appeal is approved and a designation change is warranted, the PHA will be designated as small rural for the next funding cycle and assessment cycle. For funding purposes, any updates to the initial list will not be reflected until CY 2025 funding. The initial assessment cycle for a small rural PHA that is added because of an approved appeal is established based on the most recent final PHAS assessment/designation. Any questions about the appeal process can be directed via email to smallandrural@hud.gov.

5. Initial Small Rural Assessment

For PHAs that are on the small rural list, the initial assessment is determined using the most recent final PHAS designation (see 24 CFR 902.103(c)). A final PHAS assessment is the score and designation resulting from the audited score (if required). For PHAs with fewer than 250 Annual Contributions Contract (ACC) units, the first assessment will coincide with when the PHAs next PHAS assessment was due. For example, if a PHA has fewer than 250 ACC units

² If you have trouble accessing the public housing portal, please contact REAC - Technical Assistance Center by calling 1-888-245-4860, Option #4, or via email to reactac@hud.gov.

and was designated High Performer in FY 2022, the first small rural assessment will occur in FY 2025.

For PHAs with 250 or more ACC units, the inspection cycle will follow the inspection frequency outlined in 24 CFR 902.13. Inspections with a score of 90 or greater are inspected every third year; inspections between 80 and 89 occur every other year; and inspections less than 80 occur every year. As an example, if the inspection score was a 90 in the most recent final PHAS designation, the assessment/inspection cycle will start in FY 2025.

No composite physical assessment score for a PHA can be calculated or issued until all NSPIRE inspections are completed, as provided in 24 CFR 902.13(b). As a result, initial assessments will be issued once all projects for a PHA are inspected with the NSPIRE protocol. The resulting performance designations are described below.

Agencies designated as small rural shall be assessed only on the physical condition of their public housing properties as described in 24 CFR 902.103. The composite physical condition score will consist of a unit-weighted average of the following public housing properties:

- final inspection scores;
- physical condition adjustment as defined in the Act and 24 CFR 902.44;
- neighborhood environment adjustment as defined in the Act and 24 CFR 902.44; and
- Rental Assistance Demonstration (RAD) scoring waivers, as described in PIH Notice 2019-23.

A final inspection score is the score calculated once technical reviews as described in 24 CFR 5.711(d) are processed or the timeframe has concluded.

Projects that meet the definition for the physical condition adjustment will receive one additional point to their final inspection score. Projects that meet the definition for neighborhood environment adjustment will receive one additional point to their final inspection score. The final inspection score of a project cannot exceed 100 percent of the maximum points.

The RAD scoring waiver provided for in PIH Notice 2019-23 applies to small rural PHAs that have projects that meet the criteria outlined in the notice. If a project qualifies, the project score is excluded from the calculation of the physical condition score.

Small rural assessments apply to Expansion MTW PHAs operating under the MTW Operations Notice. Small rural assessments do not apply to the Initial Moving to Work (MTW) Agencies that are specifically exempted in their MTW Agreement.

6. Performance Designations

Small rural PHAs will be issued a performance designation every 3 years, unless designated Troubled. The criteria for the performance designations are clarified below pursuant to 24 CFR 902 Subpart H.

A. Troubled

A small rural PHA will be considered Troubled under the public housing program if the final composite physical assessment score is below 70 percent of the total available points, or if a small rural PHA has a final composite physical assessment score between 70 and 80 percent of the total available points and has at least one project that receives fewer than 70 percent of the total available points.

In accordance with 24 CFR 902.105, small rural PHAs designated as Troubled will be referred to the local HUD office and have a Corrective Action Plan.

B. Standard Performers

A small rural PHA will be considered a Standard Performer if it does not meet the criteria for Troubled (24 CFR 902.105) or High (24 CFR 902.113). Therefore, a Standard performer has a final physical composite assessment score:

- greater than or equal to 80 but less than 90; or
- between 70 and 80 AND all projects have a score of 70 or greater.

C. High Performer

A small rural PHA will be determined to be a High Performer if the final composite physical assessment score is 90 percent or greater. Small rural PHAs that are designated as a High Performer are eligible for incentives described in 24 CFR 902.71.

D. RAD

If all projects of a small rural PHA qualify for the RAD scoring waiver, the PHA will not receive a performance designation, but rather will be designated as a RAD PHA. RAD PHAs cannot be considered Troubled or High Performers.

7. Timing and Frequency of Assessments

Inspection frequency and assessment frequency are not synonymous. Inspections are conducted based on the anniversary date of the inspection (see 24 CFR 5.705(c)(3)).

Assessment frequency is based on the Performance Designation. For PHAs that are designated High, Standard, or RAD, assessments will be every 3 years. Troubled PHAs will receive assessments every year.

Assessments will be issued based on the PHAs Fiscal Year End (FYE) using final inspections scores up to 6 months after the PHA's FYE. Any final inspection score issued after that date will be used for the PHAs next scheduled assessment year.

| FYE | Final Inspection Scores Available |
|--------------|--|
| March 31 | September 30 |
| June 30 | December 31 |
| September 30 | May 31 |
| December 31 | June 30 |

For example, if a PHA with less than 250 ACC units was designated as High Performer in FY 2022, its next assessment Year is FY 2025. In this example the PHA has a FYE of June 30. The PHA's FYE June 30, 2025, performance designation will be based on the most recent final inspection scores that are available as of December 31, 2025.

8. Submission of Financials

Small rural PHAs will not be assessed on their financials but are still required to submit financial information in accordance with the Uniform Financial Reporting Standards (UFRS), at 24 CFR 5.801. UFRS requires PHAs to submit financial information to HUD electronically.

PHAs are required to submit FYE financial information to HUD through the Financial Assessment Subsystem for Public Housing (FASS-PH) and to submit certain leasing and cost data through the Voucher Management System (VMS). All PHAs must submit unaudited financial information to HUD 60 days after their FYE. For PHAs that meet the minimum requirements, audits must be submitted to HUD and the OMB Federal Audit Clearinghouse within nine months of their FYE. Until further notice, PHAs should continue to upload their financials to the FASS-PH application in HUD's secure systems. The data will be available for review and compliance monitoring. If HUD modernizes or replaces its system, it will notify PHAs of the successor system or alternative method for submitting financial information.

9. Further Information

For any questions on this notice, contact Lara Philbert, Real Estate Assessment Center, Office of Public and Indian Housing, Department of Housing and Urban Development, 550 12th Street SW, Suite 100, Washington, DC 20410, telephone number: 202-475-8930 (this is not a toll-free number), email: smallandrural@hud.gov.

HUD welcomes and is prepared to receive calls from individuals who are deaf or hard of hearing, as well as individuals with speech or communication disabilities. To learn more about how to make an accessible telephone call, please visit:

<https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs>



Richard J. Monocchio
Principal Deputy Assistant Secretary
Public and Indian Housing