June 25, 2026

Ms. Jennifer Hall
Executive Director
MI064 Ann Arbor Housing Commission
2000 S. Industrial
Ann Arbor, MI 48104

Subject: CY 2026 HAP Shortfall – Housing Choice Voucher (HCV) Program

Dear Executive Director:

The letter serves as official notification that the HUD Shortfall Prevention Team (SPT) confirmed on June 25, 2026, that your PHA is projecting a HAP shortfall in the Housing Choice Voucher (HCV) for Calendar Year (CY) 2026. Your PHA has been confirmed as a **Group 2**, with this being the fifth confirmed shortfall since 2016. A shortfall occurs when the PHA's Total Funding Available is insufficient to support the projected HAP expenses at calendar year end.

The PHA's shortfall was identified based on the information on the HCV *Two-Year Projection Tool (TYT)*. The data captured on the tool gives us the best projection of program funding and estimated expenses. A copy of the initial SPT TYT demonstrating the projected HAP shortfall is enclosed for your records. The SPT recommends that the PHA utilize the *Two-Year Projection Tool* to track funding and expenses. The TYT and Step-by-Step Guide can be found at the Office of Housing Choice Vouchers website.

The SPT is primarily responsible for monitoring shortfall PHAs. The SPT will schedule an initial monitoring call via TEAMS with the PHA to discuss the shortfall monitoring process, which will require the development and implementation of a CY 2026 Action Plan that will document the PHA's cost saving measures. If the PHA is being carried forward from CY 2025 shortfall monitoring, the Action Plan development and implementation will build upon the action items developed in CY 2025, as they will be carried forward into CY 2026. From there, regular monthly updates will be required from the PHA demonstrating compliance and implementation of the Action Plan items. Calls can be scheduled at the PHA request to answer questions and/or help with the implementation of the Action Plan, track cost saving measures through the Action Plan, and the PHA's efforts in reducing the shortfall. The PHA should review PIH 2025-28 Cost Savings Measures in the Housing Choice Voucher (HCV) and Project Based Voucher (PBV) Programs and PIH 2013-28 Guidance on the Use of Outside Sources of Funds in the Housing Choice Voucher (HCV) Program.

As of the effective date of this letter, the PHA must take the required actions as outlined in PIH 2026-12 as outlined for **Group 2** to be eligible for shortfall funding. The required actions are included in the funding notice, which include, but not limited to, the following:

A. Must Immediately Adopt Cost-Savings Measures and Work with the Shortfall Prevention Team
B. Must Submit a Complete Application by the Deadline
C. Must Not Transition EHV Families to a Turnover HCV
D. Must Not Issue Tenant-based Vouchers (with limited exceptions as outlined in 2026-12)
E. Must Not Absorb Vouchers
F. Must Not Issue New Requests for Proposals or Select New PBV Proposals or Projections (with limited exceptions as outlined in 2026-12)
G. Must Adhere to Limitations on Extraordinary Operating Cost Factor (OCF) Requests for RAD Properties
H. Must Not Approve PBV Substantial Rehabilitation Requests if They Require Issuance of Additional Tenant-based Vouchers
I. Must Not Add Units to PBV Contracts (with limited exceptions as outlined in 2026-12)
J. Must Continue to Meet Contractual Obligations Associated with PBV Contracts
K. May Submit Regulatory Waivers to Achieve Cost Savings

Additionally, PHAs in Group 2 must:

- Immediately cease the use of any exception payment standards and MTW payment standards above the basic range, including the use of exception payment standard Small Area Fair Market Rents. This does not apply to reasonable accommodation exception payment standards or exception payment standards for the HUD-VASH program.
    - PHAs should strongly consider a waiver request to apply payment decreases immediately in accordance with PIH Notice 2025-28.
- May only issue vouchers in permitted tenant-based leasing categories with prior HUD SPT approval, excluding statutorily required issuances (such as for TPVs for Section 8 project-based rental assistance (PBRA)opt-outs).
- As part of the application, include a letter from the board chair that includes:
    - An acknowledgement that the PHA is at high risk of having to terminate assistance, including termination of PBV HAP contracts, if applicable, and the board has reviewed the termination of assistance policies in the PHA's Administrative Plan.
    - Identification of policies, procedures, and other actions the PHA will take to ensure prudent financial oversight and management that will help ensure the PHA avoids shortfalls in future years, along with a timeline for implementation.
- HUD will strongly encourage PHAs to use administrative fees to improve the PHA's management of the program, including but not limited to: financial management training, process improvements when determining available funds to issue vouchers and enter new PBV commitments, and completion of regular and interim reexaminations timely. Should a PHA not use administrative fees to improve program management, HUD may invoke 24 CFR 982.155, which permits HUD to direct the PHA to use funds in the administrative fee reserve to improve administration of the program.

The PHA must fully comply with the eligibility requirements and the Action Plan. HUD may reject a PHA shortfall funding application or may reduce or rescind a PHA shortfall funding award if the PHA fails to comply with any of the requirements.

If you have any questions, contact me via email at **brenda.k.leerar@hud.gov**

Sincerely,

Brenda K. Leerar

Program Analyst
Shortfall Prevention Team

CC: Board Chairperson