U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000

ASSISTANT SECRETARY FOR
PUBLIC AND INDIAN HOUSING

OCT 18 2010

Dear Executive Director:

The purpose of this letter is to assist your public housing agency (PHA) in preparing your Housing Choice Voucher Program for calendar year (CY) 2011 and ensuring that your funding for next year will include all of your eligible expenses. We encourage you to share this letter with your Section 8 Housing Choice Voucher Director and your Chief Financial Officer.

With less than three months left in this CY, your PHA's 2010 leasing and budget utilization decisions may still have a significant impact on your CY 2011 allocation and program operations. Because there are many variables that affect HAP utilization during the year, actual costs may turn out differently than PHA projections despite best efforts. Any decisions concerning the issuance and leasing of additional vouchers should be made on the basis of the amount of remaining Housing Assistance Payment (HAP) funds (including Net Restricted Assets (NRA)), unit months available (UMA), potential changes to the renewal funding formula and set-aside adjustments (discussed below), and the PHA's desired starting point for 2011 – both in terms of the available NRA balance and the desired and supportable leasing level at the beginning of the CY 2011.

The Office of Field Operations (OFO) teams in each of the regions are working with PHAs to increase leasing where PHAs have available NRA and UMA. The teams are targeting PHAs that have leasing opportunities and working with them to optimize their leasing efforts to the extent that the increased leasing can be sustained in CY 2011 within available HAP and NRA. PHAs are cautioned that due to additional leasing near the end of the calendar year may result in shortfalls in 2010, if the PHA does not have sufficient resources available to cover the months that will not be covered by renewal funding. IF YOUR AGENCY is planning or in the process of increasing leasing during the remaining months of Calendar Year 2010, please contact your Field Office Representative to review your leasing and budget utilization plan and the impact that plan will have on your need and renewal funding for CY 2011.

2011 HCV Renewal Funding

As part of the planning that your PHA should already be performing, HUD strongly encourages you to review the House of Representatives' (House) and Senate's 2011 proposed Appropriation Bill Reports for the Housing Choice Voucher Program, HR-5850 and S-3644, respectively. The bills and reports can be found under the heading "Appropriations" at www.thomas.gov. While these bills are not yet final and subject to future amendments or changes, the Committee bills as they presently stand would initiate several significant changes from last year's Appropriations Act that PHAs need to take into consideration for planning purposes.

First, both bills have proposed a new re-benchmarking period for the renewal funding allocations. Under the bills, renewal funding allocations would be based on eligible HAP costs and leasing from the Voucher Management System (VMS) for CY 2010 (January 2010 through December 2010). This is a change from the re-benchmarking period for the renewal funding formula for CY 2009 and CY 2010, which used the Federal Fiscal Year (FFY). PHAs need to be aware of the impact of this significant change on each PHA's funding eligibility and must keep in mind that new leasing achieved towards the end of the CY 2010 must be fully supportable in the next year. **PHAs in need of technical assistance on budget forecasting should contact their respective Field Offices to assist them with estimating the 2011 renewal funding.**

In addition**, both the House and Senate bills would no longer include additional leasing in the last quarter of the calendar year as one of the eligible categories for renewal adjustments under the set-aside funding.** PHAs must keep in mind that under the bills as currently drafted, not only will this additional leasing be minimally reflected in the 2011 re-benchmarked funding level, but funding would not be provided out of the $150 million set-aside to address the increased cost resulting from any additional leasing in the last quarter of CY 2010.

Both bills provide the same level of set-aside funding that was provided for 2010, which is $150 million; however, the bills limit funding to the following categories of adjustments: (1) to adjust the allocations for public housing agencies that experienced a significant increase in renewal costs of tenant-based rental assistance resulting from unforeseen circumstances or from portability; (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 any increase in the costs associated with deposits to family self-sufficiency program escrow accounts; (4) for onetime adjustments of renewal funding for Public Housing Agencies in receivership with approved fungibility plans for calendar year; or (5) to adjust allocations for public housing agencies to prevent termination of assistance to families receiving assistance under the disaster voucher program.

HAP Net Restricted Assets (NRA)

PHAs have two main funding sources to support voucher leasing in CY 2011: (1) the CY 2011 renewal funding allocation and (2) available funding in the PHA's NRA as of the start of the year. Maintaining a modest, reasonable NRA allows a PHA to absorb unexpected costs and keep their program financially sound.

The NRA balance may be used for any eligible HAP expenses (including leasing or homeownership assistance, FSS escrow deposits and utility reimbursements). Your PHA may choose to hold back a portion of the NRA to have available for unexpected cost increases or fluctuations in leasing. A PHA is prohibited from using the NRA for any other costs, including program administrative expenses and costs of other housing programs. **NRA shall only be used for eligible HAP costs.**

Funding Issues

HUD is currently operating under a Continuing Resolution. If the final 2011 Appropriations Act is signed into law either this calendar year or in early January 2011, HUD intends to calculate a preliminary renewal allocation based on the projected leasing and costs using the average of the CY 2010 validated data available in order to issue **preliminary** renewal funding award letters. Once the December 2010 VMS data has been reported and validated, HUD will recalculate the HCV renewal needs based on the new benchmarking period and will issue the **final** funding award letters to the PHAs. At that time a PIH Notice will also be issued to provide full details on the Act and its implementation. It is critical that PHAs' reporting in VMS, Public Housing Information Center (PIC) and other HUD systems is accurate and up-to-date.

As your PHA prepares for CY 2011, please also bear in mind the following:

1. Because the renewal formula for the past several years has been based on actual leasing and costs during a re-benchmarking period, most PHAs do not receive renewal funding to cover the cost of leasing 100 percent of their authorized units. Under the current bills PHAs will be funded based on average utilization for the prior calendar year.

2. HUD is not permitted to provide renewal funding outside of the formula set forth in the Appropriations Act. This means HUD cannot provide additional renewal funding to enable a PHA to reach their authorized level of leasing.

3. Both the House and Senate Committee bills retain the cap on over-leasing. It is anticipated this requirement will be part of the final FY 2011 Appropriations Act. This would mean that in CY 2011, PHAs will continue to be prohibited from using HAP funds or NRA to increase leasing beyond their authorized number of units under ACC.

4. A PHA does not need to reach 98 percent leasing of vouchers in order to achieve the maximum points in the SEMAP utilization category. Points are awarded on the basis of the higher of the voucher utilization percentage or budget authority utilization percentage.

If you have any questions concerning this letter please contact your local Field Office or your Financial Analyst at the Financial Management Center assigned to your agency.

Sincerely yours,

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