

Demonstration of Financial Feasibility

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

OMB Approval No. 2577-0157 (exp. 11/30/2008)

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

This collection of information is required for developing a public housing project pursuant to HUD regulations 24 CFR 941. The information will be used to provide HUD with sufficient information to enable a determination that funds should or should not be reserved or a contractual commitment made. This information collection is mandated pursuant to the U.S. Housing Act of 1937. The information requested does not lend itself to confidentiality.

Part 1. Estimate of PHA and Tenant Utility Costs

Project Number:	Public Housing Agency:
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Type of Utility or Fuel	Estimated Amount per Unit per Month			
	PHA Furnished		Tenant Purchased	
	Quantity	Cost	Quantity	Cost
a. Water Services. Uses: <input type="checkbox"/> Household <input type="checkbox"/> Lawn and Shrubs	Gals.	\$	Gals.	\$
b. Sewage Disposal.	/	\$	/	\$
c. Electricity. Uses: <input type="checkbox"/> Lighting and Refrigeration <input type="checkbox"/> Cooking <input type="checkbox"/> Air Conditioning <input type="checkbox"/> Domestic Hot Water <input type="checkbox"/> Space Heater <input type="checkbox"/> Other: (identify)	KWH	\$	KWH	\$
d. Gas / LP. Uses: <input type="checkbox"/> Domestic Hot Water <input type="checkbox"/> Cooking <input type="checkbox"/> Space Heater <input type="checkbox"/> Other: (identify)	Therms	\$	Therms	\$
e. Oil (Type No.: _____). Uses: <input type="checkbox"/> Domestic Hot Water <input type="checkbox"/> Cooking <input type="checkbox"/> Space Heater	Gals.	\$	Gals.	\$
f. Heating Labor. (Project Oper. Plant Only)	/	\$	/	\$
g. Other Utilities or Services. (specify)	/	\$	/	\$
h. Sub Total - PHA Furnished Utilities.	/	\$	/	\$
i. Sub Total - Tenant-Purchased Utilities.	/	\$	/	\$
j. Total PHA and Tenant-Purchased Utilities. (h plus i)	/	\$	/	\$

Part 2. Estimate of Anticipated Operating Expenses

	Estimated Amount per Unit per Month
a. Administrative Expense: Salaries (including maintenance supervision), legal, staff training, travel, accounting fees and other administrative expenses.	\$
b. Tenant Services Expense: Salaries and other expenses incurred in providing tenant services and the cost of other tenant services activities.	\$
c. Utilities Furnished by PHA: Water, electricity, gas, fuel, sewer and other utilities. Also utilities labor and other utilities expense (from item 1h, above).	\$
d. Ordinary maintenance and Operation: Labor, materials, and contract costs for all routine maintenance including janitorial and watchman service. Exclude expense applicable to utilities.	\$
e. Protective Services: Labor, material and contract costs for protective services.	\$
f. Insurance: Fire and Extended coverage, Public Liability, Workmen's Compensation, Employers' Liability, boiler, automobile, burglary, theft and robbery, and Fidelity Bonds, as appropriate.	\$
g. Payment in Lieu of Taxes: (Part 3,c (below) minus Part 2,c (above) times 10 percent).	\$
h. Other General Expenses: Terminal leave payments, employee benefit contributions, collection losses, and other general expenses.	\$
i. Sub-Total (a through h)	\$
j. Provision for Nonroutine Expenses and Reserve (10 percent of i)	\$
k. Estimated Monthly Operating Expenses (i plus j)	\$

Part 3. Estimate of Average Monthly Contract Rent of the Proposed Project	per Unit Month
a. Estimate of Average Monthly Gross Rent	\$
b. Estimate of Tenant-Purchased Utilities (from item 1i, above)	\$
c. Estimate of Monthly Contract Rent (a minus b)	\$
d. Estimate of Average Monthly Contract Rent Based on 97% Occupancy (.97 x c)	\$

Part 4. PHA Determination The PHA determines that (mark and complete "a" or "b") :

- a. The project's estimated operating expenses, (item 2k) \$ _____ will not exceed the estimated operating income (item 3d) \$ _____
- b. The project's estimated operating expenses, (item 2k) \$ _____ will exceed the estimated operating income (item 3d) \$ _____ by \$ _____ (item 2k minus item 3d) and an operating subsidy of that amount will be required. To be feasible, this amount cannot exceed item 5d (below).

Part 5. Maximum Allowable Operating Subsidy	per Unit Month
a. The PUM allowable expense level	\$
b. Plus: The PUM allowable utilities expense level (from item 1h, above, less utilities labor and other utilities expense)	\$
c. Minus: The PUM contract rental income (item 3d, above)	\$
d. Maximum PFS operating subsidy (5a plus 5b minus 5c)	\$

Part 6. Signature

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Typed Name and Title of Authorized PHA Official:

Signature:

Date:

X

Instructions

1. Purpose. This form shall be used to demonstrate financial feasibility of a project submitted by a Public Housing Agency (PHA) under the Public Housing Program pursuant to 24 CFR 941 and the Public Housing Development Handbook 7417.1 REV-1 and by an Indian Housing Authority (IHA) under the Indian Housing Program pursuant to 24 CFR 905 and the Indian Housing Handbook 7440.1. This form is to be used for all development methods: conventional, turnkey or acquisition. A project may be approved by the HUD Field Office if it is determined that the project is financially feasible based on the PHA's demonstration of financial feasibility pursuant to this form. This form is not to be used by PHAs located in Alaska, Guam, Puerto Rico or the Virgin Islands (See Handbook 7417.1 REV-1). A revision of this financial feasibility test is mandatory if the PHA proposes to change any physical element of the proposed project or its method of management or plans to increase services, and such change would materially increase the estimated operating costs of said project.

2. Prepared By: The form HUD-52485 is prepared by the PHA, with assistance if necessary from the HUD Field Office.

3. Number: Original and one or more copies.

4. Distribution: A PHA shall submit the original to the applicable HUD Field Office with the PHA Proposal for the project and shall retain a copy for its files. A PHA may also be requested by the Field Office to submit additional copies.

5. Instructions for PHA Preparation:

Heading: In the space provided, enter the name and address of the PHA and the project number.

Part 1. - Estimate of PHA and Tenant Utility Costs. Enter the estimated per unit per month (PUM) consumption and PUM cost applicable to PHA furnished and/or tenant purchased utilities. The source data for consumption and cost for electricity, gas, fuel, heating supplies and heating labor is available on Form HUD-51994,

Part A, Life Cycle Cost Analysis of Utility Combinations. The PHA shall use the cost associated with the utility combination which HUD has determined is most suitable for the project. Estimates for water and sewage disposal shall be determined separately and entered in Part 1, Items a and b. Costs shown on HUD-51994 will be allocated to PHA furnished or tenant purchased and the results entered into Part 1, Items h and i.

Part 2. - Estimate of Operating Expenses. The PHA shall submit an estimate of its average monthly operating expenses for its first year of operation. This estimate shall be based on the actual expenses of a project which is comparable from a physical and tenancy standpoint and is located in or about the locality of the proposed project. The expense estimates shall be based on current data and shall not include a projected inflation factor.

a. Administrative Expenses. Enter the PUM estimated total administrative expense for the project. Do not include an estimate for audit fees.

b. Tenant Services Expense. Enter the PUM estimated total expense for any tenant services programs projected for the project.

c. Utilities Furnished by PHA. Enter the PUM estimated total expense for utilities to be supplied by the PHA for the project.

d. Ordinary Maintenance and Operation. Enter the PUM estimated total expenses for ordinary maintenance and operation for the project.

e. Protective Services. Enter the PUM estimated total expenses applicable to protective services for the project.

f. Insurance. Enter the PUM annual cost of the required insurance, even though the initial insurance may be charged to the development cost of the project.

g. Payment in Lieu of Taxes (PILOT). Enter the PUM estimated cost for PILOT. PILOT is ten (10) percent of the difference between the estimate of monthly contract rent and the utilities supplied by the project. No entry need be made where the Cooperation Agreement

specifically waives PILOT. In the Indian Housing Program PILOT may only be paid on taxable land. If PILOT rate is less than ten (10) percent of shelter rent, entry should reflect such reduced rate.

h. Other General Expenses. Enter PUM estimated total expense for other general expenses (e.g., terminal leave payments, collection losses, employee benefit contribution and in the Indian Housing Program payment for services offered by other government agencies) for the project.

Part 3. - Estimate of Average Monthly Contract Rent of the Proposed Project. The estimate of operating income shall be the projected income for the first fiscal year of operation (without operating subsidy) based upon 97 percent occupancy by a tenant body selected in accordance with PHA regulations (based on Sections 3 and 6(c) (4) of the Act and 24 CFR Part 960 and in the case of the Indian Housing Program 24 CFR 905).

a. Estimate of Average Monthly Gross Rent. To determine the estimate of average monthly gross rents, the PHA shall, first, determine the range of incomes of low-income families residing in rental units in the county or jurisdiction which the project would serve. The families shall be classified by household types (elderly/non-elderly) and by income intervals. The percentage distribution of these incomes shall be recorded in established income intervals. The PHA shall determine the estimated rental income of the project by projecting occupancy which approximates the percentage distribution of families and by applying its current rent determination standards.

The PHA shall submit an analysis, with Form HUD-52485 that will indicate the average monthly gross rent that would result if the PHA selected families with a broad range of incomes representing the distribution of incomes of the eligible population. The PHA shall take into consideration the size of the families most likely to occupy the proposed project if it were constructed at the proposed location. The PHA should use whatever data is available to it to determine the income ranges in the community. This could include such sources as census data., CDBG applications, wage surveys, etc. which should be updated to reflect current income levels. The Field Office may have data which could be of assistance to the PHA. If there are not a sufficient number of eligible applicants in a particular range or ranges existing on the PHA's waiting list to fulfill the requirements stated above regarding the tenant body, the PHA must submit its proposed plan to attract applicants whose incomes will permit tenant selection resulting in the project housing tenants with a distribution of income reflecting the distribution of incomes of the potential population in the community. If the PHA proposes to acquire a project occupied in whole or part by low-income families, who will be retained as residents, the estimate of average monthly gross rent shall include the income distribution of those families as well. Based upon the instructions, provide a realistic estimate of the average PUM gross rent.

b. Estimate of Tenant Purchased Utilities. Insert figure calculated in Item 1i of this form.

c. Estimate of Monthly Contract Rent. Subtract tenant purchased utilities PUM (item 3b) from the Average Monthly Gross Rent (item 3a) to determine the amount to be entered on this line.

d. Estimate of Average Monthly Contract Rent Based Upon 97 Percent Occupancy. Enter the product of Average Monthly Contract Rent (Item 3c) multiplied by 97 percent (.97).

Part 4. - PHA Determination.

a. If the estimated operating expenses for the first fiscal year following the End of the Initial Operating Period (EIOP) does not exceed the estimated operating income (without operating subsidy) for the same period, the project is financially feasible. In this case check block "a" and do not complete the remainder of this form.

b. If the estimated operating expenses exceed the estimated operating income (without operating subsidy), check block "b" and complete remainder of this form to determine if the project will be financially feasible within the limitations of the available Performance Funding System (PFS) operating subsidy.

Part 5. - Maximum Allowable Operating Subsidy.

General. The PUM amount of operating subsidy which can be

considered will be based upon whether the proposed project is to be included in the Consolidated Annual Contributions Contract (CACC) or whether the proposed project is to be placed in a separate Annual Contributions Contract (ACC).

Existing PHA/New Project - CACC. If an existing PHA is proposing a new project, and wishes to incorporate the project into its CACC, the maximum allowable PUM amount of operating subsidy which may be used in the determination of the financial feasibility test shall be based on the following:

a. The PUM Allowable Expense Level for the project shall be based upon the current PUM Allowable Expense Level for the CACC recomputed to incorporate the characteristics of the project on all required PFS forms. The recomputation of the Allowable Expense Level shall be accomplished pursuant to Section 990.105 (d) (3) of 24 CFR Part 990, Subpart A, Operating Subsidy - Performance Funding System. The PHA's current fiscal year PFS shall be recomputed to incorporate the project. In the recomputation no data regarding the project shall be in the Current Year Columns, but shall be shown in the Requested Year Columns. For this recomputation, the estimated date of EIOP for the proposed project shall be the last day of the current fiscal year. For purposes of this recomputation, the project will be considered to be one year old.

b. Plus: The PUM Allowable Utilities Expense Level (do not include Utilities Labor and Utilities Other).

c. Minus: The PUM estimate of the average monthly contract rent based upon 97 percent occupancy.

Existing PHA/New Project to be Placed in Separate ACC or New PHA / New Project. If project is to be in a separate ACC, the maximum allowable PUM amount of operating subsidy which may be used in the determination of the financial feasibility test should be based on the following:

a. The PUM Allowable Expense Level for the proposed project shall be determined to be the same as the current Allowable Expense Level of a PHA already in management which is located in or about the locality of the proposed project, if the proposed project and the comparable PHA are generally alike in physical characteristics and tenancy. Comparison should exclude a project age comparison. If the project is not the first project of the PHA, the comparable PHA might be the PHA itself. The usable Allowable Expenses Level would have been developed pursuant to Section 990.105 of the PFS Regulation. The HUD Field Office shall provide the appropriate Allowable Expense Level upon request.

b. Plus: The PUM Allowable Utilities Expense Level (not to include Utilities Labor and Utilities Other).

c. Minus: The PUM estimate of average monthly contract rent based upon 97 percent occupancy.

d. Initial Operating Subsidy Eligibility. If the proposed project is deemed to be financially feasible, the PUM Allowable Expense Level determined in accordance with this subparagraph will be the basis for the PUM Allowable Expense Level to be used in the project's first fiscal year in management. This PUM will be adjusted by an inflation factor(s) for the intervening years. Instructions for the computation of the first fiscal year PUM Allowable Expense Level are contained in Performance Funding System Handbook 7475.13.

Completion of Part 5.

a. PUM Allowable Expense Level. Enter the PUM computed using the instructions above.

b. PUM Allowable Utilities Expense Level. Enter the PUM cost of PHA furnished utilities shown in Item 1h of this form less Utilities Labor and Other Utilities Expense.

c. PUM Contract Rental Income. Enter the PUM rental income amount as shown in 3d above.

d. Maximum PFS Operating Subsidy. Item 5(a) plus Item 5(b) minus Item 5(c). If this amount is equal to or greater than the deficit (Item 2k minus Item 3d) shown in Item 4b of this form, then the proposed project shall be determined to be financially feasible.