



**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 2007-21 (HA)

Issued: July 23, 2007

Expires: July 31, 2008

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Cross Reference:

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**Subject:** Guidance on Methods and Schedules for Calculating Federal Fiscal Year (FFY) 2008 Operating Subsidy Eligibility

**1. Purpose**

This notice provides public housing agencies (PHAs) with instructions for the submission of Calendar Year (CY) 2008 operating subsidy calculations, funded from FFY 2008 appropriations.

**2. Project-Level Funding**

For CY 2008 and thereafter, HUD will provide operating subsidy at the project level.

- Separate operating subsidy calculation forms must be submitted for each project identified as such for the purpose of asset management under 24 CFR § 990.265.
- A PHA that owns and operates fewer than 250 units and treats its entire portfolio as a single project under 24 CFR § 990.260(b) shall only submit one set of forms.

**3. Subsidy and Grants Information System (SAGIS)**

The Subsidy and Grants Information System (SAGIS) automates the competitive and formula-based processes for allocating program funds to PHAs. For the Operating Fund Program, SAGIS provides the ability for PHAs to electronically complete and submit Operating Fund Program forms HUD-52723, 52722, 53087, 50071 and SF-424 and to view their obligation documents online. It also provides HUD field offices with the ability to review and evaluate PHA applications electronically.

HUD began providing training on SAGIS for the Operating Fund Program to all HUD field offices in April 2007. HUD will provide training to PHAs during June and July, 2007. SAGIS support is available for PHAs at their local HUD field offices. Starting June 18, 2007, additional support, such as user manuals, technical references and web-based training, can be downloaded from HUD's SAGIS web page at:

[www.hud.gov/offices/reac/training/reactrain.cfm](http://www.hud.gov/offices/reac/training/reactrain.cfm)

Technical assistance is available by phone at 1-888-245-4860 (Help Desk – PIH Information Center) or by e-mail at:

[SagisHelp@hud.gov](mailto:SagisHelp@hud.gov)

#### **4. Operating Subsidy Forms for Determining CY 2008 Operating Subsidy Eligibility**

To determine their operating subsidy eligibility under the operating fund formula, PHAs must complete and submit the following two operating subsidy calculation forms in SAGIS:

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

#### **5. Other Required Forms**

While form HUD-52723 and form HUD-52722 are the only operating subsidy forms used to determine a PHA's operating subsidy eligibility, PHAs also must complete and submit the following application/certification forms in SAGIS:

- Form SF-424, Application for Federal Assistance (expires January 31, 2009); and
- Form HUD-50071, Certification of Payments to Influence Federal Transactions (dated March 1998).

#### **6. Process for Submission**

**Original submission of operating subsidy eligibility.** PHAs are to complete and submit their calculations of operating subsidy eligibility for CY 2008 in SAGIS. PHAs will find in SAGIS unique subsidy calculation forms for each project with certain information pre-populated, including the project expense level (PEL), inflation factors, transition funding, cost of independent audit, etc.

PHA appeals applicable to CY 2008 for: (1) formula income for economic hardship; and (2) changing market conditions must be sent to the PHA's field office at the same time as the original submissions of operating subsidy eligibility. For guidance regarding information to be included with these appeals, see Notice PIH 2007-7, Guidance on Appeals under Subpart G of the Revisions to the Public Housing Operating Fund Program final rule, published in the Federal Register on September 19, 2005 (79 FR 54983). (Note: Regarding the guidance on appeals for changing market conditions, for CY 2008, the reporting period related to the impacted vacancies in the notice cited will be incremented by one year to July 1, 2006, through June 30, 2007.)

#### **7. Schedule for Submission**

PHAs will enter their submissions in SAGIS on a staggered basis. The schedule for PHA submission will be posted on the Asset Management web page at:

[www.hud.gov/offices/pih/programs/ph/am/of/](http://www.hud.gov/offices/pih/programs/ph/am/of/)

A PHA that fails to submit its required calculation according to the submission schedule may be subject to a suspension and/or loss of operating subsidy payments.

## **8. Revisions to Operating Subsidy Eligibility**

For CY 2008, a PHA may only submit a revision to its operating subsidy eligibility due to:

- Correction of errors;
- New units (24 CFR § 990.155);
- Demolition and disposition of units (24 CFR § 990.155);
- New utilities incentives/contracts (24 CFR § 990.185); or
- Appeals granted by HUD.

Revisions must be submitted in SAGIS **no later than July 14, 2008.**

## **9. Other Information**

**2004 Frozen Formula Income at the Project Level.** PHAs will calculate each project's frozen formula income for form HUD-52723, Section 3, Part B, Line 01, based on available information on 2004 rent rolls and unit months leased (UMLs), covering PHA fiscal years April 1, 2003, through March 31, 2004; July 1, 2003, through June 30, 2004; October 1, 2003, through September 30, 2004; and January 1, 2004, through December 31, 2004. The frozen rental income amount for each project is determined by dividing the rent roll by UMLs for those respective reporting periods. The per unit month (PUM) dollar amount resulting from this calculation is entered on Section 3, Part B, Line 01 for the project. PHAs will submit, as an attachment in SAGIS, the supporting data for project level 2004 frozen rental income in a worksheet that will be posted on the Asset Management web page at:

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

Below is an example of how the worksheet will be formatted and completed.

<b>Calculation of 2004 Project Level Frozen Formula Income (Project Rental Income / UMLs = Project PUM for Section 3, Part B, Line 01)</b>						<b>Validation Check</b>
	<b>Project 1</b>	<b>Project 2</b>	<b>Project 3</b>	<b>Project 4</b>	<b>PHA Totals</b>	
Mixed Financed (Yes = Y)		Y				PHA Formula Income from CY 2007 form HUD-52723, Section 3, Part B, Line 1  <b>\$97.62</b>
Units	200	200	200	100	700	
Rental Income	\$240,000	\$240,000	\$240,000	\$100,000	\$820,000	
UMLs	2400	2400	2400	1200	8400	
Project PUM	\$100.00	\$100.00	\$100.00	\$83.33	<b>\$97.62</b>	

As a validation, the "PHA Totals" column from the above worksheet generally should not be less than the PUM frozen rental income from the pre-populated CY 2007 form HUD-52723, Section 3, Part B, Line 01. Special conditions, such as the existence of mixed finance projects, may cause a variance between these two PUM amounts. In these cases, the PHA should submit

explanatory notes in the worksheet. Although a mixed finance project may have a different fiscal year than the PHA, its project formula income will be calculated based on the PHA fiscal year timeframe. PHAs will make a similarly structured calculation for the project level PUM change in utility allowances for Section 3, Part B, Line 02.

**Elderly/Disabled Service Coordinator Program.** For CY 2008, the public housing share of the reasonable cost of salary, fringe benefits and other administrative costs for the Elderly/Disabled Service Coordinator (EDSC) Program will again be funded through operating subsidy. Only PHAs that previously received funding through the EDSC program (not Resident Opportunities and Self-Sufficiency (ROSS) – Elderly and Persons with Disabilities) will be eligible to receive operating subsidy to fund this activity. If you are unsure that you qualify, please consult the list on the Asset Management web page at:

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

PHAs will be funded at the same level as through the prior EDSC grant with an annual adjustment for inflation. For CY 2008, the adjustment for inflation shall be no greater than the local inflation factor on form HUD-52723, Section 3, Part A, Line 02.

The subsidy amount for the EDSC program will be entered on form HUD-52723, Section 3, Part A, Line 07, “Self-sufficiency” Add-On. Please note that, contrary to its title, Part A, Line 07, "Self-sufficiency" may only include an amount for the EDSC program (if the PHA is eligible to receive it).

The Public Housing Family Self-Sufficiency (FSS) Program will again be funded as a competitive grant under the ROSS program. PHAs with Public Housing FSS programs will not receive operating subsidy for the Public Housing Coordinator salary and fringe benefits. However, PHAs may continue to receive operating subsidy for FSS program supportive service dwelling unit(s). Units approved as special use units for self-sufficiency should be reported on Section 2, Line 06, “Special use units,” of form HUD-52723. No amount pertaining to the FSS program may be entered on Part A, Line 07.

The ROSS grant also funds the Elderly/Persons with Disabilities Program. This amount continues to be funded as a competitive grant under ROSS. No amount pertaining to the Elderly/Persons with Disabilities Program may be entered on Part A, Line 07.

### **Moving-to-Work (MTW) Agencies.**

- MTW PHAs with an agreement that uses an alternative operating fund formula will submit only one operating subsidy calculation form HUD-52723 for the PHA in SAGIS. Alternative formula PHAs will only complete Section 1; Section 2, Annual Contributions Contract (ACC) units; and Section 3, Part C, Lines 01 and 04, and Part D, Lines 01 and 03. These PHAs will submit the form HUD-52722, in accordance with their MTW agreement, as an attachment in SAGIS.
- MTW PHAs that do not use an alternative operating fund formula will complete and submit in SAGIS all sections of the form HUD-52723 and the form HUD-52722 on a project-level basis.

**Mutual Help and Turnkey III Projects.** If a PHA has a Mutual Help or Turnkey III project(s) and is requesting operating subsidy for the project(s), it must complete and submit **form HUD-53087**, Calculation of Subsidies for Operations: Non-Rental Housing, in SAGIS. 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 should base the CY 2008 form HUD-53087 on the latest approved operating budget at the time of submission.

**Form HUD-52574, PHA Board Resolution (expires October 31, 2009).** In the past, the PHA's Board certified to its approval of both the operating subsidy forms and the operating budget. Now that the PHA submits the operating subsidy forms separately from the operating budget, the Board only certifies to its approval of the operating budget. The Board Resolution must be submitted prior to the beginning of the PHA's fiscal year.

Only one PHA Board Resolution form needs to be submitted for the PHA, regardless of how many projects it has. If, however, the PHA has more than one project, the language "for all projects" must be annotated between "Budget" and "approved" in the first checkbox description. The checkbox will then read "Operating Budget for all projects approved by Board Resolution on:"

**HUD approval of calculations.** HUD will use the submitted documentation and exercise all available adjustment powers, as needed, to determine an appropriate operating subsidy level for CY 2008. HUD will then approve operating subsidy calculations at that level. If additional information is needed, please contact your local field office.

**Paperwork reduction.** The information collection requirements contained in this notice have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C.3520) and assigned OMB approval numbers 2577-0026 and 2577-0029. 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.

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Orlando J. Cabrera, Assistant Secretary for  
Public and Indian Housing