

**U.S. Department of Housing and Urban Development  
Washington, DC 20410**

**Explanation and Guidance related to Formula Income for CY 2017  
Operating Subsidy Calculation, Form HUD-52723**

For CY 2017, Formula Income will be determined based on audited 2015 Fiscal Year End (FYE) financial statements approved in the Financial Assessment Subsystem (FASS). If an approved 2015 audited financial statement is unavailable, then approved 2015 unaudited financial information provided by PHAs through HUD’s information systems will be used to determine Formula Income. Data sources for Mixed-Finance projects may vary. The methodology for determining Formula Income for mixed-finance properties is explained later in this guidance.

HUD will pre-populate the HUD-52723 using rental income data from the Financial Data Schedule (FDS) Net Tenant Rental Revenue, Line Item 70300. The per unit month (PUM) Formula Income amount is calculated by dividing the Net Tenant Rental Revenue by Unit Months Leased (UMLs). Given each PHA FYE quarter, the Formula Income PUM amount is inflated to the current year using a proportionate number of months and an annual rental income inflation factor of 3.446% for 2016 and 4.12% for the 2017 portion. The inflation factors of 3.446% and 4.12% are derived from 50058 data. The result is used to pre-populate the HUD-52723, Formula Income, Section 3, Part B, Line 01, PUM Formula Income.

**Example of Application of Rental Income Inflation  
Factor to PUM Formula Income and FYE**

2017 Formula Income Inflation Methodology								
	A	B	C	D	E	F	G	H
Fiscal Year End	PUM Rent	# of Months to Mid-2016	Annual 2016 Inflation	Total 2016 Inflation (Col C x Col B/ 12)	2017 Inflation Rate	Total Inflation Rate to be Used for 2017 (Col D + Col E)	Inflation Factor to be used in Calculation (1 + Col F)	Sample 2017 Inflated PUM Rent (Col A x Col G)
3/31/2015	\$230.00	15	3.446%	4.31%	4.12%	8.43%	1.08	\$248.40
6/30/2015	\$240.00	12	3.446%	3.45%	4.12%	7.57%	1.08	\$259.20
9/30/2015	\$235.00	9	3.446%	2.58%	4.12%	6.70%	1.07	\$251.45
12/31/2015	\$245.00	6	3.446%	1.72%	4.12%	5.84%	1.06	\$259.70

The Form HUD-52723, Part B, Line 04 is auto-calculated [*line 04 = (Part B, Line 01) \*(Section 2, Column B, Line 15, Total Unit Months)*] to produce the Total Formula Income.<sup>1</sup>

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<sup>1</sup>PHAs may only substitute the pre-populated Formula Income PUM with a more recently submitted **FY 2015 FDS audited statement**. PHAs that edit the Formula Income PUM must certify to the Field Office that the data comes from its more recently available audited FDS submission.

Where HUD has not pre-populated the Form HUD-52723 with a Formula Income PUM because **the FY 2015 FDS audited statement** was unavailable **at the time that HUD pre-populated the HUD-52723**, the PHA will populate the form using its Formula Income amount from their submitted audited 2015 financial statement. If the 2015 audited financial statement has not been **submitted**, the PHA may substitute a Formula Income PUM based on its submitted unaudited 2015 **FDS** financial statement. The 2015 financial statement income must be inflated as shown in the Table on Page 1.

For “Mixed-Finance projects” where the project financial statement reflects rental income from occupancy other than public housing families, a PHA must submit a worksheet showing the Formula Income that is attributable to public housing occupancy and a rent roll based on a financial statement. PHAs that submit a Formula Income PUM based on the project’s status as a mixed-finance project must notify HUD, via the comment section of Form HUD-52723, that the data is based on its 2015 audited or unaudited FDS submission; or, if not available, then the project owner’s single asset audited financial statement. PHAs must submit owner-entity audited financial statements and rent rolls to the Field Office for Mixed-Finance projects where the FDS does not include a Formula Income figure.

If audited financial statements from the project owner are not available, then data from an unaudited financial statement may be substituted. The Mixed-Finance project’s 2015 financial statement may have different FYE than the PHA, and should be inflated based on the FYE of the Mixed-Finance project.

**Primarily for new projects**, if a PHA’s project financial statement data is inadequate or unavailable in HUD’s information systems, HUD may determine a Formula Income PUM using data from **prior year audited or unaudited submitted financial statements, financial statements from** similar projects, or an alternative methodology including certifications or hard copy reports and communications with PHAs in accordance with 24 CFR 990.195(d), *Calculation of Formula Income when data are inadequate or unavailable*.

PHAs with Resident-Paid Utilities (RPU) Benefit will calculate formula income as stated above, and may receive an adjustment to the portion of formula income attributable to utility allowances on HUD-52723, Section 3, Part B, Line 2. Guidance on how to calculate the RPU benefit is located on the CY 2017 Subsidy Processing webpage.

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*Appeals for Formula Income for economic hardship under 24 CFR 990.245 expired after CY 2009 with the frozen income provision.*