



Guidance on Asset Repositioning Fee (ARF)

Training for Public Housing Agencies



Learning Objectives

- **Understanding of Asset Repositioning Fee (ARF)**
- **Determine Eligible and Ineligible Projects**
- **Understand ARF Timeline**
- **Understand the Importance of PIC data accuracy**



Overview of Asset Repositioning Fee (ARF)

- **ARF is an add-on to Operation Subsidy (24 CFR 990.190(h)(1))**
 - ARF is a formula component of the Operating Fund Formula.
 - PHAs do not receive Asset Repositioning Fees
 - PHAs receive Operating Subsidy where ARF can be a component of the Formula used to determine Operating Subsidy amounts.
- **Operating Subsidy can be used for any eligible Operating Fund activity identified in Section 9(e) of the U.S. Housing Act of 1937.**
- **ARF is not intended for individual units within a multi-unit building undergoing similar activities**



Eligible Projects

- **All units in a project (or for partial demolition, an entire building in a project) must transition out of the PHA's inventory to be eligible for ARF.**
 - Demolition and/or Disposition under Section 18 (24 CFR 970)*
 - RAD/ Section 18 Blends with entire buildings under Section 18 (NEW)
 - Hope VI Revitalization Plan or Choice Neighborhood Plans
 - De Minimis demolition (NEW)

* *Does not include dispositions for Mixed Finance Modernization placed under Mixed Finance ACC amendment and eligible for regular operating subsidy*



RAD/ Section 18 Blends

- **When units in a building are removed from inventory via a combination of ARF eligible methods and ARF ineligible methods, then none of the units in the building would be eligible for ARF.**
 - If removal action encompasses multiple buildings, eligibility will be determined on a building-by-building basis.
- **Buildings removed via Section 18 will be eligible for ARF if all the units in the building are removed from inventory pursuant to Section 18.**



Ineligible Projects

- **PBRA/PBV projects converted under the RAD program**
- **Voluntary or Required conversion under section 22 or 33 of the 1937 ACT**
- **Projects retained by PHA under 2 CFR Part 200 (with or without tenant based or project-based assistance) and used as affordable housing**
- **Projects that have reached end of ARF timeline but are still under ACC**
- **Mixed Finance Modernization Projects**
- **Projects sold pursuant to an approved Section 32 Homeownership Plan**



Key ARF Data Elements

- **It is especially important to review the ARF calculation in the first year of ARF eligibility**
 - After the first year of eligibility PHAs may not change data elements from their demo/dispo application used in the calculation of ARF eligibility.
- **Projects may become eligible for ARF after the submission of the initial form HUD 52723.**
- **The form must accurately reflect eligibility by the revision's deadline.**



Definitions and Key Data Elements

- **Project Expense Level (PEL):** Project expense level (PEL) is the amount of estimated expenses for each project (excluding utilities and add-ons) expressed as a PUM cost.
 - The starting PEL used to calculate the ARF amounts is found on the Operating Fund Calculation of Operating Subsidy (HUD Form-52723) that coincides with the same year ARF was triggered. The PEL from the first year is used because the PEL can fluctuate as units are removed.
 - The PEL and PEL inflation factor from the first year of the ARF timeline are used to calculate ARFs.
- **Unit Months Available (UMA):** Unit months Available (UMA) are the total number of project units in a PHAs inventory expressed in months for a specified time frame.
 - PHAs must make sure their units are accurately reflected in Section 2 Col A of the HUD Form 52723.



ARF Timeline: Key Dates and Data Elements

DDAP (Demo Dispo Application) Approval date: The date of the SAC approval letter as recorded in the PIC Inventory Removals Module (IRM).

- **Number of Days to Relocation:** Data element in the IRM which is the date by which the PHA plans to begin relocating residents.
- **Planned Relocation Start Date:** Derived by adding the Number of Days to Relocation to the DDAP Approval date.
- **ARF Trigger Date:** The date in which the six months period begins based on the EOP of the first move out after the planned relocation start date
- **ARF Trigger Date + 6 months:** The date six months after the ARF Trigger Date
- **ARF Start Date:** First day of the next quarter immediately after ARF Trigger Date + 6 months. When ARF eligibility begins.
- **Number of ARF Eligible Unit months:** 24 months (disposition) or 36 months (demolition)



ARF Timeline: Eligibility

- **ARF starts on the first day of the next quarter six months after the trigger date.**
- **The “ARF Trigger Date” refers to the date on which the six-month period begins.**
- **When there are no occupied units on the DDAP Approval Date, the DDAP Approval Date is the Trigger Date. When there are no occupied units on the Planned Relocation Start Date, the Planned Relocation Start Date is the Trigger Date.**
- **Where there are occupied units, the trigger date is the first vacancy on or after the planned relocation start date.**
- ***If a resident moves out early (voluntarily, health and safety), this will not qualify as the Trigger Date or impact Days to Relocation.***



ARF Timeline: Days to Relocation

- **The PHA must determine the number of days after approval to begin relocation of residents, known as the Planned Relocation Date.**
 - When units are occupied on the SAC DDAP Approval date, the number of days to Relocation must be at least 90 days, except in cases of imminent threat to health and safety.
- **When DDAP's actual relocation start date is substantially different from the planned Relocation Start Date, the PHA must revise the Days to Relocation in the PIC DDAP.**
 - Funding for units stop at the end of the ARF timeline. To ensure funding does not end while units are still occupied, it is important for PHAs to change the Planned Relocation Start Date if their relocation plans change.
 - Because DDAPs are not changed after ARF funding begins, PHAs should make needed changes to DDAPs to delay the start of ARF before it begins.



Correcting Days to Relocation

- **The Planned Relocation Start Date (Days to Relocation) in the first year of ARF eligibility, is critical.**
- **The relocation date (Days to Relocation) is generally the only field that may be changed in a DDAP.**
- **PHA must submit to the FO Director the new estimated number for Days to Relocation and brief explanation for reason.**
 - FO reviews and if approved, SAC can modify the days to Relocation.



ARF Timeline and ARF End

- **If PHA has some public housing units under ACC, a PHA may receive ARF for:**
 - 24 months for a disposition, or
 - 36 months for demolition
- **ARF End Date is the last date of the quarter that ends after 24 or 36 months after the ARF Start Date.**



ARF Timeline for a Demolition - Example

A PHA received HUD approval to demolish a 100-unit project from its 500-unit inventory on November 15.

Unit becomes vacant on February 16 as planned in the approved Relocation Plan.

February 15 + six months = August 16.

First day of the next quarter is October 1st.

This project is eligible for ARF on October 1 for 36 months.

All 500 units are eligible for full subsidy eligibility until September 30th. On October 1, the PHA will have 400 units eligible for normal operating subsidy and the ARF period begins for the remaining 100 units.



ARF Timeline for a Disposition - Example

A PHA has approval for disposition of a 200-unit project from its 1,000 unit inventory on April 10.

Unit becomes vacant on July 11 as planned in the approved Relocation Plan.

July 11 + six months = January 11.

First day of the next quarter is April 1.

This project is eligible for ARF on April 1 for 24 months.

All 1,000 units are eligible for normal subsidy eligibility until March 31 for ALL 1,000 units. On April 1, the PHA will have 800 units eligible for normal operating subsidy and the ARF period will begin for the remaining 200 units.



PHA OpFund Microstrategy Report

- PIH Field Offices (FOs) use the ARF MicroStrategy Report to determine ARF eligibility and funding levels, which in turn uses key data elements from PIC and streamlines the calculation process for FOs to validate ARF eligibility as submitted by PHAs in the submission of their form HUD-52723.
- The Microstrategy report is prepopulated from PIC.
- PHAs can access the OpFund Microstrategy Report from the Main Menu of HUD Secure Systems and click on the Operating Fund Business Intelligence link.

A screenshot of the HUD Secure Systems Main Menu. The page has a dark blue header with the text "Main Menu" and navigation links "faq | help | search | home | logout". Below the header, there are two main sections: "Systems" and "System Administration". The "Systems" section contains a list of links, with "Operating Fund Business Intelligence" highlighted by a red rectangular box. A purple callout bubble points to this link with the text "PHA OpFund MicroStrategy Reports". The "System Administration" section contains a list of links: "Business Partners Maintenance", "Data Warehouse Password Change", "PHA Assignment Maintenance", and "User Maintenance".

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Systems

- [Business Intelligence \(BIMSTR\)](#)
- [Enterprise Income Verification \(EIV\)](#)
- [Financial Assessment Submission - PHA \(FASPHA\)](#)
- [Mark-to-Market \(M2M\)](#)
- [Multifamily Delinquency and Default Reporting System \(MDDRS\)](#)
- [Public Housing Assessment System: Scores and Status \(PHAS\)](#)
- [PIH Operating Fund](#)
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System Administration

- [Business Partners Maintenance](#)
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PHA OpFund MicroStrategy Reports



Calculating ARF Funding - Units

- **Form HUD-52723**
- **ARF units are reported in Section 2 Line 12 and the same number of units are removed from lines 1-11**

| Line No. | Category | Column A Unit Months |
|---------------------------------------|---|----------------------|
| Categorization of Unit Months: | | |
| Occupied Unit Months | | |
| 01 | Occupied dwelling units – by public housing eligible family under lease | |
| 02 | Occupied dwelling units – by PHA employee, police officer, or other security personnel who is not otherwise eligible for public housing | |
| 03 | Occupied new units – eligible to receive operating funds during the funding period but not included on Lines 01, 02, or 05-13 of this section | |
| 04 | Occupied new units – eligible to receive funds from 10/1 to 12/31 of previous funding period but not included on previous Calculation of Operating Fund Grant | |
| Vacant Unit Months | | |
| 05 | Units undergoing modernization | |
| 06 | Special use units | |
| 06a | Units on Line 02 that are occupied by police officers and that also qualify as special use units | |
| 07 | Units vacant due to litigation | |
| 08 | Units vacant due to disasters | |
| 09 | Units vacant due to casualty losses | |
| 10 | Units vacant due to changing market conditions | |
| 11 | Units vacant and not categorized above | |
| Other ACC Unit Months | | |
| 12 | Units eligible for asset repositioning fee and still on ACC (occupied or vacant) | |
| 13 | All other ACC units not categorized above | |



Calculating ARF Funding - Units (form HUD-52723)

- **ARF Eligible units still under ACC are reported in Section 2.**
- **Once ARF eligibility ends, *if the units have not been removed from the ACC*, then you must report them on line 13.**
 - You cannot report the same units in Section line 1-11 and in line 12 or 13.
 - Only units under ACC should be reported in Section 2 and the eligibility amounts in Section 2 may be different from those used to calculate ARF eligibility in Section 3.

| Other ACC Unit Months | | |
|------------------------------|--|--|
| 12 | Units eligible for asset repositioning fee and still on ACC (occupied or vacant) | |
| 13 | All other ACC units not categorized above | |



Calculating ARF Funding - PEL & Inflation Factor

- **Sample Calculation for a demolition project where the ARF Start Year (Year 1) PEL is \$400, and the inflation factor is 1.032.**

| YEAR | Calculation | PEL (P) |
|--------|------------------|--------------|
| Year 1 | \$400.00 | P1= \$400.00 |
| Year 2 | 1.032 * \$400.00 | P2= \$412.80 |
| Year 3 | 1.032* \$400.00 | P3= \$426.01 |
| Year 4 | 1.032* \$400.00 | P4= \$439.64 |



Calculating ARF Funding - Units

Section 3

| Line No. | Description |
|--------------------------------------|---|
| Part A. Formula Expenses | |
| Project Expense Level (PEL) | |
| 01 | PUM project expense level (PEL) |
| 02 | Inflation factor |
| 03 | PUM inflated PEL (Part A, Line 01 times Line 02) |
| 04 | PEL (Part A, Line 03 times Section 2, Line 15, Column B) |
| Utilities Expense Level (UEL) | |
| 05 | PUM utilities expense level (UEL) (from Line 26 of form HUD-52722) |
| 06 | UEL (Part A, Line 05 times Section 2, Line 15, Column B) |
| Add-Ons | |
| 07 | Self-sufficiency |
| 08 | Energy loan amortization |
| 09 | Payment in lieu of taxes (PILOT) |
| 10 | Cost of independent audit |
| 11 | Funding for resident participation activities |
| 12 | Asset management fee |
| 13 | Information technology fee |
| 14 | Asset repositioning fee |
| 15 | Costs attributable to changes in federal law, regulation, or economy |
| 16 | Total Add-Ons (Sum of Part A, Lines 07 through 15) |
| 17 | Total Formula Expenses (Part A, Line 04 plus Line 06 plus Line 16) |

- ARF eligibility amount requested under ACC.
- This amount should be entered in Section 3 Line 14
- Funding amount may differ from Section 2



Calculating ARF Funding

- **Units categorized for demolition and which are eligible for an ARF are eligible for operating subsidy at the rate of**
 - 75% PEL per unit for the first twelve months
 - 50% PEL per unit for the next twelve months
 - 25% PEL per unit for the final twelve months.
- **Units categorized for disposition and which are eligible for an ARF are eligible for operating subsidy at the rate of**
 - 75% PEL per unit for the first twelve months
 - 50% PEL per unit for the final twelve months.
- **The ARF funding period may or may not coincide with the Operating Subsidy funding year and may overlap into the fourth year.**



Key Takeaways

- **PHAs should ensure that appropriate corrections are made to PIC source data in order that future calculations based on PIC source data are accurate.**
- **A unit cannot be eligible for ARF eligible and regular Operating Subsidy at the same time.**
- **To the extent that PHA calculations of ARF differ with the data published in the HUD-52723, FOs and PHAs should review these data elements to identify the cause of the variance. PHAs should work with their FOs to ensure that ARF eligibility is accurately included in the 52723, and that relevant PIC data is accurate.**



Additional Resources

[PIH-2021-31 \(hud.gov\)](#) Public Housing Operating Subsidy Grant Eligibility Calculations for Calendar Year (CY) 2022

[PIH 2021-37 ARF Notice \(hud.gov\)](#) Guidance on Eligibility for Asset-Relocation Fee (ARF)

[Office of Public and Indian Housing \(hud.gov\)](#) PIH- 2017-22 Guidance on Eligibility for Asset-Relocation Fee (ARF) when Public Housing Units Are Approved for Demolition, Disposition, or Transitioned to Homeownership

[www.hudoig.gov](#) Audit Report 2014-NY-0003 Asset Relocation Fees for Public Housing Authorities with Units Approved for Demolition or Disposition Were Not Always Accurately Calculated