

Capital Fund Grants Processing Guidance for PHAs

Overview. This guidance provides Public Housing Agencies (PHAs) and HUD Field Offices with information and procedures for processing Capital Fund Program Awards for Capital Fund Program formula grants and, where applicable, the Replacement Housing Factor grant(s) for your PHA.

The following was used in the calculation of the Capital Fund formula:

- [**Certification of Accuracy of Data in PIC**](#). The certification process is described in [**Notice PIH 2008-46\(HA\)**](#).
- [**High Performer List for the Capital Fund Calculation**](#).
- [**HOPE VI Replacement Unit Counts**](#).

For more information on these three data elements, see the Capital Fund website. ([**Office of Capital Improvements**](#))

PHAs are encouraged to thoroughly read the processing guidance in order to ensure quick and efficient distribution of Capital Fund Program Awards. For more information on a specific topic, click on the title identified below:

- [**FY 2010 Capital Fund ACC Amendments**](#) ([**Office of Capital Improvements**](#))
- [**FY 2010 Capital Fund Processing Timeline**](#) ([**2010 Capital Fund Timeline**](#))
- [**PHAs Rejecting a Capital Fund Grant**](#)
- [**Revision of the ACC Amendment**](#)
- [**Retrieval and Signing of the ACC Amendments**](#) ([**Office of Capital Improvements**](#))
- [**Board Resolution Required on File**](#)
- [**Submission of ACC Amendments**](#) ([**2010 Capital Fund Timeline**](#))
- [**Due Date for ACC Amendments**](#) ([**2010 Capital Fund Timeline**](#))
- [**Submission of the Capital Fund Annual Statement with ACC Amendments**](#) ([**2010 Capital Fund Timeline**](#))
- [**Other Required Submissions for Qualified Public Housing Agencies**](#) ([**Information and Submissions to HUD, Required of Qualified PHAs**](#))
- [**Proposed Work Items and the Five Year Action Plan**](#) ([**Capital Fund Program Five Year Action Plan**](#))
- [**Environmental Review Requirements**](#)
- [**LOCCS Initial Budget**](#)
- [**PHAs Without an Annual Statement, Approved Annual Plan or an Approved Environmental Review**](#)
- [**Withholding and Sanction for Failure to Obligate**](#)
- [**Failure to Expend Within the Timeframe**](#)
- [**Replacement Housing Factor Grants**](#) ([**Processing Information for the Submission of RHF Plans**](#))

- [Moving to Work Demonstration \(MTW\) – RHF Grants](#)
- [Additional Information](#)

1. **FY 2010 Capital Fund ACC Amendments.** To view the grant information for PHAs, select a state from the list box or use the map. Click on the following link [Office Of Capital Improvements](#).
2. **FY 2010 Capital Fund Processing Timeline.** Click on the following link. ([2010 Capital Fund Timeline](#))
3. **PHAs Rejecting a Capital Fund Grant.** If a PHA elects to reject any Capital Fund grant(s), the Executive Director must send a written statement to the local HUD Field Office on letterhead stationery which identifies the grant number and dollar amount of the grant(s) to be rejected. If a PHA does not send a written statement to the local HUD Field Office, the grant will be held in reservation until next fiscal year's Capital Fund Grant Awards after which the grant will no longer be available to the PHA.

PHAs are required to have on file at the housing authority a resolution from the Board of Commissioners rejecting the Capital Fund grant(s) for the fiscal year. [\[Back To Top\]](#)

4. **Revision to the ACC Amendment.** A new provision has been added to the ACC Amendment that states:

“HUD reserves the right to provide additional CFP assistance in this FY to the PHA. HUD will provide a revised ACC Amendment authorizing such additional amounts.”

This provision will permit HUD to provide additional CFP assistance to PHAs throughout this fiscal year (e.g., for distributing to eligible PHAs any recaptures). HUD will provide each PHA with a revised CFP ACC Amendment for every addition of assistance provided to the PHA in this fiscal year. In FY 2010, we anticipate that the amount of the additional assistance will be minimal in relation to the overall grant. If these additional funds become available, HUD will notify you about the process for accepting/rejecting the funds. All funds accepted by the PHA this fiscal year will be subject to the same obligation start and end dates. [\[Back To Top\]](#)

5. **Retrieval and Signing of the ACC Amendments.** All PHAs are required to retrieve the ACC Amendment(s) from the website identified above and print an ACC Amendment for each of their grants (e.g., formula, first increment RHF, second increment RHF). The Executive Director or the designee must sign and date three originals of each ACC Amendment. PHAs are required to have on file at the housing authority a resolution from the Board of Commissioners accepting the Capital Fund grant(s) for the fiscal year. By signing the ACC Amendment the PHA is agreeing to comply with the Capital Fund Program statute (i.e., Section 9 of the United States Housing Act of 1937, as amended, and the regulations including 24 CFR Parts 905, 941, and 968). ([Office of Capital Improvements](#))

Board Resolution Required on File. All PHAs are required to retain a resolution from the Board of Commissioners on file at the housing authority which accepts and/or rejects the FY 2010 Capital Fund Program grant(s). Non-qualified PHAs may already have a resolution from the Board of Commissioners on file which supports the initial Capital Fund budget submitted with the PHA's Annual Plan. The initial Capital Fund budget is based on an estimate of the Capital Fund award. The PHA's Board of Commissioners resolution on the initial Capital Fund budget meets HUD's requirements. [\[Back To Top\]](#)

6. Submission of ACC Amendments.

a. Due Date for ACC Amendments. The ACC Amendments must be received in the HUD Field Office by the date identified in the Capital Timeline which is posted to the web. ([2010 Capital Fund Timeline](#)) Any ACC Amendment(s) that are received in the Field Office after the due date will have the same obligation start date. Consequently, PHAs that submit their ACC Amendment(s) after the specified time will have less than 24 months to obligate 90 percent of the Capital Fund grant and less than 48 months to expend these funds.

b. Submission of the Capital Fund Annual Statement with the ACC Amendments. All PHAs, **qualified** and non qualified, must submit three original signed and dated ACC Amendments for each Capital Fund grant(s), along with the [Capital Fund Annual Statement](#) Part I, Summary and Part II, Supporting Pages, to the local HUD Field Office. The eligible activities on the Annual Statement have changed; therefore, it is imperative that PHA's use this new Capital Fund form ([PIH Notice 2008-41](#)). The information in the Annual Statement is required for the HUD Field Office staff to enter the PHA's budget into the Line of Credit Control System (LOCCS) and to monitor compliance with HUD's requirements under Section 9.

For non-qualified public housing agencies that submitted the form HUD-50075.1 Part I and Part II with the Annual Plan earlier this year, this submission will be a revised budget based on the actual funding amount which was posted to the web. [\[Back To Top\]](#)

c. Other Required Submissions for Qualified Public Housing Agencies. Qualified Public Housing Agencies that are in violation of section 9(j) are also required to submit Performance and Evaluation Reports and the required certifications along with the ACC Amendment(s).

- **Proposed Work Items and the Five Year Action Plan.** All work items contained in the Annual Statement must be included in the HUD-approved Capital Fund Five-Year Action Plan. Qualified public housing agencies that are proposing to undertake new work items that are not in an approved Capital Fund Five-Year Action Plan are required to revise/amend their Five-Year Action Plan. Qualified public housing agencies are required to submit rolling Five Year Action Plans and fixed Five Year Action Plans that have expired annually with the ACC Amendment. [\[Back To Top\]](#)

7. Section 9(d)(1) of the Act establishes the Department's authority to collect information necessary to implement and monitor the Capital Fund Program. ([Capital Fund Program Five Year Action Plan](#))
8. **Environmental Review Requirements.** All PHAs must meet the environmental review requirements of 24 CFR Part 50 or 24 CFR Part 58. Until the PHA has met the environmental review requirements, the Capital Fund formula grant will remain in the LOCCS initial budget. PHAs are permitted to obligate and expend for activities and work items that are either categorically excluded and not subject to compliance requirements under related environmental laws and authorities under 24 CFR 50.19(b) or exempt/categorically excluded from the environmental review requirements under 24 CFR 58.34(a) and 24 CFR 58.35(b). (For further guidance see [24 CFR Part 50 or 24 CFR Part 58](#)).

The following are examples of activities that do not require environmental review because: (1) under Part 50, they are categorically excluded from environmental assessment under the National Environmental Policy Act (NEPA) and not subject to compliance with related environmental laws (§50.19(b)); and (2) under Part 58, they are either categorically excluded from NEPA assessment and not subject to compliance with related laws (§58.35(b)) or exempt from environmental review (§58.34):

- Environmental studies;
- Inspections and testing of properties for hazards and defects;
- Administrative and management activities;
- Purchase of insurance and tools;
- Engineering and design costs;
- Assistance for temporary or permanent improvements that do not alter environmental conditions and are limited to protection, repair, or restoration activities necessary only to control or arrest the effects from disasters or imminent threats to public safety including those resulting from physical deterioration.
- Operating costs including maintenance, security, and purchase of equipment (e.g., vehicles, office furniture, and play equipment).
- Activities to assist homebuyers to purchase existing dwelling units or units already under construction; and
- Affordable housing predevelopment costs that do not have a physical impact.
- Under Part 58, a responsible entity may determine that an activity that is categorically excluded from NEPA assessment under 24 CFR 58.35(a) is exempt from all environmental review if there are no circumstances that require compliance with the related environmental laws and authorities. [\[Back To Top\]](#)

9. **LOCCS Initial Budget.** The LOCCS initial budget will be as follows:

LOCCS Initial Budget			
BLI 0100-Reserved Budget	70% of the grant authorized amount	undisbursable	Contact Field Office
BLI 1408-Management Improvement	20% of the grant authorized amount	disbursable	Auto review if greater than 20%
BLI 1410-Administration	10% of grant authorized amount	disbursable	Auto review if greater than 10%

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10. **PHAs Without an Annual Statement or Approved Annual Plan or an Approved Environmental Review.** A qualified PHA without an Annual Statement or a non-qualified PHA without an approved Annual Plan will only be able to request funds from BLI 1408, Management Improvements and BLI 1410, Administration.

Some funding requests are subject to the completion of Environmental Review Requirements described above prior to the PHA's commitment (i.e., obligation) of funds or expenditures of funds. If the PHA wants to expend from any other budget line item, the PHA must meet all necessary Environmental Review Requirements prior to submission of documentation to support the requested expenditure to the HUD Field Office for review. The Field Office will ensure that all the necessary Environmental Review Requirements have been met prior to reviewing the PHA's documentation. Once the Environmental Review Requirements have been met, the Field Office will review the submitted documentation to support the expenditure and approve or reject the request based on the documentation.

If the requested documentation is approved, then the Field Office will update the appropriate budget line item authorizations for the amount of the requested expenditure. The Field Office must notify the PHA of the approval or rejection of the request. If the request is approved, the Field Office updates the authorization and the PHA can voucher for the expense supported by the documentation. [\[Back To Top\]](#)

11. **Withholding and Sanctions for Failure to Obligate in Accordance with the Act and the Regulation.** For PHAs that fail to comply with the obligation requirements, section 9(j) of the Act and [24 CFR section 905.120](#) requires that HUD withhold the PHA's next Capital Fund grant(s) until the PHA obligates 90 percent of its past due grant. If the PHA cures its failure to comply with the obligation requirement during the year, HUD will release the withheld portion of the Capital Fund grant(s), less any penalty. The penalty for noncompliance will be to reduce the new Capital Fund grant(s) by 1/12 for every month the PHA was in noncompliance. Additionally, any grant that was not in compliance in prior fiscal years that became known to HUD after the current fiscal year funds were distributed will be subject to sanctions and penalties in the next funding cycle.

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12. **Failure to Expend Within the Timeframe Will Result in Recapture.** If a PHA fails to expend 100 percent of any Capital Fund grant in accordance with the Act by the expenditure deadline, the remaining unexpended funds will be recaptured.

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13. **Replacement Housing Factor Grants.** This section describes first and second increment RHF grants. Since RHF grants are a type of Capital Fund Program grant they are subject to the Environmental Review Requirements described in the section entitled “Environmental Review Requirements” and they are also subject to the obligation and expenditure requirements of [24 CFR section 905.120](#). (See paragraphs 12 and 13 for a description of the requirements as well as the penalty and sanctions for failing to adhere to the requirements.)

- a. **First Increment RHF Grants.** First increment RHF grants are automatically awarded to all eligible PHAs. For more information see link “[Processing Information for the Submission of RHF Plans](#)”
- b. **Second Increment RHF Grants.** Both PHAs eligible for a first tier of second increment RHF for the first time and PHAs currently receiving second increment RHF grants that are eligible to receive a new tier of second increment in this fiscal year will have their ACC Amendments available on the HUD PIH website, along with the formula grants. For more information see link “[Processing Information for the Submission of RHF Plans](#)”
- c. **Moving to Work Demonstration (MTW) – RHF Grants.** An MTW participant has two choices regarding its RHF funds.
 1. An MTW participant with block grant authority can use its RHF funding for the replacement public housing (development) rental units. In this case the MTW participant’s funds should be kept in BLI 1499. If the MTW participant wishes to accumulate funds prior to development, it can do so by submitting an RHF Plan to HUD for approval. Once the RHF Plan is approved by the HUD Field Office, alternate obligation and expenditure deadlines can be established. The MTW participant does not need to submit an RHF Plan if it intends to use its RHF grant for development that it plans to accomplish within the standard obligation and expenditure deadlines (i.e., obligate 90 percent within 2 years and expend 100 within 4 years of the date that the funds became available). In either case, the funds should remain in BLI 1499 until the PHA’s development proposal, as required by 24 CFR Part 941, is approved by HUD. In this instance, the MTW participant would be eligible to receive second increment RHF funding.
 2. An MTW participant can use its RHF funds in its MTW block grant in accordance with their MTW plan. In this case the MTW participant would not be eligible for second increment RHF funding and its funds should be kept funds in BLI 1492. The MTW participant would be required to obligate 90

percent of its RHF grant within 2 years and expend 100 percent within 4 years of the date that the funds became available.

Individual MTW participants that need assistance making the transition to this new RHF procedure should contact Ivan Pour, the Director of the Moving to Work Program, as well as send an email to PIH OCI. [\[Back To Top\]](#)

14. **Additional Information.** If you have any questions or you need additional information, please contact the Field Office staff in your jurisdiction. At PIH Headquarters, Office of Capital Improvements, email your questions to [PIHOCI @ HUD.gov](mailto:PIHOCI@HUD.gov). [\[Back To Top\]](#)