



OFFICE OF PUBLIC AND INDIAN HOUSING
 REAL ESTATE ASSESSMENT CENTER
 FINANCIAL MANAGEMENT DIVISION

Explanation and Guidance related to Formula Income for CY 2016

Operating Subsidy Calculation, Form HUD-52723

For CY 2016, formula income will be determined based on audited 2014 FYE financial statements approved in the Financial Assessment Subsystem (FASS). If an approved 2014 audited financial statement is unavailable, then approved 2014 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 Electronic Form (Excel Tool) 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 1.06% for 2015 and 3.446% for the 2016 portion. The inflation factors of 1.06% and 3.446% 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:

TABLE A								
	A	B	C	D	E	F	G	H
Fiscal Year End	PUM Rent	# of Months to mid-2015	Annual 2015 Inflation	Total 2015 Inflation ((Col B/12) x Col C)	2016 Inflation Rate	Total Inflation Rate to be Used for 2016 (Col D + Col E)	Inflation Factor to be used in Calculation (1 + Col F)	Sample Inflated PUM Rent (Col A x Col G)
3/31/2014	\$230.00	15	1.060%	1.325%	3.446%	4.771%	1.0477	\$240.97
6/30/2014	\$240.00	12	1.060%	1.060%	3.446%	4.506%	1.0451	\$250.81
9/30/2014	\$235.00	9	1.060%	0.795%	3.446%	4.241%	1.0424	\$244.97
12/31/2014	\$245.00	6	1.060%	0.530%	3.446%	3.976%	1.0398	\$254.74

The 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.¹

PHAs may only substitute the pre-populated formula income PUM with a more recently submitted 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 HUD-52723 with a formula income PUM because data is unavailable, the PHA will populate the form using its formula income amount from their audited 2014 financial statement. If the 2014 audited financial statement has not been completed or is not required, the PHA may substitute a formula income PUM based on its unaudited 2014 financial statement. The 2014 financial statement income must be inflated in accordance with the above Table A.

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 certify that the data is based on its 2014 audited or unaudited FDS submission; if not available, then the project owner’s single asset audited financial statement. If these financial statements are not available or have inadequate financial statement data, then unaudited financial statement data may be substituted. The mixed finance project’s 2014 financial statement may have different FYE than the PHA, and should be inflated based on the FYE of the mixed finance project. The formula income PUM will be considered certified when the PHA includes such certification via an email to the Field Office, or includes it in the comment section of the HUD-52723. The HUD Field Office may request a copy of the single asset audited financial statement.

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 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*. Additionally, *Appeals for formula income for economic hardship* under 24 CFR 990.245 expired after CY 2009 with the frozen income provision.

¹ The two lines related to utility allowances, Part B, Line 02, “PUM change in utility allowance” and Line 03 “PUM adjustment formula income” are locked to prevent data entries. These lines appear in the form, but are no longer relevant given that the frozen formula income provision has expired. In future iterations of the HUD-52723 these lines will be removed.