

ACF Administration for Children and Families	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
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INFORMATION MEMORANDUM

TO: All Head Start and Early Head Start Agencies and Delegate Agencies

SUBJECT: Head Start Modular Units

INFORMATION:

A modular unit is defined as "a portable prefabricated structure made at another location and moved to a site for use by a Head Start grantee to carry out a Head Start program, regardless of the manner or extent to which the modular unit is attached to underlying real property." The definition includes modular units used for any program purpose, including classrooms, kitchens, administrative offices, and storage buildings. See [Terms, 45 CFR §1305.2](#). The purchase of any modular units with Head Start funds is subject to the provisions of [45 CFR Part 1303 Subpart E](#).

Many different types of prefabricated structures fall within the general term "modular unit." Some are structurally similar to traditional construction, subject to local building codes and firmly attached to an underlying foundation. These units can provide high-quality learning environments with a useful life similar to traditional construction.

At the other end of the spectrum are units that arrive on wheels and are installed by placement on supports without a full foundation. Local building codes are not usually applicable to these types of units. They are often referred to as manufactured or mobile units. Their useful life is significantly less than traditionally constructed buildings. Especially in harsh climates, these units tend to deteriorate quickly and require significant ongoing maintenance. They also lose structural stability, develop mold issues, and lose quality as a learning environment much sooner than high-quality modular units or traditional construction. See [Teaching and the learning environment, 45 CFR §1302.31](#).

The Office of Head Start (OHS) recognizes there are circumstances when modular units are a quality, cost effective option for program services. However, purchase of a modular unit should not be a grantee's first choice when the option of construction or purchase of a traditionally built facility exists in the community. Similarly, when replacing older modular units, grantees should consider whether better quality modular units, construction, or purchase options are available in the community. While reasonableness of cost should always be a consideration for grantees, low-cost modular units are not a preferred option when other better-quality facility options are available.

To assure modular units used as Head Start facilities result in quality, cost effective learning environments, OHS is implementing the following requirements.

Application for Purchase of a Modular Unit

When a grantee applies for purchase of a modular unit under [45 CFR Part 1303 Subpart E](#), the following additional information is required per [45 CFR §1303.44\(a\)\(14\)](#).

1. A statement indicating whether the modular unit will be classified as real property or equipment in the grantee's financial records. This classification must be maintained until the modular unit is disposed of in accordance with [Real Property, 45 CFR §75.318\(c\)](#) or [Equipment, 45 CFR §75.320\(e\)](#), as applicable.
2. A description of the procurement procedures that will be used to purchase the modular unit in compliance with [45 CFR §75.329](#).
3. If the modular unit proposed for purchase will be classified as real property, the grantee must submit standard form (SF)-429 with Attachment B. If the modular unit proposed for purchase will be classified as equipment, follow [45 CFR §75.407\(a\)\(7\)](#) for prior approval. The modular unit must be included in the grantee's equipment inventory maintained in accordance with [45 CFR §75.320\(d\)\(1\)–\(5\)](#).
4. The cost comparison required by [45 CFR §1303.45](#) must address the full cost of initial purchase of the modular unit. This includes site acquisition and preparation, delivery, set-up, and additional site work needed (e.g., ramps, fencing, parking, play area, landscaping). Estimated operating costs, including ongoing maintenance and repairs, must be also be provided, with an assumed estimated useful life of 15 years. For purposes of comparison with available alternatives within the community (see below), the cost of replacement of the modular unit at the end of 15 years must also be included.
5. Modular unit costs must be compared to available alternatives within the community, including construction of a new facility and purchase or lease of an existing facility (with any associated renovation costs). Initial and ongoing costs for comparable facilities must be estimated, including depreciation, with an assumed useful life of 30 years.
6. The application must describe the placement of the modular unit proposed for purchase. It also must indicate if the modular unit will be placed on leased or grantee-owned

property and the method of installation (e.g., placed on a poured foundation, on blocks, or other supports). The extent to which the modular unit can be removed and relocated must also be addressed, including whether it is possible to relocate the unit without significant damage to its structure once installed.

7. The statement of a real estate professional described in [45 CFR §1303.42\(b\)](#) must clearly show the realtor making the certification considered the options of construction, purchase, or leasing of facilities as an alternative to purchase of a modular unit.

Request for Disposition of a Modular Unit

The disposition process for a modular unit depends on how the unit was classified in the grantee's financial records (real property or equipment) at the time of purchase and during its period of ownership by the grantee. A grantee may not change the historic classification of a modular unit for purposes of disposition. If classified as real property, the unit is subject to the disposition requirements described in [45 CFR §75.318\(c\)](#) and [45 CFR §75.308\(c\)\(1\)\(xi\)](#). A unit classified as equipment is subject to the disposition requirements described in [45 CFR §75.320\(e\)](#) and [45 CFR §75.308\(c\)\(1\)\(xi\)](#). For more information, please see the ACF Property: Disposition website.

Real Property

When the modular unit has been classified as real property, the grantee is required to submit SF-429 with Attachment C in the [GrantSolutions Online Data Collection \(OLDC\)](#) to request approval for disposition of the unit. Note that line 14e requires the grantee to enter the third-party appraised value of the real property (current market value). Current market value must be established by an independent certified real property appraiser (no more than three years old). The appraisal must be uploaded to the SF-429 Attachment C in [GrantSolutions OLDC](#) to verify the current market value amount.

The modular unit should be appraised separately from the land upon which it is located. The appraisal must clearly indicate the appraised value of:

1. The land, if owned by the grantee
2. The modular unit value in its existing location

Modular units classified as real property are usually firmly attached to the land upon which they are located. If the grantee does not own the land, all costs related to the proposed disposition (e.g., demolition, site restoration, takedown, moving, and new site preparation) must be identified in the disposition request. If the overall cost of all disposition options result in a net value that is \$0 or less, there is no value for OHS to recover in the modular unit. The Office of Grants Management (OGM) will review all disposition requests in which there is no recoverable value. If there are no issues or concerns, the respective Grants Management Officer (GMO) will approve release of the federal interest.

Equipment

When the modular unit has been classified as equipment and has a current market value of \$5,000 or more, grantees are required to submit the Tangible Personal Property Report—Disposition Request using SF-428 with Attachment C through the Head Start Enterprise System (HSES). Send correspondence to the GMO no later than 30 days before the proposed disposition. The modular unit may be retained, sold, or transferred as directed by the Administration for Children and Families (ACF) in accordance with [45 CFR §75.320](#).

When the modular unit has been classified as equipment and has a current market value of \$5,000 or less, the modular unit may be retained, sold, or otherwise disposed of without payment of proceeds to the awarding agency ([45 CFR §75.320\(e\)\(1\)](#)). However, proceeds must be recognized as additive program income and used only for allowable Head Start program expenses. All requests for disposition instructions must be made in writing through HSES. Correspondence to the GMO no later than 30 days before the proposed change. If there are no issues or concerns, the respective GMO will proceed with approval to release the federal interest.

Thank you for your work on behalf of children and families.

/ Dr. Deborah Bergeron /

Dr. Deborah Bergeron
Director
Office of Head Start
Office of Early Childhood Development