Leasing Potential is intended to help PHAs get a quick estimate of the number of additional families their HCV Program could assist at any given point in time. This does not account for other actions PHAs could take that utilize program funds without increasing leasing (i.e., adjusting payment standards). To fully utilize HCV Program funding, PHAs are encouraged to maintain and update the HCV Two-Year-Tool. The Two-Year-Tool, training videos, and other HCV utilization resources are available at: https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/Tools

For questions or technical assistance in please contact your local HUD Field Office.

What is Leasing Potential in the Housing Choice Voucher Program?

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

Why is Leasing Potential Important?

Leasing potential is an estimate of how many additional families could be served over and above new admissions resulting from program attrition or expected new admissions from the PHA's reported number of vouchers on the street. The calculation includes the latest available cost trend data as reported by the PHA and allows for a reasonable program reserve amount intended to prevent program shortfalls. If a PHA has a Leasing Potential of 50, it means that given all the latest information the PHA has reported to HUD, the PHA may support 50 additional voucher households while still maintaining a certain level of HAP reserves (based on PHA size).[1]

If my PHA has Leasing Potential, what can I do?

There are three main things PHAs can do to reduce their Leasing Potential or maximize their HCV program utilization.

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[2], 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.

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[1] HUD considers adequate reserves to be 12 percent of annual budget authority for small PHAs (0-249 units), 6 percent for medium PHAs (250-499 units), and 4 percent for large PHAs (500 or more units). Because of their unique authority to use HCV Program Funds for other MTW-eligible purposes, HUD does not calculate Leasing Potential for PHAs in the Moving to Work (MTW) demonstration.

[2] This is in addition to requirements in 24 CFR 982.201 for PHAs to target 75 percent of new program assistance to Extremely Low-Income households.

How is Leasing Potential Calculated?

HUD calculates Leasing Potential for most PHAs[3] on a monthly basis using the data the PHA enters into HUD's Voucher Management System (VMS). The calculation is as follows:

1. Determine *all* Budget Authority (BA) available to the PHA for the current calendar year.

2. Next, the calculation considers Housing Assistance Payment (HAP) and Unit Months Leased (UMLs) to date and projects the unknown months based on data available in the Voucher Management System (VMS). HUD estimates future UMLs through the remainder of the year based on the PHAs reported vouchers on the street and the units under an Agreement to enter into a HAP (AHAP). HUD estimates future monthly program costs by considering the recent Per Unit Cost (PUC) data and projects that data forward for the remainder of the year.

3. The calculation then takes the difference between these two numbers to estimate the Projected End of Year Program Reserves.

Total BA - HAP (both known and projected) = Projected End of Year HCV Program Reserve

4. HUD then calculates a Reasonable HCV Reserve level based on the PHA's size: 12 percent of annual budget authority for small PHAs (0-249 units), 6 percent for medium PHAs (250-499 units), and 4 percent for large PHAs (500 or more units). The difference between the Projected End of Year HCV Program Reserves and the Reasonable Reserves is considered Excess Reserve.

Projected End of Year HCV Program Reserve - Reasonable HCV Reserve = Excess Reserve

5. HUD divides the Excess Reserve amount by 12 months (a year of HAP subsidy) and by the PHA's current Per Unit Cost to estimate the PHA's Leasing Potential.

Excess Reserve ÷ 12 months ÷ PUC = Leasing Potential

6. Finally, HUD considers the PHA's Unit Months Available (UMA). *[This is the total number of vouchers the PHA may lease per the PHA's Annual Contributions Contract (ACC) for which HUD will provide HCV Program Funds.]* HUD adjusts a PHA's Leasing Potential calculation so as not to exceed the PHA's UMA while considering the PHA's typical program attrition.

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[3] Because of their unique authority to use HCV Program Funds for other MTW-eligible purposes, HUD does not calculate Leasing Potential for PHAs in the Moving to Work (MTW) demonstration. MTW PHAs are encouraged to have over 90 percent utilization rate, defined as the greater of 1) UMLs divided by UMAs, or 2) spending as a percentage of total HCV Budget Authority, including reserves.