

# FLASH ALERT

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## CAPITAL FUND 2018 PROCESSING GUIDANCE

HUD recently posted [guidance](#) regarding the FFY 2018 Capital Fund (CFP) grant. In prior years, there have been several updates to the CFP grant administration then in prior years. The [Annual Contribution Contract \(ACC\)](#), budget line items (BLIs) accounting codes, BLI budget limits and the full implementation of the Energy Performance Information Center (EPIC) for the submission of the Annual Statements and Five Year Action Plans.

PHAs that begin to draw on CFP 2018 will see that drawing down funds can act as a type of electronic signature for an FFY 2018 Capital Fund grant and will subject the PHA to the requirements of both the New ACC and the FFY 2018 Capital Fund ACC Amendment. This document will contain both the terms and conditions applicable to FFY 2018 CFP grants and an appendix listing the following information: PHA name, PHA code, Capital Fund grant number, grant amount, and ACC Amendment effective date/obligation start date.

All PHAs will be required to submit their CFP 5-Year Action Plans and Annual Statements in EPIC; the electronic CFP submission process will replace the current paper submission process. Field Offices will either review and approve or withhold approval, as appropriate, of 5-Year Action Plans in EPIC. PHAs with an approved 5-Year Action Plan in EPIC may revise work activity amounts to reflect actual awards and may “funge” or reschedule approved activities from one year to

another without seeking additional Field Office approval. HUD has consolidated the BLIs that PHAs use most frequently into one broad-scope BLI, BLI 1480-General Capital Activity. HUD expects this change to reduce the need for budget revisions and to better align with PHA business practices.

### Rolling 5-Year Action Plans

PHAs enter information into EPIC for a five-year period which begins one year after the starting year under the prior plan. For example, consider a PHA with a September 30th FYE that is currently operating under a rolling plan covering 2017 through 2022. The PHA would create a new 5-Year Action Plan in EPIC with a starting year of 2018, providing information on work activities for 2018 through 2022.

### Fixed 5-Year Action Plans with at Least 2 Years Remaining

PHAs may retain the plan starting year and enter only work activities for the remaining years of the plan. For example, consider a PHA with September 30th FYE that is currently operating under a Fixed 5-Year Action Plan for 2015 through 2019. In this PHA's 2018 submission in EPIC, two years will remain on the current plan (i.e., 2018 and 2019). Therefore, this PHA would create a 5-Year Action Plan in EPIC with a starting year of 2015 and enter work activities for 2018 and 2019.

### Fixed 5-Year Action Plans with less than 2 Years Remaining

PHAs with less than 2 years remaining on the Fixed 5-Year Action Plan must cover a new 5-year period in the plan submitted in EPIC and enter work activities for all 5 years. This must be completed immediately, prior to their initial 5-Year Action Plan submission in EPIC. For example, consider a PHA with a September 30th FYE that is currently operating under a Fixed 5-Year Action Plan for 2014 through 2018. For this PHA's 2018 submission in EPIC, only 1 year will remain on the current plan. Therefore, this PHA would create a 5-Year Action Plan in EPIC with a starting year of 2018 and enter work activities for 2018 through 2022.

The 2018 budget percentage for BLI 1408, Management Improvements, is 10% of the total CFP grant. BLI 1408 has decreased over the past 5 years from 20% of the total CFP grant to 10% of the CFP grant. It is expected to stay at 10% until there is a change in regulation.<sup>1</sup>

For FFY 2015, FFY 2016, FFY 2017, and **FFY 2018** CFP awards, the limitation on Capital Funds used for Operating Fund-eligible activities described in section 9(g)(1) of the Housing Authority Act of 1937 is increased from **20% to 25%**, as identified in paragraph 2 of the 2018 CFP ACC Amendment.

"The PHA must carry out all development, capital and management activities in accordance with the United States Housing Act of 1937 (the Act), 24 CFR Part 905 (the Capital Fund Final rule) as well as other applicable HUD requirements, except that the limitation in section 9(g)(1) of the Act is increased such that of the amount of CFP assistance provided for under this CFP amendment only, the PHA may use no more than 25 percent for activities that are eligible under section 9(e) of the Act only if the PHA's HUD-approved Five Year Action Plan provides for such use; however, if the PHA owns or operates less than 250 public housing dwelling units, such PHA may continue to use the full flexibility in section 9(g)(2) of the Act."

Large PHAs may obtain a waiver to increase the use of 1406 funds beyond the 25% for anticrime and antidrug activities. Large PHAs seeking to transfer more than 25% of FFY 2018 Capital Funds to Operating Funds for anticrime and antidrug activities ONLY must request a waiver in writing addressed to the Director of the Office of Capital Improvements, 451 7th St. SW, Washington, DC 20410, and the local field office.

The Office of Capital Improvements will process these requests and provide a response within 14 days of the date of submission. Waiver requests will be granted at HUD's discretion and for good cause.

A good cause determination is made on a case-by-case basis and is dependent upon the adequacy of the documentation provided by the PHA seeking a waiver. The requirements that must be included can be found on page 6 of the [guidance](#).

Small PHAs (those owning/operating less than 250 units) may continue to use the full flexibility provided for in section 9(g)(2) of the Housing Authority Act of 1937, if they have less than 250 public housing units and are not designated as troubled under PHAS. These PHAs may use up to 100% of their annual Capital Fund grant for activities that are eligible under the Operating Fund at 24 CFR Part 990. These PHAs must have determined that there are no debt service payments, significant Capital Fund needs, or emergency needs that must be met prior to transferring 100% of their Capital Funds to Operating Fund purposes. They also must have disclosed the use of Capital Funds for Operating Fund-eligible activities in the 5-Year Action Plan that is approved by the PHA Board and HUD.

As soon as HUD releases each PHA's ACC, BDO PHA Finance will keep the PHAs updated, so the PHA may start the EPIC process of submitting the Annual Plan and Five Year Action Plan. As soon as these documents are submitted and approved, the PHA will be allowed to draw the funds from EPIC.

## CONTACT

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### ABOUT BDO PHA FINANCE

BDO PHA Finance, a division of BDO USA, LLP, provides accounting and management consulting services to Public Housing Authorities (PHAs) nationwide. We are proud to be making a difference for the housing authorities that serve communities throughout the United States.

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<sup>1</sup> 24 CFR 905.314(i)