HUD continues to issue updates to the Coronavirus (COVID-19) Q & A for Office of Multifamily Housing Stakeholders. The last update was issued on May 21, 2020. While SHCC encourages owners and agents to read the Q&A and stay abreast of all of the changes, we wanted to create a handy reference guide to allow easy access to the information. *Last SHCC Update 5/22/20*

Allowable Expenses during COVID-19

HUD has determined that all “reasonable and necessary” COVID-19 related expenses are **allowable expenses** to be paid from a property’s operating accounts. Types of expenses include: Supplies, staff hours, overtime, and personal protection equipment (PPE) such as gloves and masks. (Asset Management Chapter, Questions 18, 20, 23)

**Non-allowable expenses** include employee, staff, and resident testing as well as meals provided to home bound residents. These types of expenses are direct services and therefore not allowed. (Asset Management Chapter, Questions 17 & 22) Additionally, internet fees may not be included in tenant rent for properties receiving project-based rental assistance. (General Multifamily Chapter, Question 15)

How do owners and agents pay for these additional expenses?

As noted in the Q&A, multifamily owners and agents can access property operating funds for all COVID-19 expenses. If additional sources are needed HUD notes the following:

* **Owner advances** – HUD approval should be obtained prior to owner advances being made, especially of the owner expects repayment before annual distributions. (Asset Management Chapter, Question 18)
* **Reserve For Replacement (R4R) and Residual Receipts (RR)** – properties with R4R and RR accounts can access these funds to pay for supplies and other operational needs using the current policy in the HUD-4350.1, Chapters 5 (R4R) and 25 (RR). Most all requests will require HUD approval. (Asset Management Chapter, Question 18, 20, 23)
  + The Q&A allows reserve funds to be accessed to cover mortgage payments, but notes that evidence of loss of rental receipts will be required. (Asset Management Chapter, Question 19 & 21).
* **Budget-based rent increase request** – Since these allowable expenses are covered by the operating account, reserve and Residual receipts, a budget should not be necessary. Any owner or agent who thinks a budget-based increase may benefit them should reach out to their Financial Analyst to discuss their options. It’s important to note that an RCS may be required and the current local conditions may prevent an appraiser from visiting your property at this time.

Other Renewal Issues Addressed in Q&A

There are two additional areas addressed in the Q&A that owners and agents should be aware of. Those are Rent Comparability Studies and Utility Allowance Analyses.

**Rent Comparability Studies (RCS)**

If a contract requires an RCS for either a renewal or a rent adjustment, engaging an appraiser may be a challenge. SHCC recommends discussing how individual appraisers are handling the current COVID-19 crisis. SHCC maintains a list of appraisers on our website. If an owner/agent is having trouble obtaining an RCS, HUD recommends the following:

* Contract Renewal – for a contract renewal, HUD will approve all short-term renewal requests for up to 12 months at current rents. (Asset Management Chapter, Question 6)
  + HUD has suspended all 3rd party RCS’ in areas where a state or national declared emergency limits travel. HUD will provide further guidance as to how this will be handled at a later date. (Asset Management Chapter, Question 5)
* 5th Year Comp Check – if the RCS is required at the 5th year anniversary of the HAP contract, owner/agents should notify SHCC of the delay and when an RCS may be obtained. Rents will remain at current and no interruption in HAP payments will occur. New rents will be made effective retroactively. (Asset Management Chapter, Question 7)

**Utility Allowance Baseline Analysis (UA)**

Current HUD guidance requires owners/agents to provide a baseline utility allowance analysis every third year. In years 2 and 3, they are allowed to adjust the UA by an adjustment factor (UAF). If an owner/agent is unable to obtain utility data to complete a baseline utility allowance analysis, HUD will allow for the UAF to be used for three years, rather than two. (Asset Management Chapter, Question 11).

Please remain up to date on all HUD guidance regarding COVID-19 as updates are made frequently and SHCC is expecting further RCS guidance to be forthcoming in the next few weeks.