

CHOICE NEIGHBORHOODS IMPLEMENTATION GRANTS BUDGET GUIDANCE

I. GENERAL BUDGET GUIDANCE

A. Introduction

This document provides detailed information for Choice Neighborhoods (CN) Implementation Grantees to use when developing and revising their program budgets. Included are examples of costs and where they should be placed in the budget; however, none of the lists of activities are meant to be exclusive. If a particular activity cost is not listed, if an expense is unclear, or there is a question as to whether the activity cost is allowable, Grantees should request assistance from their CN Team Coordinator in the Office of Public Housing Investments (OPHI).

B. Choice Neighborhoods Budget Form

A grantee's CN Implementation Grant budget must be submitted on form HUD-53236. The blank form workbook can be obtained at the CN website at www.hud.gov/cn.

The CN grant amount is divided into Budget Line Items (BLIs), as provided on Part I of the budget form. On Part II, those BLIs are broken down into specific costs or work items, in accordance with these guidelines and the Chart of Accounts, as detailed below.

C. Allowable Expenditures from Award Notice.

Funds may be requested for eligible costs incurred after the notification of grant award (this includes activities carried out before the Grant Agreement is executed). The grant award date is the date of HUD's notification letter to the Grantee that it has received an award. The date is also stated in the Grant Agreement. However, grantees will not be able to draw funds for reimbursement of these costs until after (1) the Grant Agreement has been executed and (2) HUD has approved the program schedule and budget.

D. BLI 2000 and Requests for Funds

Although each CN Implementation Grant has a budget that shows the entire amount of the grant by BLI, those individual amounts are not automatically made available to the Grantee. Instead, the entire amount of the grant is placed into BLI 2000 initially, which is a special "holding" account where funds remain unavailable to the Grantee until HUD authorizes their expenditure and distributes, or "spreads," them into the applicable BLIs. Grant funds are placed into BLI 2000 so that HUD can control the amount of funds that Grantees have access to and ensure that major expenditures have been approved before they are disbursed.

E. HUD Approval and Release of Funds

Grantees should submit a draft of their CN Budget form to the CN Team Coordinator for review. Once the CN Team Coordinator, has determined the budget is approvable, the authorized signatory of the Grantee can sign and date the budget form. The CN Team Coordinator will

prepare an approval package for the CN Director to sign and return a copy to the Grantee. HUD will then spread the amounts on the budget into the appropriate BLIs from BLI 2000, making those funds available for the Grantee to draw down.

Release of Funds.

- Supportive Services, Evaluation, Administration, and Relocation: HUD will generally approve a budget revision that spreads funds for these activities on an annual basis.
- Predevelopment costs (mostly Fees & Costs): Predevelopment costs are incurred by the Grantee before a phase's financial closing. The Implementation Grant Agreement provides that a Grantee may submit a budget to request grant funds for specific eligible predevelopment costs before the grantee has completed that phase's financial closing. The eligible predevelopment costs are listed in the Grant Agreement. HUD will generally approve predevelopment budgets for expenses on a phase-by-phase basis or are anticipated over the next 6-12 months.
- Housing construction: Grant funds budgeted for each housing phase are detailed in the Sources and Uses statement for that project or phase. After the development proposal is approved and the relevant evidentiary documents are executed at the time of phase closing, the grantee must submit a budget revision to HUD, consistent with the Sources and Uses statement, and HUD will spread the funds into LOCCS. This is repeated for each housing phase.
- Critical Community Improvements: Funding for CCI projects will be released on a project-by-project basis as HUD provides approval for each project. This process is repeated for each CCI project.
- Acquisition and Demolition: HUD will spread funds for these activities after the proposals for these activities have been reviewed and approved.

F. Drawdown of Funds through LOCCS

Once HUD has approved the budget and spread funds in LOCCS, the Grantee may draw down CN grant funds for a Budget Line Item (BLI) up to the approved amount. LOCCS will automatically reject payment requests that exceed the amount approved for each BLI. HUD must manually approve a draw if it is for more than 10 percent of the entire grant amount or the cumulative total of draws exceeds 10 percent in a calendar month. In such instances, the Grantee must submit copies of the invoices supporting the LOCCS draw to their CN Team Coordinator for review and approval. Upon approval, an OPHI LOCCS Administrator will release the draw in LOCCS. HUD may put a grant on a 'zero threshold' for manual review and the Grantee will need to submit invoices before for each LOCCS draw is approved.

G. Expenditure of Funds

Grantees may only draw funds from LOCCS as an expense is incurred. Further, Grantees must pay out grant funds from their bank account within three business days after drawing them down from LOCCS. The only exception is in the case of a Supportive Services Endowment Trust. Section 24 of the U.S. Housing Act authorizes Grantees awarded in FY 2000 and later, to which the CN funds are subject, to use Supportive Services funds to set up Endowment Trust. The

Trust is a mechanism that allows Grantees to use CN funds for sustained Supportive Services activities.

Grant funds that are in reserve accounts that are allowable under the grant are considered expended when they are deposited into the reserve account.

II. SPECIFIC BUDGET LINE ITEM GUIDANCE

BLI 1405 – SUPPORTIVE SERVICES

Supportive Services Programs

All Supportive Services budget information should be included in BLI 1405. The CN statute limits how much of the CN grant may be allocated to Supportive Services. For FY 2022 and FY 2023 funding, the maximum is 20 percent of the grant. For all other years, the maximum is 15 percent of the grant. The Grantee may spend additional amounts on supportive services programs using other funds. All “soft” costs for Supportive Services programs, regardless of whether activities will be carried out by Grantee staff or by a partner or contractor, must be placed under BLI 1405.

Please refer to the NOFO under which your grant was funded for the definition of Supportive Services and required and eligible Supportive Services activities.

CN funds used for Supportive Services must primarily benefit residents of the target public or HUD-assisted housing through direct services and service coordination.

On Part II of the budget form: 1) differentiate between costs that will be incurred by staff and costs incurred by contractors; and 2) include a separate sub-line item for each position type within the Direct Services People Team’s organizational structure, e.g., Case Managers/Coaches, Education Specialist, or People Team Manager.

Specific Eligible Supportive Services Program Costs

Direct Services

- staff salaries and benefits for direct Supportive Services programs
- People Team supervisory position(s) with at least 20% FTE dedicated to the CN Implementation grant
- case management
- service coordination
- needs assessments for case management and service coordination
- counseling, such as family, substance abuse, mental health, homeownership, or financial literacy counseling
- early learning, afterschool or other education programs along the continuum from birth to college and career
- adult and continuing education

- employment training and job readiness
- job placement and retention support services
- limited, short-term assistance for expenses related to training, education or employment, such as transportation (bus pass), childcare, or special clothing or equipment
- services for elderly and persons with disabilities to maintain independence
- computer training
- computers for computer lab or lending library
- stipends not to exceed \$200 per month for residents of the target housing site who perform a service for the Grantee on a part time basis that enhances the quality of life in the development

Administration (costs limited to 10 percent of the Supportive Services budget):

- leasing or purchase of vehicles for Supportive Services, salaries of drivers, gas and maintenance
- short-term staff training (including travel) related to CN Supportive Services
- office space directly related to CN Supportive Services
- resident and community meeting space and supplies such as tables, chairs, easels or signage
- reasonable senior leadership or advisory support costs incurred by the People Implementation Entity or Lead Entity, whom are not a part of the Direct Services People Team

Some specific ineligible costs:

- physical improvement costs necessary to provide facilities primarily intended for the delivery of Supportive Services and economic development opportunities for target residents
- medical and dental services
- incentives for recruitment into, participation in, or completion of any Supportive Services activities (e.g. gift cards provided to residents that complete an annual survey or needs assessment)
- wage subsidies (funds cannot be used to supplement wages paid by an employer)
- personal vehicle costs, such as car inspection sticker, insurance deposit/down payment, traffic ticket fines/fees, or repairs
- meals

Supportive Services Endowment Trust:

In accordance with Section 24(d)(2) of the Housing Act of 1937, Grantees may deposit a portion of the CN grant in an endowment trust to provide supportive services after the CN grant term ends. The statutory limit on the maximum amount of funds used for Supportive Services programs includes an endowment. The amount requested will be provided by HUD in a lump sum. Funds must be placed in an investment vehicle backed by the full faith and credit of the United States Government, such as FDIC insured bank accounts and certificates of deposit and United States Treasuries. Endowment funds (together with any interest earned) may only be used for eligible and necessary Supportive Services program costs. Endowment funds may be used in conjunction with other amounts donated or otherwise made available to the fund for similar purposes. See the Grant Agreement for a description of HUD approvals needed.

BLI 1408 – MANAGEMENT IMPROVEMENTS

Costs applicable to BLI 1408 are those related to management improvement activities. Management improvements are the costs of improvements to grantee management systems that are made in conjunction with CN grant-related transformation efforts. Note that regardless of whether costs for management improvements are to be incurred by grantee staff or contractors, all such costs must be included in BLI 1408. On Part II of the budget form, differentiate between those costs incurred by the grantee and those by contractors.

Specific Eligible Management Improvements Costs

- Grantee staff training (including travel) directly related to management improvements to implement the CN grant activities
- Grantee staff time, contractors, and materials used to revise:
 - procedures manuals
 - accounting systems (including project-based budgeting)
 - occupancy policy (including establishment of community-based waiting list)
 - administrative plan
 - lease documents
 - maintenance policy and procedures
 - resident screening procedures
 - performance measures to monitor success of management improvements
 - development or purchase of payroll service or computer systems

Resident Management:

- technical assistance to a resident council or resident management corporation (RMC)
- feasibility study of resident management
- resident management training of RMC members
- establishment of a community management association to manage common area, provide policy direction, oversee property management
- resident training on: (may include an amount for travel)
 - housing management
 - maintenance
 - Section 3 compliance

Heightened Security Costs:

- security guards
- tenant patrols
- resident security training

BLI 1409 – EVALUATION

BLI 1409 is for costs associated with evaluating the CN program, including compliance with requests directly from HUD or through HUD's contractors.

Specific Eligible Costs

- surveys of residents or the community for evaluation purposes (this does not include needs assessment identified under BLI 1405)
- data management and tracking expenses

BLI 1410 – ADMINISTRATION

BLI 1410 is for costs directly related to the overall administration of the CN grant by the Grantee (including the cost of a third-party program manager). Any administrative expenses on the part of the Grantee that are charged to the CN budget must be based on direct expenses or, for staff time this must be done in accordance with the time spent on CN grant-related activities. The Grantee must itemize its personnel that will be working on the project, the percentage of time for each person, and the amount of salary billed to CN. This proration should be consistent with the Staffing and Time Allocation information maintained by the Grantee. The CN program does not use an “indirect cost rate” like some other HUD programs. Grantees should not allocate more than five percent of the grant to this BLI. Note that all administrative costs related to Supportive Services programs must be included in BLI 1405 (Supportive Services), and NOT under 1410.

Specific Eligible Costs Directly Related to CN Grant Can Include:

- staff salaries and benefits, including resident employment, (other than those directly related to Supportive Services)
- staff attorney (not including time spent on site acquisition)
- staff training, related travel, not related to Supportive Services
- copies
- postage
- telephone
- expendable equipment
- advertisements to support solicitations for bids
- marketing and advertising of new units
- publications
- office space dedicated to CN (e.g. not space located in a central office/headquarters building already being used by a grantee), including related utilities and rental of office equipment
- office supplies
- accounting and auditing expenses
- corporate insurance: workman’s comp, vehicle, fire, fidelity bonds, public liability

BLI 1430 – FEES AND COSTS

Fees and Costs generally are expenditures made to entities that are contracted by the Grantee to perform specific services. They do not include the salaries of employees of the Grantee. Exceptions to this rule are as follows:

- Supportive Services must be charged to BLI 1405 and management improvement costs to BLI 1408, regardless of whether those activities will be carried out by Grantee staff or contractors.
- Fees and costs associated with acquisition of real estate should be charged to BLI 1440 (Site Acquisition), including appraisals, broker fees, closing costs, recording fees, surveys, etc.
- Architectural and Engineering (A&E) or other fees and costs associated with hazard abatement/remediation and demolition must be charged to BLI 1485.
- Relocation contractors must be charged to BLI 1495 and/or 1496.

On Part II of the budget form, Fees and Costs must be described in adequate detail to determine costs for associated BLIs. For example, if a Grantee is using CN funds to build a service center, the costs to physically build the center belong in BLI 1470 (Non-Dwelling space) and the soft costs, such as A&E, belong in BLI 1430. Part II of the budget form must be itemized in enough detail to determine the entire cost of the activity, including both the hard and soft costs. In addition, fees and costs related to housing construction should be broken down by the phases of construction consistent with phases shown in BLI 1460.

Specific Eligible Costs

- consultant fees and expenses:
 - program management: Note that if the Grantee is relying on a third-party program manager to oversee the implementation activities, those costs should be placed in BLI 1410 – Administration
 - environmental
 - marketing
 - financial
 - legal - negotiate partnership, related documents specific to the CN development
 - construction management or supervision services
 - A&E fees paid to architectural or engineering firms for planning, design, or construction administration services
- accounting services for modeling of equity returns, tax credit compliance certifications
- permit fees: city/county/state processing reviews
- impact fees
- soil testing
- housing surveys and market studies
- blueprints and document copies not provided under A&E contract
- printing of construction documents and RFQs for developers
- tap and utility fees
- financing fees, including escrow and disbursing services during construction

BLI 1440 – SITE ACQUISITION

Costs associated with the actual purchase or other acquisition of land, with or without improvements, by the Grantee are appropriate for BLI 1440. All site acquisition costs, whether the site is intended for dwelling structures, non-dwelling structures, recreation areas, or other uses, are applicable under BLI 1440. Activities such as demolition, site preparation, or

construction that takes place after a site is acquired should be itemized under the appropriate BLIs, NOT under BLI 1440.

Specific Eligible Costs

- land and improvements
- raw land
- condemnation costs
- surveys and maps
- appraisal
- closing costs
- broker fees
- title information
- legal costs for site
- option negotiations
- current tax settlement
- recording fees, transfer taxes
- market study for acquisition

BLI 1450 – SITE IMPROVEMENTS

Site Improvements are those activities performed on a site that prepare it for its intended use. If construction will occur on the site, site improvements are those that make it a buildable site and include the cost of site infrastructure required to support the development of housing units. If the site will be used as a park or recreation area with no construction, site improvements may include such activities as grading, landscaping, and lighting. Any kind of construction or rehabilitation does NOT constitute site improvements. Site improvements related to housing construction should be broken down by phases of construction consistent with the phases shown in BLI 1460.

Specific Eligible Costs

- site clearance, except that demolition activities should be placed under BLI 1485
- drainage
- rough grading
- sewers and utilities to back of sidewalk or equivalent, including utility transformers, backflow preventers, and utility vaults
- parking lots
- site landscaping
- sidewalks
- streets and alleys, including curbs and gutters
- fencing
- surfacing of outdoor play areas, including structural playground facilities (playground equipment should be included in BLI 1475)
- exterior lighting (lighting of recreation facilities should be included in BLI 1475)

BLI 1460 – DWELLING STRUCTURES

All costs of construction or rehabilitation of dwelling structures should be listed under this BLI. If there is more than one phase of construction, costs should be broken down by phase on Part II of the budget form.

Specific Eligible Costs

- fine grading and foundations
- renovation and reconfiguration of remaining buildings
- construction of replacement housing and affordable housing
- loans to development partners for the development of replacement housing
- rehabilitation of acquired or existing dwelling structures
- construction of homeownership units
- soft second mortgages/construction writedowns for homeownership
- for public housing projects, initial operating deficit
- contractor profit, overhead, contingency, and general conditions
- collateralization of bonds
- utilities from back of sidewalk or equivalent
- unit or building landscaping

BLI 1465 – DWELLING EQUIPMENT – NONEXPENDABLE

Nonexpendable Dwelling Equipment includes, among other things, equipment installed in or directly related to dwellings, as opposed to community space.

Specific Eligible Costs

- appliances installed in individual dwelling units
- laundry appliances installed in common space located within dwelling buildings
- security equipment

BLI 1470 – NON-DWELLING STRUCTURES

The hard cost of construction of non-dwelling structures, including any kind of building that contains facilities other than living space. They may include community centers, daycare facilities, recreation centers, standalone laundry facilities, security offices, separate rental or maintenance offices, or parking structures. If there is more than one non-dwelling structure, identify the cost of each structure.

Specific Eligible Costs

- renovation or new construction of a community building
- construction/conversion of center for leasing, property management, and/or maintenance
- construction of laundry facilities (when not a part of a residential building)
- costs associated with negotiations, appraisal, legal fees for non-dwelling structures development and/or rehab

- construction of a structured parking garage
- construction of resident enterprise facility

BLI 1475 – NON-DWELLING EQUIPMENT

Non-dwelling equipment includes the costs of furniture and equipment that will not be associated with living spaces. If there is more than one non-dwelling structure, the equipment costs should be allocated to each structure.

Specific Eligible Costs

- laundry appliances installed in non-dwelling areas
- office furniture equipment for leasing/management/maintenance building (fax machines, copiers, computers, telephones)
- furnishings for non-dwelling facilities

BLI 1480 – CRITICAL COMMUNITY IMPROVEMENTS (CCI)

All costs for Critical Community Improvement (CCI) projects should be put in BLI 1480. CCIs are physical and economic development projects that advance the neighborhood component of the Transformation Plan such as development or improvement of transit, retail, community financial institutions, public services, facilities, assets or other community resources. Grantees may budget an amount not to exceed 15 percent of the total CN grant to pay the costs of non-housing capital costs for Critical Community Improvements. Please refer to the NOFO under which your grant was funded for the definition of CCI and eligible activities.

Specific Eligible Costs

- financing for commercial development activities
- neighborhood business façade improvements
- land acquisition costs related to critical community improvements (all other acquisition costs should be in BLI 1440)
- construction or rehabilitation of parks and community gardens
- development or improvement of recreation centers and amenities
- small business incubator or start-up costs
- revolving loan funds for business attraction and retention

CN funds may not be deposited into an interest-bearing account to establish a revolving loan fund. Program income and the interest it collects must be used to either establish or supplement a revolving loan fund or endowment fund.

Some specific ineligible costs

- providing programs and services
- operating funds
- plans and studies

- water and sewer line repair or other infrastructure
- standard street and sidewalk repair, infrastructure or lighting

BLI 1485 – DEMOLITION

All costs associated with the demolition and remediation of dwelling and non-dwelling structures must be placed under BLI 1485. Grantees should budget no more than \$6,000 per unit for abatement and demolition. Any budget amount over \$6,000 per unit must be justified in detail. The description on Part II of the budget form must distinguish between costs related to the existing target property and costs related to the demolition of a different site. Demolition costs include:

Specific Eligible Costs

- planning and professional services related to abatement/remediation of hazardous materials and demolition of buildings
- abatement/remediation of hazardous materials prior to demolition
- lead based paint insurance while work is in progress
- removal of structures, existing paving, foundations, utilities, and related infrastructure
- fencing and security during abatement and demolition, if necessary
- gutting dwelling units for permanent use as non-dwelling space, if the work is done pursuant to a HUD-approved demolition application

BLI 1495 – RELOCATION FOR RESIDENTS

Relocation payments may include costs to permanently relocate residents of units in the target housing approved for demolition, temporarily relocate residents of units to be reconfigured or rehabilitated, temporarily relocate residents until replacement housing is completed, or the costs associated with returning residents to CN housing. The description on Part II of the budget form must distinguish between costs related to relocation from the target housing and costs related to relocation from an acquired housing site. Relocation costs should be limited to a maximum of \$3,000 per family, including the cost of two moves for families who return to replacement housing from temporary relocation. Any budget amount over \$3,000 per family must be justified in detail. Replacement housing payments for the purchase of private housing should be placed in BLI 1460.

Specific Eligible Costs

- moving costs
- reconnection of utilities, including telephone and cable
- security deposits
- relocation counseling
- assistance in locating housing
- salaries of Grantee relocation staff and/or relocation contractors managing the relocation process
- costs of temporary relocation offices

- settlement costs for occupants displaced by acquisition of property
- improvements made to the unit to which a resident is relocating to make it accessible
- mobility counseling

BLI 1496 – RELOCATION FOR NON-RESIDENTS

Relocation costs associated with relocation of non-residents, including residents of housing other than HUD public or assisted housing, and business or other non-residential residents, as required for compliance with the Uniform Relocation Act (URA) should be placed in BLI 1496.

Specific Eligible Costs

- moving costs
- reconnection of utilities, including telephone and cable
- security deposits
- relocation counseling
- assistance in locating new space or housing
- the cost of providing on-going relocation services to displaced persons
- salaries of Grantee relocation staff and/or relocation contractors managing the relocation process
- costs of temporary relocation offices
- settlement costs for occupants displaced by acquisition of property