U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Special Attention of:
All Multifamily Hub Directors
All Program Center Directors
All Project Managers
All Field Office Directors

Notice H 05-16

Issued: August 29, 2005

Expires: August 31, 2006

Cross References
Handbook 4571.2 (811)
Handbook 4571.3 REV-1 (202)

SUBJECT: Fiscal Year 2005 Annual Operating Cost Standards – Section 202 Supportive Housing for the Elderly and Section 811 Supportive Housing for Persons with Disabilities Programs

Attached are the Operating Cost Standards (OCS), which HUD Office staff should use for calculating the annual per person/per unit amount of a Project Rental Assistance Contract (PRAC) when making Fiscal Year 2005 subsidy fund reservations for Capital Advance applications under the subject programs.

These Standards have been updated using the National Consumer Price Index (CPI) of housing changes for 2004. Each HUD Office should adjust these Standards downward to accommodate any lower cost area within its jurisdiction when locally developed cost data so indicate.

Historically, some areas significantly exceed the National CPI average. To assure that those areas are not precluded from program participation, each HUD Office noted below is authorized to adjust its annual OCS by up to the additional percentage shown: Chicago – 5.5 percent; New York – 27.7 percent; Philadelphia – 10 percent; Los Angeles – 14.3 percent; San Francisco – 31.6 percent; and Seattle – 10.4 percent.

To determine the total amount of an annual PRAC, multiply the OCS by the number of residential spaces in a group home or by the number of revenue-producing units in either an independent living facility or an elderly project. For the six cities listed above, the result thus obtained would be multiplied by part or all of the additional percentage, as needed.

In accordance with the waiver authority provided in the Fiscal Year 2005 HUD Appropriations Act, the Secretary is waiving the following statutory and regulatory provisions in the FY 2005 Program SuperNOFA for the Section 202 and Section 811 Programs.

The term of the PRAC is reduced from 20 years to 5 years. The Department anticipates that, at the end of the contract terms, renewals will be approved subject to the availability of funds. In addition to this provision, the Department will reserve PRAC funds based on 75 percent rather than 100 percent of the current OCS for approved units in order to take into account the average tenant contribution toward rent.

Should you have questions, please contact Adia Hayes at (202) 708-3000, Extension 2463.

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Brian D. Montgomery, Assistant Secretary for
Housing –Federal Housing Commissioner

Attachments