



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Special Attention of:

Multifamily Regional Center Directors
Multifamily Satellite Office Directors
Multifamily Asset Management Division
Directors
Multifamily Account Executives
Performance-Based Contract Administrators
Multifamily Owners and Management Agents

NOTICE H 20-08

Issued: July 23, 2020

This notice remains in effect until
amended, or rescinded

Subject: Availability of Funds for COVID-19 Supplemental Payments for Properties Receiving Project-Based Rental Assistance under the Section 8, Section 202, or Section 811 Programs

I. Purpose

This Notice announces the availability of supplemental operating funds for Section 8, Section 202, and Section 811 properties to prevent, prepare for, and respond to the coronavirus disease discovered in 2019 (COVID-19)¹ and establishes an application process for owners of properties assisted under these programs to request funds for one or more of these purposes. Appropriations provided under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (Pub. L. 116-136) are being provided via a special payment process that supplements amounts currently provided under existing Section 8, Section 202, and Section 811 rental assistance contracts administered by the Office of Multifamily Housing. This guidance includes an August 5, 2020, filing deadline for owners of properties assisted under these programs to be considered for COVID-19 Supplemental Payments (CSP).

II. Background

The CARES Act provides an additional \$1 billion under the heading *Project-Based Rental Assistance* (PBRA) for Section 8 properties, \$50 million under the heading *Housing for the Elderly* (Section 202), and \$15 million under the heading *Housing for Persons with Disabilities* (Section 811) to “prevent, prepare for, and respond to coronavirus, including to provide

¹ The President. Proclamation 9984 of January 31, 2020. 85 Federal Register 6709, February 5, 2020. <https://www.federalregister.gov/d/2020-02424>.

additional funds to maintain normal operations and take other necessary actions during the period that the program is impacted by coronavirus.”

A majority of CARES Act funding for Section 8 PBRA, and lesser proportions of Section 202 and Section 811 CARES Act funding, are being utilized to maintain normal operations as amounts due to owners under the terms of current rental assistance agreements are expected to increase and may continue at an elevated level throughout 2020. CARES Act funds allocated to Section 8, Section 202, and Section 811 rental assistance contracts in the months of May and June provided an infusion of rental subsidy funds that, together with amounts appropriated under the fiscal year 2020 Appropriations Act, help offset decreased tenant rent payments resulting from reduced tenant incomes and allow continued funding for routine annual contract rent increases. Consistent with current practice, those funds will also accommodate any increases in vacancy loss claims that may occur due to COVID-19 related delays in moving in new tenants. Access to the CARES funding discussed above will occur through standard tenant recertification, monthly Tenant Rental Assistance Certification System (TRACS) vouchering, and rent adjustment processes.

HUD recognizes that many owners are also incurring additional operational costs to maintain their properties in decent, safe, and sanitary condition when owners have reason to believe that COVID-19 is or may be present in the community. To the extent that rent receipts and other project funds are inadequate to address these needs and meet other ongoing financial obligations, HUD is now making available additional CARES Act funds for supplemental payments to offset recent property expenditures made to combat the effects of COVID-19. This notice provides a mechanism for owners to receive payment that is in addition to amounts available to them under the terms of their current rental assistance contracts. All funding requests for additional payment must be submitted through the COVID-19 Supplemental Payments (CSP) process detailed below.

III. Applicability

This Notice applies to administration of the following programs:

- A. Section 8 Project-Based Rental Assistance (PBRA)
 - 1. New Construction
 - 2. State Housing Agencies Program
 - 3. Substantial Rehabilitation
 - 4. Section 202/8
 - 5. Rural Housing Services Section 515/8
 - 6. Loan Management Set-Aside (LMSA)
 - 7. Property Disposition Set-Aside (PDSA)
- B. Section 202/162 Project Assistance Contract (PAC)
- C. Section 202 Project Rental Assistance Contract (PRAC)
- D. Section 202 Senior Preservation Rental Assistance (SPRAC)
- E. Section 811 PRAC

IV. Eligible Expenditures

CSPs will help address operating cost increases incurred by owners to prevent, prepare for, or respond to COVID-19 at their properties, including to maintain normal operations and to take other necessary actions while project-based Section 8, Section 202, and Section 811 programs are impacted by coronavirus. CSPs will supplement regular Housing Assistance Payment (HAP), PRAC, PAC, and SPRAC funds for project expenses related to COVID-19 that are generally consistent with existing program guidance identifying eligible and ineligible project expenses/operating costs.

Specific eligible activities and purchases for which costs may be reimbursed through CSP requests include the following:

- 1) Increased frequency of cleaning and disinfecting common areas and property management offices as a preventative measure.
- 2) Intensive deep cleaning and sanitization services in response to presence of COVID-19 cases at the property, which may include treatment in units being prepared for re-occupancy, in addition to common areas.
- 3) Office technology and other equipment needs to facilitate social distancing.
- 4) Personal protective equipment (PPE) such as face masks and goggles, gloves, hand hygiene products for use by property management staff and for residents entering leasing offices or using common areas.
- 5) Facility and equipment needs related to maintaining adequate social distancing, including but not limited to cough/sneeze barriers or modifying or limiting access to communal spaces.
- 6) Site control measures to enforce orders to shelter-in-place, stay-at-home orders, or visitor-restriction policies within properties.
- 7) Temporary staffing, contract services, and/or supply expenditures to maintain or enhance on-going service coordination in properties designated to serve the elderly or persons with disabilities (excludes grant-funded service coordinators).
- 8) Temporary staffing increases to process higher-than-normal volumes of interim tenant recertifications requested by tenants due to loss of income.

Note: CSPs are only available to offset actual expenditures and may not fully reimburse all COVID-19 related costs. CSPs are not a means to receive funding for lower tenant rent contributions due to income reductions, extended vacancies, or unpaid tenant charges. To the extent allowable under current policies, these financial impacts can be addressed through Special Claim payment requests and through tenant recertifications with corresponding subsidy voucher adjustments².

HUD will consider requests to reimburse eligible costs incurred between the enactment of the CARES Act on March 27, 2020, and July 31, 2020. All requests to address expenditures for staffing, contractors, and other services must be for services provided during the eligible time frame. Costs for purchases of bulk supplies (such as PPE and sanitizer) may reflect inventory purchased during the eligible timeframe that can reasonably be anticipated for use through September 30, 2020. Following the receipt of CSP requests for this period and considering other

² See [HUD Handbook 4350.3](#) and the [Multifamily Special Claims Guide](#) for additional information.

subsidy needs, HUD will assess the sufficiency of appropriations to support additional CSPs for increased operating costs incurred from August 2020 through December 2020.

V. Amounts Available

HUD may only provide CSPs using CARES Act appropriations. Amounts made available through other appropriations acts are not available for this purpose. In funding CSPs, HUD will allocate the remainder of the CARES Act appropriated funds and will approve CSPs totaling up to \$190 million to Section 8 properties, up to \$25 million to properties under the Section 202 Housing for the Elderly program, and up to \$9 million for Section 811 Housing for Persons with Disabilities and Section 202/162 PACs.

HUD is making available funds for two categories of CSP payments: *Tier I Standard Payments* and *Tier II Exceptional Cost Payments*.

Tier I requests allow for the reimbursement of expenses up to a capped amount, based on a formula that considers property size, whether the property has a service coordinator funded from HUD rent receipts, and whether the property's rental assistance contract or other controlling documents specify that the property house elderly residents.³ More specifically, property-level caps are as follows:

- \$2,000 base amount per property, plus \$60 per assisted unit;
- \$1,000 additional per-property allowance for properties specified to house elderly residents (see footnote 3 for further definition);
- Up to \$3,000 additional allowance for properties with a budget-based service coordinator program (as reported to HUD through *Standards for Success*). The service coordinator allowance may be claimed only for eligible COVID-19-related service coordinator program cost increases and cannot be utilized for other COVID-19 costs.

Note: Payment caps are calculated per property; not per contract. For these purposes, scattered-site projects are considered one property.

To illustrate the cap calculation, a property with 50 units that is specified to house the elderly could request reimbursement for up to \$6,000 under *Tier I*. A designated elderly property of the same size, which has also incurred COVID-19 related costs for their budget-based service coordinator program could claim up to \$9,000. *Tier I* payments are primarily intended to help offset costs for COVID-19 prevention and preparation but may also cover costs for responding to an outbreak at the property.

³ Includes all Section 202 PRACs, Section 202/8 HAPs (excluding those designed for non-elderly disabled), Section 518/8 HAPs designated for elderly residents, Section 8 properties with owner-adopted elderly restrictions pursuant to Section 658 of Title VI of Subtitle D of the Housing and Community Development Act (HCDA) of 1992, and Section 8 properties designed primarily for elderly residents where the owner has adopted a preference for the elderly consistent with Section 651 of Title VI, Subtitle D of the HCDA (see HUD Handbook 4350.3 Chapter 3 for details).

Owners may request larger sums under *Tier II Exceptional Cost Payments*, to address cost increases associated with responding to reported COVID-19 outbreaks among property residents or in response to extensive community exposure that creates a greater threat to the health and safety of residents within the community. Requests for *Tier II* payments must be substantiated by supporting documentation for expenses and evidence of specific COVID-19 impacts that necessitated the exceptional expenditures (see Section VII for further detail). There is no cap on *Tier II* payments to individual properties except as limited by the terms below and the availability of funds.

HUD has established separate CSP funding pools for *Tier I* and *Tier II* requests under each appropriation account. Should resources allocated to one of the two CSP pools exceed the total amount requested under that CSP category, HUD may reallocate unused funds in one pool to address any shortfalls under the other funding pool, thereby maximizing the number of requests that are fully or substantially funded.

If CARES Act appropriations are insufficient to fully fund all eligible CSP requests, HUD may partially fund individual requests. In case of a shortfall under the *Tier I* funding pool, HUD will apply an across-the-board reduction to all eligible requests within *Tier I*, to allow HUD to provide funding to all *Tier I* requests. The per-property funding caps for *Tier I* CSPs have been established at a level that minimizes the likelihood of any significant reduction in requested *Tier I* payments.

If reductions to *Tier II* payments are required due to a shortfall within that funding pool, HUD may first consider property-level attributes that are indicators of relative need, including specification as an elderly housing property and contract rents that are below Fair Market Rents (FMRs) for the area. *Tier II* CSPs will be grouped into four priority cohorts, listed in descending order from highest to lowest priority:

- Properties specified to house elderly residents and that have contract rents below FMR;
- Elderly properties with rents at or above FMR;
- Non-elderly properties with rents below FMR;
- Non-elderly properties with rents at or above FMR.

HUD will apply varying levels of pro-ration to CSP requests under each priority category with a goal of targeting more funding to properties with the greatest relative need. Should *Tier II* payments be reduced, all eligible properties will receive at least the compensation each would be eligible for under a *Tier I Standard Payment* request.

VI. Financial Need Requirements and Use of Other Project Funds

CSPs will be approved only for critical funding needs, meaning those financial needs that cannot be addressed with other project funds or external resources. Such project resources include both current funds and revenue that can reasonably be expected within the next 12 months, including but not limited to revenue from anticipated inflationary or market-adjusted contract rent

increases.⁴ A CSP may not be requested to address any cost increases for which the owner has already been, or is in the process of being, compensated through other federal, state, or local government COVID-19 assistance programs or through donations from other sources. Projects with current residual receipts account balances, whether governed by a Section 8 HAP or FHA regulatory agreement, must first utilize any balances in those accounts that are in excess of \$250 per unit prior to requesting a CSP. HUD will make available residual receipts to fund the expenses identified above, notwithstanding limitations on uses in Chapter 25 of Housing HUD Handbook 4350.1. When considering financial position, HUD will not view loans from Reserve for Replacement (R4R) account balances as a source of funds to offset COVID-19 cost. CSP reimbursements for eligible expenses may be used to replenish R4R accounts if amounts were borrowed to finance COVID-19 related operating cost increases incurred from March 27, 2020, through July 31, 2020. Any properties that anticipate recognition of surplus cash at the close of their current project fiscal year and any Section 8 project that anticipates taking owner distributions at any point within the next 12 months may not request a CSP.

Owners must certify as to the project's financial need for the CSP and in certain cases will be required to submit additional documentation of the project's financial position (see Section VIII). Variances in property financial performance over the next 12 months that result in previously unanticipated surplus cash will not be construed as a violation of the owner certification of financial need. When accepting CSP funding, Section 8 owners must agree to deposit an amount at least equal to the amount of the CSP in the project residual receipt account, prior to taking cash distributions at any point from the issue date of this notice through July 31, 2021. If the Section 8 contract and governing regulations do not require the project to maintain a residual receipt account, the owner must agree that upon taking distributions at any point from the issue date of this notice through July 31, 2021, an amount at least equal to the amount of the CSP must be retained in the operating account over-and-above resources needed for current operating requirements (surplus cash) to address future project costs.

These conditions on disbursements to owners exclude repayment of owner advances provided in 2020 to cover temporary cash shortfalls, when the advances were previously approved by HUD. Repayment of such advances will be allowed without regard to the CSP.

Note on Exclusion from Contract Rent Increases/Adjustments: CSPs are currently the only permitted mechanism for owners to receive compensation from HUD for COVID-19 cost increases incurred from March 27, 2020, through July 31, 2020. One-time or temporary expenses reimbursed with a CSP must be excluded from computations of future budget-based rent adjustment (BBRA) requests. Routine annual BBRA should incorporate COVID-19 cost impacts only to the extent an increase can be anticipated to persist on a long-term basis (e.g., insurance premium changes) and must not annualize all temporary monthly cost increases incurred in recent months. More detailed guidance on updated BBRA processing standards is forthcoming. Further, any temporary enhancement to service coordination funded by CSP or

⁴ Includes increases in contract rent when the contract is renewed and annual rent adjustments. For these purposes, owners with contracts under budget-based rents should assume an increase in contract rents of no more than 3 percent, though actual approved adjustment may ultimately be higher or lower. All rent increases and adjustments are subject to the availability of appropriations.

temporary supportive service enhancements funded from any source must be disregarded by appraisers when completing rent comparability studies for Section 8 properties.

VII. Other Eligibility Requirements

To receive funding through a CSP, a property must be in good standing with HUD. More specifically, if the project received a less than satisfactory rating on its last Management and Occupancy Review, corrective actions satisfactory to Contract Administrator (CA) and/or HUD must have been taken, or a plan for those corrective actions and an acceptable timeframe for their completion must be approved by HUD/CA. The owner must be current in the submission of audited or owner-certified Annual Financial Statements (AFS), if applicable, and must not have any outstanding findings. Projects requesting a CSP must have a REAC score of at least 60 or, if they do not, must have submitted a plan that is acceptable to HUD to correct any identified deficiencies. Owners must be actively vouchering for monthly subsidy for a property in order to be eligible for a CSP for that property.

Section 8 properties that have provided a 120-day notice of intent to opt-out of the program (see Section 8 Renewal Guide, section 11-4 G) are not eligible.

VIII. Process for Requesting Funds

Form Submission. For both *Tier I* and *Tier II* CSP requests, owners must submit standard form [HUD-52671-E](#), including the accompanying certifications and signature page, to their contract administrator or administering HUD field office. All owners of Section 8 projects that are subject to a HAP contract administered by a Performance-Based Contract Administrator (PBCA), must submit requests to their PBCA. Properties with contracts currently administered by HUD or by a Traditional Contract Administrator, must submit directly to the relevant regional HUD office. Given current mandatory telework policies and limited access to standard mail, electronic submissions via email are required and may utilize digital signatures, consistent with Notice H-20-04. Submissions to HUD should be directed to each office's centralized incoming email box. Owners should save and submit the form in its original fillable PDF format to facilitate more rapid processing.

CSP funding is not being provided on a first-come, first-served basis. **All requests received by HUD or the PBCA by 11:59PM local time on August 5 will be given equal consideration.** Requests received after this deadline may be evaluated at HUD's discretion only after all other eligible CSPs have been funded, and in no case will be considered if received after August 12, 2020. Owners may submit only one request form per property for the current request period. Owners must identify the request as either a *Tier I* or a *Tier II* request.

Additional *Tier II* Requirements.⁵ Supporting documentation for expenses and demonstrated level of need is required only for *Tier II Exceptional Need* payment requests. Receipts, payroll documentation, or other record of payment must be provided for any form line-item totals that

⁵ Any property with a Tier 1 Standard Claim Cap that exceeds \$150,000 must comply with application requirements for Tier II in order to receive funding under Tier I.

exceed \$500. Documentation is required for all expenses on these lines and not just those that exceed the *Tier I* amounts.

In addition, owners requesting *Tier II* funding must include a brief narrative description of the circumstances at the property that necessitated the expenditures. Narratives should include information on the number of residents reporting infection, any required quarantines, known exposure at the property, and specific activities taken in response, as related to the CSP request. Guidance from county health officials and any property-specific interaction with health officials should be noted, as should statistics on infection rates in the surrounding community. *Tier II* requests must demonstrate needs arising from circumstances that reflect at least one of the following:

- Multiple resident cases of COVID-19⁶;
- Documented on-site exposure threatening a high-risk population; and/or
- An infection rate in the surrounding county exceeding 1,000 confirmed cases per 100,000 people on or prior to July 31, 2020. (Data available at [Johns Hopkins Coronavirus Resource Center](#).⁷)

For *Tier II* requests, HUD/CA will also review prior-year AFS for Section 8, Section 202, and Section 811 properties to determine recent availability of surplus cash and identify any owner distribution taken (where permitted). All properties that are not required to submit an AFS must submit one (owner-certified allowed) with any *Tier II* CSP request, or, if not available, must submit a surplus cash computation as of June 30, 2020. Properties showing positive cashflow on their most recent AFS or surplus cash calculation must also submit a compelling explanation of recent changes in financial position to justify necessity of the CSP. Successful justifications should detail material operating cost increases, such as extensive repairs or COVID-19 related cost, that are in excess of the previously reported surplus cash and may include a current surplus cash calculation (unaudited submissions permitted). Short-term cashflow concerns, such as those arising from delayed tenant rent payments or delayed processing of interim recertifications, will not be accepted as a sufficient justification.

Should a CSP request be found by HUD/CA to have errors or incomplete documentation, the owner will receive notification via email and/or phone call. If the August 5, 2020 submission deadline has passed, the owner will have two (2) business days to remedy the deficiency. If the owner does not respond within 2 business days or the owner's response is insufficient, the CSP request will be denied. Requests for *Tier II* funding that lack sufficient documentation and/or do not meet other requirements will automatically be evaluated for payment of lesser amounts under *Tier I* caps.

IX. Record Retention and Reporting

⁶ Applicants are reminded that federal disability and privacy law protect the private medical information of residents. Applicants should ensure that individual medical information, including a diagnosis of COVID-19, is kept private. The identity of those individuals who test positive or are suspected of having the virus must be protected.

⁷ On the resource center's webpage's upper row of maps and trends is the U.S. Map block. Within that block is a circled question mark at the upper right. Click this hotlink to get to the [FAQ - COVID-19 United States Cases by County](#) webpage. Scroll down to find the "Where can I find total cases and deaths for my state and county?" item for how to find the infection rate for the county surrounding the property.

Section 15011 of the CARES Act requires monthly reporting on activities by recipients who receive more than \$150,000 in CARES Act funding. While it is unlikely any CSP payment will exceed this threshold, a small percentage of properties assisted under Multifamily Housing programs (primarily large Section 8 properties) will surpass this threshold when amounts are considered together with CARES Act allocations made for routine subsidy payments and for service coordination/congregate housing CARES Act grant amendments. The Department will work in coordination with the Office of Management and Budget (OMB) to ensure this reporting requirement can be fulfilled by recipients of CARES Act funding where required in a manner that utilizes existing reporting streams to the greatest extent possible to provide the necessary transparency and accountability with minimal additional burden. If supplemental reporting is determined to be necessary for any Section 8 PBRA, Section 202, or Section 811 properties, further guidance will be released by the Department.

Owners must maintain detailed supporting documentation of all expenses reimbursed by HUD through a *Tier I* or *Tier II* CSP, such as receipts, paid invoices, and staff time and attendance records. Documentation must be made available upon request to HUD, its duly authorized representative, the Comptroller General of the United States, or a U.S. Attorney, for purposes of audit or other compliance monitoring.

Federal regulations at 2 CFR 200.333 require property owners to retain documents related to all financial management and activities supported with federal funds for a period of three (3) years from the date of submission of the final expenditure report, which in this case shall run from the date the CSP request is submitted. However, 2 CFR 200.333(b) allows federal agencies (including HUD) to extend the record-retention period for non-federal entities if this is done in writing. Therefore, HUD reserves the right to extend the record-retention period beyond three (3) years and will notify owners in writing if such extensions are warranted.

Amounts received from a CSP shall be treated as project funds and must be managed consistent with other rental assistance provided by HUD under the applicable HAP, PRAC, SPRAC or PAC contract. As with other project funds, the expenditure of CSP funds must be done in a manner that is consistent with all applicable civil rights laws, including the Fair Housing Act, Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, and the Americans with Disabilities Act. Receipt of funds through a CSP must be specifically denoted in the project financial statement notes. Any deposit of surplus cash in the project residual receipts account or retention of amounts in the project operating account that is done in accordance with Section VI of this notice, must also be clearly denoted.

X. Penalty for False Claims and Statements

HUD will seek civil, criminal, or administrative action against individuals and entities who either make, present, submit, or cause to be submitted a false, fictitious, or fraudulent statement, representation, or certification pursuant to all applicable authorities, including but not limited to 18 U.S.C. §§ 287, 1001, 1010, 1012, 1014; 31 U.S.C. §§ 3729, 3802; and 42 U.S.C. § 1437z-1.

XI. Paperwork Reduction Act

Paperwork reduction information collection requirements contained in this notice are pending emergency approval by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520). 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.

Len Wolfson
Acting Assistant Secretary for Housing
-Federal Housing Commissioner