

Special Year-End Financial Reporting Issues for Demolition/Disposition Projects

The following provides guidance to public housing agencies (PHAs) in reporting financial activity associated with demolition or disposition of projects at year-end on the Financial Data Schedule (FDS).

General

When a PHA receives approval from HUD for a demolition or disposition action, the units will be recorded in PIC as “approved for demolition” or “approved for disposition.” In accordance with the timeframes established under 24 CFR 990.190(h), the units will subsequently no longer be eligible for regular operating subsidy but may be eligible for Asset Repositioning Fee (ARF). Once units become demolished or disposed, they are recorded in PIC as “removed from inventory.”¹ A project may be terminated in PIC only after the land has been disposed and the Field Office has released the DOT for all underlying land at the project. Only HUD’s Special Application Center (SAC) is authorized to terminate public housing projects in PIC. For specific information regarding the SAC approval process, please refer to PIH Notice 2009-28 at the following link <http://www.hud.gov/offices/adm/hudclips/notices/pih/>

A project is not terminated in PIC if the buildings have been demolished but the land continues to be covered under a Declaration of Trust (DOT).

All projects that were “active” during an assessed fiscal year and that had financial activity shall be reported at year-end on the FDS. For example, if a project (or portion thereof) was demolished or disposed at some time during an assessed fiscal year, the financial activity of that project should be recorded on the FDS, within that project’s respective FDS column. However, if a project was demolished or disposed in a previous fiscal year and the project is now terminated in PIC, but the PHA continues to receive Asset Repositioning Fee (ARF) funding, the PHA should record the ARF funding under the “Other Project” column.

If the PHA received net proceeds from a disposition of public housing property during an assessed fiscal year, unless the project has already been terminated in PIC, the PHA should record the proceeds on the FDS, within that project’s respective FDS column. If approval has been obtained to use the disposition proceeds for activities outside the original project, the PHA should then (when ready to expend the funds) transfer the proceeds to the other project or program where the use has been permitted. Any retained sales proceeds should be reflected as “restricted” assets since they may only be used for the use specifically approved by the SAC.

When the PHA expends the proceeds for the use approved by the SAC, it should record the expenditure in accordance with the spending and financial reporting requirements under 24 CFR 990.280 “Project-based budgeting and accounting”

¹ Under 24 CFR 970.35, the PHA has to report the demolition, lease transfer or similar action in PIC within a week of its occurrence. When the PHA reports the date of demolition or disposition of a unit, the status in PIC changes to RMIPRP (Proposed for Removed from Inventory). There are three stages of RMIPRP status units (Draft, Submitted for Review, and Submitted for Approval). Once the Field reviews and approves the action, the unit status changes to RMI (Removed from Inventory). The RMI date is the date reported of demolition or disposition, not the original date of entry by the PHA and not the date when the Field Office approved the action in PIC. Demolition completion is defined as final payment made to the demo contractor or the final funds were expended if demolition was performed with Force Account. The disposition date is defined as the date that title is transferred or the ground lease is executed.

Scenarios

1. ***A project has been approved for disposition and has begun to receive ARF funding; however, the disposition action is not complete.***

Under this scenario, the project would still continue to exist in PIC. The PHA should record the financial activity associated with the project, including the ARF funding, in the project's respective column of the FDS.

2. ***All units of a project have been demolished but the land has not been disposed. The project continues to receive ARF funding.***

Under this scenario, the project would still continue to exist in PIC. The PHA should record the financial activity associated with the ARF funding in the project's respective column of the FDS.

3. ***All land and buildings of a project were disposed in a previous fiscal year and the project has been terminated in PIC, but the project continues to receive ARF funding.***

Under this scenario, because the project has been terminated in PIC, the PHA would record the ARF funding under the "Other Project" column.

4. ***The PHA realized net proceeds from a disposition. The disposition is complete but the project has NOT yet been terminated in PIC.***

Under this scenario, the project would still continue to exist in PIC. The PHA should record the proceeds in the project's respective column of the FDS.

5. ***The PHA realized net proceeds from a disposition. The disposition is complete and the project has been terminated in PIC.***

Under this scenario, because the project has been terminated in PIC, the PHA would record the net proceeds under the "Other Project" column.