

Purpose of This Document

PIH Notice 2021- 21 announces funding that will support more than 5,000 new HUD-VASH vouchers. As your PHA considers submitting a registration of interest, you, in conjunction with your partnering VA facility, may consider pursuing these additional vouchers with the strategic intention of using them as project-based vouchers (PBV). The purpose of this document is to provide information that may help your PHA determine if HUD-VASH PBVs are a viable option for your community and answer questions you may have about the PBV program.

1. Benefits of PBV

There are many potential benefits of PBV for PHAs, veterans, and the community. Here are just a few to consider:

- PBVs can preserve or increase the supply of affordable housing within the community
 - PBVs encourage the production or rehabilitation of affordable housing when they provide developers and property owners the financial security of a long-term HAP contract
 - Increasing affordable housing can be especially critical in areas with either low housing stock or high-cost markets with low vacancy rates
- PBVs can help to deconcentrate poverty and encourage affordable housing development in opportunity areas
 - PBVs enable PHAs to reserve units in low-poverty areas for assisted families through a contract, often a long-term contract
 - The financial security PBVs provide can encourage developers to initiate mixed-income or affordable housing projects in high opportunity neighborhoods that will benefit HUD-VASH veterans and their families
- PBVs can address specific community housing needs by providing housing with supportive services or housing for certain types of families
 - Attaching PBVs to several units in the same property or to an entire development can better enable a property to provide on-site services
 - A concentration of HUD-VASH families can make it easier for VA case managers to work with veterans
 - PBV projects may be developed to meet the specific needs of HUD-VASH populations such as aging veterans or disabled veterans
- PBVs can increase voucher utilization in tight rental markets or where families have unmet needs
 - Rather than requiring all HUD-VASH families to search for affordable units whose owners will accept tenant-based vouchers, PHAs can establish PBV HAP contracts with owners so they can refer some families directly to these PBV projects
 - PBV projects are less likely to have additional screening criteria that would make it more difficult for a HUD-VASH voucher-holder to lease a unit
- PBVs may improve HCV program efficiency

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- Once a contract is in place, PBVs may require less staff time than tenant-based vouchers because the PBV program has some regulatory elements that are easier to manage than those of the tenant-based program

2. Additional Considerations for HUD-VASH PBV

In addition to the potential benefits, HUD encourages PHAs to consider the following:

- VAMC support – When a PHA chooses to project-base their HUD-VASH vouchers, they must ensure they have the support of the partnering VAMC. The PHA should maintain this documentation of support for their records.
- Unit size – HUD-VASH families typically require smaller units; most HUD-VASH vouchers are 1-br vouchers. PHAs should ensure appropriate unit size when selecting PBV units.
- Additional funding sources - PHAs need to be aware that PBV projects with other funding may have independent requirements that must be followed in addition to PBV rules
- Number of vouchers available- Families have the option to move from PBV units with continued assistance after 1 year, so a PHA should carefully consider how many HUD-VASH vouchers it will project-base to ensure it maintains enough tenant-based vouchers to assist families that move as well as families on the tenant-based voucher waiting list.

3. HUD Approval is Not Required to Project-Base HUD-VASH

Prior to the enactment of Housing Opportunities Through Modernization Act of 2016 (HOTMA), PHAs needed to get prior approval from HUD in order to project-base their HUD-VASH vouchers. HUD published a Federal Register Notice (82 FR 5458) on January 18, 2017, to implement the provision eliminating this requirement. PHAs are now free to project-base their tenant-based HUD-VASH vouchers as they would any other HCV. However, as noted above, PHAs must still ensure the support of their partnering VA facility. HUD also published [PIH Notice 2017-21](#) which provided additional considerations a PHA should contemplate before making the decision to PBV HUD-VASH vouchers. We've included those considerations in Sections 1 and 2 above.

4. VA's EUL Program for HUD-VASH PBV

A significant difference between the traditional PBV program and PBV under HUD-VASH, is the ability to project base HUD-VASH units on the grounds of a medical facility, which is prohibited under the traditional PBV program. (See 24 CFR 983.53(a)(2)). PHAs may consult with their partnering VAMC about the option for using PBV in conjunction with the VA's [VA Enhanced-Use Lease Program \(EUL\) program](#). EUL is a program in which VA out-leases underutilized real estate under its jurisdiction or control to the private sector for the purpose of developing supportive housing for homeless veterans and their families, including HUD-VASH participants. Through this program, Veterans are provided with an expanded range of services that would not otherwise be available on medical center campuses.

- As detailed in the [HUD-VASH Operating Requirements, and the 2014 correction](#), HUD-VASH families are permitted to live on the grounds of a VA facility in units developed to house homeless veterans (as in the case of EUL). Note that 24 CFR 983.53(a)(2), which prohibits units

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on the physical grounds of a medical, mental, or similar public or private institution, is waived for this purpose.

- A PHA's selection of an EUL site does meet the alternative competitive selection requirements under 24 CFR 983.51(b)(2). Note that the means of selection must still be consistent with the PHA's administrative plan.

5. Balancing HUD-VASH Utilization with PBV Development/Rehabilitation (Shelving Vouchers)

PHAs may have concerns around how planning for PBV, especially in the case of new construction or significant rehabilitation, may impact their HUD-VASH utilization rate. It may seem like the long-term strategy of PBV development is at odds with the short-term goal of maximizing leasing. However, HUD believes that both objectives are important and can assist PHAs working to balance these goals.

PHAs should keep in mind that the vouchers for the PBV project do not necessarily need to be available for lease at the time the PHA commits them to a new construction or rehabilitation project by signing the Agreement to Enter into a Housing Assistance Payments Contract (AHAP). PHAs instead need only ensure they prepare to have vouchers available for PBV units by the effective date of the HAP contract (or the date any additional PBV units are later added to a HAP contract already in effect). This is often especially helpful in the case of new construction, where timelines for development can be very long and PHAs are highly encouraged to continue to lease their available vouchers in the interim.

PHAs may "shelve" some vouchers, meaning withhold some vouchers from use to prepare to meet the PBV commitment, though many PHAs have enough turnover vouchers to meet the PBV commitment. PHAs should work with their Field Office (FO) contact, and their partnering VAMC, to develop a strategy for when to "shelve" HUD-VASH vouchers that will be applied to the PBV project. The FO staff will help the PHA use the [Two-Year-Tool](#) and take into consideration the current attrition rate to determine when vouchers should be held back and not reissued. The Two-Year Tool is also used to help plan the PHA's issuances of PBV when the units become available for lease.

It is generally a good strategy for PHAs to continue to issue vouchers while awaiting execution of a PBV HAP contract, as appropriate. Not only does this continue to serve more veterans in the community while a project is in development, but it also helps ensure vouchers continue to be renewed at the current actual per-unit-cost (PUC).

It is also important to remember that HUD-VASH voucher utilization is not part of the Indicator 13 utilization scoring under SEMAP, so your PHA will not be penalized for shelving these vouchers when needed. Additionally, the availability of PBV units will likely improve utilization in the future, as HUD-VASH families who lease PBVs can be expected to lease their units faster, without search time.

6. Some PBV Basics

The PBV program is a discretionary component of a PHA's Housing Choice Voucher (HCV) program, which allows the PHA to attach HCV funding to specific units. A PHA's authority to use its HCV funding for project-based assistance is codified in Section 8(o)(13) of the U.S. Housing Act of 1937. PBV

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regulations are found at 24 CFR Part 983 and implemented HOTMA PBV provisions are found at 82 FR 5458 (Jan. 18, 2017) and 82 FR 32461 (Jul. 14, 2017) (see PIH Notice 2017-21 for guidance).

There are several key aspects of the PBV program to be aware of:

- Assistance is Tied to the Unit: unlike the HCV program, where assistance follows the family, in the PBV program rental assistance is paid for families who live in specific contract units. While this “project-based” aspect of the PBV program is similar to other project-based HUD programs, a unique feature of the PBV program is that after one year of occupancy in a PBV-assisted unit, the family may request to move with continued tenant-based rental assistance. If the family makes such a request, the PHA must offer the family tenant-based assistance.
- Program Cap: a PHA may use up to 20% of its authorized HCV units for PBVs. The PHA may use an additional 10% of its authorized HCVs for PBV assistance based on eligible exception categories, and certain units are exempt from the program cap. *Since the exception categories include units specifically made available to house homeless individuals and families or veterans, HUD-VASH vouchers can be considered part of the additional 10% cap.*
- Project Cap: generally, PHAs may project-base the greater of 25 percent of the units in a project or 25 units in a project (some exceptions exist).
- Project/Unit Selection: unlike in the HCV program, where the participant family selects a unit, in the PBV program the PHA selects PBV projects, generally through a competitive process. Under certain circumstances, PHAs select projects non-competitively.
- PHAs Can Select Projects at Various Stages of Readiness: PHAs may select existing housing or housing that will be newly constructed or rehabilitated. Owners must complete development of PBV newly constructed and rehabilitated projects before PBVs are used in the units.
- Length of PBV Contracts: PBV contracts can have an initial term of 1 to 20 years, with extensions. Extensions may be for a cumulative period of up to 20 years each.

An overview of PBV can be found using the hyperlinks below:

[PBV Training Part 1](#)

<https://www.youtube.com/watch?app=desktop&v=SkrQS5Qhmv8>

[PBV Training Part 2](#)

https://www.youtube.com/watch?app=desktop&v=MGKqJ_wDvqw

Questions?

Additional information on PBV can be found on the main [PBV site](#)

https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/project.

Additional information on HUD-VASH can be found on the [HUD-VASH site](#)

https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/vash

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If you have any questions about using PBV in the HUD-VASH program, please email vash@hud.gov.