



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING

Special Attention of:
Office Directors of Public Housing;
Regional Directors: Public Housing
Agencies

PIH Notice 2023-07, Revision 1

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Expires: This notice remains in effect until amended, superseded, or rescinded.

Cross References: PIH 2022-18, PIH Notice 2022-14, PIH Notice 2021-10, PIH Notice 2021-08, PIH Notice 2020-04, PIH Notice 2020-01, PIH Notice 2019-08, PIH Notice 2019-01/H-2019-02, PIH Notice 2018-12, PIH Notice 2018-09, PIH Notice 2017-20, PIH Notice 2017-06, PIH Notice 2015-17, PIH Notice 2013-28, PIH Notice 2011-28

SUBJECT: Implementation of the Federal Fiscal Year (FFY) 2023 Funding Provisions for the Housing Choice Voucher Program

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1. **Purpose.** This notice implements the Housing Choice Voucher (HCV) program funding provisions of the Consolidated Appropriations Act, 2023 (Public Law 117-328), referred to hereafter as “the 2023 Act,” enacted on December 29, 2022. The 2023 Act establishes the allocation methodology for calculating housing assistance payments (HAP) renewal funds, new incremental vouchers, and administrative fees.
2. **Organization.** This notice is grouped into two parts. Sections 3 through 15 describe the funding made available under the 2023 Act and the Department of Housing and Urban Development’s (HUD) implementation of the provisions related to the allocation of that funding. Sections 16 through 22 provide other important information regarding the administration of the public housing agency’s (PHA’s) HCV Program.
3. **Summary.** The HCV Program is HUD’s largest rental assistance program. Funding is provided through the 2023 Act, which HUD allocates to PHAs in accordance with such Act as described in this notice.

The 2023 Act requires HUD to provide renewal funding based on validated Voucher Management System (VMS) leasing and cost data for the prior calendar year (CY) (January 1, 2022 – December 31, 2022).

The CY 2023 total amount appropriated by Congress to fund the HCV Program is split up by budget line items as follows:

CY 2023 Appropriations

HAP Renewal Funding ¹	\$26,394,500,000
Tenant Protection Vouchers ²	\$337,000,000
Administrative Fees	\$2,777,612,000
Tribal HUD-VASH ¹	\$7,500,000
Mainstream Vouchers	\$606,500,000
Veterans Affairs Supportive Housing	\$50,000,000
Family Unification Program	\$30,000,000
New HCV Incremental Vouchers	\$50,000,000
Total Available CY 2023 Appropriations	\$30,253,112,000

This notice provides information on how HUD calculates HAP renewal funding for the PHA’s HCV Program. In addition, each PHA has received or 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).

This year’s Set-aside applications will only be accepted through **DocuSign**. PHAs are encouraged to pay particular attention to the Set-Aside funding provisions (listed in Section 12) and the links to the document that provides instructions, a link to video tutorial and access to the application appendices in **DocuSign**.

PHAs administering Mainstream Vouchers should pay specific attention to the Mainstream Set-Aside funding provisions (Sections 9 and 12) that describes the Mainstream Voucher HAP Set-Aside.

4. **Calculation of CY 2023 HAP Renewal Funding**. The 2023 Act requires that HUD apply a re-benchmarking renewal formula based on validated leasing and cost data in VMS for **CY 2022** (January 1, 2022, to December 31, 2022) to calculate each PHA’s renewal allocation.

¹ The 2023 Act provides \$23.7 billion for HAP Renewal Funding and an additional \$2.654 billion for emergency funding as a supplemental amount, equaling the \$26.4 billion of HAP Renewal Funding. Additionally, the Act provides up to \$7.5 million for Tribal HUD-VASH renewal grants. The amount for HAP Renewals has been reduced here accordingly.

² The 2023 Act specifies the following uses for the \$337 million: “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, relocation of witnesses (including victims of violent crimes) 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, 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...”

The renewal provisions of the Act are stated in **Appendix A, Consolidated Appropriations Act, 2023 (Public Law 117-328)**.

HUD is providing renewal funding as follows:

Step 1: A new HAP funding baseline is established based on all validated leasing and cost data (not to exceed unit months available under the Annual Contributions Contract (ACC) in VMS for CY 2022).³

Step 2: As required by the 2023 Act, HUD adjusts allocations for the first-time renewals of tenant protection vouchers and special purpose vouchers (SPVs), such as HUD-Veterans Affairs Supportive Housing (HUD-VASH) vouchers, Family Unification Program (FUP), Foster Youth to Independence (FYI), and Non-Elderly Disabled (NED) vouchers for which the initial increment expires in CY 2023. Affected PHAs' renewal funding allocation enclosures indicate the amount of additional funding provided for CY 2023 for first-time renewal of increments not initially funded for twelve months. Note: Reissuance of relocation tenant protection vouchers (TPVs) (see Section 6 of [PIH Notice 2018-09](#)) and of vouchers originally issued to families under the Disaster Voucher Program/Disaster Housing Assistance Payments-IKE (DVP/DHAP-IKE) is not permitted. The Consolidated Annual Contributions Contract (CACC) will be reduced by the CY 2022 sunset units for DVP/DHAP Ike vouchers and relocation TPVs. The CY 2022 costs associated with these units will also be reduced from the HAP funding baseline in Step 1.

Step 3: HUD applies the Renewal Funding Inflation Factor (RFIF), adjusted for localities, to PHA's calculated 12-month renewal requirement after all adjustments have been applied under Steps 1 and 2 above. The RFIFs are published by HUD's Office of Policy, Development and Research (PD&R) and can be found at <https://www.huduser.gov/portal/datasets/rfif/rfif.html>.

Step 4: HUD determines the total HAP renewal funding eligibility for all PHAs and compares that amount to the total HAP renewal funds available per the 2023 Act to determine a proration factor. This proration factor is then applied to each PHA's CY 2023 eligibility. A proration of less than 100% is applied if the nationwide eligibility exceeds the available HAP renewal funding.

Step 5: The 2023 Act provides that HUD may offset PHAs' CY 2023 allocations based on the excess amounts of PHAs' restricted net position (RNP), including HUD-held program reserves (in accordance with VMS data in CY 2022 that is verifiable and complete), as determined by the Secretary. The 2023 Act further provides the offset may be used 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. PIH will perform a small offset impacting a limited

³ In 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.

number of MTW and non-MTW PHAs for reallocation in CY 2023. Detailed calculations of the offsets will be provided to impacted PHAs in the renewal allocation enclosure. Offsets will come from excess program reserves reconciled through December 31, 2023, and HUD takes a number of factors and conditions into account in determining what constitutes excess reserves. **Appendix B** to this notice, *CY 2023 Offset for Reallocation*, is an example of the offset enclosures that will be provided to PHAs and specifically describes this calculation as well as the categories of reserve funds that are protected from the offset.

5. **Tenant Protection Vouchers (TPVs)**.

- a. **Definition.** 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 (Low-Rent), Multifamily Housing portfolios, and Moderate Rehabilitation properties.⁴ Therefore, if the PHA applies for and is awarded replacement TPVs, it must offer the replacement TPVs in the form of tenant-based assistance (or as project-based assistance for certain conversion actions) to eligible families impacted by the conversion.⁵ HUD's current policy is to also provide replacement TPVs for vacant units that were occupied by an assisted family in the previous 24 months. However, depending on demand and funding availability, HUD may need to subsequently suspend the allocation of replacement TPVs for vacant units, and/or may need to reduce the initial increment term and associated funding to cover a period that is less than 12 months. These actions, if necessary, would only apply to future TPV funding allocations. HUD will alert PHAs should any of these cost saving measures need to be implemented.
- b. **Funding.** As noted above, the 2023 Act provides **\$337 million** for TPVs.
- c. **Continued Applicability of PIH Notice 2018-09.** Except as specifically revised in Section 5a and 5d of this notice, the programmatic and policy guidance in Section 6 of PIH Notice 2018-09, Implementation of the Federal Fiscal Year (FFY) 2018 Funding Provisions for the Housing Choice Voucher Program, continues to apply to TPVs.
- d. **Eligibility for Replacement TPVs (Vacant Units).** Under PIH 2018-09, replacement TPVs were only provided for occupied units.⁶ This policy is revised for purposes of the CY 2023 funding available under this Notice so that, in addition to providing replacement TPVs for occupied units, HUD will also provide replacement TPVs for vacant units that

⁴ TPV allocations qualify as either "replacement" or "relocation" vouchers. TPV allocations for relocation vouchers must only be used by the family impacted by the conversion action and never include vouchers for vacant units. For information on replacement and relocation TPV allocations, see Section 6 of PIH 2018-09.

⁵ This statement supersedes the last sentence in footnotes 5 and 6 of PIH 2018-09, which stated that a PHA cannot offer impacted residents another form of comparable housing (i.e., another public housing unit, a RAD unit) if it applies for and receives TPVs for the Public Housing action. While the PHA is required to offer the replacement TPV to the eligible impacted family, in the context of Public Housing conversions, the PHA has discretion, at the time of the TPV offer, to inform all families that the family is not required to accept the TPV, and that, if the family chooses, at the family's sole discretion, not to accept the TPV, the PHA intends to offer the family another form of housing.

⁶ This policy also applied for certain prior year funding, per [PIH 2019-08](#), [2020-04](#), [2021-10](#), and [2022-14](#).

were occupied by an assisted family within the previous 24 months that are no longer available as assisted housing (although, as discussed in in section 5a above, HUD may subsequently need to suspend this policy). The examples below demonstrate how this policy works:

- i. ***For Public Housing Actions***, vacant units that were occupied by an assisted family within the previous 24 months from the time of the Special Application Center (SAC) approval or the Choice Neighborhoods Initiative (CNI) award date. For example: on February 1, 2023, PHA A was approved for demolition/disposition of 25 public housing units. Of the 25 units in property A, 5 units were last occupied on February 1, 2021. The remainder of the units continue to be occupied. Replacement TPV funding may be provided for all 25 units (vacant and occupied) because the 5 vacant units were last occupied within 24 months from the SAC approval.
 - ii. ***For Multifamily Housing Actions***, vacant units that were occupied within the previous 24 months from the eligibility event. For example: on February 1, 2023, the prepayment of a section 236 mortgage in property A triggered eligibility for TPVs. Of the 25 units in property A, 5 were last occupied on February 1, 2021. The remainder of the units continue to be occupied. Replacement TPV funding may be provided for all 25 units (vacant and occupied) because the 5 vacant units were last occupied within 24 months from the eligibility event.
- e. **TPV Set-Aside.** The 2023 Act provides that no less than **\$5,000,000** of the \$337 million appropriated for TPVs may be set-Aside to provide TPVs to certain at-risk households in low-vacancy areas. On February 15, 2019, HUD issued [PIH Notice 2019-01/H-2019-02, Funding Availability for Set-Aside Tenant Protection Vouchers](#). HUD has determined that since the law has not changed, the terms and conditions of PIH Notice 2019-01/H-2019-02 will apply to 2023 funds.
- f. **TPV Funding.**⁷ HUD calculates TPV funding for all eligible TPV actions based on the average Per Unit Cost (PUC) in the PHA's HCV program. If the PHA that will administer the TPVs has concerns regarding the sufficiency of the TPV funding based on its average PUC, the PHA can request an upfront increased PUC along with the TPV funding application or request higher TPV funding after the PHA has already submitted the TPV funding application. In either case, the PHA must submit the request by email to the PHA's Portfolio Management Specialist at the HUD PIH Field Office, with copy to the Field Office's Public Housing Director. If the PHA does not know their assigned Portfolio Management Specialist, the PHA may email the Field Office's Public Housing Director for assistance. The PHA must justify the requested increase by providing evidence of rent amounts that result in higher HAP costs and a justification explaining that the rents are reasonable.⁸ At a minimum, the PHA must submit its rent

⁷ The information provided in this section applies to all TPV actions, including those in the Public Housing and Multifamily Housing portfolios.

⁸ Rent reasonable requirements are found in regulation at 24 CFR 982.507 and 24 CFR 983.303, as applicable. Rent reasonableness guidance may be found in the [Rent Reasonableness Chapter of the HCV Guidebook](#).

reasonableness analysis and a budget authority gap analysis that includes the following data:

- Unit Type/Bedroom Size
- Count of Units by Type/Bedroom Size
- Contract Rent
- Utility Allowance (if owner paid)
- Monthly Total (Contract Rent + Utility Allowance)
- Resident Rent
- Monthly/Annual subsidy need by unit and property

Once the Field Office receives the PHA's request, it will review it to confirm that actual and/or projected subsidy costs are appropriately calculated and may follow-up with the PHA if additional information is needed. If the Field Office determines that the increased PUC is appropriate, they will notify HCV FMD of the revised need via a Field Office memo. The Field Office emails this memo, along with the PHA's supporting documentation (and the TPV funding application, if applicable), to PIHConversionActions@hud.gov.

The following additional requirements apply where the PHA is submitting its request for increased TPV funding subsequent to the TPV award:

- The following additional information must be submitted with the request: Monthly/Annual subsidy provided in the TPV award and ACC letter reflecting the TPV award.
- PHAs can apply for higher PUCs during the time of their initial funding increment. The effective date for TPV increments is provided in the amended ACC letter sent from the FMC to PHAs. Once the initial funding increment is renewed, no additional PUC will be provided.

Note that all additional TPV funding is subject to available appropriations. Questions concerning the TPV adjustment process described above may be sent to PIHConversionActions@hud.gov.

- 6. Funding for Administrative Costs.** The 2023 Act provides **\$2,777,612,000** for administrative expenses of PHAs administering the HCV Program (see Appendix A for Appropriations text). The 2023 Act also provides that this funding may be used for "other expenses" of PHAs administering the Section 8 tenant-based rental assistance program. HUD issued detailed guidance on the use of ongoing administrative fees for expenses related to assisting families to lease units in [PIH Notice 2022-18](#). Of the appropriated amount, no less than **\$2,747,612,000** will be available for ongoing administrative fees and fees for new vouchers and up to **\$30,000,000** 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 are allocated based on leasing. These administrative fees are calculated for CY 2023 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 are allocated a fee amount for each voucher that is under HAP contract as of the first day of each month.

- i. **Proration and Reconciliation of Administrative Fees:** HUD is developing and will post the CY 2023 Administrative Fee rates to enable PHAs to calculate potential fee eligibility and to manage portability billings. An announcement will be made when they become available on HUD's website. Use the link below to access them:
https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/guidance_and_notices.

HUD disburses administrative fees to PHAs each month based on actual leasing reported in VMS in prior months. Each PHA's administrative fee eligibility is reconciled after every quarter based on actual reported leasing, adjusted by an estimated proration based on total annual funding for administrative fees. HUD determines the estimated proration level by comparing each quarter's national eligibility for administrative fees to one quarter (1/4th) of the appropriated amount available for ongoing administrative fees. HUD will disburse any amount due to the PHA and will offset any amount due from the PHA via a reduction from a subsequent administrative fee payment. A final reconciliation will be completed after the December 2023 leasing data is reported in VMS, at which time the final pro-ration for CY 2023 will be determined.

HUD is using IMS-PIC 50058 leasing data in CY 2023 to determine HAP and administrative fee monthly disbursements as we transition to the Enterprise Voucher Management System (eVMS). HUD completed a pilot in 2022 and will alert each PHAs when their payments are calculated based on IMS-PIC leasing data. Additional information will be provided through separate guidance.

b. Blended Rate Administrative Fees and Higher Administrative Fee Rates:

- i. **Blended Rate Administrative Fees:** PHAs serving multiple administrative fee areas 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 2023.

How to Submit Requests: PHAs must submit applications electronically.

Electronic Mail (email) Requests: PHA requests for Blended Rate Fees must be submitted to HUD at the following mailbox:

PIHFinancialManagementDivision@hud.gov. The subject line of the e-mail must read as follows: **PHA Number, Request for Blended Rate**

Administrative Fees (e.g., TX001, 2023 Request for Blended Rate Administrative Fees).

Deadline to Submit Requests: Requests for Blended Rate Administrative Fees must be received **no later than 5 p.m., per the PHA's time zone, Friday, July 14, 2023.**

- ii. **Higher Administrative Fee Rates:** A PHA that operates over a large area, defined as two or more counties, may request higher administrative fees. An approved higher administrative fee rate will apply only to CY 2023 and is applicable to the HCV Program and Mainstream Vouchers. The PHA will be required to submit evidence of actual costs at the end of the CY to enable HUD to determine if the entire approved increase was needed. Excess funds will be offset by HUD via a reduction in a future disbursement. A PHA that received higher administrative fee for CY 2022 will be expected to complete the reconciliation with their FMC/FA prior to their CY 2023 higher rate request being approved.

Submission Requirements for Higher Administrative Fee Rates: To request higher fees, an agency must submit the following financial documentation to the PHA's assigned FA at the FMC:

- Actual Unrestricted Net Position (UNP) (administrative fee reserves) balance as of December 31, 2022.
- Actual administrative costs for the HCV Program for CY 2022 in sufficient detail to allow for review.
- The PHA's CY 2023 HCV Program administrative budget, including 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.
- An explanation of why the unit month and budget authority utilization in CY 2022 was below 95 percent of the unit month and budget authority available for renewal units (if this occurred).
- If the PHA has made withdrawals from the Administrative Fee reserves per official guidance provided in [PIH Notice 2015-17: Uses and Reporting of Admin Fee Reserves](#), certification is required. Should there be no withdrawals at this point, a statement that none were made is required.
- An explanation as to why the projected CY 2023 administrative fees are insufficient to cover expected program operating costs.
- Certification by the executive director of the PHA that the data is accurate.

HUD reserves the right to reduce the documentation required.

To request a higher administrative fee rate, PHAs must provide the above information to the FMC. The required information must be received **no later than 5 p.m., per the PHA's time zone, Friday, July 14, 2023. PHAs must submit applications electronically.**

Electronic Mail (email) Requests: PHA requests for a higher administrative fee rate must be submitted to HUD at the following mailbox:

FinancialManagementCenter@hud.gov. Subject line must read as follows: **PHA Number**, (e.g., TX001) *2023 Request for Higher Administrative Fee*.

- c. Special Fees.** As stated above, HUD will make up to **\$30,000,000** available to allocate to PHAs that need additional funds to administer their Section 8 programs. A portion of the \$30,000,000 administrative fee set-aside may be used for ongoing administrative fees to increase the national fee proration, should HUD determine during the course of the calendar year (after the submission deadlines outlines below) that the entire \$30,000,000 may not be needed for additional administrative costs. HUD will consider requests for other unanticipated increases in administrative fees on a case-by-case basis. Please note that requests for additional fees because of a lower national fee proration will not be accepted. Special fees are not applicable to Mainstream Vouchers or Emergency Housing Vouchers (EHVs). These funds may be provided for the following purposes:
- i. **HCV Homeownership Fees:** HUD increased the special fees from \$200 per closing to \$1,000 per closing, starting with closings reported in month of September 2023. The increase will not be applied retroactively. The special fee is for every homeownership closing reported in the Public Housing Information Center (PIC) for HCV families who have become homeowners through the HCV Homeownership program, Moving-To-Work (MTW) Homeownership program, and the Family Self-Sufficiency program (HCV only). These special fees are allocated to the PHAs administering the vouchers, or FSS program, after the homebuyers' closings are reported in PIC and closing dates are provided to the FMC staff. PHAs do not need to apply for these funds as HUD provides these fees automatically based on PIC data and closing dates confirmations. HUD will also fund a one-time \$500 special fee for each newly created HCV Homeownership Program at any PHA in CY 2023.
 - ii. **Special Fees for PHAs that Administer TPVs in Connection with Multifamily Housing Conversion Actions:** For multifamily housing conversions, a special (one-time) fee of \$200 will be provided for each unit **occupied** on the date of the eligibility event. PHAs do not need to apply for these funds as HUD provides these fees automatically based on PIC data. This special fee will also be allocated to PHAs that agree to administer vouchers on behalf of a Multifamily Choice Neighborhoods Grantee.

- iii. **Special Fees for Portability:** Receiving PHAs with numbers of portability vouchers that comprise a significant portion of their vouchers under lease are eligible for a special fee. PHAs must have been administering a number of port-in vouchers equal to 20% or more of the PHA's total number of leased vouchers as of December 31, 2022, to be eligible for special portability fees. For each eligible port-in voucher, the receiving PHA will receive 12 months of funding equal to **15%** of the PHA's 2023 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 for actions through December 31, 2022, and leased data from the VMS as of December 31, 2022 (from the same VMS database used to determine the 2023 HCV renewal allocations). PHAs do not need to apply for these funds as HUD provides these fees automatically based on PIC data and the VMS data used for the 2023 renewal allocation. PHAs were advised via email on January 5, 2023, of the deadline date of **no later than 4 p.m., Friday, March 31st, 2023**, to ensure all PIC data was updated and successfully submitted.
- iv. **Special Fees for Audit Costs for Declaring Major HCV Programs per Notice 2021-08, and for HCV Voluntary Transfers per PIH Notice 2018-12:** Please refer to Section 4, [PIH Notice 2021-08](#) or a superseding notice published by HUD: *Financial Reporting requirements for the HCV Program Submitted through the Financial Assessment Subsystem (FASS) for Public Housing and the Voucher Management System (VMS)*, and Section 6, [PIH Notice 2018-12: Process for PHA Voluntary Transfers and Consolidations of Housing Choice Vouchers, Mainstream Vouchers, PBV and Project-Based Certificates](#), for the eligibility requirements and process to request special fees under this category. **PIH Notice 2021-08, Section 4.** For those general-purpose governments that have not declared their HCV related programs as a major fund for financial statement purposes or as a major enterprise fund under Code of Federal Regulations (CFR), Title 2, Subtitle A, Chapter II, Part 200, Subpart F; Audit Requirements, the audit obtained may not be sufficient for HUD to properly monitor its financial and compliance interest in these entities.

Therefore, for HUD to gain an acceptable level of assurance, these PHAs may be directed to procure Independent Public Accountant (IPA) services for financial and compliance procedures as specified by HUD. This additional work is normally completed as part of the audit and is specifically known as "Auditor Agreed Upon Procedures". Annually, these PHAs must contact the PIH Office of Housing Voucher Programs (OHVP), Financial Management Division (FMD) at PIHFinancialManagementDivision@hud.gov to confirm whether they must procure an IPA service. If the PIH OHVP, FMD determines that IPA services must be performed, HUD will provide Set-Aside funding, if available, to reimburse the agency for any additional audit costs unless sufficient UNP exists, in which case these funds may be used for the special purpose audit cost.

PIH Notice 2018-12, Section 6. While reviewing the transfer of UNP to the receiving/consolidated PHA, the HUD Field Office will ensure the divesting PHA

has properly procured and entered into a contract with an independent public accountant to conduct its close-out audit, and has the funds available to cover it, HUD may assign additional administrative fee funding. This is subject to availability of funds and justifiable circumstances, from the Administrative Fee Set-Aside funds to cover close-out audit costs and may conduct a final close-out or forensic audit of a divesting PHA, either prior to or following the transfer/consolidation. The HUD Field Offices must contact the Housing Voucher Financial Management Division at PIHFinancialManagementDivision@hud.gov to confirm availability of additional administrative fee funding; however, the divesting PHA's available administrative fee, UNP, and/or other non-federal funds must be considered first and restricted for this purpose.

- v. **Special Fees Needed for Administration of Section 8 Tenant-Based Rental Assistance Program:** PHAs that are or will experience increased administrative expenses and need additional funds to administer their Section 8 HCV Programs in CY 2023, including as a result of administration of tenant protection rental assistance, disaster related vouchers, HUD-VASH vouchers, Small Area Fair Market Rents (SAFMR), and other special purpose incremental vouchers, as shown in this section under Guidance for Special Fee Applications Per Category, can request special fees. Applications must be related to cost increases for vouchers currently in the PHA's inventory.

To qualify for additional funding under these categories, PHAs must experience or be able to identify future increased administrative expenses as a result of the administration of tenant protection rental assistance, HUD-VASH vouchers, FUP including FYI, disaster-related vouchers, SAFMR, and other special purpose incremental vouchers. Requests for other unanticipated administrative fee funding increases will be considered on a case-by-case basis at the Secretary's discretion. Please carefully review the applicable application criteria when preparing your application for these funds.

Please note, HUD will limit the total award amount for all categories combined to a percentage of the PHA's estimated CY 2023 administrative fee funding. The maximum percentage of the award will be based on the PHA's size as outlined below:

PHA Size	Number of Units	Maximum Award Percentage
Small	1 - 249	12%
Medium	250 – 499	6%
Large	500 or more	4%

Additionally, HUD reserves the right to deny or limit the award amount based on a PHA's administrative fee reserves to ensure fair and reasonable distribution of funds. HUD reserves the right to fund one, some, or all of the categories.

Reporting and recording of awarded Special Fees are included as part of the PHA's HCV administrative financial records under CFDA 14.871.

Applications for Special Fees under the **HUD-VASH and FUP categories** must be received **no later than 5 p.m., per the PHA's time zone, Friday, July 7, 2023**. Applications for Special Fees under **Category 3, Disaster Related** and **Category 4, Secretary's Discretion** must be **received no later than 5 p.m., per the PHA's time zone, Tuesday, October 31, 2023**. All applications must be sent to 2023SpecialFees@hud.gov. The subject line of the email should include the PHA Number and the specific Special Fee category of applications, for example, *TX001 FUP Special Administrative Fee Funding Application*. HUD reserves the right to contact PHAs for clarification of items provided with the application. Clarifications or corrections must be received by HUD within the time frame specified in the notification.

The following information must be included for each category the PHA applies to be considered for funding under each requested category:

- The application page that identifies the categories for application that is certified by signature (form at **Appendix C** to this document);
- A letter signed by the appropriate PHA official, clearly indicating the amount being requested, the calculation used to determine the amount of the request, and the estimated UNP (Administrative fee reserve) balance as of the day of the request;
- A statement describing an activity that is being proposed, underway or has been completed;
- A description of the local need that the activity will serve;
- Data on the number of families that the activity will help;
- How the activity will lead to an increase in leasing success rates and/or reduce processing time, or other program benefit;
- Documentation to support the cost of each line item the PHA is requesting funding for; the supporting documentation could be an invoice/receipt, job posting, an estimate based on what the activity has cost in a prior year along with documentation of the prior year costs, etc.; and
- Budget justification to support the request. The budget justification must support the need for additional administrative expenses. The expenses must be above what can be supported by the PHA's earned or anticipated ongoing administrative fees for the year and must be demonstrated within the provided budget justification. An example budget justification is provided in **Appendix D** to this document.

Guidance for Special Fee Applications per Category:

A. Category 1 – HUD-VASH Special Fees

Purpose of the HUD-VASH Program:

For eligible homeless veterans and their families, the HUD-VASH Program combines the HUD HCV rental assistance program with case management and clinical services provided The Department of Veterans Affairs (VA) at its medical centers and community clinics. HUD-VASH assists homeless veterans, and their families afford decent, safe, and sanitary housing through the distribution of housing vouchers. Beneficiaries are selected based on certain requirements including health care eligibility, homelessness status, and income.

Eligible Activities/Expenses. Under this notice, PHAs may apply for HUD-VASH Special Fees to support necessary additional administrative expenses incurred to increase lease-up success rates or decrease the time it takes for a veteran to locate and move-in to a unit. To apply for these funds, applicants must justify or document actions specifically for administering the HUD-VASH program.

Under this notice, eligible activities/expenses could include, **but are not limited to:**

- Hiring temporary staff to process Request for Tenancy Approvals (RFTA) forms;
- Hiring temporary staff to conduct Housing Quality Standards (HQS) inspections, or pre-inspect units that HUD-VASH clients are likely to rent;
- Hiring temporary staff to provide HUD-VASH clients with housing search assistance;
- Hiring temporary staff to serve as a Portability Coordinator for HUD-VASH clients;
- Hosting a “HUD-VASH Day,” a one-stop resource for intake, issuing provisional vouchers, etc.;
- Hosting Landlord Recruitment Fairs and other activities to engage landlords to participate in the HUD-VASH program;
- Holding extra briefings for HUD-VASH clients; and
- Other services to ensure that HUD-VASH clients can move into their new homes with a voucher in the shortest time-period possible.

B. Category 2 – Family Unification Program Special Fees

Purpose of the FUP:

FUP is a program under which HCVs are provided to two different populations:

1. Families for whom the lack of adequate housing is a primary factor in:
 - a. The imminent placement of the family’s child or children in out-of-home care, or
 - b. The delay in the discharge of the child or children to the family from out-of-home care.

2. Otherwise eligible youths who have attained at least 18 years and not more than 24 years of age and who have left foster care, or will leave foster care within 90 days, in accordance with a transition plan described in section 475(5)(H) of the Social Security Act and is homeless or is at risk of becoming homeless at age 16 or older. As required by statute, FUP vouchers issued to youth are limited to 36 months unless the youth meets the requirements to receive an extension of assistance under the Fostering Stable Housing Opportunities (FSHO) amendments (Section 103 of Division Q of the Consolidated Appropriations Act, 2021 (Public Law 116- 260)). FSHO amended section 8(x) of the U.S. Housing Act of 1937 and provides FUP youth an extension of the 36-month time limit for up to an additional 24 months if they meet certain requirements. FSHO applies to FUP youth who first leased or leases a unit after the date of enactment of FSHO, December 27, 2020. PHAs administer FUP in partnership with Public Child Welfare Agencies (PCWAs) who are responsible for referring FUP families and youths to the PHA for determination of eligibility for rental assistance.

3. The 2020, 2021, 2022, and 2023 Acts included assistance to be targeted to foster youth. HUD refers to this targeted FUP assistance as the Foster Youth to Independence (FYI) initiative. FYI is a program under which HCV assistance is provided, to otherwise eligible youths who have attained at least 18 years and not more than 24 years of age and who have left foster care, or will leave foster care within 90 days, in accordance with a transition plan described in section 475(5)(H) of the Social Security Act, and is homeless or is at risk of becoming homeless at age 16 or older. As required by statute, FYI vouchers are limited to 36 months unless the youth meets the requirements to receive an extension of assistance under the Fostering Stable Housing Opportunities (FSHO) amendments (Section 103 of Division Q of the Consolidated Appropriations Act, 2021 (Public Law 116- 260)). FSHO amended section 8(x) of the U.S. Housing Act of 1937 and provides FYI youth an extension of the 36-month time limit for up to an additional 24 months if they meet certain requirements. FSHO applies to FYI youth who first leased or leases a unit after the date of enactment of FSHO, December 27, 2020. PHAs administer FYI in partnership with PCWAs who are responsible for referring youths to the PHA for determination of eligibility for rental assistance.

Eligible Activities/Expenses. Under this notice, PHAs may apply for FUP Special Fees to support necessary additional administrative expenses incurred to achieve either of the following activities:

- Full (100%) FUP/FYI voucher utilization; and
- Increase access to the program for FYI/FUP-eligible youth.

To apply for these funds, applicants must justify or document actions specifically for administering the FUP/FYI. Under this notice, eligible activities/expenses could include, **but are not limited to:**

- Establishing a new/revised Memorandum of Understanding (MOU) with the PCWA and other partners;
- Working with community partners to establish and implement a system to identify eligible youth not currently within the PCWA’s caseload in cooperation with the **Continuum of Care (CoC)**, including integrating the prioritization and referral process for eligible youth not currently in the PWCA’s system into the local CoC’s coordinated entry process;
- Hiring temporary staff to process RFTA forms;
- Hiring temporary staff to conduct HQS inspections or pre-inspect units that FUP/FYI clients are likely to rent;
- Hiring temporary staff to provide FUP/FYI clients with housing search assistance;
- Hosting a “FUP/FYI Day,” a one-stop resource for intake, issuing provisional vouchers, etc.;
- Hosting Landlord Recruitment Fairs and other activities to engage landlords to participate in FUP/FYI;
- Holding extra briefings for FUP/FYI clients;
- Other services to ensure that FUP/FYI clients can move into their new homes with a voucher in the shortest time period possible; and
- Training PCWA, CoC, and other community partners on FUP/FYI and the HCV Program.

C. Category 3 – Disaster Related Special Fees

In the event of a future allocation of disaster vouchers during CY 2023, PIH will provide eligibility and application guidance for disaster related vouchers’ special fees at that time.

D. Category 4 – Application for other Special Fees under The Secretary’s Discretion

Purpose of the Secretary’s Discretion Set-Aside:

The purpose of this set-aside is to provide additional administrative fee funding to cover administrative expenses incurred as the result of a situation outside of the specific categories described within this notice. HUD will consider requests **for other unanticipated increases in Administrative Fees on a case-by-case basis**. Please note that requests for additional fees because of a lower national fee proration will not be accepted.

Eligible Activities/Expenses. Activities and expenses considered eligible under Administrative Fees that are not covered under another special fee category are eligible for funding under the Secretary’s Discretion.

- vi. **Special Fees for SAFMR and SAFMR-Based Exception Payment Standards:** HUD is making special fee funding of up to \$25,000 available for reimbursement of costs associated with the adoption (or in the process of adopting) of SAFMRs, pursuant to the final rule, *Establishing a More Effective Fair Market Rent (FMR) System; Using Small Area Fair Market Rents (SAFMR) in the HCV Program*

Instead of the Current 50th Percentile FMRs, 24 CFR Part 888, 982, 983, 985, Docket No. FR-5855-F-03, dated January 17, 2017. PHAs that adopted SAFMRs prior to October 1, 2022, are not eligible to apply.

HUD is also making special fee funding of up to \$15,000 available for reimbursement of costs associated with establishment of SAFMR-based exception payment standards under 24 CFR 982.503(b)(1)(iii). PHAs are only eligible to apply if these exception payment standards cover the majority of zip codes in the PHA's service area that have SAFMRs above the metropolitan FMR, will result in the PHA administering different payment standards for at least three different geographic areas, and were not established prior to October 1, 2022.

Eligible Activities/Expenses. General costs could be related to activities that may include, but are not limited to, the following:

- Additional outreach to families and landlords on new FMR methodology and payment standards;
- Development of additional briefing materials;
- Hiring of additional staff;
- Staff training;
- Changes to rent reasonableness determinations methodology; and
- Required software modifications needed to accommodate the inclusion of the SAFMR adoption and SAFMR-based exception payment standards.
 - a. Requirements for Reimbursement Requests under the **SAFMR adoption** subcategory **must** include the following:
 1. Completed **Appendix C, identifying category a.**;
 2. SAFMR Payment Standard Schedule;
 3. Board Resolution, confirming adoption of the SAFMR (for agencies that adopt SAFMRs); and
 4. Supporting documentation showing expenses incurred (or estimated) for software or other costs associated with SAFMRs adoption in the form of a paid invoice (or bill).
 - b. Requirements for Reimbursement Requests under **SAFMR-based exception payment standard** subcategory **must** include the following:
 1. Completed **Appendix C, identifying category b.**;
 2. SAFMR-Based Payment Standard Schedule; and
 3. Supporting documentation showing expenses incurred (or estimated) for SAFMR-based exception payment standards in the form of a paid invoice (or bill).

HUD will award funding based on the supporting documentation provided within the request. HUD reserves the right to prorate awards for PHAs that implement SAFMR-based exception payment standards if sufficient funds are not available to fully cover all awards.

Applications for Special Fees under the **SAFMR category** must be received **no later than 5 p.m., per the PHA's time zone, Tuesday, October 31, 2023.** All

applications must be sent to 2023SpecialFees@hud.gov. The subject line of the email should include the PHA Number and the SAFMR category, for example, *TX001 SAFMR Special Administrative Fee Funding Application*. HUD reserves the right to contact PHAs for clarification of items provided with the application. Clarifications or corrections must be received by HUD within the time frame specified in the notification.

- ii. **Newly Designated Mandatory SAFMRs:** On October 25, 2023, HUD published, “Small Area Fair Market Rents in the Housing Choice Voucher Program Metropolitan Areas Subject to Small Area Fair Market Rents (FR-6426-N-01).” Under this notice, which has an implementation date of October 1, 2024, HUD designated 41 new metropolitan FMR areas that must implement SAFMRs.

PHAs operating in newly designated mandatory SAFMRs will receive \$10,000 in special administrative fee to offset transition costs. PHAs do not need to apply for these funds as HUD will disburse them automatically based on PHAs’ location in a designated mandatory SAFMR area. Eligible transition costs could be related to activities that may include, but are not limited to, the following:

- Additional outreach to families and landlords on new FMR methodology and payment standards;
- Development of additional briefing materials;
- Hiring of additional staff;
- Staff training;
- Changes to rent reasonableness determinations methodology; and
- Required software modifications needed to accommodate SAFMRs.

- iii. **Special Fees for New Incremental Vouchers:** A forthcoming operational notice will describe the special administrative fee funding for these vouchers.

- iv. **Planning for housing Mobility-related Services:** HUD is making available Special Fees under this Category for PHAs to develop a housing mobility-related services plan. A forthcoming PIH notice will describe the housing mobility-related services planning requirements as well as the application process.

7. **HUD-VASH Funding.** The 2023 Act provides **\$50,000,000** for new incremental vouchers for the HUD-VASH program. Of the \$50,000,000 total, at least \$40,000,000 will be used for new incremental HUD-VASH vouchers, and up to \$10,000,000 will be made available for administrative fees and other HUD-VASH program costs. The \$40,000,000 in new incremental funding will be added to the approximately \$54 million available from prior year funding for a total of approximately \$94 million to be made available for PHAs in 2023. As provided by the 2023 Act, vouchers will be awarded based on geographic need and PHA administrative performance. HUD will issue comprehensive guidance on both the 2023 HUD-VASH voucher allocation and the HUD-VASH administrative funding at a later date. All PHAs are responsible for tracking new units and funding for special purpose vouchers (SPVs), such as HUD-VASH vouchers, to include new incremental vouchers and renewals.

HUD-VASH funds can only be used for the intended purposes and are not subject to MTW fungibility provisions.

8. **Tribal HUD-VASH Renewals**. The 2023 Act provides up to **\$7,500,000** as a set-aside from the HAP renewal account for renewal grants and associated administrative fees for the Tribal HUD-VASH program. This program provides rental assistance and supportive services to Native American Veterans who are homeless or at-risk of homelessness living in Indian Country. Guidance on the Tribal HUD-VASH program is provided by HUD's Office of Native American Programs.
9. **Mainstream Vouchers**. The 2023 Act provides **\$606,500,000** for renewal funding and administrative fees for Mainstream units. The renewal funding will be re-benchmarked during CY 2023. Renewals are calculated based on validated Mainstream Vouchers leasing and HAP expenses reported in VMS for the period January 1, 2022, to December 31, 2022. PHA funding for Mainstream units is limited to such calendar year eligibility and HUD-held Mainstream reserves. As with the regular voucher program, PHAs may not over-lease. (See Section 21, below, for more information on over-leasing.) As in previous appropriations Acts, the 2023 Act further clarifies that all existing Mainstream Voucher assistance shall be provided to non-elderly persons with disabilities upon turnover. [PIH Notice 2020-01](#) provides further guidance.

Administrative fees are disbursed based on the most recent Mainstream Voucher leasing data reported in VMS, and fee reconciliations are performed on a quarterly basis. In addition, the 2023 Act requires that the administrative and other non-HAP expenses of the PHAs administering these vouchers shall be funded under the same terms and be subject to the same pro rata administrative fee reductions that apply to all other PHAs administering vouchers under the HCV Program. Consistent with the HCV Program, PHAs are not eligible to receive reimbursement for hard-to-house fees and audit costs. HUD issued detailed guidance on the use of ongoing administrative fees for expenses related to assisting families to lease units in PIH Notice 2022-18.

All PHAs are responsible for tracking new units and new funding for SPVs. Mainstream funds can only be used for the intended purposes. These funds are not subject to MTW fungibility provisions.

The 2023 Act provides up to \$10 million for a Mainstream Voucher HAP Set-Aside for the following categories of eligibility, based on need as determined by the Secretary:

- (1) **Category 1 – Prevention of Terminations Due to Insufficient Funding (Shortfall)**, for PHAs that despite taking reasonable cost savings measures, as determined by the Secretary, would otherwise be required to terminate the rental assistance for Mainstream families as a result of insufficient funding; and,
- (2) **Category 2 – Unforeseen Circumstances**, for adjustments in the allocation for PHAs, after applications for an adjustment by a PHA

that experienced a significant increase, as determined by the Secretary, in Mainstream renewal costs resulting from unforeseen circumstances.

The HAP Set-Aside application process and calculation methodology provided within Section 12 of this notice is applicable to Mainstream Vouchers as well. More specifically, Section 12A for Category 1, Shortfall, of the HCV Program Set-Aside applies to Category 1, Shortfall, of the Mainstream Voucher Set-aside. Section 12B provides detailed information and instructions for applying under Category 2a, Unforeseen Circumstances, for the HCV Program Set-Aside, and applies to Category 2, Unforeseen Circumstances, under the Mainstream Voucher Set-Aside as well.

- 10. Family Unification Program (FUP).** The 2023 Act provides **\$30,000,000** for new incremental voucher assistance for the FUP. Of this amount, HUD plans to award **\$5,000,000** for FUP through a NOFO. The remaining **\$25,000,000** is limited to use on behalf of FUP-eligible youth under the Foster Youth to Independence (FYI) initiative. Of that amount HUD will make available up to **\$15,000,000** non-competitively through a PIH notice. At least **\$10,000,000** will be awarded through a NOFO.

The 2023 Act also provides that any PHA administering voucher assistance appropriated in a prior Act under the FUP, or competitively under the 2023 Act, that determines that it no longer has an identified need for such assistance upon turnover, shall notify the Secretary, and the Secretary shall recapture such assistance from the agency and reallocate it to any other PHA(s) based on need for FUP voucher assistance. This includes assistance made available under the FYI initiative. In addition, HUD will review PHA's utilization of any non-competitive amounts and awards and will recapture and reallocate any unused amounts in accordance with the 2023 Act. HUD will implement these provisions through guidance at a later date.

All PHAs are responsible for tracking new units and new funding for Special Purpose Vouchers. FUP funds, including those made available under the FYI initiative, can only be used for the intended purposes. These funds are not subject to MTW fungibility provisions.

- 11. New HCV Incremental Vouchers.** The 2023 Act provides **\$50,000,000** for new Incremental Vouchers. A forthcoming operational notice will describe the eligibility formula, uses of funds, and reporting requirements for these vouchers.
- 12. \$200 Million HAP Set-Aside Eligible Categories and Submission Requirements.** The 2023 Act provides **\$200,000,000** for the HAP Set-Aside. HUD has the authority to provide adjustments to PHAs' allocation for Set-Aside categories 1 through 7 as described within this section.

Awards will be made to eligible PHAs in accordance with need, as determined by HUD, following an application by the PHA as described throughout this section of the notice. 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, and/or prorated if the \$200 million is insufficient to cover all awards. Additionally, HUD reserves the right to fund one,

some, or all categories. HUD reserves the right to prioritize categories with the greatest need and prorate remaining categories depending on the amount of funds remaining.

The order categories are presented in does not reflect priority; however, HUD reserves the right to prioritize or limit funding awards for Category 1 – **Prevention of Terminations Due to Insufficient Funding (Shortfall)**. PHAs may apply for more than one category of funding and the funding provided within categories 2 – 7 does not impact the award amount of the other categories (applicable only to categories 2 – 7).

EHVs are not eligible for this funding. Mainstream Vouchers are not eligible for this funding; however, Mainstream Vouchers are eligible to apply for the \$10 Million Mainstream Voucher Set-Aside by following the application instructions and requirements included within this section for Category 1 – **Prevention of Terminations Due to Insufficient Funding (Shortfall)** and Category 2a – **Unforeseen Circumstances**.

HOW TO SUBMIT REQUESTS - PHAs must submit requests via **DocuSign**, which includes the completion of online forms for **Appendices F, G, H, I, J, and K** along with all required documentation and calculations (as applicable) by the category and by the deadline dates identified within this notice. Instructions on applying to the HAP Set-Aside through DocuSign, a link to the video tutorial on the DocuSign application process, as well as links to the DocuSign application forms by category can all be accessed through the following link: [HCV Set-aside Applicant DocuSign Instructions](#).

PHAs are urged to confirm application data and attachments for completeness and accuracy prior to submission to avoid having to resubmit applications. For PHAs that submit more than one application for a specific category, HUD will automatically delete the older applications and keep the most recent application received.

HUD will reject incomplete applications. **DocuSign** will not process applications without signatures; therefore, HUD will not receive them for review. Executive Directors will receive a confirmation email from the **DocuSign** system within the same day as the submission.

The CY 2023 Quick Reference and Timeline Sheet for HAP Set-Aside Funds is included as **Appendix L**.

SET-ASIDE CATEGORIES AND ELIGIBILITY AND SUBMISSION REQUIREMENTS:

- A. Category 1 – Prevention of Terminations Due to Insufficient Funding (Shortfall):**
This category of HAP Set-Aside is 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, also known as funding shortfalls. This category may also be funded in whole or in part through the offset described in section 4, step 5 above, but the requirements, application process, and appendices of this notice apply regardless of the funding source, and use of the term “\$200 Million HAP Set-Aside” with respect to this category should be understood to also

reference any offset funds used for this purpose. While Mainstream Vouchers are not eligible for the \$200 Million HAP Set-Aside, PHAs follow these same requirements when applying for the Mainstream Voucher Set-Aside funding as discussed in Section 9, above. PHAs administering EHVs are not eligible to apply for this funding.

To be eligible for funding under this category, the PHA must meet the criteria outlined below and must submit Appendix F through DocuSign.

In addition to PHAs applying for HAP Set-Aside funding to prevent terminations in the regular HCV Program due to insufficient funding, the information and instructions included within this Set-Aside is also applicable to PHAs applying for Shortfall funding under the \$10 Million Mainstream Voucher Set-Aside mentioned in Section 9 of this notice. A PHA administering Mainstream Vouchers may apply for and receive Mainstream Voucher shortfall funds in accordance with the requirements described below.

In cases where the Mainstream PHA also administers regular HCVs, the shortfall determination is program specific (e.g., in determining whether the PHA is in a confirmed shortfall with respect to Mainstream Vouchers, only Mainstream Voucher funding and HAP expenses are taken into consideration, not the PHA's regular HCV funding and HAP expenses).

A PHA that is experiencing a shortfall in the regular HCV Program and Mainstream Vouchers must indicate the application is covering a request for funds for both Mainstream and regular HCVs by checking both boxes on Appendix F. Set-Aside funding awarded to the PHA is specific to either the Mainstream Vouchers or regular HCVs and may not be used interchangeably by the PHA. For example, shortfall funding awarded for Mainstream Vouchers may not be used for regular HCVs. HUD will indicate the specific amount and the type of voucher the funding is designated for in the award letter.

Note: In determining a shortfall for HCV and/or Mainstream Vouchers and the amount of funding to be provided, HUD will use the **HCV Two-Year Projection Tool**. PHAs should refer to **Appendix E** 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.

Depending on the number of applications and amount of total eligibility, HUD reserves the right to prioritize awards for the Prevention of Terminations Due to Insufficient Funding (Shortfall) category and may need to prorate eligibility for other categories of the Set-Aside.

In egregious situations, for PHAs not following HUD Shortfall Prevention Team (SPT) guidance on voucher reissuance, HUD reserves the right to further

require a PHA to rescind recently issued vouchers to attain full Set-Aside eligibility.

PHAs with specific questions related to the calculation and determination of a HUD-confirmed shortfall should contact the SPT at: ShortfallInquiries@hud.gov. The subject line of the email must include the PHA's number (for example, TX001).

DOCUSIGN SUBMISSION REQUIRMENTS: PHAs must complete and sign **Appendix F as applicable in DocuSign**. To access instructions detailing the **DocuSign** application process, a link to the video tutorial on this process, as well as the link to apply for this category in **DocuSign**, please click on the following link: [HCV Set-aside Applicant DocuSign Instructions](#).

DEADLINE: The application period will remain open. PHAs that receive Set-Aside funds based on their current HAP costs that find additional funding is needed later in the year do not need to reapply to receive additional funding. The SPT will automatically determine the PHA's eligibility for additional funding and HUD will provide the additional funding in accordance with its established Set-Aside funding priorities and available funding. PHAs that have concerns about potential shortfalls should be in contact with the HUD field office or SPT, regardless of whether they are currently in a shortfall situation.

- B. Category 2a -Unforeseen Circumstances:** PHAs should be aware that an unforeseen circumstance is an occurrence within or after the re-benchmarking period which the PHA could not reasonably have anticipated and was out of the PHA's control. Funding adjustments for this category are based on cost increases occurring in CY 2023. In addition to PHAs applying for funding under the HAP Set-Aside, these instructions and requirements are applicable PHAs that are applying for Mainstream Voucher Set-Aside funding for Unforeseen Circumstances. In such instance the funding award calculation is based on the PHA's Mainstream Voucher PUCs and UMLs, not the PHA's regular HCV PUCs and UMLs. PHAs administering EHVs are not eligible to apply for this funding.

In cases where the Mainstream PHA also administers regular HCVs, the Unforeseen Circumstances determination is program specific.

A PHA that is requesting Set-Aside funding for Unforeseen Circumstances for both regular HCVs and Mainstream Vouchers must check both boxes on Appendix G. Set-Aside funding awarded to the PHA is specific to either the Mainstream Vouchers or regular HCVs and may not be used interchangeably by the PHA. For example, Unforeseen Circumstances funding awarded for Mainstream Vouchers may not be used for regular HCVs. HUD will indicate the specific amount and the type of voucher the funding is designated for in the award letter.

- i. PHA Eligibility.** The 2023 Act provides that the cost increase must be significant, as defined by the Secretary, for the PHA to be eligible for the

unforeseen circumstances category of the CY 2023 set-aside. HUD is establishing the following criteria for significant cost increase:

The PHA's latest validated 2023 PUC per VMS must be 102 percent or greater than the PUC HUD used to determine the PHA's CY 2023 renewal funding (the CY 2023 Renewal PUC) to be eligible for funding.

- ii. Funding Award Calculations for PHAs.** For PHAs (both Non-MTW and MTW), the funding award amount will be calculated as follows:
- a. HUD determines the difference between the increased PUC and the PHA's CY 2023 HAP renewal PUC. The increased PUC is calculated by dividing HAP costs by unit months leased (UMLs) for the most recent month of total HAP based on the most recent month. MTW New Cohort and non-MTW PHA's HCV CY 2023 HAP renewal PUC is located in the 2023 HCV renewal **Enclosure A**, line 29, described as *CY 2023 Inflated Per Unit Cost*. The PHA's Mainstream Voucher CY 2023 HAP renewal PUC is located in the 2023 HCV renewal Enclosure A, line 12, describe as *CY 2023 Inflated PUC*. MTW PHA's PUC information is located by the prorated eligibility amount on the PHA's renewal enclosure.
 - b. The difference is then multiplied by the PHA's most recent month's UMLs and then by the remaining months in 2023 to determine the total funding amount.

HUD will use the most recent validated VMS data available to calculate PHA eligibility.

PHA Example: Unforeseen Circumstances HAP Set-Aside Award

1	Most Recent Month's PUC provided by the PHA (in this example, July's PUC)	\$500		HUD will use the most recent validated month of VMS reporting
2	PHA's CY 2023 PUC (2023 HCV Renewal Enclosure A , line 29 for Non-MTW and MTW New Cohort PHA's, described as <i>CY 2023 Inflated Per Unit Cost and 2023 Mainstream Renewal Enclosure A, line 12, described as CY 2023 Inflated PUC</i>)	\$405		MTW renewal enclosures have a different format. PUC information can be found by the prorated eligibility amount.
3	Difference between the PUCs		\$95	
4	Is the difference between to the 2 PUCs 2% or greater than the CY 2023 PUC (Line 1 divided by Line 2, must be greater than 1.02)?	23%		

5	Most Recent Month's Units leased	300	HUD will use the most recent validated month of VMS reporting
6	Unit months leased (Line 5 * 6 Months)		Multiplied by the number of month's remaining in CY 2023.
7	Total Request (Line 3 * Line 6)		\$171,000

In this example the PHA's PUC increased 23 percent which meets the eligibility criteria for application review due to significant increased costs. The PHA is eligible for \$171,000. The next step is to ascertain if this is a Priority Application (the PHA's HAP Program Reserve is less than two-months' worth of HAP) or a Regular Application to determine when the funding will be made available.

PHAs with **two (2)** months or more of reserves will not be considered for any funding under this category at this time.

DOCUSIGN SUBMISSION REQUIREMENTS: To access instructions detailing the **DocuSign** application process, a link to the video tutorial on this process, as well as the link to apply for this category in **DocuSign**, please click on the following link: [HCV Set-aside Applicant DocuSign Instructions](#). **Once in DocuSign PHAs are required to provide the following:**

- a. **Completed and signed Appendix G form in DocuSign, CY 2023 Housing Choice Voucher Program Application for \$200 Million HAP Set-Aside for Category 2a – Unforeseen Circumstances and Application for \$10 Million Mainstream Voucher HAP Set-Aside for Category 2 – Unforeseen Circumstances in DocuSign.**
- b. The PHA must also attach a written narrative to their **DocuSign** application describing the unforeseen circumstances and their relationship to the significantly increased renewal costs in CY 2023. PHAs applying for unforeseen circumstances under both their HCV Program and Mainstream Vouchers, are required to provide a narrative for each.

For applications under the unforeseen circumstances category, it is important to note that PHAs must submit all items (a. and b.) above by the application deadline for the application to be considered. **Failure to provide any of the required documents and information within DocuSign as instructed will result in denial of the application.**

DEADLINE: No later than 5 p.m., per the PHA's time zone, Friday, September 29th, 2023.

- C. **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. EHV's and Mainstream Vouchers are not eligible for funding under this category.

To determine eligibility and calculate funding under this category for regular HCVs, HUD will compare the average HAP Per Unit Cost (PUC) for the re-benchmarking period (January 1, 2022 to December 31, 2022) to the average Port-out Vouchers HAP PUC based on year-to-date reporting in PIC (as of April 1, 2023). If the portability average HAP exceeds 110% of the HCV 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% of the program-wide average PUC is multiplied by the year-to-date total unit months leased (UML) for the “Port Vouchers Paid” reported in PIC, extrapolated to 12 months.

DOCUSIGN SUBMISSION REQUIREMENTS: HUD calculates eligibility under this category, therefore, no additional documentation will be required or accepted other than **Appendix H, CY 2023 Housing Choice Voucher Program Applications for \$200 Million HAP Set-Aside for Categories 2b – Portability; 3a – Project-Based Vouchers; 3b – MTW New Cohorts; 4 – HUD-VASH; 5 – Lower-than-average Leasing; and/or 7 – NLT Inspection Withheld Housing Assistance Payments**, which must be **completed, signed, and submitted through DocuSign by the deadline**. To access instructions detailing the **DocuSign** application process, a link to the video tutorial on this process, as well as the link to apply for this category in **DocuSign**, please click on the following link: [HCV Set-aside Applicant DocuSign Instructions](#).

DEADLINE: No later than 5 p.m., per the PHA’s time zone, Friday, June 16, 2023.

- D. Category 3a – PBVs:** To be eligible for funding under this category, a PHA must show that vouchers were withheld from use during the CY 2022 re-benchmarking period to be available to meet a commitment for PBV assistance under Section 8(o)(13) of the Act. Adjustments only apply to vouchers withheld pursuant to a PBV Agreement to Enter into a Housing Assistance Payments Contract (AHAP) for newly constructed or rehabilitated housing. Adjustments do **not** apply to existing housing, as there is no waiting period for existing housing PBV commitments and accordingly, there is no need to withhold vouchers for such commitments. Adjustments will not be made under any circumstances for units under an AHAP commitment that, when added to units under lease for CY 2022, exceed the PHA’s baseline units under ACC for CY 2022. (The PHA would not have been able to lease those withheld vouchers during CY 2023 due to the restriction on over-leasing.) EHV’s and Mainstream Vouchers are not eligible for funding under this category.

DOCUSIGN SUBMISSION REQUIREMENTS: To access instructions detailing the **DocuSign** application process, a link to the video tutorial on this process, as well as the **DocuSign** link to apply and submit project information for this category, please click on the following link: [HCV Set-aside Applicant DocuSign Instructions](#). **All attachments as described in items 1 and 2 below should be attached to the corresponding Appendix I DocuSign submission. Once in DocuSign, PHAs are required to provide the following:**

1. **AHAP:** For **each** PBV commitment for which a request is being made under this category, the PHA **must provide**, from [Part 1 of the executed Agreement to Enter into a HAP Contract \(AHAP\) for New Constructions/Rehabilitation](#), the following:
 - a. The page which identifies the parties to the AHAP (both the Housing Authority and the owner);
 - b. Identification of the project;
 - c. Section 1.1A which identifies the effective date of the agreement;
 - d. Section 1.1B which identifies the date of the commencement of the work;
 - e. Section 1.1C which identifies the time for completion of the work;
 - f. Exhibit C which identifies the units by size and applicable initial contract rents for the units to be project-based;
 - g. If the project is to be completed in stages: Exhibit E that identifies the schedule of completion of stages (if applicable). (This exhibit shall identify the units in each stage.); and
 - h. Signature page that provides the signature of both the Housing Authority and the owner and the dates the AHAP was signed.

2. **HAP Contract:** To be eligible for HAP Set-Aside funding, the HAP contract must be executed within CY 2023. If the HAP Contract **has not been executed** by the application submission date, the PHA must state when the HAP contract will be executed. If the **HAP contract has been executed** by the application submission date, the PHA **must provide**, from [PART 1 of the HAP Contract for New Constructions or Rehabilitation](#), the following:
 - a. The page which identifies the parties to the HAP Contract (both the Housing Authority and the owner);
 - b. 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;
 - c. If the project is to be completed in stages: in addition to item b. described in the above AHAP section that states the requirement for the “identification of the project”, Exhibit A must also identify the units to be completed in each phase covered by the HAP Contract;
 - d. Exhibit B which identifies the services, maintenance and utilities to be provided by the owner;
 - e. 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;
 - f. Section 2a which identifies the initial term of the contract; and
 - g. Signature page which provides the signature of both the Housing Authority and the owner and the dates the HAP was signed.

3. **Completed and signed Appendix H in DocuSign to apply for PBV, CY 2023 Housing Choice Voucher Program and Application for \$200 Million HAP Set-Aside for Categories 2b – Portability; 3a – Project-Based Vouchers; 3b – MTW New Cohorts; 4 – HUD-VASH; 5 – Lower-than-average Leasing; and/or 7 – NLT Inspection Withheld Housing Assistance Payments; and**
4. **Completed and Signed Appendix I through DocuSign, CY 2023 Housing Choice Voucher Program - \$200 Million HAP Set-Aside Category 3b - PBV-Project Data (for each project-based commitment). **Please note that PHAs must submit separate Appendix I's and attach corresponding required documents within DocuSign for each project that funding is requested.****

DEADLINE: No later than 5 p.m., per the PHA's time zone, Friday, June 16, 2023.

- E. Category 3b-MTW New Cohorts:** To be eligible for a funding adjustment under this category, PHAs must have received their MTW designation in CY 2021 or 2022, demonstrate funds were obligated by the PHA but not expended during CY 2022, and provide supporting documentation that the obligated funds are for an MTW-eligible commitment/activity for the development of affordable housing. Adjustments only apply to obligations made and not expended in CY 2022 and supported planned expenditures in CY 2023. The funding adjustment will not exceed the delta between the PHA's 2022 renewal eligibility based on the re-benchmarking formula, and the CY 2023 maximum renewal eligibility based on total authorized units at the inflated PUC. These two totals are provided within the CY 2023 Renewal Funding Enclosure, Lines 9 and 12, respectively. Finally, for PHAs submitting obligations for more than one project, the adjustment per project may receive a proration if the total funding adjustment for the PHA exceeds the delta. EHV's and Mainstream Vouchers are not eligible for funding under this category.

DOCUSIGN SUBMISSION REQUIREMENTS: To access instructions detailing the **DocuSign** application process, a link to the video tutorial on this process, as well as the **DocuSign** link to apply and submit project information for this category, please click on the following link: [HCV Set-aside Applicant DocuSign Instructions](#). For a PBV commitment, all attachments as referenced in items 3 and 4 below should be attached to the corresponding Appendix I **DocuSign** submission. Once in **DocuSign**, PHAs are required to provide the following:

1. A completed and signed **Appendix H in DocuSign to apply for this category**, *Application for \$200 Million Set-Aside for Categories 2b – Portability; 3a – Project-Based Vouchers; 3b – MTW New Cohorts; 4 – HUD-VASH; 5 – Lower-than-average Leasing; and/or 7 – NLT Inspection Withheld Housing Assistance Payments*, that clearly indicates the PHA is applying under Category 3a – PBV;
2. A signed and completed **Appendix I through DocuSign, CY 2023 Housing Choice Voucher Program - \$200 Million HAP Set-Aside – Category 3b – MTW New Cohorts-Project Data** (for each project-

based commitment). **Please note that PHAs must submit separate Appendix I's and attach corresponding required documents within DocuSign for each project that funding is requested.**

3. **The full list of requirements shown under "1. AHAP"** in the submission requirements section for the above **Category 3a PBV**, for each PBV commitment for which a request is being made under this category; and,
4. **The full list of requirements shown under "2. HAP"** as described in the submission requirements section for the above **Category 3a PBV**, for each PBV commitment for which a request is being made under this category.

DOCUSIGN SUBMISSION REQUIREMENTS: To access instructions detailing the **DocuSign** application process, a link to the video tutorial on this process, as well as the **DocuSign** link to apply and submit project information for this category, please click on the following link: [HCV Set-aside Applicant DocuSign Instructions](#). For MTW New Cohort PHAs applying for funding obligated but not expended in **CY 2022 for an MTW-eligible commitment/activity development that is not a PBV commitment** (such as Public Housing or Local, Non-Traditional development) PHAs are required to submit the following for each project:

1. A completed and signed **Appendix H in DocuSign, Application for \$200 Million HAP Set-Aside for Categories 2b – Portability; 3a – Project-Based Vouchers; 3b – MTW New Cohorts; 4 - HUD-VASH; 5 – Lower-than-average Leasing; and/or 7 – NLT Inspection Withheld Housing Assistance Payments**, that clearly indicates the PHA is applying under Category 3b – MTW New Cohorts;
2. A completed and signed **Appendix J, CY 2023 Housing Choice Voucher Program – \$200 Million HAP Set-Aside – Category 3b – MTW New Cohorts-Project Data**, for each MTW-eligible development **commitment for which a request is being made under this category**;
3. **An approved Annual PHA Plan and MTW Supplement**, identifying the PHA's binding agreement indicating its planned use of HAP funding, for each MTW-eligible development commitment for which a request is being made under this category, attached to the corresponding Appendix J **DocuSign** form; and
4. **Documentation to demonstrate the PHA will require an outlay or expenditure of funds, immediately or in the future for the MTW-eligible development activity to include the submission of any completed HUD documentation to date** as it relates to the development, for each MTW-eligible development commitment for which a request is being made under this category, also attached to the corresponding Appendix J **DocuSign** form.

DEADLINE: No later than 5 p.m., per the PHA's time zone, Friday, June 16, 2023.

- F. Category 4 -HUD-VASH:** For PHAs administering HUD-VASH vouchers that can demonstrate a need for adjustment funding for at least one of the following situations:
1. ***PUC Increase***: For PHAs whose program-wide funded CY 2023 HAP PUC is less than their current HUD-VASH HAP PUC, based on their latest HUD-VASH HAP expenses in CY 2023. HUD will calculate eligibility under this category. Eligibility is determined by comparing the highest HUD-VASH PUC for CY 2022 to the program-wide funded prorated HAP PUC, then multiplying the difference between the PUCs by the funded UMLs.
 2. ***Leasing Increase***: For PHAs whose total HUD-VASH leasing for CY 2023 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, HUD will calculate eligibility under this category. Eligibility is determined by adding UMLs for all the CY 2022 validated VMS data available to a projection for the remainder of the CY and comparing that total to the initial funded HUD-VASH UMLs (limited to 100% of the PHAs UMAs), then multiplied by the CY 2023 PUC.

DOCUSIGN SUBMISSION REQUIREMENTS: No additional documentation will be required or accepted other than a **completed and signed Appendix H as applicable in DocuSign**. To access instructions detailing the **DocuSign** application process, a link to the video tutorial on this process, as well as the link to apply for this category within **DocuSign**, please click on the following link: [HCV Set-aside Applicant DocuSign Instructions](#).

DEADLINE: No later than 5 p.m., per the PHA's time zone, Friday, September 29th, 2023.

- G. Category 5 – Lower-Than-Average Leasing:** To be eligible for funding under this category, the PHA must be leasing a lower-than-average percentage of their authorized vouchers, have low amounts of budget authority in their net restricted asset accounts and HUD-held programmatic reserves, relative to other agencies, and must not be participating in the MTW demonstration. EHVs and Mainstream Vouchers are not eligible for funding under this category.

To determine eligibility for this category of set-aside funds, HUD will consider Unit Months Leased (UMLs), Unit Months Available (UMAs), and reconciled reserves as of December 2022. Additionally, HUD will consider historical offset data.

HUD will determine eligibility by:

- Excluding MTWs;
- Excluding non-MTW PHAs with above average UMLs/UMAs; and

- Of the remaining PHAs, excluding those with reserve levels that are above the median, based on PHA size.

HUD will determine awards by the following tiers – fully funding each tier before moving to the next, until funds for this category are exhausted or all applicant PHAs are funded:

- Tier I: No reserves above the 4/6/12% reserve level based on size *and* no offsets since 2017;
- Tier II: No reserves above the 4/6/12% reserve level based on size *and* no offsets in 2021 or 2022;
- Tier III: Less than an additional 4% reserves above the 4/6/12% reserve level based on size *and* no offsets in 2021 or 2022; and
- Tier IV: Remaining eligible PHAs.

PHAs must lease additional vouchers with this award. If PHAs need assistance with the number of vouchers for reissuance, they may contact their local field office representative. The field office will be able to assist with developing a leasing plan to maximize the use of this award. PHAs that apply to this category must be cognizant of their capacity to issue vouchers to families in the waiting list and the likelihood that families will use their vouchers successfully.

DEADLINE: No later than 5 p.m., per the PHA’s time zone, Friday, June 16, 2023.

Note: The following link provides a list of PHAs that are eligible to apply for this category of HAP Set-Aside funding: [Lower-than-average Leasing Eligibility List](#)
PHAs that are not included on this list should not apply as their applications will automatically be denied.

DOCUSIGN SUBMISSION REQUIREMENTS: To access instructions detailing the **DocuSign** application process, a link to the video tutorial on this process, as well as the **DocuSign** link to apply, please click on the following link: [HCV Set-aside Applicant DocuSign Instructions](#). To be eligible for funding under this category, a PHA must submit a **completed and signed Appendix H**, CY 2023 Housing Choice Voucher Program Application for \$200 Million HAP Set-Aside for Category 5 – Lower-than-average Leasing.

H. Category 6 – Disaster: To be eligible for funding under this category, the PHA must have experienced increased costs or loss of units in an area for which the President declared a disaster under title IV of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5170 et seq.) in CY 2022 or CY 2023, except for the COVID-19 declaration. The funding provided through this category will address the impact disasters have had on CY 2023 expenses. EHVs and Mainstream Vouchers are not eligible for funding under this category.

- 1. Loss of Units Due to Disaster.** This adjustment is provided to assist the PHA in increasing the number of families under lease, not to exceed 100% of the PHA’s

authorized units, to help address housing needs in the impacted community. HUD will use the most recently reported and validated month's VMS data to determine the number of units currently under lease. HUD will use the higher of: (1) the PHA's most recently reported and validated month's VMS data or (2) the three-month average for the most recent reported and validated VMS data to determine the PUC to calculate the funding adjustment. However, if the PHA requests and HUD approves the PHA's request for an increased PUC, the approved PUC will be used to calculate the increased leasing adjustment, as well as to make the increased PUC adjustment for the PHA's HCV Program as a whole.

DOCUSIGN SUBMISSION REQUIREMENT: To access instructions detailing the **DocuSign** application process, a link to the video tutorial on this process, as well as the **DocuSign** link to apply for this category, please click on the following link: [HCV Set-aside Applicant DocuSign Instructions](#). **To be eligible for funding under the Loss of Units due to Disaster category, a PHA must submit the following through DocuSign:**

- a. **Completed and signed Appendix K in DocuSign, CY 2023 Housing Choice Voucher Program \$200 Million HAP Set-Aside – Category 6 – *Disaster*, and attach the following items to the application;**
 - b. Written narrative, detailing the impact of the disaster that has caused a loss of units, the PHA's assessment of the availability of rental housing stock in the PHAs jurisdiction, a description of any plans in the jurisdiction to increase the availability of rental stock, which may include the PHA's plan to project-base additional vouchers to increase the supply of units available to voucher families, and the number of families currently on the PHA's HCV waiting list and if the waiting list is currently open or closed;
 - c. Evidence to support the narrative; and
 - d. The number of months impacted in CY 2023 by the loss of units.
- 2. Increased Costs.** The PHA may request an adjustment for a higher PUC. The requested PUC must be higher than the higher of the most recent reported and validated PUC in VMS or the most recent three-month average reported and validated in VMS. The requested adjustment must be supported by documentation that the PHA is required to include with their application. For example, the PHA may provide data supporting the higher requested PUC by providing PIC data for recent new admissions and/or recent movers or other data supporting its request for a funding adjustment.

DOCUSIGN SUBMISSION REQUIREMENTS: To access instructions detailing the **DocuSign** application process, a link to the video tutorial on this process, as well as the **DocuSign** link to apply and the additional link to submit project information for this category, please click on the following link: [HCV Set-aside Applicant DocuSign Instructions](#). **To be eligible for funding under the Increased Costs due to Disaster category, a PHA must submit the following through DocuSign:**

- a. **Completed and signed Appendix K in DocuSign, CY 2023 Housing Choice Voucher Program - \$200 Million HAP Set-Aside – Category 6 – Disaster, and attach the following items to the application;**
- b. Written narrative detailing the impact the disaster had in causing the increased costs, the PUC requested;
- c. Evidence to support the narrative (how the requested PUC was determined); and
- d. The number of unit months impacted by the increased costs.

For applications under the disaster category, category 6, it is important to note that PHAs must submit all items (a. through d.) above by the application deadline 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.**

DEADLINE: No later than 5 p.m., per the PHA’s time zone, Friday, December 29th, 2023.

- I. **Category 7 – NLT Inspection Withheld Housing Assistance Payments:** To be eligible for funding under this category, a PHA must demonstrate that after, January 27, 2023, when HUD established the PHA’s HAP renewal funding baseline to calculate the CY 2023 renewal allocation (Step 1 described in Section 4 of this notice), the PHA subsequently paid the owner housing assistance payments that were withheld during calendar year 2022 in accordance with the requirements of the non-life threatening (NLT) initial inspection option under section 8(o)(8)(A)(ii) of the United States Housing Act of 1937. EHV’s and Mainstream Vouchers are not eligible for funding under this category.

Under the NLT initial inspection option, a PHA may approve an assisted tenancy, execute a HAP contract, and begin making assistance payments on a unit that fails the initial inspection in cases where the unit only has NLT deficiencies. If the family accepts the unit with the NLT conditions, the owner has 30 days from the date of the PHA notification to correct the NLT conditions. If the NLT conditions are not corrected within 30 days of the PHA notifying the owner of the unit’s failure, the PHA must withhold any further assistance payments until those conditions are addressed and the unit fully complies with the housing quality standards. Once the unit is in compliance, the PHA must recommence making housing assistance payments to the owner. In addition, the PHA may choose to pay the owner retroactively for the period during which payments were withheld by releasing the withheld payments to the owner. PHAs have discretion over the maximum amount of time the PHA will withhold payments before ultimately terminating the HAP contract for owner non-compliance with HQS. However, the HAP contract may not continue beyond 180 days of the effective date of the HAP contract if the unit is not brought into compliance. For detailed guidance on the NLT initial inspection option, please see [PIH Notice 2017-20](#), *Housing Opportunity Through Modernization Act of 2016 (HOTMA) – Housing Quality Standards (HQS) Implementation Guidance*, issued October 27, 2017.

Because these HAP costs that were withheld under the NLT initial inspection option in CY 2022 and paid retroactively after HUD established the PHA's HAP renewal baseline for the CY 2023 renewal allocation are not currently reflected in the PHA's renewal funding, the PHA is eligible for a funding adjustment under this Set-Aside category. In calculating the amount of HAP funding for which the PHA is eligible, HUD will adjust the retroactive HAP amount identified by the PHA by the applicable RFIF and the proration factor used to determine the PHA's CY 2023 renewal allocation in Section 4 of this notice.

The Appropriations Act specifies that this adjustment is for retroactive payments under the NLT initial inspection option. Accordingly, a retroactive payment that a PHA may have made under any other circumstance is not covered and the PHA is not eligible to apply for Set-Aside funding to cover that retroactive payment. In addition, Mainstream Vouchers are not eligible for funding under this category.

DOCUSIGN SUBMISSION REQUIREMENTS: To access instructions detailing the **DocuSign** application process, a link to the video tutorial on this process, as well as the **DocuSign** link to apply for this category, please click on the following link: [HCV Set-aside Applicant DocuSign Instructions](#). PHAs are to submit the following documents to **DocuSign**:

1. **Completed and signed Appendix H in DocuSign, *CY 2023 Housing Choice Voucher Program Applications for \$200 Million HAP Set-Aside for Category 7 – NLT Inspection Withheld Housing Assistance Payments*, and attach the below item to the DocuSign application;**
2. A **spreadsheet** identifying the amount of CY 2022 **withheld HAP, by unit, by month, and the date of the retroactive payment** was made to the owner in CY 2023; and
3. **PHAs are required to enter their HAP expense amounts for NLT Inspection Withheld HAP in VMS.** Entries made after January 27, 2023, will include a Prior Month Correction (PMC) in the month which the HAP expense was incurred. Additionally, the PHA will enter a comment into the "Comments" field located in the "Expense/Comments" tab. The comment will reflect the amount of the HAP Expenses entered. Examples of PMC comments are as follows:

Example 1: NLT withheld HAP expenses for July 2022 is \$1,000
(the above would be entered in the July 2022 Comments field)

Example 2: NLT withheld HAP expenses for November 2022 = \$1,250 (the above would be entered in the November 2022 Comments field)

PMCs in VMS will match the information/documentation the PHA provides as required to be eligible for funding under this category of the Set-Aside.

DEADLINE: No later than 5 p.m., per the PHA's time zone, Friday, June 16, 2023.

- 13. Moving To Work Agencies.** The original 39 MTW agencies' renewal funding is determined pursuant to their Standard MTW Agreements and appropriations requirements. HUD is directed by the 2023 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. All MTW agencies may utilize their funds in accordance with their Standard MTW Agreements or the MTW Operations Notice.
- 14. Moving To Work New Cohort Agencies.** As is the case for non-MTW PHAs under current appropriations law, the HAP renewal funding eligibility for MTW agencies will be calculated based on each MTW agency's actual expenses for the previous calendar year (known as the re-benchmark year). Unique to MTW agencies, however, the MTW agency's actual expenses are: 1) the previous Calendar Year's HAP expenses reported in the Voucher Management System (VMS), and 2) the previous CY's eligible non-HAP MTW expenses reported in VMS. For both HAP and non-HAP MTW expenses, the reported expenses must have been paid from an eligible source of funds as described in paragraph (c) of the [MTW Operations Notice](#) in order to be included in the HAP renewal funding formula. In addition, MTW HAP renewal funding is subject to an MTW Renewal Eligibility cap derived from the number of units authorized under the MTW agency's ACC, as described in paragraph (d) of the MTW Operations Notice. The lower of the total combined HAP and non-HAP expenses or the MTW Renewal Eligibility cap will then be adjusted by the Renewal Funding Inflation Factor (RFIF) and any national proration that applies to the HCV renewal appropriation to determine the MTW agency's actual CY HAP renewal funding. Moving to Work New Cohort Agencies are subject to offset. Additional information and examples, can be found within the MTW Operations Notice available through the following link: <https://www.hud.gov/sites/dfiles/PIH/documents/FinalMTWExOpsNoticePartVIWeb.pdf>
- 15. Excluded Programs.** The provisions implemented by this notice do not apply to renewal funding for the Moderate Rehabilitation Program or Single Room Occupancy (SRO) or the Emergency Housing Voucher (EHV) Program.
- 16. HCV Financial Management.** HUD is 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 are encouraged to use the Two-Year Forecasting Tool to assist them in their budgeting and leasing plans.
- 17. HAP Disbursements and Frontloading.** PHAs receive monthly disbursements from their budgetary allocations in accordance with the cash management procedures in [PIH Notice 2017-06](#). PHAs may request a frontload when monthly disbursements and available RNP and HUD-held reserves will not cover expenses for the month. PHAs may request a frontload via the two-year tool or by submitting a request to the FMC FA. 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 in need of a frontload during the year and have excess SPV funding available in their RNP, will be provided with a frontload that does not consider their available SPV funds as SPV funds may only be used for their intended purposes. PHAs must

remember that frontloading early in the CY affects the amounts available in later months in the CY.

- 18. Use of HAP and HAP RNP/HUD-Held Program Reserves.** 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 CACC requires PHAs to use HAP funding to cover housing 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 the 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. Current year funding may not be used for prior year costs, including by MTW agencies.

In instances where a PHA is found to have misappropriated HAP and/or HAP RNP/HUD-held reserve funds by using the funds for any purpose other than valid HAP expenses for units up to the baseline, HUD requires the immediate return of the funds to the HAP or HAP RNP/HUD-held reserves 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/HUD-held reserves account for non-HAP purposes.

- 19. Uses of Administrative Fees.** For proper uses and reporting of administrative fees and UNP HUD issued additional guidance on the use of administrative fees for other expenses under PIH Notice 2022-18: *Use of Housing Choice Voucher (HCV) and Mainstream Voucher Administrative Fees for Other Expenses to Assist Families to Lease Units*, and continues to use PIH Notice 2015-17: *Use and Reporting of Administrative Fee Reserves*, respectively.

- 20. 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 2021-08 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.

- 21. Prohibition on Over-leasing.** The 2023 Act prohibits the use of appropriated HAP funds by any PHA, except for PHAs in the MTW demonstration, to lease units above their CACC 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.

- 22. Use of Outside Sources of Funds.** HUD issued [PIH Notice 2013-28](#), *Guidance on the Use of Outside Sources of Funds in the HCV Program*. HUD recommends that all PHAs carefully review the information contained in the notice.
- 23. 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.
- 24. Further Information.** Any questions concerning this Notice should be directed to 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.



Richard J. Monocchio
Principal Deputy Assistant Secretary
for Public and Indian Housing

Appendix A

Consolidated Appropriations Act, 2023 (Public Law 117-328)

Tenant-Based Rental Assistance – Overall Funding and Renewals:

For activities and assistance for the provision of tenant-based rental assistance authorized under the United States Housing Act of 1937, as amended (42 U.S.C. 1437 et seq.) (in this title “the Act”), not otherwise provided for, \$23,599,532,000, to remain available until expended, which shall be available on October 1, 2022 (in addition to the \$4,000,000,000 previously appropriated under this heading that shall be available on October 1, 2022), and \$4,000,000,000, to remain available until expended, which shall be available on October 1, 2023: Provided, That of the sums appropriated under this heading—(1) \$23,748,420,000 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 2023 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 and Choice Neighborhoods vouchers: 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 Moving to Work (MTW) demonstration, which are instead governed in accordance with the requirements of the MTW demonstration program or their MTW agreements, if any: 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, 2023: 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 in accordance with the requirements of the MTW demonstration program or their MTW agreements, if any, and shall be subject to the same pro rata adjustments under the preceding provisos: Provided further, That the Secretary may offset public housing agencies’ calendar year 2023 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 2022 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 2023 MTW funding allocation: Provided further, That the Secretary shall use any offset referred to in the preceding 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 \$200,000,000 shall be available only: (A) 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; (B) for vouchers that were not in use during the previous 12-month period in order to be available to meet a commitment pursuant to section 8(o)(13) of the Act, or an adjustment for a funding obligation not yet expended in the previous calendar year for a MTW-eligible activity to develop affordable housing for an agency added to the MTW demonstration under the expansion authority provided in section 239 of the Transportation, Housing and Urban Development, and Related Agencies Appropriations Act, 2016 (division L of Public Law 114–113); (C) for adjustments for costs associated with HUD–Veterans Affairs Supportive Housing (HUD–VASH) vouchers; (D) 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; (E) for adjustments in the allocations for public housing agencies that—(i) are leasing a lower-than-average percentage of their authorized vouchers, (ii) have low amounts of budget authority in their net restricted assets accounts and HUD-held programmatic reserves, relative to other agencies, and (iii) are not participating in the Moving to Work demonstration, to enable such agencies to lease more vouchers; (F) for withheld payments in accordance with section 8(o)(8)(A)(ii) of the Act for months in the previous calendar year that were subsequently paid by the public housing agency after the agency’s actual costs were validated; and (G) for public housing agencies that have experienced increased costs or loss of units in an area for which the President declared a disaster under title IV of the Robert T. Stafford Disaster Relief and Emergency Assistance Act 19 (42 U.S.C. 5170 et seq.): Provided further, That the Secretary shall allocate amounts under the preceding proviso based on need, as determined by the Secretary;

Tenant Protection:

\$337,000,000 shall be available 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, relocation of witnesses (including victims of violent crimes) 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 (t) of the Act, 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 provide section 8 rental assistance from amounts made available under this paragraph for units assisted under a project-based subsidy contract funded under the ‘‘Project-Based Rental Assistance’’ heading under this title where the owner has received a Notice of Default and the units pose an imminent health and safety risk to residents: Provided further, That of the amounts made available under this paragraph, no less than \$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: (A) the maturity of a HUD-insured, HUD-held or section 202 loan that requires the permission of the Secretary prior to loan prepayment; (B) 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 (C) 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 preceding proviso may be provided under the authority of section 8(t) or section 8(o)(13) of the 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 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;

Administrative Fees:

\$2,777,612,000 shall be available for administrative and other expenses of public housing agencies in administering the section 8 tenant-based rental assistance program, of which up to \$30,000,000 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, HUD-VASH vouchers, and other special purpose incremental vouchers: Provided, That no less than \$2,747,612,000 of the amount provided in this paragraph shall be allocated to public housing agencies for the calendar year 2023 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 preceding 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 preceding proviso, utilize unobligated balances, including recaptures and carryover, 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 in accordance with the requirements of the MTW demonstration program or their MTW agreements, if any, and shall be subject to the same uniform percentage decrease as under the preceding 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 Vouchers:

\$606,500,000 shall be available 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: Provided further, That up to \$10,000,000 shall be available only— (A) for adjustments in the allocation for public housing agencies, after applications for an adjustment by a public housing agency that experienced a significant increase, as determined by the Secretary, in Mainstream renewal costs resulting from unforeseen circumstances; and (B) for public housing agencies that

despite taking reasonable cost savings measures, as determined by the Secretary, would otherwise be required to terminate the rental assistance for Mainstream families as a result of insufficient funding: Provided further, That the Secretary shall allocate amounts under the preceding proviso based on need, as determined by the Secretary: Provided further, That upon turnover, section 811 special purpose vouchers funded under this heading in this or prior Acts, or under any other heading in prior Acts, shall be provided to non-elderly persons with disabilities;

Tribal HUD-VASH Renewals:

Of the amounts provided under paragraph 15 (1), up to \$7,500,000 shall be available for rental assistance and associated administrative fees for Tribal HUD-VASH to serve Native American veterans that are homeless or at-risk of homelessness living on or near a reservation or other Indian areas: Provided, That such amount shall be made available for renewal grants to recipients that received assistance under prior Acts under the Tribal HUD-VASH program: Provided further, That the Secretary shall be authorized to specify criteria for renewal grants, including data on the utilization of assistance re-reported by grant recipients: Provided further, That such assistance shall be administered in accordance with program requirements under the Native American Housing Assistance and Self-Determination Act of 1996 and modeled after the HUD-VASH program: Provided further, That the Secretary shall be authorized to waive, or specify alternative requirements for any provision of any statute or regulation that the Secretary 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 assistance: Provided further, That grant recipients shall report to the Secretary on utilization of such rental assistance and other program data, as prescribed by the Secretary: Provided further, That the Secretary may reallocate, as determined by the Secretary, amounts returned or recaptured from awards under the Tribal HUD-VASH program under prior Acts to existing recipients under the Tribal HUD-VASH program;

HUD-VASH Program:

\$50,000,000 shall be available 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 203 (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 5 such waivers or alternative requirements are necessary for the effective delivery and administration of such voucher assistance: Provided further, That assistance made available under this paragraph shall continue to remain available for homeless veterans upon turn-over: Provided further, That of the total amount made available under

this paragraph, up to \$10,000,000 may be for additional fees established by and allocated pursuant to a method determined by the Secretary for administrative and other expenses (including those eligible activities defined by notice to facilitate leasing, such as security deposit assistance and costs related to the retention and support of participating owners) of public housing agencies in administering HUD–VASH vouchers;

Family Unification Program:

\$30,000,000 shall be available for the family unification program as authorized under section 8(x) of the Act: Provided, That the amounts made available under this paragraph are provided as follows: (A) \$5,000,000 shall be available for new incremental voucher assistance: Provided, That the assistance made available under this subparagraph shall continue to remain available for family unification upon turnover; and (B) \$25,000,000 shall be available for new incremental voucher assistance to assist eligible youth as defined by such section 8(x)(2)(B) of the Act: Provided, That assistance made available under this subparagraph shall continue to remain available for such eligible youth upon turnover: Provided further, That of the total amount made available under this subparagraph, up to \$15,000,000 shall be available on a noncompetitive basis to public housing agencies that partner with public child welfare agencies to identify such eligible youth, that request such assistance to timely assist such eligible youth, and that meet any other criteria as specified by the Secretary: Provided further, That the Secretary shall review utilization of the assistance made available under the preceding proviso, at an interval to be determined by the Secretary, and unutilized voucher assistance that is no longer needed shall be recaptured by the Secretary and reallocated pursuant to the preceding proviso: Provided further, That for any public housing agency administering voucher assistance appropriated in a prior Act under the family unification program, or made available and competitively selected under this paragraph, that determines that it no longer has an identified need for such assistance upon turnover, such agency shall notify the Secretary, and the Secretary shall recapture such assistance from the agency and reallocate it to any other public housing agency or agencies based on need for voucher assistance in connection with such specified program or eligible youth, as applicable;

New HCV Incremental Vouchers:

\$50,000,000 shall be available for new incremental voucher assistance under section 8(o) of the Act to be allocated pursuant to a method, as determined by the Secretary, which may include a formula that may include such factors as severe cost burden, overcrowding, substandard housing for very low-income renters, homelessness, and administrative capacity, where such allocation method shall include both rural and urban areas: Provided, That the Secretary may specify additional terms and conditions to ensure that public housing agencies provide vouchers for use by survivors of domestic violence, or individuals and families who are homeless, as defined in section 103(a) of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11302(a)), or at risk of homelessness, as defined in section 401(1) of such Act (42 U.S.C. 11360(1));

Tracking of Special Purpose Vouchers:

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

Additional amounts for Tenant-based Rental Assistance:

For an additional amount for “Tenant-Based Rental Assistance”, \$2,653,580,000, to remain available until expended, for activities specified in paragraph (1) (excluding any Set-Asides) of such heading in title II of division L of this consolidated Act.

Appendix B**CY 2023 Offset for Reallocation**

HA Number:

HA Name:

CY 2022 End of Year Reserves**PROTECTED CATEGORIES**

- A. **Difference between the PHA's Eligibility and Prorated Eligibility**
- B. **CY 2023 Amounts needed to fully lease VASH units**
 Unfunded VASH UMAs (Capped)
 VASH PUC
 Total Unfunded VASH UMAs Protected
- C. **Difference between higher of December 2022 UMLs x 12 or CY 2022 UMLs up to baseline on units under CACC**
 December UMLs (Capped)
 Inflated PUC
 Total December UMLs Protected
- D. **Difference between December 2022, PUC and Inflated CY 2023 PUC at capped annualized December leasing**
- E. **CY 2022 New incremental BA- 1/2 of Eligibility**
- F. **CY 2022 Set Aside Protection- 1/2 of Eligibility**
- G. **CARES Act HAP protection – Unspent Remaining Funds***
- H. **Portion of CY 2023 Renewal Eligibility (Based on units under CACC):**
 4% - 500 and above units
 6% - 250 to 499 units
 12% - Less than 250 units
- I. **PHAs with CY 2022 inflation factors that were higher than the CY 2022 national weighted average inflator**
 Difference of CY 2022 Inflated Renewal Funding compared to CY 2023 Inflated Renewal funding is Protected
- J. **Protect 1/2 of RAD 1 HAP for Projects in their 1st Full of Year of Funding during CY 2022**
- K. **Total Funds Available for Offset**
- L. **Offset Amount (Total Funds Available for Offset x 52%)**
- M. **Prorated Eligibility After Offset**
 PHAs that received 2022 Shortfall funds are exempt from this offset.
 PHAs that received 2022 Lower-than-average Leasing funds are exempt from this offset.

***CARES Act HAP Awards are not part of PHA reserves, and consequently are not subject to offset.**

Appendix C**CY 2023 Housing Choice Voucher Program
Special Fees****Application for \$30 Million Set-Aside for some Categories of Special Fees HUD-VASH;
FUP; Disaster; Secretary's Discretion and/or SAFMR**

Name of PHA: _____

PHA Number: _____

Executive Director: _____

CHECK ALL BOXES THAT APPLY_____ **HUD-VASH**_____ **FUP**_____ **Disaster-Related**_____ **Special Fees Under the Secretary's Discretion****SAFMR:**_____ **a. SAFMR adoption**_____ **b. SAFMR-based payment exception standard**

Documentation requirements and deadlines for each of the above categories are included in Paragraph 6 of this notice. Email completed applications to 2023SpecialFees@hud.gov.

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. I also certify that should funding be awarded under any of the selected special fee categories per this page, that I will keep clear and organized records on how all awarded the funds were spent should HUD request to review the outcomes of this fee funding. Warning: Anyone who knowingly submits a false claim or makes a false statement is subject to criminal and/or civil penalties, including confinement for up to 5 years, fines, and civil and administrative penalties (18 U.S.C. §§ 287, 1001, 1010, 1012; 31 U.S.C. §3729, 3802).

Signature of Executive Director and Date

Contact Name and Phone Number

Special Fee Example Budget Justification

Appendix D

Description	Budget FYE 6/30/23	Proposed HUD-VASH Special Fees	TOTAL FY23 BUDGET WITH PROPOSED EXTRA FEES
RECEIPTS			
ADMIN FEE EARNED	1,028,855	52,749	1,081,604
INTEREST ON RESERVE	800		800
OTHER	10,000		10,000
TOTAL OP RECPTS	1,039,655	52,749	1,092,404
EXPENSE			
ADMIN SALARIES	607,254	-	607,254
EMP BENEFITS	268,410	-	268,410
TEMP HUD-VASH COORDINATOR		35,360	35,360
LEGAL	2,000		2,000
TRAINING	10,000	3,784	13,784
AUDIT & ACCOUNTING	5,000		5,000
PHONES/MOBILE PHONES	10,000	600	10,600
POSTAGE	8,000	1,147	9,147
OFFICE SUPPLIES & EQUIP.	12,000	1,033	13,033
PUB. & MEMBERSHIPS	3,500	-	3,500
FSS EXPENSES	10,200	-	10,200
PORTABLE ADMIN FEE	16,500	-	16,500
SUNDRY ADMIN	22,000		22,000
EXTRA HUD-VASH ACTIVITIES:		10,825	10,825
HUD-VASH DAY	3600		
LANDLORD RECRUIT	2400		
TRANSPORTATION	4825		
INSURANCE	10,359	-	10,359
TOTAL ADMIN EXP	985,223	52,749	1,037,972
CONTRACTS	35,000	-	-
TOTAL ORDINARY MAINT	35,000	-	-
TOTAL OPERATING EXP	1,020,223	52,749	1,072,972
RESIDUAL RCPT/DEF	19,432	-	19,432
HSG ASSIST PYMTS	9,453,345		
HSG FUNDS RECEIVED	9,453,345		
RESTRICTED FUNDS	-		
Calculation of Admin Fees earned			
@95% Lease Rate			
Total # of HCV (PUM)	1,444	1,372	16,462
	Col A		
	Rate	Col B Rate	Proration Rate
Unit Months	7,200	9,262	
CY 2023:	\$82.19	\$76.72	79%
			\$1,028,855

Appendix E

Calculation of HUD-Confirmed Shortfall and Shortfall Amount

The amount that a PHA will be eligible to receive from the \$200,000,000 HCV Program HAP Set-Aside and the \$10,000,000 Mainstream Voucher HAP Set-Aside will be calculated by HUD, using HUD's Two-Year Forecasting 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, including any updated information supplied by the PHA. HUD's Two-Year Forecasting Tool can be found at the [Office of Housing Choice Vouchers](#) website that includes a link to the two-year tool instruction page.

The two-year tool compares all resources available (including ARP Extraordinary Circumstances renewal adjustments for PUC increases) to support the PHA's HAP payments in CY 2023 with actual HAP expenses for 2023 projected through the end of the CY based upon the best information available.

Resources are calculated using the HUD-calculated RNP as of 12/31/2022, the HUD-held reserve as of 12/31/2022, the PHA's actual Renewal Annual Budget Authority (ABA) for 2023, and any new voucher incremental funding applicable to CY 2023 or HAP Set-Aside amounts awarded or expected to be awarded in 2023.

HAP expenses are calculated based on current leasing and expense data, projected through the end of CY 2023; 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 HAP Set-Aside funds, adjusted for accuracy if the PHA has more recent information that will impact the attrition rate in future months, as reported in PIC, and considering any updated information supplied by the PHA.

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 avert a reduction in leasing due to program attrition. The PHA must manage the issuance of these vouchers so that the PHA does not exceed the number of units leased at the time of the SPT-confirmed shortfall and any additional units that are also authorized to be leased in accordance with these requirements. Under the supervision of SPT, PHAs with the available budget authority and units to increase leasing in 2024, may issue vouchers off the waitlist as early as November 2023 in accordance with time from issuance to HAP execution.

In general, a PHA may reissue the turnover voucher to a family from the PHA waiting list, except for eligible VASH turnovers where a referral is provided by the Veterans Administration Medical Centers (VAMC), issue the voucher to a family moving from a Project-Based Voucher (PBV) unit in accordance with 24 CFR 983.261, or use the voucher to absorb a family under portability.

However, a PBV family that has the right to move in accordance with 24 CFR 983.261 and wishes to do so has priority for the turnover voucher.

3. Instances in which the PHA is leasing 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.
4. Vouchers issued to program applicants under Tenant Protection vouchers (TPVs) or special-purpose voucher increments awarded in CY 2022 or CY 2023. These SPVs include Family Unification Program (FUP), Non-Elderly Disabled (NED), and Foster the Youth to Independence (FYI) vouchers.
5. Project-Based Vouchers (PBV) under the Rental Assistance Demonstration (RAD), in their first full year of funding through the HCV Program.
6. PHAs may allow applicants to move into PBV units 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.
7. Vouchers issued pursuant to the settlement of litigation (“Litigation Vouchers”) against a PHA. PHAs must request approval to continue leasing Litigation Vouchers and submit supporting documentation. HUD will review and decide on a case-by-case basis using the supporting documentation received as the basis for the decision.
8. Vouchers issued using funds awarded under the Lower-than-average Leasing HAP Set-Aside category.
9. The Secretary reserves the right to consider additional exceptions on a case-by-case basis.

PHAs cannot issue vouchers and/or execute HAP contracts for families that do not meet any of the exceptions through the end of CY 2023, or until advised in writing by the SPT that they no longer have a shortfall. In addition, HUD reserves the right to suspend leasing for any of the above exception categories or altogether if necessary.

The application period for shortfall Set-Aside funding will remain open until SPT has reconciled Shortfalls for all PHAs for CY 2023, subject to funding availability. PHAs that receive Set-Aside funds based on their current HAP costs are encouraged to maintain contact with the SPT to ensure all shortfall needs are met. Similarly, PHAs that do not initially qualify for shortfall funding because they have suspended leasing and expect to decrease leasing by attrition are also encouraged to maintain contact with the local Field Office and the SPT if the attrition fails to resolve their shortfall.

All PHAs applying for the shortfall Set-Aside must be working with HUD's SPT at the time of their application. The SPT will review the PHA's funding available for 2023 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 [PIH Notice 2011-28](#) or a superseding notice published by HUD to decrease the possibility of an increased shortfall. PHAs must adhere to the eligibility requirements detailed in Section 12 of this Notice or a superseding notice.

Factors considered by the SPT to determine the amount of a potential shortfall will be determined as follows:

- a. **Cash Supported Total Reserves as of 12/31/2022**: SPT will use the Cash Supported Total Reserves as of 12/31/2022, which consists of the HUD-Held Reserve, and the lower of HUD-Estimated RNP, PHA Reported RNP as of 12/31/2022, or the actual amount of cash on hand to support the RNP. If there is a discrepancy with any of these amounts the PHA will be required to provide documentation as requested before this adjustment will be made.
- b. **HUD-held reserve as of 12/31/2022**: SPT will use the balance reported to SPT by HUD's FMC.
- c. **2023 Renewal ABA**: Actual renewal ABA awards for CY 2023.
- d. **SPV and tenant protection funding and Set-Asides**: FMC will provide amounts to be made available to the PHA in CY 2023 for special-purpose voucher and tenant protection funding increments applicable to any portion of CY 2023, and for any Set-Aside funding previously awarded in CY 2023. If necessary, the SPT will make adjustments to the shortfall Set-Aside award to ensure that new increment funding for Mainstream, SPVs, Lower-than-average Leasing Set-Aside, and/or TPVs remains available to lease the newly awarded number of SPVs and/or TPVs, rather than being used to cover the general shortfall.

- e. **Unit months leased:** The unit months leased (UML) for CY 2023 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 to adjust for attrition, in accordance with the annual turnover rate used in the two-year tool. This rate is derived from the PHA's PIC data on families end of participation (EOP). Increases to projected leasing will be made for vouchers issued prior to the date of the notification by the SPT of a potential shortfall and for additional leasing resulting from the admission of families described in each exception category above except that no adjustments will be made for mover families who receive vouchers in accordance with category 1.
- f. **Total HAP expense:** Total HAP expense for CY 2023 will be based on a projection of the unit months leased for CY 2023 (described in e above) at the per-unit cost taken from the PHA's most recent VMS report, and considering any updated information supplied by the PHA. If the PHA's PUC increases in future months, and the PHA again determines that it is in danger of a shortfall, an additional shortfall award may be made without the need to reapply.
- g. **Vouchers issued or projected to be issued:** The number of vouchers issued as of the date of notification by the SPT of a potential shortfall, as shown in the PHA's VMS report, will be used to determine future leasing, if any, from vouchers issued prior to the date of notification by the SPT of a potential shortfall. **PHAs can only reissue turnover vouchers after receiving SPT notification of a potential shortfall.** 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. HUD has the right to suspend leasing altogether if necessary.
- 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. **2023 Year-End Total HAP Reserve Balance:** Any PHA with a negative projected 2023 year-end balance will be considered a shortfall PHA. PHAs with year-end balances of \$0 or above will not be considered shortfall PHAs or eligible to receive shortfall Set-Aside funds.
- j. **Available UNP and Other Non-Federal Cash:** In cases where the needed shortfall amount is hard to determine due to factors like many potential voucher lease ups still to occur, rapidly changing PUCs, unclear attrition rates, etc., the SPT

will consider the availability UNP or other non-federal cash that the PHA could use to temporarily cover HAP payments and may reduce the shortfall award amount accordingly. If the shortfall award does not fully meet the need, the PHA then has UNP or other non-federal funds to ensure all landlords get paid on time, and the SPT can provide an additional shortfall award at the appropriate time to make the HCV or Mainstream Vouchers whole, allowing the PHA to repay the UNP or other non-federal account for the amount borrowed to pay landlords on time.” This would reduce the number of shortfall awards that are estimated and end up more than the PHA actually needed.

Appendix L**CY 2023 Quick Reference and Timeline Sheet for HAP Set-Aside Funds**

Category	Deadline Date	<u>PHA must submit - Failure to provide the items identified in each of the below categories the PHA applies in DocuSign, WILL result in a rejection of the PHA's application(s)</u>	Mainstream Voucher Set-Aside Eligibility
1. Shortfall Funds	Will remain open	<ul style="list-style-type: none"> Completed and signed 2023 Appendix F <p>*All applications must be submitted in DocuSign.</p>	Yes
2a. Unforeseen Circumstances	09/29/2023	<ul style="list-style-type: none"> Completed and signed 2023 Appendix G, and, Written narrative describing the unforeseen circumstances their relationship to the significantly increased renewal costs in CY 2023. <u>PHAs applying for unforeseen circumstances under both their HCV Program and Mainstream Vouchers, are required to provide a narrative for each.</u> <p>*All applications and additional requirements must be submitted in DocuSign.</p>	Yes
2b. Portability	06/16/2023	<ul style="list-style-type: none"> Completed and signed 2023 Appendix H <p>*All applications must be submitted in DocuSign.</p>	No
3a. PBV	06/16/2023	<ul style="list-style-type: none"> Completed and signed 2023 Appendix H Completed and signed 2023 Appendix I for <u>each</u> project <p>AHAP For <u>each</u> PBV project:</p> <ul style="list-style-type: none"> The page which identifies the parties to the AHAP (both the Housing Authority and the owner); Identification of the project; 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); and Signature page which provides the signature of both the Housing Authority and the owner and the dates the AHAP was signed. <p>HAP Contract: To be eligible for Set-Aside funding, the HAP contract must be executed within CY2023. If the HAP Contract has not been executed by the application submission date, the PHA must state when the HAP contract will be executed. If the HAP contract has been executed by the application submission date, the PHA must provide, from <u>PART 1 of the HAP Contract for New Constructions or Rehabilitation</u>, the following;</p> <ul style="list-style-type: none"> The page which identifies the parties to the HAP Contract (both the Housing Authority and the owner); 	No

Category	Deadline Date	PHA must submit - <u>Failure to provide the items identified in each of the below categories the PHA applies in DocuSign, WILL result in a rejection of the PHA's application(s)</u>	Mainstream Voucher Set-Aside Eligibility
		<ul style="list-style-type: none"> • 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 item b. described in the above AHAP section that states the requirement for the “Identification of the project”, 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; and • Signature page which provides the signature of both the Housing Authority and the owner and the dates the HAP was signed. <p>*All applications and additional requirements must be submitted in DocuSign.</p>	
3b. MTW New Cohorts	06/16/2023	<p>For PBV Commitment:</p> <ul style="list-style-type: none"> • Completed and signed 2023 Appendix H; • Completed and signed 2023 Appendix I for each project; • The full list of requirements shown under “1. AHAP” in the submission requirements section for the above Category 3a PBV, for each PBV commitment for which a request is being made under this category; and • The full list of requirements shown under “2. HAP” as described in the submission requirements section for the above Category 3a. PBV, for each PBV commitment for which a request is being made under this category. <p>For MTW-eligible commitment/activity development (excluding PBV):</p> <ul style="list-style-type: none"> • Completed and signed 2023 Appendix H; • Completed and signed 2023 Appendix J for each project; • An approved Annual PHA Plan and MTW Supplement, identifying the PHA’s binding agreement indicating its planned use of HAP funding, for each MTW-eligible development commitment for which a request is being made under this category; and • Documentation to demonstrate the PHA will require an outlay or expenditure of funds, immediately or in the future for the MTW-eligible development activity to include the submission of any completed HUD documentation to date as it relates to the development, for each MTW-eligible development commitment for which a request is being made under this category. <p>*All applications and additional requirements must be submitted in DocuSign.</p>	No
4. HUD-VASH	09/29/2023	<ul style="list-style-type: none"> • Completed and signed Appendix H with a. and/or b. marked. <ul style="list-style-type: none"> a. Per Unit Cost Increase: For PHAs whose program-wide funded CY 2023 HAP PUC is less than their current HUD-VASH HAP PUC based on their latest HUD-VASH HAP 	No

Category	Deadline Date	PHA must submit - <u>Failure to provide the items identified in each of the below categories the PHA applies in DocuSign, WILL result in a rejection of the PHA's application(s)</u>	Mainstream Voucher Set-Aside Eligibility
		<p>expenses in CY 2023, HUD will calculate eligibility under this category. Therefore, no additional documentation will be required or accepted other than Appendix H, which must be completed, signed and submitted by the deadline date.</p> <p>and/or</p> <p>b. Leasing Increase: For PHAs whose HUD-VASH leasing for CY 2023 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, HUD will calculate eligibility under this category. Therefore, no additional documentation will be required or accepted other than Appendix H, which must be completed, signed and submitted by the deadline date.</p> <p>*All applications and additional requirements must be submitted in DocuSign.</p>	
5. Lower-than-average Leasing	06/16/2023	<ul style="list-style-type: none"> • Completed and signed 2023 Signed Appendix H; <p>*All applications and additional requirements must be submitted in DocuSign.</p>	No
6. Disaster	12/29/2023	<p>Loss of Units Category of Disaster:</p> <ul style="list-style-type: none"> • Completed and signed 2023 Appendix K; • Written narrative, detailing the impact of the disaster that has caused a loss of units, the PHA's assessment of the availability of rental housing stock in the PHAs jurisdiction, a description of any plans in the jurisdiction to increase the availability of rental stock, which may include the PHA's plan to project-base additional vouchers to increase the supply of units available to voucher families, and the number of families currently on the PHA's HCV waiting list and if the waiting list is currently open or closed; • Evidence to support the narrative; and • The number of months impacted in CY 2023 by the loss of units. <p>Increased Costs Category of Disaster:</p> <ul style="list-style-type: none"> • Completed and signed Appendix K; • Written narrative detailing the impact the disaster had in causing the increased costs, the PUC requested; • Evidence to support the narrative (how the requested PUC was determined); and • The number of months impacted in CY 2023 by the loss of units. <p>*All applications and additional requirements must be submitted in DocuSign.</p>	No
7. NLT Inspection Withheld Housing Assistance Payments	6/16/2023	<ul style="list-style-type: none"> • Completed and signed 2023 Appendix H; • A spreadsheet identifying the amount of CY 2022 withheld HAP, by unit, by month, and the date of the retroactive payment was made to the owner in CY 2023; and • PHAs are required to enter their HAP expense amounts for NLT Inspection Withheld HAP in VMS. 	No

Category	Deadline Date	PHA must submit - <u>Failure to provide the items identified in each of the below categories the PHA applies in DocuSign, WILL result in a rejection of the PHA's application(s)</u>	Mainstream Voucher Set-Aside Eligibility
		*All applications and additional requirements must be submitted in DocuSign.	