

# FLASH ALERT

AUGUST 2020 / [www.bdophafinance.com](http://www.bdophafinance.com)

## CARES Act – HCV Program Housing Assistance Payments Supplemental Funding

[PIH Notice 2020-17](#), "The Notice" was recently published and provides guidance for the implementation of HAP supplemental funding provisions for the Housing Choice Voucher (HCV) Program, including Mainstream vouchers, in the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), enacted on March 27, 2020. The CARES Act provides additional appropriations for HAP and administrative fee funding to prevent, prepare for, and respond to coronavirus (COVID-19).

This Notice describes the allocation methodology determined by the HUD for the HAP portion of this appropriation and the public housing agency (PHA) eligibility and application submission requirements for the funding.

\$400 million HAP funding is available for PHAs that:

1. Experience a significant increase in voucher PUC due to extraordinary circumstances, or
2. Despite taking reasonable cost saving measures, as determined by the Secretary, would otherwise be required to terminate rental assistance for families as a result of insufficient funding (shortfall funds).

## FOR PHAS THAT ARE APPLYING UNDER THE FIRST CATEGORY: EXTRAORDINARY CIRCUMSTANCES

If your PHA previously submitted applications for CY 2020 HAP renewal set-aside funding under Category 2A-Unforeseen Circumstances via PIH Notice 2020-04 due to PUC increases triggered by COVID-19, your PHA must resubmit those funding requests in accordance PIH Notice 2020-17 (this notice).

Resubmission of the PHA application under the CARES Act HAP supplemental funding will ensure proper tracking of the CARES Act funds and will expedite the processing of the PHAs' requests with the latest available data. PHAs that previously submitted applications under Category 2A-Unforeseen Circumstances for PUC increases for reasons other than COVID-19 are not required to submit an updated application but are encouraged to do so if the PUC has further increased as a result of the COVID-19 pandemic.

The application period for a significant increase in PUC due to extraordinary circumstances begins **July 31, 2020 and ends October 31, 2020**. HUD will review applications on a rolling basis to determine eligibility and priority status. Applications that qualify for priority status (Priority Applications) will be funded as the application is received and processed, subject to the availability of funding. Applications that do not qualify for priority status (Regular Applications) will be eligible to receive funding in November, subject to the availability of funding. PHAs with a PUC (based on the most recent month of total HAP expenses and leasing) that is 102% or greater than the PUC HUD used to determine the PHA's CY 2020 renewal funding (the CY 2020 PUC) and meet the application submission requirements are eligible for funding under this category.

To obtain your PUC for your PHA's renewal funding, please review your Award Letter received this past March, Enclosure A, Line 29 and compare to your most recent PUC (HAP+UAP+FSS Escrow/UML) for your latest month.

Once it is determined that the PHA PUC increased by over 2%, the PHA's HAP reserve must also be less than the amount needed to cover 3 months of HAP expenses to be deemed priority status. For this exercise, HUD determines the amount of PHA HAP reserve by taking the PHA's reconciled 12/31/2019 HAP reserve balance (HHR+RNP) and adjusting it to account for the validated CY 2020 VMS data for HAP expenses and the budget authority disbursed to the PHA for the same time period. HUD will then take the most recent validated month of expenses from VMS and adjust it by adding a 2% margin. The adjusted reserve balance is divided by adjusted HAP expenses to determine if the PHA reserve balance is less than the equivalent of 3 months of HAP expenses.

If the PHA application qualifies for priority status, the PHA will be notified and will receive funding shortly after the application is processed, subject to the availability of appropriations.

If the PHA application is determined to be a regular application, HUD will promptly notify the PHA that the application has been approved but that funding will not be made available until November, subject to the availability of appropriations.

## SUMMARY OF OUTCOMES FOR APPLICATIONS SUBMITTED PRIOR TO 10/31/20

	Application Evaluation Results	Submission	Part I PUC	Part II Reserves
Priority	Eligible for immediate funding	Yes	Yes	Yes
Regular	To be funded in November 2020	Yes	Yes	No
Ineligible	Ineligible for funding	No	No	N/A

PHAs that receive an initial funding award as a priority application are eligible to apply for a second award on or before October 31, 2020, if the PHA's PUC continues to increase after the initial application was funded. HUD will take the initial award into consideration when determining if the second application qualifies as a priority or regular application.



PHAs that previously submitted an application that was approved as a regular application may reapply on or before October 31, 2020, if the PHA's PUC continues to increase after the initial application. In such instance, the new application supersedes the original application, which will be discarded and no longer eligible for funding.

PHAs that submitted ineligible applications are eligible to reapply on or before October 31, 2020, if the PHA believes that based on changing circumstances they are subsequently eligible for funding under this category.

## **SUPPLEMENTAL HAP FUNDING AWARD FOR A NON-MTW PHA**

1	Most recent PUC provided by PHA	\$500	In the absence of the PHA providing the most recent month's PUC, HUD will use May 2020 PUC or the most recent validated month of VMS reporting
2	PHA's CY 2020 PUC (2020 HCV Renewal Enclosure A, line 29, described as CY 2020 inflated Per Unit Cost)	\$405	
3	Difference between the PUCs	\$95	
4	Is the difference between the two PUCs is 2% or greater than the CY 2020 PUC (Line 1 divided by Line 2, must be greater than 1.02)?	23%	
5	Most Recent Month's Units leased	300	In the absence of the PHA providing the most recent month's UML, HUD will use May 2020 UML or the most recent validated month of VMS reporting
6	Unit months leased (Line 5 x 12)	\$3,600	
7	<b>Total Request (Line 3 x Line 6)</b>	<b>\$342,000</b>	

In this example the PHA's PUC increased 23% which meets Part I of the application review. The PHA is eligible for \$342,000. The next step is to determine if this is a Priority Application (the PHA's HAP Program Reserve is less than three-months' worth of HAP) or a Regular Application (HAP Program Reserve is more than three-months' worth of HAP) in order to determine when the funding will be made available.



## SUPPLEMENTAL HAP FUNDING AWARD FOR AN MTW PHA

1	Most recent PUC provided by PHA	\$8,722,886	In the absence of the PHA providing the most recent month's PUC, HUD will use May 2020 PUC as reported in VMS or the most recent month's validated VMS
2	Most recent Month's Units Leased	\$9,783	In the absence of the PHA providing the most recent month's units leased, HUD will use the May 2020 UML as reported in VMS or the most recent month's validated VMS
3	Increased PUC (Line 1 divided by Line 2)	\$896.75	
4	CY 2020 HAP PUC	\$841.91	
5	Is the difference between the two PUCs 2% or greater than the CY 2020 PUC (Line 3 divided by Line 4)?	7%	
6	Difference between PUCs (Line 3 minus Line 4)	\$54.84	
7	2020 Estimated UMLs (Line 2 x 12)	\$117,396	
8	<b>Total Request (Line 6 x Line 7)</b>	<b>\$6,437,997</b>	

In this example for a MTW PHA, the PHA's PUC increased 7% which meets Part I of the application review. The next step is to ascertain if this is a Priority Application (the PHA's HAP Program Reserve is less than three-months' worth of HAP) or a Regular Application (the PHA's HAP Program Reserve is greater than three-months' worth of HAP) in order to determine when the funding will be made available.

Once the PUC of the HAP increase is determined, then a calculation of the amount of HAP reserves are required to determine priority. The calculation is as follows

1	12/31/2019 HUD-Held Reserves	\$30,000
2	Budget authority disbursed January - May 2020	\$50,000
3	January - May 2020 VMS HAP expenses	(\$45,000)
4	Available Reserves	(\$35,000)
5	1 month of HAP expenses in VMS (May 2020 or most recent)	\$10,000
6	Plus 2% margin	\$200
7	Total HAP expenses	\$10,200
8	<b>Total Months of HAP in Program Reserves (Line 4/Line 7)</b>	<b>3.4 Months</b>

To apply for the Extraordinary Circumstances, Appendix B, of the Notice must be completed and emailed to [2020COVIDHCV@hud.gov](mailto:2020COVIDHCV@hud.gov). The subject line of the email must include the following "PHA Number, 2020 Extraordinary Circumstances Application". Again, if the PHA already applied for this funding under PIH Notice 2020-4, the PHA must resubmit following the guidance in this notice, PIH Notice 2020-17.

For PHAs applying under the second category, Shortfall Funds, if your PHA previously applied for Shortfall Funds under the calendar year (CY) 2020 HAP renewal set-aside (PIH Notice 2020- 04), your PHA does not have to resubmit a Shortfall Funds application under this notice. However, PHAs that have not submitted applications for Shortfall Funds as of the date of this notice must do so in accordance with the requirements of PIH

Notice 2020-17, and **not** under the PIH Notice 2020-04. This notice supersedes the guidance in PIH Notice 2020-04 regarding the process by which HUD will make additional HAP funding available to PHAs 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.

These awards will be made to eligible PHAs based on need, as determined by HUD, following a complete application submitted by the PHA. HUD will prioritize the Shortfall Funds category to prevent termination of assistance to participating families. Failure to meet all requirements will result in the rejection of requests.

To be eligible for funding under this category, the PHA must meet the criteria for either Shortfall Scenario 1 or Shortfall Scenario 2 and must submit, Appendix D – *“PHA Application for Shortfall Funds and PHA Certification of Reasonable Cost Savings Measures Undertaken to Prevent Termination of HCV Participants Due to Insufficient Funds.”*

**1. Shortfall Scenario 1:** This scenario applies to PHAs already in a Shortfall Prevention Team (SPT) confirmed shortfall on March 31, 2020, the date PIH Notice 2020-04 was issued. See Appendix D of this Notice for the applicable certification language.

**2. Shortfall Scenario 2:** This scenario applies to PHAs that were not in an SPT confirmed shortfall as of March 31, 2020 but are confirmed to be in one after that date, despite managing their HCV program budgets in a reasonable and responsible manner. Under this scenario, HUD 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 Appendix D indicates that the PHA agrees to comply with all SPT directed cost savings measures.

In determining a shortfall and the amount of funding to be provided, HUD will use the HCV Two-Year Forecasting Tool. PHAs should refer to Appendix C 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 and the instructions for it can be found through a link on the Office of Housing Vouchers website.

PHAs are required to submit their applications electronically; HUD will not accept mailed or faxed applications. Electronic signatures will be accepted on Appendix D to PIH 2020-04. Requests for the Shortfall category must be submitted to the [2020Shortfallapplications@hud.gov](mailto:2020Shortfallapplications@hud.gov). The subject line of the email must include the PHA’s number and the words “Shortfall Application.”

The application period will remain open. PHAs may apply or reapply at any time during the application period. PHAs that receive Shortfall Funds based on their current HAP costs may find it necessary to apply for additional 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. PHAs should still be in contact with the HUD field office and SPT in cases where the PHA anticipates attrition will solve the shortfall.

## CONTACT

**BRIAN ALTEN**, Partner, BSO  
215-940-7812 / [balten@bdo.com](mailto:balten@bdo.com)

1801 Market Street / Suite 1700  
Philadelphia, PA 19103

## 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.

© 2020 BDO USA, LLP. All rights reserved.