

MODERATE REHABILITATION ADMINISTRATIVE COSTS

PHA administrative costs for the Section 8 Moderate Rehabilitation Program will be as follows:

1. Preliminary Administrative Costs

Preliminary administrative expenses shall be allowed to cover the costs of initially rehabilitating and leasing units to eligible families. The intake process includes the following functions:

- a. publicizing the program to eligible families if the waiting list needs additional applicants, receiving and screening family applications, verifying family income, and providing program information to families selected to participate in the program;
- b. performing outreach and providing program information to owners, inspecting units, reviewing and selecting owners' proposals, performing feasibility analyses, reviewing rehabilitation work write-ups and cost estimates, assisting owners in seeking financing, monitoring the rehabilitation of units, reviewing owners' certifications of costs and completion, and preparing contractual documents;
- c. determining the need for temporary relocation of occupants of units to be rehabilitated, assisting families in finding temporary housing, monitoring the duration of and owner's provision of temporary relocation payments and assistance (services associated with permanent displacement are not eligible costs); and
- d. preparing the Moderate Rehabilitation Program application and developing plans for administration and local governmental coordination. Expenses for this function generally will be allowed only in connection with the PHA's initial application for units.

These one-time costs include expenses associated with owners who inquire about the program or submit a proposal but who never execute a HAP Contract, and further, families who apply for the program but who never receive housing assistance payments. Administrative overhead costs, including equipment, supplies, salaries, subcontracts, etc., are included in these costs.

Preliminary administrative costs of up to \$500 per authorized unit for the initial project placed under ACC and \$400 per authorized unit for subsequent projects are allowable. State and Regional PHAs with subsequent projects, however, also will be allowed up to \$500 per unit for units in areas where the Moderate Rehabilitation Program is being initially implemented (i.e., to reimburse the PHA for start-up activities for units in projects located in geographic areas which are different from areas served by previous projects). These amounts are based on the following functions and costs: (1) rehabilitation and temporary relocation responsibilities - \$300 per unit; (2) family outreach, application receipt and processing, and briefing \$100 per unit; and (3) initial development of application and plans for administration and local governmental coordination \$100 - per unit. The \$500 maximum for initial projects and State or Regional PHA units in new areas consists of reimbursement for functions (1), (2) and (3) listed above, and the \$400 maximum for other subsequent projects is based on functions (1) and (2). The PHA's Supporting Data for Annual Contributions Estimates (Form HUD-52672) must be fully documented through the submission of an Administrative Plan detailing how each of the intake functions will be performed. Field Offices should not automatically approve the maximum allowable amounts. Rather, the amount and type of preliminary administrative expenses which are necessary for successful program implementation should be determined and approved.

Estimates will be approved in advance for preliminary costs (Form HUD-52672) based on the approved rehabilitation and leasing schedule and actual PHA performance with respect to this schedule; however, the actual expenditures within the estimated cost categories are subject to settlement based on expenses incurred for each unit prior to initial HAP Contract execution, and will be accounted for at the end of the fiscal year (Form HUD-52681). In the event the HUD-approved estimates exceed the PHA's actual costs, the excess must be refunded to HUD.

If, after program implementation and based on actual costs incurred to date, the PHA anticipates incurring preliminary administrative costs in excess of the applicable \$500 or \$400 per unit maximum during the approved rehabilitation and leasing schedule because of outreach or rehabilitation assistance to owners of buildings with 20 or fewer units or to owners whose rehabilitation costs exceed \$8,000 per unit, the PHA should immediately advise HUD and may submit revised

Forms HUD-52672 and 52673 requesting preliminary costs in excess of the stated maximum. The PHA should not incur costs in excess of the approved preliminary administrative expenses prior to HUD approval of these revised budget documents. Any request for

increased costs must include adequate documentation of the justifiable and necessary administrative costs in excess of the applicable \$500 or \$400 maximum which has been incurred through providing assistance or outreach to owners of buildings with 20 or fewer units or owners whose rehabilitation costs exceed \$8,000. Examples of justifiable costs of providing additional assistance to owners of 20 or fewer units include the increased efforts to identify and discuss the program with those owners who may be reluctant to become involved with a subsidized housing program; travel associated with inspecting units in scattered locations; processing of a larger number of owner proposals; providing more intensive financial counseling and work write-up and cost estimating assistance; and preparation, monitoring, or reviews of an increased number of contractual documents and owner certifications. With respect to the costs associated with selecting owners' proposals which require more than \$8,000 of rehabilitation per unit, PHAs would need to justify costs based on the complexity of the necessary rehabilitation; e.g., replacement of major electrical, plumbing or heating systems. Additional assistance could be justified based on more complex work write-ups and costs estimates; increased time to monitor rehabilitation; and provision of increased temporary relocation services and monitoring.

Field Offices will not approve revised estimates based on anticipated administrative expenses; preliminary costs in excess of the stated maximum can only be approved based on actual costs and within the limitations specified in the previous paragraph. Further, preliminary administrative costs can be incurred for each unit only up to the date of initial HAP Contract execution for each unit. After that date all PHA administrative costs incurred for the unit under HAP Contract, including re-leasing the unit, must be funded out of ongoing administrative fee receipts which are discussed in the following section. Care should be taken to ensure that additional charges against the preliminary expense limits are not incurred following the initial HAP Contract execution for each unit or the end of the approved rehabilitation and leasing schedule, whichever occurs first. PHAs must develop an adequate recordkeeping mechanism to reasonably prorate staff time and other administrative expenses incurred for each unit before and after initial HAP Contract execution.

Page 33/85

7420.3 REV-2 CHG-12

APPENDIX 5

2. Ongoing Administrative Costs

a. Allowable PHA Expenses. PHAs shall be provided an administrative fee equal to 7.65 percent of the published Section 8 Existing FMR for a two-bedroom unit in the locality for each unit under HAP Contract on the first day of each month. Administrative activities covered by the fee include making payments to owners, reexamining family income and composition, providing housing information and assistance, reinspecting leased units, reviewing

utility allowances, maintaining the contractual relationship with owners, receiving into the program new families who replace those who drop out, and providing assistance to families if they are forced to move or if the HAP Contract is cancelled in accordance with Sections 882.514(e) of the Regulations. The administrative fee also includes funds to support the costs of PHA administrative overhead.

PHAs will continue to receive this administrative fee even if the unit under HAP Contract is vacant or occupied by a family who does not receive any housing assistance. The rationale for this continued payment of the administrative fee is that the PHA must actively pursue filling any vacancies, and every unit under HAP Contract must be inspected and each tenant's income reexamined annually, regardless of whether the family is receiving housing assistance. Consistent with Section 882.512 of the Regulations, the PHA should reduce the number of units under HAP Contract if such situations exist for more than a period of six continuous months.

b. Increase in Administrative Fee. When the published Existing Housing FMR is increased, the PHA may requisition a higher administrative fee effective the first of the month following publication of the new FMR for effect in the Federal Register. The higher fee may be paid by the Regional Accounting Division without revision of the applicable Form HUD-52672, Supporting Data for Annual Contributions Estimates, and Form HUD-52673, Estimate of Total Required Annual Contributions, provided the total amount requisitioned during the fiscal year on Form HUD-52663, Requisition for Partial Payment of Annual Contributions, for the administrative fee does not exceed the approved amount on Form HUD-52673, Line 17, Administrative Fee. When payment of the higher administrative fee would result in requisitioning of funds in excess of the amount approval on Form HUD-52673, it will be necessary for the PHA to submit to the HUD Field Office for approval of a revised Form HUD-52672, and Form HUD-52673, before the PHA can request payment of the additional administrative fee on Form HUD-52663.