

Replacement Housing Factor Funding and Transition to Demolition or Disposition Transitional Funding Guidance

(as emailed to MTW PHAs on 2/11/2014)

Since publication of the [Public Housing Capital Fund Program Final Rule](#) in late 2013, the MTW Office has received a number of questions regarding the Demolition or Disposition Transitional Funding (DDTF) grant that will be included in the regular Capital Fund formula grant to replace the Replacement Housing Factor (RHF) grant. We wanted to provide further guidance to you to address the MTW-specific issues that have arisen.

DDTF Overview

- Provides 5 years of funding for units removed from a PHA's inventory due to demolition or disposition on or after October 1, 2013
- PHAs that remove units due to demo/dispo are automatically eligible unless they reject the funding in writing
 - If the PHA has received funding for units that will replace the lost units through another program, e.g., Choice Neighborhoods or HOPE VI, it is not eligible for DDTF.
- The funding will be included in the PHA's annual Capital Fund formula grant
 - Not given as a separate grant
 - PHAs will be unable to accumulate grants
- The PHA may use the funding for any eligible activities under the Capital Fund Program (905.200) including development, modernization and homeownership
 - Accumulation is no longer necessary as a result of the expansion of eligible activities
- The funding must be obligated and expended in accordance with the requirements of the Capital Fund formula grant in which the funding has been included
 - 24 months to obligate 90 percent
 - 48 months to expend 100 percent
- Leveraging is still required for RHF. However, HUD's Office of Capital Improvements will be issuing forthcoming guidance on leveraging and other issues related to DDTF.

Major Changes

RHF vs DDTF - Major Changes		
Changes	RHF	DDTF
Accumulation	Yes	No, follows same obligation and expenditure requirements as the Capital Fund formula grants
Eligible Activities	Development of Replacement Units	Modernization or Development (including homeownership)
Funding Delivery	In a separate RHF grant each FY	Included in the PHA's annual Capital Fund Grant
Years of Funding	Up to 10	5

RHF Transition

- PHAs that removed units from inventory on or after October 1, 2013 will receive 5 years of DDTF and will not receive any RHF funding for those units
- PHAs that received years 1-4 of 1st increment RHF funds in FY2013 will receive RHF grants for the remaining years of the 1st increment grants
 - If eligible for a 2nd increment of RHF funding at the end of the 1st increment, the PHA will receive 5 years of DDTF funding, in lieu of 2nd increment RHF
- PHAs that received years 6-9 of a 2nd increment RHF grant in FY2013 will receive the remaining years of the 2nd increment grant. Leveraging requirements still apply to the RHF grant.

RHF Amendment Applicability

- For those MTW agencies with RHF amendments in place, you may continue to abide by the terms set forth in your respective amendments if you have a current 1st or 2nd increment RHF grant
- Upon receipt of DDTF funding by an MTW agency, the RHF amendment will cease to be necessary, because DDTF will take the form of Capital Funds
 - MTWs may use their single-fund budget flexibility to use DDTF for Section 8 and 9 expenditures
 - MTWs with Uses of Funds flexibility can apply DDTF towards an approved local, non-traditional activity

We hope that this provides some clarification on DDTF, the transition from RHF, and the future applicability of the RHF Amendment that many MTW agencies have previously executed. We've also attached a chart that shows the RHF to DDTF transition by fiscal year. If you have questions that were not addressed via this email, please send them to mtw-info@hud.gov.

