



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-5000

OFFICE OF THE ASSISTANT SECRETARY
FOR PUBLIC AND INDIAN HOUSING

FEB -3 2003

Mr. Steve Rudman
Executive Director
Housing Authority of Portland
135 SW Ash Street, Suite 600
Portland, OR 97204-3540

Dear Mr. Rudman:

RE: Change in Tenant-Based Subsidy Calculation for Housing Choice Vouchers Administered Under Moving to Work (MTW) Flexible Block Grant Funding Project # OR002MTO001

This letter affirms the U.S. Department of Housing and Urban Development's (HUD) concurrence with the Housing Authority of Portland (HAP) request to amend HAP's Moving to Work Agreement with HUD, based on a demonstrated increase in costs for tenant-based rental assistance at rates beyond current funding levels. The amendment provides for:

1. A conversion of the annual subsidy calculation for Section 8 tenant-based rental assistance units administered under HAP's Moving to Work flexible block grant, from a static base year per unit cost adjusted for inflation each year, to an adjustable annual per unit cost (PUC) methodology, as currently used in the standard Housing Choice Voucher program. HUD will include in the PUC calculation all vouchers HAP administers under its MTW program.
2. A one-time reimbursement representing the difference between the Portland Housing Authority's FY2002 actual cost (for housing assistance payments to owners for leased MTW units, plus associated administrative fees) and the FY2002 MTW subsidy amount from HUD attributable to those units.
3. The retention by HAP of any remaining funds in the HAP-held two-month project reserve created when the MTW program was established, for approved purposes, which shall not be restored by HUD under the actual cost methodology.
4. The restoration of HUD-held project reserves equal to one month's program costs in accordance with Notice PIH 2002-6.
5. The determination that new incremental units and previously excluded or subsequently awarded special purpose units that convert to MTW upon expiration of the initial funding period will be included in the calculation of HUD-held project reserves.
6. The reinstatement of a year-end settlement process in the MTW program. Settlement is necessary to determine prior year and future year actual program costs, based on calculations of

total housing assistance payments, less any MTW adjustments, plus imputed administrative fees and allowable miscellaneous fees.

Please submit a statement of your FY2002 HAP/UAP costs, by month, for your MTW voucher units, and the enclosed checklist identifying amounts attributable to any non-standard costs to the following address:

Deborah Hernandez, Acting Director
Office of Voucher Programs
451 7th St., S.W., Room 4232
Washington, D.C. 20410

HUD will determine PUCs based on FY2002 actual program costs and allowable fees, minus any excess costs resulting from HAP's use of non-standard MTW income exclusions or deductions, modifications to subsidy calculations, or non-housing assistance payments charged to housing assistance (see enclosed checklist). HUD will use these PUCs to determine FY2003 renewal and incremental funding amounts, and also to make the necessary one-time funding adjustment for the difference between MTW funds paid-to-date based on FY 2002 data and MTW funds that would have been paid out pursuant to the actual cost methodology described herein.

Once HUD provides the actual FY2002 PUCs, HAP shall submit revised budgets and requisitions, including: 1) Form HUD-52673, *Estimate of Required Annual Contributions*, 2) Form HUD-52672, *Annual Contributions Estimates Section 8 Housing*, and, 3) Form HUD-52663, *Requisition for Partial Payment of Annual Contributions for the FY 2003 year*.

Enclosed for your approval and signature is Amendment Number 1 to the MTW Agreement, which amends Attachment A, Calculation of Subsidies in accordance with this notification. After obtaining a board resolution approving the amendment, sign and date it, and return it to HUD at the following address:

Milan Ozdinec
Deputy Assistant Secretary
Office of Public Housing Investments
451 7th St., SW, Room 4130
Washington, D.C. 20410

The MTW amendment will have an effective date retroactive to the beginning of HAP's FY 2003 on April 1, 2002. You may contact Mr. Ozdinec at 202-401-8812, ext. 4166, if you have further questions.

Sincerely,



Michael M. Liu
Assistant Secretary

Enclosure

AMENDMENT NO. 1 TO MTW AGREEMENT

Between

U.S. Department of Housing and Urban Development

And

Housing Authority of Portland

This document amends the Moving to Work Agreement signed January 13, 1999 (hereinafter the "MTW Agreement"), entered into by and between the U. S. Department of Housing and Urban Development (HUD) and the Housing Authority of Portland (HAP), and is effective as of HAP's FY 2003 (beginning April 1, 2002).

HUD and HAP hereby agree to amend the Moving to Work Demonstration Agreement as follows:

Attachment A – Calculation of Subsidies

Section 3, Page 4, Section 8 Tenant Based Assistance is hereby amended to read:

Units Eligible for Inclusion in Flexible Block Grant

Add item c):

Incremental voucher funding placed under ACC on or after April 1, 2002 will be incorporated into HAP's MTW unless such use violates the terms of the appropriation. Previously excluded special purpose voucher increments expiring on or after April 1, 2002, and special purpose voucher increments placed under ACC on or after April 1, 2002, may convert to MTW upon expiration of the initial funding period if no violation of appropriations requirements will result. HUD will make provision for the ACC reserve account for these increments, from existing reserves, in accordance with current reserve policies.

Section 3, Pages 4 and 5, Section 8 Tenant Based Assistance

Calculation of Annual Subsidy

Second and Subsequent Years of MTW Participation:

Add item b):

Funding for new and renewal voucher increments placed under ACC on or after April 1, 2002 and administered under HAP's MTW program will be calculated in accordance with the actual per-unit cost (PUC) funding methodology applicable to non-MTW housing authorities, as described below and in 24 CFR 982.102. The base, initial, and subsequent year methodologies for calculating the MTW Flexible Block Grant annual subsidies for Section 8 Tenant Based Assistance as described in sections a) and b) under Initial year of MTW Participation, and section a) of this section (MTW PUC) are terminated and replaced with the following actual per-unit cost funding methodology:

Second and Subsequent Years of MTW Participation

- b) From the effective date of this amendment, the flexible block grant funding methodology described in section a) above is replaced by the following:

For HAP's FY 2003, the Department will derive actual per-unit costs as follows:

- 1) HAP will determine the total housing assistance payments made for all tenant-based voucher programs during HAP's FY2002 (the "base year").
- 2) HAP and the Department will determine any adjustments to HAP's total housing assistance payments for the base year resulting from HAP's exercise of its MTW authority to permit non-standard MTW income exclusions or deductions, modifications to the standard subsidy calculations, and/or non-housing assistance payments charged as housing assistance. The cost of these MTW subsidy initiatives will be deducted from HAP's total housing assistance payments costs for the base year.
- 3) HAP will determine the number of unit months leased under all tenant-based voucher programs during the base year. The Department will calculate the on going administrative fee that HAP would have earned for these units under the actual cost-based funding methodology.
- 4) HAP will determine amounts paid during the base year for other administrative fees such as hard-to-house fees for large families and families with a disabled member, and for lead-based paint clearance testing and risk assessment fees.
- 5) The Department will total housing assistance payments, less the cost of any MTW subsidy initiatives, plus the imputed administrative fee and allowable miscellaneous fees for the base year. The Department will divide this total by the number of unit months leased during the base year to derive an average monthly per-unit cost.
- 6) The Department will multiply the monthly per unit cost by 12 months to obtain an annual per unit cost. This per-unit cost will be adjusted in accordance with the annual adjustment factor to determine the funding required by HAP for its FY2003.

For HAP's FY2004 and subsequent fiscal years, HAP will provide:

- 1) Cost information to the Department on the Year-End Statement, Form HUD-52681, and
- 2) Information on the cost of non-standard MTW exclusions, deductions, modifications to subsidy calculations and/or non-housing assistance payments charged to housing assistance payments, in the form required by HUD.

Section 3, Page 5

After section on Second and Subsequent Years of MTW Participation, add:

Amount of Budget Authority

For HAP's FY2004 and subsequent fiscal years, the annual budget authority (ABA) for all of HAP's MTW voucher units will be calculated in accordance with the actual per-unit cost funding methodology described in 24 CFR 982.102 or other applicable statutory methodology. However, the cost of any HAP MTW subsidy initiatives (non-standard MTW exclusions or deductions, modifications to subsidy calculations, and/or non-housing assistance payments charged as housing assistance) will be subtracted from HAP's total housing assistance payment expense used to calculate the actual per-unit cost for renewal funding.

Section 3, Page 5

Reserves

Replace existing a) and b) as follows:

- a) Subject to the availability of appropriations, an amount equal to one month of program costs to be held by HUD as project reserves will be restored in accordance with Notice PIH 2002-6, and will be based on actual costs reported for the entire voucher program for the fiscal year ending March 31, 2002.
- b) Subject to the availability of appropriations, beginning with HAP's fiscal year ending March 31, 2003, HAP will be eligible for the restoration of project reserves in accordance with Notice PIH 2002-6 or subsequent HUD policy.
- c) Tenant-based subsidy funds provide to HAP for the Moving to Work program through March 31, 2002 are available for authorized purposes and will not be included in the calculation of HAP's project reserves under Notice PIH 2002-6.

Section 3, Page 5

After the section on Reserves, items a), b) and c), add the following section:

Year-End Settlement

Add item b) from original MTW agreement and modify as follows:

- b) *Through HAP's FY 2002 (ending March 31, 2002), [t]here will not be a year-end settle-up of annual funds provided under the flexible block grant funding methodology for its MTW voucher units. All funds provided through this calculation will remain available for authorized purposes.*

Add item c) as follows:

c) For HAP's FY2003 (beginning April 1, 2002) and subsequent fiscal years, HAP will be required to conduct a year-end settle-up of funds provided under the actual per-unit cost funding methodology for its MTW voucher units. HAP agrees to maintain complete and accurate internal documentation of standard and non-standard program costs, in a manner that permits a speedy and effective audit by HUD.

Section 3, Page 5

Following item b), add:

One-Time Reimbursement

For the HAP's fiscal year ending March 31, 2002, HUD will provide a one-time reimbursement for the difference between actual costs to administer the tenant-based rental assistance units and the annual MTW subsidy attributable to those units.

This Amendment is effective upon execution, except as otherwise provided herein.

THE HOUSING AUTHORITY OF PORTLAND

By *Howard Shapiro*

Chair of the HAP Board

Date of Execution by Agency 2/26/03

UNITED STATES DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

By *Michael ...*

Its Assistant Secretary

Date of Execution by HUD 3/28/03

MTW/HOUSING CHOICE VOUCHER ACTUAL COST FUNDING CHECKLIST

MTW sites that have elected to use the standard or "actual cost" voucher funding formula are required to include the following information with their Year-End Statement. Information provided by the PHA will be used to adjust the actual per-unit HAP costs used to calculate the PHA's MTW renewal funding.

1. Average Per-Unit Cost

Please provide the following information regarding your HAP payments for the preceding fiscal year. If you have been using the actual cost method for one year or more, these costs should be the same as those reported on your Year-End Statement.

Number of unit months assisted	_____
Total HAP payments	_____
Average HAP payment (B/A)	_____

2. Income Exclusions/Disregards

Voucher program regulations require the inclusion of all income received by all members of the assisted household -- with the exception of those exclusions specified in 24 CFR 5.609(c) (amounts not included as annual income), and 24 CFR 5.617 (self-sufficiency incentives for persons with disabilities) -- in the calculation of the households' annual income. Costs attributable to the PHA's use of additional income exclusions or disregards will be deducted from the HAP payment total used to calculate the PHA's allowable per-unit cost.

During the preceding fiscal year has the PHA used its MTW authority to allow income exclusions or disregards -- other than those permitted under program regulations -- in calculating the annual income of MTW households? If so, describe the income that has been excluded.

How many households have qualified for these exclusions, and what is the average exclusion per family?

Were the exclusions in place for the entire fiscal year? If not, when and how did the PHA phase in its use of these exclusions?

Estimate the increase in MTW HAP payments during the preceding fiscal year that resulted from the use of additional exclusions. Show how you arrived at this figure.

3. Deductions

Voucher program regulations provide for certain mandatory deductions from the annual income of assisted households. These deductions are listed at 24CFR 5.611. Costs attributable to the PHA's use of additional deductions will be deducted from the HAP payment total used to calculate the PHA's allowable per-unit cost.

During the preceding fiscal year, has the PHA allowed any additional deductions from income in calculating the households' TTP? If so, describe the deductions.

How many households have qualified for these deductions, and what is the average deduction per family?

Were the additional deductions in place for the entire fiscal year? If not, when and how did the PHA phase in its use of these deductions?

Estimate the increase in MTW HAP payments during the preceding fiscal year that resulted from the use of additional deductions. Show how you arrived at this figure.

4. Subsidy Calculation

Voucher program regulations at 24 CFR 982.505 describe the method to be used for calculating the HAP payment. If the PHA has used some variation on this formula, any increased costs attributable to these changes will be deducted from the HAP payment total used to calculate the PHA's allowable per-unit cost.

During the preceding fiscal year, has the PHA used any formula other than the one described in the Housing Choice Voucher program regulations to calculate the HAP payment? If so, describe the formula used.

How many households are having their HAP calculated under this formula, and how does the HAP paid for these households compare with the amounts that would have been paid using the standard HAP calculation?

Was the revised formula in place for the entire fiscal year? If not, when and how did the PHA phase in its use of this formula?

Estimate the increase in MFW HAP payments during the preceding fiscal year that resulted from the use of the modified HAP formula. Show how you arrived at this figure.

5. FSS Enhancements

Voucher program regulations at 24 CFR 984.305(b) describe the method to be used for calculating the escrow amount for FSS participants. If the PHA has used some variation on this formula, or has approved the use of additional credits, any increased costs attributable to these changes may be deducted from the HAP payment total used to calculate the PHA's allowable per-unit cost. (Allowing additional families to enroll in FSS and/or establish escrow accounts will not affect the PHA's per-unit cost, provided that the enrollment of these families is consistent with the PHA's MTW Agreement.)

During the preceding fiscal year, has the PHA used any formula other than the one described in FSS program regulations to calculate the FSS escrow? If so, describe the formula used.

How many households are contributing to escrow accounts under this formula, and how do the amounts credited to these households under your formula compare with the amounts that would have been credited under the standard FSS formula?

Were the revised formulas and/or additional credits in place for the entire fiscal year? If not, when and how did the PHA phase in its use of these formulas/credits?

Estimate the increase in MTW HAP payments during the preceding fiscal year that resulted from the use of modified escrow formulas and/or additional FSS credits. Show how you arrived at this figure.

6. **Program Enhancements and Fund Transfers**

Under the MTW program, public housing and tenant-based assistance funds are generally fungible: that is, they can be transferred from one activity or program to another without HUD approval. However, if HAP funds have been used to provide voucher program enhancements – such as security deposit assistance, owner guarantees, or services to families, or have been transferred to the PHA's public housing program, the amounts used for these non-HAP purposes will not be included in the "actual per-unit HAP costs" used to calculate the agency's MTW renewal funding.

During the preceding fiscal year, has the PHA included as HAP expenses any amounts used to provide benefits to voucher program participants that are not provided under voucher program regulations? Has the PHA included as HAP expenses any amounts used to provide benefits to public housing residents or other families? If so, describe the services or programs for which the funds were used.

FOR EACH USE, HOW MUCH WAS CHARGED AS HAP EXPENSE DURING THE YEAR?