

Explanation and Guidance related to Formula Income for CY 2012

Operating Subsidy Calculation, Form HUD-52723

For CY 2012, formula income will be determined based on audited 2010 FYE financial statements. If a 2010 audited financial statement is unavailable, then the most recent unaudited financial information provided by PHAs through HUD’s information systems will be used to determine formula income for non-mixed finance properties. The methodology for determining formula income for mixed finance properties will be explained further below.

HUD will pre-populate the HUD-52723 Excel Tool with the most recently submitted 2010 audited or, alternatively, unaudited rental income data from the Financial Data Schedule (FDS) Net tenant rental revenue, Line 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 rental revenue PUM amount is inflated to the current year using a proportionate number of months and an annual rental income inflation factor of 1.4% for 2011 and 1.48% for the 2012 portion. The inflation factor of 1.40% and 1.48% is consistent with the formula income inflation factor used to develop the 2011 and 2012 budgets. 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-2011	Annual 2011 Inflation	Total 2011 Inflation (Col C x Col B / 12)	2012 Inflation Rate	Total Inflation Rate to be Used for 2012 (Col D + Col E)	Inflation Factor to be used in Calculation (1 + Col F)	Sample Inflated PUM Rent (Col A x Col H)
3/31/2010	\$201.69	15	1.40%	1.75%	1.48%	3.23%	1.0323	\$ 208.20
6/30/2010	\$195.78	12	1.40%	1.40%	1.48%	2.88%	1.0288	\$ 201.42
9/30/2010	\$300.96	9	1.40%	1.05%	1.48%	2.53%	1.0253	\$ 308.57
12/31/2010	\$195.19	6	1.40%	0.70%	1.48%	2.18%	1.0218	\$ 199.45

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

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 entries and are not necessary to determine the operating subsidy eligibility amount. 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.

PHAs may only substitute the pre-populated formula income PUM with a more recently submitted audited statement. PHAs that edit the formula income PUM are certify 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 2010 financial statement. If the 2010 audited financial statement has not been completed or is not required, the PHA may substitute a formula income PUM based on its unaudited financial statement. The 2010 financial statement income is 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 may submit a worksheet showing the formula income that is attributable to public housing occupancy based on a financial statement. PHAs that submit a formula income PUM based on the project’s status as a mixed-income project are certify that the data is based on its 2010 audited or unaudited FDS submission; if not available, then the project’s owner 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 2010 financial statement may have different FYE than the PHA. The formula income PUM will be considered certified as following the formula income explanation and guidance by the submission of the HUD-52723 along with its certifications to HUD.

If a PHA’s project financial statement data is inadequate or unavailable, 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.