



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

---

**Special Attention of:**

Public Housing Agencies,  
All Public Housing Directors;  
HUD Field Offices; HOPE VI  
Coordinators

**NOTICE: PIH-2006-18 (HA)**

Issued: May 31, 2006

Expires: May 31, 2007

---

**Cross References: Notices: PIH  
2003 -10 (HA), PIH-2004-15,  
PIH 2005- 22**

---

---

**Subject: Fiscal Year 2006 Capital Fund Grants Processing Notice**

**Purpose.** The purpose of the Notice is to provide public housing agencies (PHAs) and HUD Public Housing Field staff with information and guidance on the Fiscal Year (FY) 2006 Capital Fund Program. This Notice informs PHAs that this fiscal year the Department initially will provide PHAs with 95 percent of their formula grant. The remainder of the Capital Funds will be distributed at a later date. This Notice also states that the Department will implement Section 901 of the Emergency Supplemental Appropriations (PL 109-148) through a separate Notice.

**Appropriations.** President Bush signed the HUD Appropriations Act for FY 2006 ("Appropriations Act") on November 30, 2005. The Appropriations Act provided funding for the Capital Fund including a set-aside for emergencies and natural disasters.

**FY 2006 Capital Fund Formula Calculation.** The Capital Fund formula was calculated in accordance with the regulation found at 24 CFR Section 905.10. It was computed based on data on buildings and units under management as reported in the PIH Information Center (PIC) system as of September 30<sup>th</sup> of the prior fiscal year. PHAs are required to update PIC by September 30<sup>th</sup> each year unless otherwise directed.

**PHAS High Performer Bonus and Distribution of 95% of the Formula.** The Department has worked diligently to distribute the Capital Fund formula earlier this fiscal year. The Capital Fund regulation found at 24 CFR 905.10(j) provides for a performance reward as a factor in the annual Capital Fund formula calculation. However, at this time the Real Estate Assessment Center (REAC) has not yet completed processing the PHAS scores that are necessary for the calculation of the 3 percent PHAS High Performer bonus for this fiscal year. As a result, this fiscal year the Department initially will provide PHAs with 95 percent of their formula grant. The remainder of the Capital Funds will be distributed after the data on PHAS High Performers becomes available. The Capital

Fund website will provide information on how and when the remainder of the formula funds will be distributed.

**FY 2006 Capital Fund Funding Package.** As the Department has done in prior years, the FY 2006 funding package will be available **electronically** on the HUD website, at:

<http://www.hud.gov/offices/pih/programs/ph/capfund/index.cfm>.

We recommend that you bookmark this link for future reference. The Department is also sending each PHA an email (based on PHA addresses in the PIC system) with the link to this website indicating the date the funding packages will be available. The website will have a schedule announcing all actions PHAs and HUD Field Offices must take with regard to FY 2006 Capital Fund grants.

The funding package will include the Annual Contributions Contract (ACC) Amendment for each grant. In addition, the Department has posted a timeline on the HUD website, which establishes the date **all** ACC Amendments are to be received by the local HUD Office and a single date for the local HUD Office to execute **all** ACC Amendments.

In some instances, a PHA may have as many as three grants and, therefore, three ACC Amendments (e.g., an Amendment for the formula grant, an Amendment for the first increment RHF grant, and an Amendment for the second increment RHF grant). The above website has a listing of PHAs that are eligible to request a second increment of RHF funding.

**Obligation and Expenditure Deadlines and Sanctions.** The Capital Fund obligation and expenditure requirements are found at 24 CFR Section 905.120. Failure to comply with these requirements will result in the imposition of sanctions as further described in that section. PHAs are required to report their obligation and expenditures in the LOCCS on a monthly basis for each open grant or grants that have not been audited.

The obligation deadline for a Capital Fund grant may be extended only upon approval of the Secretary, Deputy Secretary or Assistant Secretary. See the above website for a discussion of the criteria for extensions of the obligation deadline.

**Replacement Housing Factor (RHF) Grants.** For a discussion of eligibility, application requirements and eligible activities for RHF grants, see the Capital Fund website. Additional background on RHF grants is contained in the PIH Notices cross-referenced in the upper right of page 1 of this Notice.

**Fungibility of Public Housing Assistance to PHAs Affected by Hurricane Katrina or Rita.** Section 901 of the Emergency Supplemental Appropriations (PL 109-148) provides that PHAs in the most heavily impacted areas of Louisiana and Mississippi, that are subject to declaration by the President of a major disaster under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq.) in connection with Hurricanes Katrina and Rita, are eligible to combine the funding assistance provided by the Department for Capital Funds, Operating Funds and Housing Choice Vouchers. The Department will be issuing a separate Notice on Section 901.

\_\_\_\_\_/s/\_\_\_\_\_  
Orlando J. Cabrera, Assistant Secretary for  
Public and Indian Housing