Public Housing Asset Repositioning Fee (ARF) Training Vignette Transcript

Slide 1: Title Slide
Hello and welcome to this training on HUD's Public Housing Asset Repositioning Fee or ARF. This training is intended for staff of a public housing authority that is demolishing or disposing public housing units in accordance with federal regulation.

Slide 2: Learning Objectives
During this training, we are going to discuss the Asset Repositioning fee , or ARF, as outlined in regulation 24 CFR 990.190(h). The goal of this training is for those PHAs that are repositioning public housing projects to:

- Understand what ARF is
- Determine eligible and ineligible projects
- Understand the ARF timeline
- And understanding the importance of PIC data accuracy…

Slide 3: Overview of the Asset Repositioning Fee (ARF)
This training will focus on ARF and the most recent PIH Notice 2021-37.

ARF is a component of the Operating Fund Formula. As a result, PHAs do not receive Asset Repositioning Fees, rather PHAs receive Operating Subsidy where ARF can be a component of the Formula used to determine Operating Subsidy amounts.

The Operating Fund formula generates Operating Subsidy eligibility. Operating Subsidy can be used for any eligible Operating Fund activity identified in Section 9(e) of the U.S. Housing Act of 1937, as amended.

ARF is NOT intended for individual units within a multi-unit building undergoing similar activities.

Slide 4: Eligible Projects
First, we must understand which projects may be eligible for ARF. Public housing units removed from public housing through Section 18 Demolition or Disposition, Hope VI or Choice Neighborhoods are eligible for ARF.

PIH Notice 2021-37 added ARF eligibility for projects (or entire buildings) demolished with de minimis and removes eligibility for units sold under an Approved Homeownership Plan.

PIH Notice 2021-37 includes ARF eligibility for RAD/ Section 18 blends when the entire building is being demolished.

Individual units within a multi-unit building are not eligible for ARF. ARF eligibility is dependent on the entire project or entire buildings transitioning out of Public Housing.

Slide 5: RAD/Section 18 Blend
It is important to note that in order to be eligible for ARF, ALL units in a project or entire building must transition out of the PHA's inventory.

For example, if a building has four units, and only two units in the building are Section 18 and the other two units are being converted to RAD PBV, then the entire building would not be eligible for ARF.

Slide 6: Ineligible Projects

There are several project types that are not eligible for ARF. This includes projects converted to RAD PBV and RAD PBRA, projects approved by HUD for voluntary or required conversion under Section 22 and Section 33, mixed finance modernization projects, and as noted earlier in this presentation, units sold with an Approved Homeownership Plan in accordance with Section 32.

Units that have reached the end of the ARF timeline but have not been removed from the ACC inventory are also no longer eligible for ARF.

Slide 7: Key ARF Data Elements

Changes to the ARF data elements must be done before the end of the first year of eligibility. After the first year of ARF, PHAs are not able to make changes to their demolition or disposition application.

Projects may become eligible for ARF after the submission of the HUD 52723 form. The form should be updated to reflect such changes (dependent on the removal of units) during through various milestones of the Operating Subsidy process.

The form must accurately reflect eligibility by the revision's deadline.

Slide 8: Definitions and Key Data Elements

To fully understand ARF and the relationship between Operating Subsidy and how to calculate, there are a few definitions and data elements that the PHA must understand.

First, the Project Expense level is key to the ARF calculation because it will determine the amount of ARF received by the PHA. The Project Expense Level, known as PEL, is the amount of estimated expenses for each project expressed as a Per Unit Month or PUM cost. This amount is reported on form HUD 52723 and the PHA must make sure that this is accurate, in particular for the first year.

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 and PEL Inflation Factor from the first year of the ARF timeline are used to calculate ARFs. If a PEL is not available that year, then the PEL from the prior year is used. If that is not available, the process is continued until a PEL for the project is found.

The PEL from the first year is used because the PEL can fluctuate as units are removed from inventory.

The PHA must also be familiar with the term Unit Months Available or UMA. UMA's are the total number of project units in a PHAs inventory expressed in months for a specific time frame in which a PHA receives operating subsidy. For example, if a PHA is receiving subsidy for the month of October, November, and December only for one unit in a project… this is expressed as three-unit months.

PHAs must make sure their units are accurately reflected in Section 2 Col A of the HUD Form 52723.

Slide 9: ARF Timeline: Key Dates and Data Elements

There are other key data elements that the PHA must be aware of in order to accurately calculate ARF.

- DDAP Approval date – This is the date of the SAC approval letter as recorded in the PIC Inventory Removals Module (IRM)
- Number of Days to Relocation – The Number of Days to Relocation is a data element in the IRM.
- Planned Relocation Start Date – The Planned Relocation Start Date is the date by which the PHA plans to begin relocating residents. The Planned Relocation Start Date is derived by adding the Number of Days to Relocation to the DDAP date.
- ARF Trigger Date is the date in which the six months period begins based on the End of Participation/Move Out Date 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 – The first day of the next quarter immediately after ARF Trigger Date + 6 months - When ARF eligibility begins.
- Number of ARF Eligible Unit months is 24 months (disposition) or 36 months (demolition)

The dates are important to the ARF timeline and should be closely monitored by the PHA. The next few slides will go into more detail about these key terms, describing how they impact ARF.

Slide 10: ARF Timeline: Eligibility
The DDAP approval date is the start of the ARF timeline.

A project will become eligible for ARF on the first day of the next quarter six months after the trigger date. The quarters start on January 1st, April 1st, July 1st, and October 1st.

A few examples in future slides will help illustrate the timing. The PHA will set a relocation start date in their Approved Relocation Plan.

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.

When there are occupied units, the first vacancy that occurs on or after the Planned Relocation Start Date is the ARF Trigger Date. The ARF trigger date is when the PHA must start counting down the six months.

The End of Participation Date in the form HUD-50058 is used to determine the first move out after the Planned Relocation. In certain cases, residents may move out prior to the Planned Relocation Start Date due to health and safety reasons or voluntary reasons. That type of move out will not impact or change the ARF Trigger date.

Slide 11: ARF Timeline: Days to Relocation
The Days to Relocation is a critical date in the ARF timeline. The PHA must determine the Planned Relocation Date, if units are occupied on the SAC DDAP Approval date , then the PHA is required to give residents a minimum 90-day notice of relocation. This means that the PHA cannot require residents to move less than 90 days from DDAP, unless there is imminent threat to health and safety.

For DDAPS with occupied units, this is the most flexible and critical date of the ARF timeline- the days to relocation. The number of days to relocation must be at least 90 days from when the families was notified and the PHA plans to begin relocation.

Slide 12: Correcting Days to Relocation

As was mentioned in the previous slide, the Days to Relocation in the first year of ARF Eligibility is critical. It is generally the only field that can be changed after review by the Field Office and the change requires a brief explanation. Changes to Days to Relocation may happen because of residents' move out delays, construction, or financing delays.

A PHA may make changes to a submitted Days to Relocation for both approved and not yet approved DDAPs. The Field Office can deny the request for a change if the changes were submitted past the operating fund revision data deadline.

Slide 13: ARF Timeline and ARF End
There is also a time limit for how long a PHA can receive ARF based on the type of inventory removal action.

The ARF End Date is the always the last day of the quarter that ends 36 months or 24 months after the ARF Start Date. ARF Eligibility expires on the ARF End Date.

Slide 14: ARF Timeline for a Demolition - Example
Here is sample of the ARF timeline for a 500-unit disposition project that has approval to demolish 100 occupied units.

The DDAP approval date is November 15. This is the date that the PHA received HUD approval.

Planned Relocation must be no less than 90 days for occupied units, which means that no resident can be relocated under disposition action until at least February 15. This is also known as days to relocation.

The ARF trigger date is February 16, because the PHAs planned relocation date was set as 90 days after the first unit is vacated.

You must add six months to the ARF trigger date to determine the ARF eligibility date. Six months is August 16.

The first quarter after August 16th would be October 1, so the PHA should expect first payment of ARF on October 1.

Payment for ARF will begin October 1st. PHA receives full subsidy eligibility for all 500 units until September 30th.

On October 1st, the PHA starts receiving normal subsidy eligibility for 400 units rather than the 500 and ARF eligibility begins for the 100 units.

ARF End date is September 30, 36 months later because it is a demolition project.

Slide 15: ARF Timeline for Disposition - Example
Here is sample of the ARF timeline for a 1,000-unit disposition project that has approval to demolish 200 occupied units.

The DDAP date is April 10th. This is the date of the SAC approval letter.

The PHA chose the minimum of 90 days as the days to relocation, which means that no resident can be required to relocate pursuant to the disposition action until July 11.

This is the Planned Relocation Start Date. It is important to remember that if the units to be demolished are vacant on the date of the SAC approval letter (the DDAP date), then the DDAP date of April 10th becomes the ARF Trigger Date. In this case, the PHA would not have the 90 days requirement to notify residents, because the units are vacant, and there are no residents to notify.

In this example, however, because units are occupied on the DDAP Approval Date and the Planned Relocation Start Date, and the first move out after the Planned Relocation Start Date occurs on April 10th, the ARF trigger date is July 11th.

You must add six months to the ARF trigger date to determine the ARF eligibility date. Adding six months to July 11th means that the project is eligible for ARF on January 11th of the following year. Although the January 1st quarter deadline was barely missed, ARF eligibility will not begin until the first day of the first quarter after January 11th.

This means that the PHAs ARF add-on will begin April 1st.

The project is eligible for normal subsidy eligibility for all 1,000 units until March 31st. On April 1st, the project is eligible for normal subsidy eligibility for 800 units rather than the 1,000 units, and the ARF period starts for the 200 units eligible for ARF.

ARF End date is March 31, 24 months later because it is a disposition project.

Slide 16: 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.

Since the Microstrategy report prepopulates information from PIC, the PHAs must make sure that the information in PIC is correct.

PHAs can access the OpFund Microstrategy Report from the main menu of HUD Secure Systems by clicking on the Operating Fund Business Intelligence Link.

Slide 17: Calculating ARF Funding - Units
The ARF timeline applies to an entire demolition/disposition approval (DDAP) and covers all ARF-eligible units in a given DDAP. PHAs and HUD Field Offices must validate appropriate PIC data and ARF eligibility in the first year a PHA claims ARF because once a PHA starts receiving ARF, the PHA cannot change any data elements used in the calculation, such as move in date, number of units, PEL, or inflation factors.

That is why it is critical that the form in PIC's inventory removal module is correct.

In this slide you will see section 2 of the form HUD 52723. The area circled in red, line 12, is where the PHA reports the ARF eligible months.

Other units UNDER ACC that are not ARF eligible are reported in lines 1-11 as you do normally.

For example, if ARF begins on October 1st the PHA reports three unit-months (October, November, December) on Line 12, Section 2. Correspondingly, three unit-months are removed from Lines 1 through 11.

Slide 18: Calculating ARF Funding – Units form (HUD -52723)
If the PHA's units have not been removed from ACC and are no longer eligible for ARF, then the PHA must report those unit months on line 13. An excerpt from the form is shown here.

The PHA must not report those units on line 1-12 since reporting them in those lines means that the PHA is claiming normal operating subsidy for those units.

Please remember that you cannot claim both ARF and regular Operating subsidy so the units have to be reported in the proper categories. If all the units are ARF eligible, then the PHA would not submit any units under section 2 line 1-11.

Slide 19: Calculating ARF Funding – PEL & Inflation Factors
As noted earlier in this presentation, the PEL and PEL Inflation Factor from the first year of the ARF timeline are used to calculate ARFs. If a PEL is not available that year, then the PEL from the prior year is used. If that is not available, the process is continued until a PEL for the project is found.

In the sample calculation shown in this slide, the PEL for the first year is $400.00 and the second year, it is adjusted based on the PEL inflation factor of 1.032. In Year 2, the ARF is $412.80.

Slide 20: Calculating ARF Funding – Units
The PHA must then enter the ARF amount on Line 14 of Section 3. …

The ARF funding for disposition unit month reported in Section 2, Column A, Lines 12 and/or 13 may be different from those used to calculate ARF funding amounts reflected in Section 3, Part A, Line 14. This is because unit months used to calculate ARF funding amounts are not required to be under the ACC; however, only ACC units are included in Section 2 regardless of their ARF status, for example, a unit eligible for ARF that is already removed from inventory will not have unit months included in Section 2 after the removal date during the reporting period.

Slide 21: Calculating ARF Funding
Once the PHA has established the number of units months, and the PEL, then it must determine the amount of funding, depending on the year, that the PHA is eligible.

Projects whose removal action is under demolition will have 36 months for ARF eligibility. The first year, a PHA will receive only 75% PEL per unit for the first twelve months, 50% PEL per unit for the next twelve months, and 25% PEL per unit for the last twelve months. The ratio for disposition projects are 75% PEL for the first year and 50% for the final year.

The ARF funding period may or may not coincide with the Operating Subsidy funding year. If the 36-month ARF period for demolition begins on January 1st, it coincides with the start of the Operating Subsidy funding year, then the ARF funding period spans exactly three Operating Subsidy funding years. But if demolition begins April 1st, or July 1st, or October 1st, then the funding period overlaps into a fourth year.

Slide 22: Key Takeaways
We know that this is a lot of information about a fee with such a small name: ARF. The key takeaways from this presentation are: your underlying PIC Data MUST be accurate so that HUD can prepopulate your Excel Tools and utilize the Microstrategy Report. It is important that the PHA, once the prepopulated Excel Tools are available, review the data in the Excel Tools and work with their FO to correct the data as quickly as possible.

Once ARF payment begins, data cannot be corrected so PHAs must make sure that the PEL is accurate.

Finally, please remember that a PHA CANNOT claim ARF and regular operating subsidy at the same time. If you remove units from Section 2, lines 1-11, then those units should appear on lines 12 and 13 in Section 2.

Slide 23: Additional Resources
Thank you for joining this training on Asset Repositioning Fee. We have provided some additional resources for your reference on this slide.