



## U.S. Department of Housing and Urban Development Public and Indian Housing

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Special Attention of:  
Office Directors of Public Housing;  
Regional Directors; Public Housing  
Agencies.

### Notice PIH 2014-05

Issued: March 18, 2014

Expires: December 31, 2014

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### Cross References:

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### **SUBJECT: Implementation of the Federal Fiscal Year 2014 Funding Provisions for the Housing Choice Voucher Program**

- 1. Purpose.** This Notice implements the Housing Choice Voucher (HCV) program funding provisions of the “Consolidated Appropriations Act, 2014” (PL 113-76), referred to hereafter as “the 2014 Act,” enacted on January 17, 2014. The 2014 Act establishes the allocation methodology for calculating housing assistance payments (HAP) renewal funds, new incremental vouchers and administrative fees.
- 2. Organization.** This Notice is organized into three basic sections. Paragraphs 3 through 11 describe the funding made available under the Appropriations Act and HUD’s implementation of the provisions related to the allocation of that funding. Paragraph 12 contains eligibility and instructions for applying under the HAP set-aside, including Attachments A, B, C and D. Paragraphs 13 through 18 provide other important information regarding the administration of the public housing agency’s (PHA) HCV program.
- 3. Summary.** The HCV program is HUD’s largest rental assistance program. Funding is provided through Annual Appropriation Acts for HUD, which in turn allocates it to PHAs in accordance with the Appropriations Act as described in this Notice.

The 2014 Act requires the Department to provide renewal funding based on validated Voucher Management System (VMS) leasing and cost data for the prior calendar year, (January 1, 2013 – December 31, 2013).

In 2014, the amount Congress appropriated to fund the HCV program is not subject to sequestration. The funding is broken down in the amounts and sections of the Act as follows:

### **2014 Appropriations**

HAP Renewal Funding <sup>1</sup>	\$17,365,527,000
Tenant Protection Vouchers	130,000,000
Administrative Fees	1,500,000,000
Mainstream 5 Year Program	106,691,000
Veterans Affairs Supportive Housing	<u>75,000,000</u>
<b>Total Available CY 2014 Appropriations</b>	<b>\$19,177,218,000</b>

This implementation notice provides information on how HUD calculates HAP renewal funding for every PHA's HCV program. In addition, each PHA will receive a funding letter with the individual PHA's specific funding calculations attached. If a PHA has questions related to the calculations or this Notice, the PHA should contact its Financial Analyst (FA) at the Financial Management Center (FMC).

PHAs are encouraged to pay particular attention to the set-aside funding provisions (listed in Paragraph 12) and the Attachments A, B, C and D to this Notice. The 2014 Act provides a set-aside of up to \$75 million to make funding adjustments but only for specific categories set forth by the Act. In order to be considered for funding under the set-aside, a PHA must meet the eligibility requirements described in Paragraph 12, and submit a completed Attachment A and/or B (and, where applicable, Attachments C and D) and the required supporting documentation in the timeframe and manner prescribed in this Notice.

Note: In previous years the Family Self-Sufficiency (FSS) coordinator funding for the HCV program was funded under the Tenant-Based Rental Assistance (TBRA) account. However, the 2014 Act provides a separate single account for FSS coordinator funding for both the HCV and public housing programs. The funding amount appropriated under the Act for the combined FSS coordinator funding is \$75 million. Additional information regarding the FSS Coordinator funding will be forthcoming in the future.

#### **4. Calculation of CY 2014 HAP Renewal Funding**

The 2014 Act requires that HUD apply a re-benchmarking renewal formula based on validated leasing and cost data in VMS for **calendar year (CY) 2013** (January 1, 2013 through December 31, 2013) to calculate the PHA's renewal allocation. The renewal provisions of the Act are stated in **Appendix A**.

HUD will provide renewal funding as follows:

Step 1: A new HAP funding baseline will be established based on all validated leasing and cost data<sup>2</sup> (not to exceed unit months available under the Annual Contributions Contract (ACC)) in VMS for CY 2013.

<sup>1</sup>From the HAP Renewal funding, the 2014 Act provides that up to \$75 million may be used as a set-aside to address four specific categories of need.

<sup>2</sup> In those rare instances where vouchers were transferred from one PHA to another during the re-benchmarking period, the leasing and cost data of the PHAs will be adjusted to ensure that the leasing and costs represented by the transferred vouchers are properly accounted for in the eligibility determinations.

Step 2: As required by the Act, HUD will make adjustments for the first-time renewal of certain vouchers. These are tenant protection vouchers and special purpose vouchers such as Veterans Affairs Supportive Housing (VASH) vouchers that are initially expiring in CY 2014. The adjustment to be provided will be an inflation factor to reflect cost increases expected in CY 2014. PHAs should refer to their renewal funding allocation enclosure for further details. First time increments not initially funded for twelve months will receive the additional funding required for CY 2014, as identified on the funding enclosures of the affected PHAs. Note: Vouchers for original families receiving assistance under DVP/DHAP-IKE may not be reissued; therefore, both the units under the PHA's ACC and the renewal funding provided in CY 2014 will reflect the reduced units based on the families under assistance as reported in VMS as of December of 2013.

Step 3: The Renewal Funding Inflation Factor adjusted for localities will be applied to the PHA's calculated 12 month renewal requirement after all adjustments have been applied under Steps 1 and 2 above. The Renewal Funding Inflation Factors that HUD will use to reflect inflation are posted by HUD's Office of Policy, Development and Research at <http://www.huduser.org/portal/datasets/rfif/rfif.html>.

Step 4: Proration: HUD will determine the total eligibility for all PHAs and compare that amount to the total available HAP renewal funding per the 2014 Act in order to determine a proration factor. This proration factor will then be applied to each PHA's CY 2014 eligibility. A proration of less than 100 percent will be applied if the nationwide eligibility exceeds the available HAP renewal funding (including amounts made available under the offset and reallocation authority discussed below).

Step 5: Offsets: The 2014 Act provides that HUD may offset PHAs' CY 2014 allocations based on the excess amounts of PHAs' net restricted assets (NRA), including HUD-held program reserves (in accordance with VMS data in CY 2013 that is verifiable and complete), as determined by the Secretary. Offsets will exclude an amount equal to the CY 2013 Budget Authority (BA) provided for new increments, funds needed to maintain the higher of December 2013 leasing or the average leasing during CY 2013 and funds to support program cost increases. The offset will also exclude funds needed to reach full leasing of VASH vouchers across the year. Other adjustments that may be applicable to the PHA's offsets, such as adjustments for very small PHAs, shall be reflected in the PHA's Funding attachment. Detailed calculations of the offsets will be provided to PHAs in the renewal allocation enclosure.

The 2014 Act provides that HUD shall use the funds from the offset throughout the CY 2014 to prevent the termination of rental assistance for families as the result of insufficient funding, as determined by the Secretary, and to avoid or reduce the need for proration. The Department intends to use the funds from the offsets both to reduce the proration and to address PHAs with shortfalls.

##### **5. Set-aside of up to \$75 million to Adjust PHA Allocations.**

The Department has authority to adjust PHAs' HAP allocations for the categories outlined below.

Set-Aside Categories:

**Category 1: Prevention of Terminations due to Insufficient Funding.** The Act provides that set-aside funding may be made available to PHAs that, despite taking reasonable cost savings measures as determined by the Secretary, would otherwise be required to terminate participating families from the program due to insufficient funds. Funding for this category may be covered in part or in whole by use of the offset and reallocation authority described above.

**Category 2a: Unforeseen Circumstances**

**Category 2b: Portability cost increases**

**Category 3: Project Based Vouchers**

**Category 4: HUD-VASH**

For Categories 2a, 2b, 3 and 4 – The Department, in its discretion, may pro-rate the awards under these categories, as necessary.

In the event there are funds remaining under this Set-Aside, after all categories have been addressed, the Department will first increase the proration (if proration was initially required), with respect to the funds awarded under categories 2a, 2b, 3 and 4; any funds remaining after that point, may be re-prorated to all PHAs.

**Please refer to Paragraph 12 of this Notice for more details about the set-aside categories, eligibility requirements and submission deadlines.**

**6. Tenant Protection Vouchers.**

**Multifamily.** Tenant protection vouchers are available to assist participants affected by actions such as Moderate Rehabilitation (MR) replacements, Single Room Occupancy (SRO) replacements, and Multifamily Housing conversions, such as terminations, opt-outs, prepayments, property disposition relocations, and certain Rental Assistance Demonstration (RAD) conversions. The initial funding term is typically 12 months. However, the initial term may vary subject to availability of tenant protection funding and pending/anticipated demand. When the initial funding term is less than 12 months, the tenant protection increment will be renewed at expiration as part of the HCV renewal funding process.

**Public Housing Actions.** TPVs may be available to PHAs based on certain actions that remove units from a PHA's public housing inventory, including demolitions and/or dispositions approved under Section 18 of the 1937 Act (including de minimis demolitions); required conversions approved under Section 33 of the 1937 Act; voluntary conversions approved under Section 22 of the 1937 Act; homeownership plans approved under Section 32 of the 1937 Act; and HOPE VI removal actions. HUD will issue separate guidance outlining the eligibility and priority criteria for receiving TPVs for these actions. HUD will specifically determine a PHA's eligibility for receiving TPVs as part of its approvals for the removal actions, which may be less than the number of units that were occupied in the

previous 24 months. The PHA may then submit a TPV application to HUD based on that TPVs authorized by that approval letter. The initial funding term is typically 12 months. However, the initial term may vary subject to availability of tenant protection funding and pending/anticipated demand. When the initial funding term is less than 12 months, the tenant protection increment will be renewed at expiration as part of the HCV renewal funding process.

**Choice Neighborhood Initiative (CNI) Actions.** TPVs may be available to PHAs and/or Multifamily Housing CNI Grantees based on units that will be temporarily or permanently removed pursuant to a CNI Transformation Plan approved by HUD. HUD will issue separate guidance outlining the eligibility and priority criteria for receiving TPVs for these actions, especially in the context of replacement public and/or assisted housing units that will be produced as part of the CNI action. HUD will specifically determine a PHA's eligibility for receiving TPVs as part of its approval of the CNI Transformation Plan which may be less than the number of units that were occupied in the previous 24 months. The PHA may then submit a TPV application to HUD based on that TPVs authorized by that approval letter. The initial funding term is typically 12 months. However, the initial term may vary subject to availability of tenant protection funding and pending/anticipated demand. When the initial funding term is less than 12 months, the tenant protection increment will be renewed at expiration as part of the HCV renewal process.

**Replacement vouchers for vacant units.** The 2014 Act provides that HUD may only provide replacement vouchers for units that were occupied within the previous 24 months that cease to be available as assisted housing, and only to the extent that funding is available (see Appendix A for appropriations text). Due to anticipated demand, tenant protection vouchers are only initially being provided for occupied units. However, subject to the availability of appropriated funding, HUD may subsequently be able to provide vouchers for vacant units in the impacted properties in accordance with the authority provided under the 2014 Act.

## **7. Funding for Administrative Costs.**

The 2014 Act provides **\$1,500,000,000** for administrative fees to PHAs administering the voucher program (See Appendix A for Appropriations text). Of the appropriated amount, approximately **\$1,490,000,000** will be available for ongoing administrative fees and fees for new vouchers and approximately **\$10,000,000** will be made available to allocate to PHAs that need additional funds to administer their Section 8 programs.

### **A) Ongoing Administrative Fees and Administrative Fees for New Vouchers.**

Ongoing administrative fees and administrative fees for new vouchers will be paid based on leasing. These administrative fees will be calculated for CY 2014 as provided for by Section 8 (q) of the United States Housing Act (and related Appropriation Act provisions) as in effect immediately before the enactment of the Quality Housing and Work Responsibility Act (QHWRA) of 1998 (Public Law 105-276). Under this calculation, PHAs will be paid a fee for each voucher that is under HAP contract as of the first day of each month. Administrative fees for new incremental vouchers will also be paid based on leasing.

Please note that beginning in CY 2010, HUD eliminated the lower administrative fee for PHA owned units. A PHA earns the same amount of administrative fee for a PHA owned unit as it does for a non-PHA owned unit.

**1) Proration and Reconciliation of Administrative Fees:**

HUD has developed and posted administrative fee rates for each PHA to enable PHAs to calculate potential fee eligibility. Fee rates have been posted to the HCV website:

[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/public\\_indian\\_housing/programs/hcv](http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/hcv)

HUD disburses administrative fees to PHAs on a monthly basis prior to receiving actual leasing data from PHAs in VMS. The disbursements are based on prior reported leasing. Each PHA's administrative fee eligibility is reconciled after every quarter based on actual reported leasing. HUD compares each month's national eligibility for administrative fees to 1/12<sup>th</sup> of the appropriated amount available for ongoing administrative fees, to determine a pro-ration level. Any amount due the PHA that resulted from reconciliations will be disbursed; any amount due from the PHA will be recouped by HUD via a reduction from a subsequent administrative fee payment. A final reconciliation will be completed after the December 2014 leasing data is reported in VMS.

**2) Blended Rate Administrative Fees and Higher Administrative Fee Rates:**

- (a) **Blended Rate Administrative Fees:** PHAs serving multiple administrative fee areas may, in lieu of the fee determined for their agency, request a blended rate based on the actual location of their assisted units. The blended rate will be used for the entire CY 2014.

PHAs must submit their request in writing to the Financial Management Division, Housing Choice Voucher Program, at the address below, to be received no later than **close of business (5 p.m., EDST), Tuesday, April 15, 2014.**

**U.S. Department of Housing and Urban Development  
Office of Housing Voucher Programs  
Attn: Miguel A. Fontanez, Director, Financial Management  
Division  
Room 4222  
451 7<sup>th</sup> Street, SW  
Washington, DC 20410**

- (b) **Higher Administrative Fee Rates:** A PHA that operates over a large geographic area, defined as multiple counties, may request higher administrative fees. An approved higher administrative fee rate will apply only to CY 2014. At the end of the year the PHA will be required to submit evidence to the FMC of actual costs, to enable HUD to determine if the entire

approved increase was needed; excess funds will be recouped by HUD via a reduction in a future disbursement.

To request higher fees, an agency must submit the following financial documentation to the PHA's assigned Financial Analyst at the FMC:

- Actual Unrestricted Net Assets (UNA) balance as of December 31, 2013;
- Actual administrative costs for the HCV program for CY 2013, in sufficient detail for HUD review;
- The PHA's CY 2014 HCV program administrative budget, identifying anticipated reasonable and necessary administrative costs, broken out in sufficient detail to allow for review (positions and salaries, detailed travel costs, overhead and pro-rations, etc.). There is no HUD form, nor a mandated format, for this budget;
- If both the unit month and budget authority utilization in CY 2013 were below 95 percent of available for renewal units, a statement as to why this occurred;
- An explanation for any withdrawals from the UNA account at the end of CY 2006 through CY 2012, or during CY 2013, or a statement that none were made;
- An explanation as to why the projected CY 2014 administrative fees are insufficient to cover program operating costs;
- Certification by the chief executive of the PHA that the data is accurate.

In order to request a higher administrative fee rate, PHAs must provide the above information to their assigned Financial Analyst (FA), Financial Management Center (FMC), no later than **close of business (5:00 p.m. EDST) Tuesday, April 15, 2014**. The mailing address for the FMC is:

Financial Management Center  
2380 McGee Street  
Suite 400  
Kansas City, Missouri 64108

An approved higher administrative fee rate will apply only to CY 2014. At the end of the year the PHA will be required to submit evidence to the FMC of actual costs, to enable HUD to determine if the entire approved increase was needed; excess funds will be recouped by HUD via a reduction in a future disbursement.

**B) Special Fees.** As stated above, HUD will make up to **\$10,000,000** available to allocate to PHAs that need additional funds to administer their Section 8 programs. These funds may be provided for the following non-exclusive purposes:

- Homeownership Fees: HUD will provide a \$200 special fee for every homeownership closing reported in PIC for families participating in the Voucher

Homeownership, Section 8 Family Self-Sufficiency, or a Section 8 MTW Homeownership programs. These special fees are paid to the PHAs administering the vouchers after the homebuyers closings are reported in PIC and closing dates are provided to the Department. HUD will provide these fees automatically; therefore, PHAs do not need to apply for these funds. This category, as any other under the admin fee set-aside, will be subject to the availability of funds.

- **Special Fees for Multifamily Housing Conversion Actions:** A special (one-time) fee of \$200 will be provided for each unit **occupied** on the date of the eligibility event, for multifamily housing conversions only. HUD will provide these fees automatically; therefore, PHAs do not need to apply for these funds. This category, as any other under the admin fee set-aside, will be subject to the availability of funds. This special fee will also be paid to PHAs that agree to administer vouchers on behalf of a Multifamily Choice Neighborhood Grantee.
- **Special Fees for Receiving PHAs where portability vouchers comprise a significant portion of their vouchers under lease.** This category, as any other under the admin fee set-aside, will be subject to the availability of funds. HUD will provide these special fees automatically; therefore, PHAs will not need to apply for these funds. The Department will calculate these special fees for eligible receiving PHAs based upon data from the Public Housing Information Center (PIC). To be eligible for these special fees, PHAs must be administering port-in vouchers which equal 20% or more of the PHAs total number of leased vouchers as of December 31, 2013. For each eligible port-in voucher, the receiving PHA will be provided with 12 months of funding equal to **5 percent (5 %)** of the PHA's 2014 Column A rate for administrative fees. This is a one-time award of special fees and will be calculated based on PHA portability data found in PIC as of December 31, 2013 and leased data from the Voucher Management System (VMS) as of December 31, 2013 (from the same VMS database used to determine the 2014 Housing Choice Voucher (HCV) renewal allocations). This category, as any other under the admin fee set-aside, will be subject to the availability of funds.

**A portion of this set-aside may be used for on-going administrative fees in order to increase the fee proration should HUD determine during the course of the calendar year that the entire estimate of \$10 million may not be needed for extraordinary costs.**

### **C) Uses of Administrative Fees.**

- i. Administrative Fees. Administrative fees may only be used to cover costs incurred to perform PHA administrative responsibilities for the HCV program in accordance with HUD regulations and requirements.
- ii. UNA (formerly known as “administrative fee reserve”). Any administrative fees from 2014 funding (as well as 2004 through 2013 funding) that are subsequently moved into the UNA account at the PHA's fiscal year (FY) end must only be used for

- activities related to the provision of tenant-based rental assistance authorized under Section 8, including related development activities. Examples of related development activities include, but are not limited to, unit modification for accessibility purposes and development of project-based voucher units. If a PHA has not adequately administered its HCV program, HUD may prohibit use of funds in the UNA account and may direct the PHA to use funds in that account to improve administration of the program, for HCV HAP expenses, or to reimburse ineligible expenses in accordance with the regulation at 24 CFR 982.155(b)(3).
8. **Veterans Affairs Supportive Housing (VASH) Funding.** The 2014 Act provides funding for new incremental vouchers for the VASH program in the amount of **\$75,000,000**. As provided by the FY 2014 Act, vouchers are allocated based on need, as determined by HUD's point-in-time data submitted by Continuums of Care (CoCs), as well as Veterans Affairs data on the number of contacts with homeless Veterans. Need is then adjusted by performance data from PHAs and Veterans Affairs Medical Centers (VAMC). Once the allocations are identified at the VAMC level, HUD will identify a PHA to partner with each site, taking into account the location and administrative performance of the PHA. HUD will then invite these PHAs to apply for 2014 VASH vouchers that the PHA will administer in partnership with their local VAMC.
  9. **Mainstream 5-Year Program (MS5).** The 2014 Act provides \$106,691,000 for renewal funding and administrative fees for HCV vouchers originally funded out of the Section 811 Account (known as Mainstream 5-Year vouchers). The renewal funding will be re-benchmarked during CY 2014. Renewals will be calculated based on validated Mainstream 5-Year program leasing and HAP expenses reported in VMS for the period January 1, 2013 through December 31, 2013 (CY 2013). In addition, the 2014 Act requires that the administrative and other expenses of the PHAs administering these vouchers, shall be funded under the same terms and be subject to the same pro rata fee reductions that apply to all other PHAs administering vouchers under the HCV program.
  10. **Moving To Work (MTW) Agencies.** MTW agencies' renewal funding will continue to be determined pursuant to their MTW agreements. HUD is directed by the 2014 Act to again apply the same proration factor to the HCV allocations for MTW agencies as is applied to all other PHAs. Note that MTW agencies may utilize Section 8 funds for Section 9 purposes in accordance with their agreements.
  11. **Excluded Programs.** The changes implemented by this Notice do not apply to renewal funding for the Section 8 Moderate Rehabilitation or Single Room Occupancy (SRO) programs.
  12. **Instructions for Applying for the Set-Aside HAP funds of \$75 million**

**Set-Aside Categories and Eligibility Requirements:**

**Category 1 – Shortfall Funds**

For PHAs that, despite taking reasonable cost savings measures as determined by the Secretary, would otherwise be required to terminate participating families from the program

due to insufficient funds. Note that there are two scenarios related to shortfalls for which PHAs may be eligible for funding under this category.

**To be eligible for funding under this category the PHA must meet the criteria outlined below for either Shortfall Scenario 1 or Shortfall Scenario 2 and must submit Attachment A – Application for Category 1-Shortfall Funds and PHA Certification of Reasonable Cost Savings Measures Undertaken to Prevent Termination of HCV Participants Due to Insufficient Funds.**

**Shortfall Scenario 1:** For PHAs already in an-SPT confirmed shortfall, the certification is as follows:

- (1) At the time of application, the PHA is working with the HUD Shortfall Prevention Team (SPT) and SPT has confirmed the PHA is in a shortfall position. (PHAs that are not currently working with the SPT but believe they are in a shortfall position should immediately contact their HUD Field Office for assistance.)
- (2) The PHA has ceased issuing vouchers to applicants as of **March 31, 2014**. (Please note this does not apply to families that are participants and were issued a voucher to move to a different unit. This restriction is also not applicable to tenant protection vouchers that are being issued to targeted families that were residing in the covered property on the eligibility event, or where the PHA is leasing to homeless veterans under the HUD-VASH program, up to the baseline level of units under all HUD-VASH allocations (not just recent allocations), including turnover of HUD-VASH vouchers.)
- (3) The PHA has rescinded any vouchers remaining on the street that were issued to applicant families and has stopped leasing those rescinded vouchers as of **March 31, 2014**. Note this does not apply to vouchers issued under the two exceptions noted in (2) above. In addition, PHAs may enter into PBV HAP contracts for units that were under AHAP as of the application date and still meet this condition.
- (4) The PHA has ceased absorbing portable vouchers as of **March 31, 2014**.
- (5) In regard to project-based voucher (PBV) HAP contracts, vouchers are not issued to a family that wants to voluntarily move. (However, if a unit becomes vacant, the PBV unit shall be filled with a family from the waiting list.)

**Shortfall Scenario 2:** For those PHAs that manage their HCV program budgets in a reasonable and responsible manner, but are later determined to be in an SPT-confirmed shortfall position, the Department will review each application on a case-by-case basis to determine if the PHA is eligible for funding under this category. The PHA signature at the bottom of Attachment A, indicates that the PHA agrees to comply with all SPT-directed cost savings measures.

Note: In determining a shortfall and the amount of funding to be provided, HUD will use the **Two Year Forecasting Tool**. PHAs should refer to **Appendix B** of the Notice which provides the criteria HUD will use to determine if the PHA has a HUD-confirmed shortfall and the calculation of the shortfall amount. HUD's Two Year Forecasting Tool

can be found at [http://portal.hud.gov/huddoc/FORECASTING\\_TOOL\\_v2.XLS](http://portal.hud.gov/huddoc/FORECASTING_TOOL_v2.XLS) and the instructions can be found at [http://portal.hud.gov/huddoc/forecast\\_guidance.pdf](http://portal.hud.gov/huddoc/forecast_guidance.pdf). The PHA should work with its respective field office and SPT member when determining a potential shortfall status.

PHAs with specific questions related to the calculation and determination of a HUD-confirmed shortfall should contact the SPT at the following:

[2014ShortfallInquiries@hud.gov](mailto:2014ShortfallInquiries@hud.gov)

The subject line of the e-mail must include the PHA's number.

### **Category 2a -Unforeseen Circumstances:**

**To be eligible for funding under this category, a PHA must submit the following:**

- a. Attachment B
- b. Written narrative detailing the unforeseen circumstances that occurred during or after the CY 2013 re-benchmarking period that have significantly increased renewal costs.
- c. Evidence to support the narrative.
- d. PHA calculation of the increased costs for CY 2014.

HUD reserves the right to request additional information or ask for clarification, if necessary.

For applications under the unforeseen circumstances category, it is important to note that PHAs must submit all items (a. through d.) above by the application deadline in order for the application to be considered. **Failure to provide any of the required documents, including the PHA calculation of the increased costs, will result in denial of the application.**

The following are some examples of unforeseen circumstances and accompanying evidence HUD would consider in its evaluation under this Category:

- PHAs that have experienced significant increases in the cost of assistance due to an unforeseeable rise in rental costs that exceeds the applicable inflation factors published by HUD; documentation could include evidence of increased rents, identification of affected contracts and a calculation of the increased costs. **A calculation must be provided by the PHA.**
- PHAs experiencing an increase in their per unit HAP costs in comparison to the pro-rated funded HAP PUC for CY 2014 due to economic conditions resulting in decreases in total tenant payment (TTP); documentation could include actual per unit TTPs and HAP costs experienced by the PHA in CY 2014. **A calculation must be provided by the PHA.**

### **Category 2b -Portability:**

To be eligible for funding under this category, the PHA must have experienced a significant increase in renewal costs due to portability for tenant-based rental assistance

under Section 8(r) of the Act. To calculate eligibility under this category, the Department will compare the average HAP Per Unit Cost (PUC) for the re-benchmarking period (1-1-2013 to 12-31-2013) to the average HAP PUC for "Port Vouchers Paid" during the re-benchmarking period, both based on reporting in VMS. If the portability average HAP exceeds 110% of the program-wide average HAP PUC for the re-benchmarking period, the PHA will be eligible for set-aside funding. The difference between the portability average PUC and 110 percent of the program-wide average PUC will be multiplied by the total unit months leased for the "Port Vouchers Paid" reported in VMS during the re-benchmarking period to determine funding eligibility. The Department will calculate eligibility under this category; therefore, **no additional documentation will be required or accepted other than Attachment B, which must be completed, signed and submitted by the deadline date.**

**Category 3 -Project-based Vouchers:**

To be eligible for funding under this category, a PHA must show that vouchers were not in use during the CY 2013 re-benchmarking period in order to be available to meet a commitment for project-based voucher assistance under Section 8(o) (13) of the Act. Adjustments will apply only to vouchers withheld pursuant to a project-based voucher commitment for newly constructed or rehabilitated housing. Adjustments **will not** apply to existing housing as there is no waiting period for existing housing project-based voucher commitments; therefore, there is no need to withhold vouchers. Adjustments will not be made under any circumstances for those units under an Agreement to Enter into a Housing Assistance Payments (AHAP) commitment that, when added to units under lease for CY 2013, exceed the PHA's baseline units under ACC for CY 2013. (The PHA would not have been able to lease those shelved vouchers during CY 2013 due to the restriction on over-leasing.)

For **each** project-based voucher commitment for which a request is being made under this category, the PHA **must provide, from Part 1 of the executed Agreement to Enter into a HAP Contract (AHAP) for New Construction/Rehabilitation,** the following:

1. The page which identifies the parties to the AHAP (both the Housing Authority and the owner);
2. Identification of the project;
3. Section 1.1A which identifies the effective date of the agreement;
4. Section 1.1B which identifies the date of the commencement of the work;
5. Section 1.1C which identifies the time for completion of the work;
6. Exhibit C which identifies the units by size and applicable initial contract rents for the units to be project based;
7. If the project is to be completed in stages: Exhibit E which identifies the schedule of completion of stages (if applicable). (This exhibit shall identify the units in each stage.)
8. Signature page which provides the signature of both the Housing Authority and the owner and the dates the AHAP was signed.

If the Housing Assistance Payments (HAP) Contract **has been executed** by the time of the submission of this request for adjustment, the PHA **must provide, from Part 1 of the HAP**

**Contract for New Construction/Rehabilitation**, the following:

9. The page which identifies the parties to the HAP Contract (both the Housing Authority and the owner);
10. Exhibit A which identifies the total number of units in the project covered by the HAP Contract; the initial Contract Rent to owner, and the number and description of the contract units;
11. If the project is to be completed in stages: in addition to the items described in 2. above, Exhibit A must also identify the units to be completed in each phase covered by the HAP Contract;
12. Exhibit B which identifies the services, maintenance and utilities to be provided by the owner;
13. Exhibit C which identifies the utilities available in the contract unit, including a listing of utility services to be paid by the owner (without charges in addition to the rent to owner) and utilities to be paid by the tenant;
14. Section 2a which identifies the initial term of the contract;
15. Signature page which provides the signature of both the Housing Authority and the owner and the dates the HAP was signed.

**These documents, along with the completed and signed Attachment B, and the completed and signed Attachments C and D (for each project based commitment) must be submitted by the deadline date.**

**NOTE: If the HAP Contract has not been executed, the PHA must state that the HAP Contract has not yet been executed.**

**Category 4 -HUD-VASH:**

To be eligible for funding under this category the PHA must demonstrate a need for funding as indicated below:

1. Per Unit Cost Increase: PHAs whose program-wide funded CY 2014 HAP PUC is less than their current VASH HAP PUC, based on their latest VASH HAP expenses in CY 2014. The PHA must provide VASH leasing and HAP expenses for prior months not yet reported in VMS and a calculation of the amount being requested. The PHA must also submit a signed Attachment B by the deadline date;

And/Or

2. Leasing Increase: PHAs whose total VASH leasing for CY 2014 will exceed the leasing level included in their renewal funding plus the leasing that will be supported by the NRA and program reserves retained for that purpose. The PHA must provide the total VASH leasing (for all VASH awards) for prior months not yet reported in VMS and the total VASH leasing schedule (for all VASH awards) for the months of CY 2014 beyond the application date. The PHA must also submit a signed Attachment B by the deadline date.

Documentation requirements for each category are provided in a Quick Reference Chart below. PHAs are advised to provide all applicable supporting documentation and calculations along with the completed/signed Attachments A, B, C and/or Attachment D, where applicable, by the deadline date established in the Submission Requirements section.

**Quick Reference Chart for Set-Aside Funds:**

<b>Category</b>	<b>PHAs must submit</b>
<p><b>1.</b> Shortfall Funds - For PHAs, that despite taking reasonable cost savings measures, as determined by the Secretary, would otherwise be required to terminate participating families from the program due to insufficient funds.</p>	<ul style="list-style-type: none"> <li>• Attachment A</li> </ul>
<p><b>2a.</b> Unforeseen Circumstances</p>	<ul style="list-style-type: none"> <li>• Attachment B</li> <li>• Written Justification</li> <li>• Evidence to support justification</li> <li>• PHA calculation of the increased costs</li> </ul> <p><b>Failure to provide the items identified above, <u>including the PHA calculation of increased costs</u>, WILL result in a rejection of the PHA’s application for Unforeseen Circumstances</b></p>
<p><b>2b.</b> Portability</p>	<ul style="list-style-type: none"> <li>• Attachment B</li> </ul>
<p><b>3.</b> PBV</p>	<ul style="list-style-type: none"> <li>• Attachment B</li> </ul> <p>For <b>each</b> PBV project:</p> <ul style="list-style-type: none"> <li>• Attachment C</li> <li>• Attachment D</li> <li>• Identification of the project</li> </ul> <p>From Part 1 of the AHAP:</p> <ul style="list-style-type: none"> <li>• The page which identifies the parties to the AHAP (both the Housing Authority and the owner);</li> <li>• Section 1.1A which identifies the effective date of the agreement;</li> <li>• Section 1.1B which identifies the date of the commencement of the work;</li> <li>• Section 1.1C which identifies the time for completion of the work;</li> <li>• Exhibit C which identifies the units by size and applicable initial contract rents for the units to be project based;</li> <li>• If the project is to be completed in stages: Exhibit E which identifies the schedule of completion of stages (if applicable). (This exhibit shall identify the units in each stage.)</li> </ul>

	<ul style="list-style-type: none"> <li>• Signature page which provides the signature of both the Housing Authority and the owner and the dates the AHAP was signed.</li> </ul> <p>If the Housing Assistance Payments (HAP) Contract <b>has been executed</b> by the time of the submission of this request for adjustment, the PHA <b>must provide, from Part 1 of the HAP Contract for New Construction/Rehabilitation</b>, the following:</p> <ul style="list-style-type: none"> <li>• The page which identifies the parties to the HAP Contract (both the Housing Authority and the owner);</li> <li>• Exhibit A which identifies the total number of units in the project covered by the HAP Contract; the initial Contract Rent to owner, and the number and description of the contract units;</li> <li>• If the project is to be completed in stages: in addition to the items described in 2. above, Exhibit A must also identify the units to be completed in each phase covered by the HAP Contract;</li> <li>• Exhibit B which identifies the services, maintenance and utilities to be provided by the owner;</li> <li>• Exhibit C which identifies the utilities available in the contract unit, including a listing of utility services to be paid by the owner (without charges in addition to the rent to owner) and utilities to be paid by the tenant;</li> <li>• Section 2a which identifies the initial term of the contract;</li> <li>• Signature page which provides the signature of both the Housing Authority and the owner and the dates the HAP was signed.</li> </ul> <p><b>NOTE: If the HAP Contract has not been executed, the PHA must state that the HAP Contract has not yet been executed.</b></p> <p><b><u>Note: Failure to provide the required documentation listed above will result in denial of the application for funds under this category.</u></b></p>
<p>4. HUD-VASH</p>	<p>(a)PHAs whose program-wide funded CY 2014 HAP PUC is less than their current VASH HAP PUC based on their latest VASH HAP expenses in CY 2014 must provide:</p> <ul style="list-style-type: none"> <li>• Attachment B</li> <li>• VASH leasing and HAP expenses for months not yet reported in VMS</li> <li>• A calculation of the amount being requested</li> </ul> <p><b><u>And/or</u></b></p> <p>(b)Leasing Increase: PHAs whose VASH leasing for CY 2014 will exceed the leasing level included in their renewal funding plus the leasing that will be supported by the NRA and program reserves retained for that purpose. The PHA must provide:</p> <ul style="list-style-type: none"> <li>• Attachment B</li> <li>• VASH leasing for prior months not yet reported in VMS;</li> <li>• A VASH leasing schedule for the months of CY 2014 beyond the application date.</li> </ul>

**Submission Requirements and Timelines:**

**Category 1: Shortfall Funds:**

PHAs applying for funds under Category 1 - Shortfall Funds, must submit Attachment A of this Notice - PHA Application for Category 1 - Shortfall Funds, and PHA Certification of Reasonable Cost Savings Measures Undertaken to Prevent Termination of HCV Participants Due to Insufficient Funds.

The application period for shortfall set-aside funding under Category 1 will remain **open throughout the calendar year 2014** and PHAs may apply or re-apply at any time during the application period. PHAs that receive set-aside funds based on their current HAP costs may find it necessary to apply for additional set-aside funds. Similarly, PHAs that do not initially anticipate a shortfall because they have suspended leasing and expect to decrease leasing by attrition may apply later if the attrition fails to resolve their shortfall; a PHA should still be in contact with the HUD field office and SPT in cases where the PHA anticipates attrition will solve the shortfall.

Finally, note that HUD will use its discretion to reduce PHA awards under this category in the event that the award plus renewal funding exceeds need by the end of the calendar year.

**All Other Categories: (2a, 2b, 3 and 4):**

PHA requests for funds under one or more of the other categories (2a, 2b, 3 and/or 4) shall be combined on Attachment B of this Notice – Application for \$75 Million Set-Aside for Category (ies) 2a – Unforeseen Circumstances; 2b – Portability; 3 – Project Based Vouchers and/or; 4 HUD-VASH of this Notice.

**Applications for Categories 2a, 2b, 3 and 4 must be received no later than COB, (5 p.m. EDST), April 15, 2014.**

PHAs may choose between submitting requests via electronic mail (e-mail) or via regular mail but **shall not submit their request(s) using both methods** as this would result in duplicate applications for the same funds and may delay HUD's review and processing of the request(s).

**Electronic Mail (email) Requests:**

PHA requests, with the appropriate signed Attachments (A, B, C and D) along with all required documentation and calculations (if applicable) may be submitted to the Department at the following mailbox:

[2014Set-AsideApplications@hud.gov](mailto:2014Set-AsideApplications@hud.gov)

The subject line of the e-mail must include the following: **PHA#, 2014 Set-Aside Application**  
(Example: XX123, 2014 Set-Aside Application)

**OR**

**Hard Copy Requests via Mail:**

PHA requests, with the appropriate signed Attachments (A, B, C and D) along with all required documentation and calculations (if applicable) may be submitted to the Department at the following physical address:

**U.S. Department of Housing and Urban Development  
Office of Housing Voucher Programs  
Attn: Miguel A. Fontanez, Director, Financial Management  
Division  
Room 4222  
451 7<sup>th</sup> Street, S.W.  
Washington, DC 20410**

If your PHA chooses to submit via hard copy, it is recommended that requests be sent using overnight delivery (USPS Express Mail, UPS, Fed Ex, DHL, etc.) that requires signature upon delivery. Hand-delivered or standard delivery mail will be accepted; however, it is important to note that non-expedited mail (including Priority Mail from the Postal Service) has no guaranteed delivery time and is subject to the Department's security screening, which can delay delivery. Requests will only be accepted at the above locations (email box or physical address only); requests delivered to other locations **will not** be accepted. Requests not received on time **will not** be processed. Faxes **will not** be accepted.

### **Other Program Requirements**

**13. HCV Financial Management.** PHAs must manage their programs in a responsible manner to enable them to serve families within their CY 2014 allocations and voucher baselines. PIH Notice 2011-28 provides guidance on cost-savings measures PHAs may take to reduce financial shortfalls in the HCV program.

This year, HUD is again focused on ensuring that PHAs appropriately manage their HCV programs within the funding provided for the CY and existing net restricted assets (NRA) and Program Reserves. PHAs should review per unit costs (PUC), leasing and attrition rates on a monthly basis to be able to plan for upcoming months and carefully manage their wait lists.

Additionally, in order to comply with Treasury requirements, effective January 1, 2012, the Department implemented cash management procedures for the disbursement of HAP funds to PHAs under the HCV program. The process of disbursing only the funds required for current HAP costs results in the re-establishment of HUD-held program reserves, whereby excess HAP funds will remain obligated but undisbursed at the HUD level rather than held by the PHAs. This moves new budget authority into the program reserves if it is not needed for current costs. NRA balances held by PHAs will be transitioned in to HUD-held program reserves and will be available for use.

PHAs have been previously notified that HUD would transition to the HUD-Held Program Reserves any NRA remaining at the PHAs. This is required to ensure that HUD is not advancing funds in excess of each PHA's immediate needs, and PHAs are not holding excess funds. This process will occur in CY 2014, according to the following general procedures:

- a. Each PHA was advised in the January 28, 2014 “Get Ready for 2014” Letter and the February 14, 2014 “Net Restricted Assets Reporting for December 31, 2013” message to ensure the accuracy of its NRA balance reported in VMS as of December 31, 2013. This balance will be reduced by any needed use for those funds through a specified date in CY2014 and by any amount that HUD offsets for reallocation from the PHA as part of the CY 2014 renewal funding allocation process;
- b. HUD will review the reported balances as adjusted and will determine those cases where further review is needed. Based on the adjusted balances and HUD review, HUD plans to transition the NRA balances to the Program Reserves commencing May 1, 2014; this transition will be accomplished via a reduction of the monthly renewal disbursement(s);
- c. In those rare cases where the PHA’s NRA balance differs materially from the HUD-maintained NRA balance for that PHA or the PHA otherwise indicates that it will be unable to meet its monthly HAP expenses should HUD initiate the transition May 1, 2014, HUD may temporarily delay the transition as necessary to resolve the discrepancy with the PHA. The PHA will be required to expeditiously provide documentation to support its balance prior to a final determination and transition; HUD may also conduct specific reviews to verify balances and cash on hand;
- d. Any change in the amount of NRA to be transitioned will be reflected in a later disbursement.

As previously advised, PHAs should be certain that the NRA balances are readily available in cash, as the PHA will need the funds to support HAP expenses in lieu of disbursement from HUD in the same amount for the month of May, and any later months if needed to complete the transition in 2014.

This transition of the remaining NRA to Program Reserves is a separate activity from the offset and re-allocation process described earlier in this notice. The offset for re-allocation will be made prior to the transition of the NRA, with only the remaining balance then subject to transition to the Program Reserves.

**14. HAP Disbursements and Frontloading.** PHAs will receive monthly disbursements from their budgetary allocations, in accordance with the cash management procedures established in PIH Notice 2011-67. PHAs will be advised before the beginning of each calendar year quarter of the disbursements scheduled for that quarter. PHAs may request a frontload when monthly disbursements and available NRA will not cover expenses for the month or quarter. PHAs must remember that a frontload(s) early in the CY affect(s) the amount(s) available in later month(s) in the CY. The frontload request should be sent to the assigned Financial Analyst (FA) at the Financial Management Center (FMC) for review and approval.

**15. Use of HAP and HAP NRA.** PHAs are reminded that funds in the HAP NRA account and HUD-held program reserves shall only be used for eligible HAP needs in the current CY. The ACC requires PHAs to use HAP funding to cover rental assistance payments. HAP and/or PHA reserves (HAP NRA and HUD held reserves) shall not under any circumstances be used for any other purpose, such as to cover administrative expenses or be loaned, advanced or transferred (referred to as operating transfers due to/due from) to other component units or other programs such as Low-Rent (Public Housing) program. Use of

HAP for any purpose other than eligible HAP needs is a violation of law, and such illegal uses or transfers may result in sanctions and possible declaration of breach of the ACC.

In instances where a PHA is found to have misappropriated HAP and/or HAP NRA funds by using the funds for any purpose other than valid HAP expenses for units up to the baseline, HUD will require the immediate return of the funds to the HAP or HAP NRA account. HUD may take action, including suspension and debarment, against a PHA or any party that has used HAP funds and/or the HAP NRA account for non-HAP purposes.

**16. VMS/FASS Reporting and Data Integrity.** PHAs must continue to submit required financial documents including, but not limited to, monthly VMS and annual FASS electronic submissions. PHAs that do not submit the required data by the reporting deadline may be sanctioned as provided by 24 CFR 982.152(d), and in accordance with the procedures outlined in PIH Notice 2012-21. PHAs that fail to meet the submission requirements may be subject to administrative actions, including but not limited to, an imposition of a penalty against the PHA's monthly administrative fees until the PHA complies with these requirements. This penalty represents a permanent reduction for the current CY that shall not be reversed.

**17. Prohibition on Over-leasing.** It is important to note that the 2014 Act continues to strictly prohibit the use of appropriated HAP funds by any PHA, except for PHAs participating in the MTW demonstration, to lease units above their ACC baseline units during any CY, even if the PHA has sufficient budget authority (BA) and/or NRA to support the additional units. If a PHA engages in over-leasing, it must identify other sources to pay for the over-leasing, and the PHA must take immediate steps to eliminate any current over-leasing. Renewal funding allocations will not include over-leased units. Renewal funding eligibility will be reduced based on the number of over-leased unit months and the average PUC during the re-benchmark period. PHAs must still report all over-leasing in VMS and must also report \$0 HAPs in the appropriate categories in VMS.

**18. Use of Outside Sources of Funds.** HUD recently issued PIH Notice 2013-28, Guidance on the Use of Outside Sources of Funds in the Housing Choice Voucher (HCV) Program. The Department recommends that all PHAs carefully review the information contained in the Notice.

**Paperwork Reduction Act.**

The additional information collection requirements contained in this document are approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520). The OMB control number is 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.

**Further Information.**

Any questions concerning this Notice should be directed to the Housing Voucher Financial Management Division, Office of Public Housing and Voucher Programs, at (202) 708-2934 (this is not a toll-free number). Persons with hearing or speech impairments may access these numbers via TTY by calling the toll-free Federal Information Relay Service at (800) 877-8339.



Appendix A

Consolidated Appropriations Act, 2014 (Public Law 113-76)

**Tenant-Based Rental Assistance:**

For activities and assistance for the provision of tenant-based rental assistance authorized under the United States Housing Act of 1937, as amended (42 U.S.C. 1437 et seq.) (“the Act” herein), not otherwise provided for, \$15,177,218,000, to remain available until expended, shall be available on October 1, 2013 (in addition to the \$4,000,000,000 previously appropriated under this heading that became available on October 1, 2013), and \$4,000,000,000, to remain available until expended, shall be available on October 1, 2014: *Provided*, That the amounts made available under this heading are provided as follows: (1) \$17,365,527,000 shall be available for renewals of expiring section 8 tenant-based annual contributions contracts (including renewals of enhanced vouchers under any provision of law authorizing such assistance under section 8(t) of the Act) and including renewal of other special purpose incremental vouchers: *Provided*, That notwithstanding other provision of law, from amounts provided under this paragraph and any carryover, the Secretary for the calendar year 2014 funding cycle shall provide renewal funding for each public housing agency based on validated voucher management system (VMS) leasing and cost data for the prior calendar year and by applying an inflation factor as established by the Secretary, by notice published in the Federal Register, and by making any necessary adjustments for the costs associated with the first time renewal of vouchers under this paragraph including tenant protection and HOPE VI vouchers: *Provided further*, That in determining calendar year 2014 funding allocations under this heading for public housing agencies, including agencies participating in the Moving To Work (MTW) demonstration, the Secretary may take into account the anticipated impact of changes in targeting and utility allowances, on public housing agencies’ contract renewal needs: *Provided further*, That none of the funds provided under this paragraph may be used to fund a total number of unit months under lease which exceeds a public housing agency’s authorized level of units under contract, except for public housing agencies participating in the Moving to Work (MTW) demonstration, which are instead governed by the terms and conditions of their MTW agreements: *Provided further*, That the Secretary shall, to the extent necessary to stay within the amount specified under this paragraph (except as otherwise modified under this paragraph), pro rate each public

housing agency's allocation otherwise established pursuant to this paragraph: *Provided further*, That except as provided in the following provisos, the entire amount specified under this paragraph (except as otherwise modified under this paragraph) shall be obligated to the public housing agencies based on the allocation and pro rata method described above, and the Secretary shall notify public housing agencies of their annual budget by the latter of 60 days after enactment of this Act or March 1, 2014: *Provided further*, That the Secretary may extend the notification period with the prior written approval of the House and Senate Committees on Appropriations: *Provided further*, That public housing agencies participating in the MTW demonstration shall be funded pursuant to their MTW agreements and shall be subject to the same pro rata adjustments under the previous provisos: *Provided further*, That the Secretary may offset public housing agencies' calendar year 2014 allocations based on the excess amounts of public housing agencies' net restricted assets accounts, including HUD held programmatic reserves (in accordance with VMS data in calendar year 2013 that is verifiable and complete), as determined by the Secretary: *Provided further*, That the Secretary shall use any offset referred to in the previous proviso throughout the calendar year to prevent the termination of rental assistance for families as the result of insufficient funding, as determined by the Secretary, and to avoid or reduce the proration of renewal funding allocations: *Provided further*, That up to \$75,000,000 shall be available only: (1) for adjustments in the allocations for public housing agencies, after application for an adjustment by a public housing agency that experienced a significant increase, as determined by the Secretary, in renewal costs of vouchers resulting from unforeseen circumstances or from portability under section 8(r) of the Act; (2) for vouchers that were not in use during the 12-month period in order to be available to meet a commitment pursuant to section 8(o)(13) of the Act; (3) for adjustments for costs associated with HUD-Veterans Affairs Supportive Housing (HUD-VASH) vouchers; and (4) for public housing agencies that despite taking reasonable cost savings measures, as determined by the Secretary, would otherwise be required to terminate rental assistance for families as a result of insufficient funding: *Provided further*, That the Secretary shall allocate amounts under the previous proviso based on need, as determined by the Secretary;

**Tenant Protection:**

(2) \$130,000,000 shall be for section 8 rental assistance for relocation and

replacement of housing units that are demolished or disposed of pursuant to section 18 of the Act, conversion of section 23 projects to assistance under section 8, the family unification program under section 8(x) of the Act, relocation of witnesses in connection with efforts to combat crime in public and assisted housing pursuant to a request from a law enforcement or prosecution agency, enhanced vouchers under any provision of law authorizing such assistance under section 8(t) of the Act, HOPE VI and Choice Neighborhood vouchers, mandatory and voluntary conversions, and tenant protection assistance including replacement and relocation assistance or for project-based assistance to prevent the displacement of unassisted elderly tenants currently residing in section 202 properties financed between 1959 and 1974 that are refinanced pursuant to Public Law 106-569, as amended, or under the authority as provided under this Act: *Provided*, That when a public housing development is submitted for demolition or disposition under section 18 of the Act, the Secretary may provide section 8 rental assistance when the units pose an imminent health and safety risk to residents: *Provided further*, That the Secretary may only provide replacement vouchers for units that were occupied within the previous 24 months that cease to be available as assisted housing, subject only to the availability of funds: *Provided further*, That of the amounts made available under this paragraph, \$5,000,000 may be available to provide tenant protection assistance, not otherwise provided under this paragraph, to residents residing in low vacancy areas and who may have to pay rents greater than 30 percent of household income, as the result of (1) the maturity of a HUD-insured, HUD-held or section 202 loan that requires the permission of the Secretary prior to loan prepayment; (2) the expiration of a rental assistance contract for which the tenants are not eligible for enhanced voucher or tenant protection assistance under existing law; or (3) the expiration of affordability restrictions accompanying a mortgage or preservation program administered by the Secretary: *Provided further*, That such tenant protection assistance made available under the previous proviso may be provided under the authority of section 8(t) or section 8(o)(13) of the United States Housing Act of 1937 (42 U.S.C. 1437f(t)): *Provided further*, That the Secretary shall issue guidance to implement the previous provisos, including, but not limited to, requirements for defining eligible at-risk households within 120 days of the enactment of this Act;

**Administrative Fees:**

(3) \$1,500,000,000 shall be for administrative and other expenses of public housing agencies in administering the section 8 tenant-based rental assistance program, of which up to \$15,000,000 shall be available to the Secretary to allocate to public housing agencies that need additional funds to administer their section 8 programs, including fees associated with section 8 tenant protection rental assistance, the administration of disaster related vouchers, Veterans Affairs Supportive Housing vouchers, and other special purpose incremental vouchers: *Provided*, That no less than \$1,485,000,000 of the amount provided in this paragraph shall be allocated to public housing agencies for the calendar year

2014 funding cycle based on section 8(q) of the Act (and related Appropriation Act provisions) as in effect immediately before the enactment of the Quality

Housing and Work Responsibility Act of 1998 (Public Law 105–276): *Provided further*, That if the amounts made available under this paragraph are insufficient to pay the amounts determined under the previous proviso, the Secretary may decrease the amounts allocated to agencies by a uniform percentage applicable to all agencies receiving funding under this paragraph or may, to the extent necessary to provide full payment of amounts determined under the previous proviso, utilize unobligated balances, including recaptures and carryovers, remaining from funds appropriated to the Department of Housing and Urban Development under this heading from prior fiscal years, notwithstanding the purposes for which such amounts were appropriated: *Provided further*, That all public housing agencies participating in the MTW demonstration shall be funded pursuant to their MTW agreements, and shall be subject to the same uniform percentage decrease as under the previous proviso: *Provided further*, That amounts provided under this paragraph shall be only for activities related to the provision of tenant-based rental assistance authorized under section 8, including related development activities

**Mainstream Five Program:**

(4) \$106,691,000 for the renewal of tenant based assistance contracts under section 811 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 8013), including necessary administrative expenses: *Provided*, That administrative and other expenses of public housing agencies in

administering the special purpose vouchers in this paragraph shall be funded under the same terms and be subject to the same pro rata reduction as the per cent decrease for administrative and other expenses to public housing agencies under paragraph (3) of this heading;

**VASH Program:**

(5) \$75,000,000 for incremental rental voucher assistance for use through a supported housing program administered in conjunction with the Department of Veterans Affairs as authorized under section 8(o)(19) of the United States Housing Act of 1937: *Provided*, That the Secretary of Housing and Urban Development shall make such funding available, notwithstanding section 204 (competition provision) of this title, to public housing agencies that partner with eligible VA Medical Centers or other entities as designated by the Secretary of the Department Veterans Affairs, based on geographical need for such assistance as identified by the Secretary of the Department of Veterans Affairs, public housing agency administrative performance, and other factors as specified by the Secretary of Housing and Urban Development in consultation with the Secretary of the Department of Veterans Affairs: *Provided further*, That the Secretary of Housing and Urban Development may waive, or specify alternative requirements for (in consultation with the Secretary of the Department of Veterans Affairs), any provision of any statute or regulation that the Secretary of Housing and Urban Development administers in connection with the use of funds made available under this paragraph (except for requirements related to fair housing, nondiscrimination, labor standards, and the environment), upon a finding by the Secretary that any such waivers or alternative requirements are necessary for the effective delivery and administration of such voucher assistance: *Provided further*, That assistance made available under this paragraph shall continue to remain available for homeless veterans upon turn-over;

**Tracking of Special Purpose Vouchers**

and (6) The Secretary shall separately track all special purpose vouchers funded under this heading.

## Appendix B Calculation of HUD-Confirmed Shortfall and Shortfall Amount

The amount that a PHA will be eligible to receive from this set-aside will be calculated by HUD, using HUD's 2-year projection tool (see link) and the most recent validated voucher leasing and expense data available in VMS at the time the PHA's application is reviewed. HUD's 2 year projection (forecasting) tool can be found at [http://portal.hud.gov/huddoc/FORECASTING\\_TOOL\\_v2.XLS](http://portal.hud.gov/huddoc/FORECASTING_TOOL_v2.XLS) and the instructions can be found at [http://portal.hud.gov/huddoc/forecast\\_guidance.pdf](http://portal.hud.gov/huddoc/forecast_guidance.pdf)

The 2-year tool compares all resources available to support the PHA's HAP payments in calendar 2014 with actual HAP expenses for 2014 projected through the end of the calendar year.

Resources are calculated using the PHA's NRA as of 12/31/2013, the HUD-held reserve as of 12/31/2013, the PHA's actual Renewal Annual Budget Authority (ABA) for 2014, and any new voucher incremental funding applicable to CY 2014 or set-aside amounts awarded or expected to be awarded in 2014.

HAP expenses are calculated based on current leasing and expense data, projected through the end of calendar year 2014; the PHA's suspension of general voucher issuance; and projected attrition based on actual attrition for the 12 months prior to the PHA's request for set-aside funds, as reported in PIC.

The requirement to suspend general voucher issuance is subject to the following exclusions:

1. Vouchers issued to current HCV participants to allow them to move.
2. Vouchers issued to program applicants under special-purpose voucher increments awarded in CY 2013 or CY 2014. These special-purpose vouchers include VASH, Family Unification Program (FUP), Near Elderly Disabled (NED), and Tenant Protection vouchers initially awarded in 2013 and/or 2014.

Vouchers issued to applicants moving into Project-Based Voucher (PBV) units in order to allow the PHA to meet its contractual obligation to fill PBV AHAP units being placed under HAP for the **first** time, and PBV units currently under HAP that are vacated by program participants. However, tenant-based vouchers are **not** to be issued to participants living in PBV units who are requesting a voluntary move with a tenant-based voucher after March 31, 2014 **Any vouchers issued on or after March 31, 2014, with the exception of those described in 1, 2, and 3 above, must be rescinded immediately.** To the extent consistent with the PHA's Administrative Plan, holders of these vouchers may be advised that they will be eligible to receive a new voucher when the PHA is able to resume issuance. PHAs cannot issue vouchers and/or execute HAP contracts for families that do not meet any of the exceptions through the end of Calendar Year 2014.

The application period for shortfall set-aside funding will remain open throughout the calendar year 2014, and PHAs may apply or re-apply at any time during the application period. PHAs that receive set-aside based on their current HAP costs may find it necessary to apply for additional set-aside funds. Similarly, PHAs that do not initially anticipate a shortfall because they have suspended leasing and expect to lose sufficient units by attrition may apply later if the attrition fails to resolve their shortfall.

All PHAs applying for the shortfall set-aside must be working with HUD's Shortfall Prevention Team (SPT) at the time of their application. The SPT will review the PHA's funding available for 2014 and their leasing and expense data to date, to determine whether the PHA has a shortfall and the amount needed to resolve the shortfall.

The PHA will continue to work with the SPT throughout the year to monitor the PHA's financial position and to implement cost savings measures outlined in Notice PIH 2011-28 to decrease the possibility of an increased shortfall. PHA must adhere to the eligibility requirements detailed in Paragraph 12 of this Notice.

Factors considered by the SPT to determine the amount of a potential shortfall will be determined as follows:

- a. **PHA-held NRA as of 12/31/ 2013:** SPT will use the NRA balance reported by the PHA in VMS for 12/31/2013. If there is a confirmed discrepancy between this amount and the amount actually held by the PHA on 12/31/2013, the lower of the reported or the actual amount of cash on hand to support the NRA

will be used. The PHA will be required to provide documentation as requested before this adjustment will be made.

- b. **HUD-held reserve as of 12/31/ 2013:** SPT will use the balance reported to us by HUD's FMC.
- c. **2014Renewal ABA:** Actual renewal ABA awards for CY 2014.
- d. **Special-purpose voucher and tenant protection funding and set-asides:** FMC will provide amounts to be made available to the PHA in CY 2014 for special-purpose voucher and tenant protection funding increments applicable to any portion of CY 2014, and for any set-aside funding previously awarded in CY 2013.
- e. **Unit months leased:** The unit months leased (UML) for CY 2014 will be projected by taking the number of units reported in VMS in the last month available, and projecting that number through the end of the year. Reductions to projected leasing will be made for to adjust for attrition, in accordance with the annual turnover rate used in the 2-year tool. This rate is derived from the PHA's PIC data on families ending participation (EOP). Increases to projected leasing will be made for vouchers on the street prior to March 31, 2014, and additional leasing resulting from the admission of families described in 2 and 3 above -- families receiving new special-purpose vouchers, and families moving into new or vacant PBV units. No adjustments will be made for mover families who receive vouchers in accordance with 1 above.
- f. **Total HAP expense:** Total HAP expense for 2014 will be based on a projection of the unit months leased for 2014 (described in f above) at the per-unit cost taken from the PHA's most recent VMS report. If the PHA's PUC increases in future months, and the PHA again determines that it is in danger of a shortfall, the PHA may apply for additional shortfall set-aside funds.
- g. **Vouchers issued, or projected to be issued:** The number of vouchers on the street as of March 31, 2014\_, taken from the PHA's VMS report, will be used to determine future leasing, if any, from vouchers issued prior to the March 31, 2014 cutoff. For most PHAs, there will be no units on the street starting in April 2014. Planned issuances for vouchers exempt from the suspension will be shown in the months they will be issued. The projected HAP costs for these units will be affected by the voucher success rate provided by the PHA and average time from issuance of the voucher to the HAP effective date.
- h. **Other Planned Additions or Reductions to Leased Units:** This field incorporates into the leasing schedule other planned additions to leasing with fixed start dates, such as the dates that PBV units currently under AHAP are scheduled to come under HAP. The calculated HAP cost for these units is not subject to the success rate calculation.
- i. **Year-End NRA Balance 2014:** Any PHA with a negative projected 2014 year-end balance will be considered to be a shortfall PHA. PHAs with year-end balances of \$0 or above will not be considered as shortfall PHAs or eligible to receive shortfall set-aside funds.

**CY 2014 Housing Choice Voucher Program - \$75 Million Set-Aside**

**ATTACHMENT A**

**PHA Application for Category 1, Shortfall Funds And PHA Certification of Reasonable Cost Savings Measures Undertaken To Prevent Termination of HCV Participants Due to Insufficient Funds.**

Name of PHA: \_\_\_\_\_

PHA Number: \_\_\_\_\_

Executive Director: \_\_\_\_\_

The above referenced agency is applying for Category 1 Shortfall Funds and has undertaken reasonable cost savings measures to prevent termination of HCV Participants due to insufficient funds.

Please check Shortfall Scenario 1 or Shortfall Scenario 2 for which your PHA is applying. The application must be signed by the appropriate PHA official.

\_\_\_\_\_**Shortfall Scenario 1:** For PHAs already in an-SPT confirmed shortfall- the certification is as follows:

I, \_\_\_\_\_, hereby certify to the following:

(1) At the time of application, the PHA is working with the HUD Shortfall Prevention Team (SPT) and SPT has confirmed the PHA is in a shortfall position. (PHAs that are not currently working with the SPT but believe they are in a shortfall position should immediately contact their HUD Field Office for assistance.)

(2) The PHA has ceased issuing vouchers to applicants as of **March 31, 2014**. (Please note this does not apply to families that are participants and were issued a voucher to move to a different unit. This restriction is also not applicable to tenant protection vouchers that are being issued to targeted families that were residing in the covered property on the eligibility event, or where the PHA is leasing to homeless veterans under the HUD-VASH program, up to the baseline level of units under all HUD-VASH allocations (not just recent allocations), including turnover of HUD-VASH vouchers.)

(3) The PHA has rescinded any vouchers remaining on the street that were issued to applicant families and has stopped leasing those rescinded vouchers as of **March 31, 2014**. Note this does not apply to vouchers issued under the two exceptions noted in (2) above. In addition, PHAs may enter into PBV HAP contracts for units that were under AHAP as of the application date and still meet this condition.

(4) The PHA has ceased absorbing portable vouchers as of **March 31, 2014**.

(5) In regard to project-based voucher (PBV) HAP contracts, vouchers are not issued to a family that wants to voluntarily move. (However, if a unit becomes vacant, the PBV unit shall be filled with a family from the waiting list.)

\_\_\_\_\_ **Shortfall Scenario 2:** For those PHAs that manage their HCV program budgets in a reasonable and responsible manner, but are later determined to be in an SPT-confirmed shortfall position, the Department will review each application on a case-by-case basis to determine if the PHA is eligible for funding under this category.

I \_\_\_\_\_, here by certify that the PHA agrees to comply with all SPT-directed cost savings measures.

Certification: I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate. Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3279, 3802)

\_\_\_\_\_  
Signature of Executive Director and Date

\_\_\_\_\_  
Contact Name and Phone Number

**CY 2014 Housing Choice Voucher Program**

**ATTACHMENT B**

**Application for \$75 Million Set-Aside for Category (ies) 2a - Unforeseen Circumstances; 2b - Portability; 3 - Project Based Vouchers and/or; 4 - HUD-VASH**

Name of PHA: \_\_\_\_\_

PHA Number: \_\_\_\_\_

Executive Director: \_\_\_\_\_

**CHECK ALL BOXES THAT APPLY**

\_\_\_\_\_ **Category 2a: Unforeseen Circumstances.**

\_\_\_\_\_ **Category 2b: Portability.**

\_\_\_\_\_ **Category 3: Project Based Vouchers**

\_\_\_\_\_ **Category 4: HUD-VASH.**

**Documentation requirements for each of the above categories are contained in Paragraph 12 of this Notice.**

**This certification must be signed by the appropriate PHA official and returned.**

**Certification:** I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate. Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3279, 3802)

\_\_\_\_\_  
Signature of Executive Director and Date

\_\_\_\_\_  
Contact Name and Phone Number

**CY 2014 Housing Choice Voucher Program - \$75 Million Set-Aside**

**Attachment C**

**Project-Based Commitment Data - Calendar Year 2013**

<b>HA Number</b>	
<b>HA Name</b>	

**PROJECT-BASED COMMITMENTS**

If the PHA had project-based (PB) commitments during CY 2013 for which vouchers were withheld from leasing, the PHA must report for each month the number of vouchers withheld from leasing.

*The PHA must complete a separate Attachment C for each PB commitment.*

Project Identification	NUMBER OF VOUCHERS WITHHELD FOR THIS PROJECT BASED COMMITMENT ONLY											
	Jan 2013	Feb 2013	Mar 2013	Apr 2013	May 2013	June 2013	July 2013	Aug 2013	Sept 2013	Oct 2013	Nov 2013	Dec 2013

**PHA Certification:** I hereby certify that all information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate. Warning: HUD will prosecute false claims and statements. Convictions may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012, U.S.C. 3729, 3802)

\_\_\_\_\_  
Executive Director Signature                      Date

\_\_\_\_\_  
PHA Contact

\_\_\_\_\_  
Executive Director Name

\_\_\_\_\_  
Phone Number

CY 2014 - \$75 MILLION SET-ASIDE - PBV DATA - (Page 1 of 2)

**ATTACHMENT D**

**NOTE: PLEASE COMPLETE ATT D FOR EACH PROJECT FOR WHICH PBV SET-ASIDE FUNDING IS BEING REQUESTED**

**PHA#:**

**PHA NAME:**

#  of  PROJECTS

**PROJECT NAME:**

**PROJECT TYPE:**

**NEW CONSTRUCTION:**

**REHABILITATION:**

**NOTE: EXISTING HOUSING IS INELIGIBLE FOR THIS CATEGORY**

**INFORMATION ON AHAP:**

**EFFECTIVE DATE OF AHAP:**

**#OF DAYS FROM EFFECTIVE DATE OF HAP TO PROJECT COMPLETION DATE:**

**END DATE (DATE OF NEW CONSTRUCTION/REHAB COMPLETION DATE):**

**PERIOD**

**ALLOWED:**

**# OF UNITS:**

	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13
# OF UNITS:												

**UNIT SIZE**

**CONTRACT RENT**

**GROSS RENT**

**UTILITIES INCLUDED IN GROSS RENT Y/N**

**# OF UNITS**

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COMMENTS:
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**This certification must be signed by the appropriate PHA official and returned.**

**Certification:** I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3279, 3802)

**SIGNATURE OF EXECUTIVE DIRECTOR:**

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**DATE:**

--

**CONTACT NAME AND PHONE #:**

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