



**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 2009- 47 (HA)

Issued: November 19, 2009

Expires: November 30, 2010

Cross Reference:

Subject: Public Housing Operating Subsidy Calculations for Calendar Year 2010

1. Purpose

This notice provides public housing agencies (PHAs) with instructions for operating subsidy calculation submissions in Calendar Year (CY) 2010 as funded from Federal Fiscal Year (FFY) 2010 appropriations.

2. Background

HUD provides operating subsidies for public housing at the project level on a calendar year basis. Separate operating subsidy calculation forms must be submitted for each project identified under asset management pursuant to 24 CFR § 990.265. PHAs that own and operate fewer than 250 units and treat their entire portfolio as a single project pursuant to 24 CFR § 990.260(b) or PHAs with only one project shall submit one set of forms.

3. Initial Obligation of CY 2010 Operating Subsidy

As in CY 2009, the initial obligation of operating subsidy funding for CY 2010 will be based on estimates. Details of the methodology for the estimates will be posted on the **Asset Management Project-Based Funding web page** at:

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

4. General Operating Subsidy Submission Processing for CY 2010

A. Subsidy and Grants Information System (SAGIS)

For CY 2010, operating subsidies will be processed using SAGIS. User manuals, technical references and a phone number/e-mail address for technical assistance will be available on the SAGIS web page at:

<http://www.hud.gov/offices/reac/products/sagis/training.cfm>

PHAs should ensure that all PHA staff positions and contact information are updated in the Public and Indian Housing Information Center (PIC). Executive Directors, staff and fee accountants involved with SAGIS submissions must have active Web Access Security Subsystem (WASS) IDs. WASS passwords must be reset every 60 days to avoid lockout, and WASS IDs are deactivated after 90 days of inactivity. If a WASS ID has been deactivated and a PHA is having problems reactivating it, contact the Technical Assistance Center at 1-888-245-4860.

B. Required Operating Subsidy Submission Forms

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

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

PHAs must also submit/certify the following forms/documentation in SAGIS:

- Form SF-424, Application for Federal Assistance, required as part of the government-wide *e-grants* management initiative;
- Form HUD-50071, Certification of Payments to Influence Federal Transactions; and;
- Supporting documentation, as needed or requested by the local field office.

C. Pre-populated Data

Certain information for each project is pre-populated in SAGIS from PIC. If the pre-populated data is incorrect, certain entries may be edited by PHAs and other data may be edited by field offices as shown below. If an incorrect entry cannot be corrected by the PHA or field office, contact the Technical Assistance Center at 1-888-245-4860. Such corrections require certified verification from the PHA and supporting documentation, including a summary page of unit leasing activity for the reporting period or the latest project-level Financial Data Schedule (FDS) data.

The following pre-populated data for the reporting period July 1, 2008, through June 30, 2009, was extracted from PIC in July 2009. The 2010 pre-populated data and certain data elements such as audit and Payments in Lieu of Taxes amounts will be posted to the Asset Management Project-Based Funding web page in November 2009.

Item Description	PHA Can Edit	Field Office Can Edit
Project (AMP) Number	No (after PHA submission)	No
Name of PHA	No	No
Address of PHA	No	No
ACC Number	Yes	No
DUNS Number	Yes	No
PHA-wide ACC Units on June 30, 2009 (PHA Summary Screen)	No	Yes
PHA-wide ACC Units on June 30, 2009 (HUD Summary Screen)	No	Yes
PUM Project Expense Level (PEL)	No	Yes
PEL Inflation Factor	No	Yes
Utilities Expense Level (UEL) Inflation Factor	No	No

PHAs must have a Dun and Bradstreet Universal Identifier Numbering System (DUNS) number as well as active registration in the Central Contractor Registration (CCR) to receive funds from HUD's financial systems. If a PHA does not have a DUNS number, the Asset Management Project-Based Funding web page provides directions on how to receive one.

D. Submission Schedule

It is expected that a schedule for PHA data entry in SAGIS will be posted in November 2009 and will be posted on the Asset Management Project-Based Funding web page. Failure to meet the submission deadline may result in suspension and/or loss of operating subsidy payments.

5. Revisions to Operating Subsidy Eligibility

Submit revisions to the appropriate field office **no later than Friday, July 16, 2010**. Refer to instructions for submission that will be provided on the SAGIS web page. PHA/project revisions to operating subsidy eligibility may only be submitted for the following:

- Correction of errors;
- New projects/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.

6. Other Operating Subsidy Calculation Information

- **PHA Appeals for Changing Market Conditions.** PHA appeals for CY 2010 due to changing market conditions **must** be sent to the PHA's field office concurrently with original submissions of operating subsidy eligibility. Refer to Notice PIH 2009-10, Appeals under the Operating Fund Program for Calendar Year 2009, for further instructions. (For changing market conditions in CY 2010, the reporting period in the notice is incremented by one year to July 1, 2008, through June 30, 2009.) HUD approval is limited to one-year periods. Supporting documentation and data supplied for initial approvals may be used to support three one-year periods; however, field offices reserve the right to request updated market data. For CY 2010, funding approval is based on the reporting period of July 1, 2008, through June 30, 2009.
- **PHA Appeals of Frozen Formula Income for Economic Hardship.** There will be no appeals of frozen formula income for economic hardship for CY 2010 since the frozen formula income provisions of 24 CFR § 990.195 have expired.
- **Project Expense Levels (PELs).** PELs for CY 2010 are based on PIC project, building and unit characteristics as of July 2009. PHAs maintaining the same project/building groupings for projects used in their CY 2009 subsidy calculations have the same CY 2010 beginning PEL as reported on Section 3, Part A, Line 03 of the CY 2009 Form HUD-52723. PHAs that have changed their project/building groupings in PIC since August 2008 have a new PEL generated based on July 2009 PIC data. Changes after July 2009 apply to CY 2011 operating subsidy calculations. Contact the appropriate field office for guidance if a change occurred prior to July 2009 and the change is not reflected in SAGIS.
- **Formula Income.** The frozen formula income provisions of 24 CFR § 990.195 have expired. For CY 2010, a project's per unit month (PUM) formula income equals the amount of rent charged to residents from the rent roll for June 2009 divided by the number of units occupied by eligible lower-income families for the June rent roll, then multiplied by an inflation factor that will be posted on the Asset Management Project-Based Funding web page. Enter the resulting PUM amount on Form HUD-52723, Section 3, Part B, Line 01. Attach a worksheet in SAGIS showing the details of the PUM calculation (total dollar amount of the charges divided by the number of units occupied by eligible lower-income families times the inflation factor). Note: If the result is a negative figure, i.e., utility reimbursements exceed total rents (also known as "negative" rents) for the entire project, enter the PUM amount as a negative value.

Do not make any entry on Section 3, Part B, Line 02, PUM change in utility allowance. This line is obsolete for the CY 2010 subsidy calculation. Changes in utility allowances are incorporated in the formula income calculation on Form HUD-52723, Section 3, Part B, Line 01.

- **Cost of Independent Audit.** Project audit costs are posted to the Asset Management Project-Based Funding web page. Amounts reflect the most recently approved, audited Financial Assessment Subsystem – Public Housing (FASS-PH) Financial Data Schedule (FDS) submissions. If a project's most recent actual audit cost is higher or lower than the amount posted, include proof of payment (not earlier than the posted period) with the CY 2010 submission. Independent audit costs are restricted to audits of the public housing program and not costs related to non-public housing units in mixed-finance projects.
- **Payments in Lieu of Taxes (PILOT).** Project PILOT amounts are posted to the Asset Management Project-Based Funding web page. Amounts reflect the most recently approved, audited FASS-PH FDS submissions. If a project's most recent actual PILOT is higher than the amount posted, include proof of payment (not earlier than the posted period) with the CY 2010 submission. If the most recent PILOT is lower than the posted amount, the project will be funded on the higher posted amount as some PHAs have negotiated a lower PILOT payment with localities and HUD does not want to penalize this action.
- **Asset Management Fee.** In general: (1) PHAs with at least 250 units are eligible for a \$4 PUM asset management fee; and (2) PHAs with fewer than 250 units that elect to transition to asset management are eligible for a \$2 PUM asset management fee. PHAs with fewer than 250 units that group their entire portfolio as a single project pursuant to 24 CFR § 990.260(b) are not eligible for an asset management fee.

In CY 2008 and CY 2009, Congress provided an exemption from asset management for PHAs with between 250-400 units. The 2010 Appropriations Act was not final prior to the effective date of this notice. If the 2010 Appropriations Act changes the guidance within this notice, instructions on how to address such changes will be posted on the Asset Management Project-Based Funding web page.

- **UEL and Central Office Cost Center (COCC).** Pursuant to Notice PIH 2008-33, dated August 14, 2008, COCC utility consumption and costs are not included in the calculation of the PHA's/project's UEL on Form HUD-52722. If the COCC is located within a project, actual consumption, rolling base consumption and utility costs for the COCC are not included in the UEL calculation for the project. PHAs shall explain the methodology used to calculate the excluded COCC data (e.g., square footage) in Section 10, Remarks, of the form.
- **Elderly/Disabled Service Coordinator Program.** For CY 2010, the public housing share of the reasonable cost of salary, fringe benefits and administrative costs for the Elderly/Disabled Service Coordinator (EDSC) program is eligible for operating subsidies. Only PHAs previously receiving EDSC funding (not Resident Opportunities and Self-Sufficiency (ROSS) – Elderly and Persons with Disabilities funding) are eligible. Confirm eligibility as posted on the Asset Management Project-Based Funding web page.

Funding based on prior EDSC levels includes an annual inflation factor no greater than the local inflation factor on Form HUD-52723, Section 3, Part A, Line 02. Enter the subsidy amount for the EDSC program on Form HUD-52723, Section 3, Part A, Line 07, "Self-sufficiency" Add-On. Part A, Line 07, "Self-sufficiency" is restricted to the EDSC program and does not include ROSS funding.

- **Moving-to-Work (MTW) PHAs.** MTW PHAs with an alternative operating fund formula agreement shall submit one calculation via the following forms:
 - HUD-52723: Section 1; Section 2, Annual Contributions Contract (ACC) units; Section 3, Part C, Lines 01 and 04; and Part D, Lines 01 and 03; and,
 - HUD-52722: in accordance with their MTW agreement.

MTW PHAs not using an alternative operating fund formula shall complete and submit all sections of the Form HUD-52723 and the Form HUD-52722 on a project-level basis.

- **Funding for New Projects/Units.** Guidance on funding of new projects/units (i.e., added after the reporting period) is posted on the Asset Management Project-Based Funding web page.

7. Mutual Help and Turnkey III Projects

PHAs with a Mutual Help or Turnkey III project(s) requesting operating subsidy for these project(s) must complete and submit **form HUD-53087**, Calculation of Subsidies for Operations: Non-Rental Housing. 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 must complete the CY 2010 Form HUD-53087 based on the appropriate line items from the latest approved operating budget at the time of the CY 2010 submission.

8. PHA Board Resolution

In the past, PHA Boards certified approval of both the operating subsidy forms and the operating budget. Now that operating subsidy forms are submitted separately from the operating budget, Boards certify approval of only the operating budget. Board Resolutions approving the operating budget must be submitted to the appropriate field office **prior to the beginning of the PHA's fiscal year**.

Only one PHA Board Resolution, Form HUD-52574, needs to be submitted per PHA, regardless of the number of projects. If the PHA has more than one project, note the phrase "for all projects" in the first checkbox description. The checkbox then will read "Operating Budget for all projects approved by Board Resolution on:" (date).

9. HUD Approval of Calculations

Based on submitted documentation and funding adjustments, HUD will determine final operating subsidy levels for CY 2010. HUD will then approve operating subsidy calculations at that level. Final subsidy levels for PHAs will be posted on the Asset Management Project-Based Funding web page.

10. Further Information

All questions at the PHA level are to be referred to the appropriate field office.

11. 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, 2577-0029 and 2577-0157. 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.

/s/

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