



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

JUN 23 2003

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OFFICE OF THE ASSISTANT SECRETARY  
FOR PUBLIC AND INDIAN HOUSING

Mr. Kurt Creager  
Executive Director  
Vancouver Housing Authority  
2500 Main Street  
Vancouver, WA 98660-2697

Dear Mr. Creager:

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

This letter affirms the U.S. Department of Housing and Urban Development's (HUD) concurrence with the Housing Authority of Vancouver (VHA) request to amend VHA'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 VHA'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 VHA administers under its MTW program.
2. The restoration of HUD-held project reserves equal to one month's program costs in accordance with Notice PIH 2002-6.
3. 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.
4. The reinstatement of a year-end settlement process in the MTW program, beginning with VHA's fiscal year ending March 31, 2004.
5. A settlement for VHA's FY2003 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.

We are in receipt of your FY2003 VHA/UAP costs, by month, for your MTW voucher units. Based on these figures, HUD will determine PUCs based on FY2003 actual program costs and allowable fees, minus any excess costs resulting from VHA's use of non-standard MTW income exclusions or deductions, modifications to subsidy calculations, or non-housing

assistance payments charged to housing assistance. HUD will use these PUCs to determine FY2004 renewal and incremental funding amounts.

Once HUD notifies VHA of the Annual Budget Authority available for FY2004, PUCs, VHA 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, along with the board resolution, to HUD at the following address:

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

The MTW amendment will have an effective date retroactive to the beginning of VHA's FY 2004 on April 1, 2003. You may contact Mr. Ozdinec at 202-401-8812, ext. 4166, if you have further questions.

Sincerely,



*for* 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 Vancouver

*This document amends the Moving to Work Agreement signed April 21, 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 Vancouver (VHA), and is effective as of VHA's FY 2004 (beginning April 1, 2003).*

*HUD and VHA 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, 2003 will be incorporated into VHA's MTW unless such use violates the terms of the appropriation. Previously excluded special purpose voucher increments expiring on or after April 1, 2003, and special purpose voucher increments placed under ACC on or after April 1, 2003, 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, 2003 and administered under VHA'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 VHA's FY 2004, the Department will derive actual per-unit costs as follows:

- 1) VHA will determine the total housing assistance payments made for all tenant-based voucher programs during VHA's FY2003 (the "base year").
- 2) VHA and the Department will determine any adjustments to VHA's total housing assistance payments for the base year resulting from VHA'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 VHA's total housing assistance payments costs for the base year.
- 3) VHA 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 VHA would have earned for these units under the actual cost-based funding methodology.
- 4) VHA 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 VHA for its FY 2004.

For VHA's FY2004 and subsequent fiscal years, VHA 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 VHA's FY2004 and subsequent fiscal years, the annual budget authority (ABA) for all of VHA'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 VHA 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 VHA's total housing assistance payment expense used to calculate the actual per-unit cost for renewal funding.

### Section 3, Page 5

#### Reserves

The following paragraphs a) through c) replace paragraphs a) and b) in the original agreement:

- a) 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, 2003.
- b) Subject to the availability of appropriations, beginning with VHA's fiscal year ending March 31, 2004, VHA 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 provided to VHA for the Moving to Work program through March 31, 2003 are available for authorized purposes and will not be included in the calculation of VHA'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:

a) *Through VHA's FY 2003 (ending March 31, 2003), [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:

b) For VHA's FY2004 (beginning April 1, 2003) and subsequent fiscal years, VHA 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. VHA 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.

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

THE HOUSING AUTHORITY OF VANCOUVER

By \_\_\_\_\_

Chair of the VHA Board \_\_\_\_\_

Date of Execution by Agency \_\_\_\_\_

UNITED STATES DEPARTMENT OF  
HOUSING AND URBAN DEVELOPMENT

By \_\_\_\_\_

Its \_\_\_\_\_

Date of Execution by HUD \_\_\_\_\_