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**Changes in Financial Management and Reporting  
for Public Housing Agencies Under the New  
Operating Fund Rule (24 CFR part 990)**

**Supplement to HUD Handbook 7475.1 REV.,  
CHG-1, Financial Management Handbook**

Office of Public and Indian Housing (PIH)

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## TABLE OF CONTENTS

1. INTRODUCTION AND OVERVIEW .....	1
1.1 PURPOSE OF SUPPLEMENT.....	1
1.2 APPLICABILITY .....	1
1.3 GENERAL OVERVIEW.....	2
1.4 TIMEFRAMES FOR IMPLEMENTATION .....	4
2. CHANGES TO FINANCIAL STATEMENT AND FINANCIAL DATA SCHEDULE REPORTING .....	5
2.1 OVERVIEW .....	5
2.2 FINANCIAL STATEMENT REPORTING.....	5
2.3 FINANCIAL DATA SCHEDULE REPORTING.....	6
2.4 AUDIT IMPACT .....	9
2.5 CAPITAL FUND ANNUAL PLAN PROCESS - FUTURE DEVELOPMENT .....	9
3. FINANCIAL DATA SCHEDULE LINE ITEMS.....	11
4. PROJECT-BASED BUDGETING AND ACCOUNTING.....	15
4.1 PROJECT-BASED OPERATING BUDGETS.....	15
4.2 OTHER CONSIDERATIONS ON THE BUDGET PROCESS .....	16
4.3 PROJECT-BASED ACCOUNTING.....	16
5. CAPITAL FUND PROGRAM REPORTING.....	25
5.1 APPLICABILITY OF ASSET MANAGEMENT REQUIREMENTS TO THE CAPITAL FUND PROGRAM .....	25
5.2 CAPITAL FUND PROGRAM MANAGEMENT FEE .....	25
5.3 CONSTRUCTION SUPERVISORY AND INSPECTION COSTS .....	26
5.4 TRANSFERS TO OPERATIONS (BLI 1406) .....	27
5.5 MANAGEMENT IMPROVEMENTS (BLI 1408).....	27
5.6 NON-DWELLING EQUIPMENT.....	27
5.7 NON-DWELLING STRUCTURES .....	27
5.8 FUNGIBILITY OF WORK ITEMS .....	28
5.9 CAPITAL FUND FINANCING PROGRAM .....	28
5.10 SMALL PUBLIC HOUSING AGENCIES .....	29
5.11 ACCOUNTING FOR THE CAPITAL FUND PROGRAM .....	29
6. EXCESS CASH AND FUNGIBILITY .....	30
6.1 OVERVIEW .....	30
6.2 USES OF EXCESS CASH .....	30
6.3 CLARIFICATIONS ON USES OF EXCESS CASH.....	30
6.4 EXCESS CASH DEFINED .....	30
6.5 FUNGIBILITY – EFFECTIVE DATE .....	31
6.6 ITEMS FOR CONSIDERATION.....	32

7. FEE INCOME AND ASSIGNMENT OF COSTS.....	33
7.1 INTRODUCTION .....	33
7.2 TREATMENT OF FEE INCOME UNDER OMB CIRCULAR A-87 AND 24 CFR PART 85 .	33
7.3 MANDATORY VS. VOLUNTARY ADOPTION OF MANAGEMENT FEES.....	34
7.4 DEMONSTRATING FEE REASONABLENESS .....	34
7.5 PROPERTY MANAGEMENT FEES .....	35
7.6 ASSET MANAGEMENT FEES .....	37
7.7 CAPITAL FUND PROGRAM MANAGEMENT FEE .....	37
7.8 HOUSING CHOICE VOUCHER PROGRAM FEE .....	37
7.9 OTHER FEES.....	38
7.10 ASSIGNMENT OF COSTS .....	39
7.11 METHOD OF PAYMENT AND SUPPORTING DOCUMENTATION .....	42
8. MIXED FINANCE PROJECTS .....	47
8.1 OVERVIEW .....	47
8.2 ASSET MANAGEMENT PROJECT NUMBERS .....	47
8.3 FINANCIAL STATEMENTS AND FDS REPORTING .....	47
8.4 ASSET MANGEMENT AND PROPERTY MANAGEMENT FEES.....	49
8.5 OPERATING SUBSIDY .....	50
9. SMALL PHAS .....	52
9.1 REPORTING REQUIREMENTS FOR SMALL PHAS NOT IMPLEMENTING ASSET MANAGEMENT .....	52
9.2 REPORTING REQUIREMENTS FOR SMALL PHAS ELECTING TO IMPLEMENT ASSET MANAGEMENT .....	52
A. PROPERTY MANAGEMENT FEE BY FIELD OFFICE.....	57



## ***1. Introduction and Overview***

### **1.1 PURPOSE OF SUPPLEMENT**

This document provides guidance on changes in financial management and reporting for public housing agencies (PHAs) under the new Operating Fund final rule (the final rule).<sup>1</sup> This document does not impose new requirements, but rather reflects statutory or regulatory requirements, or common accounting industry practices. Other provisions of this document constitute recommendations from HUD on best practices or courses of action that will facilitate PHA conversion to asset management.

This document was originally issued on September 6, 2006, through PIH Notice 2006-33 (HA).<sup>2</sup> The PIH notice provided an opportunity for interested parties to comment.<sup>3</sup> This supplement has been revised based on these public comments as well as consideration of other internal and external comments received by the Department.

While the audience for this document is primarily PHA financial officers, auditors, and fee-accountants, significant management decisions may be required as a result of the material contained herein.

This document does not attempt to address or explain the totality of financial reporting requirements for PHAs. PHAs should use this document in conjunction with current Departmental guidance, including the PIH Low-Rent Technical Accounting Guidebook (7510.1 G, dated May 7, 1996), the Financial Management Handbook (7475.1 REV. CHG-1, dated March 9, 1989), and any guidance and reporting requirements as established through applicable law, regulation and notice. HUD anticipates re-issuing later this year the Financial Management Handbook, and related documents, to include the changes contained in this document. Related background information, including all documents referenced in this supplement, as well as information on 2007 operating subsidy calculations, can be found on the Department's asset management website at:

<http://www.hud.gov/offices/pih/programs/ph/am/>

### **1.2 APPLICABILITY**

The material in this document is applicable to all PHAs and Resident Management Corporations (RMCs)<sup>4</sup> that operate public housing, regardless of size. However, PHAs with fewer than 250 public housing units, if they do not convert to asset management, are less affected by the changes described in this document. Chapter 9 addresses the implications for small PHAs. These

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<sup>1</sup> *Revisions to the Public Housing Operating Fund Program; Final Rule*, published in the Federal Register on September 19, 2005 (79 FR 54983), and *Revisions to the Public Housing Operating Fund Program; Correction to Formula Implementation Date*, published in the Federal Register on October 24, 2005 (70 FR 61366).

<sup>2</sup> PIH 2006-33 (HA) – Changes in Financial Management and Reporting Requirements for Public Agencies Under the New Operating Fund Rule (24 CFR 990); Interim Instructions, may be found at <http://www.hudclips.org/cgi/index.cgi>.

<sup>3</sup> For a copy of the public comments received, and the Department's response to those comments, see <http://www.hud.gov/offices/pih/programs/ph/am/>.

<sup>4</sup> For the remainder of this document, the term PHA includes RMCs.

changes will affect both the financial management and reporting of Operating Fund and Capital Fund Programs as a result of asset management.

### 1.3 GENERAL OVERVIEW

Under the current reporting model, PHAs submit annual financial statements to HUD's Real Estate Assessment Center (REAC) in electronic format utilizing a HUD-prescribed Financial Data Schedule (FDS) through a web-based system known as the Financial Assessment Sub-system for Public Housing (FASS-PH).<sup>5</sup> The FDS includes the balance sheet along with the revenue and expense activity of each program or activity of the PHA. This FDS must be prepared in accordance with Generally Accepted Accounting Principles (GAAP).

The final rule requires all PHAs with 250 or more units to convert to asset management, necessitating a new financial reporting model. Under § 990.280 of the final rule, PHAs must:

*“... develop and maintain a system of budgeting and accounting for each project in a manner that allows for analysis of the actual revenues and expenses associated with each property.”*

The final rule further states that such information include all data needed to complete a project-based financial statement in accordance with GAAP, including revenues, expenses, assets, liabilities, and equity. Moreover, the final rule applies to all programs that support projects under an Annual Contributions Contract (ACC) applicable to low-income public housing, e.g., the Operating Fund Program and the Capital Fund Program.<sup>6</sup> Additionally, the regulation requires PHAs to replace almost all previous cost allocations with a system of fees for the Operating Fund and Capital Fund Programs (and encourages fee-for-service for other programs).

To adopt a financial reporting model that more closely resembles multifamily housing, HUD will make the following changes in financial management and reporting for PHAs:

- PHAs will now prepare the FDS to report financial performance at the asset management project (AMP) level, including a balance sheet and income and expense activity.<sup>7</sup>
- New FDS line items will be added to: (1) properly account for fee transactions; (2) make project level reporting more consistent with multifamily housing practices; (3) measure actual rental income by capturing gross potential rent<sup>8</sup> as well as losses due to vacancy; and (4) allow for the calculation of excess cash on the FDS (this calculation will be used to assess excess cash that may be used to pay an asset management fee or to support the needs

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<sup>5</sup> OMB Approval Number 2535-0107.

<sup>6</sup> For any PHA not using the July 1995 version of the ACC, HUD strongly encourages those PHAs to replace their current ACC with this version.

<sup>7</sup> In the near future, HUD will realign public housing projects in its Public Housing Information Center (PIC) system to mirror the assignment of buildings with developments that PHAs submitted pursuant to PIH Notice 2006-10, *Identification of Project for Asset Management*, issued February 3, 2006. HUD will provide detailed information on the realignment in a separate notice. The realignment will take place prior to PHAs having to submit financial information based on realigned projects. For the purposes of this notice, the term “project” refers to projects that have been realigned to mirror AMP groupings

<sup>8</sup> PHAS will report gross potential rent by using the project's average actual rent and not a market rate rent.

of another project). HUD will update the FDS with the new line items needed for this conversion to asset management.

- Both the Operating Fund<sup>9</sup> and Capital Fund Programs accounting and reporting will now occur at the AMP level. The separate Operating Fund and Capital Fund Programs columns on the FDS will be eliminated. This change does not in any way merge the Operating Fund and Capital Fund Programs but merely combines a certain level of financial reporting activities of these programs for FDS reporting at the AMP level.
- PHAs will be required to replace cost allocation systems with a series of fees for the Operating Fund and the Capital Fund Programs. In addition, the Department will provide guidelines for management fees for the Housing Choice Voucher (HCV) Program and other PIH programs, which are offered to assist PHAs in determining whether fees are reasonable if a PHA chooses to adopt fees voluntarily in lieu of overhead cost allocations.<sup>10</sup> In concert with these property management fees, HUD will establish rules governing the assignment of costs as either a “front-line” or “management fee” expense.
- A new column will be added to the FDS to capture the financial activity of the “central office cost center” (COCC), i.e., the business unit within the PHA that is the recipient of fee income and that generates other business activity. The COCC will consist of those PHA activities funded through fees (including those shown in Tables 7.1 and 7.2). Some examples of costs within the COCC include the Executive Director and staff, risk management staff, and corporate legal staff. At the same time, an “elimination column” will be added to the FDS to eliminate revenues and expenses between projects and the COCC (which will enable the total of all FDS columns to reconcile with the Statement of Net Assets and the Statement of Changes in Net Assets in the general purpose financial statements). This elimination column will also facilitate the entity-wide eliminations required by Governmental Accounting Standards Board (GASB) Statement No. 34.
- Additional FDS details will be required to appropriately report within the AMP amounts received or expended between the Operating Fund and the Capital Fund Programs.

This document describes and explains these changes. Additionally, a separate chapter (Chapter 8) on Mixed Finance projects<sup>11</sup> has been included in this supplement. While Chapter 8 addresses Mixed Finance projects under asset management, it also clarifies some of the Mixed Finance reporting requirements that have been in existence since PHAs were required to convert to GAAP reporting in 1999.

Although the format for the FDS submission (as described herein), as well as the accounting for various transactions, will change, PHAs will continue to submit their year-end financial data to the REAC. Moreover, all reporting will continue to be presented in accordance with GAAP.

With the shift in focus to the AMP, HUD will also modify its Financial Assessment Sub-system for public housing, i.e. FASS-PH. As indicated in the Federal Register Notice cited above (70 FR 61366), for the first year of conversion to project-based budgeting/accounting, PHAs will receive

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<sup>9</sup> The Public Housing Operating Fund Program as established in the 1937 Act, as amended, is also referenced in the REAC Financial Assessment Sub-system as the Low Rent program.

<sup>10</sup> Overhead costs are costs that are generally not directly identifiable to a program or project. For example, the salary and benefits paid to the Executive Director is generally considered an overhead cost.

<sup>11</sup> As defined under 24 CFR part 941, subpart F.

transition scores under the new Financial Assessment Sub-system, as well as all other sub-systems under the Public Housing Assessment System (PHAS).

For related background information on the changes in the financial reporting model, PHAs should, in particular, refer to “Preparing for Asset Management Under the New Operating Fund Rule (24 CFR part 990): A Planning Document,” dated June 1, 2006. That planning document contains the broader themes and policy backdrop for public housing’s conversion to asset management (available on HUD’s asset management website).

#### 1.4 TIMEFRAMES FOR IMPLEMENTATION

Unless otherwise noted, the new requirements contained in this supplement take effect for PHAs in accordance with 24 CFR part 990 and as shown in Table 1.1.

**Table 1.1: Schedule for Financial Management and Reporting Compliance<sup>12</sup>**

PHA Fiscal Year-End	Project-based Budgets and Project-based Accounting	Cost Reasonableness
<b>June</b>	07/01/2007 through 06/30/2008 and after	07/01/2008 through 06/30/2009 and after
<b>September</b>	10/01/2007 through 09/30/2008 and after	10/01/2008 through 09/30/2009 and after
<b>December</b>	01/01/2008 through 12/31/2008 and after	01/01/2009 through 12/31/2009 and after
<b>March</b>	04/01/2008 through 03/31/2009 and after	04/01/2009 through 03/31/2010 and after

For example, a PHA with a fiscal year-end of June needs to be in compliance with project-based budgeting and project-based accounting, as established in this document, for its fiscal year beginning July 1, 2007.<sup>13</sup> Starting with fiscal year beginning July 1, 2008, this PHA must be compliant with the cost reasonableness standards as established in this document.

Also, as indicated in Chapter 6, Excess Cash and Fungibility, PHAs will have full fungibility between projects and the COCC in the first year of project-based budgeting and accounting. In the second year, each project must have positive excess cash for purposes of fungibility. By the third and all subsequent years, a project must have excess cash equal to one month of operating expenses for purposes of fungibility.

HUD will modify its system of electronic filing/submission of year-end PHA financial statements to match these new reporting requirements consistent with the above schedules.

<sup>12</sup> Schedule for Financial Management and Reporting Compliance is contained in 24 CFR part 990, Revisions to the Public Housing Operating Fund Program; Final Rule as updated in the Federal Register on October 24, 2005 (70 FR “Revisions to the Public Housing Operating Fund Program; Correction to Formula Implementation Date.”

<sup>13</sup> Accelerated implementation schedules apply to PHAs who want to stop their losses, under the new Operating Fund Program formula, by demonstrating successful conversion to asset management. Schedules and related information for PHAs applying for stop-loss was issued under PIH Notice 2006-14, *Operating Fund Program Final Rule: Transition Funding and Guidance on Demonstration of Successful Conversion to Asset Management to Discontinue the Reduction of Operating Subsidy*, dated March 22, 2006, as well as PIH Notice 2006-35, *Operating Fund Program Final Rule: Transition Funding and Guidance on Demonstration of Successful Conversion to Asset Management to Discontinue the Reduction of Operating Subsidy – Extension of Stop Loss Deadline to April 15, 2007*, issued on September 25, 2006. Additionally, on November 24, 2006, the Department issued two proposed rules revising the transition funding schedules – see Public Housing Operating Fund Program; Revised Transition Funding Schedule for Fiscal Year 2008 Through Fiscal Year 2012 (FR-5108-P-01) and Public Housing Operating Fund Program; Revised Transition Schedule for Federal Fiscal Year 2007 (FR-5105).

## ***2. Changes to Financial Statement and Financial Data Schedule Reporting***

### **2.1 OVERVIEW**

HUD continues to take the position that it is not an accounting standard-setting body and, as such, has relinquished its role over establishing standards for financial reporting. However, the Uniform Financial Reporting Standards (UFRS), 24 CFR part 5, subpart H, mandates that PHAs report financial data in accordance with GAAP for governmental entities as set by the GASB. Under asset management, this situation does not change. The reporting requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organization, issued by the Office of Management and Budget, continue to apply.

The FDS was created in order to standardize financial information reported by PHAs to HUD. The FDS is used to analyze a PHA's financial performance and to help HUD monitor its portfolio; therefore, the FDS also collects a certain amount of programmatic data. This information is reported on a GAAP basis but not necessarily in the format of the general-purpose financial statements. The FDS is supplementary information to the PHA's financial statements. In order to accommodate the changes in financial reporting described herein, HUD will be updating the FDS to:

- Add columns for the AMPs;
- Combine the accounting and reporting of financial activity of the Operating Fund and the Capital Fund Programs at the AMP level;
- Add an eliminations column to allow for the elimination of revenue and expenses between AMPs and the COCC; and
- Add line items in the FDS to accommodate changes in reporting requirements.

These changes are discussed in greater detail in the following pages.

### **2.2 FINANCIAL STATEMENT REPORTING**

PHAs will continue to provide financial statements to HUD in accordance with GAAP. Accounting standards clearly indicate that the financial statements are the responsibility of management and not the auditor, as evidenced in both the auditors' reports and associated literature. In turn, it is the responsibility of the auditor to ensure that his/her report is in compliance with the standards of reporting as defined under Generally Accepted Auditing Standards (GAAS) and Generally Accepted Government Auditing Standards (GAGAS). However, PHAs are encouraged to work with their auditor in order to ensure that reporting of financial and compliance requirements, as prescribed, are in accordance with all professional standards.

To assist PHAs in applying GAAP, the REAC has and will continue to develop and distribute guidance on its web site to assist the industry and professional organizations in the submission process and to respond to inquiries from the industry regarding financial accounting and reporting matters.

**Opinion Units.** HUD has received numerous inquiries as to the applicability of GASB Statement No. 34 requirement to report on opinion units. The GASB Standard No. 34 reporting model requires two sets of financial statements - general-purpose financial statements and fund statements. General-purpose statements present the financial results for the PHA as a whole. Fund-statements present the information for each major fund and the aggregate of non-major funds. Each major fund is considered a reporting unit. For each reporting unit deemed a major fund, the Certified Public Accountant (CPA) must opine as to the reliability of the data presented. Each opinion issued by the CPA is referred to as an “Opinion Unit.” Separate opinion units are only required when the PHA or its auditor elect to report multiple funds. If the PHA elects to report as one enterprise fund, then the PHA will only issue its general-purpose financial statements and no fund financial statements or the associated opinion unit.

The existence of multiple funds is a determination made by the PHA. In practice, there is a diversity of opinion on the application of these concepts to PHAs. The rules for determining the applicability of these requirements are varied, and dependent on the circumstances of the individual PHA. HUD believes that each PHA should consult with their independent auditor to determine the appropriate reporting required under GAAP. Therefore, HUD will not issue prescriptive guidance on this matter. The FDS, as designed, currently accommodates year-end reporting for PHAs under either method chosen.

### **2.3 FINANCIAL DATA SCHEDULE REPORTING**

The FDS is the primary tool used by HUD to assess the financial performance of PHAs. This schedule is collected by the REAC. The FDS is not a GAAP-based statement but is instead a HUD-prescribed template that has been designed to capture GAAP-based data. PHAs will continue to submit data to the REAC under asset management based on the current schedule. This GAAP-based data will be reviewed for proper application of both accounting and auditing standards, as well as compliance with laws and regulations. Additionally, for those PHAs that must submit audited financial data to HUD, the audited financial statements are compared with the FDS data reported in order to determine consistency in application.

Under asset management, this process will be expanded. The PHA must now verify that not only program financial data has been properly recorded and accounted for in accordance with GAAP, but that the individual AMP(s) and the COCC are also properly presented according to GAAP.

Table 2.1 shows a condensed view of the current statement of net assets in the financial submission to the REAC for a hypothetical PHA under the current reporting model. In this example, the PHA administers four programs – Operating Fund, Capital Fund, Section 8 Voucher, and the Department of Agriculture’s Rural Housing Program. Under the current model, the PHA would submit detailed balance sheet and income statement data for each of these programs. Since most PHAs report as a single fund in their annual financial statements, the total of all these programs would agree to the top-level (single fund) financial statements.

**Table 2.1: Historical FDS Financial Reporting Model**

Financial Statement	Program				Total
	Operating Fund	Capital Fund	Section 8 Voucher Program	Rural Housing	
<b>Statement of Net Assets</b>					
<b>Assets</b>	\$10,000,000	\$500,000	\$250,000	\$750,000	\$11,500,000
<b>Liabilities</b>	\$5,000,000	\$100,000	\$200,000	\$250,000	\$5,550,000
<b>Net Assets</b>	\$5,000,000	\$400,000	\$50,000	\$500,000	\$5,950,000
<b>Liabilities and Net Assets</b>	\$10,000,000	\$500,000	\$250,000	\$750,000	\$11,500,000

Table 2.2 represents the new financial reporting model. Under this new model, the Operating Fund and Capital Fund Programs are *no longer* reported as individual programs but are combined in the column labeled “Asset Management Projects.” HUD’s focus under this model is the AMP, not public housing programmatic reporting. PHAs will report individual balance sheets and income statements for each AMP. AMP data will be entered by the PHA consistent with the AMP groupings previously submitted to and approved by HUD. For reasons explained further in this document, certain activities of the Operating Fund or Capital Fund Programs may be reported in the COCC and, therefore, the total of the AMPs’ activities may not equal the equivalent total of the Operating Fund and Capital Fund Programs if they were still reported programmatically.

Also, two new columns have been added to the FDS – a Central Office Cost Center (COCC) column and an Elimination column.

- The COCC<sup>14</sup> column will be used by PHAs to account for the revenue and expenses of the COCC and other “non-restricted” business activities of the PHA.<sup>15</sup>
- The Elimination column will be used to eliminate the expense paid by the AMPs as fee revenue to the COCC. Programs not affected by asset management will continue to be reported in individual columns. The sum of all columns will agree to the general purpose financial statements as in the previous example.

Initially, PHAs will need to report on each Mixed Finance project/phase as a separate AMP. HUD will re-evaluate this policy in the future and may decide to allow PHAs to report all mixed finance projects under one “Mixed Finance AMP column.”

The FDS will also include an “Other AMP” column. This column will account for those activities that are directly supported by either the Capital Fund or Operating Fund Programs but not necessarily related to a recognized AMP. While HUD expects the use of this column to be limited, it does provide flexibility in reporting. Examples for the use of this column include a new project

<sup>14</sup> PHAs with 250 or more units are required to establish a COCC as they must use a fee-for-service approach. PHAs with fewer than 250 units have the option of establishing a COCC (§ 990.260 and § 990.280). Further information is provided in Chapter 9 - Small PHAs.

<sup>15</sup> PHAs have the option of combining all business activities into one COCC column or creating separate COCC/business activity columns. Any business activity whose proceeds are not restricted to that business may be combined in one COCC/business activity column. Examples of “non-restricted” business activities would include fees earned from the managing of non-profit or private real estate, or the sale of central maintenance services to outside parties.

that has not been recognized in PIC or homeownership activities that cannot be directly linked to an AMP.

**Table 2.2: Asset Management Financial Reporting Model: FASS-PH System**

Financial Statement	Program					Total
	Total Asset Management Projects	Section 8 Voucher Program	Rural Housing	Central Office Cost Center	Eliminations	
<b>Net Assets</b>						
Assets	\$10,100,000	\$300,000	\$750,000	\$400,000	-\$50,000	\$11,500,000
Liabilities	\$4,850,000	\$200,000	\$250,000	\$300,000	-\$50,000	\$5,550,000
Equity	\$5,250,000	\$100,000	\$500,000	\$100,000		\$5,950,000
<b>Changes in Net Assets</b>						
Revenue	\$1,730,000	\$1,000,000	\$575,000	\$270,000	-\$250,000	\$3,325,000
Expenses	\$1,360,000	\$990,000	\$560,000	\$240,000	-\$250,000	\$2,900,000
Net Income	\$370,000	\$10,000	\$15,000	\$30,000		\$425,000

**Table 2.3: Asset Management Project Reporting Model: FASS-PH System**

Financial Statement	Asset Management Projects				Total
	Project 1	Project 2	Project 3	Other AMP	
<b>Balance Sheet</b>					
Assets	\$3,434,000	\$3,253,000	\$3,131,000	\$282,000	\$10,100,000
Liabilities	\$1,649,000	\$1,521,500	\$1,503,500	\$176,000	\$4,850,000
Equity	\$1,785,000	\$1,731,500	\$1,627,500	\$106,000	\$5,250,000
<b>Income Statement</b>					
Revenue	\$588,200	\$527,500	\$536,300	\$78,000	\$1,730,000
Expenses	\$462,400	\$429,000	\$421,600	\$47,000	\$1,360,000
Net Income	\$125,800	\$98,500	\$114,700	\$31,000	\$370,000

## **2.4 AUDIT IMPACT**

Implementation of the final rule may have a significant impact on the nature, timing and extent of audit procedures. Auditors will have a significant amount of work to perform in the initial year of implementation to determine the appropriateness of the initial balance sheet allocations to the AMPs and COCC. In addition, auditors need to ensure that costs and fees meet the reasonableness guidelines established by HUD. On an ongoing basis, audit work may also increase due to changes in the reporting and auditing model. PHAs will likely see a reasonable increase in audit costs due to these changes. Audit costs are add-on expenses under the formula described in the final rule and, therefore, reimbursable. The reporting and auditing requirements of OMB Circular A-133 still apply. HUD will update the OMB Circular A-133 Compliance Supplement to incorporate changes presented in this document.

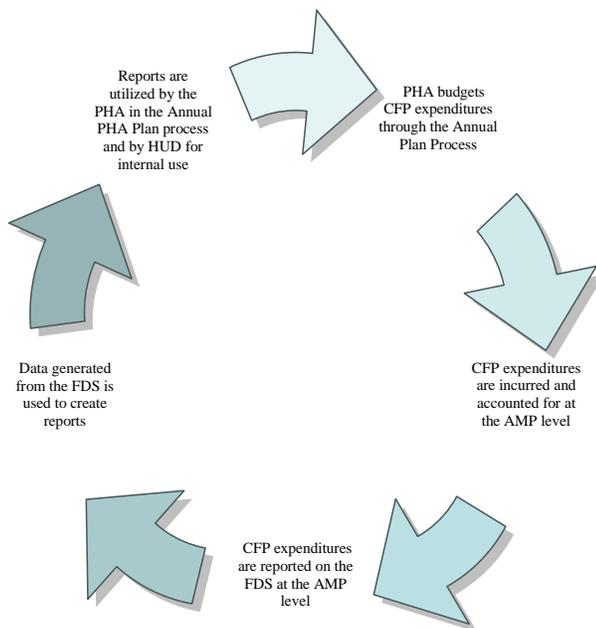
## **2.5 CAPITAL FUND ANNUAL PLAN PROCESS - FUTURE DEVELOPMENT**

The AMP will be the central component of the Annual Plan process in the future.

Implementing the asset management model requires changes to the FDS. As the FDS data will remain the primary focus of HUD's reporting requirements, HUD is using this opportunity to redesign the FDS to accumulate AMP level data, and to gather data that can be used to generate reports for the Capital Fund Program.

Currently, PHAs use BLIs (Budget Line Items) to budget and account for Capital Fund Program activity. PHAs use these BLIs to prepare their Capital Fund Program budgets and to report obligations and expenditures in LOCCS. For example, audit costs are reported under the Capital Fund on BLI 1411. These BLIs were established prior to the development of the FDS. HUD anticipates transitioning to a revised BLI structure that will utilize FDS line numbers. Hence, the BLI for audit might become 91200 (the corresponding line number for audit costs under the new FDS). This change will create uniformity of data collection and report processing based on a standardized chart of accounts. Eventually, these FDS line numbers will be built into the Annual Plan and Capital Fund Program reporting process. Once integrated into the Annual Plan process, reports can be generated from financial information collected through the FDS process. It is expected that these changes will not occur for another year or so. PIH will provide further guidance and timelines so PHAs will have time to adequately plan. The above discussion is informational only. Diagram 2.1 shows the projected flow of information regarding the Capital Fund Program, from the PHA's development of the Annual Plan to the reporting of Capital Fund expenditures through the FDS.

**Diagram 2.1: Annual Plan and Capital Fund Reporting Process**



**3. Financial Data Schedule Line Items**

As a result of the change to asset management, HUD anticipates the addition of new FDS line items. These new FDS line items will be added to:

- Properly account for fee transactions;
- Properly account for project level data;
- Make project level reporting more consistent with multifamily housing;
- Capture gross potential income as well as rent and vacancy loss; and
- Allow for the calculation of excess cash on the FDS.

Additionally, HUD will review and update (if necessary) the FDS line items to be compliant with recently issued GAAP standards, especially as these standards relate to legacy costs (which are not currently contained on the FDS).<sup>16</sup>

Tables 3.1 and 3.2 list the known FDS line item changes. However, it is expected that additional changes may occur as the FDS templates are finalized. PHAs may obtain a copy of the proposed FDS template on the asset management website at:

<http://www.hud.gov/offices/pih/program/ph/am/>

**Table 3.1: Preliminary Changes to FDS Balance Sheet Line Items**

No.	Account Type.	Description	Comment
1	Current Asset	Accounts Receivable - HUD Other Projects	These line items currently exist but a detail link will be added to capture amounts specifically associated with the Capital Fund and Operating Fund Programs.
2	Current Liability	Deferred Revenue	
3	Current Liability	Current Portion of Long-term Debt – Capital Projects/ Mortgage Revenue Bonds	
4	Non-Current Liability	Long-term Debt, Net of Current – Capital Projects/Mortgage Revenue Bonds	
5	Non-Current Liability	FASB 5 Liabilities	New line item to account separately for long-term liabilities associated with lawsuits and other FASB 5 contingencies.
6	Non-Current Liability	Accrued Pension and OPEB Liability	New line item to account separately for long-term liabilities associated with pension and other post employment benefit costs.

<sup>16</sup> Legacy costs are primarily comprised of, but not limited to, Pension Benefit Obligations (PBOs), Other Post Employment Benefits (OPEBs), Compensated Absences, Termination Benefits, and Risk Financing (Liability Claims) that may not be currently reported in a PHA’s financial statement and may be unfunded. Further discussion is provided in Chapter 4 on this topic.

**Table 3.2: Preliminary Changes to FDS Income and Expense Line Items**

No.	Account Type	Description	Comment
1	Revenue	Total Fee Revenue	The sum of the fees reported as revenue. System calculated based on input of PHA (normally associated with revenue of the COCC).
2	Revenue	Management Fee	Fee revenue for general management of the properties and programs.
3	Revenue	Asset Management Fee	Fee revenue for asset management, available from excess cash of the AMP.
4	Revenue	Bookkeeping Fee	Fee revenue recognized for front line bookkeeping done centrally.
5	Revenue	Front-line Service Fee	Revenue associated with centralized COCC services normally considered a front-line-expense.
6	Revenue	Other Fees	“All other account” for fee revenue not described above.
7	Expense	Management Fee	Fee expense for the general management fee.
8	Expense	Bookkeeping Fee	Fee expense associated with the bookkeeping fee.
9	Expense	Advertising and Marketing	These expenses were previously reported as Other operating – administrative. These amounts will now be reported in separate accounts.
10	Expense	Office Expenses	
11	Expense	Legal Expenses	
12	Expense	Travel	
13	Expense	Other	
14	Expense	Asset Management Fee	These expenses are for the payment of the asset management fees resulting from excess cash.
15	Expense	Sewer	The cost of sewer utilities, if billed separately or if it can be segregated from the water bill.
16	Expense	Garbage and Trash Removal	These costs are currently reported in FDS line 943 “Ordinary maintenance and operations – contract costs” but will now be reported separately if completed either via fee-for-service or through private contract.
17	Expense	Heating and Cooling Contract	
18	Expense	Snow Removal Contract	
19	Expense	Elevator Maintenance Contract	
20	Expense	Landscape & Grounds Contract	
21	Expense	Unit Turnaround	
22	Expense	Electrical Contract	
23	Expense	Plumbing Contract	
24	Expense	Extermination Contract	
25	Expense	Janitorial Contract	
26	Expense	Misc. Contracts	
27	Expense	Property Insurance	These costs are currently recorded in FDS line item 961 “Insurance premiums” but will now be reported separately.
28	Expense	Liability Insurance	
29	Expense	Workmens Compensation	
30	Expense	All Other Insurance	This is a sub account under Line 967 - Interest Expense. These amounts will be listed in a detail account.
31	Expense	Interest on Mortgage (or Bonds) Payable	
32	Expense	Interest on Notes Payable (Short and Long Term)	
33	Expense	Amortization of Bond Issue Costs	

No.	Account Type	Description	Comment
34	Transfer	Inter AMP Excess Cash Transfer In	Line item used to report transfers from one project to another.
35	Transfer	Inter AMP Excess Cash Transfer Out	Line item used to report transfers from one project to another.
36	Transfer	Transfers from Program to AMP	Line item used to report transfers from program to a property.
37	Transfer	Transfers from AMP to Program	Line item used to report transfers from a property to a program.
38	Memo	Number of unit months leased	New memo accounts used to provide information on revenue loss.
39	Memo	Gross Potential Rent	
40	Memo	Vacancy Loss Rent	
41	Memo	Gross Potential Subsidy	
42	Memo	Subsidy Loss – Proration	
43	Memo	Subsidy Loss – Vacancy	
44	Memo	Excess Cash	This line item is a memo account, which the FASS-PH system, as defined earlier, will automatically calculate in accordance with Chapter 6 of this document.
45	Memo	System Reported Units per PHA Profile – PIC (times 12)	Unit month detail updated to conform to new Operating Fund Program final rule categories.
46	Memo	Special Use Units	
47	Memo	Modernization	
48	Memo	Litigation	
49	Memo	Disasters	
50	Memo	Casualty Loss	
51	Memo	Changing Market Conditions	
52	Memo	Police Officer - Special Use	
53	Memo	Other	
54	Memo	Unit Months Available	
55	Memo	Land Purchases	New memo accounts to detail out capital expenditure transactions for all programs.
56	Memo	Building Purchases	
57	Memo	Furniture & Equipment - Dwelling Purchases	
58	Memo	Furniture & Equipment - Administrative Purchases	
59	Memo	Leasehold Improvements Purchases	
60	Memo	Infrastructure Purchases	New memo accounts to detail out Capital Fund Program expenditure data.
61	Memo	CFFP Debt Service Payments	
62	Memo	Replacement Housing Factor Funds	
63	Memo	Admin Costs Charged to Management Improvements	

**General Maintenance of FDS Line Items.** The FASS-PH system was updated during September of 2006. A summary of changes is listed in the September 5, 2006, Financial Data Schedule Line Definitions and Crosswalk Guide.<sup>17</sup> Of note, a series of 29 accounts were listed in section 2 and 3 of the guide and labeled as no longer applicable. These accounts were not needed as a result of changes in GAAP or in program rules. Currently,

<sup>17</sup> This guide can be found on the FASS-PH web site at [www.hud.gov/offices/real](http://www.hud.gov/offices/real) and clicking on Secure System – Online Systems Web Page under System Upgrade Release Schedule.

these accounts still exist on the FDS but they should not be used. The Department plans to remove these accounts from the FDS in a future system release.

## **4. Project-Based Budgeting and Accounting**

### **4.1 PROJECT-BASED OPERATING BUDGETS**

Under § 990.255 of the final rule, PHAs are required to “implement project-based management, project-based budgeting and project-based accounting.” With the exception of troubled PHAs, budget data will not be sent to HUD for approval. Budgetary approval will rest with the PHA’s board. Although PHAs have a significant amount of discretion in how the operating budget is prepared, HUD has set certain requirements for this process. Table 4.1 outlines those requirements.

**Table 4.1: Budget Requirements and Clarifications**

No.	Description
1	Operating budgets shall be developed for each AMP. A COCC budget is highly recommended but not required.
2	There is no specific budget format, including for those troubled PHAs that must submit their budget to HUD for approval. <sup>18</sup>
3	While there will be no uniform/required format, all budgets must be easily reconcilable to FDS line items.
4	PHAs shall develop and maintain AMP budgets that allow for comparative analysis of budgeted line items to actual revenues and expenses.
5	Operating budgets shall include estimates for all revenue and expenses under the Operating Fund and Capital Fund Programs (CFP) that directly or indirectly support the operations of the AMP, as well as capital expenses to be paid with operating funds, including all data needed to complete AMP-based financial statements in accordance with GAAP. In this context, the operating budget should contain such CFP activities as operating transfers, management improvements, or other CFP activity allowed by the program that is not capital in nature (for example, a vacancy reduction program which is aimed at marketing).
6	Operating budget revenues shall include operating subsidy, dwelling rents, Capital Fund used for non-capital activities, and all other revenue used to support the AMP. Subsidy levels should be based on the project formula components (i.e., the AMP’s PEL, UEL, add-ons, and formula income), with an estimate of the projected proration percentage. Budgets should also include any “transfers” under the “fungibility” provisions of the final rule. (For the first year under project-based budgeting, budgets should include any “transfers” under the full fungibility provisions of the final rule. Subsequent budgets should be prepared and based on the transfer and fungibility provisions applicable in subsequent years.)
7	Operating budget expenses shall include, but are not limited to, direct administrative costs, utilities, maintenance, security, general expenses, and non-routine or capital expenses to be paid with operating funds. These categories also include any COCC front-line costs charged as fee-for-service. The budgets should also show any anticipated uses of excess cash expected to be generated by the AMP. Such amounts will be made available for transfer to other AMPs, paid under the asset management fee, or for any other eligible purposes.

**Comment [PU1]:** Page: 1  
Clarification to be added here re: capital expenses.

<sup>18</sup> HUD is in the process of updating Form HUD– 52564, Operating Budget, and all associated schedules to align it to the asset management model and GAAP reporting. PHAs may continue to utilize these forms; however, they are not required. Data collection for these forms is contained in OMB Approval No. 2577-0026.

8	AMP operating budgets must be approved by the PHA's Board before the commencement of the fiscal year; however, the Board does not need to pass a resolution for each project budget. Operating budgets for all or multiple AMPs can be approved with a Board joint vote. The Board resolution must be filed at the local field office (HUD-Form 52574). <sup>19</sup>
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#### 4.2 OTHER CONSIDERATIONS ON THE BUDGET PROCESS

Under project-based management, the project manager plays a significant role in preparing and monitoring the respective AMP's budget. HUD considers this concept an integral part of the asset management model.

Care should be taken during the budgeting process to ensure that budgeted asset management fees will be available at the AMP and not limited due to excess cash restrictions. In other words, PHAs should be sure that sufficient cash flow is anticipated at any project where an asset management fee will be assessed. Further, although HUD has not required the PHA to establish separate bank accounts for each AMP, the budgeting process should consider the cash needs of the PHA. This consideration must include limitations on cash transfers among AMPs due to excess cash restrictions.

Finally, the PHA should recognize in their budgeting process HUD's change in its funding cycle to a calendar year for operating subsidy.

#### 4.3 PROJECT-BASED ACCOUNTING

In adopting the project-based accounting model, the PHA will need to adopt basic changes to its accounting systems and procedures. Listed below are various accounting issues that need to be considered.

**Chart of Accounts.** As noted in Chapter 2, PHAs are required to use a standard chart of accounts for reporting year-end financial information to HUD. The conversion to project-based accounting is expected to produce a limited number of changes to that chart of accounts.

**Gross Potential Rent and Vacancy Loss.** With the emphasis on the effective management of the AMPs, HUD will now require PHAs to report revenues similar to multifamily projects. PHAs will report "gross potential" revenues. A property's gross potential rent typically represents the total rent that would be earned if all units within an AMP were 100 percent occupied, i.e., the maximum rent that would be possible. Gross potential rent is contrasted with actual rental revenue, with the difference referred to as vacancy loss. This information is usually presented on the income statement of commercial and multi-family rental properties. For PHAs, a similar concept would include the reporting of both:

- Gross potential rental income and the associated vacancy loss; and

<sup>19</sup> This form is also being revised to align it to the asset management model.

- Gross potential operating subsidy and the associated subsidy loss.

Gross potential rent will be based on all units under the ACC, regardless of status, multiplied by the average tenant rent for the project. PHAs will have the option of using a weighted average to determine the average rent for gross rent potential and losses due to vacancies.

Gross potential subsidy will be based on data already contained and submitted on the form HUD – 52723, Operating Fund Calculation of Operating Subsidy (OMB approval number 2577-0029). PHAs will initially recalculate the operating subsidy form by changing only the eligible unit months (EUM) data. For example, if a PHA has 200 units, which equate to 2,000 EUMS because the status of the other units are not in a subsidy eligible status, the PHA would recalculate its subsidy using 2,400 EUMS (200 units time 12 months). This recalculation would result in higher operating subsidy eligibility and equates to gross potential subsidy. In future system releases, HUD will automate this task. Gross potential subsidy will be calculated by reporting the EUM portion of the form as if all units were occupied by eligible public housing tenants (on the form HUD – 52723) for a full 12 months. The net difference in these calculations represents the subsidy loss. This subsidy loss will then be reported in two distinct line items. The first line item will report the amount of subsidy loss due to a funding proration less than 100 percent. The second line item will report the amount of subsidy loss due to the units not being in an operating subsidy payable status.

**Bank Accounts.** PHAs are not required to establish separate banks accounts for each AMP.<sup>20</sup> However, the accounting records are to be in sufficient detail to determine the cash balances of each AMP, the COCC, and any other PHA program. Actual AMP, COCC, and other program cash and investment balances are to be reported on the associated FDS line items for their respective balances (not using “due to” or “due from” line items). PHAs may not report all cash and investment balances under one program or AMP. Records must be in sufficient detail to monitor compliance with the final rule’s excess cash requirements. While not specifically related to asset management, PHAs are reminded that funds are not fungible between federal programs regardless of transfer being of a “temporary” nature. This type of activity is an ineligible use of program funds.

**Legacy Costs and Associate Unfunded Liabilities.** Legacy costs represent costs or liabilities incurred prior to the commencement of asset management, for which, in many cases, there is no current funding plan. These amounts are generally expected to be paid from program income. HUD’s general position is that any legacy cost should be paid from program income if incurred prior to the establishment of the asset management/fee-for-service concept. The accounting treatment for these costs is well documented in GAAP. HUD’s responsibility with regard to these amounts is to give guidance on the allocation of these liabilities in the initial FDS asset management balance sheet and to provide an adequate method for PHAs to recover these costs.

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<sup>20</sup> All bank accounts that include program funds must use the General Depository Agreement, HUD-Form 51999.

HUD generally believes that all liabilities should be accounted for and paid by the AMP, COCC, and program where they were incurred. At the adoption of asset management, existing liabilities must be allocated to the proper beginning balance sheets of the AMP, the COCC or other programs. This initial allocation must be based on a method that is reasonable and will ensure that each AMP, program, and COCC bears its proportional amount of these liabilities. Allocated liabilities may not exceed the liabilities in existence in the beginning balance sheet for the first asset management year. The only exception to this statement would be adjustments to amounts of those liabilities resulting from revised estimates from the time of the initial booking of the liability. Since the first PHAs to adopt this model have fiscal years ending on June 30<sup>th</sup>, they must have these liabilities reported at the respective AMP, COCC, and other programs beginning July 1, 2008. Such costs may include vacation, pension and retiree medical, lead-based paint or asbestos cleanup, or other liabilities related to legal actions. Each particular cost is described below.

***Vacation Liabilities.*** PHAs may allow employees to accumulate unused vacation to be paid or taken at a later date. *Funding* of these amounts has usually been limited to the amount paid during any year. These vacation liabilities were recorded when PHAs converted to GAAP. Accordingly, these liabilities exist on the books of many PHAs today.

Vacation liabilities should be allocated to the respective AMP, the COCC, or other program to which the employee is assigned. While these liabilities are currently reported on the balance sheet, the allocation between AMP, COCC, and other programs will occur at the adoption of asset management. Since vacation liabilities generally relate only to current employees, payment for these liabilities will be paid by program income from the AMP(s), other program(s), or through the fees paid to the COCC.

Under asset management, vacation liabilities for employees of the AMPs and other programs will be paid as a direct cost of the program (i.e., through program income). For amounts related to unfunded vacation liabilities of employees of the COCC, HUD recognizes that it may be difficult for the COCC to recover the “legacy” portion of these costs from the allowed fees. Therefore, HUD will allow net<sup>21</sup> vacation liabilities of the COCC included in the **initial** balance sheet allocation to be offset by a receivable from the AMP(s) and other programs. Since this liability is prior to the new regulation it is not subject to excess cash flow rules. A request for payment to the AMPs or other programs for reimbursement of these costs needs only to be supported by the COCC’s actual costs. Therefore, once the accounts receivable is established at the COCC it can only be reduced by payments from the AMPs and other programs. This receivable should be classified as either current or long-term depending on the PHA’s classification of these vacation liabilities. The actual transfer of funding

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<sup>21</sup> Any cash and investments that have already been set aside to pay these future costs will be deducted from the gross liability when determining the accounts receivable. These accounts receivable and accounts payable will be eliminated on the FDS.

from the AMP or other programs must be based on a reasonable allocation, since these COCC legacy costs are attributable to all of the respective AMPs and other programs.

The initial allocation must be limited to actual recorded vacation liabilities in existence at the first asset management balance sheet date. These allocations must be based on a reasonable method that ensures that each AMP, other program, and COCC bears its proportional share. The ability to pay these liabilities may be a factor in determining a reasonable allocation method.

Vacation liabilities incurred subsequent to the first asset management balance sheet date must be recorded and paid as a payroll expense and associated liability by the respective AMP, COCC or other program where the expense was incurred. Vacation liabilities should follow the employee. Accordingly, the subsequent transfer of an employee to another AMP, COCC or other program should also result in the transfer of the previously incurred liability. The offset to this transfer would be cash or other liquid assets. If such assets are unavailable, a receivable should be recorded from the AMP or other program where the employee transferred. The transferring agency must record a payable for the amount if cash or other liquid assets are unavailable.

While this section speaks solely to vacation liabilities, some PHAs may have entered into similar employment agreements for other benefits (sick leave). In these cases, the same methodology as discussed above applies.

**Pension and Other Post-Employment Benefits (OPEBs).** Pension and OPEB costs represent liabilities related to both current employees and retirees for pension, retiree medical and other related expenses. Again, the guidelines for the recognition of expenses and liabilities are governed by GAAP. PHAs must account for and contribute to the plan in accordance with guidelines established in the plan document and reasonable actuarial assumptions. Contributions become assets of the plan and reduce the liability of the PHA.

The plan's actuary or the equivalent generally determines the amount of annual expense by employee or employee groups. Accordingly, after the assignment of employees to the appropriate organizational unit, the yearly cost for that employee will be paid either as direct costs for the AMPs, other programs or by fees paid to the COCC.

Liabilities associated with pensions were recorded on the books of the PHA when it converted to GAAP. Accordingly, these liabilities exist on the books of PHAs today and will continue to accrue based on actuarial models.

For OPEB amounts, PHAs have previously funded these liabilities as the expense was incurred. This method is also known as pay-as-you-go. No effort was made to account for the PHA's entire liability. PHAs will now be required to account for OPEB liabilities beginning in 2008 as required by the implementation

schedule issued under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The PHA's actuary must now determine the annual OPEB expense in the financial statements. The GASB determined that the annual OPEB expense or the annual required contribution (ARC) would consist of two components:

- The normal cost for the year; and
- A component for amortization of the unfunded actuarial liability over a period of not to exceed 30 years.

The costs for these liabilities will be charged to the COCC *for all employees*. A new line item will be added to the FDS to account for these amounts. Accordingly, the COCC will need to recover these costs from the respective AMP or other programs.

At each annual valuation, the COCC may transfer cash or other liquid assets from the AMPs or other programs in amounts sufficient to recover the ARC costs of employees of the AMPs and other programs as well as an allocation of the amortization of the "Unfunded Actuarial Liability" of COCC employees. Once again, amounts allocated for COCC employees must be based on a method that assures a reasonable allocation among the programs involved. The annual "Normal" cost for COCC employees must be recovered from the fees earned by the COCC.

When cash or liquid assets are not available, the COCC may record a receivable from the AMPs or other programs. A related payable will be maintained at the AMP or other program for these liabilities. These costs may be unknown at the adoption of asset management. These amounts were incurred prior to the adoption of the final rule and are therefore not subject to the excess cash rules. Accordingly, the process as described, above, will proceed as amounts are recognized for the period allowed under GAAP. This period may extend up to 30 years.

Amounts recognized for OPEB costs should be paid annually, if possible. This will prevent the recording and maintenance of receivable and payable balances between the AMPs and the COCC for an extended period of time. These payments must be limited to the amount ARC as determined by the plan's actuary under the plan's rules and disclosed in the PHA's annual financial statements. Liabilities related to the PHA's pension plan would be treated in a similar manner.

HUD also encourages PHAs to use cash transferred to the COCC to actually fund pension or OPEB liabilities. Failure to fund these amounts when the cash is transferred to the COCC may allow the PHA to accumulate liabilities for amounts already paid for by HUD programs. The use of these transferred funds to fund another activity is not permitted.

**Other Liabilities.** Other liabilities resulting from lawsuits, legal actions and other FASB-5 related liabilities must be considered on a case-by-case basis. Liabilities for asbestos, lead-based paint or other similar issues in excess of insurance proceeds should be recognized as a liability and expensed in accordance with prevailing GAAP. HUD recognizes that such liabilities are liabilities of the PHA as a whole and are not specific to any individual AMP or program. Liabilities for these items should be recorded at the COCC. A new line item will be added to the FDS to account for these amounts.

Costs related to these liabilities may be recovered from the AMPs or other programs. The recovery of these costs must be based on a method that results in a reasonable allocation among the AMPs and other contributing programs. Once the appropriate allocation has been determined, the PHA may transfer to the COCC cash or other liquid assets without regard to excess cash rules. For example, liabilities for a lead-based paint legal action at a specific AMP would be booked at the COCC. The COCC will then allocate these costs among the AMPs or other programs. Cash may then be transferred to the COCC. In the event that cash or other liquid assets are not available, a receivable will be recorded by the COCC with a resulting payable at the AMP or other program.

**Mixed Finance Projects.** PHAs should generally exempt the reporting of liabilities and payments of legacy costs that are not specific and identifiable to a Mixed Finance project.

**Annual Operating Subsidy Revenue Recognition.** Operating subsidy supplements a PHA's operations for a calendar year regardless of the PHA's fiscal year. Generally, HUD obligates a portion of these appropriated funds throughout the year based on the PHA's eligibility and the amount of approved appropriation. These funds are made available through HUD's disbursement system known as e-LOCCS. While HUD may, for ease of administration, obligate monies for several months at a time, the PHA's subsidy is limited and conditional as stated in 24 CFR part 990, subpart E. Subpart E limits the amount of subsidy to monthly installments. It also restricts availability based on compliance with regulations for reexamination of income of families in occupancy.

GASB Statement No. 33 defines and establishes revenue recognition requirements for voluntary nonexchange transactions. Operating subsidy is a voluntary nonexchange transaction as defined under the Statement. One of the primary tenets of revenue recognition under the statement is the existence of time restrictions. Time restrictions specify the period when resources are required to be used or when use may begin.

Although HUD is not a standard-setting body, it has thoroughly reviewed the current applicable GASB standards, laws and regulations, and has held discussions with industry leaders in governmental accounting. It is HUD's position that PHAs should recognize operating subsidy for annual financial statement reporting when funds are obligated and are available for draw down in e-LOCCS. Under the current scenario, a PHA would recognize no more than 12 months of subsidy in a given fiscal year.

Operating Subsidy will still be provided in e-LOCCS at the PHA agency level for ease of draw down. However, actual funding and reporting will be tied to the specific AMP as outlined in the PHAs' subsidy request.

**Auditing Fees.** The final rule requires that each AMP, COCC and other programs reflect the costs of operations. This requirement also pertains to audit costs. However, HUD acknowledges that audit costs are determined for the overall PHA and are not determined at the project or program level. Further, HUD anticipates that the audit process will continue to be controlled by the COCC. HUD reminds PHAs that audit costs are allowable under most HUD programs and that each program should be charged its proportionate share. PHAs should allocate a reasonable share of the audit cost to each AMP, COCC, and program. This amount will be shown as a direct expense under each respective area. HUD also refers PHAs to GAAP Flyer No. 6 – Procuring an Audit, previously issued on the selection of the independent auditor, as well as 24 CFR § 85.36.

**Elimination Entries.** Due to the nature of the operations between the AMPs and the COCC, a stronger focus on elimination entries will be required by GAAP. To avoid accounting for these revenues and expenses twice in the FDS, eliminating entries will now be recorded at the FDS level. Such entries were previously required under GASB Statement No. 34. As described in Chapter 2, the FDS will be modified to allow for these entries to be recorded on the FDS. Accordingly, the totals for the FDS will now agree to the general-purpose financial statements. For an example of the revised FDS and the planned use of the eliminations column, see Table 2.2.

Notwithstanding the nature of the AMPs and the COCC for FDS reporting, nothing should be construed that these are separate legal entities unto themselves.

Outside the scope of the COCC and AMPs, similar relationships and financial activities exist between many PHA-managed programs and associated entities that will result in entries requiring elimination. The PHA's auditor is currently proposing such entries for the general-purpose financial statements. These amounts will now be eliminated in the FDS also. PHAs are encouraged to work with their independent auditor in determining which transactions should be eliminated.

**Balance Sheet Allocations.** PHAs previously submitted the breakdown of their AMPs to HUD. This initial determination was intended to organize the PHAs' assets in a manner conducive to asset management.

At the end of the first year of project-based accounting, PHAs will be required to assign all items on the PHA balance sheet between the COCC, the AMPs and other programs. For example, a June fiscal year end PHA is required to implement project-based accounting starting July 1, 2007. The PHA will prepare and submit to HUD through the FASS-PH system its June 30, 2008, year end balance sheets at a project level. This process will combine the assets, liabilities and net assets of the Low Rent and Capital Fund Programs previously displayed separately in the FDS. This combined data will be allocated among the AMPs and the COCC. Accordingly, HUD recommends that PHAs work closely with their auditor to ensure that assets and liabilities are allocated along

appropriate organizational lines. The new balance sheets must be in accordance with GAAP as they represent the beginning balances of the AMPs and the COCC for audit purposes. Restricted assets will require additional scrutiny to ensure they are recorded at the appropriate level.

Overall, HUD will provide minimal additional requirements and guidance on this process. Assets, liabilities and associated net assets should be assigned to the applicable AMP or COCC if a direct relationship exists, including personal and real property. For example, tenant account receivables and security deposit balances should be assigned to the AMP where the receivable or liability is located. Equipment should be assigned based on what entity will control that equipment. Legacy liabilities, to the extent possible, should be liquidated or have cash and investments set aside at the AMP, COCC, or other program where the liability was initially allocated to fully cover the liability at the initial balance sheet date.

As part of this process, and to ensure the initial operating viability of the COCC, the PHA may assign to the COCC an amount equal to six months of property management fees, including bookkeeping fees, and asset management fees based on all units under ACC, regardless of unit status, to the initial balance sheet of the COCC, also referred to as initial working capital of the COCC. This working capital is a one-time assignment and not simply an advance. This assignment may take place at the time the PHA assigns its initial balance sheet data, when first converting to property-based accounting. If, at the time of transfer, the AMPs do not have sufficient cash to transfer the entire six months of fees, the COCC can record a receivable and the respective AMPs will record a payable for those amounts. This receivable must be paid prior to the earning of additional excess cash payable to the COCC through asset management fees, or to other AMPs under the fungibility guidelines already discussed.

In general, the COCC for a PHA not involved in other business activity, at the initial balance sheet date, should only report initial working capital, their share of fixed assets and any related liability, legacy costs, and receivable and payables mostly related to timing differences.

Any real and personal property assigned to the COCC is still currently bound to federal program rules and considered a restricted asset that needs to be accounted for in a manner that identifies it from the general assets of the COCC, which are free from federal restrictions. HUD will issue further guidance on the disposal of both real and personal property assigned to the COCC.

**Energy Service Contracts.** PHAs requesting HUD approval on energy performance contracts will have to structure the contract to allow for actual reporting at the AMP level. This change applies to both energy service company (ESCO) contracts and contracts where the PHA functions as their own ESCo.

- For those PHAs where HUD has already approved an EPC, reporting will be required at the respective AMP level, but the PHA may utilize reasonable allocations to meet reporting requirements if actual AMP data is not available.

- Frozen rolling base incentive - The PHA operating subsidy eligibility shall reflect the retention of 100 percent of the savings from decreased consumption until the term of the financing agreement is complete. The PHA must use at least 75 percent of the cost savings to pay off the debt, e.g., pay off the contractor or bank loan. If at least 75 percent of the cost savings is paid to the contractor or bank, the PHA may use the full amount of the remaining cost savings for any eligible operating expense, of which 50 percent must remain at the AMP level and the remainder may be used to fund the COCC.
- Add-on subsidy incentive - This incentive provides an additional subsidy to a PHA to pay debt service on an EPC loan. A PHA using this method should realize a positive subsidy flow through the normal calculation of the operating subsidy formula – computation of utilities expense level (§ 990.170). Fifty (50) percent of the cost savings attributed to the add-on subsidy incentive must remain at the AMP level and the remainder may be used to fund the COCC.
- Resident paid utility incentive - Under this incentive, a PHA may exclude from its calculation of rental income the increased rental income due to the difference between the baseline utility allowance and the revised utility allowances of the projects involved, for the duration of the contract period. Fifty (50) percent of the cost savings attributed to the resident paid utility incentive must remain at the AMP level and the remainder may be used to fund the COCC.

## ***5. Capital Fund Program Reporting***

### **5.1 APPLICABILITY OF ASSET MANAGEMENT REQUIREMENTS TO THE CAPITAL FUND PROGRAM**

As determined in the Operating Fund Program final rule, a fee-for-service method will be put into practice as part of the conversion to asset management, which includes the Capital Fund Program. Beyond the Capital Fund management fee, Capital Fund Program funds can only be used to directly support the projects and its residents. **Except for certain exceptions noted in this section, and other than through use of management fees, Capital Fund Program funds cannot be used to directly support the COCC.**

Current requirements and restrictions for the Replacement Housing Factor (RHF) grants, Emergency Grants and Natural Disaster grants are unchanged at this time, unless otherwise noted below. HUD will provide further guidance on how and if these funds are affected by asset management in the near future.

### **5.2 CAPITAL FUND PROGRAM MANAGEMENT FEE**

Asset management requires that a fee-for-service approach be implemented for the Public Housing Program. HUD recognizes that the COCC will perform management and owner functions related to long-term capital planning, budgeting, oversight, monitoring, and reporting of the Capital Fund Program. Capital Fund Program management fees will be generated from the AMPs to fund costs incurred by the COCC for these functions.

The Capital Fund Program management fee covers costs associated with the COCC's oversight and management of the Capital Fund Program. These costs include duties related to general capital planning, preparation of the Annual Plan, processing of e-LOCCS, preparation of reports, drawing of funds, budgeting, accounting, and procurement of construction and other miscellaneous contracts.

This fee is **not** intended to cover costs associated with the physical needs assessments (PNAs), and the construction supervisory and inspection functions, since these are considered a front-line cost of the project.

The PHA may charge a management fee of up to 10 percent of the Capital Fund Program formula grant(s) amount, excluding RHF grants and Emergency and Disaster grants. Management fees for RHF grants are described in section 7.9. The Capital Fund Program management fee is considered part of the Capital Fund Program Budget Line Item (BLI) 1410, Administration, subject to the regulatory limitation of 10 percent of the Capital Fund grant. HUD will periodically review the Capital Fund Program management fee amounts to determine if any adjustments are warranted.

Prior to the implementation of asset management, and beginning with Federal Fiscal Year (FFY) 2007 grants, PHAs are not permitted to draw down any unobligated funds

pertaining to Administrative Costs (BLI 1410) of open Capital Fund Program grants as Capital Fund Program management fee.

For the Capital Fund and RHF Programs (see section 7.9 for fees for RHF grants), management fees will become effective beginning with FFY 2007 grants. For FFY 2006 and prior year grants, a PHA should continue to charge actual expenses. For FFY 2007 and subsequent year grants, the PHA shall charge management fees commencing the start of its first year under project-based budgeting and accounting. For example, assume a PHA's fiscal year starts October 1. This PHA is awarded its FFY 2007 Capital Fund grant in June of 2007. It can charge actual administrative costs from June through September. Beginning in October, it would switch to a management fee approach.

The Capital Fund Program management fee is available to be earned (drawn down) upon the awarding and availability of the Capital Fund Program grant at any time during the grant period and in any amount up to the 10 percent limit.

### **5.3 CONSTRUCTION SUPERVISORY AND INSPECTION COSTS**

Construction supervisory and inspection costs incurred during construction are considered front-line costs of the AMP. These expenses consist of documented costs incurred during the **construction phase** of the project. For those PHAs that use their own personnel to carry out this function, a time sheet will be required to substantiate the construction supervisor's time. Only actual, documented costs pertaining to construction supervision activities, such as inspections, incurred during the construction phase, can be charged directly to the AMP. Until current regulations are changed, these costs will be drawn down through the Dwelling Structures Budget Line Item (BLI 1460 or BLI 1430).

**Front-Line Costs vs. Management Fees.** Front-line costs are those that can be directly identified to an AMP. Such costs are typically items directly attributable to the AMP and include architectural and engineering fees related directly to a specific construction project, equipment purchases at the AMP level, and force account activities directly related to a specific construction project. Architectural, engineering and other like costs that are not directly related to an AMP or substantiated by time sheets are recovered through the Capital Fund Program management fee, including general capital planning activities, even if AMP-specific. Under asset management PNAs are considered AMP-specific, front-line costs.

For Example:

An architect designs plans for an improvement project for AMP 1. The expense for this service is considered a front-line cost and charged directly to the Capital Fund Program of AMP 1 and not covered by the Capital Fund management fee. The architect also assists the PHA in the preparation of the Annual Plan. As these costs are directly related to the planning, and reporting functions, they are considered COCC expenses and are recovered through the Capital Fund Program management fee.

#### **5.4 TRANSFERS TO OPERATIONS (BLI 1406)**

PHAs are allowed to transfer Capital Fund Program funds to operations (BLI 1406) if the PHA has included the use of Capital Fund Program grants for operations in its HUD approved Capital Fund Annual Plan. The statute and the regulations permit PHAs with 250 or more units under management to use not more than 20 percent of their Capital Fund grant(s) for operations, while PHAs with less than 250 units in management may transfer up to 100 percent of their Capital Fund grant(s) to operations. However, the transfer of these funds will be limited to the individual AMPs only. Transfers to the COCC are prohibited. Upon transferring Capital Fund Program funds to operations, the identity of these funds is lost and is governed by operating fund regulations.

#### **5.5 MANAGEMENT IMPROVEMENTS (BLI 1408)**

Management Improvements remain an allowable expense under the new model. However, these costs are limited to AMP uses and not the COCC. Management Improvements are limited to 20 percent of an Annual Capital Fund grant unless specifically approved by HUD or the PHA has been designated as a High Performer. See 24 CFR § 968.112(n)(2).

PHAs will be allowed to charge certain shared costs of **capital assets** that are used in conjunction with certain front line administrative services required by AMPs as described in Section 7.10. It must be proven that the major usage of the asset will come from AMP personnel. In all instances, the item must be reasonable and necessary to fulfill the responsibilities of front-line personnel and not cost more than if the asset could be purchased and used on-site.

#### **5.6 NON-DWELLING EQUIPMENT**

Non-dwelling equipment may only be used to support AMPs. The Capital Fund Program grant may not be used to support front-line service needs that continue to be centralized, except for designated administrative functions as described in Section 7.10. For example, a PHA could not use the Capital Fund Program grant to pay for a vehicle (non-dwelling equipment) of the COCC, other than with proceeds from the Capital Fund Program management fee.

#### **5.7 NON-DWELLING STRUCTURES**

The costs to develop or modernize an existing ACC non-dwelling structure under a 20 year Capital Fund Declaration of Trust (both COCC and AMP structures) are an eligible Capital Fund expenditure. However, in the case where the non-dwelling structure is assigned to the COCC, any proceeds (office rent charges, community room rentals, etc.) collected would then be considered program income, subject either to all Capital Fund or Operating Fund requirements.

## **5.8 FUNGIBILITY OF WORK ITEMS**

Fungibility permits a PHA to substitute any work item from the latest approved Five-Year Plan to the Annual Plan according to the Capital Fund requirements and 24 CFR part 903. PHAs may exercise the use of fungibility but are required to reflect these changes in their *Five Year PHA Plan*. The use of fungibility extends not only to individual work items, but also between AMPs within the same Capital Fund Program or between Capital Fund Program years.

## **5.9 CAPITAL FUND FINANCING PROGRAM**

The Capital Fund Financing Program (CFFP) will not be affected programmatically by the changes introduced in the final rule. PHA debt incurred through this program is still a legal liability of the PHA as a whole. Only the accounting and reporting for these financing activities will now generally be recorded at the AMP level in the FDS, as well as on a loan/bond basis, and AMP basis, in the Annual Statement. Individual AMP balance sheets will list AMP debt as a liability. The grant revenue associated with the principal and interest payments will also be recorded at the AMP. It is possible that the liability related to the CFFP may need to be allocated between AMPs due to the financing activities of the AMPs. In that case, the Capital Fund Program revenue will also be recorded at the AMPs based on a prorated amount of the debt service.

PHAs with assets financed under CFFP and allocated to the COCC will record the associated debt at the COCC. Grant revenues related to payments for principal and interest related to these COCC assets may be recorded directly by the COCC from the program. Capital Fund Program grants will continue to be allowed to service the debt service payments for this COCC debt. These payments of CFP funds for COCC debt service payments are not considered part of the CFP management fee.

Capital Fund Program management fees will be considered earned annually and calculated from the total amount of the Capital Fund Program award. Other than for Mixed Finance projects, additional management fees are not permissible for CFFP activities since these management fees will be earned annually based on the total amount of the Capital Fund Program grant. Notwithstanding the above, to the extent that CFFP proceeds are used for Mixed Finance modernization or development, those proceeds may be used for administrative costs pursuant to the Mixed Finance program's Cost Control and Safe Harbor Standards.

As a reminder, Capital Fund Program grant funds must be used first to pay the costs (i.e., debt service payments) associated with the CFFP prior to any other use, including before any Capital Fund Program management fees.

## 5.10 SMALL PUBLIC HOUSING AGENCIES

PHAs under 250 units that do not convert to asset management will note slight changes to the Capital Fund Program reporting. The AMP will account for revenues and expenses related to Capital Fund Program. Typically, these agencies will not be required to use the management fee approach for recovering indirect costs.

## 5.11 ACCOUNTING FOR THE CAPITAL FUND PROGRAM

**General Guidance.** The Operating Fund Program final rule requires PHAs to prepare financial statements at the project level in accordance with GAAP, including all revenue sources and related costs to the project. As a result, each AMP will account for its related Capital Fund Program costs, including construction, purchase of project equipment and other related Capital Fund Program expenses, along with corresponding grant revenue, on the AMP financial statements.

One of the main focuses regarding the new accounting requirements imposed by the Operating Fund Program final rule is to maintain consistency throughout the entire process, including budget forms, revised FDS line items, Annual Plan submissions, etc.

**Capital Fund Program Grant Revenue Recognition.** HUD allows for PHAs and their auditors to determine and apply GAAP appropriately (for instance, some PHAs classify all Capital Fund Program revenue as non-operating revenue while others include these amounts as operating revenue). HUD only requires that FDS-reported amounts be easily reconciled to the general-purpose financial statements. Costs will need to be tracked to the AMP and the Capital Fund Program funding year for which the expenditure was incurred.

**Capital Fund Program Management Fee.** HUD considers the Capital Fund Program management fee to be a non-operating cost charged to AMPs and will be reported as a non-operating expense to the AMP on the FDS. PHAs may again report this expense based on their own interpretation of GAAP in their financial statements. The management fee will be listed as an operating revenue at the COCC. The AMP expense and related COCC revenue should be eliminated for presentation purposes. Due to the requirements imposed on all AMPs during the planning phases of the Capital Fund Program, the Capital Fund Program management fee expense may need to be divided between AMPs. It is recommended that a straight per unit distribution method be used to report the costs between the projects. However, any reasonable allocation of costs between the projects is allowed.

## ***6. Excess Cash and Fungibility***

### **6.1 OVERVIEW**

The final rule establishes certain limitations, as well as certain freedoms, on the use of project income depending on whether a project generates “excess cash.” Excess cash represents non-restricted liquid or near liquid assets available after near term liabilities and normal project operation expenses are considered. Excess cash is calculated using a balance sheet approach. The policies below have been developed using norms in the broader multi-family management industry as required under § 990.255.

### **6.2 USES OF EXCESS CASH**

After the first year of project-based budgeting/accounting, PHAs are limited in the amount of cash to be transferred between AMPs or to be paid as asset management fees to the COCC. This limitation is entitled “excess cash” and is similar to the “surplus cash” calculation in multifamily programs. If the AMP has excess cash available it may:

- Retain these funds for future use;
- Transfer these funds to other AMPs;
- Pay an asset management fee to the COCC;
- Use these funds for other HUD-approved eligible purposes, including:
  - Financing costs for the modernization or development of new units (to the extent allowed under program rules);
  - PHA-wide lawsuits and legal issues incurred prior to asset management that cannot be charged to specific AMPs or other programs with any degree of accuracy or fairness; and
  - Accrued pension liabilities, retirement benefits liabilities and other “legacy costs” incurred prior to adoption of asset management.

### **6.3 CLARIFICATIONS ON USES OF EXCESS CASH**

The following uses of excess cash are not permitted:

- The COCC may not be loaned or transferred excess cash except through asset management fees; and
- Proceeds from asset disposals of an AMP – i.e., the sale of a project’s maintenance vehicle – are considered to be assets of the AMPs and not of the COCC. With HUD approval, certain proceeds may be transferred to the COCC but may still be governed by other restrictions.

### **6.4 EXCESS CASH DEFINED**

Excess cash will be calculated using PHA-reported data from the FDS. It represents the sum of certain current asset accounts less the sum of all current liability accounts, less

one month worth of operating expenses for the project. The determination of one-month operating expenses will be calculated by dividing FDS line 969 (Total Operating Expenses) by 12. The result of this calculation is defined as the excess cash of the AMP. Table 6.1 shows the current FDS line items that will be used to determine excess cash.<sup>22</sup>

**Table 6.1: Calculation of Excess Cash—FDS Line Items<sup>23</sup>**

No.	FDS Line Number	FDS Description	Account Type
1	111	Cash – unrestricted	Current Asset
2	114	Cash – tenant security deposits	Current Asset
3	115	Cash – restricted for payment of current liability	Current Asset
4	120	Total receivables, net of allowances for doubtful accounts	Current Asset
5	131	Investments – unrestricted	Current Asset
6	144	Interprogram – due from	Current Asset
7	310	All current liability FDS line items (311 -348)	Current Liabilities
8	969 / 12	Total operating expenses / 12 months	Working Capital Minimum

## 6.5 FUNGIBILITY – EFFECTIVE DATE

The Operating Fund Program regulations (§ 990.205) state that operating subsidy will remain fully fungible between ACC projects until subsidy is calculated by HUD at the AMP level. After subsidy is calculated at the AMP level, PHAs are limited in transferring excess cash between AMPs or to the COCC. HUD will begin AMP-based subsidy calculations in Calendar Year 2008. Table 6.2 shows the effective start date for excess cash in relation to a PHA’s year-end.

**Table 6.2: Excess Cash**

PHA Fiscal Year-End	Effective Start Date for Excess Cash
June	07/01/2008 and after
September	10/01/2008 and after
December	01/01/2009 and after
March	04/01/2009 and after

Restrictions on excess cash will occur with the first project-based submission. Prior to this time (i.e., the first project-based submission), all funds are considered fully fungible, including to the COCC. Once the PHA has reported project-based financial data, the AMP and COCC balance sheets will be used to calculate the amount of excess cash available. Excess cash rules described herein will then be effective. However, as indicated in Chapter 1, in the second year of project-based budgeting and accounting,

<sup>22</sup> Line 310 of the FDS includes the liability associated with tenant security deposits, which are not an asset of the PHA but are to be refunded to the resident on termination of tenancy, less charges.

<sup>23</sup> Table 6.1 is based on the current FDS line items. This chart may be modified as new FDS line items are added to or deleted from the FDS chart of accounts.

each project must have positive excess cash for purposes of fungibility (no requirement for excess cash equal to one month of operating expenses). By the third and all subsequent years, a project must have excess cash equal to at least one month of operating expenses for purposes of fungibility.

## 6.6 ITEMS FOR CONSIDERATION

The following items are presented for consideration by PHAs for strategic planning:

- If a PHA fails to submit a required FDS or the FDS is not accepted, excess cash will remain at the AMP and will be unavailable for the uses described above.
- Excess cash available can be calculated as soon as the PHA closes its books for the year and is able to make the calculation. At that time excess cash may be used. However, the final amount of excess cash available is based on the approved audited submission. For example, a December 31, 2006, FYE PHA may be able to calculate excess cash on February 15, 2007. This amount can then be used to pay an asset management fee in 2007. However, if the audit adjusts these numbers later in the year, the PHA may have more or less excess cash for the year. If the PHA has already moved excess cash over the amount as calculated using the audited numbers, the receiving AMP or COCC must return that money back to the originating AMP immediately.
- Properties may not transfer excess cash or loan funds at any time during a given fiscal year based on projections or “expected” excess cash calculations for that same year.
- If the PHA is not required to file an audited submission, then the final amount is based on the approved unaudited submission.
- Prior to the first project-based submission (beginning with PHA fiscal years ending June 30, 2008), all operating funds are completely fungible, including to the COCC.
- The working capital component of the excess cash calculation will be eliminated on Mixed Finance projects that are managed by a separate owner or entity. The calculation for such projects will be limited to the assets and liabilities described above. HUD assumes that sufficient working capital exists at the property.
- PHAs that choose to use Capital Fund Program funds for operations will have ordinary expenses associated with the use of these funds calculated as part of that AMP’s operating expenses.
- HUD understands that PHAs may transfer Capital Fund Program funds to operations in order to create excess cash. While permissible, HUD cautions PHAs that the use of Capital Fund Program funds should be in the best interest of the property.
- Cash and other resources can be transferred to AMPs from the COCC without any restrictions.
- PHAs are encouraged to develop their own minimum working capital levels for each AMP based on the individual current and projected AMP need, including any management restrictions.

## ***7. Fee Income and Assignment of Costs***

### **7.1 INTRODUCTION**

There are several types of fees the COCC can charge AMPs or programs. These fees include the following:

- Property (project) management fees, including bookkeeping fees;
- Fees for centrally provided direct services (front-line expenses);
- Asset management fees;
- Capital Fund Program management fees; and
- Management fees for other programs.

A detailed explanation of these fees follows, including amounts, how reasonableness will be determined, limitations on their application, and the assignment of costs as either a front-line expense or an expense covered by management fees.

From time to time, HUD may revise both the schedule of fees and the classification/assignment of costs between the COCC and projects.

### **7.2 TREATMENT OF FEE INCOME UNDER OMB CIRCULAR A-87 AND 24 CFR PART 85**

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* (also at 2 CFR Part 225), as well as 24 CFR part 85, *Administrative Requirements for Grants and Cooperative Agreements to State, Local, and Federally Recognized Indian Tribal Governments*, establish the basic requirements on the use of federal program funds. For PHAs that convert to asset management (required of PHAs with 250 or more units), any internal fee-for-service charges to AMPs or programs (property management fees, asset management fees, etc.) are used to reimburse the PHAs for its claim of the overhead costs related to these programs (these overhead costs are previously claimed through the cost allocation process under OMB Circular A-87). The fee-for-service amounts are considered non-program income for purposes of A-87 and 24 CFR part 85; however, other state and local restrictions may still apply. Consequently, any reasonable fees earned by the PHA/COCC will be treated as local revenue subject only to the controls and limitations imposed by the PHA's management, Board or other authorized governing body.

Only the fee-for-service amounts are considered non-program income and not other program funds. For example, assume that a project receives revenue from leasing its rooftop to a cellular phone company. That rooftop revenue would be considered program income in that the income was generated by a program asset. On the other hand, the management fee (or fee-for-service) charged to the project, and received by the COCC, would not be considered program income. The PHA has "earned" the management fee

and the PHA may use such funds in accordance with its mission, subject only to any local, but not federal, restrictions.

The PHA is not required to document or demonstrate actual costs to earn management fees. Additionally, the PHA is not required to distinguish or separately account for the expenses or costs associated with the fee income from its public housing programs vis-à-vis its other business activities. Collectively, the PHA/COCC can use all fees earned to fund the operations of the COCC.

### **7.3 MANDATORY VS. VOLUNTARY ADOPTION OF MANAGEMENT FEES**

Under the Operating Fund Program final rule, PHAs with 250 or more units must utilize a management fee in lieu of allocations for the Operating Fund and Capital Fund Programs. As discussed more fully in this chapter, the change to a management fee approach for the reimbursement of overhead in the Section 8 HCV Program is currently voluntary; however, if a PHA maintains an allocation system for the recovery of overhead costs under the HCV Program, the PHA cannot charge the HCV Program more than the allocated amount.

### **7.4 DEMONSTRATING FEE REASONABLENESS**

Section 990.280 of the final rule provides for the establishment of “reasonable” property management fees and asset management fees. PHAs may use the following guidelines to determine the reasonableness of fees for sections 7.5 through 7.9 of this document, as well as the establishment of the initial working capital of the COCC (see section 4.3). HUD will review and update these guidelines and associated referenced schedules annually.

HUD will presume that fees established pursuant to these guidelines are “reasonable.” PHAs are not required to comply with the reasonableness requirements of § 990.280 until the second year of project-based budgeting and accounting. A PHA may consult with HUD regarding its fees. HUD will provide its views on the reasonableness of the PHA fees, and work with the PHA to develop a fee schedule. As part of the consultation, HUD may request that a PHA provide documentation on the actual costs in the jurisdiction and explain the factors causing any differences between actual costs and the PHA fee schedule. Generally, HUD will consider a schedule with an additional two-year phase-in for compliance to be reasonable, based on the review of such documentation/explaining factors. A fee schedule agreed upon by the PHA and HUD meets the reasonableness standard for fees under the Operating Fund Program regulations.

If a PHA considers the fees in this document to be inadequate to address their individual circumstances, a PHA may use data that reflects conditions of the local market. HUD is aware that PHAs are diverse, having different resources and constraints. During this period of interim guidance and prior to any rulemaking that may be initiated on fees, PHAs may document, as support, that a fee charged is appropriate for the scope of work,

specific circumstances of the property, and local market for the services provided. The data used may include fees paid by the PHA for private management of public housing through effective competition. PHAs should be ready to justify the departure from fees in these guidelines upon inquiry from HUD or other interested parties.

PHAs should consult with HUD on fees that may depart from this guidance prior to charging such fees. HUD will provide a PHA with its view on the reasonableness of the fees intended to be charged.

## 7.5 PROPERTY MANAGEMENT FEES

**Reasonableness.** A PHA may charge a reasonable management fee based on any of the following:

- The property management fee schedules established for each HUD Multifamily Field Office. Generally, the Office of Multifamily Housing establishes fee ranges for federally subsidized properties that reflect 120 percent of the mean property management fee for profit-motivated properties that are well managed, in good physical condition, and are managed by independent agents with no identity-of-interest involvement; or
- The 80<sup>th</sup> percentile property management fee paid by all unlimited dividend, limited dividend, and non-profit Federal Housing Administration (FHA) properties, by HUD Field Office, excluding such programs as cooperatives and nursing homes. These amounts are included as Attachment A.<sup>24</sup>

**Amount Earned.** The property management fee is calculated as a per-unit-month (PUM) fee and earned for each occupied unit and HUD-approved vacancy, as described under the final rule. In other words, management fees are to be earned monthly for each occupied unit or approved vacancy, as per §§ 990.140 and 990.145, respectively. PHAs *will not* earn a property management fee on units defined as “limited vacancies” pursuant to § 990.150. New units that come on line during the PHA’s fiscal year begin to earn the property management fee in the month the units first become occupied. Once initially leased, new units are also eligible to earn the property management fee for HUD-approved vacancies as described in § 990.145.

**Privately Managed Public Housing.** For those AMPs that are privately managed, the COCC can retain the difference between a reasonable property management fee as defined in this chapter and the actual cost of the property management fees paid to the private management company, including any Mixed Finance projects.

**Mixed-Finance Public Housing.** The COCC will not earn a property management fee for a Mixed Finance project unless the COCC is managing the day-to-day activity (i.e., is the management company of the respective project). However, if the project is privately

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<sup>24</sup> Amounts based on 2005 Annual Financial Statements submitted to the REAC (most recent data). HUD will publish revised schedules annually.

managed, then the COCC may retain a portion of the fee as described in the preceding paragraph.

**Management Fees for Units Undergoing Demolition.** The COCC may earn a property management fee for units undergoing demolition for three years at the following amounts:

- Year 1, 75 percent of the PUM property management fee for all ACC units associated with the demolition.
- Year 2, 50 percent of the PUM property management fee for all ACC units associated with the demolition.
- Year 3, 25 percent of the PUM property management fee for all ACC units associated with the demolition.

**Management Fees for Units Undergoing Disposition.** The COCC may earn a property management fee for units undergoing disposition for two years at the following amounts:

- Year 1, 75 percent of the PUM property management fee for all ACC units associated with the disposition.
- Year 2, 50 percent of the PUM property management fee for all ACC units associated with the disposition.

**Bookkeeping Fee.** The property management fee may include a reasonable bookkeeping fee for the property accounting function. The average bookkeeping fee in HUD's multifamily housing programs is about \$3.73 per unit monthly (PUM) (2005 data). Generally, HUD will consider \$7.50 PUM to be a reasonable fee. A higher bookkeeping fee for PHAs reflects higher centralized information technology and human resource costs present in public housing. For financial reporting purposes, this bookkeeping fee, as is standard business practice, is to be presented separately from the property management fee on the PHA's financial statements. The bookkeeping fee is earned for each occupied unit and HUD-approved vacancy, as described under § 990.145. In other words, bookkeeping fees are to be earned monthly for each occupied unit or approved vacancy, as per §§ 990.140 and 990.145, respectively. PHAs *will not* earn a bookkeeping fee on units defined as "limited vacancies" pursuant to § 990.150. New units that come on line during the PHA's fiscal year begin to earn the bookkeeping fee in the month the units first become occupied. Once initially leased, new units are also eligible to earn the bookkeeping fee for HUD-approved vacancies as described in § 990.145. A PHA cannot charge a project a bookkeeping fee if project accounting functions are also performed on-site and charged as a front-line cost. All PHAs with 250 or more units can charge each project a bookkeeping fee. PHAs with fewer than 250 units can charge each project a bookkeeping fee if they convert to asset management and establish a separate COCC. PHAs with fewer than 250 units that do not establish a COCC, or do not convert to asset management, cannot charge a bookkeeping fee (for more information see Chapter 9 – Small PHAs).

## 7.6 ASSET MANAGEMENT FEES

**Reasonableness.** The COCC may earn an asset management fee. HUD will generally consider an asset management fee charged to each project of \$10 PUM as reasonable. Asset management fees shall be based on all units under an ACC. In multifamily housing, the asset management functions of owners are primarily funded through cash flows. This \$10 PUM asset management fee was determined based on an examination of cash flows in HUD's multifamily projects and the consideration that certain asset management activities in public housing are also recovered through the Capital Fund Program management fee.

**Amount Earned.** The asset management fee is calculated as a PUM fee and earned for all units under ACC (including Mixed Finance ACC units), regardless of occupancy status or ownership/management. In other words, asset management fees are to be earned based on the total number of units under the ACC for each project. New units that come on line during the PHA's fiscal year begin to earn the asset management fee in the month the units first become occupied. The COCC is eligible to earn the asset management fee on an ACC unit until the unit becomes vacant after a HUD-approved demolition or disposition plan.

**Eligibility.** All PHAs with 250 units or more can charge each AMP a reasonable asset management fee. PHAs with fewer than 250 units can charge an asset management fee if they convert to asset management, have more than one AMP, and have established a separate COCC (for more information see Chapter 9 – Small PHAs).

**Restrictions.** Payment of asset management fees to the COCC can be made throughout the PHA's fiscal year, but only up to the amount of excess cash as calculated from the prior year's FDS. Asset management fees *may not* be accrued by the COCC if in any fiscal year the AMP lacks sufficient excess cash to pay the fee or is otherwise non-compliant with the guidelines described in Chapter 6.

## 7.7 CAPITAL FUND PROGRAM MANAGEMENT FEE

The COCC may charge a Capital Fund Program management fee to each AMP receiving Capital Fund Program funds, as described in Chapter 5.

## 7.8 HOUSING CHOICE VOUCHER PROGRAM FEE

HUD encourages the adoption of a fee-for-service methodology for the HCV Program for the treatment of overhead costs.

Today, PHAs are paid an "administrative fee" for the operation of the HCV Programs. This administrative fee covers both direct costs, e.g., the salaries of the staff administering the HCV waiting list or conducting HCV unit inspections, and indirect costs, e.g., a portion of the executive director's salary allocated to the HCV Program. Under fee-for-service, PHAs may, in lieu of overhead allocations, charge the HCV

Program a management fee for these indirect or overhead costs, as outlined in the paragraphs, below.

Existing appropriations language restricts the use of HCV administrative fees to activities related to the provision of tenant-based rental activity authorized under section 8. Costs directly related to the day-to-day operations of the HCV Program, such as salaries of occupancy specialists or rented space for intake activities, clearly qualify under this definition while overhead costs require more stringent documentation. For PHAs that elect to use a fee-for-service methodology for its HCV Program for overhead/indirect costs, HUD will consider a management fee of up to 20 percent of the administrative fee or up to \$12 PUM per voucher leased, whichever is higher, as meeting the requirements of the appropriations act. See Table 7.1 for determining which costs are to be paid from the HCV management fee and which are to be front-line costs. Under this methodology, PHAs can also charge the HCV Program a \$7.50 PUM bookkeeping fee for the program accounting function in addition to the management fee.

PHAs that elect to maintain an allocation system for the recovery of overhead costs under the HCV Program cannot charge the HCV Program more than the allocated amount and must maintain auditable documentation to support its allocation of costs and their relationship to the provision of tenant-based rental activity authorized under section 8.

## 7.9 OTHER FEES

**PHA Administrative Fee Development.** Development includes activities approved under 24 CFR part 941 that can involve the use of Capital Fund Program funds, HOPE VI funds, or other public housing capital assistance eligible to be used for development. Eligible costs include administrative costs incurred for development. A PHA may use these public housing funds to pay for its administrative costs in connection with the development. A reasonable amount for administration would be 3 percent of the total project budget. The total project budget includes all hard and soft development costs paid with both public and private financing. The total project budget should exclude Community and Supportive Services for purposes of calculating the administrative fee. If a development is at or below the safe harbor fee, no further review is required. Alternatively, the PHA may charge up to a 6 percent administrative fee for the costs of development administration provided the housing authority demonstrates to HUD, in writing, that the fee is appropriate for the scope of work, specific circumstances of the project, and local or national market for the services provided. This paragraph also applies to Capital Fund Financing and RHF grants.

A PHA may use the administrative fee to pay for the development project manager or hire outside consultants, including a program manager or development and financial advisors. The administrative fees or costs incurred must be within the applicable administrative fee limits.

The PHA administrative fee for Development activities outlined above is considered a special administrative cost.<sup>25</sup> As such, it may be charged to the Capital Fund Program in addition to the Capital Fund Program fee of ten percent for administration.

This supplement is intended to allow PHAs to use a fee-based structure in lieu of cost allocation systems. The Cost Control and Safe Harbor Standards for Rental Mixed-Finance Development, Revised April 9, 2003, currently require actual documented expenditures for administration. This notice supersedes that requirement, but does not alter or eliminate any other criteria for the evaluation of Mixed Finance development as outlined in that document.

**Other PIH and HUD Grants.** If a fee rate has not been established for a grant, a PHA should charge no more than 15 percent of the grant amount as a management fee for other public housing grants. Where administrative cost are set through other notices, regulations and existing grant agreements, for example, the ROSS program and its annual NOFA requirements, these policies and agreements are controlling.

**Non-Federal Programs.** HUD cannot dictate to the PHA that a fee-for-service methodology be used in State-funded or other business activities the PHA may administer. However, HUD believes such a policy makes good business sense for the following reasons:

- It provides relief from maintaining a dual system to recover indirect costs;
- It simplifies budgeting for indirect cost recovery; and
- It provides relief from having to verify to auditors that a dual system is treating all programs fairly and consistently with regard to how indirect costs are recovered.

In setting a management fee for non-federal programs, the PHA may wish to develop a fee structure in line with those authorized for its federal programs. In the process of establishing this policy, the PHA must consider any contractual limitations dictated by the granting agency.

## 7.10 ASSIGNMENT OF COSTS

For the Operating Fund Program, PHAs should refer to Table 7.2 for classifying costs as either a front-line expense (an expense of the project) versus a fee expense (an expense of the management company, i.e., the COCC). PHAs may also refer to Chapter 6 of the Multifamily Management Agent Handbook, HUD 4381.5, for additional guidance on determining which expenses should be paid from fees.

**Prorating Front-Line Administrative Costs.** HUD recognizes that, from time to time, there are certain front-line administrative services required by AMPs that may be more cost-effective to perform centrally. Where a clear market price can be established for this centralized activity, the PHA may utilize a fee-for-service, providing the PHA maintain

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<sup>25</sup> Special administrative costs in excess of the 10 percent administrative expense limit are permitted pursuant to §968.112.

adequate documentation and the price/service is in the best interests of the project.<sup>26</sup> Otherwise, the PHA may prorate the costs using a reasonable methodology, as discussed below. The methods used by the PHA to prorate centrally provided front-line costs should be in writing. PHAs may update the proration rate throughout the year as circumstances warrant. At a minimum, at the end of the PHA's fiscal year, the PHA will need to adjust to actual costs.

A prorated front-line administrative function must not cost more than what the project would incur if performed on-site. In all instances, front-line prorated costs must be reasonable, necessary, and based on services provided. AMPs with on-site staff that can provide these functions for themselves may not also be charged these services. With the exception of a central waiting list, resident service, and security/protective services a project may not pay for the cost of a supervisor overseeing a front-line task that is performed centrally.

Pro-rated costs include direct labor, supplies, and equipment. Equipment purchased to support these frontline administrative costs may be purchased with Capital Funds if within the program regulatory requirements for eligible costs (currently at 24 CFR § 968.112) or operating funds to the extent reasonable and necessary. These equipment purchases remain as program assets and reflected on the books of each project.

The following is a discussion of certain front-line tasks that could be performed centrally and prorated back to projects. Centralized maintenance services, as explained below, cannot be prorated but must be charged using a fee-for-service. In the future, as more information becomes available, HUD may issue fee rates for some of the following activities.

- **Rent Collection.** A PHA that chooses to centralize rent collections may charge the personnel costs of rent collection clerks (with the exception of supervisory personnel) as a front-line prorated cost to its AMPs. The PHA's job description for employees engaged in rent collection must specifically list this function as a responsibility of the employee. In addition, if the employee's job duties include activities other than rent collection, the PHA must separately determine the percent of time spent on rent collection activities from other general tenant accounting duties and prorate the individual's time accordingly. Note: General tenant accounting costs are recovered through the bookkeeping fee and are not considered front-line expenses.
- **Resident Services.** It is the preference of HUD that all resident services, to the extent practical, be site-based. In such instances, the cost of the services provided should be easily tracked to an AMP. Where PHAs cannot reasonably track personnel costs for resident services, including supervisory personnel costs, to an AMP, PHAs are permitted to prorate these costs to AMPs.
- **Security/Protective Services.** The same requirements as for resident services apply. In addition, HUD may require PHAs with extensive centralized

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<sup>26</sup> For example, a COCC may perform computer repair work for AMPs that would otherwise be handled by contract and charged as a front-line cost. The COCC could charge the market price for that work.

security/protective service operations that cannot readily be tracked to an AMP to submit a plan to provide for more direct deployment of these expenses in the future.

- **Waiting List, Screening, Leasing, and Occupancy.** PHAs have only recently been permitted to establish site-based waiting lists. PHAs that centralize these functions may prorate the direct costs of this function, including supervisory personnel, to the AMPs. Such prorations may be based on the number of units, average turnover, or another reasonable allocation method.
- **Work Order Processing.** The norm in multifamily housing is that work order processing is a function handled on-site. A PHA may charge the cost of centralized work order processing only if the PHA documents/justifies that the cost is reasonable and necessary.

As circumstances warrant, HUD may determine the need to modify the list of front-line costs that can be prorated.

**Shared Resource Costs.** Where it is not economical to have full-time personnel dedicated to a specific AMP, the PHA may establish a reasonable method to spread these personnel costs to the AMPs receiving the service. Shared resource costs are distinguished from front-line prorated costs in that the services being shared are limited to a few AMPs as opposed to being prorated across all AMPs. The method used to spread these costs to the AMPs receiving the service must follow the guidelines established for front-line prorated costs.

For personnel who provide both shared resources to AMPs and the COCC, the PHA will need to separate the amount of time spent on providing services to AMPs and the COCC based on a reasonable methodology. Where salary rates for personnel providing the shared service to an AMP are not reasonable, the rate used must not exceed what would be considered a reasonable rate. For example, assume that the Executive Director of a small PHA that converts to asset management utilizing the COCC model is paid \$35 per hour. If that Executive Director were to provide a shared service to an AMP, the COCC could not charge the AMP at \$35 per hour if a reasonable rate for that service (what a housing manager would normally earn) were \$20 per hour. In this case, the \$15 difference would have to be recovered by fees earned.

As with front-line prorated costs, in all instances shared resource costs must be reasonable, necessary, and based on services provided to the AMP.

**Centrally Provided Maintenance Services.** Where a PHA chooses to centralize a maintenance service, including centralized inspections, to a project, it must use a fee-for-service.<sup>27</sup> The fee-for-service must not exceed what the project would incur for the service if obtained through the market. For example, if the market price is \$100 for an electrician to replace a faulty outlet, the PHA could perform that task centrally and charge the project up to \$100, regardless of the actual time/costs incurred by the PHA to

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<sup>27</sup> Projects should pay only for normal unit/preventive maintenance inspections and not quality control inspections that are a responsibility of the COCC.

replace the outlet. If the PHA elects to provide centralized services to an AMP for a fee, the AMP may only be charged for the actual services provided and only to the extent that such amounts are reasonable. If, during the year, the COCC was unable to recover its direct personnel costs for centralized maintenance services, due to under-utilization or due to a determination that rates charged to the AMPs were unreasonable, the balance of the cost must be covered by the COCC's other fees. The PHA will not be allowed to prorate un-recovered centrally provided maintenance service costs to AMPs. PHAs may also charge the project for actual materials used. For example, if a centralized electrician repaired a faulty outlet at a project, the project could be charged the fee for labor plus the costs of the outlet at market cost (assuming both were reasonable). Documents supporting the established rate should be retained for review by HUD, the PHA's auditor or other authorized individuals.

The requirement to use a fee-for-service for all centrally provided maintenance services, whether technical or routine, shall begin no later than the PHA's second year of project-based budgeting and accounting. In the first year of implementation, a PHA must charge a project based on actual usage but may include with that charge any reasonable method of assessing other indirect costs associated with performing that work.<sup>28</sup> A PHA cannot charge a project for the costs of a centralized supervisor or administrative assistants.

**Labor Costs.** The following list provides guidance on the costs that are to be included when determining overall labor cost for front-line and COCC personnel.

- Gross salary;
- Employer FICA contributions;
- Federal unemployment tax;
- State unemployment tax;
- Worker's compensation insurance;
- Health insurance premiums;
- Cost of fidelity or comparable insurance;
- Performance incentives, and or annual bonuses; and
- Retirement benefits (pre and post retirement).

## **7.11 METHOD OF PAYMENT AND SUPPORTING DOCUMENTATION**

The preferred method of assessing fees to AMPs and programs is via an invoice. However, the COCC may use a more informal method of billing. Regardless of the method the COCC uses for assessing fees to AMPs and programs, supporting documentation of how each fee was earned must be maintained and available. For example, to document the property management and bookkeeping fee the PHA must be able to support the number of leased units as well as HUD-approved vacancies (type of approval, unit number, category, etc.) that were used to make the calculation. In addition,

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<sup>28</sup> For this purpose, "indirect costs associated with performing that work" include material, and equipments used on the work order but not general overhead costs.

the PHA will need to document how it determined that the fee rate was reasonable (i.e., it was based on a local multifamily management fee letter or the fee schedule provided by PIH).

**Table 7.1: Front-Line Costs and Fee Costs under the HCV Program**

Fee Expenses <sup>29</sup>	Front-Line Expenses
<ul style="list-style-type: none"> <li>• A share of the personnel costs (indirect personnel) for permanent and part-time staff assigned to the COCC. Indirect personnel costs include gross salary, federal and state payroll taxes and all employee benefits.</li> <li>• Establishment, maintenance, and control of an accounting system adequate to carry out accounting supervision responsibilities over the HCV Program.</li> <li>• General maintenance of HCV books and records (general ledger, accounts payable and receivable, payroll, etc.).</li> <li>• Supervision by COCC management staff of overall HCV Program operations.</li> <li>• Procurement of supplies, equipment and contract services for HCV Program activities.</li> <li>• Preparation of monitoring reports for internal staff and external reporting to HUD, other governmental agencies and other interested parties.</li> <li>• Preparation, approval, and distribution of HCV Program disbursements other than HAP.</li> <li>• COCC staff training, and ongoing certifications related to HCV Program activities.</li> <li>• Travel of COCC staff for training, or supervision related to HVC Program activities.</li> <li>• Attendance of COCC staff at meetings (including travel), with landlords, tenants, HUD, or other interested parties regarding HCV planning, budgeting, and review of general HCV Program activities.</li> <li>• Work with auditors for audit preparation and review.</li> <li>• Indirect cost allocations imposed on the HCV Program by a higher level of local government.</li> <li>• Hiring, supervision, and termination of front-line HCV staff.</li> <li>• Preparation and submission of HCV Program budgets, financial reports and year-end financial reports to HUD and other interested parties.</li> <li>• Monitoring and reporting on abandoned property as required by states.</li> <li>• Investment and reporting on HCV proceeds.</li> <li>• Storage of HCV records and adherence to federal and or state records retention requirements.</li> <li>• Development and oversight of office furniture, equipment and vehicle replacement plans.</li> <li>• Insurance costs for fidelity or crime and dishonesty coverage for COCC employees based on a reasonable allocation method.</li> <li>• The costs of board member stipends and non-training travel.</li> <li>• The costs of board member training that exceed HUD standards.</li> </ul>	<ul style="list-style-type: none"> <li>• Actual costs for direct personnel permanent and part-time staff, assigned directly to the HCV Program. Direct personnel costs include gross salary, federal and state payroll taxes and employee benefits.</li> <li>• Travel and training for personnel assigned directly to the HCV Program.</li> <li>• Preparation, approval, and distribution of HCV Program HAP disbursements.</li> <li>• Legal fees directly rated to the operation and management of the HCV Program, including tenant and landlord enforcement actions, and other HCV Program related matters.</li> <li>• The cost of obtaining and receiving background reports on tenants, verification of landlord ownership and other checks related to tenant and landlord selection and participation in the program.</li> <li>• All bank charges related to the HCV Program.</li> <li>• Costs of telephone, including basic services, directory listings, and long distance charges related to direct delivery of the HCV Program.</li> <li>• All advertising costs related specifically to the operations of the HCV Program to include but not limited to advertising for applicants, landlords and employees in newspapers, newsletters, radio, cable TV, and telephone books.</li> <li>• Postage and delivery costs for HAP checks, disbursements and other mailings required to support the activities of the HCV Program.</li> <li>• HCV office furniture, equipment, computers and vehicles.</li> <li>• Service agreements and warranties to support HCV office furniture, equipment, computers, and vehicles.</li> <li>• Insurance costs related to auto coverage for HCV vehicles and other equipment and assets of the HCV Program.</li> <li>• Insurance costs for fidelity or crime and dishonesty coverage for front-line (direct cost) employees based on a reasonable allocation method.</li> <li>• Direct costs of collection activities related to fraud recovery. (Regulations allow the direct costs of fraud recovery to be offset against fraud collections, but indirect costs may not be offset against fraud collections. Indirect costs of fraud collection activities must be born by the HCV management fee.)</li> <li>• Costs of preparing and maintaining tenant and landlord files and processing tenant applications, determining eligibility, tenant rent, tenant certifications, tenant re-certifications and unit inspections.</li> <li>• Public relations expenses related to maintaining positive relationships between the local community, landlords and tenants.</li> <li>• Professional service contracts related to direct services performed for the HCV Program.</li> <li>• Board member training and related expenses up to a limited amount as provided by HUD<sup>30</sup>.</li> </ul>

<sup>29</sup> Fees include management and bookkeeping fees

<sup>30</sup> Board training and related expenses must be reasonable and approved by the Board before being incurred. Training expenses incurred by COCC staff are management fee expenses and may not be charged to programs.

**Table 7.2: Front-Line Costs and Fee Costs under the Operating Fund Program**

<b>Fee Expenses<sup>31</sup></b>	<b>Front-Line Expenses</b>
<ul style="list-style-type: none"> <li>• Actual personnel costs for individuals assigned to the following positions:               <ul style="list-style-type: none"> <li>– Executive Director and support staff;</li> <li>– Human resource staff;</li> <li>– Regional managers;</li> <li>– Corporate legal staff;</li> <li>– Finance, accounting and payroll staff;</li> <li>– Information Technology staff including “help desk”;</li> <li>– Risk management staff;</li> <li>– Centralized procurement staff; and</li> <li>– Quality control staff, including quality control inspections.</li> </ul> </li> <li>• Purchase and maintenance of COCC arrangements, equipment, furniture, and services necessary to sustain the COCC.</li> <li>• Establishment, maintenance, and control of an accounting system adequate to carry out accounting and bookkeeping services for the AMPs.</li> <li>• Office expense including office supplies, computer expense, bank charges, telephone, postage, utilities, fax and office rent related to the general maintenance and support of the COCC.</li> <li>• The cost of insurance related to COCC buildings, equipment and personnel to include property, auto, liability, errors and omissions and casualty.</li> <li>• Work with auditors for audit preparation and review of audit costs associated with the COCC.</li> <li>• Central servers and software that support the COCC (not projects).</li> <li>• The costs of Board member stipends and non-training travel</li> <li>• The costs of Board member training that exceed HUD standards.</li> <li>• The cost of a central warehouse, unless, with HUD approval, the PHA can demonstrate that the costs of maintaining this warehouse operation, if included with the cost of the goods purchased, are less than what the project would otherwise incur if the goods were obtained by on-site staff.</li> </ul>	<ul style="list-style-type: none"> <li>• Actual personnel costs for individuals (permanent and part-time) assigned directly to AMP sites, including project managers, site-based maintenance staff, and temporary help.</li> <li>• All repair and maintenance costs for the AMP, including:               <ul style="list-style-type: none"> <li>– Centralized maintenance provided under a fee-for-service arrangement, provided costs are reasonable and necessary;</li> <li>– Maintenance supplies;</li> <li>– Contract repairs including but not limited to heating and air conditioning, painting, roofing, elevators, and other systems located on a project;</li> <li>– Make ready expenses, including painting and repairs, cleaning, flooring replacements, and appliance replacements;</li> <li>– Preventive maintenance expenses, including occupied units’ repairs and maintenance, as well as common area systems repairs and maintenance;</li> <li>– Maintenance contracts for elevators, boilers and other project systems; and</li> <li>– Other related maintenance expenses such as snow removal, lawn care, Section 504 compliance, pest control and landscaping.</li> </ul> </li> <li>• Utility costs.</li> <li>• Costs related to maintaining a site-based office, including telephone, office supplies, computer expense, postage, copier expense, cell phones, office utilities, office equipment and furniture, equipment service agreements, software license agreements, office equipment and computer repairs and other related office expenses. (If the cost of software license agreements and equipment maintenance service agreements cannot be identified to specific AMP equipment, the cost may be allocated to AMPs using a reasonable allocation methodology.)</li> <li>• Advertising costs such as an AMP specific procurement action, solicitation for employees and other project specific advertising actions.</li> <li>• PILOT.</li> <li>• All costs of insurance for the AMP, including property liability and casualty, auto, as well as fidelity or crime and dishonesty coverage for onsite employees. (If the cost of insurance cannot be identified to the AMP, the cost may be prorated to each AMP using a reasonable allocation methodology.)</li> <li>• Professional service contracts for audits, energy audits, rehabilitation, and inspection contracts and other professional service contracts specific to a project.</li> <li>• Property management fees, bookkeeping fees, and asset management fees.</li> <li>• Subject to 24 CFR part 85, the HUD Litigation Handbook 1530.1 REV-5, PIH Notice 2006-9, legal fees must be directly related to the operation and management of the AMP, including tenant lease enforcement actions, landlord-tenant disputes, and other AMP-related legal matters. Without HUD approval, legal fees may not be incurred to represent any officer or employee of PHA, in</li> </ul>

<sup>31</sup> Fees include property management, bookkeeping and asset management fees.

<b>Fee Expenses<sup>31</sup></b>	<b>Front-Line Expenses</b>
	<p>her/his individual capacity, in connection with potential civil liability or criminal conduct issues related to PHA operations. AMPs cannot be charged retainers. Any charges to a project conducted by COCC legal staff must be based on services received by the project and documented by time records.</p> <ul style="list-style-type: none"> <li>• Audit costs (if the cost of agency's overall audit is not identified to the AMP level, the cost may be prorated using a reasonable proration methodology).</li> <li>• Vehicle expense (maintenance, gasoline and repairs) for site-based vehicles.</li> <li>• Staff recruiting and background check costs such as advertising, employment agency fees, drug testing costs and other direct costs to recruit project staff.</li> <li>• Family self-sufficiency staff and program costs.</li> <li>• Board member training and related expenses up to a limited amount as provided by HUD<sup>32</sup>.</li> </ul>

<sup>32</sup> Board Training and Related Expenses. Board training and related expenses must be reasonable, included in a project's budget, and approved by the Board before being incurred. Training expenses related to Board training may be prorated to projects using a reasonable methodology. Training expenses incurred by COCC staff are management fee expenses and may not be charged to projects.

## **8. *Mixed Finance Projects***

### **8.1 OVERVIEW**

On May 2, 1996, HUD published regulations in the Federal Register, Volume 61, which authorized PHAs to use a combination of private financing, public housing and other funds to develop public housing units. Projects developed under this method of financing are known as “Mixed Finance” projects.

Mixed Finance projects are governed by underlying partnership agreements. PHAs, utilizing the funds at their disposal, have participated in these projects in varying degrees. Generally, these projects result in a certain number of voucher or operating subsidy units in the project. Ownership in the project varies by agreement; however, the mixed finance projects are generally separate legal entities from the PHA. Normally, the PHA is not the owner of the Mixed Finance property and, accordingly, the direct and primary management responsibilities are often vested in another distinct and independent entity. Asset management responsibilities with respect to these projects also have a different focus when compared to conventional public housing.

The PHA will continue to negotiate with the owner as to the amount of subsidy to be provided to the project in accordance with current Mixed Finance rules and policy. However, PHAs are cautioned to remember that the use of another project’s operating subsidy for a mixed finance project is constrained by excess cash.

### **8.2 ASSET MANAGEMENT PROJECT NUMBERS**

Because of the nature of the underlying agreements and reporting and management requirements established for Mixed Finance projects, ACC units existing in each Mixed Finance project or “phase” of a larger mixed finance development should be reported under separate AMPs in PIC. In the case where a PHA has fewer than 250 units and does not intend to apply asset management, the PHA should still report the Mixed Finance project under a separate AMP. This action will not be interpreted by HUD that the PHA has elected to convert to asset management.

### **8.3 FINANCIAL STATEMENTS AND FDS REPORTING**

**Financial Statement.** In order to apply the proper reporting requirements, the PHA must first understand the underlying agreements that govern the Mixed Finance project. Historically, these projects<sup>33</sup> have been reported as either “blended component units”, “discretely presented component units”, or were not included in the PHA’s financial statements. The PHA, with assistance from its auditor, will determine the appropriate level of reporting for each Mixed Finance project under its control in accordance with

<sup>33</sup> This statement refers to the whole mixed finance project (ACC and non-ACC units), and not the subsidy stream of payments from the PHA to the project that has been normally reported as an expense of the Low Rent (public housing) Program that will now be reported in an AMP.

established GAAP, including the determination on the presentation of the component unit in the PHA's financial statements. Again, the determination of which reporting model is to be followed will depend on the individual circumstances of the PHA and the underlying agreements for each Mixed Finance project. PHAs should document their reporting decisions in accordance with the decision matrix provided within GASB Statement No. 14.

Once a decision is made on how the Mixed Finance project will be reported (e.g., discretely presented or blended component unit) the PHA must also consider how to report transactions between the PHA and Mixed Finance project. The underlying grants utilized by the PHA to fund the development and operation of the Mixed Finance projects generally results in Loans/Notes receivable from the PHA and Loans/Notes payable on the Mixed Finance project's books.

Other transactions must be reviewed individually and accounted for in accordance with GAAP. These decisions should be clearly documented, along with the underlying reasons for the decision.

**FDS Reporting.** At this time, each Mixed Finance AMP will be reported under a separate AMP supplemental schedule (i.e., its own AMP column) on the FDS. However, HUD is considering allowing PHAs to report all Mixed Finance projects under one FDS AMP column in future years.

Where the PHA receives a subsidy for the Mixed Finance project, the subsidy would be recorded within the respective AMP column along with the associated expense for the subsidy paid out to the Mixed Finance project. It is likely that the AMP would recognize a net income or loss based on the differential between the subsidy received from HUD and the subsidy paid to the Mixed Finance project as outlined within the relevant agreements. In all cases, the PHA must apply GAAP when recording these transactions. Where grant funds are received and loaned to the Mixed Finance project, the transactions must be reported within the applicable FDS column. The AMP column for a Mixed Finance project reports only the transactions between the PHA and the Mixed Finance project, which again will normally be the subsidy payment to the project. The amount of subsidy provided to the project may differ from the amount of subsidy that the PHA provided to the owner entity through the operating agreement. The unit information memo fields report only on the number of ACC units in the deal.

Table 8.1 includes a matrix of Mixed Finance reporting requirements.

**Table 8.1: Mixed Finance Project Reporting Matrix**

	<b>PIH Funding for Mixed Finance Projects</b>	<b>Mixed Finance Project Categorized as a Discretely Presented or Blended Component Unit</b>	<b>Mixed Finance Project Not Reported</b>
Normal FDS Column	AMP	Component Unit <sup>34</sup>	Not Reported
Receipt of Grant or Subsidy from HUD	Revenue in AMP Column on the FDS	None	Not Reported
Payment of Subsidy to Mixed Finance Project	Expense and/or Loan Receivable in AMP	None	Not Reported
Receipt of Grant, Subsidy, or Fees from PHA	None	Revenue in Component Unit Column	Not Reported
Use of Grant, Subsidy, or Fees from PHA	None	Expense or Loan Payable in Component Unit Column	Not Reported
Unit Information	ACC Units	All Units (ACC and Market Rate)	Not Reported

#### 8.4 ASSET MANGEMENT AND PROPERTY MANAGEMENT FEES

Any fees earned by a PHA for Mixed Finance projects must be based on the ACC units associated with the project.

- **Property Management Fees.** The entity managing the day-to-day operations of the Mixed Finance project typically earns a property management fee. This management fee is determined by the agreement between the managing entity and the owner.
  - In the case where the PHA is the management agent, the PHA's COCC would be allowed to earn a reasonable property management fee as negotiated between the owner and the PHA as the management agent up to the ceiling allowed by HUD.
  - In the case where the PHA is not the managing agent, if the management fee established in the agreement is less than the amount approved by

<sup>34</sup> PHAs should report blended component units as either component unit column or the business activity column on the FDS.

HUD, the COCC can earn the difference between the established rate on all ACC units and the HUD-approved rate.

Where a separate management agent is used by the Mixed Finance project, that management agent earns a property management fee at the rate agreed upon in management agreement. Again this includes a PHA that is also the managing agent.

- **Asset Management Fees.** The PHA's COCC will be allowed to earn an asset management fee from its Mixed Finance projects up to \$10.00 PUM as stated in Chapter 7. The asset management fee will be based on the ACC units maintained within the project. HUD is further analyzing asset management fees for Mixed Finance projects that are privately managed and reserves the right to adjust this fee at a future period based on comments received from the industry and through this additional research and analysis.

If the amount of subsidy received from HUD for a Mixed Finance AMP is greater than the subsidy paid to the Mixed Finance project, the extra funding (excess cash) follows the same restrictions as all other non-Mixed Finance projects, i.e., the PHA may: (1) retain these funds at the Mixed Finance AMP for future use; (2) transfer these funds to other AMPs; or (3) use these funds for other HUD-approved eligible purposes in accordance with section 6.2 of this document. Please note that the excess cash from the Mixed Finance AMP, for purposes of the Operating Fund Program final rule, is separate and distinct from the owner's actual books and accounts for the project.

As stated earlier, PHAs will need to report on each Mixed Finance project as a separate AMP. However, HUD realizes that for a majority of these projects, only limited financial data (usually only the transfer of subsidy and certain balance sheet accounts) will be reported in a Mixed Finance AMP column on the FDS. The project itself is usually reported either as a component unit or business activity on the FDS or not reported at all depending on the PHA's and auditor's determination. Therefore, HUD will re-evaluate this policy in the future and may decide to allow PHAs to report all mixed finance projects under one "Mixed Finance AMP column."

## 8.5 OPERATING SUBSIDY

The following clarifies certain operating subsidy items related to Mixed Finance projects.

**PEL.** Because Mixed Finance arrangements generally result in "floating" ACC units, the PEL will be established based on the property's characteristics. For all of the PHA's Mixed Finance projects, the Department will calculate the PEL using the ten percent nonprofit coefficient and the 100 percent assisted coefficient.<sup>35</sup>

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<sup>35</sup> Further information was published on December 28, 2005, in the [Federal Register](#) under the title "Public Housing Operating Fund; Variable Coefficients for Public Housing Operating Fund Project Expense Levels; Notice".

**UEL.** Similarly, the UEL will be calculated using the PHA-wide UEL in FY 2007. However, in FY 2008, the UEL for the Mixed Finance project will be based on the UEL of the project. If the project is new, then consumption and rate data from a comparable property will be used as the initial basis for determining the UEL.

**PILOT Add-On.** The PILOT add-on will be calculated based on the regulatory language included within the Operating Fund Program final rule (i.e., maximum shelter rent calculation). The regulation does not allow those Mixed Finance projects, which pays real estate taxes, any special consideration. In addition, audit costs can only be reimbursed for ACC units.

**Formula Income.** For FY 2007, formula income for Mixed Finance projects will be calculated based on the PHA-wide rent roll, exclusive of the rental information of those Mixed Finance projects not included in the low rent column of the FDS. For FY 2008 project-based subsidy calculation, the frozen-formula income will be based on the FY 2004 average rent for those ACC units in the Mixed Finance project, taking into consideration possible tenant utility allowances. For projects entering service after FY 2004, the formula income will use the most “representative” rental information for the new project. If representative rental information is not available for the project, comparable data for another new development, if one exists, could be used as the basis to estimate FY 2004 frozen formula income. However, once a valid base of rental information is established for the mixed finance project, HUD may adjust the frozen formula income to better reflect the actual rental income. This would not result in a retroactive adjustment to subsidy but instead be carried forward to future subsidy calculations.

**New/Deleted Units.** The addition and deletion of a unit will follow the same funding rules as conventional public housing.

**Review of Subsidy.** For PHAs that are planning a Mixed Finance project, HUD will review and provide a PEL if the PHA requests this information and provides the needed data on which to confirm or produce a PEL. This PEL will be for planning purposes only. The actual PEL will be calculated by using the data in PIC once populated. The PHA should currently make this request through email to PIH’s Financial Management Division.

## **9. *Small PHAs***

This chapter discusses special instructions for small PHAs (defined under the final rule as those with fewer than 250 public housing units) with respect to implementation of the Operating Fund Program final rule, given that these PHAs are not required to convert to asset management.

### **9.1 REPORTING REQUIREMENTS FOR SMALL PHAS NOT IMPLEMENTING ASSET MANAGEMENT**

Small PHAs who do not adopt the asset management model will have the following attributes:

- Will generally have only one AMP<sup>36</sup>.
- Will use the same FDS template as all other PHAs when reporting to HUD, with the AMP containing all Operating Fund Program and Capital Fund Program activity for this PHA. The separate Operating Fund Program and Capital Fund Program columns on the FDS will be eliminated.
- Will not use the COCC column and should maintain allocation systems for the recovery of overhead across programs, i.e., no fee-for-service or excess cash.
- Will use the elimination column only to eliminate transactions as required by GASB Statement No. 34.
- Will incorporate the updated FDS chart of accounts when reporting to HUD. However, many of these accounts will not be used as they are directly related to fee-for-service.
- Will report gross potential and vacancy loss associated with rent and subsidy.
- Are not eligible to receive the \$2.00 PUM asset management fee add-on as part of their subsidy request.
- Will not maintain a COCC and will not be subject to the guidelines related to property management fees.
- Will continue to follow the current Capital Fund Program requirements, including a ten percent limitation on Administration.
- Have no COCC. Therefore, the Capital Fund Program funds can be used to fund all eligible activities that would be normally associated with the COCC.

### **9.2 REPORTING REQUIREMENTS FOR SMALL PHAS ELECTING TO IMPLEMENT ASSET MANAGEMENT**

The final rule allows PHAs that own and operate fewer than 250 units to implement asset management on a voluntary basis, which would include agencies that convert in order to

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<sup>36</sup> All PHAs regardless of size need to report mixed finance projects as a separate AMP. Small PHAs that do not elect to adopt asset management model but have one or more mixed finance projects will report each of the mixed finance projects separately on the FDS but are still not considered to have adopted asset management.

qualify for stop-loss.<sup>37</sup> At the same time, HUD recognizes that small PHAs present unique challenges in converting to asset management, particularly in instances where the Executive Director also serves primarily as the site manager. Therefore, to ease the reporting burden, small PHAs that convert to asset management have the following options:

- First, they can adopt all the associated requirements in this supplement that apply to PHAs with 250 or more units, including the adoption of a fee-for-service model and the creation of a separate COCC.
- Second, if they have only one AMP, they do not need to establish a separate COCC (and the tracking of individual costs between the AMP level and the COCC) but instead will also be governed by “reasonable” total administrative costs, as shown in Table 9.1.
- Third, if they have two or more AMPs, they also do not need to establish a separate COCC during the first two years of project-based budgeting and accounting and instead will be governed by the “reasonable” administrative costs from Table 9.1. PHAs with two or more AMPs that believe that the establishment of a separate COCC would impose undue financial or administrative burdens in the third and subsequent years under asset management may seek regulatory relief from HUD from the COCC requirement.

**Table 9.1: 80<sup>th</sup> Percentile Administrative Costs in FHA Housing by Multifamily Field Office (2005 Data)**

Field Office	Admin. Fee Range (PUM)	Field Office	Admin. Fee Range (PUM)
Albuquerque	\$133.84	Little Rock	\$114.21
Anchorage	\$189.91	Los Angeles	\$178.48
Atlanta	\$140.93	Louisville	\$132.50
Baltimore	\$154.75	Manchester	\$146.31
Birmingham	\$118.58	Miami	\$139.57
Boston	\$205.79	Milwaukee	\$131.95
Buffalo	\$160.46	Minneapolis	\$139.73
Caribbean	\$147.32	Nashville	\$117.67
Charleston	\$131.78	New Orleans	\$137.22
Chicago	\$191.95	New York	\$184.57
Cincinnati	\$136.54	Newark	\$194.21
Cleveland	\$140.28	Oklahoma City	\$138.83
Columbia	\$132.14	Omaha	\$118.98
Columbus	\$137.18	Philadelphia	\$163.38
Denver	\$144.06	Phoenix	\$136.27
Des Moines	\$99.84	Pittsburgh	\$145.56
Detroit	\$157.99	Portland	\$150.89
Fort Worth	\$130.08	Providence	\$187.50
Grand Rapids	\$146.93	Richmond	\$142.51
Greensboro	\$113.07	Sacramento	\$169.99
Hartford	\$188.59	San Antonio	\$134.72
Honolulu	\$144.03	San Diego	\$156.45

<sup>37</sup> See PIH Notice 2006-14, issued March 22, 2006.

Field Office	Admin. Fee Range (PUM)	Field Office	Admin. Fee Range (PUM)
Houston	\$136.41	San Francisco	\$229.92
Indianapolis	\$121.84	Seattle	\$135.72
Jackson	\$118.62	Shreveport	\$138.72
Jacksonville	\$161.00	St. Louis	\$129.20
Kansas City	\$111.51	Tampa	\$153.52
Knoxville	\$106.01	Tulsa	\$116.25
Las Vegas	\$133.98	Washington, DC	\$169.06

The amounts included in Table 9.1 are based on the 80th percentile administrative costs for all non-profit, limited dividend, and unlimited dividend FHA properties, by field office, excluding such programs as cooperatives and nursing homes. This information is based on 2005 Annual Financial Statements (the most recent available data) and includes the following line items: 6203-Conventions and Meetings, 6204-Management Consultants, 6210-Advertising and Marketing, 6235-Apartment Resale Expense (Coops), 6250-Other Renting Expenses, 6310-Office Salaries, 6311-Office Expenses, 6312-Office or Model Apartment Rent, 6320-Management Fee, 6330-Manager or Superintendent Salaries, 6331-Administrative Rent Free Unit, 6340-Legal Expense – Project, 6351-Bookkeeping Fees/Accounting Services, 6390-Miscellaneous Administrative Expenses, 6711-Payroll Taxes (Administrative Share), and 6723-Health Insurance and Other Employee Benefits (Administrative Share). HUD will review and update this table as needed.

PHAs adopting this model must limit their actual administrative costs to the respective PUM amount multiplied by the actual number of units occupied during the given period and for the actual number of units under a HUD-approved vacancy as described under § 990.145. Units defined as “limited vacancies” pursuant to § 990.150 are excluded. This amount will be annually compared to the total administrative costs of the PHA’s public housing program, which is currently defined as the sum of the following FDS line items:

FDS	FDS Line Item
911	Admin. Salaries
913	Outside Mgmt. Fees
915	Admin. Employee Benefits
916	Other Admin.

Actual administrative costs will include costs incurred from operations and any administrative costs charged against the BLI 1408 (Management Improvements) of the Capital Fund Program. By proving total administrative costs are within the established limits, the PHA will be recognized as being in compliance with item No. 3 of the Criteria for Successful Conversion, listed in PIH Notice 2006-14.

Small PHAs with multiple AMPs that have elected to implement this alternative to establishing a COCC will charge identifiable direct costs to the AMP incurring the

expense. Indirect costs (Executive Director's office, finance office, etc.) will be allocated in a reasonable method between the AMPs and other programs, if applicable.

**Table 9.2: Comparative Table of Smaller PHAs Affected by the Asset Management Model**

<b>Issue</b>	<b>PHA Under 250 Units Not Implementing Asset Management</b>	<b>PHA Under 250 Implementing the Alternate Asset Management Model with Single AMP</b>	<b>PHA Under 250 Implementing the Alternate Asset Management Model with Multiple AMPs</b>	<b>PHA Under 250 Implementing Asset Management with Multiple AMPs</b>	<b>PHA Under 250 Implementing Asset Management with Single AMP</b>
Utilizing COCC Concept	PHA does not establish COCC.	PHA does not establish COCC.	PHA does not establish COCC.	COCC must be established. PHA must operate within these fees.	COCC must be established. PHA must operate within these fees
Operating Fund	Operating subsidy will be calculated using the new funding formula. The PHA will not be entitled to the \$2 PUM add-on for the asset management fee.	Operating subsidy will be calculated using the new funding formula. The PHA will not be entitled to the \$2 PUM add-on for the asset management fee.	Operating subsidy will be calculated at the individual AMP level in FY 2008. Each AMP will not be eligible for the \$2 PUM add-on for the asset management fee.	Operating subsidy will be calculated at the individual AMP level in FY 2008. Each AMP will be eligible for the \$2 PUM add-on for the asset management fee.	Operating subsidy will be calculated at the individual AMP level in FY 2008. The PHA will not be entitled to the \$2 PUM add-on for the asset management fee.
Capital Fund	PHA will continue to comply with current regulations.	PHA will continue to comply with current regulations.	PHA will continue to comply with current regulations.	PHA will comply with Capital Fund regulations as outlined in Chapter 5. Costs will need to be charged at the AMP level.	PHA will comply with Capital Fund regulations as outlined in Chapter 5. Costs will need to be charged at the AMP level
Cost Allocations	PHA will be allowed to allocate costs between programs based on a reasonable allocation plan.	PHA will be allowed to allocate costs between programs based on a reasonable allocation plan.	PHA will be allowed to allocate costs between programs based on a reasonable allocation plan.	PHA must use a fee-for-service approach.	PHA must use a fee-for-service approach.
Budget Requirement	PHA must prepare operating budget as currently required.	Operating budgets must be prepared for the AMP.	Operating budgets must be prepared for each AMP.	Operating budgets must be prepared for each AMP and the COCC.	Operating budgets must be prepared for the AMP.
Accounting Requirements	PHA will maintain one set of records including Operating Fund and Capital Fund into a single AMP for reporting purposes.	PHA will maintain one set of records including Operating Fund and Capital Fund into a single AMP for reporting purposes.	PHA will maintain one set of records including Operating Fund and Capital Fund into multiple AMPs for reporting purposes.	PHA will maintain accounting records for each individual AMP and COCC. Capital Fund accounts will be included in each AMP.	PHA will maintain accounting records for individual AMP and COCC. Capital Fund accounts will be included within the AMP.
Management Fees	N/A	PHA must operate within established administrative cost benchmarking levels provided by HUD.	PHA must operate within established administrative cost benchmarking levels provided by HUD.	Established COCC is funded through fees earned from the individual AMPs.	Established COCC is funded through the fees earned from the individual AMP.

***Attachment A. Property Management Fee by Field Office***

**80<sup>th</sup> Percentile of Property Management Fees in FHA Housing, by Field Office, for  
Unlimited Dividend, Limited  
Dividend and Non-Profit Ownership Types (2005 data)**

<b>Field Office</b>	<b>Property Management Fee (PUM)</b>	<b>Field Office</b>	<b>Property Management Fee (PUM)</b>
Albuquerque	\$44.33	Little Rock	\$41.05
Anchorage	\$62.16	Los Angeles	\$59.18
Atlanta	\$49.50	Louisville	\$43.90
Baltimore	\$49.63	Manchester	\$52.49
Birmingham	\$44.72	Miami	\$48.49
Boston	\$58.18	Milwaukee	\$46.06
Buffalo	\$50.87	Minneapolis	\$52.23
Caribbean	\$44.55	Nashville	\$41.79
Charleston	\$45.03	New Orleans	\$41.74
Chicago	\$53.83	New York	\$55.24
Cincinnati	\$45.07	Newark	\$64.46
Cleveland	\$46.55	Oklahoma City	\$42.03
Columbia	\$48.26	Omaha	\$39.86
Columbus	\$47.82	Philadelphia	\$49.56
Denver	\$52.81	Phoenix	\$42.56
Des Moines	\$39.44	Pittsburgh	\$57.17
Detroit	\$46.44	Portland	\$42.16
Fort Worth	\$45.27	Providence	\$63.32
Grand Rapids	\$44.82	Richmond	\$49.05
Greensboro	\$47.99	Sacramento	\$51.08
Hartford	\$57.24	San Antonio	\$44.61
Honolulu	\$48.16	San Diego	\$49.82
Houston	\$40.64	San Francisco	\$61.38
Indianapolis	\$48.91	Seattle	\$40.23
Jackson	\$44.76	Shreveport	\$38.13
Jacksonville	\$52.04	St. Louis	\$39.23
Kansas City	\$40.44	Tampa	\$49.27
Knoxville	\$39.34	Tulsa	\$43.90
Las Vegas	\$43.79	Washington, DC	\$58.70

\*Note: The above fees have been adjusted to reflect the average vacancy loss for each market, i.e., the rates shown reflect the fees paid for occupied units.