

Calculation and Submission of 2007 Operating Subsidy Frequently Asked Questions (No. 2)

Utilities/Energy Conservation Measures Incentives/Utility Allowance

1. **Question:** Is Part A, Line 08, Energy loan amortization, prorated? How can this line be prorated if I have a legal contract?
Answer: The proration amount applies to the entire formula amount, including Line 08. The PHA is still required to pay the principal and interest under its legal obligation regardless of the proration amount.
2. **Question:** What happens in the case where a project has half of its units undergoing modernization in a given reporting period? How should the utility data be adjusted?
Answer: In this case utility data should not be adjusted. See the instructions of HUD-52722. This is only a temporary distortion in utility data.
3. **Question:** Should a PHA treat coin-operated laundry as a utility surcharge?
Answer: No.
4. **Question:** I have units undergoing modernization where the contractors are reimbursing me for the utility costs associated with the units under modernization. Do I include the utility consumption and cost data for these units on the HUD-52722?
Answer: No.
5. **Question:** Is garbage considered a utility for the purposes of calculating UEL?
Answer: No.
6. **Question:** If the Central Office Cost Center (COCC) is not attached to an AMP, how is its utility consumption captured?
Answer: For FFY 2007, utility consumption of the COCC is part of the UEL.
7. **Question:** What do you do when the tenants pay for utilities and the PHA has to pay for them when units are vacant? How do you account for these costs?
Answer: The utility costs and consumption can be included in HUD-52722.
8. **Question:** For the purposes of calculating my UEL, does the reference to demolition/disposition of 10% of the units refer to a cumulative 10% over a multi-year period or 10% during the reporting period?
Answer: The 10% change refers to the change in the number of units in the reporting period.
9. **Question:** When you make rolling base adjustments for deleted units, the utility costs on line 16 will not match what is showing on the General Ledger/Financial Statements. Isn't this a problem?
Answer: This should not be an issue. The HUD-52722 is not necessarily linked to a PHA's general ledger/financial statements.

10. **Question:** If you have a frozen rolling base and your FYE is different than the reporting period, do you change your information to fit the reporting period/ carry the amount over?
Answer: No, you do not need to change the rolling base to a reporting period basis with respect to the utility incentive.

11. **Question:** Is it possible to have both a frozen rolling base and receive the Energy Loan Amortization add-on for same contract?
Answer: No, not for the same utility and units.

12. **Question:** What is the utility inflation factor for FFY 2007?
Answer: The FFY 2007 utility inflation factor is 1.1195. This inflation factor must be reported on Line 21 of the HUD-52722 form.

13. **Question:** How do PHAs determine the utility conversion factors to use in the case that they have converted from one utility type to another?
Answer: PHAs should consult with their respective Field Office.

14. **Question:** A lot of money has been spent on additional security measures, such as additional lighting. Is there any place to account for the additional associated consumption/expense?
Answer: No. The additional consumption related to security hardware measures should already be included in the consumption for the reporting period.

15. **Question:** How should we handle transfer fees? Should they be added into actual utility costs?
Answer: Yes.

16. **Question:** Can you provide an example on how to calculate change in tenant utility allowance?
Answer: See below:

Unit #	FY 2004 Allowance	FY 2006 Allowance
1	\$200.00	\$250.00
2	\$300.00	\$300.00
3	\$150.00	\$100.00
4	\$150.00	\$150.00
5	N/A	\$250.00
Total	\$800.00	\$1,050.00

FY 2004 PUM Utility Allowance = \$800/(48 unit months leased per FDS) = \$16.67

FY 2006 PUM Utility Allowance = \$1,050 /(60 unit months leased for reporting period) = \$17.50

Change in PUM Utility Allowance = \$17.50 – \$16.67 = \$0.83

17. **Question:** Is there any adjustment required to be made to the UML for units that do not have utility allowance?

Answer: No. PHAs must use the UML from the FDS. Since the calculation is on a PUM basis, the calculation would not be distorted significantly.

18. **Question:** Am I required to add up the utility allowances given to each tenant for the period in question or just add up the utility allowances by bedroom size to each of my units?

Answer: PHAs must add up the utility allowance given to each tenant for the period in question. The total utility allowance must then be divided by UML to arrive at the PUM utility allowance.

Asset Repositioning Funding

19. **Question:** What happens if an AMP is demolished within the three-year asset repositioning schedule (i.e., all units within the AMP are demolished)? Will funding continue for the three years? Will I still have to fill out forms for the additional years even though the AMP is demolished? If yes, for what purposes may the funding be used?

Answer: Yes, funding will continue for three years. Yes, the PHA will need to calculate and report the Asset Repositioning Fee each year it is received. The funds can be used for any low rent activities.

20. **Question:** When does Asset Repositioning start if the first unit becomes vacant before HUD approved the plan?

Answer: The asset repositioning timeline starts on the date of the first vacancy that occurs after the relocation date specified in an approved relocation plan as specified in section 990.190(h)(2) of the final rule.

21. **Question:** Does a PHA have an option of taking either the old Phase Down for Demolitions add-on or the new Asset Repositioning Fee add-on?

Answer: No. Going forward, the PHAs will receive asset repositioning fee add-on and not the phase-down funding.

22. **Question:** If a PHA had a reduction in Phase Down funding because it was getting Section 8 vouchers, would that reduction now apply to Asset Repositioning Fee?

Answer: Going forward, there would not be any reduction due to Section 8 replacement/relocation vouchers.

23. **Question:** Since single-family homes are both one building and one unit, are they eligible for the asset repositioning fee?

Answer: Yes.

24. **Question:** What happens if a unit is included in an approved tenant relocation plan, but the tenants refuse to vacate the property? Perhaps the tenant even enters into litigation to refuse to move. Can the asset-repositioning fee be temporarily reversed and as a result

can the unit become re-eligible for operating subsidy as a unit categorized in Line 7 Units Vacant Due to Litigation?

Answer: A PHA receives an asset-repositioning fee on the first day of the next quarter six months after the date the first unit becomes vacant after the relocation date included in the approved relocation plan. In the above instance, if the tenant has not vacated the unit, the fee would not start until a year is legally vacated.

25. **Question:** What is the approval milestone in the case of HOPE VI grants for demolition? Does the acceptance of the HOPE VI application count as approval of the tenant relocation plan?

Answer: In the absence of relocation, the asset repositioning fee will start on the first day of the next quarter six months after the approval of demolition/disposition application.

26. **Question:** I currently have a large spreadsheet of all my demolished and disposed of units and they are all became vacant on different dates. Therefore, they are all on different schedules. How do I determine where in the asset repositioning fee schedule these units fall? Also, since they all became vacant on different dates, will I have to adjust the HUD-52722 form separately for each unit? I am very concerned about this tedious process.

Answer: The old calculations do not apply under the final rule. The Asset Repositioning Fee will be paid in accordance with the final rule.

27. **Question:** How will my asset-repositioning fee be calculated for FFY 2007 in the following scenario:

- 100 units approved for disposition
- Relocation plan approved on May 13, 2005
- First move out occurred on February 1, 2006

Answer: In the above example, the project is eligible for asset-repositioning fee beginning October 1, 2006. Since FFY 2007 funding is provided for the period January 1, 2007, through December 31, 2007, the project will receive:

- 9 months at 75 percent of PEL, and
- 3 months at 50 percent of PEL.

Units/Unit Months

28. **Question:** How do I handle appeals for changing market conditions?

Answer: The Department will issue further guidance on handling appeals for changing market conditions later this fall. In the meantime, PHAs must report "0" on Section 2, Line 10, *Units vacant due to changing market conditions*. These units must be reported on Section 2, Line 11, *Units vacant and not categorized above*.

29. **Question:** Where do you report income for Special Use Units?

Answer: You don't. Formula income is based on FDS Line Item 703.

30. **Question:** For employee and police units, how should the rent be reported on FDS?

Answer: The rent is reported as rental income on FDS.

31. **Question:** Do employee units that do not fill out HUD-50058 and choose not to be part of the program and meet low rent income requirements be categorized in Line 1 – Units Occupied Eligible Families?
Answer: No. These units should be reported on Line A13.
32. **Question:** Is it optional for a PHA to submit revised HUD-52723 Form for changes due to new or deleted units?
Answer: No. PHAs are required to inform HUD of unit changes that impact the calculation of eligible unit months or the asset-repositioning fee by submitting a revision by the deadline specified by HUD.
33. **Question:** Units coming on line after a modernization - are they considered new units?
Answer: No. They are already and always have been on the ACC.
34. **Question:** For single deleted units, there is a threshold by which form HUD-52722 does not need to be adjusted. Is there a similar threshold for new units?
Answer: There is no threshold for new units.
35. **Question:** What are units occupied by over-income eligible families?
Answer: These are units that are leased to a family that does not meet the income eligibility requirements of public housing.
36. **Question:** How should PHAs submit and document vacant units for approval for the reasons listed in Lines 5 through 10?
Answer: PHAs should submit the documents to their respective Field Offices for review and approval.
37. **Question:** How do I obtain approval for police officer units to be categorized as special use?
Answer: Work with your field office to determine if the units meet the requirements of special use.
38. **Question:** Would a daycare facility or an office of Boys and Girls Club qualify as special use unit?
Answer: Yes, as long as it meets the requirements set forth in §990.145(a)(2).
39. **Question:** For new units coming on line, do I still use an estimated EIOP date to project?
Answer: Per § 990.120(b) of the final Rule "A PHA is eligible to receive operating subsidy for a unit on the date it is both placed under the ACC and occupied." Therefore, operating subsidy is not determined based on the EIOP date.
40. **Question:** How would you handle units that were approved for non-dwelling (temporarily) that have since been converted back to dwelling units in the middle of the reporting period?

Answer: Based on the status of the units for each month in the reporting period (i.e., occupied, special use, vacant, etc.), the units should be included in the Eligible Unit Months (EUMs) calculation.

41. **Question:** For litigation, disaster, casualty loss, and special use vacancies, should PHAs request HUD approval when they note the vacancy reason in PIC to adjust their required HUD-50058?

Answer: It is required that PHAs receive HUD Field Office approval prior to classifying these units in PIC. In no event should a PHA submit subsidy request for these units prior to receiving HUD approval.

42. **Question:** For units undergoing modernization, should PHAs request HUD approval when they note the vacancy reason in PIC to adjust their required HUD-50058?

Answer: Approval of the PHA Annual Plan constitutes approval of units undergoing modernization. PHAs must maintain supporting documentation in their records.

43. **Question:** Are the police and employee units included in the Unit Months Leased (UML) obtained from FFY 2004 FDS?

Answer: Yes.

44. **Question:** Since the PHA has the option of either using the first day of the month or the last day of the month as long as consistent for EUM calculation, can a PHA change from one time period to another each fiscal year?

Answer: Yes, PHAs have the flexibility to change from one year to another.

Add-ons

45. **Question:** For the purposes of PILOT calculation, why is utilities subtracted from tenant rent?

Answer: PILOT is calculated at 10% of rent less utilities.

46. **Question:** Next year, when we convert to project-based calculations, will the asset management fee be based on the units in the AMP rather than on the PHA-wide numbers?

Answer: Yes, the asset management fee will be calculated individually for each AMP based on ACC units. However, total number of units under ACC will be used to determine which PHAs are eligible to receive the asset management fee add-on (for example, \$4 PUM for each PHA with 250 or more units).

47. **Question:** My PHA was a recipient of the ROSS grant for the Elderly/Disabled Service Coordinator (EDSC) program in 1995. I did not receive funding for the program in 2004, but did receive funding in 2005 and 2006. Will I receive funding in 2007?

Answer: Yes.

48. **Question:** Do MTW agencies receive the add-ons under the final Rule that are not embedded in their AEL?

Answer: MTW agencies should refer to the Attachment A of their MTW agreement to determine the method for calculating operating subsidy. For further clarification/guidance, please consult with your respective Field Office.

49. **Question:** Will there be an IT fee add-on each year after FY 2007?

Answer: Yes

50. **Question:** Under the interim Rule, PHAs received add-on funding for unit reconfiguration. How are converted units handled under the final Rule?

Answer: Unit reconfiguration is not an allowable add-on under the final Rule. The new number of units must be reported on HUD-52723. For instance, if 100 units are converted into 95 units, only 95 units are eligible to receive operating subsidy.

Other

51. **Question:** If 25% of units in an inventory were demolished in 2004, does this warrant a change in the 2004 frozen formula income?

Answer: No, formula income is reported on a per unit month basis. Thus, it is not necessary to make adjustments to the calculation based on changes in ACC units.

52. **Question:** Is there guidance regarding appeals for severe local economic hardship. Specifically, how will this apply to PHA impacted by Katrina and Rita?

Answer: HUD will provide further guidance on appeals.

53. **Question:** Can you change the number of AMPs every year?

Answer: Based on any extenuating circumstances, PHAs can request to modify the number of AMPs. Further guidance will be provided.

54. **Question:** If my PHA charges a flat rent for a tenant that is “over income,” are these units eligible for operating subsidy for the difference between flat and market rents?

Answer: These units are eligible for operating income based on the same formula for other eligible units. There is no distinction.

55. **Question:** Different PHAs have different fiscal year ends. As a consequence, for the information on the 52723 that is pre-populated based on an agency’s FDS, some PHAs will have “older” data. Is this equitable?

Answer: The financial information that comes from the FDS in the Operating Subsidy calculation is in accordance with the final Rule.

56. **Question:** Do the Board of Commissioners have to sign the HUD-52723 form? The form no longer has a signature line.

Answer: No.

57. **Question:** How is “other income” treated under the final rule on the Operating Fund Program (the final rule)?

Answer: Under the final rule, “other income” does not offset the operating subsidy. As a result, PHAs retain 100% of all “other income.”

58. **Question:** Does the final rule change the reporting requirements of “other income”?

Answer: No. PHAs will continue to report “other income” in their financial statements. The final rule does not change any reporting requirements for other income.

59. **Question:** How is building defined? For purposes of the Form-52723 and Form-52722, are we using the PIC definition or the REAC/PASS definition? For example, PIC may have several addresses for a given property, but the REAC system will have a consolidated data point.

Answer: Every building has a unique address in PIC.

60. **Question:** Will a Board resolution be required before submitting forms.

Answer: No, but the resolution must still be submitted prior to the beginning of the PHA’s fiscal year.

61. **Question:** Do PHA’s still have to fill out multiple forms if they have multiple PPNs?

Answer: Yes

62. **Question:** When calculating the change in tenant utility allowances, we are asked to calculate the change in tenant utility allowances in 2004 by dividing the tenant utility allowances in 2004 by the units months leased in 2004 from the FDS. What if my unit months leased from the FDS includes both units that have tenant utility allowances and units that do not have tenant utility allowances? Won’t this cause a miscalculation?

Answer: No, this should impact the Operating Subsidy calculation.

63. **Question:** Are the DOFA and EIOP forms still used for the purposes of completing HUD-52723?

Answer: No.