

CHAPTER 5. ALLOWABLE COSTS TO BE REPORTED ON FORM HUD-92330-A

- 5-1. DATE TO WHICH FORM HUD-92330-A IS COMPUTED. Form HUD-92330-A is completed to reflect the general contractor's cost of construction as of the final completion date. The final completion date is to be used in completing this Form even in those cases where HUD has set an administrative completion date.
- 5-2. ALLOWABLE CONSTRUCTION COSTS FOR COST CERTIFICATION. When the general contractor's certified actual costs substantially exceed HUD estimates and actual going prices for equivalent items, the contractor shall be required to explain the reason, with supporting documentation.
- 5-3. GENERAL CONTRACTOR'S CERTIFIED COSTS.
- A. The contractor is entitled to certify to the actual costs incurred in completing the project.
1. Include actual amounts paid in cash, or to be paid in cash within 45 days after the date of final completion, for labor, materials for construction, equipment and fixtures, field engineering, sales taxes, workmen's compensation Insurance, social security, public liability insurance, job overhead and all other expenses directly connected with construction, and including general overhead expenses, but
 2. Exclude kickbacks, rebates or discounts received in connection by the general contractor, mortgagor, any of their officers, directors, stockholders or partners; and excluding any return on or cost of the contractor's working capital, such return on or cost of working capital being a part of or to be paid from the contractor's fee or profit.
 3. When escrows are to be established for items of incomplete work, the full amount of the contract shall be reported, unless the subcontract is cost-plus fixed-fee with a guaranteed upset price. In such cases, the cost of the completed work, plus the estimated cost for the incomplete work, or the upset price as adjusted by the HUD cumulative estimate of cost of any approved construction changes, relating to the trade item, whichever is the lower, is reported.
- 4470.2 REV-1
- 5-1
- 4/94
- (5-3) 4. For capital advance and moderate rehabilitation programs where betterments to the construction contract have been added

through approved Forms HUD-92437, Request for Construction Changes on Project Mortgages, these betterments must be certified on a separate Form HUD-92330-A. The certification must state that the betterment costs are not part of the costs that are to be included in the project mortgage.

B. General Requirements (Job Overhead):

1. Allowable items of cost include, but are not limited to:
 - a. typical supervision, field engineering, field office expense (including clerical employees wages for work performed at the job site),
 - b. building permits,
 - c. temporary sheds, toilets, tool storage, shops, walkways and fences, and medical and first aid facilities,
 - d. temporary heat, water, light and power for construction,
 - e. cleanup and rubbish disposal,
 - f. watchmen's wages or other security and/or theft and vandalism insurance (or allowances for such costs),
 - g. sidewalk and street rental, temporary roads, sidings and docking facilities, and
 - h. equipment rental if not in trade cost items.
2. Officer's or executives of the contracting firm salaries may be allowed for performing a type of duty customarily performed by a nonexecutive, but in line with the going rates for nonexecutives. Time charged shall be only for the actual time such nonexecutive duties were performed.
3. When an officer or executive of the contracting firm performs site visits in the function of a project manager, time charged shall be only for actual time spent at the job site.

4. Any item of general overhead expense, such as the salary of any employee whose activities are confined to work in the main office or any branch office of the contractor, shall not be included in General Requirements.

C. General overhead:

1. Certify to the amount (2 percent of the total of Structures, Land Improvements, and General Requirements) allowed in the firm commitment stage of processing plus or minus any amount applicable, due to an approved Form HUD-92437, Request for Construction Changes on Project Mortgages.
2. No itemization is required on the Form HUD-92330-A.

D. Contractor's Fee:

1. Contractor's fee consists of general overhead and profit.
2. Builder's profit is not reported on Form HUD-92330-A.

E. Other Fees. May include, but are not limited to, site and topographic surveys, test borings, subsurface exploration, soil testing and utility tap fees (other than those included in subcontracts), and accountant's fee for the contractor's cost certification.

F. Bond Premium. Enter the cost of the bond premium paid in connection with the subject project. If, in lieu of a bond, a letter of credit was used, enter the cost of the letter of credit.

G. Miscellaneous Labor and Materials. All construction cost items, material, labor and equipment charges shall be allocated to the appropriate trade line items. A miscellaneous labor and material space is for insignificant costs which are difficult to charge to a specific trade item, but-, in no event will these costs exceed the maximum of \$2,000 for the entire project.

H. Self-owned equipment of the general contractor. For self-owned equipment, the general contractor may certify to the cost of fuel, lubrication, normal expenditures for its equipment, maintenance, repair and depreciation or 85 percent of the local lease rates for identical equipment.

- (5-3)
1. The general contractor will certify under the trade item for which the equipment was used, or if used for multiple trades, under general requirements.
 2. Itemization of the equipment is not required unless needed and requested by the cost analyst to justify apparent excessive amounts.
 3. When certifying for 85 percent of the local lease

rates, the charges cannot exceed the purchase price of the equipment.

5-4. NEW CONSTRUCTION AND REHABILITATION. When new construction and rehabilitation are included in a single project, submit separate Forms HUD-92330-A for the rehabilitation phase and new construction phase. Summarize both phases on another Form HUD-92330-A reflecting the total project cost, which would include any applicable fees. This requirement also applies to subcontractor(s), material suppliers) and equipment lessor(s) having an identity of interest with the mortgagor and/or contractor.

5-5. FIFTY/SEVENTY-FIVE PERCENT RULE.

A. When the general contractor is required to cost certify, no general contractor's fee (general overhead and profit) will be allowed when:

1. More than 50 percent of the contract sum in the construction contract, is subcontracted to one subcontractor, material supplier or equipment lessor, or
2. Seventy-five percent or more with three or less subcontractors, material suppliers or equipment lessors.

NOTE: If two or more subcontractors have an identity of interest or common ownership, they are considered as one subcontractor.

B. If an identity of interest between the mortgagor and general contractor ceases to exist before final completion, certify to a typical builder's profit.

4/94

5-4

4470.2

REV-1

(5-5) C. If an identity of interest comes into being after initial endorsement and exists at the time of final completion, for those Sections of the Act that provide for BSPRA, do not certify to a builder's profit since mortgagor will be entitled to certify to BSPRA in lieu of SPRA and a builder's profit.

D. Gut Rehabilitation: The 50-75 percent rule shall apply to projects involving gut rehabilitation, which includes all of the following work:

1. Repair of roof and floor systems, from a minimum of patching to a maximum of complete replacement.
2. Removal and replacement of exterior windows and doors.

3. Removal and replacement of interior doors, partitions, insulation and finishes.
 4. Removal and replacement of kitchen cabinets and appliances.
 5. Removal and replacement of plumbing, heating and electrical systems.
- E. Exceptions to rule:
1. Rehabilitation programs other than gut rehabilitation.
 2. Manufacturers of Industrialized Housing.
 3. Trade items performed by persons on general contractor's payroll.
 4. Mobile Home Park program.
 5. Supplemental Loan program.
- F. Certification of fees for identity of interest subcontractors and supplier(s). Allowable fees shall be the amount of overhead and profit agreed to on the prior approved contract, plus or minus the net effect of approved requests for construction change, Form HUD-92437, Request for Construction Changes on Project Mortgages.