FDS Reporting Requirements for Projects Converting Under the RAD Program

ACCOUNTING BRIEF #22

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Background Information

Consolidated and Further Continuing Appropriations Act of 2012 authorized HUD to implement the Rental Assistance Demonstration program (RAD).

◦ Public Law 112-55, approved November 8, 2011
◦ Notice PIH 2012-32 (HA), REV-1, Rental Assistance Demonstration – Final Implementation, Revision 1, issued July 2, 2013. (RAD Notice)

RAD allows PHAs to convert projects currently funded under Public Housing program to one of the following Section 8 programs

◦ Project based voucher (PBV)
◦ Project-based rental assistance (PBRA).

RAD Time Line

Apply to HUD for RAD conversion.

HUD issues a Commitment to enter into a Housing Assistance Payment Contract (CHAP).

The project will be removed from the Public Housing Program by releasing the project from the Declaration of Trust and removing it form the ACC.

These steps can happen any time during a year.

Overview of the Process

When CHAP is issued project stops being scored in PHAS – Conversion starts

When HAP is issued project is transferred from Public Housing to other program

Public Housing project will continue to receive funding through the end of the calendar year. (Transfers)

After conversion follow the financial reporting and funding rules of new program

RAD Conversion Year Indicator

During Conversion project remains in Public Housing.

◦ Public Housing Information Center (PIC)

◦ FASS-PH

Submit an application in the Inventory Removal module of PIC

Notify PIC to move units to "RAD Conversion PBV" or "RAD Conversion PBRA"

Must be done to prevent project from being scored in FASS-PH

This will trigger the "RAD Conversion Year Indicator" RAD indicator to auto populate "Yes"

In Conversion year MAKE SURE RAD INDICATOR IS "YES" before you enter any data.

HAP Issuance

HAP contracts always start on 1st of the month

Close deal on May 5, HAP starts June 1. On June 1 project moves from Public Housing to new program.

Only four possible choices:
◦ Business Activities
◦ Multifamily
◦ Component Unit (Blended or Discrete) or
◦ Not Reported on FDS

HUD Definition of Component Units

Discretely-presented - a discrete presentation entails reporting component unit financial data in one or more columns separate (outside) from the basic financial data of the PHA and include certain note disclosure. Under this method, the financial information of the component unit is reported in conjunction with that of the PHA; however, it is not included in the financial data totals of the actual PHA. This presentation typically includes a total for the PHA with a separate total for the combined component units. (No Elimination) FDS 6.1 Component Unit - Discretely Presented

Blended - Some component units, despite being legally separated from the PHA, are so intertwined with the PHA that they are, in substance, the same as the PHA and should be reported as part of the PHA. This is, the component unit's account balances and transactions should be reported in a manner similar to the account balances and transaction of the PHA itself. Under this method, the financial information of the component unit is included in the financial data totals of the PHA. (Eliminations) FDS 6.2 Component Unit - Blended

Use of Proceeds from Disposition

If HUD places on restrictions report as unrestricted cash in COCC or BA column

If restricted then would remain in Public Housing as restricted cash

Example:

A mixed deal with $100,000 restricted for security upgrades at project; rest of proceeds are unrestricted.

First $100,000 remains in the Public Housing as restricted cash until security upgrades are purchased. The rest of proceeds transfer to COCC or BA column as unrestricted cash.

Typical Reporting Scenarios

Project Based Vouchers

  1. HUD

  2. PHA that administers program
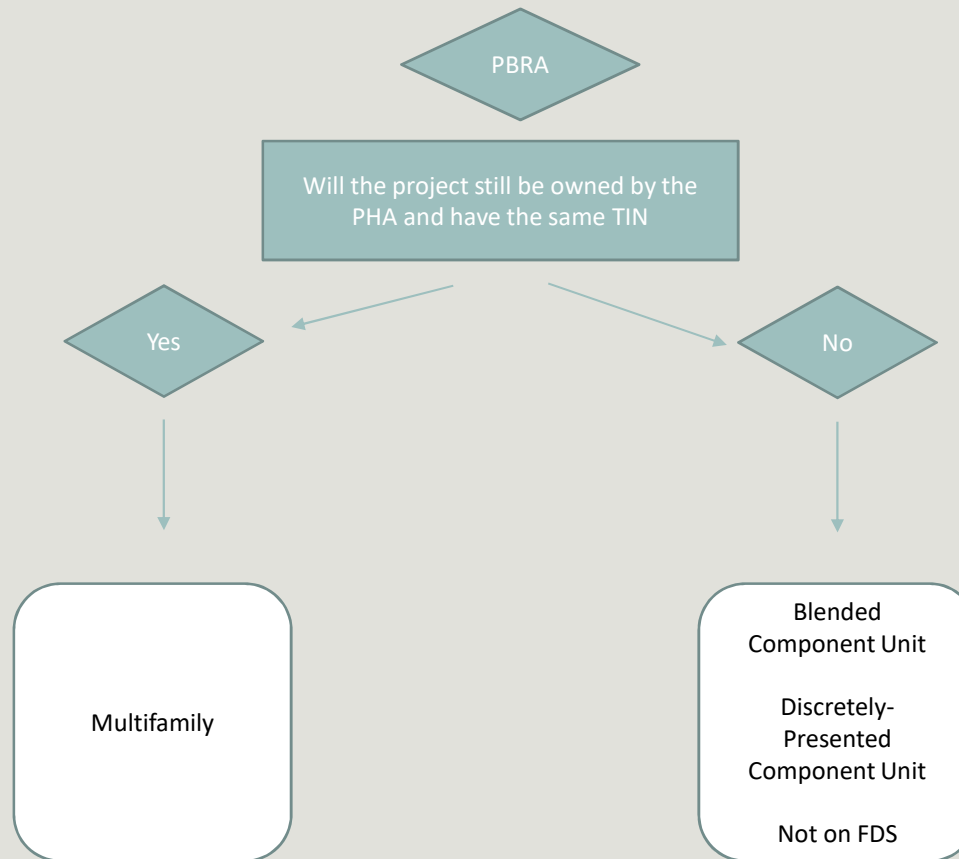
  3. Owner of the project

PHA is not allowed to enter into contract with itself so 2 & 3 can't be same EIN.

Project Based Rental Assistance

  1. HUD

  2. Owner of the project

If HA retains buildings under EIN then they will report it under Multifamily in FDS

FDS Column Used in Reporting of	Business Activities	Multifamily Program	Component Unit	Removal from FDS
Typical Structure	HA converts project to PBV	PHA converts project to PBRA	PHA converts project to PBV or PBRA	PHA conerts project ot PBV or PBRA
	PHA Contineus to own project	PHA Continues to own the project under its own TIN	PHA disposes of the prject to a legally separate organization; however, the PHA remains financially accountable for this legally separate organization or has a significant relationship with this legally seperated organization.	PHA disposes of the project to an independent third party with which PHA has no relationship.
	A different PHA administers HAP contract or the PHA has created a separate legal entity to manage the property			
Other Notes		The project must also be reported in FASS-Multifamily System.	For FDS Reportig the PHA will report as CU Also PBRA must be in FASS-Mulitfamily System.	Any PBRA must also be reported in the FASS-Multifamily System

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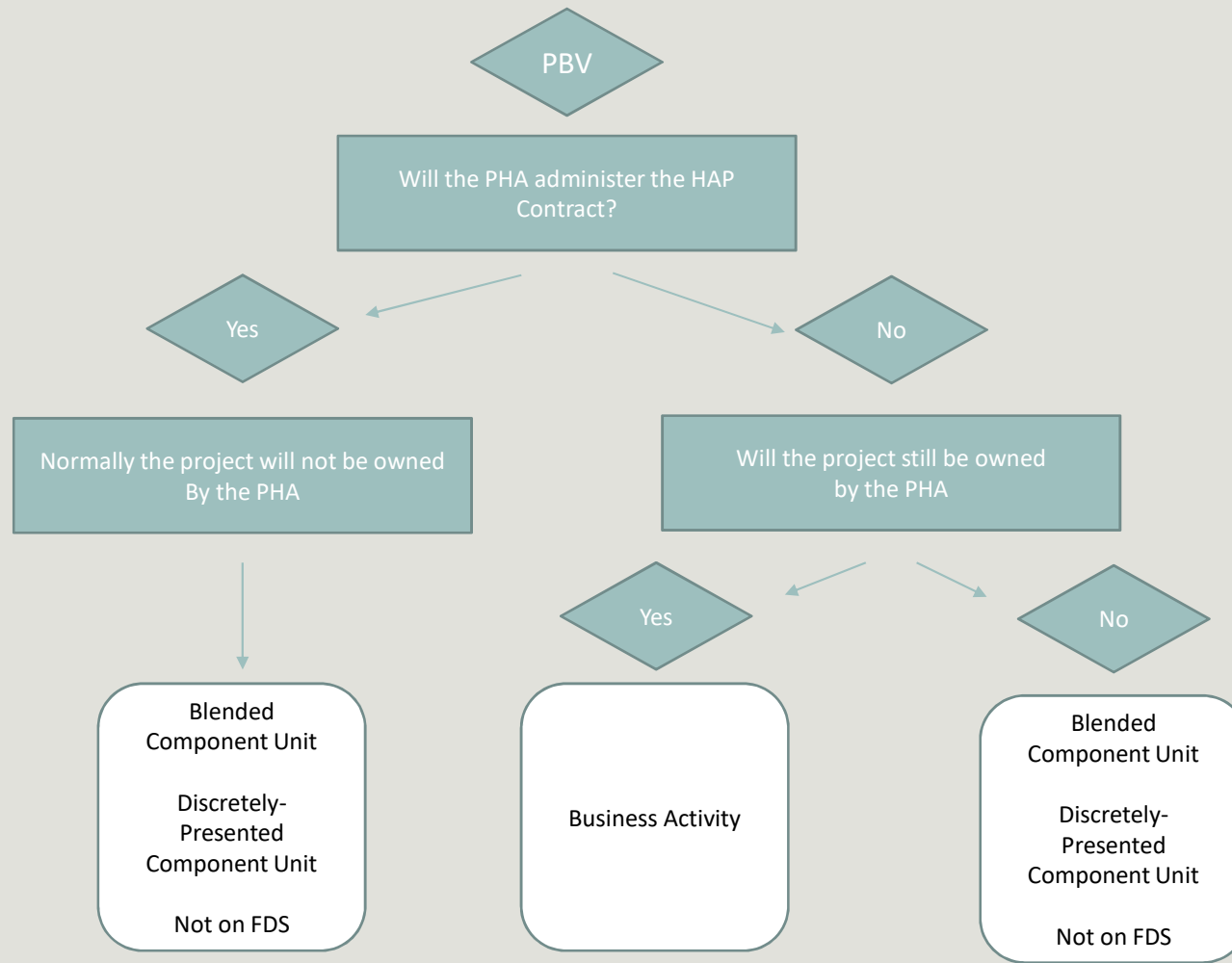
PBRA EXAMPLE

For a PHA with a 12/31 fiscal year, HUD issues the HAP Contract for a project on 10/1/2014. The PHA is converting the whole project to PBRA and will dispose of the property to a separate entity which will be reported as a discretely –presented component unit. On the Revenue and Expenses Summary for the fiscal year 1/1/2014 to 12/31/2014, the PHA will report any revenues and expenses for the project :

Between 1/1/2014 and 9/30/2014 (9-month period) in the individual project's column in the Public Housing program, and

Between 10/1/2014 and 12/31/2014 (3-month period) in the discretely-presented component unit column.

11040 Prior Period Adjustments, Equity Transfers and Correction of Errors – If the PHA is transferring the project to another program within the PHA (BA or MF)

10080 Special Items (Net Gain/Loss) – If the PHA is disposing of the project to another entity (Component unit or independent third party)

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The individual project column's *Revenue and Expense Summary* reflects the following for the project converting through RAD between 1/1/2014 and 9/30/2014:

7000 Total Revenue			$	2,236,390
90000 Total Expense			$	2,902,184
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses			$	(665,794)
11030 Beginning Equity (as of 1/1/2014)			$	6,136,837
Equity as of 9/30/2014 - amount to be transferred or expensed			**$**	**5,471,043**

Therefore, the PHA must enter ($5,471,043) in line 10080 Special Items (Net Gain/Loss). This will bring the equity for the project as of 9/30/2014 to $0.

For the PHA with the 12/31 fiscal year, HUD issues the HAP contract for the project on 10/1/2014. The PHA is converting the project to PBRA and will dispose of the project to a separate entity. The individual project column on the Balance sheet will reflect:

	As of 9/30/2014		As of 10/1/2014	
	Public Housing		Public Housing	Discretely-Presented CU
190 Total Assets	$ 5,806,050		$ -	$ 5,806,050
300 Total Liabilities	$ 335,007		$ -	$ 335,007
513 Total Equity/Net Assets	$ 5,471,043		$ -	$ 5,471,043
600 Total Liabilities and Equity/Net Assets	$ 5,806,050		$ -	$ 5,806,050

The transfer from the Public Housing program to the discretely-presented component unit was accomplished by entering ($5,471,043) in line 10080 Special Items (Net Gain/Loss) of the Revenue and Expense Summary in the project column and $5,471,403 in line 10080 in the discretely-presented component unit column.
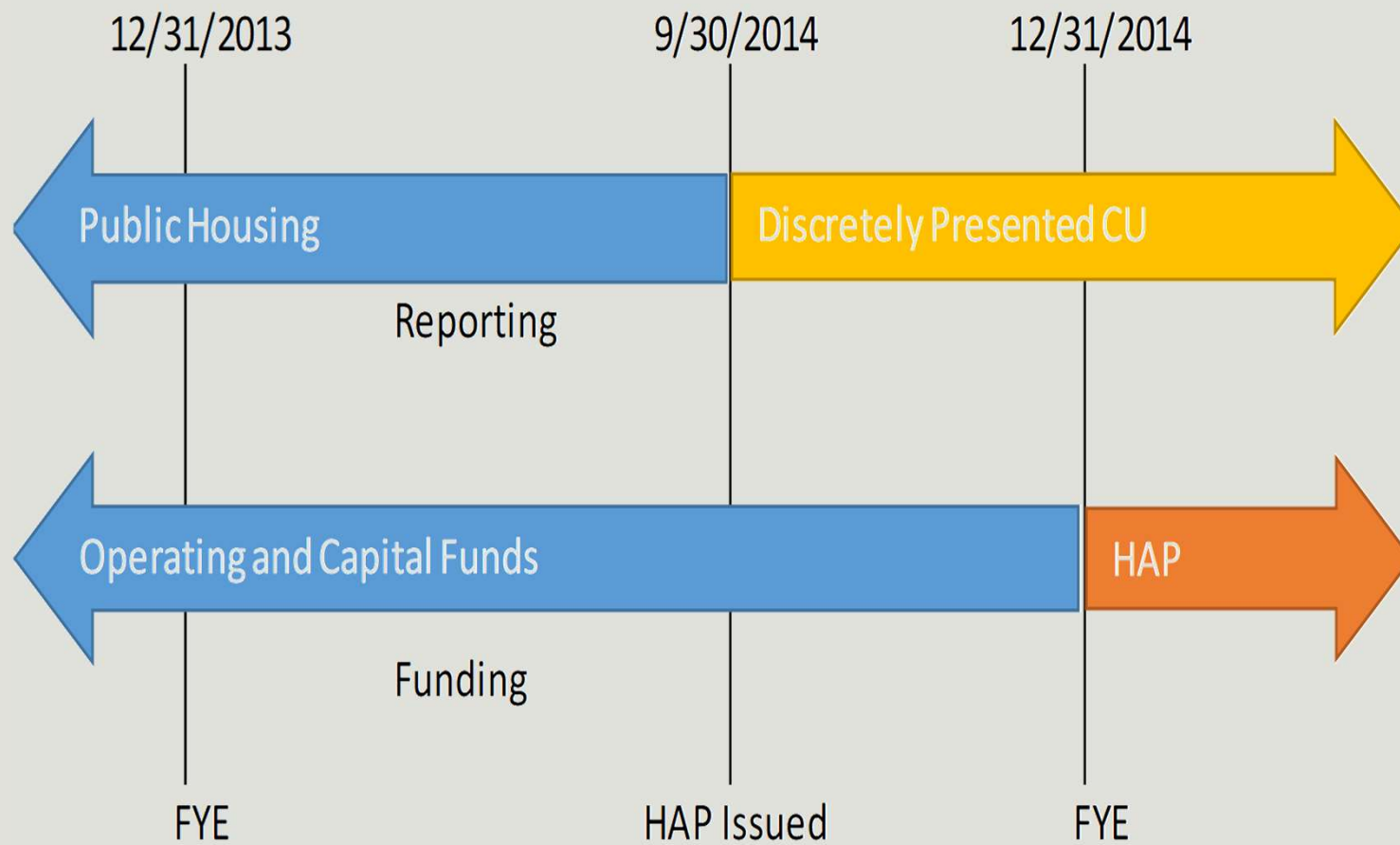
Unit Month Status Reporting

The PHA will simply report unit months available and leased for the project <u>prior</u> to issuance of the HAP contract under the public housing project; and unit months available and leased for the project <u>after</u> issuance of the HAP contracts in the appropriate new program.

			As of 12/31/2014	
			Public Housing	Discretely-Presented CU
11190 Unit Months Available			900	300
11210 Number of Unit Months Leased			889	296

PBV EXAMPLE

For a PHA with a 12/31 fiscal year, HUD issues the HAP Contract for a project on 10/1/2014. The PHA is converting the project to PBV and will dispose of the property to a separate entity which will be reported as a discretely –presented component unit. On *the Revenue and Expenses Summary* for the fiscal year 1/1/2014 to 12/31/2014, the PHA will report Operating and Capital Funds as follows:

> Revenues in the Public Housing program for the entire fiscal year 1/1/2014 to 12/31/2014 (12-month period), and

> 97300 Housing Assistance Payments in Public Hosing program and 70800 Other Government Grants in the discretely presented component unit column for 10/1/2014 to 12/31/2014 (3-month period) – the remainder of the calendar year after the HAP contract is issued.

The SEFA would show expenditures for Low Rent and Capital Fund programs for the entire year.

10094 Transfers between Project and Program – Out – if the PHA transferred the project to another program with in the PHA (BA or MF)

97300 Housing Assistance Payments – if the PHA is disposing of the project to another entity (Component unit or independent third party)

		As of 12/31/2014	
		Public Housing	Discretely-Presented CU
70600 HUD PHA Operating Grants		$ 1,200,000	$ -
70800 Other Government Grants		$ -	$ 300,000
973000 Housing Assistance Payments		$ (300,000)	$ -
10000 Excess (deficiency) of Total Revenue over (under) expense		$ 900,000	$ 300,000
SEFA			
14.871 Housing Choice Vouchers			$ -
14.850 Public and Indian Housing			$ 1,200,000

			As of 12/31/2015	
			Housing Choice Vouchers	Discretely-Presented CU
70600 HUD PHA Operating Grants			$ 9,200,000	$ -
70800 Other Government Grants			$ -	$ 1,200,000
973000 Housing Assistance Payments			$ (8,500,000)	$ -
10000 Excess (deficiency) of Total Revenue over (under) expense			$ 700,000	$ 1,200,000
SEFA				
14.871 Housing Choice Vouchers				$ 9,200,000
14.850 Public and Indian Housing				$ -

FDS Column Project is Reported	Business Activity	Multifamily	Blend Component Unit	Discretely-Presented Component Unit	Not on FDS
Removal of Project from Declaration of Trust and ACC (Issuance of HAP)					
What FDS line item should be used in the PHA project column when transferring the project out of Public Housing?	Line 11040 Prior Period Adjustments to Equity Transfers and Correction of Errors	Line 11040 Prior Period Adjustments to Equity Transfers and Correction of Errors	Line 10080 Special Items (Net Gain/Loss)	Line 10080 Special Items (Net Gain/Loss)	Line 10080 Special Items (Net Gain/Loss)
What FDS line item should be used in the new applicable program when receiving the project?	Line 11040 Prior Period Adjustments to Equity Transfers and Correction of Errors	Line 11040 Prior Period Adjustments to Equity Transfers and Correction of Errors	Line 10080 Special Items (Net Gain/Loss)	Line 10080 Special Items (Net Gain/Loss)	N/A
Do entries need to be eliminated via the elimination column	Yes	Yes	Yes	No	No

FDS Column Project is Reported	Business Activity	Multifamily	Blend Component Unit	Discretely-Presented Component Unit	Not on FDS
Removal of Project from Declaration of Trust and ACC (Issuance of HAP)					
What FDS line item should be used to show the ongoing transfer of Operating and Capital Fund Revenue from the Public Housing Program for project operations until the end of the CY?	Line 10094 Transfer btw Project and Program - Out	Line 10094 Transfer btw Project and Program - Out	Line 97300 Housing Assistance Payments	Line 97300 Housing Assistance Payments	Line 97300 Housing Assistance Payments
What FDS line item should be used to show the ongoing receipt Operating and Capital Fund Revenue in the new applicable program for project operations until the end of the CY?	Line 10093 Transfers btw Project and Program - In	Line 10093 Transfers btw Project and Program - In	Line 70800 Other Government Grants	Line 70800 Other Government Grants	N/A
Do entries need to be eliminated via the elimination column	Yes	Yes	Yes	No	No