U.S. Department of Housing and Urban Development
Public and Indian Housing

Special Attention of: Office Directors of Public Housing; Regional Directors; Public Housing Agencies.	**Notice PIH 2015-03** Issued: February 27, 2015 Expires: December 31, 2015 Cross References:

SUBJECT: Implementation of the Federal Fiscal Year (FFY) 2015 Funding Provisions for the Housing Choice Voucher Program

1. **Purpose.** This Notice implements the Housing Choice Voucher (HCV) program funding provisions of the Consolidated and Further Continuing Appropriations Act, 2015, (the Act) (P.L. 113-235), referred to hereafter as "the 2015 Act," enacted on December 16, 2014. The 2015 Act establishes the allocation methodology for calculating housing assistance payments (HAP) renewal funds, new incremental vouchers and administrative fees.

2. **Organization.** This Notice is organized into three basic sections. Paragraphs 3 through 11 describe the funding made available under the Appropriations Act and HUD's implementation of the provisions related to the allocation of that funding. Paragraph 12 contains eligibility and instructions for applying under the HAP set-aside, including Attachments A, B, C and D. Paragraphs 13 through 18 provide other important information regarding the administration of the public housing agency's (PHA) HCV program.

3. **Summary**. The HCV program is HUD's largest rental assistance program. Funding is provided through Annual Appropriation Acts for HUD, which in turn allocates it to PHAs in accordance with the Appropriations Act as described in this Notice.

   The 2015 Act requires the Department to provide renewal funding based on validated Voucher Management System (VMS) leasing and cost data for the prior calendar year, (January 1, 2014 – December 31, 2014).

   In 2015, the amount Congress appropriated to fund the HCV program is not subject to sequestration. The funding is broken down in the amounts and sections of the Act as follows:

<u>2015 Appropriations</u>

HAP Renewal Funding[1]	$17,486,000,000
Tenant Protection Vouchers	130,000,000
Administrative Fees	1,530,000,000
Mainstream 5 Year Program	83,160,000
Veterans Affairs Supportive Housing	75,000,000
Total Available CY 2015 Appropriations	**$19,304,160,000**

This implementation notice provides information on how HUD calculates HAP renewal funding for every PHA's HCV program. In addition, each PHA will receive a funding letter with the individual PHA's specific funding calculations attached. If a PHA has questions related to the calculations or this Notice, the PHA should contact its Financial Analyst (FA) at the Financial Management Center (FMC).

PHAs are encouraged to pay particular attention to the set-aside funding provisions (listed in Paragraph 12) and the Attachments A, B, C and D to this Notice. The 2015 Act provides a set-aside of up to $120 million to make funding adjustments but only for specific categories set forth by the Act. In order to be considered for funding under the set-aside, a PHA must meet the eligibility requirements described in Paragraph 12, and submit a completed Attachment A and/or B (and, where applicable, Attachments C and D) and the required supporting documentation in the timeframe and manner prescribed in this Notice.

Note: Prior to FFY 2014, the Family Self-Sufficiency (FSS) coordinator funding for the HCV program was funded under the Tenant-Based Rental Assistance (TBRA) account. However, the 2015 Act provides a separate single account for FSS coordinator funding for both the HCV and public housing programs. The funding amount appropriated under the Act for the combined FSS coordinator funding is $75 million. Additional information regarding the FSS Coordinator funding will be forthcoming in the future.

4. <u>Calculation of CY 2015 HAP Renewal Funding</u>

The 2015 Act requires that HUD apply a re-benchmarking renewal formula based on validated leasing and cost data in VMS for **<u>calendar year (CY) 2014</u>** (1-1-20014 to 12-31-2014) to calculate the PHA's renewal allocation. The renewal provisions of the Act are stated in **Appendix A**.

HUD will provide renewal funding as follows:

> Step 1: A new HAP funding baseline will be established based on all validated leasing and cost data[2] (not to exceed unit months available under the Annual Contributions Contract (ACC)) in VMS for CY 2014.

[1]From the HAP Renewal funding, the 2015 Act provides that up to $120 million may be used as a set-aside to address five specific categories of need.

[2] In those rare instances where vouchers were transferred from one PHA to another during the re-benchmarking period, the leasing and cost data of the PHAs will be adjusted to ensure that the leasing and costs represented by the transferred vouchers are properly accounted for in the eligibility determinations.

Step 2: As required by the Act, HUD will make adjustments for the first-time renewal of certain vouchers. These are tenant protection vouchers and special purpose vouchers such as Veterans Affairs Supportive Housing (VASH) vouchers that are initially expiring in CY 2015. The adjustment to be provided will be an inflation factor to reflect cost increases expected in CY 2015. PHAs should refer to their renewal funding allocation enclosure for further details. First time increments not initially funded for twelve months will receive the additional funding required for CY 2015, as identified on the funding enclosures of the affected PHAs. Note: Vouchers for original families receiving assistance under DVP/DHAP-IKE may not be reissued; therefore, both the units under the PHA's ACC and the renewal funding provided in CY 2015 will reflect the reduced units based on the families under assistance as reported in VMS as of December of 2014.

Step 3: The Renewal Funding Inflation Factor adjusted for localities will be applied to the PHA's calculated 12 month renewal requirement after all adjustments have been applied under Steps 1 and 2 above. The Renewal Funding Inflation Factors that HUD will use to reflect inflation will be published by HUD's Office of Policy, Development and Research at http://www.huduser.org/portal/datasets/rfif/rfif.html.

Step 4: Proration: HUD will determine the total eligibility for all PHAs and compare that amount to the total available HAP renewal funding per the 2015 Act in order to determine a proration factor. This proration factor will then be applied to each PHA's CY 2015 eligibility. A proration of less than 100 percent will be applied if the nationwide eligibility exceeds the available HAP renewal funding.

5. Set-aside of up to $120 million to Adjust PHA Allocations.

The Department has authority to adjust PHAs' HAP allocations for the categories outlined below.

Awards will be made to eligible PHAs in accordance with need as determined by HUD; therefore,

- Awards could be reduced, in whole or in part, if PHAs have available reserves (RNP and/or HUD-held reserves) above a reasonable threshold, as defined by the Secretary;

- HUD recognizes that PHAs' leasing levels were severely affected by CY 2013 sequestration, and acknowledges that a significant number of vouchers were issued during the last part of CY 2014, which costs will not be fully reflected in the CY 2015 renewal benchmarking if leasing materialized; consequently, HUD has determined that will give priority to Set-aside applications under Category 5, Maintain Leasing;

- The Department reserves the right to not fund any one or all of the other categories after Category 5 awards are determined.

Set-Aside Categories:

Category 1: Prevention of Terminations due to Insufficient Funding

Category 2a: Unforeseen Circumstances

Category 2b: Portability cost increases

Category 3: Project Based Vouchers

Category 4: HUD-VASH

Category 5: Maintain Leasing

Please refer to Paragraph 12 of this Notice for more details about the set-aside categories, eligibility requirements and submission deadlines.

6. Tenant Protection Vouchers.

As noted above, the 2015 Act provides $130 million for Tenant Protection Vouchers, known as TPVs, and includes a new provision prohibiting the reissuance of certain TPVs that are initially funded out of this appropriation. Essentially, the Act provides that any TPV that is not defined as a "replacement voucher" by HUD may not be reissued by the PHA after the initial family that received the voucher is no longer receiving the voucher assistance, and the authority for the PHA to issue the voucher "shall cease to exist." In other words, these vouchers will essentially sunset at such time that the initial family issued the voucher is no longer receiving voucher assistance, and the voucher will not receive renewal funding in the subsequent calendar year and the number of authorized units covered by the PHA's Consolidated Annual Contributions Contract (CACC) will be reduced accordingly. HUD is calling these vouchers "relocation TPVs" in this notice to distinguish them from the replacement TPVs where reissuance is permitted and these sunset provisions do not apply.

TPVs are provided to protect HUD-assisted families from hardship as the result of a variety of actions that occur in HUD's public housing and Multifamily Housing portfolios. In addition to assisting individual families, TPVs are also in many cases mitigating the loss of HUD-assisted housing units in the community that results from the eligibility event that triggered the provision of the TPVs. For example, if an owner opts-out of a 50 unit Section 8 project-based contract, there is a loss of 50 HUD-assisted housing units in the community. The TPVs that are provided as a result of the opt-out are not only assisting the impacted tenants in the occupied units, that voucher allocation is also helping to mitigate the loss of those 50 HUD-assisted housing units because these TPVs become part of the PHA's voucher program and may be reissued to families on the PHA's waiting list upon turnover.

However, in some cases HUD-assisted housing is not permanently lost to the community:

- Transfers under section 8(bb) of the United States Housing Act of 1937 (1937 Act), where the project-based assistance is simply being relocated;

- Certain Demolition and/or Dispositions of public housing units, where all or some the HUD-assisted housing units (which in this context is limited to public housing units) are being developed; and
- Certain units that will be temporarily removed pursuant to a Choice Neighborhoods Initiative (CNI) Award, such as where public housing are being redeveloped as public housing units or converted under the HUD Rental Assistance Demonstration (RAD) program, or where HUD-assisted Multifamily units are being redeveloped under project-based assistance.

In these cases where the HUD-assisted housing unit is not being lost, the TPV is a relocation TPV, not a replacement TPV. Relocation TPVs are provided as a temporary resource to assist only the individual families impacted by the conversion action until such time the family's unit in the property is redeveloped or the project-based assistance is transferred to the new property, or to continue to assist those relatively few families who decide not to return to public housing or the project-based unit when the redevelopment or transfer is complete.

In brief, replacement TPVs are TPVs made available as the result of an eligibility event that reduces the number of HUD-assisted housing units. Relocation TPVs are TPVs made available as the result of an eligibility event that does not reduce the number of HUD-assisted housing units in the community.

HUD will identify whether the TPVs are replacement or relocation TPVs in the funding allocation letter. In cases where the allocation includes both replacement and relocation TPVs, HUD will identify the number in each category of TPV. Instructions on how PHAs report the leasing status of relocation TPVs in VMS, and the process by which HUD will adjust the PHA's CACC, and renewal funding for relocation TPVs that ceased to be leased, will be forthcoming in separate guidance. Please note the distinction between relocation TPVs and replacement TPVs, and the provisions that apply to relocation TPVs only apply to TPVs that are originally allocated from the FY 2015 Appropriations. These new conditions do not apply to TPVs that were funded from previous year appropriations.

Public Housing Actions. TPVs may be available to PHAs based on certain actions that temporarily or permanently remove units from a PHA's public housing inventory, including demolitions and/or dispositions approved under Section 18 of the 1937 Act (including de minimis demolitions); required conversions approved under Section 33 of the 1937 Act; voluntary conversions approved under Section 22 of the 1937 Act; homeownership plans approved under Section 32 of the 1937 Act; and removals authorized under Choice Neighborhoods and/or HOPE VI grant authority. The primary purpose of TPVs (both replacement and relocation) is to protect residents impacted by various eligible actions with continued HUD-assisted housing. Accordingly, PHAs must offer each eligible resident the TPV in a form of tenant-based assistance. Residents may be offered the opportunity to use their TPV in their current unit as tenant-based or project-based assistance, but they must also be offered the opportunity to move elsewhere in the private market with the TPV (i.e. PHAs cannot immediately project-base voucher their allocation of TPVs and only offer the residents a project-based unit with that TPV). Two types of TPVs may be made available to PHAs: Relocation TPVs and Replacement TPVs.

- A "replacement" TPV may be provided to a PHA when a public housing unit will be removed under demolition/disposition or other authority but not replaced with a newly developed public housing unit. Replacement TPVs are intended to replace the public housing units that will no longer be available to the community. Replacement TPVs may be reissued by PHAs.

- A "relocation" TPV may be provided to make up the difference between units eligible for replacement TPVs and other occupied units. For instance, relocation TPVs may be available when a PHA is proposing to demolish or dispose of public housing units and develop new public housing units. Relocation TPVs are available to assist families to relocate. If a PHA plans to replace the unit approved for demolition/disposition with a public housing unit, it is only eligible to receive a relocation TPV[3].

The number of TPVs approved may be less than the number of units that were occupied in the previous 24 months. Based on limited funding, during the fiscal year, the total number of replacement and/or relocation TPVs that a PHA may receive is capped at the number of the units that are occupied at the time of the triggering event (i.e. for public housing actions, the triggering event is when the TPV application (HUD-52515) is submitted to HUD, which may not occur until after HUD approval of the demolition/disposition or other removal application).

Multifamily. TPVs may be available to assist residents affected by actions such as Moderate Rehabilitation (MR) replacements, Single Room Occupancy (SRO) replacements, and Multifamily Housing conversions, such as terminations, opt-outs, prepayments, property disposition relocations, and Choice Neighborhoods vouchers.

With the exception of certain Choice Neighborhoods and Section 8(bb) transfers, TPVs issued based on a Multifamily Housing Conversion action are replacement TPVs, because they are issued to replace the assisted housing that will no longer be available to the community through the Multifamily Housing program.

Choice Neighborhoods Initiative (CNI) Actions. Relocation and/or replacement TPVs may be available to CNI grantees that target public housing based on public housing units that will be temporarily or permanently removed pursuant to a CNI Award. Relocation TPVs may be available to Multifamily Housing CNI Grantees pursuant to a CNI Award.

Funding Term. The initial funding term is typically 12 months. However, the initial term may vary subject to availability of tenant protection funding and pending/anticipated demand. When the initial funding term is less than 12 months, the tenant protection increment will be renewed at expiration as part of the HCV renewal funding process.

Tenant Protection Vouchers for Vacant Units: The 2015 Act provides that HUD may only provide replacement vouchers for units that were occupied within the previous 24 months that cease to be available as assisted housing, and only to the extent that funding is available (see Appendix A for appropriations text). Due to anticipated demand, tenant protection vouchers are only initially being provided for occupied units. However, subject to the availability of funding, HUD may

[3] Under Section 18 of the 1937 Act and other applicable HUD guidance, HUD will generally approve dispositions in two instances: (1) units are obsolete in accordance with 24 CFR 970.15 and other applicable HUD guidance, in which case there are no hard unit replacement requirements and the PHA may qualify for relocation and/or replacement TPVs; and (2) for non-obsolete units, the disposition will allow the PHA to redevelop at least the same number of public housing units (on-site or off-site), in which case the PHA is not eligible to receive replacement or relocation TPVs.

subsequently be able to provide vouchers for vacant units in the impacted properties in accordance with the authority provided under the 2015 Act.

7. **Funding for Administrative Costs**.
   The 2015 Act provides **$1,530,000,000** for administrative fees to PHAs administering the voucher program (See Appendix A for Appropriations text). Of the appropriated amount, approximately **$1,520,000,000** will be available for ongoing administrative fees and fees for new vouchers and approximately **$10,000,000** will be made available to allocate to PHAs that need additional funds to administer their Section 8 programs.

A) Ongoing Administrative Fees and Administrative Fees for New Vouchers.
Ongoing administrative fees and administrative fees for new vouchers will be paid based on leasing. These administrative fees will be calculated for CY 2015 as provided for by Section 8 (q) of the United States Housing Act (and related Appropriation Act provisions) as in effect immediately before the enactment of the Quality Housing and Work Responsibility Act (QHWRA) of 1998 (Public Law 105-276). Under this calculation, PHAs will be paid a fee for each voucher that is under HAP contract as of the first day of each month. Administrative fees for new incremental vouchers will also be paid based on leasing.

1) Proration and Reconciliation of Administrative Fees:

HUD has developed and posted administrative fee rates for each PHA to enable PHAs to calculate potential fee eligibility. Fee rates have been posted to the HCV website:
http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/hcv

HUD disburses administrative fees to PHAs on a monthly basis based on prior reported leasing. Each PHA's administrative fee eligibility is reconciled after every quarter based on actual reported leasing. HUD compares each quarter's national eligibility for administrative fees to 1/4th of the appropriated amount available for ongoing administrative fees, to determine an estimated pro-ration level. Any amount due the PHA that resulted from reconciliations will be disbursed; any amount due from the PHA will be recouped by HUD via a reduction from a subsequent administrative fee payment. A final reconciliation will be completed after the December 2015 leasing data is reported in VMS, at which time the final pro-ration for the calendar year will be determined.

2) Blended Rate Administrative Fees and Higher Administrative Fee Rates:

(a) Blended Rate Administrative Fees: **<u>PHAs serving multiple administrative fee areas</u>** may, in lieu of the fee determined for their agency, request a blended rate based on the actual location of their assisted units. The blended rate will be used for the entire CY 2015.

PHAs must submit their request in writing to the Financial Management Division, Housing Choice Voucher Program, at the address below, to be received no later than **close of business (5 p.m., EDST), Tuesday, March 31, 2015**.

U.S. Department of Housing and Urban Development
Office of Housing Voucher Programs
Attn: Miguel A. Fontanez, Director, Financial Management Division
Room 4222
451 7th Street, SW
Washington, DC 20410

(b) Higher Administrative Fee Rates: A PHA that operates over a large geographic area, defined as multiple counties, may request higher administrative fees. An approved higher administrative fee rate will apply only to CY 2015. At the end of the year the PHA will be required to submit evidence to the FMC of actual costs, to enable HUD to determine if the entire approved increase was needed; excess funds will be recouped by HUD via a reduction in a future disbursement.

To request higher fees, an agency must submit the following financial documentation to the PHA's assigned Financial Analyst at the FMC:

- Actual Unrestricted Net Position (UNP) (formerly referred to as Unrestricted Net Assets (UNA) or administrative fee reserves) balance as of December 31, 2014;
- Actual administrative costs for the HCV program for CY 2014, in sufficient detail for HUD review;
- The PHA's CY 2015 HCV program administrative budget, identifying anticipated reasonable and necessary administrative costs, broken out in sufficient detail to allow for review (positions and salaries, detailed travel costs, overhead and pro-rations, etc.). There is no HUD form, nor a mandated format, for this budget;
- If both the unit month and budget authority utilization in CY 2014 were below 95 percent of available for renewal units, a statement as to why this occurred;
- An explanation for any withdrawals from the UNP account at the end of CY 2006 through CY 2013, or during CY 2014, or a statement that none were made;
- An explanation as to why the projected CY 2015 administrative fees are insufficient to cover program operating costs;
- Certification by the chief executive of the PHA that the data is accurate.

In order to request a higher administrative fee rate, PHAs must provide the above information to their assigned Financial Analyst (FA), Financial Management Center (FMC), no later than **close of business (5:00 p.m. EDST), March 31, 2015.** The mailing address for the FMC is:

Financial Management Center
2380 McGee Street
Suite 400
Kansas City, Missouri 64108

An approved higher administrative fee rate will apply only to CY 2015. At the end of the year the PHA will be required to submit evidence to the FMC of actual costs, to enable HUD to determine if the entire approved increase was needed; excess funds will be recouped by HUD via a reduction in a future disbursement.

B) Special Fees. As stated above, HUD will make up to **$10,000,000** available to allocate to PHAs that need additional funds to administer their Section 8 programs. These funds may be provided for the following non-exclusive purposes:

- Homeownership Fees: HUD will provide a $200 special fee for every homeownership closing reported in PIC for families participating in the Voucher Homeownership, Section 8 Family Self-Sufficiency, or a Section 8 MTW Homeownership programs. These special fees are paid to the PHAs administering the vouchers after the homebuyers closings are reported in PIC and closing dates are provided to the Department. HUD will provide these fees automatically; therefore, PHAs do not need to apply for these funds. This category, as any other under the admin fee set-aside, will be subject to the availability of funds.

- Special Fees for Multifamily Housing Conversion Actions: A special (one-time) fee of $200 will be provided for each unit **occupied** on the date of the eligibility event, for multifamily housing conversions only. HUD will provide these fees automatically; therefore, PHAs do not need to apply for these funds. This category, as any other under the admin fee set-aside, will be subject to the availability of funds. This special fee will also be paid to PHAs that agree to administer vouchers on behalf of a Multifamily Choice Neighborhood Grantee.

- Special Fees for Receiving PHAs where portability vouchers comprise a significant portion of their vouchers under lease. This category, as any other under the admin fee set-aside, will be subject to the availability of funds. HUD will provide these special fees automatically; therefore, PHAs will not need to apply for these funds. The Department will calculate these special fees for eligible receiving PHAs based upon data from the Public Housing Information Center (PIC). To be eligible for these special fees, PHAs must be administering port-in vouchers which equal 20% or more of the PHAs total number of leased vouchers as of December 31, 2014. For each eligible port-in voucher, the receiving PHA will be provided with 12 months of funding equal to **5 percent (5 %)** of the PHA's 2015 Column A rate for administrative fees. This is a one-time award of special fees and will be calculated based on PHA portability data found in PIC as of December 31, 2014 and leased data from the Voucher Management System (VMS) as of December 31, 2014 (from the same VMS database used to determine the 2015 Housing Choice Voucher (HCV) renewal allocations). **PHAs should ensure that all PIC data has been updated and successfully submitted <u>no</u>**

later than 5 p.m. EST, Monday, April 27, 2015. The VMS data used for renewal allocations will be used in the calculation of these special fees. This category, as any other under the admin fee set-aside, will be subject to the availability of funds.

A portion of this set-aside may be used for on-going administrative fees in order to increase the fee proration should HUD determine during the course of the calendar year that the entire estimate of $10 million may not be needed for extraordinary costs.

C) Uses of Administrative Fees.

i. Administrative Fees. Administrative fees may only be used to cover costs incurred to perform PHA administrative responsibilities for the HCV program in accordance with HUD regulations and requirements.

ii. Unrestricted Net Position (UNP) (formerly known as Unrestricted Net Assets (UNA) or as the "administrative fee reserve"). Any administrative fees from 2015 funding (as well as 2004 through 2014 funding) that are subsequently moved into the UNP account at the PHA's fiscal year (FY) end must only be used for activities related to the provision of tenant-based rental assistance authorized under Section 8, including related development activities. Examples of related development activities include, but are not limited to, unit modification for accessibility purposes and development of project-based voucher units. UNP funds may not be committed or used for development activities or other activities that require an environmental review under 24 CFR Part 58 or Part 50 until the environmental review process is completed and HUD has released funds under Part 58 or notified the PHA of its approval of the project under Part 50. If a PHA has not adequately administered its HCV program, HUD may prohibit use of funds in the UNP account and may direct the PHA to use funds in that account to improve administration of the program, for HCV HAP expenses, or to reimburse ineligible expenses in accordance with the regulation at 24 CFR 982.155(b)(3).

8. Veterans Affairs Supportive Housing (VASH) Funding. The 2015 Act provides funding for new incremental vouchers for the VASH program in the amount of **$75,000,000**. The Act also requires that an amount be set-aside from the $75 million for a rental assistance and supportive housing demonstration program for Native American veterans that are homeless or at-risk of homelessness living on or near a reservation or other Indian areas. HUD will issue guidance on this set-aside at a later date. As provided by the FY 2015 Act, vouchers are allocated based on need, as determined by HUD's point-in-time data submitted by Continuums of Care (CoCs), as well as Veterans Affairs data on the number of contacts with homeless Veterans. Need is then adjusted by performance data from PHAs and Veterans Affairs Medical Centers (VAMC). Once the allocations are identified at the VAMC level, HUD will identify a PHA to partner with each site, taking into account the location and administrative performance of the PHA. HUD will then invite these PHAs to apply for 2015 VASH vouchers that the PHA will administer in partnership with their local VAMC.

9. **<u>Mainstream 5-Year Program (MS5).</u>**
The 2015 Act provides $83,160,000 for renewal funding and administrative fees for HCV vouchers originally funded out of the Section 811 Account (known as Mainstream 5-Year vouchers). The renewal funding will be re-benchmarked during CY 2015. Renewals will be calculated based on validated Mainstream 5-Year program leasing and HAP expenses reported in VMS for the period 1-1-2014 to 12-31-2014 (CY 2014). In addition, the 2015 Act requires that the administrative and other expenses of the PHAs administering these vouchers, shall be funded under the same terms and be subject to the same pro rata fee reductions that apply to all other PHAs administering vouchers under the HCV program.

In order to more closely align the MS5 program with the regular voucher program, PHAs are no longer required to submit Budgets, Requisitions and Year-end Settlement Statements. HAP reconciliations will be completed using MS5 leasing and cost data as reported in the Voucher Management System (VMS). PHAs will be limited to their CY eligibility and HUD-held reserves and, as with the voucher program, over-leasing (costs for units leased above the baseline ACC units) cannot be paid from these sources of funds.

Administrative fees will also be paid based on MS5 leasing data from VMS. Fees will be advanced based on the most recent MS5 leasing data in VMS and fee reconciliations will continue to be reconciled on a quarterly basis. PHAs are no longer eligible to receive reimbursement for hard-to-house fees and audit costs, as is the case with the regular voucher program.

Note: MS5 programs are ineligible for funding under the $120 million HAP set-aside.

10. **<u>Moving To Work (MTW) Agencies</u>**. MTW agencies' renewal funding will be determined pursuant to their MTW agreements and appropriations requirements. HUD is directed by the 2015 Act to apply the same proration factor to the HCV HAP renewal allocations and administrative fee eligibility for MTW agencies as is applied to all other PHAs. Note that MTW agencies may utilize Section 8 funds for Section 9 purposes in accordance with their agreements.

11. **<u>Excluded Programs</u>**. The changes implemented by this Notice do not apply to renewal funding for the Section 8 Moderate Rehabilitation or Single Room Occupancy (SRO) programs.

12. **<u>Instructions for Applying for the Set-Aside HAP funds of $120 million</u>**

<u>Set-Aside Categories and Eligibility Requirements:</u>

<u>Category 1 – Shortfall Funds</u>
For PHAs that, despite taking reasonable cost savings measures as determined by the Secretary, would otherwise be required to terminate participating families from the program due to insufficient funds. Note that there are two scenarios related to shortfalls for which PHAs may be eligible for funding under this category.

To be eligible for funding under this category the PHA must meet the criteria outlined below for either Shortfall Scenario 1 or Shortfall Scenario 2 and must submit 2015 Attachment A – Application for Category 1-Shortfall Funds and PHA Certification of Reasonable Cost Savings Measures Undertaken to Prevent Termination of HCV Participants Due to Insufficient Funds.

Shortfall Scenario 1: For PHAs **already in a Shortfall Prevention Team (SPT) confirmed shortfall**, the certification is as follows:

(1) At the time of application, the PHA is working with the HUD SPT and SPT has confirmed the PHA is in a shortfall position. (PHAs that are not currently working with the SPT but believe they are in a shortfall position should immediately contact their HUD Field Office for assistance.)

(2) The PHA has ceased issuing vouchers to applicants as of **April 1, 2015**. Please note: This does not apply to families that are participants and were issued a voucher to move to a different unit. This restriction is also not applicable to tenant protection vouchers that are being issued to targeted families that were residing in the covered property on the eligibility event, or where the PHA is leasing to homeless veterans under the HUD-VASH program, up to the baseline level of units under all HUD-VASH allocations, not just recent allocations, including turnover of HUD-VASH vouchers.

(3) The PHA has rescinded any vouchers remaining on the street that were issued to applicant families and has stopped leasing those rescinded vouchers as of **April 1, 2015.** Note this does not apply to vouchers issued under the two exceptions noted in (2) above. In addition, PHAs may enter into PBV HAP contracts for units that were under an Agreement to enter into a HAP Contract (AHAP) as of the application date and still meet this condition.

(4) The PHA has ceased absorbing portable vouchers as of **April 1, 2015.**

(5) In regard to project-based voucher (PBV) HAP contracts, vouchers are not issued to a family that wants to voluntarily move. (However, if a unit becomes vacant, the PBV unit shall be filled with a family from the waiting list.)

Shortfall Scenario 2: For those PHAs that manage their HCV program budgets in a reasonable and responsible manner, but are later determined to be in an SPT-confirmed shortfall position, the Department will review each application on a case-by-case basis to determine if the PHA is eligible for funding under this category. The PHA signature at the bottom of 2015 Attachment A indicates that the PHA agrees to comply with all SPT-directed cost savings measures.

Note: In determining a shortfall and the amount of funding to be provided, HUD will use the **Two Year Forecasting Tool**. PHAs should refer to **Appendix B** of the Notice which provides the criteria HUD will use to determine if the PHA has a HUD-confirmed shortfall and the calculation of the shortfall amount. HUD's Two Year Forecasting Tool can be found at http://portal.hud.gov/huddoc/FORECASTING_TOOL_v2.XLS and the instructions can be found at http://portal.hud.gov/huddoc/forecast_guidance.pdf. The PHA should work with its respective field office and SPT member when determining a potential shortfall status.

PHAs with specific questions related to the calculation and determination of a HUD-confirmed shortfall should contact the SPT at the following:
2015ShortfallInquiries@hud.gov
The subject line of the e-mail must include the PHA's number (XXX123).

Category 2a -Unforeseen Circumstances:

To be eligible for funding under this category, a PHA must submit the following:

a. 2015 Attachment B
b. Written narrative detailing the unforeseen circumstances that occurred during or after the CY 2014 re-benchmarking period that have significantly increased renewal costs.
c. Evidence to support the narrative.
d. PHA calculation of the increased costs for CY 2015.

For applications under the unforeseen circumstances category, it is important to note that PHAs must submit all items (a. through d.) above by **COB, Wednesday, April 15, 2015** in order for the application to be considered. **Failure to provide any of the required documents, including the PHA calculation of the increased costs, will result in denial of the application.**

The following are some examples of unforeseen circumstances and accompanying evidence HUD would consider in its evaluation under this Category:

- PHAs that have experienced significant increases in the cost of assistance due to an unforeseeable rise in rental costs that exceeds the applicable inflation factors published by HUD; documentation could include evidence of increased rents, identification of affected contracts and a calculation of the increased costs. **A calculation must be provided by the PHA**.

- PHAs experiencing an increase in their per unit HAP costs in comparison to the pro-rated funded HAP PUC for CY 2015 due to economic conditions resulting in decreases in total tenant payment (TTP); documentation could include actual per unit TTPs and HAP costs experienced by the PHA in CY 2015. **A calculation must be provided by the PHA**.

Category 2b -Portability:

To be eligible for funding under this category, the PHA must have experienced a significant increase in renewal costs due to portability for tenant-based rental assistance under Section 8(r) of the Act. To calculate eligibility under this category, the Department will compare the average HAP Per Unit Cost (PUC) for the re-benchmarking period (1-1-2014 to 12-31-2014) to the average HAP PUC for "Port Vouchers Paid" during the re-benchmarking period, both based on reporting in VMS. If the portability average HAP exceeds 110% of the program-wide average HAP PUC for the re-benchmarking period, the PHA will be eligible for set-aside funding. The difference between the portability average PUC and 110 percent of the program-wide average PUC will be multiplied by the total unit months leased for the "Port Vouchers Paid" reported in VMS during the re-benchmarking period to determine funding eligibility. The Department will calculate eligibility under this category; therefore, **no additional documentation will be required or accepted other than 2015 Attachment B, which must be completed, signed and submitted by COB, Wednesday, April 15, 2015.**

Category 3 -Project-based Vouchers:

To be eligible for funding under this category, a PHA must show that vouchers were not in use during the CY 2014 re-benchmarking period in order to be available to meet a commitment for project-based voucher assistance under Section 8(o) (13) of the Act. Adjustments will apply only to vouchers withheld pursuant to a project-based voucher commitment for newly constructed or rehabilitated housing. Adjustments **will not** apply to existing housing as there is no waiting period for existing housing project-based voucher commitments; therefore, there is no need to withhold vouchers. Adjustments will not be made under any circumstances for those units under an AHAP that, when added to units under lease for CY 2014, exceed the PHA's baseline units under ACC for CY 2014. (The PHA would not have been able to lease those shelved vouchers during CY 2014 due to the restriction on over-leasing.)

For **each** project-based voucher commitment for which a request is being made under this category, the PHA **must provide**, **from Part 1 of the executed AHAP for New Construction/Rehabilitation**, the following:

1. The page which identifies the parties to the AHAP (both the Housing Authority and the owner);
2. Identification of the project;
3. Section 1.1A which identifies the effective date of the agreement;
4. Section 1.1B which identifies the date of the commencement of the work;
5. Section 1.1C which identifies the time for completion of the work;
6. Exhibit C which identifies the units by size and applicable initial contract rents for the units to be project based;
7. If the project is to be completed in stages: Exhibit E which identifies the schedule of completion of stages (if applicable). (This exhibit shall identify the units in each stage.)
8. Signature page which provides the signature of both the Housing Authority and the owner and the dates the AHAP was signed.

If the Housing Assistance Payments (HAP) Contract **has been executed** by the time of the submission of this request for adjustment, the PHA **must provide, from Part 1 of the HAP Contract for New Construction/Rehabilitation,** the following:

1. The page which identifies the parties to the HAP Contract (both the Housing Authority and the owner);

2. Exhibit A which identifies the total number of units in the project covered by the HAP Contract; the initial Contract Rent to owner, and the number and description of the contract units;
3. If the project is to be completed in stages: in addition to the items described in 2. above, Exhibit A must also identify the units to be completed in each phase covered by the HAP Contract;
4. Exhibit B which identifies the services, maintenance and utilities to be provided by the owner;
5. Exhibit C which identifies the utilities available in the contract unit, including a listing of utility services to be paid by the owner (without charges in addition to the rent to owner) and utilities to be paid by the tenant;
6. Section 2a which identifies the initial term of the contract;
7. Signature page which provides the signature of both the Housing Authority and the owner and the dates the HAP was signed.

These documents, along with the completed and signed 2015 Attachment B, and the completed and signed 2015 Attachments C and D (for each project based commitment) must be submitted by COB, Wednesday, April 15, 2015.

NOTE: If the HAP Contract has not been executed, the PHA must state that the HAP Contract has not yet been executed.

Category 4 -HUD-VASH:

To be eligible for funding under this category the PHA must demonstrate a need for funding as indicated below:

a. Per Unit Cost Increase: PHAs whose program-wide funded CY 2015 HAP PUC is less than their current VASH HAP PUC, based on their latest VASH HAP expenses in CY 2015. The Department will calculate eligibility under this category; therefore, n**o additional documentation will be required or accepted other than 2015 Attachment B, which must be completed, signed and submitted by COB, Wednesday, April 15, 2015**.

And/Or

b. Leasing Increase: PHAs whose total VASH leasing for CY 2015 will exceed the leasing level included in their renewal funding plus the leasing that will be supported by the RNP and HUD-held program reserves. The Department will calculate eligibility under this category; therefore, n**o additional documentation will be required or accepted other than 2015 Attachment B, which must be completed, signed and submitted by COB, Wednesday, April 15, 2015**.

Category 5: Maintain Leasing:

This category is intended for adjustments for PHAs with voucher leasing rates at the end of the calendar year that exceed the average leasing for the 12-month period used to establish the allocation (1-1-14 to 12-31-2014), and for additional leasing of vouchers that were issued but not leased prior to the end of such calendar year 2014. The Department will calculate eligibility under this category; therefore, n**o additional documentation will be required or accepted other than 2015 Attachment B, which must be completed, signed and submitted by <u>COB, Wednesday, April 15, 2015</u>**.

Documentation requirements for each category are provided in a Quick Reference Chart below. PHAs are advised to provide all applicable supporting documentation and calculations along with the completed/signed 2015 Attachments A, B, C and/or Attachment D, where applicable, by the deadline date established in the Submission Requirements section.

Quick Reference Chart for Set-Aside Funds:

Category	PHAs must submit
1. Shortfall Funds - For PHAs, that despite taking reasonable cost savings measures, as determined by the Secretary, would otherwise be required to terminate participating families from the program due to insufficient funds.	• 2015 Attachment A
2a. Unforeseen Circumstances	• 2015 Attachment B • Written Justification • Evidence to support justification • PHA calculation of the increased costs **Failure to provide the items identified above, <u>including the PHA calculation of increased costs</u>, WILL result in a rejection of the PHA's application for Unforeseen Circumstances**
2b. Portability	• 2015 Attachment B
3. PBV	• 2015 Attachment B For **<u>each</u>** PBV project: • 2015 Attachment C • 2015 Attachment D • Identification of the project From Part 1 of the AHAP: • The page which identifies the parties to the AHAP (both the Housing Authority and the owner); • Section 1.1A which identifies the effective date of the agreement; • Section 1.1B which identifies the date of the commencement of the work; • Section 1.1C which identifies the time for completion of the work;

	• Exhibit C which identifies the units by size and applicable initial contract rents for the units to be project based; • If the project is to be completed in stages: Exhibit E which identifies the schedule of completion of stages (if applicable). (This exhibit shall identify the units in each stage.) • Signature page which provides the signature of both the Housing Authority and the owner and the dates the AHAP was signed. If the Housing Assistance Payments (HAP) Contract **has been executed** by the time of the submission of this request for adjustment, the PHA **must provide, <u>from Part 1 of the HAP Contract for New Construction/Rehabilitation,</u>** the following: • The page which identifies the parties to the HAP Contract (both the Housing Authority and the owner); • Exhibit A which identifies the total number of units in the project covered by the HAP Contract; the initial Contract Rent to owner, and the number and description of the contract units; • If the project is to be completed in stages: in addition to the items described in 2. above, Exhibit A must also identify the units to be completed in each phase covered by the HAP Contract; • Exhibit B which identifies the services, maintenance and utilities to be provided by the owner; • Exhibit C which identifies the utilities available in the contract unit, including a listing of utility services to be paid by the owner (without charges in addition to the rent to owner) and utilities to be paid by the tenant; • Section 2a which identifies the initial term of the contract; • Signature page which provides the signature of both the Housing Authority and the owner and the dates the HAP was signed. **NOTE: If the HAP Contract has not been executed, the PHA must state that the HAP Contract has not yet been executed.** **<u>Note: Failure to provide the required documentation listed above will result in denial of the application for funds under this category.</u>**
4. HUD-VASH	• 2015 Attachment B with a. and/or b. marked a. PHAs whose program-wide funded CY 2015 HAP PUC is less than their current VASH HAP PUC based on their latest VASH HAP expenses in CY 2015. The Department will calculate eligibility under this category; therefore, no additional documentation will be required or accepted other than Attachment B, which must be completed, signed and submitted by COB, Wednesday, April 15, 2015 **<u>And/Or</u>** b. Leasing Increase: PHAs whose VASH leasing for CY 2015 will exceed the leasing level included in their renewal funding plus the leasing that will be supported by

	the RNP and HUD-held program reserves retained for that purpose. The Department will calculate eligibility under this category; therefore, no additional documentation will be required or accepted other than Attachment B, which must be completed, signed and submitted by COB, Wednesday, April 15, 2015.
5. Maintain Leasing	• 2015 Attachment B This category is intended for adjustments for PHAs with voucher leasing rates at the end of the calendar year that exceed the average leasing for the 12-month period used to establish the allocation (1-1-14 to 12-31-2014), and for additional leasing of vouchers that were issued but not leased prior to the end of such calendar year 2014. The Department will calculate eligibility under this category; therefore, no additional documentation will be required or accepted other than 2015 Attachment B, which must be completed, signed and submitted by COB, Wednesday, April 15, 2015.

Submission Requirements and Timelines:

Category 1: Shortfall Funds:

PHAs applying for funds under Category 1 - Shortfall Funds, must submit 2015 Attachment A of this Notice - PHA Application for Category 1 - Shortfall Funds, and PHA Certification of Reasonable Cost Savings Measures Undertaken to Prevent Termination of HCV Participants Due to Insufficient Funds.

The application period for shortfall set-aside funding under Category 1 will remain **open throughout the calendar year 2015** and PHAs may apply or re-apply at any time during the application period. PHAs that receive set-aside funds based on their current HAP costs may find it necessary to apply for additional set-aside funds. Similarly, PHAs that do not initially anticipate a shortfall because they have suspended leasing and expect to decrease leasing by attrition may apply later if the attrition fails to resolve their shortfall; a PHA should still be in contact with the HUD field office and SPT in cases where the PHA anticipates attrition will solve the shortfall.

All Other Categories: (2a, 2b, 3, 4 and 5):

PHA requests for funds under one or more of the other categories (2a, 2b, 3, 4 and/or 5) shall be combined on 2015 Attachment B of this Notice – Application for $120 Million Set-Aside for Category (ies) 2a – Unforeseen Circumstances; 2b – Portability; 3 – Project Based Vouchers; 4 HUD-VASH; and/or 5 Additional Leasing of this Notice.

Applications for Categories 2a, 2b, 3, 4 and 5 must be received no later than COB, Wednesday, April 15, 2015.

PHAs may choose between submitting requests via electronic mail (e-mail)or via regular mail but **shall not submit their request(s) using both methods** as this would result in duplicate applications for the same funds and may delay HUD's review and processing of the request(s).

<u>Electronic Mail (email) Requests:</u>
PHA requests, with the appropriate signed Attachments (A, B, C and D) along with all required documentation and calculations (if applicable) may be submitted to the Department at the following mailbox:
2015Set-AsideApplications@hud.gov
The subject line of the e-mail must include the following: **<u>PHA Number, 2015 Set-Aside Application</u>**
(Example: XX123, 2015 Set-Aside Application)

<u>OR</u>

<u>Hard Copy Requests via Mail:</u>
PHA requests, with the appropriate signed Attachments (A, B, C and D) along with all required documentation and calculations (if applicable) may be submitted to the Department at the following physical address:

U.S. Department of Housing and Urban Development
Office of Housing Voucher Programs
Attn: Miguel A. Fontanez, Director, Financial Management Division
Room 4222
451 7th Street, S.W.
Washington, DC 20410

If your PHA choses to submit via hard copy, it is recommended that requests be sent using overnight delivery (USPS Express Mail, UPS, Fed Ex, DHL, etc.) that requires signature upon delivery. Hand-delivered or standard delivery mail will be accepted; however, it is important to note that non-expedited mail (including Priority Mail from the Postal Service) has no guaranteed delivery time and is subject to the Department's security screening, which can delay delivery. Requests will only be accepted at the above locations (email box or physical address only); requests delivered to other locations **will not** be accepted. Requests not received on time **will not** be processed. Faxes **will not** be accepted.

HUD reserves the right to request missing signatures from Set-Aside application forms (Attachments A, B, C and/or D). HUD will not accept revised applications or augmentations after the deadline date for submission.

Other Program Requirements

13. <u>HCV Financial Management.</u>

PHAs must manage their programs in a responsible manner to enable them to serve families within their CY 2015 allocations and voucher baselines. PIH Notice 2011-28 provides guidance on cost-savings measures PHAs may take to reduce financial shortfalls in the HCV program.

This year, HUD is again focused on ensuring that PHAs appropriately manage their HCV programs within the funding provided for the CY and existing Restricted Net Position (RNP) and HUD-Held Program Reserves. PHAs should review per unit costs (PUC), leasing and attrition rates on a monthly basis to be able to plan for upcoming months and carefully manage their wait lists.

Additionally, in order to comply with Treasury requirements, effective January 1, 2012, the Department implemented cash management procedures for the disbursement of HAP funds to PHAs under the HCV program. The process of disbursing only the funds required for current HAP costs results in the re-establishment of HUD-held program reserves, whereby excess HAP funds will remain obligated but undisbursed at the HUD level rather than held by the PHAs. This moves new budget authority into the program reserves if it is not needed for current costs. RNP balances held by PHAs are continuing to be transitioned in to HUD-held program reserves and will be available for use.

14. HAP Disbursements and Frontloading. PHAs will receive monthly disbursements from their budgetary allocations, in accordance with the cash management procedures established in PIH Notice 2011-67. PHAs will be advised before the beginning of each calendar year quarter of the disbursements scheduled for that quarter. PHAs may request a frontload when monthly disbursements and available RNP and HUD-held reserves will not cover expenses for the month or quarter. The frontload request should be sent to the assigned Financial Analyst (FA) at the Financial Management Center (FMC) for review and approval. PHAs will be required to provide HAP expenses not yet reported in VMS and actual HAP expenses for the period requested. The frontload will be limited to the amount necessary to cover the actual HAP expenses. PHAs must remember that a frontload(s) early in the CY affect(s) the amount(s) available in later month(s) in the CY.

15. Use of HAP and HAP RNP. PHAs are reminded that funds in the HAP RNP account and HUD-held program reserves shall only be used for eligible HAP needs in the current CY. The ACC requires PHAs to use HAP funding to cover rental assistance payments. HAP and/or PHA reserves (HAP RNP and HUD held reserves) shall not under any circumstances be used for any other purpose, such as to cover administrative expenses or be loaned, advanced or transferred (referred to as operating transfers due to/due from) to other component units or other programs such as Low-Rent (Public Housing) program. Use of HAP for any purpose other than eligible HAP needs is a violation of law, and such illegal uses or transfers may result in sanctions and possible declaration of breach of the ACC.

In instances where a PHA is found to have misappropriated HAP and/or HAP RNP funds by using the funds for any purpose other than valid HAP expenses for units up to the baseline, HUD will require the immediate return of the funds to the HAP or HAP RNP account. HUD may take action, including suspension and debarment, against a PHA or any party that has used HAP funds and/or the HAP RNP account for non-HAP purposes.

16. VMS/FASS Reporting and Data Integrity. PHAs must continue to submit required financial documents including, but not limited to, monthly VMS and annual FASS electronic submissions. PHAs that do not submit the required data by the reporting deadline may be sanctioned as provided by 24 CFR 982.152(d), and in accordance with the procedures outlined in PIH Notice 2012-2, or any successor notice. PHAs that fail to meet the submission requirements may be subject to administrative actions, including but not limited to, an imposition of a penalty against the PHA's monthly administrative fees until the PHA complies with these requirements. This penalty represents a permanent reduction for the current CY that shall not be reversed.

17. **Prohibition on Over-leasing.** It is important to note that the 2015 Act continues to strictly prohibit the use of appropriated HAP funds by any PHA, except for PHAs participating in the MTW demonstration, to lease units above their ACC baseline units during any CY, even if the PHA has sufficient budget authority (BA) and/or RNP to support the additional units. If a PHA engages in over-leasing, it must identify other eligible sources to pay for the over-leasing, and the PHA must take immediate steps to eliminate any current over-leasing. Renewal funding allocations will not include over-leased units. Renewal funding eligibility will be reduced based on the number of over-leased unit months and the average PUC during the re-benchmark period. PHAs must still report all over-leasing in VMS and must also report $0 HAPs in the appropriate categories in VMS.

18. **Use of Outside Sources of Funds.** HUD issued PIH Notice 2013-28, Guidance on the Use of Outside Sources of Funds in the Housing Choice Voucher (HCV) Program. The Department recommends that all PHAs carefully review the information contained in the Notice.

19. **Paperwork Reduction Act.** The additional information collection requirements contained in this document are approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520). The OMB control number is 2577-0169. 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.

20. **Further Information**. Any questions concerning this Notice should be directed to the Housing Voucher Financial Management Division, Office of Public Housing and Voucher Programs, at (202) 708-2934 (this is not a toll-free number). Persons with hearing or speech impairments may access these numbers via TTY by calling the toll-free Federal Information Relay Service at (800) 877-8339.

/s/

Jemine A. Bryon, Acting Assistant Secretary for
Public and Indian Housing

Appendix A

Consolidated Appropriations Act, 2014 (Public Law 113-76)

Tenant-Based Rental Assistance:

(1) $17,486,000,000 shall be available for renewals of expiring section 8 tenant-based annual contributions contracts (including renewals of enhanced vouchers under any provision of law authorizing such assistance under section 8(t) of the Act) and including renewal of other special purpose incremental vouchers: *Provided*, That notwithstanding any other provision of law, from amounts provided under this paragraph and any carryover, the Secretary for the calendar year 2015 funding cycle shall provide renewal funding for each public housing agency based on validated voucher management system (VMS) leasing and cost data for the prior calendar year and by applying an inflation factor as established by the Secretary, by notice published in the Federal Register, and by making any necessary adjustments for the costs associated with the first-time renewal of vouchers under this paragraph including tenant protection, HOPE VI, and Choice Neighborhoods vouchers: *Provided further*, That in determining calendar year 2015 funding allocations under this heading for public housing agencies, including agencies participating in the Moving To Work (MTW) demonstration, the Secretary may take into account the anticipated impact of changes in targeting and utility allowances, on public housing agencies' contract renewal needs: *Provided further*, That none of the funds provided under this paragraph may be used to fund a total number of unit months under lease which exceeds a public housing agency's authorized level of units under contract, except for public housing agencies participating in the MTW demonstration, which are instead governed by the terms and conditions of their MTW agreements: *Provided further*, That the Secretary shall, to the extent necessary to stay within the amount specified under this paragraph (except as otherwise modified under this paragraph), prorate each public housing agency's allocation otherwise established pursuant to this paragraph: *Provided further*, That except as provided in the following provisos, the entire amount specified under this paragraph (except as otherwise modified under this paragraph) shall be obligated to the public housing agencies based on the allocation and pro rata method described above, and the Secretary shall notify public housing agencies of their annual budget by the latter of 60 days after enactment of this Act or March 1, 2015: *Provided further*, That the Secretary may extend the notification period with the prior written approval of the House and Senate Committees on Appropriations: *Provided further*, That public housing agencies participating in the MTW demonstration shall be funded pursuant to their MTW agreements and shall be subject to the same pro rata adjustments under the previous provisos: *Provided further*, That the Secretary may offset public housing agencies' calendar year 2015 allocations based on the excess amounts of public housing agencies' net restricted assets accounts, including HUD held programmatic reserves (in accordance with VMS data in calendar year 2014 that is verifiable and complete), as determined by the Secretary: *Provided further*, That public housing agencies participating in the MTW demonstration shall also be subject to the offset, as determined by the Secretary, excluding amounts subject to the single fund budget authority provisions

of their MTW agreements, from the agencies' calendar year 2015 MTW funding allocation: *Provided further*, That the Secretary shall use any offset referred to in the previous two provisos throughout the calendar year to prevent the termination of rental assistance for families as the result of insufficient funding, as determined by the Secretary, and to avoid or reduce the proration of renewal funding allocations: *Provided further*, That up to $120,000,000 shall be available only: (1) for adjustments in the allocations for public housing agencies, after application for an adjustment by a public housing agency that experienced a significant increase, as determined by the Secretary, in renewal costs of vouchers resulting from unforeseen circumstances or from portability under section 8(r) of the Act; (2) for vouchers that were not in use during the 12-month period in order to be available to meet a commitment pursuant to section 8(o)(13) of the Act; (3) for adjustments for costs associated with HUD-Veterans Affairs Supportive Housing (HUD-VASH) vouchers; (4) for adjustments for public housing agencies with voucher leasing rates at the end of the calendar year that exceed the average leasing for the 12-month period used to establish the allocation, and for additional leasing of vouchers that were issued but not leased prior to the end of such calendar year; and (5) for public housing agencies that despite taking reasonable cost savings measures, as determined by the Secretary, would otherwise be required to terminate rental assistance for families as a result of insufficient funding: *Provided further*, That the Secretary shall allocate amounts under the previous proviso based on need, as determined by the Secretary;

Tenant Protection:

(2) $130,000,000 shall be for section 8 rental assistance for relocation and replacement of housing units that are demolished or disposed of pursuant to section 18 of the Act, conversion of section 23 projects to assistance under section 8, the family unification program under section 8(x) of the Act, relocation of witnesses in connection with efforts to combat crime in public and assisted housing pursuant to a request from a law enforcement or prosecution agency, enhanced vouchers under any provision of law authorizing such assistance under section 8(t) of the Act, HOPE VI and Choice Neighborhood vouchers, mandatory and voluntary conversions, and tenant protection assistance including replacement and relocation assistance or for project-based assistance to prevent the displacement of unassisted elderly tenants currently residing in section 202 properties financed between 1959 and 1974 that are refinanced pursuant to Public Law 106-569, as amended, or under the authority as provided under this Act: *Provided*, That when a public housing development is submitted for demolition or disposition under section 18 of the Act, the Secretary may provide section 8 rental assistance when the units pose an imminent health and safety risk to residents: *Provided further*, That the Secretary may only provide replacement vouchers for units that were occupied within the previous 24 months that cease to be available as assisted housing, subject only to the availability of funds: *Provided further*, That of the amounts made available under this paragraph, $5,000,000 may be available to provide tenant protection assistance, not otherwise provided under this paragraph, to residents residing in low vacancy areas and who may have to pay rents greater than 30 percent of household income, as the result of (1) the maturity of a HUD-insured, HUD-held or section 202 loan that requires the permission of the Secretary prior to loan prepayment; (2) the expiration of a rental assistance contract for which the tenants are not eligible for enhanced

voucher or tenant protection assistance under existing law; or (3) the expiration of affordability restrictions accompanying a mortgage or preservation program administered by the Secretary: *Provided further*, That such tenant protection assistance made available under the previous proviso may be provided under the authority of section 8(t) or section 8(o)(13) of the United States Housing Act of 1937 (42 U.S.C. 1437f(t)): *Provided further*, That the Secretary shall issue guidance to implement the previous provisos, including, but not limited to, requirements for defining eligible at-risk households within 120 days of the enactment of this Act: *Provided further*, That any tenant protection voucher made available from amounts under this paragraph shall not be reissued by any public housing agency, except the replacement vouchers as defined by the Secretary by notice, when the initial family that received any such voucher no longer receives such voucher, and the authority for any public housing agency to issue any such voucher shall cease to exist: *Provided further*, That the Secretary, for the purpose under this paragraph, may use unobligated balances, including recaptures and carryovers, remaining from amounts appropriated in prior fiscal years under this heading for voucher assistance for nonelderly disabled families and for disaster assistance made available under Public Law 110-329;

Administrative Fees:

(3) $1,530,000,000 shall be for administrative and other expenses of public housing agencies in administering the section 8 tenant-based rental assistance program, of which up to $10,000,000 shall be available to the Secretary to allocate to public housing agencies that need additional funds to administer their section 8 programs, including fees associated with section 8 tenant protection rental assistance, the administration of disaster related vouchers, Veterans Affairs Supportive Housing vouchers, and other special purpose incremental vouchers: *Provided*, That no less than $1,520,000,000 of the amount provided in this paragraph shall be allocated to public housing agencies for the calendar year 2015 funding cycle based on section 8(q) of the Act (and related Appropriation Act provisions) as in effect immediately before the enactment of the Quality Housing and Work Responsibility Act of 1998 (Public Law 105-276): *Provided further*, That if the amounts made available under this paragraph are insufficient to pay the amounts determined under the previous proviso, the Secretary may decrease the amounts allocated to agencies by a uniform percentage applicable to all agencies receiving funding under this paragraph or may, to the extent necessary to provide full payment of amounts determined under the previous proviso, utilize unobligated balances, including recaptures and carryovers, remaining from funds appropriated to the Department of Housing and Urban Development under this heading from prior fiscal years, excluding special purpose vouchers, notwithstanding the purposes for which such amounts were appropriated: *Provided further,* That all public housing agencies participating in the MTW demonstration shall be funded pursuant to their MTW agreements, and shall be subject to the same uniform percentage decrease as under the previous proviso: *Provided further*, That amounts provided under this paragraph shall be only for activities related to the provision of tenant-based rental assistance authorized under section 8, including related development activities;

Mainstream Five Program:

(4) $83,160,000 for the renewal of tenant-based assistance contracts under section 811 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 8013), including necessary administrative expenses: *Provided*, That administrative and other expenses of public housing agencies in administering the special purpose vouchers in this paragraph shall be funded under the same terms and be subject to the same pro rata reduction as the percent decrease for administrative and other expenses to public housing agencies under paragraph (3) of this heading;

VASH Program:

(5) $75,000,000 for incremental rental voucher assistance for use through a supported housing program administered in conjunction with the Department of Veterans Affairs as authorized under section 8(o)(19) of the United States Housing Act of 1937: *Provided*, That the Secretary of Housing and Urban Development shall make such funding available, notwithstanding section 204 (competition provision) of this title, to public housing agencies that partner with eligible VA Medical Centers or other entities as designated by the Secretary of the Department of Veterans Affairs, based on geographical need for such assistance as identified by the Secretary of the Department of Veterans Affairs, public housing agency administrative performance, and other factors as specified by the Secretary of Housing and Urban Development in consultation with the Secretary of the Department of Veterans Affairs: *Provided further*, That the Secretary of Housing and Urban Development may waive, or specify alternative requirements for (in consultation with the Secretary of the Department of Veterans Affairs), any provision of any statute or regulation that the Secretary of Housing and Urban Development administers in connection with the use of funds made available under this paragraph (except for requirements related to fair housing, nondiscrimination, labor standards, and the environment), upon a finding by the Secretary that any such waivers or alternative requirements are necessary for the effective delivery and administration of such voucher assistance: *Provided further*, That the Secretary shall set aside an amount provided under this paragraph for a rental assistance and supportive housing demonstration program for Native American veterans that are homeless or at-risk of homelessness living on or near a reservation or other Indian areas: *Provided further*, That such demonstration program shall be modeled after, with necessary and appropriate adjustments for Native American grant recipients and veterans, the rental assistance and supportive housing program funded under this paragraph, including administration in conjunction with the Department of Veterans Affairs and overall implementation of section 8(o)(19) of the Act: *Provided further*, That amounts for rental assistance and associated administrative costs shall be made available by grants to recipients eligible to receive block grants under the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. section 4101 et seq.): *Provided further*, That funds shall be awarded based on need, administrative capacity, and any other funding criteria established by the Secretary in a Notice published in the Federal Register after coordination with the Secretary of the Department of Veterans Affairs within 180 days of enactment of this Act: *Provided further*, That such rental assistance shall be administered by block grant recipients in accordance with program requirements under the Native

American Housing Assistance and Self-Determination Act of 1996: *Provided further*, That the first and second provisos under this paragraph shall apply to use of funds made available for this demonstration, as appropriate: *Provided further*, That the Secretary, in coordination with the Secretary of the Department of Veterans Affairs, shall coordinate with block grant recipients and any other appropriate tribal organizations on the design of such demonstration and shall ensure the effective delivery of supportive services to Native American veterans that are homeless or at-risk of homelessness eligible to receive assistance under this demonstration: *Provided further*, That grant recipients shall report to the Secretary, as prescribed by the Secretary, utilization of such rental assistance provided under this demonstration: *Provided further*, That assistance made available under this paragraph shall continue to remain available for homeless veterans upon turn-over; and

Tracking of Special Purpose Vouchers

(6) The Secretary shall separately track all special purpose vouchers funded under this heading.

Appendix B
Calculation of HUD-Confirmed Shortfall and Shortfall Amount

The amount that a PHA will be eligible to receive from this set-aside will be calculated by HUD, using HUD's 2-year projection tool (see link) and the most recent validated voucher leasing and expense data available in VMS at the time the PHA's application is reviewed. HUD's 2 year projection (forecasting) tool can be found at http://portal.hud.gov/huddoc/FORECASTING_TOOL_v2.XLS and the instructions can be found at http://portal.hud.gov/huddoc/forecast_guidance.pdf

The 2-year tool compares all resources available to support the PHA's HAP payments in calendar year 2015 with actual HAP expenses for 2015 projected through the end of the calendar year.

Resources are calculated using the PHA's RNP as of 12/31/2014, the HUD-held reserve as of 12/31/2014, the PHA's actual Renewal Annual Budget Authority (ABA) for 2015, and any new voucher incremental funding applicable to CY 2015 or set-aside amounts awarded or expected to be awarded in 2015.

HAP expenses are calculated based on current leasing and expense data, projected through the end of calendar year 2015; the PHA's suspension of general voucher issuance; and projected attrition based on actual attrition for the 12 months prior to the PHA's request for set-aside funds, as reported in PIC.

The requirement to suspend general voucher issuance is subject to the following exclusions:

1. Vouchers issued to current HCV participants to allow them to move.

2. Vouchers issued to program applicants under special-purpose voucher increments awarded in CY 2015 or CY 2015. These special-purpose vouchers include VASH, Family Unification Program (FUP), Near Elderly Disabled (NED), and Tenant Protection vouchers initially awarded in 2014 and/or 2015.

3. Vouchers issued to applicants moving into Project-Based Voucher (PBV) units in order to allow the PHA to meet its contractual obligation to fill PBV AHAP units being placed under HAP for the first time, and PBV units currently under HAP that are vacated by program participants. However, tenant-based vouchers are not to be issued to participants living in PBV units who are requesting a voluntary move with a tenant-based voucher after **April 1, 2015**.

Any vouchers issued on or after April 1, 2015, with the exception of those described in 1, 2, and 3 above, must be rescinded immediately. To the extent consistent with the PHA's Administrative Plan, holders of these vouchers may be advised that they will be eligible to receive a new voucher when the PHA is able to resume issuance. PHAs cannot issue vouchers and/or execute HAP contracts for families that do not meet any of the exceptions through the end of Calendar Year 2015.

The application period for shortfall set-aside funding will remain open throughout the calendar year 2015, and PHAs may apply or re-apply at any time during the application period. PHAs that receive set-aside based on their current HAP costs may find it necessary to apply for additional set-aside funds. Similarly, PHAs that do not initially anticipate a shortfall because they have suspended leasing and expect to lose sufficient units by attrition may apply later if the attrition fails to resolve their shortfall.

All PHAs applying for the shortfall set-aside must be working with HUD's Shortfall Prevention Team (SPT) at the time of their application. The SPT will review the PHA's funding available for 2015 and their leasing and expense data to date, to determine whether the PHA has a shortfall and the amount needed to resolve the shortfall.
The PHA will continue to work with the SPT throughout the year to monitor the PHA's financial position and to implement cost savings measures outlined in Notice PIH 2011-28 to decrease the possibility of an increased shortfall. PHA must adhere to the eligibility requirements detailed in Paragraph 12 of this Notice.
Factors considered by the SPT to determine the amount of a potential shortfall will be determined as follows:

a. **PHA-held RNP as of 12/31/ 2014:** SPT will use the RNP balance reported by the PHA in VMS for 12/31/2014. If there is a confirmed discrepancy between this amount and the amount actually held by the PHA on 12/31/2014, the lower of the reported or the actual amount of cash on hand to support the RNP will be used. The PHA will be required to provide documentation as requested before this adjustment will be made.

b. **HUD-held reserve as of 12/31/ 2014:** SPT will use the balance reported to us by HUD's FMC.

c. **2015 Renewal ABA:** Actual renewal ABA awards for CY 2015.

d. **Special-purpose voucher and tenant protection funding and set-asides:** FMC will provide amounts to be made available to the PHA in CY 2015 for special-purpose voucher and tenant protection funding increments applicable to any portion of CY 2015, and for any set-aside funding previously awarded in CY 2014.

e. **Unit months leased:** The unit months leased (UML) for CY 2015 will be projected by taking the number of units reported in VMS in the last month available, and projecting that number through the end of the year. Reductions to projected leasing will be made for to adjust for attrition, in accordance with the annual turnover rate used in the 2-year tool. This rate is derived from the PHA's PIC data on families ending participation (EOP). Increases to projected leasing will be made for vouchers on the street prior to **April 1, 2015** and additional leasing resulting from the admission of families described in 2 and 3 above -- families receiving new special-purpose vouchers, and families moving into new or vacant PBV units. No adjustments will be made for mover families who receive vouchers in accordance with 1 above.

f. **Total HAP expense:** Total HAP expense for 2015 will be based on a projection of the unit months leased for 2015 (described in f above) at the per-unit cost taken from the PHA's most recent VMS report. If the PHA's PUC increases in future months, and the PHA again determines that it is in danger of a shortfall, the PHA may apply for additional shortfall set-aside funds.

g. **Vouchers issued, or projected to be issued:** The number of vouchers on the street as of **April 1, 2015**, taken from the PHA's VMS report, will be used to determine future leasing, if any, from vouchers issued prior to the **April 1, 2015** cutoff. For most PHAs, there will be no units on the street starting in **April 2015.** Planned issuances for vouchers exempt from the suspension will be shown in the months they will be issued. The projected HAP costs for these units will be affected by the voucher success rate provided by the PHA and average time from issuance of the voucher to the HAP effective date.

h. **Other Planned Additions or Reductions to Leased Units:** This field incorporates into the leasing schedule other planned additions to leasing with fixed start dates, such as the dates that PBV units currently under AHAP are scheduled to come under HAP. The calculated HAP cost for these units is not subject to the success rate calculation.

i. **Year-End RNP Balance 2015:** Any PHA with a negative projected 2015 year-end balance will be considered to be a shortfall PHA. PHAs with year-end balances of $0 or above will not be considered as shortfall PHAs or eligible to receive shortfall set-aside funds.

CY 2015 Housing Choice Voucher Program - $120 Million Set-Aside

ATTACHMENT A

PHA Application for Category 1, Shortfall Funds And PHA Certification of Reasonable Cost Savings Measures Undertaken To Prevent Termination of HCV Participants Due to Insufficient Funds.

Name of PHA: ____
PHA Number: ____
Executive Director: _______________________________________
The above referenced agency is applying for Category 1 Shortfall Funds and has undertaken reasonable cost savings measures to prevent termination of HCV Participants due to insufficient funds.

Please check Shortfall Scenario 1 or Shortfall Scenario 2 for which your PHA is applying. The application must be signed by the appropriate PHA official.

_____**Shortfall Scenario 1:** For PHAs already in an-SPT confirmed shortfall- the certification is as follows:

I, _______________, hereby certify to the following:

(1) At the time of application, the PHA is working with the HUD Shortfall Prevention Team (SPT) and SPT has confirmed the PHA is in a shortfall position. (PHAs that are not currently working with the SPT but believe they are in a shortfall position should immediately contact their HUD Field Office for assistance.)

(2) The PHA has ceased issuing vouchers to applicants as of **April 1, 2015**. (Please note this does not apply to families that are participants and were issued a voucher to move to a different unit. This restriction is also not applicable to tenant protection vouchers that are being issued to targeted families that were residing in the covered property on the eligibility event, or where the PHA is leasing to homeless veterans under the HUD-VASH program, up to the baseline level of units under all HUD-VASH allocations (not just recent allocations), including turnover of HUD-VASH vouchers.)

(3) The PHA has rescinded any vouchers remaining on the street that were issued to applicant families and has stopped leasing those rescinded vouchers as of **April 1, 2015**. Note this does not apply to vouchers issued under the two exceptions noted in (2) above. In addition, PHAs may enter into PBV HAP contracts for units that were under AHAP as of the application date and still meet this condition.

(4) The PHA has ceased absorbing portable vouchers as of **April 1, 2015**.

(5) In regard to project-based voucher (PBV) HAP contracts, vouchers are not issued to a family that wants to voluntarily move. (However, if a unit becomes vacant, the PBV unit shall be filled with a family from the waiting list.)

______**Shortfall Scenario 2**: For those PHAs that manage their HCV program budgets in a reasonable and responsible manner, but are later determined to be in an SPT-confirmed shortfall position, the Department will review each application on a case-by-case basis to determine if the PHA is eligible for funding under this category.

I ________________________, here by certify that the PHA agrees to comply with all SPT-directed cost savings measures.

Certification: I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate. Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3279, 3802)

____
Signature of Executive Director and Date

____
Contact Name and Phone Number

CY 2015 Housing Choice Voucher Program

ATTACHMENT B

Application for $120 Million Set-Aside for Category (ies) 2a - Unforeseen Circumstances; 2b – Portability; 3 - Project Based Vouchers; 4 - HUD-VASH; and/or 5 – Maintain Leasing

Name of PHA: ____
PHA Number: ____
Executive Director: ____

CHECK ALL BOXES THAT APPLY

______ **Category 2a**: **Unforeseen Circumstances**.

______ **Category 2b**: **Portability**.

______**Category 3**: **Project Based Vouchers.**

______ **Category 4: HUD-VASH (Please also check a. and/or b. below, as applicable):**

_____**a. PHAs whose program-wide funded CY 2015 HAP PUC is less than their current VASH HAP PUC based on their latest VASH HAP expenses in CY 2015**

And/Or

______**b. Leasing Increase: PHAs whose total VASH leasing for CY 2015 will exceed the leasing level included in their renewal funding plus the leasing that will be supported by the RNP and HUD-held program reserves .**

_______**Category 5: Maintain Leasing.**

Documentation requirements and Deadlines for each of the above categories are contained in Paragraph 12 of this Notice.

This certification must be signed by the appropriate PHA official and returned.

Certification: I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate. Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3279, 3802)

____
Signature of Executive Director and Date

____
Contact Name and Phone Number

CY 2015 Housing Choice Voucher Program - $120 Million Set-Aside

Attachment C

Project-Based Commitment Data - Calendar Year 2014

HA Number	
HA Name	

PROJECT-BASED COMMITMENTS

If the PHA had project-based (PB) commitments during CY 2014 for which vouchers were withheld from leasing, the PHA must report for each month the number of vouchers withheld from leasing.

The PHA must complete a separate Attachment C for each PB commitment.

	NUMBER OF VOUCHERS WITHHELD FOR THIS PROJECT BASED COMMITMENT ONLY											
Project Identification	**Jan 2014**	**Feb 2014**	**Mar 2014**	**Apr 2014**	**May 2014**	**June 2014**	**July 2014**	**Aug 2014**	**Sept 2014**	**Oct 2014**	**Nov 2014**	**Dec 2014**

PHA Certification: I hereby certify that all information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate. Warning: HUD will prosecute false claims and statements. Convictions may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012, U.S.C. 3729, 3802)

Executive Director Signature Date

PHA Contact

Executive Director Name

Phone Number

CY 2015 - $120 MILLION SET-ASIDE - PBV DATA - (Page 1 of 2)

ATTACHMENT D

NOTE: PLEASE COMPLETE ATT D FOR EACH PROJECT FOR WHICH PBV SET-ASIDE FUNDING IS BEING REQUESTED

PHA#:

PHA NAME:

#______ of _______ PROJECTS

PROJECT NAME:

PROJECT TYPE:

NEW CONSTRUCTION: ______

REHABILITATION: ________

NOTE: EXISTING HOUSING IS INELIGIBLE FOR THIS CATEGORY

INFORMATION ON AHAP:

EFFECTIVE DATE OF AHAP: ______________

#OF DAYS FROM EFFECTIVE DATE OF HAP TO PROJECT COMPLETION DATE: _____________

END DATE (DATE OF NEW CONSTRUCTION/REHAB COMPLETION DATE): ______________

PERIOD ALLOWED:	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14
# OF UNITS:												

UNIT SIZE	CONTRACT RENT	GROSS RENT	UTILITIES INCLUDED IN GROSS RENT Y/N	# OF UNITS
________ BEDROOM				
________ BEDROOM				

________ **BEDROOM**				
________ **BEDROOM**				
________ **BEDROOM**				
________ **BEDROOM**				
________ **BEDROOM**				

COMMENTS:

This certification must be signed by the appropriate PHA official and returned.

Certification: I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.
Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3279, 3802)

SIGNATURE OF EXECUTIVE DIRECTOR:

DATE:

CONTACT NAME AND PHONE #: