Housing Choice Voucher (HCV) Program Update

Serving additional families by maximizing program utilization
I. HCV program update: Serving more families with existing funds (i.e. Leasing Potential)

II. 2022 funding outlook: Preparing for next year

III. Available tools to support PHA efforts to serve more families

IV. Steps PHAs can take to improve utilization of HCV program funds
What is Leasing Potential?

Leasing Potential is a HUD-calculated estimate of the additional number of eligible households that a Public Housing Authority (PHA) Housing Choice Voucher (HCV) program could assist with the current amount of program funding available to the PHA, while leaving the PHA with a "safe" reserve level, based on PHA size.

The Leasing Potential estimates are adjusted monthly using the PHA’s latest available data for HCV program funding, HCV program cost trends, and unspent HCV program funds (reserves).

Note: Leasing Potential is only an estimate intended to help program management.
What can a PHA do with Leasing Potential?

1. **Serve more households.** PHAs can use the Leasing Potential figure to estimate the number of additional households the PHA could serve based on its latest program data.

2. **Serve households with greater need.** PHAs can adjust their program waitlist preferences to target Extremely Low-Income households or households experiencing homelessness, which will increase the amount of subsidy provided per unit and potentially utilize more program reserves.

3. **Provide more assistance to the households the PHA serves.** PHAs have discretion to take steps such as increasing Payment Standards or adopting Small Area Fair Market Rents. These steps may reduce the rent burden on assisted households, expand the number of units available for voucher holders, and allow voucher holders greater access to better neighborhoods.

To learn more about Leasing Potential and how it is calculated, visit the [Leasing Potential FAQs](#) on the [HCV Data Dashboard page](#).
Have you seen the HCV Data Dashboard?

This dashboard allows Public Housing Authorities (PHAs) and program stakeholders see how the HCV program is operating at the national, state, local and individual PHA level.

You can find the HCV Data Dashboard at: https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/dashboard
Key HCV data points

• With 100% proration (full funding) and adjustments for inflation, the average PHA saw a funding increase of over 5 percent in 2021.

• Per Unit Costs (PUC) has been largely flat in 2021:
  $799 December 2020 → $807 June 2021

• Leasing has remained largely flat:
  2,273,324 December 2020 → 2,280,581 June 2021

• Many PHA HCV Program reserves have grown over the course of 2021.
HCV Budget Authority is not being used

Budget Authority (BA) -- the monthly HCV Funding available to PHAs. (This includes CARES funds, and any other new funding provided throughout the year.)

Monthly PHA spending on Housing Assistance Payments (HAP)
Leasing Potential is going up

Leasing Potential is PHA specific and varies accordingly. Roughly one-third of the HCV program is administered by PHAs with functionally zero Leasing Potential. (721 PHAs, assisting nearly 760,000 families.)

However, among the remaining PHAs, Leasing Potential has been increasing. HUD estimates approximately **100,000 additional households** could be served by the HCV program, while leaving a safe level of reserves at PHAs, based on size.
2022 HCV Program Funding Outlook
2022 President’s Budget and Congressional Action to Date

<table>
<thead>
<tr>
<th>($ in millions)</th>
<th>2021 Appropriation</th>
<th>2022 President’s Budget</th>
<th>2022 House Full Committee Mark</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contract Renewals</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative Fees</td>
<td>2,159</td>
<td>2,790</td>
<td>2,470</td>
</tr>
<tr>
<td>Tenant Protection Vouchers</td>
<td>116</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Mainstream Vouchers</td>
<td>314</td>
<td>508</td>
<td>500</td>
</tr>
<tr>
<td>Homeless Vouchers</td>
<td>43</td>
<td>1,552</td>
<td>1,000</td>
</tr>
<tr>
<td>Veterans Affairs Supportive Housing</td>
<td>40</td>
<td>-</td>
<td>20</td>
</tr>
<tr>
<td>Family Unification Program</td>
<td>25</td>
<td>-</td>
<td>25</td>
</tr>
<tr>
<td>Mobility Demonstration</td>
<td>-</td>
<td>491</td>
<td>150</td>
</tr>
<tr>
<td><strong>Total Tenant-Based Rental Assistance</strong></td>
<td>25,777</td>
<td>30,442</td>
<td>29,216</td>
</tr>
</tbody>
</table>

- President’s Budget and latest House figure provides at least an 8% increase for Contract Renewals
- $1 billion for new vouchers
- Overall expansion of HCV funding $3.4 - $4.7 billion
How HCV funds are typically allocated

New Tenant Protection & Special Purpose Vouchers
+ Prior 12 Months of Leasing Costs
+ Annual Adjustments (Inflation, Prorations, Offsets)
= Next Year Contract Renewal Allocation

Any decrease in spending in the prior year leads to less funding in next year.
Don’t let uncertainty over next year’s funding hurt your program.

PHAs that decrease leasing now will decrease their allocation for 2022 and serve less families.

This is the time of year when funding uncertainty may tempt some PHAs to decrease leasing.
Explaining funding prorations and set-asides

“Prorations” is the HCV budgeting term for contract renewal costs each PHA is allocated. (100% proration includes the money to renew ALL vouchers PLUS inflation.)

- 13 of the previous 15 years PHAs received a proration above 99%
- President’s Budget anticipates 100% proration in 2022

<table>
<thead>
<tr>
<th>Year</th>
<th>Proration</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>99.6%</td>
</tr>
<tr>
<td>2017</td>
<td>97.0%</td>
</tr>
<tr>
<td>2018</td>
<td>99.8%</td>
</tr>
<tr>
<td>2019</td>
<td>99.5%</td>
</tr>
<tr>
<td>2020</td>
<td>99.4%</td>
</tr>
<tr>
<td>2021</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Each year Congress appropriates a “Set-aside” which provides funds to help PHAs that are experiencing a program shortfall.

- **No** family has been terminated from the HCV program due to insufficient funds since the advent of the shortfall set-aside
- Congress has provided additional shortfall funds in special situations such as the CARES Act

<table>
<thead>
<tr>
<th>Year</th>
<th>Contract Renewals Set-Aside</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020 Appropriation</td>
<td>$100,000,000</td>
</tr>
<tr>
<td>2021 Appropriation</td>
<td>$110,000,000</td>
</tr>
<tr>
<td>2022 President’s Budget</td>
<td>$100,000,000</td>
</tr>
<tr>
<td>2022 Full House Committee Mark</td>
<td>$100,000,000</td>
</tr>
</tbody>
</table>
Excess reserves may be “offset” by HUD

- Congress typically provides HUD the authority to conduct funding offsets of “excess” reserves.
- To calculate “excess” reserves HUD accounts for a reasonable reserve based on the PHA size*, full renewal costs, inflation trends, new voucher issuances, new project-based vouchers, and other factors.
- The offset allows HUD to move funds to where they can be used to serve more families.

In order to avoid an offset PHAs must MAXIMIZE PROGRAM UTILIZATION

*HUD considers the following reserves ‘reasonable’ 4% (500+ units), 6% (250-499 units) or 12% (under 250 units).
HUD provides online tools to help PHAs fully utilize HCV program funds
Technical Resources to help with HCV Utilization

Here you can find:

• Two-Year Tool (TYT)
• Payment Standard Tool (PST)
• HCV Analysis Tool (HAT)
• Associated Training Videos/Guides

This page is available at: https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/Tools
The objective of the Two-Year Tool (TYT) is to analyze a PHA’s utilization situation which includes running basic leasing and spending scenarios to better inform decisions going forward in an effort to optimize the program over a multi-year period. It models funding in the next year. See CY 2022 estimated inflation factor now in tool.
Payment Standard Tool (PST)

This tool helps a PHA determine the impact of potential future payment standard changes on both program costs AND participant rent burden.
The output of the HAT is:
1) a PDF overview of a PHA's voucher program, including trend and PHA-to-state and PHA-to-country comparisons (with a special two-page bonus PBV/RAD PDF where applicable); and
2) a "PIC Drill-Down" report that allows the user to analyze tenant-level data in PIC.
Policy & Program Resources to help PHAs improve HCV Utilization
Success Rate

Fair Market Rents (FMR)

e) HUD approval of success rate payment standard amounts. In order to increase the number of voucher holders who become participants, HUD may approve requests from PHAs whose FMRs are computed at the 40th percentile rent to establish higher, success rate payment standard amounts. A success rate payment standard amount is defined as any amount between 90 percent and 110 percent of the 50th percentile rent, calculated in accordance with the methodology described in § 888.113 of this title.

(1) A PHA may obtain HUD Field Office approval of success rate payment standard amounts provided the PHA demonstrates to HUD that it meets the following criteria:

(i) Fewer than 75 percent of the families to whom the PHA issued rental vouchers during the most recent 6 month period for which there is success rate data available have become participants in the voucher program;

(ii) The PHA has established payment standard amounts for all unit sizes in the entire PHA jurisdiction within the FMR area at 110 percent of the published FMR for at least the 6 month period referenced in paragraph (e)(1)(i) of this section and up to the time the request is made to HUD; and

(iii) The PHA has a policy of granting automatic extensions of voucher terms to at least 90 days to provide a family who has made sustained efforts to locate suitable housing with additional search time.

https://www.huduser.gov/portal/datasets/50per.html
Small Area FMR Exception Payment Standards

- Metro areas have zip code level FMRs – Small Area FMRs
- PHAs may use SAFMRs to establish Exception PS areas (90%-110% of SAFMR)
- No HUD approval required – just send email to HUD informing us SAFMRs@HUD.gov
- Data shown in Two Year Tool – PUC/RB tab

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>58503</td>
<td>$884</td>
<td>$970</td>
<td>109.7%</td>
<td>Yes!</td>
</tr>
<tr>
<td>58521</td>
<td>$884</td>
<td>$880</td>
<td>99.5%</td>
<td>No</td>
</tr>
<tr>
<td>58504</td>
<td>$884</td>
<td>$870</td>
<td>98.4%</td>
<td>No</td>
</tr>
<tr>
<td>58501</td>
<td>$884</td>
<td>$840</td>
<td>95.0%</td>
<td>No</td>
</tr>
</tbody>
</table>
• Landlords are essential to housing families with HCVs

• Happy landlords (should) lead to improved HCV utilization

• Visit HUD’s HCV Landlord Resources webpage for materials...
  • ...developed for landlords
  • ...intended to help PHAs improve landlord participation

https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/landlord
Landlord Retention

- Stay current on market trends and utility costs/consumption
- Use online and automated processes where possible
- Reduce HQS Inspection frequency where allowable
- Find “myth-busting” opportunities through peer-to-peer networking and industry forums

Check out the HCV Myth-Busting Fact Sheet at:
Expand the use of Project-Based Vouchers

- Many PHAs are well below their authorized cap on the number of HCV vouchers that may be project-based.
- Project-basing units helps reserve units in tight rental markets.
- Project-basing may also help improve tenants access to neighborhoods of opportunity.

To learn more about the requirements for Project-Based Vouchers, visit HUD’s Project Based Voucher website at: https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/project
How can HCV Administrative Fees Help

**PHAs could use their Admin fees to:**

- Conduct a market analysis to adopt SAFMR or adjust payment standards
- Initiate or expand marketing strategies and online information resources
- Assist with resident relocation

**PHAs could use Admin Fee Reserves (i.e., prior year Admin Fees) to:**

- Develop new PBV units
- Make modifications to units for accessibility
- Hire a landlord liaison or housing navigator
How can your CARES Act funds help?

• Tips for using remaining CARES Act funds to Improve Utilization
  o Landlord Outreach and Incentives
  o Search Assistance
  o Utility Deposits
  o Any standard HCV operating costs
  o Online system upgrades
CARES Act HCV Program waivers

The waivers below support voucher utilization and help promote safe program operations during the pandemic:

- **Owner Self Certification** for initial inspection through 12/31/21 with follow-up inspection by 6/30/22

- **Payment Standard increases for all participants at once** rather than waiting for next reexam

- **Waiting List Opening** without waiting for publication in local newspaper – use other quicker communication.

- **Expedited Income Verification** at Eligibility Determination – Waiver of third-party verification

Notice PIH 2021-14 extends most CARES Act Waiver to **December 31, 2021.**
Key Take-aways

1. Many PHAs have resources to improve HCV utilization and serve more families (Leasing Potential)

2. HCV funding is a Biden Administration priority for FY 2022

3. PHAs should do all they can to improve HCV utilization during the remaining months of 2021 and set themselves up to serve more families in 2022

4. HUD has tools and resources to support PHA utilization
Need more resources?

• Visit the [HUD HCV website](https://www.hud.gov)  
• Contact your local PIH field office  
• Sign up for the [HCV Utilization Listserv](https://www.hud.gov) “HCV Connect”

This new resource will provide enhanced communication for HCV Program Administrators regarding Utilization tool updates, HCV Program Notices, and Tips/Techniques for enhancing optimizing HCV program funds.
We want to hear from you

• What are the top three utilization challenges your agency faces?
• What Two-Year tool and other analysis tool trainings would benefit your agency?
• Would your agency be interested in co-hosting a landlord symposium with HUD and other PHAs in your state?
• Are there any other opportunities for HUD to provide additional support?

Stay tuned for post-webinar survey