

FLASH ALERT

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2019 OPERATING SUBSIDY GUIDANCE

THUD published [PIH Notice 2018-23](#) "Notice," Public Housing Operating Subsidy Eligibility Calculations for Calendar Year (CY) 2019," explaining the details for submitting operating subsidy requests to HUD for CY 2019 operating subsidy.

HUD plans to release HUD Forms 52722 and 52723 through the Operating Subsidy Portal, so it is very important to obtain access to the portal. Once again, HUD will be using a Microsoft Excel tool for the HUD Forms. In the Notice, HUD also mentioned that the Excel tool may be made available on their [website](#) as well. HUD released a timeline for submissions on December 17, 2018. Currently, HUD plans to release the tools on February 11, 2019 with a submission date due back to HUD on March 4, 2019. The PHA must submit the following to their field office: the Excel tools, Standard Form (SF) 424, HUD Form 50071, "Certifications of Payments to Influence Federal Transactions," and any other supporting documentation. The fee accountant or consultant can prepare the subsidy calculation, but the submission must come from the PHA. The portal will not be used for CY 2019 submissions.

A PHA can submit a revision to their 2019 operating subsidy calculation that would be due on **August 1, 2019**. A subsidy revision can be prepared if the revision meets any of the four reasons below.

1. Correction of mathematical, clerical, information system or other errors;
2. Approval of demolition or disposition with the addition of new units in an existing project (24 CFR 990.155);
3. New utilities incentives/contracts approved pursuant to 24 CFR 990.185, or amendments to existing approvals, but not including Rate Reduction Incentives (RRI) under 24 CFR 990.185 (b); or 24 CFR 965 Subpart E;
4. Appeals submitted in accordance with this notice and approved by HUD (pursuant to 24 CFR 990.245).

The Notice also highlights some areas of the operating subsidy calculation for correct submissions:

- ▶ The UEL includes the following utilities: gas, electric, heating fuels, water, and sewer service, consistent with the definitions at 24 CFR 990.115. Trash collection cost must be excluded for UEL calculation purposes. Trash collection cost are included in PEL calculation.
- ▶ Formula income will come from the PHA's latest FDS submission for FY 2017. HUD will calculate formula income by taking the rental income and divide it by UMLs. Then, HUD will increase the amount with the rental income inflation factor. If the PHA has a mixed finance project, then the PHA will have to submit a supporting schedule of rental income and UML for FY 2017, only for the ACC units, and inflate by the appropriate inflation factor. The inflation factor for FY 2019 is below.

Fiscal Year End	Inflation Factor
3/31/2017	9.74%
6/30/2017	8.64%
9/30/2017	7.54%
12/31/2017	6.45%

- ▶ If the PHA has FSS escrows and utility reimbursements to residents, then verify that these payments were netted with dwelling rental income on the FDS for 2017. If these items were not netted with dwelling rental income, then you have the ability to edit the dwelling rental income to report the correct amount to maximize your operating subsidy. You just have to provide supporting documentation.

- ▶ HUD will also use the latest PILOT expense and audit expense from the FY 2017 FDS. If you have a mixed finance AMP, then the PHA will have to provide support and add the amount of the PILOT and audit to HUD Form 52723 - this amount will not be provided in the pre-populated data. PILOT for the mixed finance AMP is only for PILOT payments and not real-estate taxes for the ACC units. Audit costs should not include audit costs for the mixed finance AMPs and not any costs related to tax preparation.
- ▶ For energy performance contracts (EPC), the PHA should consult with either their fee accountant or Energy Servicing Company (ESCO) for the proper presentation on HUD Form 52723. HUD also provides guidance on their [website](#).
- ▶ The Elderly Disabled Service Coordinator (EDSC) Add-on is often missed on the operating subsidy because the PHA must fill in the amount on HUD Form 52723. If the PHA is eligible to receive additional subsidy, the PHA must go to the EDSC link on [HUD's website](#) to determine if they are listed on the site. The PHA must also reduce the amount of the EDSC add-on proportionately to the amount of lost ACC units [RAD, Section 18, etc.].
- ▶ Section 15 of the Notice provides guidance for PHAs that converted ACC units to RAD.
- ▶ There are several actions the PHA can take now before the Excel tools are released on February 11th. [There could be a delay of the release of the Excel tools and due date of the Excel tools back to HUD due to the Federal Government shut-down] The PHA can validate their UMLs, vacancies, and HUD approved vacant unit months. Also, now would be a good time to gather utility cost and consumption for the reporting period.

CONTACT

BRIAN ALTEN

BSO Partner
215-940-7812 / balten@bdo.com

1801 Market Street / Suite 1700
Philadelphia, PA 19103

ABOUT BDO PHA FINANCE

BDO PHA Finance, a division of BDO USA, LLP, provides accounting and management consulting services to Public Housing Authorities (PHAs) nationwide. We are proud to be making a difference for the housing authorities that serve communities throughout the United States.

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