Subject: Continued Availability of Funds for COVID-19 Supplemental Payments for Properties Receiving Project-Based Rental Assistance under the Section 8, Section 202, or Section 811 Programs

I. Purpose

This Notice announces the continued availability of supplemental operating funds for Section 8, Section 202, and Section 811 properties to prevent, prepare for, and respond to the coronavirus disease discovered in 2019 (COVID-19) and establishes a revised process for owners of properties assisted under these programs to request funds for one or more of these purposes. Appropriations provided under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (Pub. L. 116-136) will continue to be provided via a special payment process that supplements amounts currently provided under existing Section 8, Section 202, and Section 811 rental assistance contracts administered by the Office of Multifamily Housing.

The Notice establishes a fourth request window (Round IV) and updates submission requirements. The guidance includes a November 19, 2021, filing deadline for owners of properties assisted under these programs to be considered for COVID-19 Supplemental Payments (CSP). This fourth request period covers expenses incurred through October 31, 2021. This is anticipated to be the final round of COVID-19 Supplemental Payments utilizing CARES Act funds. The Notice includes important updates to eligibility criteria and the process for awarding funds. For Round IV, HUD is making the following changes:

- Adding additional eligible expenses, including certain capitalized building costs recognized to have direct role in mitigating the spread and impact of COVID-19 within Multifamily properties. (See Section IV for more details.)
- Updating the formula for Standard CSP funding caps (Section VI) with increase to the base and per-unit amounts.
- Establishing a new funding prioritization schedule that features a minimum expected funding level for all properties and categorizes certain expense categories as higher priorities (Section VII).

Relaxing financial-need criteria for smaller *Standard CSP* requests to encourage owner support for vaccination efforts and other beneficial expenditures (Section VIII).

Updates to form HUD-52671-E (used by a property owner to request a CSP) are currently pending. An updated version of the form is expected to be posted on HUDCLIPS no later than October 1, 2021.

II. **Background**

The CARES Act provides $1 billion under the heading *Project-Based Rental Assistance* (PBRA) for Section 8 properties, $50 million under the heading *Housing for the Elderly* (Section 202), and $15 million under the heading *Housing for Persons with Disabilities* (Section 811) to “prevent, prepare for, and respond to coronavirus, including to provide additional funds to maintain normal operations and take other necessary actions during the period that the program is impacted by coronavirus.”

A majority of CARES Act funding for Section 8 PBRA, and lesser proportions of Section 202 and Section 811 CARES Act funding, was utilized to maintain normal operations as amounts due to owners under the terms of current rental assistance agreements increased in 2020. CARES Act funding provided an infusion of rental subsidy funds that, together with amounts appropriated under the fiscal year 2020 Appropriations Act, helped to offset decreased tenant rent payments resulting from reduced tenant incomes and to allow continued funding for routine annual contract rent increases.

HUD recognizes that many owners continue to incur additional operational costs to maintain their properties in decent, safe, and sanitary condition as it relates to responding to COVID-19 in the community. To the extent that rent receipts and other project funds are inadequate to address these needs and meet other ongoing financial obligations, HUD has created opportunities for supplemental subsidy payments. On July 23, 2020, Notice H 2020-08 provided an initial request period for CSPs. This was followed by the announcement of a second request period on November 24, 2020, in Notice H 2020-11, and announcement of a third request period on April 13, 2021, in Notice H 2021-01. Through this Notice HUD is making available CARES Act funds for a fourth and anticipated final round of CSPs to offset continuing property expenditures made in response to the effects of COVID-19.

This Notice provides a mechanism for owners to receive payment that is in addition to amounts available to them under the terms of their current rental assistance contracts. All requests for additional payment must be submitted through the COVID-19 Supplemental Payments (CSP) process detailed below.

III. **Applicability**

This Notice applies to administration of the following programs/project types:

A. Section 8 Project-Based Rental Assistance (PBRA) Housing Assistance Payment (HAP) Contracts
   1. New Construction
2. State Housing Agencies Program
3. Substantial Rehabilitation
4. Section 202/8
5. Rural Housing Services Section 515/8
6. Loan Management Set-Aside (LMSA)
7. Property Disposition Set-Aside (PDSA)
8. Rental Assistance Demonstration (RAD)²

B. Section 202/162 Project Assistance Contract (PAC)
C. Section 202 Project Rental Assistance Contract (PRAC)
D. Section 202 Senior Preservation Rental Assistance Contract (SPRAC)
E. Section 811 Project Rental Assistance Contract (PRAC)

IV. **Amounts Available**

HUD may provide CSPs using CARES Act appropriations only. Amounts made available through other appropriations are not available for this purpose. HUD may cumulatively approve CSPs totaling up to $190 million to Section 8 properties, up to $25 million to properties under the Section 202 program, and up to $9 million for Section 811 properties.

<table>
<thead>
<tr>
<th>Appropriation Account</th>
<th>Initial CSP Allocation</th>
<th>Approximate Balance Available for Round IV*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Based Rental Assistance (Section 8)</td>
<td>$190 million</td>
<td>$158 million</td>
</tr>
<tr>
<td>Housing for the Elderly (Section 202)</td>
<td>$25 million</td>
<td>$16 million</td>
</tr>
<tr>
<td>Housing for Persons with Disabilities (Section 811)**</td>
<td>$9 million</td>
<td>$7 million</td>
</tr>
</tbody>
</table>

*May be reduced by adjustments to CSP Round III funding decisions.
**Section 811 amounts for CSPs may be increased by up to $1.5 million pending reallocation of CARES Act funds currently held in reserve.

HUD is allocating and prioritizing resources such that all properties meeting core eligibility requirements can expect to be reimbursed for a minimum level of funding, which varies based on property characteristics and the type of rental assistance contract. See Section VII for additional information on minimum expected funding levels.

V. **Eligible Expenditures**

CSPs will help address operating cost increases incurred by owners to prevent, prepare for, or respond to COVID-19 at their properties, including costs to maintain normal operations and to take other necessary actions while project-based Section 8, Section 202, and Section 811 programs are impacted by COVID-19. CSPs will supplement regular HAP, PAC, PRAC, and

² Funding is available only to Section 8 RAD contracts that are currently receiving funds through the PBRA account. Projects that are assisted under project-based voucher contracts are not eligible under this Notice but may be under guidance published by HUD’s Office of Public and Indian Housing.
SPRAC funds for project expenses related to COVID-19 that are generally consistent with existing program guidance that identifies eligible and ineligible project expenses/operating costs.

CSPs are available only to offset actual expenditures and may not fully reimburse all COVID-19 related costs. CSPs are not a means to receive funding for lower tenant rent contributions due to income reductions, extended vacancies, or unpaid tenant charges. To the extent allowable under current policies, these financial impacts can be addressed through Special Claim payment requests, tenant recertifications with corresponding subsidy voucher adjustments, and use of the Emergency Rental Assistance Program (ERAP).

For CSP Round IV, the specific eligible activities and purchases for which costs may be reimbursed through CSP have been classified as Category A and Category B.

**Category A: Operational Expenses.** Category A expenses include the following (changes for Round IV in italics):

1) Increased frequency of cleaning and disinfecting common areas and property management offices as a preventative measure.

2) Intensive deep cleaning and sanitization services in response to the presence of COVID-19 cases at the property, which may include treatment in units being prepared for re-occupancy, in addition to common areas.

3) Office technology and other equipment to facilitate social distancing.

4) Personal protective equipment (PPE) such as face masks, goggles, gloves, and hand hygiene products for use by property management staff and for residents entering leasing offices or using common areas.

5) Facility and equipment expenses related to maintaining adequate social distancing, including but not limited to cough/sneeze barriers or modifying or limiting access to communal spaces.

6) Site control measures in support of shelter-in-place, stay-at-home orders, or visitor-restriction policies within properties.

7) Temporary staffing, contract services, overtime pay, and/or supply expenditures to maintain or enhance ongoing service coordination in properties designated to serve the elderly or persons with disabilities (excludes service coordinator positions funded by a Multifamily Service Coordinator Grant).

---

3 See HUD Handbook 4350.3 and the Multifamily Special Claims Guide for additional information.

4 Properties with service coordinator positions funded by a HUD Multifamily Service Coordinator grant may instead request supplemental CARES Act funding for their MFSC program through a grant amendment. Cost increases associated with ongoing service coordinator activities funded by an Integrated Wellness in Supportive Housing...
8) Temporary staffing increases to process higher-than-normal volumes of interim tenant recertifications requested by tenants due to loss of income (includes overtime and new positions; excludes “hazard pay” or other bonuses).

9) Incremental costs of upgrading disposable HVAC air filters to include those with higher Minimum Efficiency Reporting Value ratings. This should not include the full cost of routine replacement but may include the incremental cost of purchasing higher-quality filters over basic ones that were previously used. Also permitted are minor equipment expenditures to improve air quality over a temporary period (i.e., rental or purchase of a window fan or portable air purifier in the leasing office or high-traffic common areas).

10) Property operating costs associated with facilitating access to COVID-19 vaccination and testing services for residents that are administered by third-party healthcare providers. Overtime for property management staff and existing service coordinators, additional cleaning and PPE associated with conducting vaccination, and testing events and temporary clinics at the property are among the eligible expenses. Also covered are owner reimbursements to residents for public transit fares and owner costs for transportation services, not to exceed the current Internal Revenue Service rate of $0.56 per mile, to provide residents access to nearby vaccination sites. Expenses for tent, table, and chair rentals for outdoor vaccination events at the property will be permitted. Reimbursable expenses do NOT include the costs for provision of any medical care, such as the cost of individual tests, vaccinations, or clinical consultations.

---

IWISH grant are eligible expenses under CSP only to the extent increases were paid from project operating funds. CSP may not be requested for COVID-related expenses that were previously reimbursed from IWISH grant funds. In addition, CSP reimbursement is not permitted for any costs associated with IWISH wellness nurse positions or for elderly direct services costs.

5 Temporary use of property common areas, parking lots, and vacant offices by providers of healthcare services to provide COVID-19 testing and vaccines to residents is generally allowable at Multifamily properties. Owners and agents should ensure that their testing site has a Clinical Laboratory Improvement Amendments (CLIA) certificate of waiver or is covered by another facility’s CLIA certificate. Owners and agents are encouraged to consult with their legal counsel before hosting healthcare services on site and to visit the CDC’s vaccine web page for further information.
CSPs are intended to address temporary cost increases associated with property management during the period of national COVID-19 impact and are not available for capital costs, except where specifically identified under Category B.

**Vaccination Resources for Property Managers and Owners**

In May 2021, U.S. Housing and Urban Development (HUD) Secretary Marcia L. Fudge and U.S. Health and Human Service (HHS) Secretary Xavier Becerra announced a joint-agency effort to increase access to COVID-19 prevention and treatment services, including testing and vaccinations. The Departments released a [HUD COVID Vaccination and Testing Toolkit](https://www.cdc.gov/coronavirus/2019-ncov/community/multifamily-housing.html) and are offering informational resources to support housing provider efforts to facilitate access to services.

HUD encourages housing providers to partner with Federally Qualified Health Centers (FQHCs) to improve access to vaccinations. Toward that end, HUD has produced an interactive mapping tool. Alternatively, owners looking to partner with a non-FQHC vaccine provider can visit Vaccines.gov and vacunas.gov, which feature 50,000 vaccination sites across the country, including primary care physicians, federal pharmacy partners, state sites, and FEMA sites. Locations are updated frequently.

**Category B: Eligible Capital Expenses.** This CSP round will consider reimbursement of certain capital investments made in direct response to COVID-19 that will benefit the property over a multi-year period that includes (but may extend beyond) the period for which the property is affected by COVID-19.

The following are **Eligible Capital Expenses** that are newly eligible under Round IV:

1) **Incremental Costs for HVAC System Ventilation and Filtration Upgrades.** Owners may include only the marginal cost of system enhancements specifically designed to limit virus transmission in building common areas by improving air flow and filtration. CSP reimbursements are authorized to supplement, not replace, expenditures from the Reserve for Replacement accounts for HVAC systems. All technologies must be consistent with virus mitigation measures identified by the CDC. Please see CDC communications on maintaining healthy environments in common areas of multifamily housing, including “Ensuring Adequate Ventilation” ([https://www.cdc.gov/coronavirus/2019-ncov/community/multifamily-housing.html](https://www.cdc.gov/coronavirus/2019-ncov/community/multifamily-housing.html)).

2) **Emergency Generators to protect vulnerable elderly residents from the exposure risk associated with evacuations/displacement.** HUD will allow reimbursement only where generators are necessary to address critical medical needs and a documented risk of recurring power outages pose a significant risk to residents if stay-at-home orders or other public health directives prevent or discourage temporary relocations.

3) **Broadband Wi-Fi Infrastructure.** Though an increasing number of buildings include broadband wiring for individual units and community rooms, this infrastructure does not exist in many older HUD-assisted buildings that have not been recently renovated.
Building-wide Wi-Fi is recognized as an effective means to make internet service available to residents in facilities that are not currently wired throughout for broadband. HUD will allow CSP reimbursement for the purchase and installation of infrastructure needed to support building-wide Wi-Fi. The equipment may support service within tenant units and/or in common areas such as the lobby or community rooms. HUD will not allow CSP reimbursement for monthly service costs, which may be paid only from external (non-project funds) or through an optional service charge paid by tenants (see footnote 6 for additional information). The provision of internet services for tenants cannot be included in HUD rents or in utility allowances.

In CSP Round IV, HUD will consider requests to reimburse eligible costs incurred between the enactment of the CARES Act on March 27, 2020, and October 31, 2021. All requests to address expenditures for staffing, contractors, and other services must be for services provided during the eligible timeframe. Costs for purchases of bulk supplies (such as PPE and sanitizer) may reflect inventory purchased during the eligible timeframe that can reasonably be anticipated for use through December 31, 2021.

VI. Standard CSP Request Cap

HUD is retaining a structure for CSP requests that considers the size of a request relative to certain property characteristics. Whether the amount requested is above or below the Standard CSP cap for the property determines eligibility requirements, the level of supporting documentation required by HUD, and the funding priority. (Note, the term Standard CSP replaces the Tier I designation used in prior rounds).

The Standard CSP request process allows for the reimbursement of expenses up to a capped amount for each of the four CSP operating periods based on a formula that considers property size, whether the property has a service coordinator funded from HUD rent receipts, and whether the property houses elderly residents. The CSP caps for Round IV have been modified in accordance with the longer time period for incurring expenses. In addition, an upper limit of $25,000 has been added for Standard CSP requests. Property-level caps for Round IV are as follows:

- $2,500 base amount per property, plus $75 per assisted unit;
- $1,000 additional per-property allowance for properties specified to house elderly residents (see footnote 8 for further definition);

---

6 CSP funds for Wi-Fi infrastructure are not available to properties currently operating under a HUD-approved Telecommunications Agreement with an internet service provider.
7 Tenant fees for Wi-Fi access must be limited to amounts necessary to pay the costs borne by the owner to provide the service. Fees must be implemented consistent with the requirements of Handbook 4350.1, Chapter 7, Section 9, A and B. Additional specifications for accounting and financial reporting of these tenant fees/owner costs will be provided upon approval of any fees by HUD.
8 Includes all Section 202 PRACs, Section 202/8 HAPs (excluding those designed for non-elderly disabled), Section 515/8 HAPs designated for elderly residents, properties with owner-adopted elderly restrictions pursuant to Section 658 of Title VI of Subtitle D of the Housing and Community Development Act (HCDA) of 1992, and Section 8 properties designed primarily for elderly residents where the owner has adopted a preference for the
• Up to $1,250 additional allowance for properties with an ongoing service coordinator program funded from operating income (as reported to HUD through Standard for Success) or funded with an IWISH grant. The service coordinator allowance may be claimed only for eligible COVID-19-related service coordinator program cost increases and cannot be utilized for other COVID-19 costs.

• The maximum amount for a Standard CSP request is $25,000, regardless of property size or characteristics. All requests for payment exceeding $25,000 will be subject to the additional eligibility and supporting documentation requirements identified in Section VIII.

Note: Standard CSP request caps are calculated per property, not per contract. For these purposes, scattered-site projects are considered one property.

To illustrate the cap calculation, a property with 50 units that is specified to house the elderly could request reimbursement for up to $7,250 as a Standard CSP request. A designated elderly property of the same size that has also incurred at least $1,250 in COVID-19 related costs for their budget-based service coordinator program could claim up to 8,500. A third example is a 350-unit, high-rise property. Given the large number of units, this property’s Standard CSP cap is set at the $25,000 ceiling. Standard CSPs are primarily intended to help offset costs for COVID-19 prevention and preparation but may also cover costs for responding to an outbreak at the property.

Owners may request larger sums above the Standard CSP cap to address cost increases associated with responding to reported COVID-19 outbreaks among property residents or in response to extensive community exposure that creates a threat to the health and safety of residents within the community. Requests above a property’s Standard CSP cap must be substantiated by supporting documentation for expenses and evidence of specific COVID-19 impacts that necessitated the exceptional expenditures (see Section VIII for further detail). There is no cap on payments to individual properties except as limited by the terms below and the availability of funds.

This Notice establishes a fourth CSP operating period, which runs for seven months from April 1, 2021, through October 31, 2021. Owners may prepare and submit a CSP Request, Form HUD-52671-E, for each of the four operating periods:

• Operating Period 1: March 27, 2020, through July 31, 2020;
• Operating Period 2: August 1, 2020, through November 30, 2020;
• Operating Period 3: December 1, 2020, through March 31, 2021;
• Operating Period 4: April 1, 2021, through October 31, 2021.

Combined Requests. Some smaller requests covering multiple operating periods may be combined on a single HUD-52671-E. If an owner has not previously received a CSP for expenses incurred in a particular prior period, is now seeking reimbursement for multiple operating periods, and the total elderly consistent with Section 651 of Title VI, Subtitle D of the HCDA (see HUD Handbook 4350.3 Chapter 3 for details).
expenses fall below the single period Standard CSP cap, the owner may choose to combine all expenses on one HUD-52671-E. If an owner is seeking reimbursement for multiple operating periods, and the total expenses for which reimbursement is being sought exceed the Standard CSP cap, the owner must separate expenses from the different operating periods and submit up to four separate HUD-52671-E forms. For example, if the property Standard CSP cap is calculated as $5,630, and the owner incurred expenses of $3,750 from August 1, 2020, through November 30, 2020, and $1,700 between December 1, 2020, and March 31, 2021, the total request of $5,450 can be consolidated on one form. If the expenses from the third operating period were also $3,750, then the cumulative total would exceed $5,630, and the owner would need to submit a separate form for each of the two operating periods.

Amendments to Prior Approvals. In prior CSP rounds HUD has prohibited the approval of a CSP that included expenses incurred in an operating period for which a CSP of any amount was previously approved. For CSP Round IV, HUD will permit owners to amend prior round approved CSP requests to include additional expenses that they may have inadvertently omitted or are now made eligible by the Round IV Notice. All amendments to prior round requests will be subject to current Standard CSP caps and must be evaluated cumulatively to determine eligibility. For example, “Property A” previously received a payment of $3,500 for Operating Period 1. The owner did not previously include the $300 cost of a portable air purifier for their leasing office and also overlooked $500 in overtime by a leasing office assistant helping with interim tenant recertifications, both of which were expenses incurred during Operating Period 1. The Standard CSP cap for the property is $4,400. The combined prior approval ($3,500) and amendment request ($800) total $4,300, which remains below the Standard CSP cap and thus the amendment is eligible as a Standard CSP request under Round IV.

VII. Prioritization Criteria for Funding Approvals

For Round IV, HUD has established a new funding prioritization plan that will be applied should CARES Act appropriations be insufficient to fully fund all eligible CSP requests. HUD will fund all eligible requests within each appropriation account (PBRA, Housing for the Elderly, Housing for Persons with Disabilities) in the order indicated in Table 1 (see below) until all CARES Act funds in each account are exhausted. If any priority step in the Table 1 funding allocation cannot be funded in full, HUD will prorate remaining funds within that step. For example, if HUD has sufficient resources to fund all Section 202 PRAC Category A activities but not enough for all Category B requests, the requested Category B amounts will be prorated to utilize the remaining balance. Please see Table 1 for additional details.

Minimum Expected Funding. For Round IV, HUD is advising property owners of the minimum funding level they can expect to receive as reimbursement of eligible expenditures. The minimum funding levels are calculated assuming universal participation and eligibility of all properties in the current program portfolio. The levels are different for properties funded under the Project Based Rental Assistance account than they are for properties funded under the Housing for the Elderly and Housing for Persons with Disabilities accounts due to the different levels of remaining CARES Act funds. Minimum expected payments are as follows:

- Section 8 HAP Contracts (all types): No less than the amount of each property’s Standard CSP cap;
• Section 202/811 PACs, PRACs, SPRACs: No less than 70 percent of the amount of each property’s Standard CSP cap.

Please note that the minimum funding allocations are calculated per-property for Round IV, not per operating period or request form. For example, a property submitting requests under Round IV for three different operating periods (including prior round amendments) has the same minimum funding allocation for Round IV as a property with the same Standard CSP Request cap who submits a request for only one operating period under Round IV. Making requests for multiple operating periods does not increase the property’s minimum expected funding level.

The portion of any eligible CSP request(s) that exceeds a property’s minimum expected funding level will be allocated additional funds, based on the prioritization in Table 1. When a property requests a CSP that exceeds the minimum expected payment level, HUD will first allocate funds to
the property’s Category A expenses, then allocate to their Category B expenses. It is worth noting that all eligible funding requests were fully funded in prior CSP funding rounds.

Table 1. CSP Round IV Funding Prioritization

**PRIORIT Y 1: Fulfill Minimum Funding Levels**

- HUD will fund all eligible properties with an amount equal to the “minimum expected funding” level for each property or the full amount of their request, whichever is less. (This may include both Category A and Category B expenses.)

**PRIORIT Y 2: Fund Remaining Needs for Category A Operational Expenses**

- Next, remaining funds will be allocated to address any balance of unfunded eligible Category A expenses such that all requests are incrementally funded at the same prorated level (up to 100% depending on available funds).

**PRIORIT Y 3: Fund Remaining Needs for Category B Eligible Capital Expenses**

- If additional CSP funds remain after all eligible Category A requests are fully funded, HUD will then allocate funds to address any unfunded portion of Category B Eligible Capital Expenses.

- *For Section 811/202 Only:* HUD will next allocate funds to incrementally increase the CSP such that the total allocation for each request is not less than the amount of the Standard CSP cap or the full request if it is less than the Standard CSP cap. If remaining balances are insufficient to fully fund this calculation, the incremental funding for all properties will be reduced at the same prorated level.

- Once all requests are funded up to the level of each property’s Standard CSP cap, HUD will allocate any remaining funds for the portion of Eligible Capital Expenses that exceed the Standard CSP cap on a prorated basis in relation to each property’s Standard CSP cap amount. For example, remaining funding might be adequate to reimburse all remaining requests with an additional increment equal to 1.3 times their property’s Standard CSP cap amount, though in no case will the approved amount exceed the total amount requested.
VIII. **Financial-Need Requirements and Use of Other Project Funds**

For Round IV, HUD will retain financial-need requirements consistent with prior rounds but will waive certain criteria in the case of Standard CSP requests made for expenses incurred only in Operating Period 4 to encourage beneficial expenditures by owners (see *Exceptions to Financial-Need Requirements for Certain Requests*, below).

**Demonstrated Need for Additional Subsidies.** CSPs will be approved only for critical funding needs, meaning those financial needs that cannot be addressed with other project funds or external resources. Such project resources include both current funds and revenue increases that can reasonably be expected within the next 9 months after the date of the request, including but

---

**CSP Funding Examples**

**Example A**

The *Standard CSP* request cap for “Property Z” is $13,200. This property is a Section 202 PRAC, so their minimum expected funding level is $9,240 (70 percent of the *Standard CSP* cap). Their CSP request for $8,100 is below the minimum expected funding level and, assuming all property eligibility criteria are met, it will be fully funded.

**Example B**

The *Standard CSP* request cap for “Property Y” is $6,100. This property has a Section 8 HAP, so their minimum expected funding level is also $6,100 (100 percent of the *Standard CSP* cap). The property has requested reimbursement for $15,600 in COVID-related costs, including $8,200 in Category A expenses and $7,400 in Category B expenses. (Note, because this request exceeds the *Standard CSP* cap it must meet additional eligibility and documentation requirements.) Assuming all eligibility criteria are met, the property will be approved for a payment of no less than $6,100, all of which will be allocated toward their Category A expenses (Priority 1 in Table 1). Dependent on funds remaining after all other CSP requests are funded at the minimum expected level, the property will receive additional amounts covering all or a portion of the unfunded balance of their request. The $2,100 of unfunded Category A expenses are given higher priority (Priority 2) than the $8,200 in unfunded Category B expenses (Priority 3).

**Example C**

The *Standard CSP* request cap for “Property X” is $14,520. This property is a Section 202 PRAC, so their minimum expected funding level is $10,164 (70 percent of the *Standard CSP* cap). The property submits a CSP request for $11,500, which includes $6,800 in Category A expenditures and $4,700 in Category B expenditures. Assuming all eligibility criteria are met, the property will be approved for no less than $10,164, including all $6,800 of the Category A expenses and $3,364 in Category B expenses (Priority 1 in Table 1). Depending on the funds remaining after all other requests are funded at the minimum expected level (Priority 1) and after all Category A requests are fully funded (Priority 2), the owner may be reimbursed for all or a portion of the $1,346 balance of their Category B request (Priority 3).
not limited to surplus cash generated from anticipated inflationary or market-adjusted contract rent increases. A CSP may not be requested to address any cost increases for which the owner has already been, or is in the process of being, compensated through other federal, state, or local government COVID-19 assistance programs or through donations from other sources. Projects with current residual receipts account balances, whether governed by a Section 8 HAP or an FHA regulatory agreement, must first utilize any balances in those accounts that are in excess of $250 per unit prior to receiving approval for a CSP. HUD will approve requests to use residual receipts to fund the expenses identified above, notwithstanding limitations on uses in Chapter 25 of Housing HUD Handbook 4350.1. When considering financial position, HUD will not view loans from Reserve for Replacement (R4R) account balances as a source of funds to offset COVID-19 costs. CSP reimbursements for eligible expenses may be used to replenish R4R accounts if amounts were/borrowed to offset COVID-19 related operating cost increases incurred from March 27, 2020, through October 31, 2021.

Properties that anticipate recognition of surplus cash at the close of their current project fiscal year and any Section 8 project for which the owner anticipates taking distributions at any point within the next 12 months are not eligible for a CSP. In addition, any Section 8 owner who took distributions following the announcement of CSPs on July 23, 2020, is not eligible to now receive a CSP for expenses incurred in the first, second, or third operating period (March 27, 2020 to March 31, 2021). In cases where costs to address COVID-19 may have unexpectedly escalated in recent months, HUD will allow a CSP for Operating Period 4 (April 1, 2021, to October 31, 2021) without regard to distributions taken prior to issuance of this Notice.

Owners must certify as to the project’s financial need for the CSP and in certain cases will be required to submit additional documentation of the project’s financial position (see Section X). Variances in property financial performance over the next 12 months that result in previously unanticipated surplus cash will not be construed as a violation of the owner certification of financial need. However, should a Section 8 property realize surplus cash in this context, the owner will be subject to the following additional restrictions:

- The owner must agree to deposit an amount at least equal to the amount of the CSP in the project residual receipt account prior to taking cash distributions at any point from the issuance of this Notice through September 30, 2022.

- If the Section 8 contract and governing regulations do not require the project to maintain a residual receipt account, the owner must agree that upon taking distributions at any point from the issue date of this Notice through September 20, 2022, an amount at least equal to

---

9 Includes increases in contract rent when the contract is renewed and annual rent adjustments. For these purposes, owners with contracts under budget-based rents should assume an increase in contract rents of no more than 3 percent, though actual approved adjustment may ultimately be higher or lower. All rent increases and adjustments are subject to the availability of appropriations.

10 These conditions on disbursements to owners exclude repayment of owner advances provided in 2020 or 2021 to cover temporary cash shortfalls when the advances were previously approved by HUD. Repayment of such advances will be allowed without regard to the CSP.
the amount of the CSP must be retained in the operating account over-and-above resources needed for current operating requirements (surplus cash) to address future project costs.

*Exceptions to Financial-Need Requirements for Certain Requests.* For expenses incurred only during Operating Period 4 (April 1, 2021, through October 31, 2021), HUD will approve *Standard CSP* requests without regard to a property’s projected surplus cash or residual receipt account balances. Owners may request reimbursement for eligible expenses incurred during Operating Period 4 without regard to their cash position, expected revenue, planned distributions to owners, or residual receipt account balances. Owners must still certify that the CSP is not requested to address any cost increases for which the owner has already been, or is in the process of being, compensated through other federal, state, or local government COVID-19 assistance programs or through donations from other sources.\(^{11}\) Properties requesting funds for any prior operating period (1, 2, or 3) or making a request that exceeds the *Standard CSP* cap amount for Operating Period 4 must meet all financial need criteria and agree to limit distributions of surplus cash, as described in the preceding paragraph.

*Note on Exclusion from Contract Rent Increases/Adjustments.* CSPs are currently the only permitted mechanism for owners to receive compensation through HUD Multifamily rental assistance programs for COVID-19 cost increases incurred from March 27, 2020, through October 31, 2021. One-time or temporary expenses, whether reimbursed with a CSP or funded from other sources, must be excluded from computations of future budget-based rent adjustment (BBRA) requests. Routine annual BBRAs should incorporate COVID-19 cost impacts only to the extent an increase can be anticipated to persist on a long-term basis (e.g., continuing use of higher-quality air filters) and must not annualize temporary monthly cost increases incurred in recent months. Further, any temporary supportive service enhancements funded from any source must be disregarded by appraisers when completing rent comparability studies for Section 8 properties, as these are not characteristic of the market value of rents at the property.

\(^{11}\) HUD recognizes owners may have requests seeking funds from multiple assistance programs that are pending at the time they submit their CSP request. Should an owner receive or be approved to receive other funds that render the property ineligible for reimbursement through a CSP *prior to receiving approval for the CSP*, they should contact HUD or the Contract Administrator to withdraw their request.
**Illustrations of Financial-Need Requirements**

**Example 1:** “Property K” is a Section 8 HAP with rents that have historically generated surplus cash and allowed payment of distributions to owners twice a year. While the property has experienced notable cost increases due to COVID-19, the owner still anticipates being able to take modest distributions from surplus cash at the end of their current project fiscal year.

This property is only eligible to seek CSP reimbursement for expenses incurred in Operating Period 4 up to the amount of their Standard CSP cap. The owner’s ability to take surplus cash distributions will not be impacted by the CSP. The property is not eligible to receive reimbursement for expenses incurred in Operating Periods 1, 2, or 3, nor to receive amounts above the Standard CSP request cap.

**Example 2:** “Property J” is a Section 8 property but has faced greater financial hardships this past year compared to “Property K.” The property incurred significant expenses related to COVID-19 after several staff and residents contracted the virus. At the same time, it experienced other increases in operating costs for snow removal and routine repairs. While the property owner has typically taken surplus cash distributions, they did not do so in 2020, nor are they projecting any surplus cash for their current project fiscal year. Even after taking into account a pending Operating Cost Adjustment Factor rent increase, they do not expect the additional income will be sufficient to offset the deficits accrued this past year. Earlier this year the owner requested a release of residual receipts to help prevent a mortgage default, and the account balance is now below $250 per unit.

This property meets all CSP financial need requirements. They are eligible to request reimbursement for all eligible COVID-19 costs incurred in Operating Period 4 and can include eligible costs from prior operating periods that were not previously reimbursed. Since the property also meets the threshold criteria for larger requests, they can request an amount that exceeds the Standard CSP request cap. The amount of funds they ultimately receive will depend on remaining CARES Act balances relative to the Funding Prioritization Schedule in Table 1.

**IX. Other Eligibility Requirements and Conditions**

**Properties in Good Standing.** To receive funding through a CSP, a property must be in good standing with HUD. More specifically, if the project received a less-than-satisfactory rating on its last Management and Occupancy Review, corrective actions satisfactory to the Contract Administrator (CA) and/or HUD must have been taken or a plan for those corrective actions and an acceptable timeframe for their completion must have been approved by the CA/HUD. The owner must be current in the submission of audited or owner-certified Annual Financial Statements (AFS), if applicable, and must not have any outstanding findings. Projects requesting a CSP must have a REAC score of at least 60 or, if they do not, must have submitted a plan that is acceptable to HUD to correct any identified deficiencies. Owners must be actively vouchering for monthly subsidy for a property and be current in vouchering in order to be eligible for a CSP for that property. When otherwise eligible, properties that have recently achieved good standing are eligible to submit (or resubmit) requests for prior CSP operating periods, in addition to making a request for Operating Period 4.
Section 8 properties that have provided a 120-day notice of intent to opt-out of the program (see Section 8 Renewal Policy Guidebook, Section 11-4.G) are not eligible, nor are properties with contracts for which an 8(bb) transfer has been requested in conjunction with a mutual agreement to terminate.

_Treatment of funds for Category B expenses upon receipt._ For projects with a Reserve for Replacement account controlled by HUD or an outside entity, CSP amounts paid as reimbursement of Category B costs must be transferred into the project’s Reserve for Replacement account unless the funds are required to repay an owner advance previously approved by HUD, to offset cost increases resulting from COVID-19, relieve project debt directly related to the expenditures being reimbursed by the CSP, or address any operating deficits during the project fiscal year in which payment is received. Properties that meet all financial need requirements described in Section VIII will generally not need to transfer funds to their Reserve for Replacement account but may do so if their financial position ultimately allows.

X. Process for Requesting Funds

_Form Submission._ Owners must submit standard form HUD-52671-E for all CSP requests, including the accompanying certifications and signature page, to the office that currently processes their monthly voucher payment (i.e., Contract Administrator or administering HUD field office). As of this Notice publication date, revisions to the CSP request form are pending. An updated version form is expected to be posted on HUDCLIPS no later than October 1, 2021 (CSP Round IV requests will not be accepted on versions of the form dated 3/21 or earlier). All owners of Section 8 projects that are subject to a HAP contract administered by a Performance-Based Contract Administrator (PBCA) must submit requests to their PBCA. Properties with contracts currently administered by HUD or a Traditional Contract Administrator must submit directly to the relevant HUD Multifamily Regional or Satellite office. Given work processes during the coronavirus pandemic and limited access to standard mail, electronic submissions via email are required and may utilize digital signatures, consistent with Notice H-2020-10. Submissions to HUD should be directed to each office’s centralized incoming email box. Owners should save and submit the form in its original fillable PDF format to facilitate more rapid processing. Note, the form must be signed by the property owner or their authorized signatory. Documentation of legal delegations of signature authority to third-party management agents may be required.

CSP funding is not being provided on a first-come, first-served basis. **All requests received by HUD or the PBCA by 11:59 PM local time on November 19, 2021,** will be given equal consideration and allocated funding consistent with the prioritizations stated in Section VII. Requests received after this deadline may be evaluated at HUD’s discretion only after all other eligible CSPs have been funded. In no case will requests received after November 30, 2021, be considered for funding. Owners may submit only one request form per property for each operating period. Owners must identify the request as either a Standard CSP or a request above the Standard CSP cap, which is determined by comparing the total expenses to the cap calculated on the HUD-52671-E, consistent with the formula described in Section VI.
Additional Requirements for All Larger Requests. Supporting documentation for expenses and demonstrated level of need is required only for payment requests above the Standard CSP request level. Receipts, payroll documentation, or other record of payment must be provided for any form line-item totals that exceed $500. Documentation is required for all expenses on these lines and not just for the portion of expenses that exceed the Standard CSP cap amounts. Supporting documentation must be clear, concise, and well-organized (i.e., clearly labeled by form line-item).

In addition, owners requesting amounts above the Standard CSP cap must provide a brief explanation of the conditions that necessitated the expenditures. Narratives should explain how COVID-19 risks at the property justify the higher amounts requested. This may include the number of residents reporting infection, any required quarantines, known exposure at the property, community infection rates, and local health directives and must describe specific activities taken in response to such conditions.

For requests that exceed the Standard CSP cap amount, the CA/HUD may also review prior-year AFS for Section 8, Section 202, and Section 811 properties to determine recent availability of surplus cash and identify any owner distribution taken (where permitted). All properties that are not required to submit an AFS must submit one (owner-certified allowed) with any request above the Standard CSP request level for the property, or, if not available, must submit a surplus cash computation as of September 30, 2021. Properties showing positive cashflow on their most recent AFS or surplus cash calculation must also submit an explanation of recent or expected changes in financial position to establish that the property’s financial needs are consistent with the requirements in Section VIII, for example by presenting evidence of material operating cost increases, such as extensive repairs or COVID-19 related costs, that are in excess of the previously reported surplus cash or a current surplus cash calculation (unaudited submissions permitted). Short-term cashflow concerns, such as those arising from delayed tenant rent payments or delayed processing of interim recertifications, will not be accepted as a sufficient justification.

Additional documentation for Larger Capital Expenditures. In addition to the documentation required for all requests that exceed the Standard CSP cap, owners requesting amounts for Eligible Capital Expenses as part of a CSP that exceeds the Standard CSP cap must also include a separate narrative description of the facility improvements made, including a list of any major building components that were replaced or improved. An owner must provide evidence that three written bids were obtained for any capital expenditures above $25,000. HUD may limit CSPs to the lowest bid. For internet infrastructure requests, narratives must include an explanation of how the owner has and will continue to pay for monthly internet services for residents (e.g., owner funds, local grants, optional fee-based access, etc.). HUD may request other information during the review process, including but not limited to information on related uses of Reserve for Replacement funds and comparisons of planned baseline expenditures for building components compared to increased costs with enhancements to mitigate the impacts of COVID-19.

Communications During HUD/CA Processing of Requests. Should a CSP request be found by HUD/CA to have errors or incomplete documentation, the form HUD-52671-E may be returned to the owner for correction. The owner will receive notification via email and/or phone call of the deficiencies and will be required to correct the form and/or documentation and return materials to the reviewer. The HUD/CA reviewer will provide the owner with a minimum of two (2) business days
to remedy the deficiency, and will specify the due date in their notification to the owner. If the owner does not respond within the timeframe established by HUD/CA or if the owner’s response is insufficient, the CSP request will be denied or reduced accordingly. Requests for amounts that exceed the Standard CSP cap that lack sufficient documentation and/or do not meet other requirements will automatically be evaluated for payment of lesser amounts under Standard CSP caps.

XI. Record Retention and Reporting

Section 15011 of the CARES Act requires monthly reporting on activities by recipients who receive more than $150,000 in CARES Act funding. The Department is working in coordination with the Office of Management and Budget (OMB) to ensure that this reporting requirement can be fulfilled by recipients of CARES Act funding where required in a manner that utilizes existing reporting streams to the greatest extent possible to provide the necessary transparency and accountability with minimal additional burden. If supplemental reporting is determined to be necessary for any Section 8 PBRA, Section 202, or Section 811 properties, further guidance will be released by the Department.

Owners must maintain detailed supporting documentation of all expenses reimbursed by HUD through any CSP, such as receipts, paid invoices, and staff time and attendance records. Documentation must be made available upon request to HUD, its duly authorized representative, the HUD Office of the Inspector General, the Comptroller General of the United States, or a U.S. Attorney, for purposes of audit or other compliance monitoring.

Federal regulations at 2 CFR 200.334 require property owners to retain documents related to all financial management and activities supported with federal funds for a period of three (3) years from the date of submission of the final expenditure report, which in this case shall run from the date the CSP request is submitted. However, 2 CFR 200.334(b) allows federal agencies (including HUD) to extend the record-retention period for non-federal entities if this is done in writing. Therefore, HUD reserves the right to extend the record-retention period beyond three (3) years and will notify owners in writing if such extensions are warranted.

Amounts received from a CSP shall be treated as project funds and must be managed consistent with other rental assistance provided by HUD under the applicable HAP, PAC, PRAC, or SPRAC contract. CSP funds must be deposited into the project’s general operating account (account 1120 on the Balance Sheet) and recorded as Special Claims Revenue (account 5193). The project accountant must also include a footnote in the Notes to the Annual Financial Statements that states how much was received and how it was used. Once recorded in the Operating Account, amounts received for Category B expenses may be transferred or disbursed consistent with the guidance in Section IX of this Notice. CSP amounts must be included in the Schedule of Expenditures of Federal Awards (SEFA) for the year. Any deposit of surplus cash in the project residual receipts account or retention of amounts in the project operating account that is done in accordance with Section VIII of this Notice must also be clearly denoted. The CFDA number for CSP amounts is the same as the primary rental assistance contract under which amounts are received. As with other project funds, the expenditure of CSP funds must be done in a manner that is consistent with all applicable civil rights laws, including the Fair Housing Act, Title VI of

XII. **Penalty for False Claims and Statements**

HUD will seek civil, criminal, or administrative action against individuals and entities who either make, present, submit, or cause to be submitted a false, fictitious, or fraudulent statement, representation, or certification pursuant to all applicable authorities, including but not limited to 18 U.S.C. §§ 287, 1001, 1010, 1012, 1014; 31 U.S.C. §§ 3729, 3802; and 42 U.S.C. § 1437z-1.

XIII. **Paperwork Reduction Act**

Paperwork reduction information collection requirements contained in this Notice are pending revision by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and have been assigned OMB control number 2502-0619. 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.

**Questions:** Questions about this Notice should be addressed to Kate Nzive at Katherine.A.Nzive@hud.gov.

Lopa P. Kolluri
Principal Deputy Assistant Secretary for Housing – Federal Housing Administration