U. S. Department of Housing and Urban Development

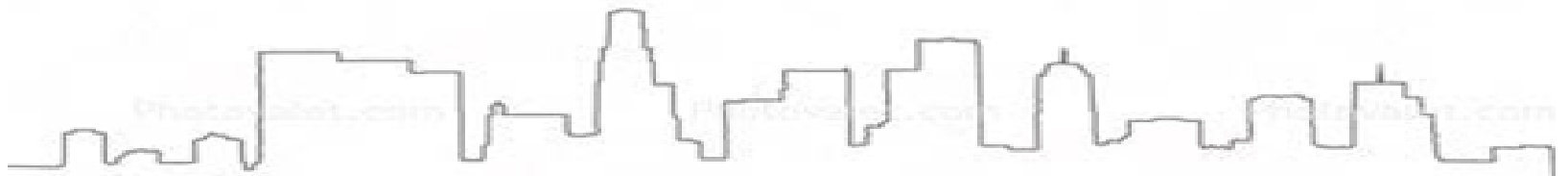## Capital Fund Formula Calculation

December 2020

FORMULA PRESENTERS

➢ Chris Granger, Housing Capital Improvements Specialist, Office of Capital Improvements

➢ Stephen Kidd, Management Information Specialist, Office of Capital Improvements
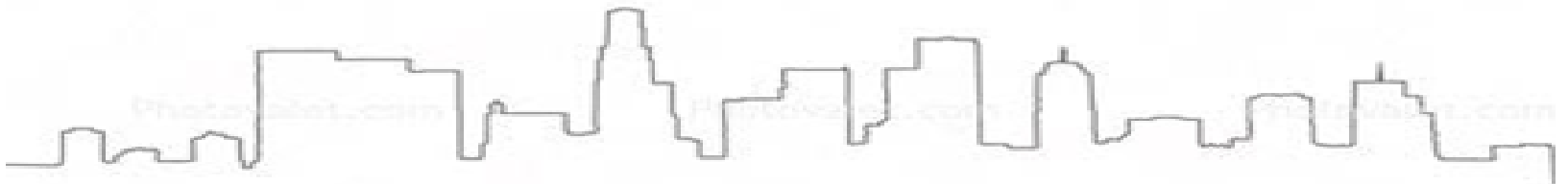
AGENDA

➢ Formula Overview – How Are Capital Fund Grants Calculated?

➢ What Are The Impacts of Faircloth Limits And High Performer Designations?

➢ DDTF Overview – How To Ensure Accuracy In My DDTF Calculation?

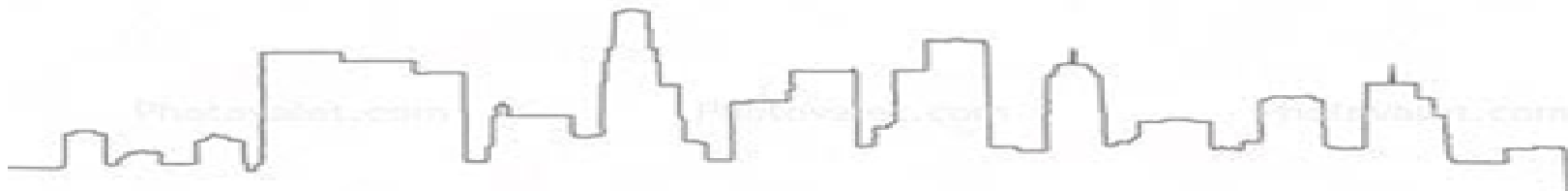➢ How Can PHAs Ensure Capital Fund Grant Accuracy?

Formula Overview

- The Capital Fund Formula calculates annual Capital Fund grant awards.
  - Formula funding is provided for eligible standing Public Housing ACC units.
  - Demolition and Disposition Transitional Funding (DDTF) is provided for eligible units removed from the Public Housing inventory.

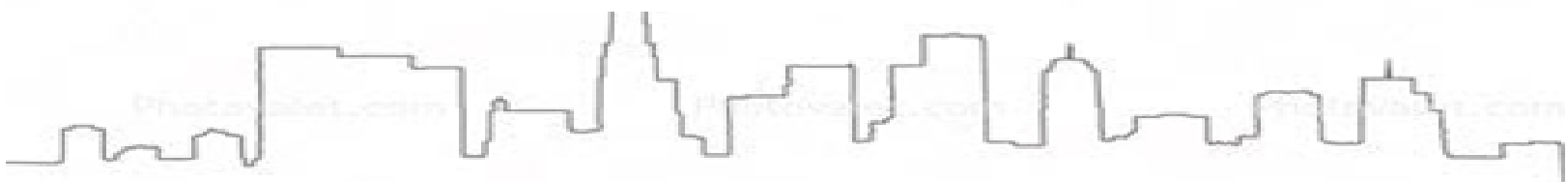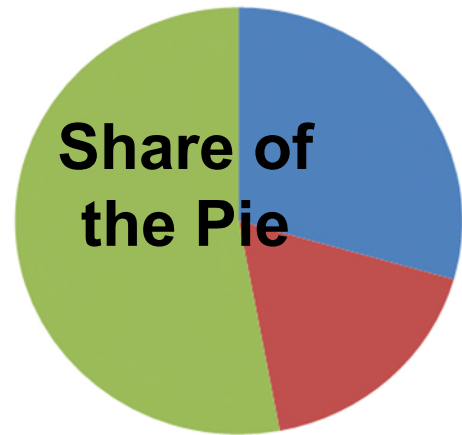- Mathematical formula calculations used are in 24 CFR 905.400.

- Grants are based on the status of the Public Housing inventory as of the reporting date.
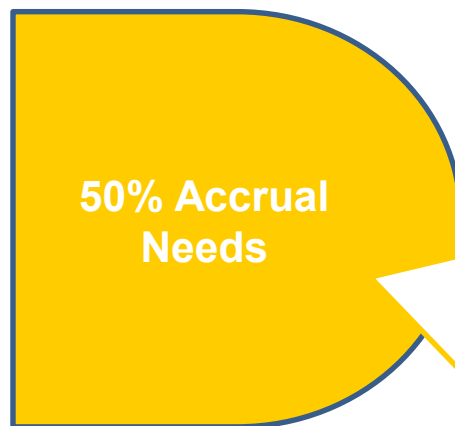 - The reporting date is typically June 30th

➢ The Formula Share for each PHA is based on its modernization and accrual needs relative to those of all other PHAs.

➢ In dividing up the "pie" of funds, PHAs are impacted by changes in other PHAs as well as their own.
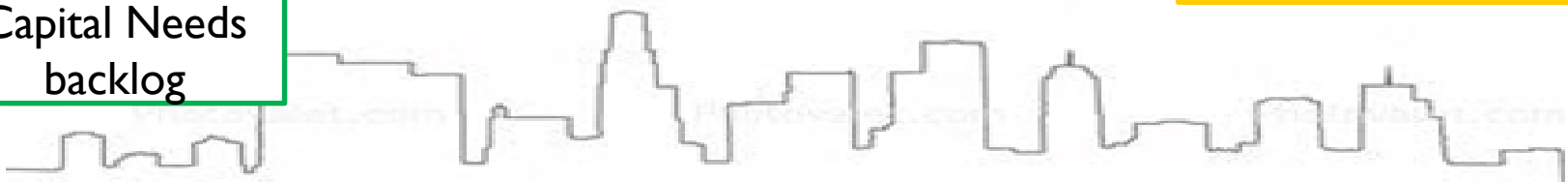
Share of the Pie

➢ The Formula Share for each PHA is calculated based on the modernization and accrual needs relative to those of all other PHAs.

50% Modernization Needs

50% Accrual Needs

Based on a formula calculation that considers PHA size, location, number of units, average bedroom counts, age, costs of construction, etc.

Based on FY2008 calculations of Capital Needs backlog
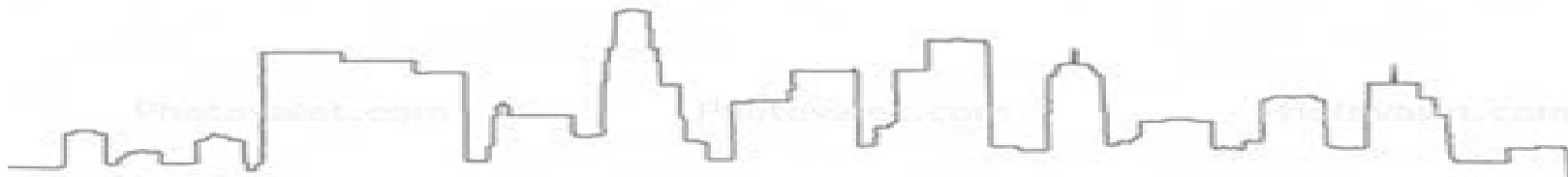
ADDITIONAL FACTORS

➢ **Faircloth Limit**
- Identifies the maximum number of units under ACC that can be funded by the CF formula.

➢ **High Performer Bonus**
- Under 24 CFR 905.400(l), High Performing PHAs under the PHAS system are awarded a "bonus."
- Granting a bonus to high-performing PHAs reduces the share for other PHAs, but this reduction cannot be more than 5%.
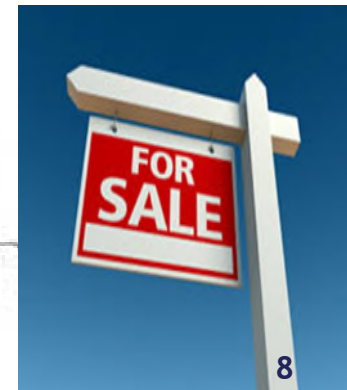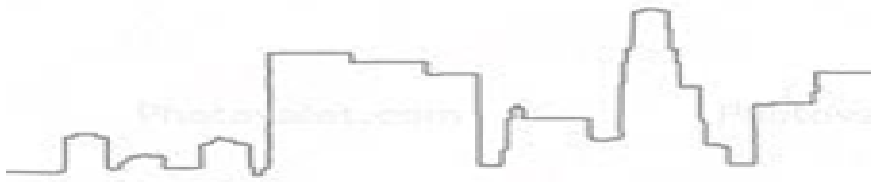
➢ **Capping**
- This process requires that no PHA's share can fall below 94% of the share it would have had using the 1999 formula.

➢ DDTF provides up to 5 years of capital funding for eligible units following removal from inventory through demolition or disposition.

➢ DDTF funds are included in the Capital Fund formula grant.

➢ DDTF fund rules are same as formula grants - the amount equivalent to the original CF funding.

➢ DDTF is triggered once a unit is removed from inventory (RMI) in IMS/PIC.
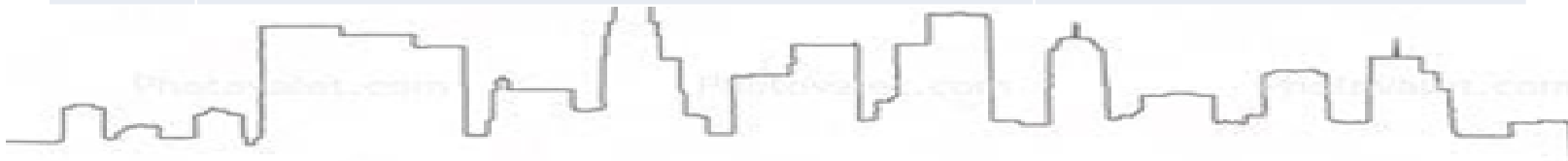
How Can PHAs Ensure Capital Fund Grant Accuracy?

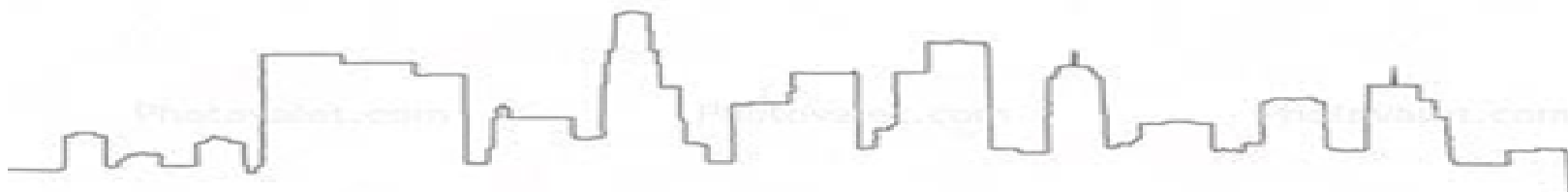| √	Action	Timing
√	Maintain accurate PIC data	On-going
√	PIC Certification	July/August
√	Check Faircloth List	Notification from HUD and web posting
√	Check High Performer List	Notification from HUD and web posting

PIC CERTIFICATION

- ➢ Maintain accurate IMS/PIC data on an ongoing basis.

- ➢ PIC Certification is necessary to:
  - Ensure accurate calculations of Capital Fund grant awards.
  - Ensure funds are awarded timely.

- ➢ The annual PIC Certification generally runs from early July through mid-August.

- ➢ PHAs that do not certify on time may have their grants suspended pending confirmation of their data.

PIC CERTIFICATION TIPS

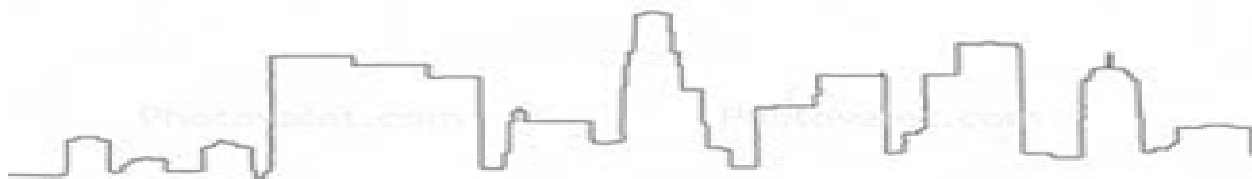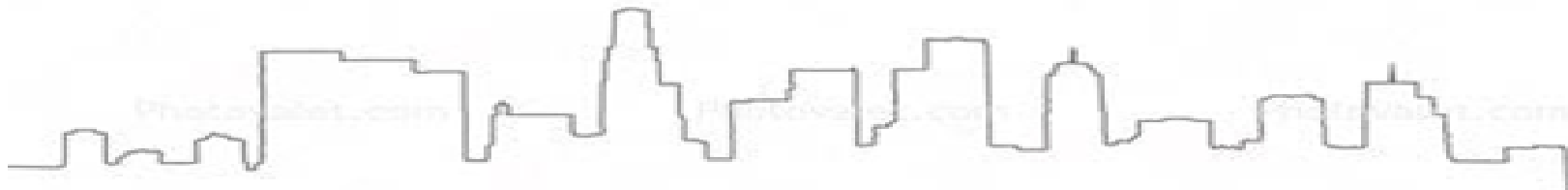| Action	√
Submit building and unit data for approval prior to PIC Certification process.	√
Work with HUD staff to correct data problems in advance of the certification deadline.	√
Work with your Field Office on entry of new development information. (New developments don't appear in PIC or receive Capital Funds until DOFA in PIC.)	√
Work with HUD staff to ensure inventory removals are properly recorded in PIC.	√

Changes should be made before beginning certification

WHAT SHOULD PHAS DO AFTER CAPITAL FUND GRANT ANNOUNCEMENTS?

➢ Check Development Per Unit Funding Report and annual processing guidance.

➢ Review, sign, return ACC Amendment.

➢ Submit 5 Year Action Plan and Annual Statement/Budgets in EPIC in order to spread CF grant funds in LOCCS.

➢ Follow up with OCI about any issues. (PIHOCI@HUD.gov)

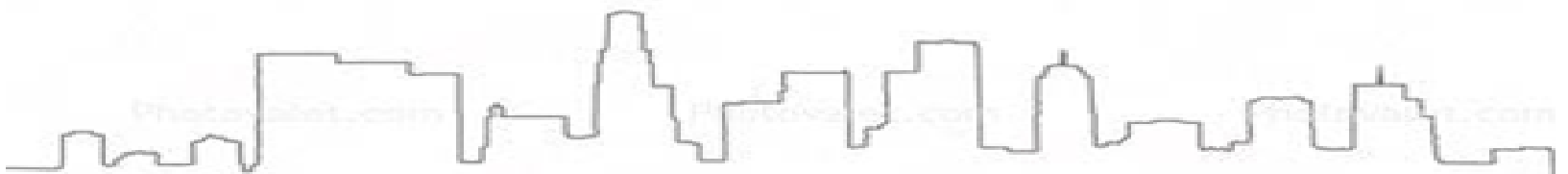➢ https://www.hud.gov/program_offices/public_indian_housing/programs/ph/capfund

For questions or concerns send an email to

PIHOCI@hud.gov

For more information on the Capital Fund Formula Calculation and DDTF see Chapters 4 & 5 of the Capital Fund Guidebook:

https://www.hud.gov/sites/documents/CAPITALFUNDGUIDEBOOKFINAL.PDF

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