



U.S. Department of Housing and Urban
Development

Office of Public and Indian Housing

Special Attention:
Directors, Offices of Public Housing;
Administrators, Offices of Native American
Programs; Section 8 Public Housing
Agencies and Indian Housing Authorities

Notice PIH 96-84 (HA)

Issued: October 21, 1996

Expires: October 31, 1997

Cross References:

Subject: Procedures for Calculating Earned Administrative Fees in the Section 8 Rental Certificate, Rental Voucher, and Moderate Rehabilitation Programs

1. **Purpose.** HUD's Fiscal Year 1997 Appropriations Act, enacted on September 26, 1996, as Public Law 104-202, changed the procedures for calculating ongoing administrative fees for the Section 8 rental certificate, rental voucher, **and moderate rehabilitation** programs (including Single Room Occupancy and Shelter Plus Care programs). This Notice provides guidance to housing agencies and Indian housing authorities (HAs) for the calculation of the ongoing administrative fees. The instructions detailed in this Notice differ substantially from instructions issued in PIH Notice 96-22.
2. **CHANGES IN CALCULATION METHODOLOGIES.** In Federal fiscal years (FY) 1995 and 1996, there were three possible fees used to calculate the total Section 8 ongoing administrative fee for each HA. The proper fee was determined based on the FY from which each increment was funded by HUD, and the total number of units awarded to a HA. Units were divided into pre 89 and post 88 categories, with pre 89 units further divided by the first cumulative 600 units for the certificate and voucher programs, and all subsequent pre 89 units. Potentially, fees were calculated for all three categories using an assigned fee and summed together to determine a final administrative fee for the HA.

The 1997 Appropriations Act eliminates many of these steps. (The provisions for section 8 administrative fees are in Section 203 of the Act.) The Federal FY in which

the Section 8 increment was funded is no longer a factor in calculating ongoing administrative fees. Instead, fees will be based on the total number of units leased by a HA. The first 600 units leased in **each program (rental certificate, rental voucher, and moderate rehabilitation individually)** shall be calculated at 7.5% of the base rate. Each unit in excess of 600 for each program shall be calculated at 7.0% of the base rate.

These new procedures are effective **October 1, 1996** and will affect HAs with fiscal years ending December 31, 1996; March 31, 1997; June 30, 1997; September 30, 1997; and all subsequent submissions until these procedures are modified. HAs with a fiscal year covering periods before and after October 1, 1996, must use the calculation procedures for FY 1996 and FY 1997. The FY 1996 calculation method will cover the period from the beginning of the HA's FY until September 30, 1996; and the FY 1997 calculation procedure will cover the period from October 1, 1996 until the end of the HA's FY.

3. **DETERMINATION OF THE BASE RATE.** The base rate is the higher of (a) the FY 1993 fair market rent for a two bedroom unit in the HA's market area, **or** (b) the FY 1994 fair market rent for a two bedroom unit, but not more than 103.5 percent of the FY 1993 fair market rent. The appropriate fair market rent is then adjusted by the local wage component of the Consumer Price Index (attachment I to this Notice). HUD reserves the right to establish minimum and maximum base rates.

4. **CALCULATION OF ANNUAL ONGOING ADMINISTRATIVE FEES.** The per unit per month administrative fees for FY 1997 are attached to this Notice (attachment II). The fees are shown in two columns; columns A and B. The amount in column A shall be applied to the first 600 units leased by the housing authority in each program, and the amount in column B shall be applied to all remaining leased units. (In the **moderate rehabilitation program only**, the per unit per month administrative fee applies to units under a **housing assistance payment contract (HAP)** with an HA. The 600 unit threshold for column A also applies to the first 600 units under **HAP**.) The fee is paid for every unit under lease on the first day of each month in the HA's fiscal year. The maximum number of unit months charged to column A for each program in one year is 7,200.

The 7,200 unit month maximum must be prorated the first year of implementation. The proration will be based on the number of months in the HA's fiscal year after October 1, 1996 until the end of the fiscal year. For example:

HA X, with a FY ending December 31, 1996, was issued a total of 1,400 certificates by HUD, of which 700 are pre 1989 units. Therefore, 50% of the units are considered pre 1989 units and 50% are considered post 1988 units. The HA had 1,500 units under lease (18,000 unit months for the entire FY, distributed evenly during each month of the FY).

The ongoing administrative fee shall be calculated using the monthly per unit fee amount from the January 24, 1995 Federal Register for the period between January 1, 1996 and September 30, 1996, per Notice 96-22.

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>
7,200 UMs	1,800 UMs	9,000 UMs
<u>X .75</u>	<u>X .75</u>	<u>X .75</u>
5,400 UMs	1,350 UMs	6,750 UMs
<u>X 50.27</u>	<u>X 47.75</u>	<u>X 53.71</u>
\$271,458	\$64,463	\$362,543

The total administrative fee earned for the first three quarters of the fiscal year is \$698,464.

The fees and procedures in this Notice should be used for the units under lease from October 1, 1996 through December 31, 1996.

<u>Column A</u>	<u>Column B</u>
7,200 UMs	10,800 UMs
<u>X .25</u>	<u>X .25</u>
1,800 UMs	2,700 UMs
<u>X 48.32</u>	<u>X 45.10</u>
\$ 86,976	\$121,770

The total administrative fee earned for the last quarter of the fiscal year is \$208,746 and the earned administrative fee for the entire fiscal year is \$907,210.

5. **REQUESTS FOR HIGHER ADMINISTRATIVE FEES.** Program participants should follow the guidelines and procedures in Notice PIH 96-57 for approving a HA's request for an increase in administrative fees. If the Field Office determines the HA is entitled to a higher administrative fee, the Field Office may approve a fee equal to 8.2% of the base rate. The base rate can be determined by dividing the monthly fee shown in column A by 7.5%. The result should then be multiplied by 8.2%. Any recommendations for a fee higher than 8.2% must be submitted to Headquarters for approval.

Please note that all other guidelines and procedures in Notice PIH 96-57 are still in effect. Field Offices must ensure that the higher fees are approved only for HAS

- that administer a small program or administer a program over a large geographic area. When the HA submits its year-end settlement statement after the close of the fiscal year for which the higher fee was approved, the Field Office must review the operating reserve balance to make certain that it does not exceed 20 percent of the current year's projected operating expenses.
6. **PORTABILITY.** Ongoing administrative fees under portability shall be calculated using the monthly per unit fee amount from Column A of the initial HA, when the initial HA and receiving HA enter into a billing arrangement. Portability units charged to Column A **shall be included** in the initial HA's maximum of 600 units for Column A.
 7. **HA OWNED UNITS.** These units will earn an ongoing administrative fee of **40% of Column A.**
 8. **ADMINISTRATIVE FEES FOR PRIOR YEARS.** Effective October 1, 1996 HUD will no longer reimburse HAs for incorrectly calculated administrative fees for a closed fiscal year, unless the incorrect calculation is a result of a HUD error. HAs must ensure the administrative fee calculation is correct before it is submitted to HUD for approval.
 9. **MULTICOUNTY HAS.** HAs that administer the rental voucher and rental certificate programs over multiple FMR areas may use a weighted average of the monthly per unit fees for the purpose of estimating the administrative fees for budget and requisition submissions. However, the HA must report the actual fees earned for each FMR area when preparing the year-end settlement statement.
 10. **PRELIMINARY FEES.** Preliminary fees are provided by HUD to cover the initial cost of implementing a section 8 program and housing families in newly authorized units. Prior to this Notice, HUD has paid up to \$275 per unit to cover preliminary expenses for each new section 8 funding increment awarded to a HA. However, effective October 1, 1996, HUD will pay up to \$500 per unit for preliminary expenses only to HAs that have not administered the section 8 program prior to the awarding of the new funding increment. This changes HUD's policy to providing preliminary fees to pay for the preliminary expenses associated with new programs instead of new funding increments.

HAs are not required to submit justifications with the HUD form 52681. HAs must, however, provide justifications for claimed preliminary fees at the request of the HUD Field Office.

11. **CONTACT.** If additional information or clarification is needed, please contact the Finance Division at (202) 708-2934.

/s/ Michael B. Janis for
Kevin Emanuel Marchman, Acting
Assistant Secretary for Public and
Indian Housing

Attachment I

Alabama	1.080
Alaska	1.118
Arizona	1.048
Arkansas	1.029
California	1.022
Colorado	1.040
Connecticut	1.045
Delaware	1.064
District of Columbia	1.092
Florida	1.072
Georgia	1.046
Hawaii	1.070
Idaho	1.100
Illinois	1.108
Indiana	1.052
Iowa	1.058
Kansas	1.052
Kentucky	1.000
Louisiana	1.066
Maine	1.015
Maryland	1.031
Massachusetts	1.034
Michigan	1.074
Minnesota	1.047
Mississippi	1.054
Missouri	1.040
Montana	1.098
Nebraska	1.033
Nevada	1.069
New Hampshire	1.000
New Jersey	1.116
New Mexico	1.064
New York	1.070
North Carolina	1.071
North Dakota	1.031
Ohio	1.066
Oklahoma	1.071
Oregon	1.073
Pennsylvania	1.059
Rhode Island	1.060
South Carolina	1.039
South Dakota	1.083
Tennessee	1.094
Texas	1.038
Utah	1.049
Vermont	1.065
Virginia	1.051
Washington	1.063
West Virginia	1.011
Wisconsin	1.062
Wyoming	1.000
Puerto Rico	1.088
Virgin Islands	1.049
W. Pacific Areas	1.049
Trust Territories	1.049