Asset Repositioning Fee (ARF)
FY 2016 Implementation Guidance
Field Offices (FOs)

Funding Year (FY) 2016 Guidance

General Guidance

For FY 2016, ARF unit eligibility amounts have been determined based on Public and Indian Housing Information Center (PIC) data and applicable ARF business rules. This data is made available in the 2016 ARF Tool. FOs continue to have a role to ensure that the data and calculations in the ARF tool, the pre-populated data are accurate, and any requisite changes are made to PIC data (via submission of an ARF Tool Output File). This document provides guidance to be used by FOs in determining how to correctly process projects with ARF eligibility. FOs should review Notice PIH-2015-20, Notice PIH-2011-18 and 24 CFR 990.190(h) for additional rules related to ARF.

- It is critical that FOs validate ARF eligibility the first year that a PHA claims ARF for demo/dispo application (DDAP) for non-homeownership, or for a building for homeownership (HO). After the first year of eligibility, the ARF timeline and related ARF eligibility should not be changed.

- The Public Housing Financial Management Division (FMD) has developed an ARF Management Tool (the Tool) to be used by PHAs and FOs in calculating the ARF. The Tool is in beta form. The Tool streamlines the calculation process and utilizes key data elements from the PIC source data to determine ARF eligibility (discussed later in this document) and funding levels

- The beta version of the Tool is being provided directly to FOs for use in the FY 2016 subsidy processing. Because the ARF Tool remains in beta form, FOs should confirm that the data and the calculation in the ARF Tool are accurate. Both the Tool and this guidance on how to use the Tool are posted on the HUD intranet and made available to FOs. Because the ARF Tool is in beta form, it should not be shared externally.

- Units converted to RAD are not eligible for ARF.

- ARF unit-month data have been pre-populated in the HUD-52723 based upon the eligibility of a project for ARF using PIC DDAP data.
    - ARF eligible unit-months for units that are under the Annual Contributions Contract (ACC) should be placed in Section 2, Column A, Line 12.

- ARF eligible unit months for units that have been removed from the ACC should not be included in Section 2. Only units under the ACC are included in Section 2. Projects can have ARF eligibility after units are removed from the ACC.
- Unit months for units that have reached the end of their ARF timeline and are no longer eligible for ARF, but remain under the ACC (have not yet been removed from inventory) should be placed in Section 2, column A, line 13.

- ARF eligibility is included in the form as an add-on in Section 3, Part A, Line 14. FOs should use the above guidance to determine if ARF-eligible unit months should be included in Section 2.

- ARF Eligibility was prepopulated in Section 3, Part A, Line 14 of the 52723 for projects where ARF eligibility is based upon non-homeownership removal from inventory (e.g. demo and dispo).

- ARF eligibility was not prepopulated in Section 3, Part A, Line 14 of the 52723 where a PHA may have ARF eligibility based upon homeownership HO. This is because Notice PIH-2011-18 provides PHAs the discretion to establish an ARF timeline based upon one of two methodologies, and it is not possible for FMD to determine which methodology they would chose. ARF timelines for HO may be based upon either the last move-out in a building or the disposition of the last unit in a building. Once a PHA has elected the basis for establishing the ARF timeline in a building, they cannot change it. However, different buildings in a DDAP can elect different basis for determining the ARF timeline (i.e. one building can determine the timeline based upon the last move out, and another based upon the disposition date). FMD advises that PHAs only utilize different methodologies when they used move out date for buildings in 2015, and they begin to use the sales date to establish the ARF timeline for new buildings becoming eligible for ARF.

- In the 2015 ARF eligibility for HO was prepopulated in Section 3, Part A, Line 14 of the 52723 tool based upon the last move-out date. Some projects claimed ARF based upon what they considered the last move out date, but then did not sell the project. As a result, such projects continue to exist, but are no longer eligible for Operating Subsidy. FMD is seeking to convert ARF eligibility for HO to sales dates to address this issue. Utilizing the sales date has the added benefit of being a definitive data element in PIC, lending itself to calculation from our database of record, which is an overarching objective of PIH.

- In the 2016 ARF Tool, the ARF timeline for HO is based upon the disposition date. The prepopulated 2015 52723 and the 2015 ARF Tool based the ARF timeline upon the last move-out date **(which often is the same as the disposition date).** The 2015 ARF Tool can be used to identify buildings that have 2015 ARF eligibility based upon the last move-out date.

- PHAs are encourage to transition to basing ARF for HO upon the disposition date. For buildings that received ARF in 2015 based upon the last move-out date, ARF would need to be calculated for those buildings in 2016 based upon the last move-out date. To transition to

ARF based upon the disposition date, ARF would need to be calculated on that basis for any buildings beginning eligibility in 2016 or beyond.

- FOs and PHAs should use appropriate guidance in 24 CFR 990.190(h), Notice PIH-2011-18 and Notice PIH-2015-20 to calculate the FY 2016 ARF.

- In accordance with Notice PIH-2015-20, PHAs shall submit supporting documentation detailing the ARF calculation to the FO. Included in this documentation should be a spreadsheet showing how the PHA derived its ARF eligibility. The FO should retain this documentation along with the Operating Subsidy tools so that it can be reviewed later, if needed.

- The ARF Tool was designed to support the FO in their validation of ARF eligibility. However, FOs must review the documentation submitted by the FOs, and use PIC to confirm key data, particularly the relocation start date and the first move out date.

When an FO modifies the ARF pre-populated data in the FY 2016 HUD-52723 submission, the FO must submit an edited ARF data spreadsheet to the Operating Subsidy mailbox, ideally at the same time of its submission of the Operating Subsidy tools, but no later than March 11, 2016. **When an FO modifies ARF eligibility in the 52723 form, or submits an ARF Tool Output File changing the Relocation Date, the FO should notify the PHA via email, and maintain that documentation in a manner that is readily retrievable in case the PHA contests it, or the ARF eligibility is audited.**

ARF Eligibility and the Tool

Please find below key data elements from the PIC source data are used in the Tool to calculate ARF eligibility. **FOs should work with their PIC Coaches and the SAC if needed for any guidance related to accessing DDAP data in PIC.** In order for Operating Subsidy to be correctly calculated, the underlying PIC data must be accurate. The guidance below provides instructions to the FO on steps that can be undertaken to help ensure the accuracy of PIC data relevant to the calculation of ARF eligibility.

1) **DDAP Approval Date**

   This is the approval date of a DDAP recorded by HUD in the PIC Inventory Removal module (IRM). The DDAP approval letter is generally accessible on the IRM. PHAs should obtain the approval letter and store it in a manner that is readily accessible.

2) DDAP Type

The type of approved demolition/disposition action recorded in the PIC IRM.

3) Units and Buildings Included in the DDAP

Units and buildings recorded in the PIC IRM.

4) Number of Days to Relocation

The number of days to relocation is recorded in the PIC demolition/disposition module.

- When completing an inventory removal application, the PHA is to indicate the number of days after HUD approval of the DDAP, which the PHA expects to begin relocation of residents.

- When units are occupied as of the DDAP approval date, the number of days to relocation must be at least 90 days.

- The DDAP approval date plus the number of days to relocation equals the relocation date. (*DDAP approval date + number of days to relocate = relocation date*)

- After a DDAP is approved, PHAs and FOs can no longer make changes to "relocation dates" directly in the PIC source data, but instead must follow the process detailed below to ensure that changes needed to ensure accurate data in PIC and accurate calculation of ARF are made.

- When reviewing ARF eligibility, the FO should validate the relocation date and the first move out date.

  o Relocation Date:
    - FOs should confirm the relocation start date by reviewing move out data. One would expect to see clusters of move-outs after the relocation date. If the project shows clusters of move-outs before the relocation date, it may be indicative that relocation started earlier. Similarly, clusters of move-outs significantly after the relocation date could be indicate that relocation started considerably later than the relocation date. In such circumstances the FO should contact the PHA to request an explanation, and modify the relocation date to be consistent with the move-out data where needed.
    - Once the FO validates the move-out data, the FO should edit the ARF Tool, which will recalculate ARF eligibility. The revised ARF eligibility should be entered into the ARF Tool, and any needed changes made to the unit status date. The FO should submit an edited ARF output file at the

same time it submits (or resubmits) the Op Sub Tool, pursuant to the directions below. FMD will forward the revised days to relocation to the SAC, which will modify the DDAP data so that the following year's ARF eligibility is calculated correctly in the ARF Tool.

5) Date of First Move-out (or Last HO Move-out/Sale) After the Relocation Date

The dates that units were vacated (i.e., move-outs) are recorded in the PIC HUD-50058. For non-homeownership, when units remain occupied as of the relocation date, calculation of the ARF timeline (i.e., the ARF Start Date) is "triggered" by the first DDAP-related move-out after the relocation. The first move-out after the relocation date is considered the first DDAP related move-out. The relocation date (days to relocation) should be modified if needed to ensure that this business rule is followed.

For homeownership DDAPs, ARF timeline is "triggered" by the last DDAP-related move-out date, or last homeownership sale after the relocation date.

With the above data, the ARF Tool can be used to determine ARF-eligible unit months for each approved DDAP in each project, and to establish the following data elements of the ARF timeline: *trigger date*, *start date*, and *end date*. These determinations provide the number of eligible ARF units pre-populated in the HUD-52723.

As noted above, FOs should review move-out data in PIC to ensure that it appears to be consistent with the relocation date. Only move-out data close to the relocation date has been uploaded into the ARF Tool. As part of their review, FOs should access PIC directly to identify/validate the first move-out date after the relocation date.

As noted above, Notice PIH-2011-18 provides PHAs the discretion to establish an ARF timeline based upon one of two methodologies. ARF timelines for HO may be based upon either the last move-out in a building or the disposition of the last unit in a building. Once a PHA has elected the basis for establishing the ARF timeline in a building, they cannot change it.

In the 2015 ARF, eligibility for HO was prepopulated in a 23 Tool based upon the last move-out date. **ARF Eligibility for HO units were not prepopulated in the 52723 in 2016, and will need to be entered by the PHA and validated by the FO.**

In the 2016 ARF Tool, the ARF timeline for HO is based upon the disposition date. The 2015 ARF Tool based the ARF timeline upon the last move out date (which often is the same as the disposition date). The 2015 ARF Tool can be used to identify buildings that have 2015 ARF eligibility based upon the last move-out date.

PHAs are encourage to transition to basing ARF for HO upon the disposition date. For buildings that received ARF in 2015 based upon the last move-out date, ARF would need to

be calculated for those buildings in 2016 based upon the last move-out date. To transition to ARF based upon the disposition date, ARF would need to be calculated on that basis for any buildings beginning eligibility in 2016 or beyond.

ARF Funding and the Tool

Once the ARF timeline is established, the Tool calculates funding based for a Project Expense Level (PEL) and an Inflation Factor. The following policy will be followed:

- The PEL and Inflation Factor to be used will be drawn from the PEL and Inflation Factor appropriate to that project for the *calendar year of the ARF start date for that DDAP*. For the second ARF funding year, the start year PEL will be inflated by the start year inflation factor. For the third and fourth ARF funding years (if necessary), the prior year's inflated PEL will be multiplied by the start year inflation factor to arrive at a current year inflated PEL.

- The data in the Table is generated from a sample calculation for a DDAP at a project where the ARF Start Year PEL = **$400.00** and the ARF Start Year Inflation Factor = **1.032**:

Year	Calculation	PEL
Start Year	$400.00	$400.00
Year 2	$400.00 * 1.032	$412.80
Year 3	$412.80 * 1.032	$426.01
Year 4	$426.01 * 1.032	$439.64

- While the ARF Tool contains the functionality to modify several fields based upon the business rules identified above, absent extenuating circumstances, the relocation date (days to relocation) is the only field that should be changed. Please keep in mind the following:
    o Relocation Date (days to relocation): After reviewing move-out data in PIC as noted above, the FO should contact the PHA to confirm the actual relocation start date where it appears different than what was prepopulated in the ARF Tool. The relocation date should be set (or revised/reset) such that the first move-out related to the DDAP is the first move out after the relocation date
    o First Move-Out Date: As noted in more detail above, the prepopulated move-out data in the ARF tool is limited. When the FO changes the relocation date, it may need to enter the first move-out date into the ARF tool. The first move-out date should be the first move-out after the relocation date based upon PIC data.

o PEL: FMD does not expect the PEL to change. Please email the OpSub mailbox with the subject line **2016 ARF PEL Issue** if you identify an issue with the PEL in the ARF tool.

FO Actions

Submission of ARF Data in HUD-52723: When submitting the HUD-52723 for a project for FY 2016, the calculation of ARF must be consistent with the calculation of ARF found in the data used in the Tool. If a FO discerns that the data used in the Tool is incorrect – either because the underlying PIC source data is inaccurate or the Tool itself incorrectly captures and/or manages PIC source data, follow these steps:

a. **Edit** – Use the ARF Management section of the Tool to edit the specific DDAP record to correct erroneous data that impacts the ARF timeline or ARF funding (guidance found in the ARF Management Tool Guide).

b. **Submission** – Submit the edited ARF data using the Output Edit File function on the main screen of the ARF tool. Submit the ARF Tool Output File (spreadsheet) to the Operating Subsidy mailbox (REAC_OpSub@hud.gov) at the same time you submit the project's Op Sub tools to the FO Tools mailbox (REAC_FMD_FOTools@HUD.gov), but no later than *March 11, 2016*. Submission of the ARF Tool Output File is a required condition for modifying the ARF pre-populated data in the HUD-52723 tool.

- When emailing the ARF Tool Output File to the Op Sub mailbox, use the subject line **"2016 ARF Tool Output File."**

- In your email, include any questions, clarification or documentation you may have that supports your edits.

- FMD will review the data and contact the FO with any questions.

Correct HUD System Data – follow standard protocols for submission, revision and approval of data system changes. These changes will eventually be reflected directly in revisions to the underlying data and will be captured in updates to the ARF data and Tool.