

Guidance on Funding of New Projects/Units

Purpose

This document provides instructions to public housing agencies (PHAs) on the treatment of new projects/units for purposes of operating subsidies under the Operating Fund Program at 24 CFR 990.

Please note that projects/units only can be added to the program in accordance with 24 CFR 941, Public Housing Development.

A tracking log of all new projects requests submitted by Field Offices to HUD's Public Housing Financial Management Division (FMD) can be found by clicking on the following link:

The log will be updated frequently, so please check back often for the status of any request you have pending. Please contact your Field Office to initiate a revision request for a new project, or if you have any questions. Please keep in mind that the deadline for requesting revisions for new projects is identified in each year's Operating Subsidy Processing Notice. It usually occurs in June, after which it may not be possible for a new project to receive funding until the following funding year. If you have concerns about the timely or accurate funding of your new project, contact your Field Office Director.

Background

Generally, a project's operating subsidy eligibility for an upcoming calendar year (also called the "funding period") is based on the status of units during the period July 1 – June 30 immediately preceding the funding period (called the "reporting period"). For example, for the Calendar Year (CY) 2015 funding period, the reporting period is July 1, 2013 – June 30, 2014. Because new projects/units are not in PIC for the reporting period, special procedures have been established for the funding of new projects/units when they initially come on-line, i.e., are added to the Annual Contributions Contract (ACC) and are occupied by public housing-eligible household under lease.

Operating Subsidy Timelines for New Projects

- 1. Units that come on line between January 1 and revisions deadline.**¹ PHAs will prepare a subsidy revision request prior to the revisions deadline. After the Field Office receives a revision request for a new project, the Field Office will work with FMD. FMD will deploy Operating Subsidy tools (HUD Form 52723 and 52722) for projects that meet the criteria delineated below. After an Operating Subsidy Tool is deployed, PHAs will have a limited period of time to complete the tools and submit them to the Field Office. Generally, a new project will receive funding one or two funding cycles after the Field Office approves the PHAs Operating Subsidy tools and submits them to FMD (there are generally four to six funding cycles each year). At this point, the subsidy for the new units will be retroactive to the month of initial occupancy.

¹In order to obligate subsidies by September 30th of each year, HUD typically establishes a deadline in June for PHAs to submit operating fund revisions.

- 2. New units that come on line after the revisions deadline.** There is not sufficient time for HUD to review and process subsidy revisions for projects/units that come on-line after the revisions deadline.² Therefore, each year's Operating Subsidy Processing Notice requires PHAs to email revision requests for new projects to the Field Office by the revisions deadline. Generally, requests for new projects that are submitted after the deadline cannot be funded during that specific time period. However, eligible projects that come online after the revisions deadline can receive operating subsidy for the period beginning October 1, albeit during the following funding period. For example, assume that a PHA had a new project that comes on line August 15, 2014 (after the subsidy revision deadline for CY 2014). The PHA would not be eligible for operating subsidy for the months of August and September of 2014. However, in preparing its subsidy request for CY 2015 (form HUD-52723, Section 2, Line 4), it would include eligible unit months for the months of October, November and December 2014.

²Under appropriations law, HUD must obligate all operating subsidies by September 30th of each year. The revisions deadline is generally established based on the last date that HUD can reasonably process revisions within this deadline.

Operating Subsidy Process for New Projects

Generally, revision requests should only be submitted by PHAs to Field Offices if a project has an Actual DOFA Date and at least one unit occupied by an eligible public housing household.

To request a revision for a new project the PHA must email the Field Office Public Housing Director, with a copy to the pertinent Financial Analyst, requesting funding for their project (providing the project number, the actual DOFA date, and identifying at least one unit leased to a public housing-eligible household).

Once a Field Office receives a request for a revision for a new project, the Field Office will complete a New Project Template, and submit it to FMD pursuant to separate instructions on FMD's internal Operating Subsidy web page. After receiving a New Project Template from a Field Office, FMD will add the project to its tracking log. Generally, FMD will deploy Operating Subsidy tools (HUD Form 52723 and 52722) up to four times per year, including any project that meets the criteria delineated below at the time of deployment.

The following criteria are needed in order for an Operating Subsidy tool for a new project to be deployed:

1. The project should have an Actual DOFA date
 - a. If a project does not have an Actual DOFA date, it will be noted in the New Project Log as being ineligible for this reason.
2. The project should have at least one unit leased to a Public Housing-Eligible household
 - a. If a project does not have at least one unit leased to a Public Housing Eligible Household, it will be noted in the New Project Log as being ineligible for this reason.
3. The project characteristics must be entered into IMS-PIC and reviewed and approved by the appropriate HUD Field Office. Key IMS-PIC data and project characteristics include:
 - i. Project Number (full 11 digits) .
 - ii. HA Physical Address (usually the address of the project's management office) .
 - iii. Mixed Finance (Y/N) .
 - iv. Building numbers, type, and addresses .
 - v. Units and bedroom sizes .
 - vi. Units ACC status (Y/N) .
 - vii. Actual Date of Full Availability (DOFA)

- b. The above data is needed to generate a PEL. If a project has not met any of the above criteria, the log will indicate the project is ineligible because 'No PEL was Generated.'

Once the above criteria are met, the project will be categorized as 'pending tool deployment' in the log. The next time FMD deploys tools for new projects, a tool will be deployed for such projects. FMD deploys tools for new projects approximately four times per year.

After an Operating Subsidy Tool is deployed, PHAs will have a limited period of time to complete the tools and submit them to the Field Office.

Generally, a new project will receive funding one or two funding cycles after the Field Office approves the PHAs Operating Subsidy tools and submits them to FMD (there are generally four to six funding cycles each year). At this point, the subsidy for the new units will be retroactive to the month of initial occupancy.

Frequently Asked Questions

For new projects, what should a PHA use as "formula income"?

The PHA should use rental income that is the most "representative" for the new project. Representative rental information is considered to be rental income for the units that are leased to public housing eligible households and thus included in Section 2, Line 4 of the 52723 at the time of submission.

For new projects, what should a PHA use as the Utility Expense Level (UEL)?

For new projects, consumption and rate data from a comparable property will be used as the initial basis for determining the UEL. Estimate a full 12 months of consumption on line 14 of the form HUD-52722. For rates, use the actual rate from a comparable property on the form and include a comment that the rates from the similar property are being used for the first year.

For a new project that will be funded for less than 12 months, in order to receive the correct amount of utility subsidy and for proper calculation of the UEL, Line 25, Eligible Unit Months, *must be annualized on the form HUD-52722 since Line 14 annualizes the consumption for the projects*. Accordingly, Line 25 must include the number of additional units for the new project times 12 instead of a partial year (e.g. instead of times 3).

If the new project is not part of an existing AMP, use “flat rates” during the first year to calculate the UEL; otherwise, the applicable rate will calculate as “0”. For Line 16, Actual Utility Costs, enter an estimate and submit full documentation of the determination of the estimate to the Field Office.

After the first year, follow the regular form HUD-52722 instructions for new units.

For new projects, what should a PHA use as the PILOT add-on?

The PILOT add-on is based on the following line items from the Low Rent Public Housing column of the project’s most recent approved audited FASS-PH Financial Data Schedule (FDS) submission:

- 703 Net Tenant Rental Revenue
- 931 Water
- 932 Electricity
- 933 Gas
- 934 Fuel
- 938 Other Utilities

The add-on is calculated by subtracting lines 931 through 938 from line 703 and multiplying the result by 10%. The calculated amount is posted to the Asset Management website prior to the beginning date of submissions for the upcoming funding year. To determine a project-level PILOT amount, PHAs must reasonably allocate these amounts to each project. The sum of the allocations should not exceed the FDS PILOT for the PHA. A higher amount for new projects may be requested based on proof of payment. Amounts based on estimated PILOT costs cannot be used.

For new projects, what should a PHA use as the audit cost add-on?

The audit cost add-on is based on the PHA’s most recent approved audited FASS-PH FDS submission (FDS Line 912), Low-Rent Public Housing column, which is posted to the Asset Management website prior to the beginning date of submissions for the upcoming funding year. To determine a project-level audit cost amount, PHAs must reasonably allocate these amounts to each project. The sum of the allocations should not exceed the FDS audit cost. A higher amount for new projects may be requested based on proof of payment. Amounts based on estimated audit costs cannot be used.

When does a unit become eligible for operating subsidy?

In accordance with 24 CFR 990.120 (b) and 24 CFR 990.140, a PHA is eligible to receive operating subsidy for a unit once it is both placed under the ACC and occupied by a public housing-eligible family under lease. Although the DOFA does not designate the date of eligibility of a project or units, it is a key data element in determining the Project Expense Level (PEL) and timing of initial funding.

Are PHAs funded for units based on occupancy at the beginning or end of the month?

PHAs choose whether to count units occupied as of either the beginning or end of month, provided the selection is consistent method for all units. Thus, for a PHA that uses the end-of-month method, a unit that came on line October 15 would be treated as occupied for the full month for subsidy purposes. (Occupied units must have a "Family Report" HUD-50058 submitted in IMS-PIC.)

How should PHAs handle the "lag" in payment for projects/units that come on-line after the initial subsidy submission?

PHAs and developers should establish and use an initial operating deficit reserve for the addition of new projects/units. PHAs/developers should carefully consider phasing based on the scale of the development, operating deficit reserve needs and operating subsidy needs.

Where is guidance regarding the identification of projects?

Notice PIH 2006-10 provides instructions and guidance for "Identification of Projects for Asset Management." For subsequent changes in project groupings, see Notice PIH 2007- 28 "Changes in the Project Numbering System and Process for Requesting Changes in Project Identifications."

Are mixed-finance projects separate project numbers?

Yes, each mixed finance project must have a unique project number.

Are PHAs funded for units based on occupancy at the beginning or end of the month?

PHAs choose whether to count units occupied as of either the beginning or end of month, provided the selection is consistent method for all units in the reporting period. Thus, for a PHA that uses the end-of-month method, a unit that came on line October 15 and is still occupied at the end of the month

would be treated as occupied for the full month for subsidy purposes. (Occupied units must have a "Family Report" HUD-50058 submitted in IMS-PIC.)

Is the disbursement of operating funds to mixed-finance developers tied to HUD's disbursement to a PHA?

Payment by the PHA to the developer is independent of HUD's processing of operating subsidies. Payment procedures are set in the Regulatory and Operating (R&O) agreement between the PHA and developer.

Is it possible for me to estimate the PEL for a project prior to the deployment of an Operating Subsidy tool?

Not with absolute precision, however, it is possible to make a rough estimate. To estimate a PEL for budgeting purposes, use the PEL Calculator available at the FMD Asset Management website (see link below).

http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/am/pels

