



**U.S. Department of Housing and Urban Development
Office of Public and Indian Housing**

Special Attention of:

Public Housing Agencies
Public Housing Hub Office Directors
Public Housing Program Center Directors
Regional Directors
Field Office Directors
Resident Management Corporations

Notice PIH 2011- 16 (HA)

Issued: March 18, 2011

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Cross Reference:

Subject: Public Housing Operating Subsidy Calculations for Calendar Year 2011

1. Purpose

This notice provides public housing agencies (PHAs) with instructions for operating subsidy calculation submissions in Calendar Year (CY) 2011 as funded from Federal Fiscal Year (FFY) 2011 appropriations.

2. Background

HUD provides operating subsidies for public housing at the project level on a calendar year basis. Separate operating subsidy calculation forms (see 4.A. below) must be submitted for each project identified under asset management pursuant to 24 CFR § 990.265. PHAs that own and operate fewer than 250 units and treat their entire portfolio as a single project for asset management purposes pursuant to 24 CFR § 990.260(b), but the units are grouped into more than one project, shall submit separate operating subsidy calculation forms for each project in the PIH Information Center (PIC).

In CYs 2008, 2009 and 2010, Congress provided an exemption from asset management for PHAs with between 250-400 units. Under the Continuing Resolutions (CRs) for FFY 2011, the exemption continues. In the event the exemption is removed in any future FFY 2011 CRs or in a 2011 Appropriations Act, it will be noted in the instructions for data entry in the Excel Tool (see 4.B. below) that will be posted on the Asset Management Project-Based Funding web page at:

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

3. Initial Obligation of CY 2011 Operating Subsidy

As in CY 2010, the initial obligation of operating subsidy funding for CY 2011 will be based on estimates. Details of the methodology for the estimates will be posted on the Asset Management Project-Based Funding web page.

4. General Operating Subsidy Submission Processing for CY 2011

A. Required Operating Subsidy Submission Forms

To determine operating subsidy eligibility under the operating fund formula, PHAs must complete and submit the following two forms for each project:

- Form HUD-52723, Operating Fund Calculation of Operating Subsidy; and
- Form HUD-52722, Operating Fund Calculation of Utilities Expense Level.

PHAs must also submit/certify the following forms/documentation:

- Form SF-424, Application for Federal Assistance, required as part of the government-wide *e-grants* management initiative (refer to the Asset Management Project-Based Funding web page for guidance on completion of this form). Submit only one form for each PHA. PHAs should send an email to the appropriate local field office with the scanned document attached; however, they may send it by fax with field office approval.

PHAs must have a Dun and Bradstreet Universal Identifier Numbering System (DUNS) number as well as active registration in the Central Contractor Registration (CCR) to receive funds from HUD's financial systems. If a PHA does not have a DUNS number, the Asset Management Project-Based Funding web page provides directions on how to receive one.

- Supporting documentation, as needed and requested by the local field office.

B. Submission Process

PHAs shall submit forms HUD-52723 and HUD-52722 electronically for each project to their local HUD field office in Excel Tools. Instructions for completing and submitting the Tools, along with other required forms and supporting documentation, will be posted on the Asset Management Project-Based Funding web page. PHAs will be notified through their field offices when these instructions are posted to the web page.

C. Pre-populated Data

Certain information for each project will be pre-populated in the Excel Tools. Unit status and other data for the reporting period July 1, 2009, through June 30, 2010, were extracted from PIC in July 2010. (More specific information on the data extract will be provided with the form HUD-52723 Excel Tool instructions.) If the pre-populated data is incorrect, certain entries may be edited by PHAs and other entries may be edited by field offices as shown below. If an incorrect entry cannot be corrected by the PHA or field office, an email describing the problem and requesting assistance must be sent to Reac_OpSub@hud.gov. It is recommended that PHAs copy the appropriate field office Financial Analyst on the email.

The CY 2011 pre-populated data includes:

Item Description	PHA Can Edit	Field Office Can Edit
Project Number	No (after PHA submission)	No
Name of PHA	No	No
Address of PHA	No	No
ACC Number	Yes	Yes
DUNS Number	Yes	Yes
Total number of ACC units for the PHA	Yes	Yes
Section 2, Categorization of Unit Months	Yes	Yes
PUM project expense level (PEL)	No	No
PEL Inflation factor	No	No
Utilities expense level (UEL) inflation factor	No	No
Payment in lieu of taxes (PILOT)	Yes	Yes
Cost of independent audit	Yes	Yes
PUM formula income	Yes	Yes
Transition funding	No	No

NOTE: As indicated in the above chart, pre-populated unit status data for the categorization of unit months will be editable for CY 2011. PIC is the data source for the unit status category data. A variance of more than 10% in Total Unit Months, Section 2, Column B, Line 15, of the form HUD-52723 will require an explanation in the Tool and the attachment of any appropriate supporting documentation, e.g., a PIH-REAC Technical Assistance Center (TAC) ticket number regarding a data discrepancy correction needed that impacts the variance. REAC-IT may request the PHA to submit a plan of PHA actions to correct data problems in PIC.

D. Submission Schedule

CY 2011 Excel Tools, corresponding instructions and a schedule for PHA data entry in the Tools will be posted on the Asset Management Project-Based Funding web page. Failure to meet the submission deadline may result in suspension and/or loss of operating subsidy payments.

5. PIC Unit Status Data and Pre-populated Data for 2012

For CY 2012, the HUD-52723, Section 2, “Categorization of Unit Months” will not be editable by PHAs in the Excel Tools. PIC unit status data will serve as the data source for populating unit months and eligible unit months data on form HUD-52723.

PHAs with questions regarding PIC unit status data should contact their field office and the TAC at 1-888-245-4860. The TAC webpage is at: <http://www.hud.gov/offices/reac/support/tac.cfm>.

6. Revisions to Operating Subsidy Eligibility

Submit revisions to the appropriate field office **no later than Friday, July 15, 2011** using the Excel Tools. PHA/project revisions to operating subsidy eligibility may only be submitted for the following:

- Correction of errors;
- New projects/units (24 CFR § 990.155);
- Demolition and disposition of units (24 CFR § 990.155);
- New utilities incentives/contracts (24 CFR § 990.185);
- Appeals granted by HUD; or
- Corrections to categorization of unit months for the reporting period.

7. Other Operating Subsidy Calculation Information

- **PHA Appeals for Changing Market Conditions.** PHA appeals for CY 2011 due to changing market conditions **must** be sent to the appropriate field office concurrently with original submissions of operating subsidy eligibility. Refer to Notice PIH 2011-10, Appeals under the Operating Fund Program for Calendar Year 2011, for further instructions. HUD approval is limited to one-year periods. Supporting documentation and data supplied for initial approvals may be used to support three one-year periods; however, field offices reserve the right to request updated market data. For CY 2011, funding approval is based on the reporting period of July 1, 2009, through June 30, 2010.
- **Project Expense Levels (PELs).** PELs for CY 2011 are based on PIC project, building and unit characteristics as of July 2010. PHAs maintaining the same project/building groupings for projects used in their CY 2010 subsidy calculations have the same CY 2011 beginning PEL as reported on Section 3, Part A, Line 03, of the CY 2010 Form HUD-52723. PHAs that have changed their project/building groupings in PIC since August 2009 have a new PEL generated based on July 2010 PIC data. Changes after July 2010 apply to CY 2012 operating subsidy calculations.

Contact the appropriate field office for guidance if a change occurred prior to July 2010 and it is not reflected in the Excel Tool.

- **Formula Income.** PUM formula income will be pre-populated. The methodology for determining CY 2011 formula income will be posted on the Asset Management Project-Based Funding web page.

Special guidance for capturing the resident-paid utilities incentive on Form HUD-52723, Section 3, Part B, Line 01, will be posted on the Asset Management Project-Based Funding web page.

Section 3, Part B, Line 02, PUM change in utility allowance will be locked for data entry. It has been obsolete since the “unfreezing” of formula income at the end of CY 2009.

- **Cost of Independent Audit.** Project audit costs will be pre-populated in the Excel Tool. Amounts reflect the most recently approved, audited Financial Assessment Subsystem – Public Housing (FASS-PH) Financial Data System (FDS) submissions. If a project’s most recent actual audit cost is higher or lower than the amount pre-populated, include proof of payment with the CY 2011 submission. Independent audit costs are restricted to audits of the public housing program and not costs related to non-public housing units in mixed-finance projects.
- **Payments in Lieu of Taxes (PILOT).** Project PILOT amounts will be pre-populated in the Excel Tool. Amounts reflect the most recently approved, audited FASS-PH FDS submissions. If a project’s most recent actual PILOT is higher than the amount pre-populated, include proof of payment with the CY 2011 submission. If the most recent PILOT is lower than the posted amount, the project will be funded on the higher posted amount as some PHAs have negotiated a lower PILOT payment with localities and HUD does not want to penalize this action.
- **Asset Management Fee:**
 - PHAs with 250 or more units must comply with asset management requirements under 24 CFR 990.255 through 990.290, Subpart H -- Asset Management, which includes the requirement to comply with all components of asset management by FFY 2011. Form HUD-52574, PHA Board Resolution, includes a certification that all statutory and regulatory requirements have been met. PHAs not in compliance will forfeit the asset management fee in accordance with 24 CFR 990.190(f) *Asset management fee*. Pursuant to 24 CFR 990.290, HUD may conduct an independent assessment to verify PHA compliance with Asset Management requirements.

- In general: (1) PHAs with at least 250 units are eligible for a \$4 PUM asset management fee; and (2) PHAs with fewer than 250 units that elect to transition to asset management are eligible for a \$2 PUM asset management fee. PHAs with only one project regardless of the number of units are not eligible for an asset management fee pursuant to 24 CFR 990.190(f).
- If a PHA has opted out of asset management, it must continue to request operating subsidy for each project shown in PIC (i.e., not all projects combined into one) as of the end the reporting period (June 30, 2010). PHAs will have PELs calculated based on each project's characteristics as of August, 2010.
- **UEL and Central Office Cost Center (COCC).** COCC utility consumption and costs are not included in the calculation of the PHA's/project's UEL on Form HUD-52722. If the COCC is located within a project, actual consumption, rolling base consumption and utility costs for the COCC must be excluded from the UEL calculation for the project. PHAs shall explain the methodology used to calculate the excluded COCC data (e.g., square footage) in Section 10, Remarks, of the form.

Special guidance for excluding (breaking out) COCC utility consumption and costs from combined consumption and costs in a pre-asset management Energy Performance Contract is posted on the Asset-Management Project-Based Funding web page.

- **Elderly/Disabled Service Coordinator Program.** For CY 2011, the public housing share of the reasonable cost of salary, fringe benefits and administrative costs for the Elderly/Disabled Service Coordinator (EDSC) program is eligible for operating subsidies. Only PHAs previously receiving EDSC funding (not Resident Opportunities and Self-Sufficiency (ROSS) – Elderly and Persons with Disabilities funding) are eligible. Confirm eligibility as posted on the Asset Management Project-Based Funding web page.

Funding based on prior EDSC levels includes an annual inflation factor no greater than the local inflation factor on Form HUD-52723, Section 3, Part A, Line 02. Enter the subsidy amount for the EDSC program on Form HUD-52723, Section 3, Part A, Line 07, "Self-sufficiency" Add-On. Part A, Line 07, "Self-sufficiency" is restricted to the EDSC program and does not include ROSS funding.

- **Moving-to-Work (MTW) PHAs.** MTW PHAs with an alternative operating fund formula agreement shall submit one calculation via the following forms:
 - HUD-52723: Section 1; Section 2, Annual Contributions Contract (ACC) units; Section 3, Part C, Lines 01 and 04; and Part D, Lines 01 and 03; and,
 - HUD-52722: in accordance with their MTW agreement.

MTW PHAs **not** using an alternative operating fund formula shall complete and submit all sections of the Form HUD-52723 and the Form HUD-52722 on a project-level basis using the Excel Tools.

8. **Funding for New Projects/Units.** Guidance on funding of new projects/units (i.e., added after the reporting period) is posted on the Asset Management Project-Based Funding web page.

9. **Mutual Help and Turnkey III Projects**

PHAs with a Mutual Help or Turnkey III project(s) requesting operating subsidy for these project(s) must complete and submit **form HUD-53087**, Calculation of Subsidies for Operations: Non-Rental Housing. The operating subsidy provided to a Mutual Help or Turnkey III project is partially based on the project's operating budget. PHAs requesting operating subsidy for Mutual Help and Turnkey III projects must complete the CY 2011 Form HUD-53087 based on the appropriate line items from the latest approved operating budget at the time of the CY 2011 submission and send to the appropriate field office.

10. **PHA Board Resolution**

In the past, PHA Boards certified approval of both the operating subsidy forms and the operating budget. Now that operating subsidy forms are submitted separately from the operating budget, Boards certify approval of only the operating budget. Board Resolutions approving the operating budget must be submitted to the appropriate field office **prior to the beginning of the PHA's fiscal year.**

Only one PHA Board Resolution, Form HUD-52574, needs to be submitted per PHA, regardless of the number of projects. If the PHA has more than one project, note the phrase "for all projects" in the first checkbox description. The checkbox then will read "Operating Budget for all projects approved by Board Resolution on:" (date).

11. **HUD Approval of Calculations**

HUD will post on the Asset Management website an explanation of its funding methodology and obligation letters for each set of interim months funded. Based on submitted documentation and funding adjustments, HUD will determine final operating subsidy levels for CY 2011. HUD will then approve operating subsidy calculations at that level. Final subsidy levels for PHAs will be posted on the Asset Management Project-Based Funding web page.

12. **Further Information**

All questions at the PHA level are to be referred to the appropriate field office.

13. Paperwork Reduction

The information collection requirements contained in this notice are pending approval by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3520). In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

/s/

Sandra B. Henriquez
Assistant Secretary for Public and Indian Housing