

LHA Administrative and Overhead Expenses

An LHA's general administrative expenses, or "Admin Cap/Fee", (as delineated in the Form 80) associated with a particular capital project may be paid out of the LHA's Formula Funding (FF), in whole or in part, but the amount paid out of FF for such expenses cannot exceed 10% of the construction cost¹, excluding change orders and permits, for that particular project. Administrative expenses are to be included in the project budget and billed in accordance with the progress of the job according to the milestones and percentage payment schedule in the RFS or Work Order. Admin fee will be paid out throughout the project upon receipt of invoices showing hours worked and other costs related to the capital project. Accounting and advertising are reimbursable expenses that may be paid using FF funds and are outside of the 10% cap.

With prior approval by the LHA's project manager, tenant coordinator costs may also be paid outside of the 10% cap. Consult with the LHA's project manager about excluding costs for other administrative lines from the 10% administrative budget cap. In general, the LHA admin cap applies to LHA staffing and direct costs to LHA operations alone. With the project manager's approval, admin funding may be used to hire additional staff or increase the work hours of existing part-time staff including the executive director for project specific work, within the 10% cap on admin. Admin fee cannot fund salary increases or bonuses for full-time executive directors. The LHA should submit a request to the project manager that includes board approval of the proposal; admin fee will not be paid without board vote of approval for that project. Once approved, the LHA should keep timesheets for additional hours worked on the modernization project and bill monthly for those hours, including timesheets as back up.

Admin fee will not be paid out after Certificate of Final Completion (CFC).

All administrative fees should be used for staffing time related to the capital project, and cannot be used for pension expenses.

General administrative expenses for AIMM designated LHAs cannot exceed 13% of the construction costs, as compared to the 10% maximum for all other LHAs. (See the AIMM Project Implementation: Creating the Project Budget and Notifying DHCD of Project Changes section of these guidelines for additional information.)

Admin fees on all non-FF and competitively awarded funding will be capped on a sliding scale. LHAs may use up to 10% of the first \$500,000 estimated construction cost of a project, 5% of the second \$500,000, and up to 2.5% of all costs in excess of \$1,000,000. For example, an LHA could claim up to \$100,000 of admin fees for project with a construction cost of \$2,000,000.

An LHA may, and in many cases is encouraged to, use **less** than its maximum allowable admin fee in order to maximize funding available for capital improvements.. The admin fee percentage must be decided on at the work order stage of a project; after which the percentage share can only be amended downwards. The dollar value of the admin fee can increase throughout the project if scope and estimated cost increase.

¹ Budget line 1450.01