

WtW VOUCHER PROGRAM TELECONFERENCE
FOCUS ON FINANCE:
BUDGETING, UTILIZATION, DE-RESERVATION, AND REALLOCATION
THURSDAY, NOVEMBER 6, 2001
1:00 P.M. – 2:15 P.M. EST

Introduction

- The WtW voucher program represented the first significant increase in federal housing assistance in five years. The increase has understandably led to administrative challenges related to the financial management of the program, including budgeting, utilization, and funding renewals. This is especially so for PHAs where the WtW units represent a significant percentage increase in the size of their overall voucher program, or for PHAs where the WtW program is their first experience in leasing a large number of units.
- Not only did the program represent the first significant increase in voucher assistance, but it came into existence during a time when the issue of utilization in the housing choice voucher program came under and continues to receive increased scrutiny by Congress.
- Demonstrating leasing success in the WtW voucher program has been a high-priority initiative as part of the broader effort of HUD and its stakeholders to convince Congress to fully fund the housing choice voucher program.
- Successful leasing requires that staff managing lease-up have an adequate understanding of housing choice voucher financial management concepts related to budgeting, utilization, renewals, de-reservation and reallocation. It also requires that PHA financial staff and leasing staff regularly communicate and share information related to leasing rates and use of budget authority.

Definitions

- **Annual Contributions Contract (ACC)** - Basic contract document between the U.S. Department of Housing and Urban Development (HUD) and the PHA. The contract specifies the general requirements of the program and provides for funding over the term of the contract.
- **Consolidated Annual Contributions Contract (CACC)** - Consolidated contract between HUD and a PHA for the housing choice voucher program. The CACC supersedes any previous ACCs for a program. Exhibit B is the funding schedule for the housing choice voucher program.
- **Budget Authority** –The funding that HUD provides to the PHA to pay housing choice voucher program expenses, including housing assistance payments, ongoing administrative fees, special fees, and audit costs.

- **Contract Renewal** - When the term of a funding increment expires, HUD may renew the increment. When this occurs a notification letter and funding exhibit will be sent to the PHA. The documents will identify the allocation amount and term of the renewal funding increase.
- **ACC Reserve Account** - An account established by HUD from amounts by which the maximum payment to the PHA under the consolidated ACC (during a PHA fiscal year) exceeds the amount actually approved and paid. The approved reserve level is the amount equal to one month of the current year's projected expenditures, as reflected on the PHA's approved budget.
- **Baseline Unit Allocation** – Number of units reserved by HUD for the PHA. HUD has established an initial baseline number of units reserved for each PHA as of December 31, 1999, which is updated annually to account for new unit allocations awarded to the PHA, project transfers approved, reallocations, etc. The baseline unit allocation is used to calculate the number of renewal units and associated renewal funding.

Basic Guidance

- Key HUD guidance related to funding renewals is contained in the following *Federal Register* notices:
 - *Renewal of Expiring Annual Contributions Contracts in the Tenant-Based Section 8 Program; Formula for Allocation of Housing Assistance; Final Rule*, dated October 21, 1999 [FR-4459-F-03]. The final rule establishes procedures for determining baseline unit allocations for which HUD obligates and renews Section 8 funding; and
 - *Tenant-Based Section 8 Program: Procedures for Determining Baseline Unit Allocations, Verifying Unit Allocations, Accessing, Using, and Restoration of and Recapture of Program Reserves and Transfers of Baseline Unit Allocations; Notice*, dated April 19, 2000 [FR-4459-N-07]. The notice describes how HUD will annually assess each PHA's leasing rate and use of annual budget authority to determine whether to reallocate unused baseline units and unexpended annual budget authority to other PHAs.
 - *Housing Choice Voucher Program: Funding Availability for Reallocated Baseline Units and Annual Budget Authority and for Reallocated Baseline Welfare to Work Units and Annual Budget Authority; Notice*, dated November 1, 2001 [FR-4694-N-01]. The notice announces separate HUD procedures for reallocating baseline units and annual budget authority in the housing choice voucher and WtW voucher programs, respectively.
- *WtW PHAs are required to lease 100% of the **units** reserved for WtW.* In other words, WtW leasing performance is measured by the percentage of units leased

rather than the use of budget authority, as in the regular housing choice voucher program.

- *Funding shortfalls projected in the WtW voucher program must be viewed in the broader context of the funding available to the PHA's housing choice voucher program.* There is no separate ACC established specifically for WtW. WtW funds are a component of the regular housing choice voucher program.
- *HUD may reallocate any unused WtW voucher program funds at the end of the ACC term.* Reallocation procedures are described in *Federal Register* notice FR-4694-N-01 dated November 1, 2001. The reallocation procedures for WtW differ from those outlined for the regular housing choice voucher program in that they are streamlined and take place under a shorter timeframe. See below for a detailed description of these procedures.
- *WtW units are included in the calculation of SEMAP Indicator 13, Lease-Up.* WtW leasing success will therefore affect a PHA's overall utilization rate, as measured by SEMAP.
- *PHAs should track separately financial information on the WtW voucher program.* HUD's financial information system is currently unable to distinguish between regular and WtW voucher program funding. HUD has instructed WtW PHAs to provide separate financial information for the WtW program. The accounting should be recorded and reported separately on both the budget and the year end statements. See Exhibit 1, which contains instructions for tracking WtW financial information. If you are not currently tracking WtW financial information separately, HUD requests that you begin to do so immediately. PHAs will not be required to reconstruct separate financial data for budgets and year-end statements previously submitted.
- *HUD is synchronizing contract renewals so that the expiration dates of all renewal increments will be four months after the close of the PHA's fiscal year.* This synchronization will make the renewal process more efficient and will provide HUD with more current data to use as a basis for renewing funds. Until the synchronization process is complete, the renewal term for the ACC may be for more or less than 12 months.

Monitoring WtW Leasing Rate and Use of Annual Budget Authority

Budgeted Vs. Actual Costs to Administer the Program

- PHAs must regularly and carefully monitor budgeted amounts to administer the WtW voucher program against actual costs. Recently, several PHAs have reported that, due to increased costs to administer the WtW voucher program, funds available were insufficient to lease the number of units reserved.
- These cost increases may be specific to the WtW voucher program, i.e. WtW voucher program families requiring larger bedroom unit sizes or making lower tenant

rent contributions than regular program families, or the cost increases may affect both programs, i.e. rising utility costs or an increase in the payment standard.

- Funding shortfalls must be viewed in the broader context of the funding available in the PHA's regular housing choice voucher program. PHAs can use the following available housing choice voucher program funds to cover shortfalls in the WtW voucher program:
 - ACC reserves for the program. The reserve level is set at one month and can be used to cover increased program costs, including costs associated with administering the WtW voucher program.
 - Housing choice voucher program budget authority not projected for expenditure.
- If, after performing a detailed analysis of budgeted vs. actual costs to administer the program, the PHA cannot identify available funds to cover the shortfall, the PHA should inform its WtW Technical Assistance (TA) Provider of the problem. The TA Provider will work with the PHA and HUD to resolve the issue.
- Resolving financial issues and identifying appropriate dollars to cover funding shortfalls requires close coordination and discussion between the PHA WtW staff and PHA staff responsible for the financial management of the housing choice voucher and WtW voucher programs.

Over-Issuance and Over-Leasing

- PHAs may over-issue as part of a strategy to achieve a leasing rate of 100 percent and full utilization of annual budget authority. In this case, the PHA operates under the assumption that not all issued vouchers will result in a successful lease-up. In order to avoid excessive over-issuance and, consequently, over-leasing, PHAs should regularly monitor leasing success rates and turnover rates and adjust accordingly the number of vouchers issued each month.
- HUD recognizes that there will be occasions when more families than predicted lease units. When over-leasing occurs, the PHA is allowed to exceed its annual budget authority and *temporarily* support these additional units through its ACC Reserve Account. In the regular voucher program HUD will not replenish depleted program reserves. Instead, the PHA must take steps to reduce the size of its program down to a level supported within its annual budget authority, and the PHA is required to replenish its reserves. If an over-leasing situation occurs in the voucher program as a result of the policy to lease 100% of WtW vouchers, in conjunction with over-issuance, the PHA should contact HUD Headquarters for guidance.

Effect of Portability on Leasing Rate

- If a WtW family ports out of the WtW PHA's jurisdiction and leases a unit elsewhere, the WtW PHA can count the unit as a lease-up only if the receiving PHA agrees to

enter into an arrangement whereby it bills the initial/WtW PHA for the cost of administering the unit.

- If the receiving PHA absorbs the WtW family, the lease-up counts as a lease-up for the receiving PHA. The initial WtW PHA would then have to fill the available slot with a WtW voucher family.

Re-issuance, Voucher Term, and Funding Term

- If a WtW voucher becomes available due to turnover during the WtW funding term, the voucher must be re-issued to another WtW eligible family selected from the waiting list. It does not become a regular housing choice voucher. The “WtW funding term” is defined as the term of the WtW ACC funding increment. Until such time that HUD notifies the PHA differently, the WtW voucher remains a WtW voucher, and funds reserved for WtW remain as such.
- PHAs cannot place time limits on voucher program assistance, and this prohibition applies to the WtW voucher program. WtW PHAs do have the discretion, however, to establish criteria for "graduating" from the WtW program. If a PHA establishes a policy whereby a family can graduate from the WtW program, the family would automatically be assisted under the regular voucher program, provided that the family still qualifies for the subsidy. The hope would be that this working family ultimately would not require any housing assistance. Once a family “graduates” from the WtW program, the PHA would then have to fill the available slot with a WtW voucher family.

De-reservation and Reallocation of WtW Units and Annual Budget Authority/Review of November 1, 2001 Federal Register Notice

- On November 1, 2001, HUD published a *Federal Register* notice [FR-4694-N-01] announcing HUD procedures for reallocating baseline units and annual budget authority. The notice outlines separate procedures for the regular housing choice voucher program and for the WtW voucher program.
- Section III of the November 1, 2001 *Federal Register* notice outlines the reallocation procedures for WtW.

De-reservation and Renewal – Applicable Only to PHAs with WtW Funding Increments Extended Through December 31, 2001

- Only those PHAs with WtW funding increments that were *extended* through December 31, 2001 are subject to de-reservation and reallocation. PHAs with WtW funding increments that have already been renewed are not subject to de-reservation and reallocation.
- HUD will determine the PHA’s WtW leasing rate based on the actual number of units leased as of December 1, 2001 (“point-in-time” measurement).

- PHAs with leasing rates below 95 percent on December 1, 2001 will be subject to de-reservation and reallocation. HUD will not provide any additional warnings or cure periods. HUD does not anticipate granting any special exceptions to PHAs that achieved 95-100 percent leasing in previous months but dipped below 95 percent on December 1, 2001.
- WtW leasing data will be collected through Quadel's contract with HUD to provide technical assistance to the WtW voucher program. The leasing data to be collected is detailed in Exhibit 2. PHAs must submit leasing data to their WtW TA Providers no later than December 10, 2001. Accurate and timely data reporting is critical to HUD's ability to make an accurate determination regarding de-reservation and reallocation.
- PHAs that achieve a leasing rate of 95 percent or better will be renewed as of January 1, 2002 based on the full number of units allocated to them.
- PHAs that do not achieve a leasing rate of at least 95 percent will lose all unleased units. HUD will not take funds away from the PHA. Rather, at the time of renewal (December 31, 2001), HUD will reduce the number of baseline units for the PHA, and the PHA will not receive any renewal funding for units lost.

Applying for Reallocated WtW Voucher Units and Annual Budget Authority

- No earlier than January of 2002, HUD will post an invitation for WtW voucher PHAs to apply for reallocated baseline WtW voucher units and annual budget authority. The invitation will be posted on the following Internet site:

<http://www.hud.gov/pih/programs/ph/wtw>

- The invitation will specify the following:
 - Total number of baseline WtW voucher units available;
 - Amount of budget authority to be reallocated; and
 - Per unit annual budget authority amount. This is the average per unit annual budget authority amount for all of the units available for reallocation and announced by that invitation.

Eligibility

- Only PHAs with WtW voucher leasing rates of at least 97 percent as of December 1, 2001 ("point-in-time" measurement) are eligible to apply for reallocated vouchers and budget authority. This determination will be based upon the leasing data collected through Quadel's technical assistance contract (see Exhibit 2).

- HUD does not anticipate granting any special exceptions to PHAs that achieved 97-100 percent leasing in previous months but dipped below 97 percent on December 1, 2001.

Maximum and Minimum Voucher Request

- An eligible PHA may apply for the number of WtW units available, as stated in the invitation. The PHA's request, however, should be realistic and reasonable, reflecting the number of additional vouchers it can expect to lease in as short a timeframe as possible. No minimum request number exists.

Application Submission and Due Date

- Applications must be submitted to HUD Headquarters, using form HUD-52515. Note that Section C of the form, Average Monthly Adjusted Income, does not need to be completed. The invitation to apply will specify the application due date and submission procedures.

Selection and Funding Procedures

- All applications submitted by PHAs meeting the eligibility criteria will generally be funded on an equitable basis. One likely approach will be to allocate available vouchers among eligible applicants on a percentage basis in proportion to the size of their initial WtW voucher allocation.
- If HUD determines that too many applicants exist to award each applicant the number of WtW vouchers requested and for which it is eligible, HUD will select applicants by lottery and then distribute the available vouchers among the selected PHAs using an equitable approach, such as on a percentage basis in proportion to the number of WtW voucher units in the PHA's initial WtW voucher allocation.
- If there are insufficient applications in response to an invitation, the unused, reallocated WtW units and related annual budget authority will be included in the next invitation.
- The reallocated units will not count against the PHA's leasing rate under SEMAP for the first 12 months. Nonetheless, HUD expects that the reallocated units be leased as soon as possible.

EXHIBIT 1

TRACKING WtW VOUCHER PROGRAM FINANCIAL INFORMATION INSTRUCTIONS FOR MAKING ADJUSTMENTS TO FINANCIAL DOCUMENTS

Each of these forms can be downloaded from HUDCLIPS: www.hudclips.org.

Form HUD-52672, Supporting Data for Annual Contributions Estimates

- Use lines 11-14 to identify by bedroom size the estimate of the unit and cost data projected for WtW participants.
- To the left of lines 11-14, insert “WtW”.

Form HUD-52673, Estimate of Total Required Annual Contributions

- In the blank section at the bottom of page one, identify the following for WtW participants:

WtW Projected Units:

WtW Projected Unit Months Leased:

WtW Projected Annual Budget Authority:

Form HUD-52681, Year-End Settlement Statement

- On line 6 of page one, mark an “X” in the box titled “Other”.
- On line 14 of page one, line out/cross out “Security and Utility Deposit Fund” and insert/replace with “WtW”. Line 14 will identify actual PHA housing assistance payment cost for WtW participants.
 - Enter approved budget estimates in column A of line 14.
 - Enter PHA actual totals in column B of line 14.
- In the blank section at the bottom of page one, identify the actual number of units and unit months leased by bedroom distribution for WtW participants.

EXHIBIT 2

WtW VOUCHER PROGRAM LEASING DATA REPORT FOR MONTH 6

PHA: _____ TA Provider: _____

Name and Title of Reporting Staff Member: _____

Please submit this form to your TA Provider by Monday, December 10, 2001. All data should be through December 1, 2001 or later.

IMPORTANT NOTE: For those PHAs with WtW ACC extensions through December 31, 2001, HUD will utilize the leasing data provided in this report to determine whether or not to de-reserve and reallocate unused vouchers, according to the process described in Federal Register Notice FR-4694-01, dated November 1, 2001. It is critical, therefore, that you complete and submit this leasing data report to your TA Provider by the above-mentioned deadline, so that HUD can make its determination as accurately as possible.

1. Total number of WtW vouchers issued (include vouchers on street, expired, and those that resulted in a lease):

2. Total number of WtW Request for Tenancy Approvals (RTAs) currently being processed: _____
3. Total number of WtW vouchers leased (cumulative total since the beginning of the program): _____
4. Total number of WtW vouchers currently under lease: _____
5. WtW voucher turnover:
 - Total number of leases executed (cumulative total since the beginning of the program): _____
 - Total number of participants that have left the program since leasing up: _____
6. Reason for turnover (please indicate the number of former participants for each):
 - "Graduation" from program (Family left voucher program for reason related to success; i.e. became homeowner, TTP exceeded gross rent) : _____
 - Failure to meet regular program or WtW obligations: _____
 - Abandoned unit/unknown: _____
7. If your WtW program is 97% leased, are you interested in applying for more WtW vouchers? ___ Yes ___ No
8. If you answered "YES" to Question 7, approximately how many WtW vouchers are you considering applying for?
