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[News 2004](#) | [2003](#) | [2002](#) | [2001](#) | [2000](#) | [1999](#) | [1998](#)

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## **NAHRO DirectNews: Washington Update FY 2004 Voucher Renewal Implementation Notice Imminent**

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(April 15) - HUD appears poised to implement the voucher renewal provisions of the FY 2004 omnibus appropriations act (Public Law 108-199). Our analysis of the manner in which renewals will be carried out, based upon information received to date, informs us that funding shortfalls would likely endanger assistance for thousands of families. HUD reportedly intends to calculate voucher renewals based on capped housing assistance payments (HAP), rather than actual HAP costs gathered throughout the year. While agencies can apply for adjustments for additional leasing, they will have to serve their communities within capped HAP amounts provided regardless of actual unit costs.

HUD's notice should also outline the department's plans for distributing administrative fees for FY 2004.

The impact of potential FY 2004 shortfalls is already generating national notice outside of the LHA community. A number of groups representing private-sector real estate interests have written to HUD to express their concern about this situation, available online at:  
<http://www.nahro.org/documents/2004/0415IndustryLetter4904.pdf>

NAHRO encourages members to use the resources provided in this article to assess the impact of HUD's forthcoming policies on their operations and to share this information with us and with local stakeholders, as appropriate.

### **HUD FY 2004 Implementation Plans**

HUD has not yet issued its FY 2004 implementation guidance. However, a March 25 letter from HUD to NAHRO confirms plans to calculate FY 2004 Section 8 voucher renewal funding by multiplying:

- per unit HAP cost as of August 1, 2003 (which may be the average of May, June and July HAPs) as adjusted by HUD Annual Adjustment Factors (AAFs) by
- units under lease as of August 1, 2003.

We understand agencies will be able to apply for adjustments to cover additional leasing from the Central Reserve, but only after expending half of their program reserves. While agencies may use reserves to cover per unit HAP, reserves used for this purpose will not be replenished.

Absent the guidance notice, there are many unanswered questions about HUD's implementation schedule. However, HUD generally distributes federal funding on a calendar-year basis. If this holds true, HUD may apply federal fiscal year 2004 rules to all voucher funding received from Jan. 1, 2004, to Dec. 31, 2004 --- regardless of agency fiscal year end dates. At this time, the status of currently-approved agency budgets is unknown.

Shortfalls in renewal funds could potentially impact hundreds of agencies that continue to experience increased per unit costs beyond the August 1 levels as adjusted by AAFs. The effects of the shortfalls could be dramatically compounded by two factors. First, the delayed and possibly retroactive implementation of the new formula will mean that agencies have less time to recover from shortfalls. Second, many agencies appear to have less than the standard one-month levels of project reserves. In recent months, NAHRO has learned of many agencies whose reserves have not been replenished or have simply not been provided at full one-month levels. Agencies experiencing formula-based shortfalls and with less than one month's reserves will have fewer resources available for accommodating real per unit costs.

Release of HUD's FY 2004 implementation guidance is said to be imminent. NAHRO will provide further information and analysis when the document is released.

### **Calculating the Impact on Your Agency**

The above information and the worksheet calculations are provided as guidance to NAHRO members in advance of HUD's implementing notice. When the notice is issued, NAHRO members are encouraged to fully review it, and develop calculations based upon the instructions contained therein.

In the meantime, it may be helpful for NAHRO members to calculate their FY 2004 funding needs versus the amount to be provided under HUD's anticipated FY 2004 renewal formula. To that end, NAHRO is providing a spreadsheet that will enable members to estimate funding under HUD's

proposed renewal formula. NAHRO's worksheet can be accessed at:  
<http://www.nahro.org/documents/2004/NAHROWorksheetRenFunding.xls>  
(Excel Spreadsheet - Right Click link and "save target as" to your computer)

Only the spreadsheet cells highlighted in blue text need to be completed; the remaining cells (in black text) are formula-driven and should be left intact. In addition to entering the agency's leased units, and HAP funding, you will need to enter the AAF for your area which can be accessed at:  
[http://www.huduser.org/Datasets/aaf/AAF\\_2004\\_Rev.pdf](http://www.huduser.org/Datasets/aaf/AAF_2004_Rev.pdf)  
Agencies should use SCHEDULE C - TABLE 2 (pages 3 and 4) - 2004 CONTRACT RENT AAFs). Agencies operating in Metropolitan areas can also look up the name of their Metro MSA at:  
<http://www.huduser.org/datasets/sec8/01sect8.doc>  
Please note that there are two different sheets within NAHRO's worksheet, one using the AAF to the 3/12 power and the other using the AAF.

We encourage you to share the results of your worksheet study with us. Your reports will help us to inform decision-makers regarding the effects of this impending national issue. They will also help NAHRO to further refine its estimates and continue to advocate for a responsible approach to address this issue. Members can e-mail their completed worksheets to us at [actionalert@nahro.org](mailto:actionalert@nahro.org)

Additionally, if your agency has already received an "Intent Notification - Section 8 Disbursement Schedule April/May/June 2004" in advance of your executed budget and disbursement documents, please forward a copy to us at: [actionalert@nahro.org](mailto:actionalert@nahro.org) so that we can continue to assess the impact of this on the membership.

### **Background on the Issue**

NAHRO has been monitoring HUD's implementation of the FY 2004 voucher provisions since the adoption of the FY 2004 appropriations act in January. Since then, NAHRO has corresponded with HUD officials regarding implementation of the bill, urging them to implement its voucher provisions in a way that does not create shortfalls for agencies and families.

See March 5, 2004 letter to PIH Assistant Secretary Liu online at:  
<http://www.nahro.org/members/news/2004/mar/05letterliu.pdf> In a March 25, 2004 letter to NAHRO Executive Director Ramirez, however, HUD confirmed its intent to move forward with a renewal formula based on August 1, 2003 per unit costs (as adjusted by AAFs) and units under lease.

On April 12, NAHRO Executive Director Saul Ramirez Jr. sent a letter to Secretary Alphonso Jackson stating that if the department implements its pending renewal formula in the proposed

manner the health and integrity of the Section 8 program will be badly compromised. NAHRO's April 12 letter to Secretary Jackson can be accessed at:  
<http://www.nahro.org/documents/2004/0416letter.pdf>

For a more detailed explanation of HUD's reported plans regarding the voucher renewal formula, see NAHRO's earlier coverage of this issue as reported on DirectNews: "HUD Poised to Implement Its Own FY 2004 Section 8 Renewal Formula"  
[http://www.nahro.org/members/news/2004/feb/27\\_DN\\_s8.cfm](http://www.nahro.org/members/news/2004/feb/27_DN_s8.cfm) and "NAHRO Remains Concerned About FY 2004 Voucher Renewal Formula"  
[http://www.nahro.org/members/news/2004/mar/05\\_DN\\_s8.cfm](http://www.nahro.org/members/news/2004/mar/05_DN_s8.cfm)

For more information on this topic, contact NAHRO Housing Policy Analyst, Jonathan Zimmerman  
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