



August 12, 2024

PH PROGRAM NEWS

PIH Updates Guidance on Energy Performance Contracts

Late last Friday HUD’s Office of Public and Indian Housing ([PIH](#)) issued Notice [PIH 2024-27](#), which updates and supersedes Notice [PIH 2011-36](#) and provides supplementary guidance on operating subsidy incentives to promote energy conservation with energy performance contracts ([EPCs](#)). The notice discusses the process and requirements for EPCs, describes how PHAs can benefit from EPC incentives and savings through participation in the EPC program, and contains important policy clarifications, refinements, and modifications from previous notices. Specifically, the document:

- Describes the EPC approval letter and a six-month expiration for HUD’s EPC approval if the PHA has not completed a financial closing within that timeframe
- Elaborates on interplay between EPCs and the rate reduction incentive (RRI)
- Updates the reporting period for all EPCs utilizing the add-on subsidy incentive (AOS) so that all such EPCs approved after this notice’s publication will follow a utility reporting period of July 1 – June 30 and a funding period of January 1 – December 30
- Clarifies the *75% rule* and the *lesser of costs or savings rule*, as well as the process of EPC incentive cross-subsidization
- Clarifies when PHAs must update EPC approval letters due to removing units from the public housing inventory (e.g., by a conversion under RAD) and provides detailed instructions on the processes and submittal requirements
- Clarifies flexibilities for PHAs to expand funding sources with respect to:
  - Permissibility of using public housing capital funds to pay for EPC debt
  - Permissibility of using capital funds to pay for EPC development costs without reducing savings included in the EPC cash flow
  - Permissibility of including the operating fund benefit in the EPC cash flow
- Provides a comprehensive definition and overview of energy and water conservation measures (ECMs) including fuel conversion ECMs, renewable energy ECMs, and meter consolidation ECMs, among others
- Provides guidance on the use of cooling systems (including air conditioning, heat pumps, and other technologies) within an EPC, life cycle cost analysis (LCCA) guidance, and escalation rate guidance
- Clarifies that submitting measurement and verification (M&V) reports to HUD annually is not required
- Establishes the requirement for PHAs to conduct an EPC incentive savings verification annually and submit it to HUD by the deadline announced in HUD’s annual operating subsidy processing notice

Please refer to the [notice](#) for further details.

HCV PROGRAM NEWS

HUD to Apply Second Offset Based on Excess HAP Reserves

Late last Friday HUD’s Office of Public and Indian Housing ([PIH](#)) also issued Notice [PIH 2024-29](#) informing PHAs that it will apply a second offset to a number of PHAs’ CY 2024 HAP renewal funding allocations based on the excess amounts in HAP reserves. This action is undertaken to make additional funds available to prevent the termination of families due to funding shortfalls. Some key points of the notice include:

- The second and final offset will impact a limited number of Moving to Work (MTW) Expansion PHAs and non-MTW PHAs and will come from the program reserves reconciled through December 31, 2023, that are determined to be excess
- HUD will take several factors into account in determining what amount constitutes excess reserve for this second offset, this include:
  - Any amounts that were previously offset this year
  - The reserves determined necessary by HUD to support voluntary transfers previously approved in CY 2024 when the transfer of vouchers did not include funding
  - Any HAP reserves now needed by the PHA to make assistance payments based on the latest VMS data and HUD’s latest analysis using the Two-Year Forecasting Tool (TYT) as of July 30, 2024
- PHAs that were determined not to have excess reserves available for offset based on their projected spending in CY 2024 under the terms of that first offset are not automatically excluded from this second offset
- If the HUD analysis using the more recent data now determines that excess reserves are available from the PHA’s reconciled December 31, 2023, HAP reserve balance, the PHA’s excess reserves will be offset
- Attachment A of the notice, *CY 2024 Second Offset for Reallocation*, shows the calculation HUD is using to determine the offset (including the categories of reserve funds that are protected from the offset)
- HUD will provide the second offset calculations and the offset amount to the impacted PHAs by email. The notification process will be completed the week of August 12, 2024.

PHAs that believe that application of the second offset will place them in a funding shortfall position based on voucher issuance and leasing (undertaken prior to receiving the HUD notification) or increased HAP costs will have an opportunity to provide updated information to HUD in accordance with the instructions and deadline included in the HUD offset notification. HUD will review the information submitted and determine whether to cancel or reduce the second offset based on calculated need to cover the PHA’s estimated HAP expenses for the remainder of CY 2024.

Further information can be found in the [notice](#).



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