


U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

CAPITAL FUND GUIDEBOOK TRAINING

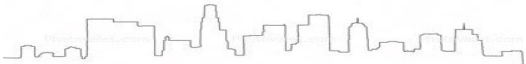
ELIGIBLE ACTIVITIES (CHAPTER 2)

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PRESENTERS

- Chris Granger, Housing Capital Improvement Specialist, Office of Capital Improvements 
- Leandria Campbell, Housing Capital Improvement Specialist, Office of Capital Improvements 

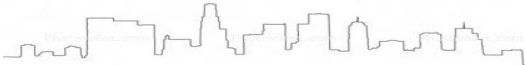


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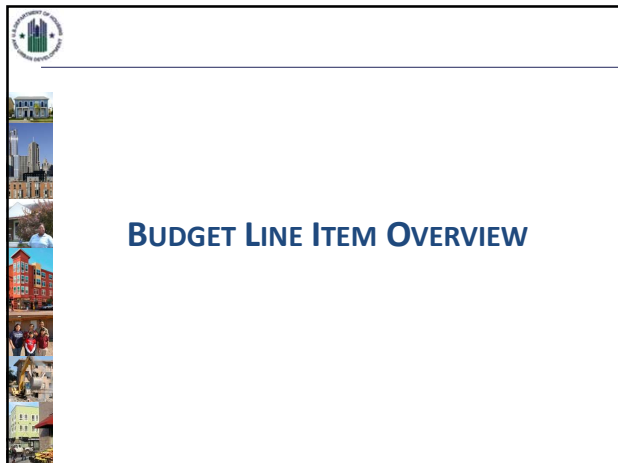
CHAPTER 2: TOPICS

- Budget Line Item Overview
- Eligible Activities
- Ineligible Activities
- Costs and Other Limitations

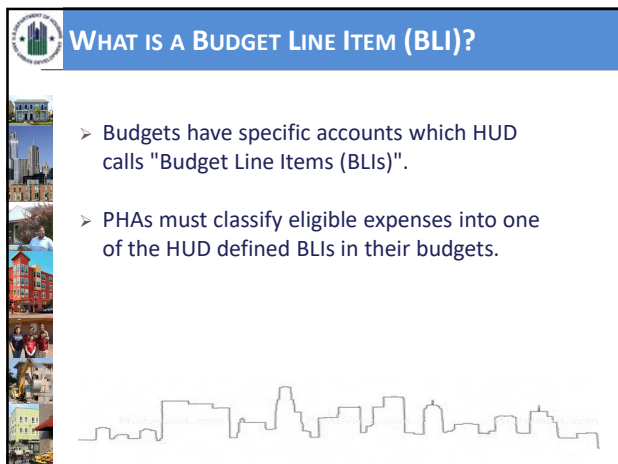


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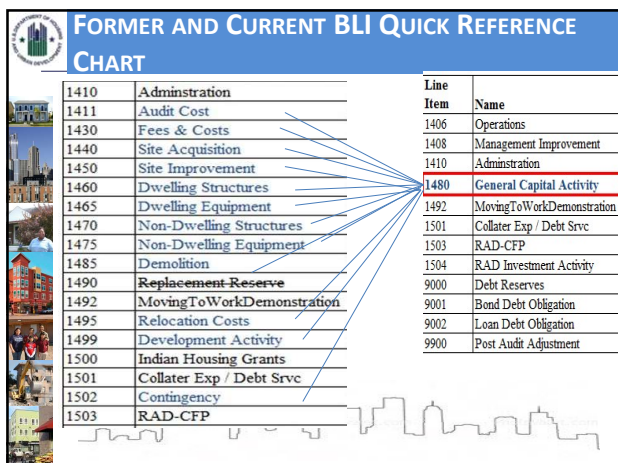
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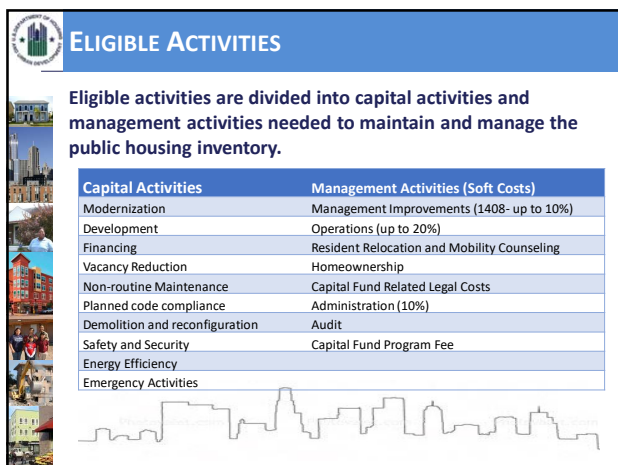
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FORCE ACCOUNT LABOR




Labor employed directly by PHA (permanent or temporary) to do capital improvements on a PHA property funded by the CF.

PHA uses employees, pursuant to its personnel policy, versus a contractor


PHA may use force account labor -- **IF** included in the approved PHA 5-Year Action Plan in EPIC




Must be cost effective and suitable for the PHA.



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FORCE ACCOUNT LABOR PERSONNEL ISSUES




Current PHA employees may be Force Account workers if:


- Their regular duties are either suspended or reassigned
- Maintenance of the properties is not compromised
- Employees' regular work assignments are not undermined
- **Remember:** No hiring may violate any conflict-of-interest policies




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ELIGIBLE MODERNIZATION ACTIVITIES







Dwelling/Non-dwelling Structures & Equipment




Site Acquisition & Site Improvement Costs




Energy Efficiency & Planned Code Compliance



Non-routine Maintenance




Safety and Security Costs




Demolition & Reconfiguration

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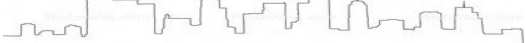
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ELIGIBLE CAPITAL ACTIVITIES: DWELLING AND NON STRUCTURES




Dwelling Structures and Equipment
Excavation, foundations, structural costs
Cabinets, cupboards, shelving and other built-in fixtures
Interior systems – plumbing, gas, fixtures, hot water heaters, gas and water meters, piping, ducts, heating systems
Electrical installation
Equipment related to public housing modernization or development project – ranges, refrigerators, but not connected to ducts, pipers, etc.
NonDwelling Structures and Equipment
Plumbing, heating, ventilating, electrical installation of administrative, community or other non-unit spaces for residents.
Equipment such as office furniture, computers, etc.




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ELIGIBLE CAPITAL ACTIVITIES: SITE ACQUISITION AND SITE IMPROVEMENT



Site Acquisition and Site Improvement
Land acquisition and existing improvements.
Prior-year taxes or other pre-acquisition tax obligations.
Surveys, appraisals, title and related legal costs.
Grading, correction of abnormal subsoil conditions, lawns, planting, paving, etc.
Sanitary and storm sewers
Water, gas and electrical systems
Removal of dwelling or non-dwelling foundations.



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QUESTIONS




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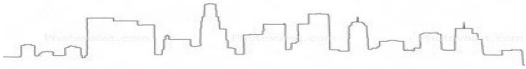


ELIGIBLE CAPITAL ACTIVITIES: ENERGY EFFICIENCY



Energy Efficiency Work

- New or updated Energy Audits – only when audit part of Capital Fund program and not otherwise covered by Operating Funds.
- Implementation of energy and water conservation per Energy Audit
- Integrated utility management and capital planning
- Installation of energy/water-use efficiency fixtures and fittings
- Installation and use of Energy Star appliances – part of replacement program
- Automation of utility & energy management systems – master to individual metering if installed as a part of a mod. activity to upgrade utility systems



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ELIGIBLE ACTIVITIES: PLANNED CODE COMPLIANCE




- Includes design and physical improvements associated with compliance with building codes.
 - Uniform Physical Condition Standards
 - International Code Council
 - National Fire Protection Association
 - Energy Conservation Code and others.






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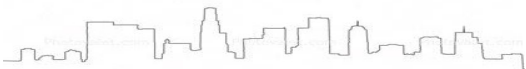


ELIGIBLE ACTIVITIES: NON-ROUTINE MAINTENANCE



- Work items ordinarily performed regularly in the course of property management and maintenance, but now substantial in scope and expense due to postponement.

Note: Avoid premature replacement unless payback analysis indicates it is more cost-effective.



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CAPITAL ACTIVITIES – SAFETY AND SECURITY




Designed to improve the safety and security of residents

May not be used for salaries and benefits of security guards or ongoing security costs


Security equipment (window bars, locks, fencing)
Surveillance equipment
Stabilization of buildings
Defensible space and design
Security cameras and lights




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ELIGIBLE ACTIVITIES: DEMOLITION




- Includes demolition of units or non-dwelling spaces and all related costs.
 - Relocation
 - Reconfiguration
 - Planning costs – architectural, engineering, environmental tests, etc.
- Demolition requires prior HUD approval.




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ELIGIBLE ACTIVITY: DEVELOPMENT







Construction and acquisition with or without rehabilitation and/or Mixed-Finance Projects




Initial operating expenses, lease-up. Cost certification costs, development financing costs




Physical Needs Assessment (PNA). Environmental Review



Site preparation, abatement, demolition, etc.




Resident consultation and Consultants



Amenity structures, parking lot

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ELIGIBLE ACTIVITY: DEVELOPMENT




Eligible Development Costs

- Construction and acquisition with or without rehabilitation
- Development of Mixed-Finance Projects,
- Resident consultation and meetings
- Environmental review
- Consultants necessary for any public housing aspect of the project
- Initial operating period expenses – lease up, initial occupancy
- Predevelopment and planning costs for public housing
- Site preparation, abatement, demolition, water/gas distribution systems, site and infrastructure
- Cost certification costs
- Development activity financing costs
- Amenity structures and fixture costs including parking lots and laundry
- Project specific administrative costs, within Section 2.4 limits
- Physical Needs Assessment (PNA)

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ELIGIBLE ACTIVITIES: FINANCING




Debt and financing costs incurred by a PHA for Development or Modernization of Public Housing Projects -

- Public Housing in Mixed-Finance Development
- Capital Fund Financing Program (CFFP)
- Other Section 30 uses


Eligible Public Housing Financing Costs


- Preparing applications for funding (e.g. Choice Neighborhoods and LIHTC)
- Legal services for PHA
- Construction period interest
- Due diligence, such as market study and environmental testing
- Fairness opinion
- Other development and modernization activities needed to obtain financing

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CAPITAL ACTIVITIES – VACANCY REDUCTION






Physical improvements to reduce the number of vacant public housing units.




Excluding costs for routine vacant unit turnaround such as painting, cleaning, and minor repairs.




Vacancy reduction activities must remedy a defined vacancy problem as detailed in a vacancy reduction program in the PHA's 5-Year Action Plan.

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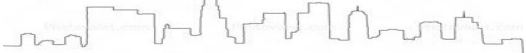
VACANCY REDUCTION EXAMPLE




- 20 units chronically vacant due to deferred long and short term maintenance.
- Management deficiency

Plan calls for:

- Team = 3 (supervisor and two maintenance staff)
 - PHA staff (Force Account).
- Assessment of physical needs of each unit.
- Preparation of a scope of work and cost estimates for each unit.
- Schedule of work for each unit.
- Purchase of all supplies and materials.
- Implementation: 2 units per week for 10 weeks.




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ELIGIBLE CAPITAL ACTIVITIES – EMERGENCY WORK

A Capital Fund Emergency is an unforeseen or unpreventable event that poses an immediate threat to the health and safety of the residents




Examples of Emergencies are elevator failures, boiler failure, water intrusion causing mold growth, sewer line failure, and severe electrical problems.

Emergency Work Does not need to be covered by an Approved 5-Year Action Plan*




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ELIGIBLE ACTIVITIES: MODERNIZATION – NON-DWELLING EQUIPMENT - VEHICLES

Modernization – Non-dwelling equipment
Purchase or Lease of vehicles
Non-passenger vehicles
Passenger vehicles

Only eligible when used EXCLUSIVELY for Capital Fund purposes or pro-rated.




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QUESTIONS

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MANAGEMENT ACTIVITIES – OPERATIONS (BLI 1406)

PHAs may use limited Capital Funds for Items eligible under the Operating Fund.

Funds used for BLI 1406 are obligated once the funds have been budgeted and drawn down by the PHA.

Most PHAs may not use more than 20% of their Capital Funds for Operations, however, Small PHAs may use up to 100%

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MANAGEMENT ACTIVITIES – OPERATIONS (BLI 1406), CONT.

- Capital Funds may **ONLY** be used for Operating Fund purposes if it is included in the **approved** 5-Year Action Plan
- A portion of Operating Fund may be used for Capital Fund activities.

Capital Fund Activities **Operating Fund Activities**


20%
PHAs 250+

Capital Fund Activities **Operating Fund Activities**

100%
Small PHAs

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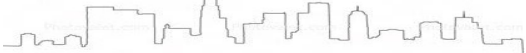
MANAGEMENT ACTIVITIES –ADMINISTRATION (BLI 1410)


PHAs may use up to 10% of their Capital Funds for Administrative Costs.

Administrative Costs that are necessary for the planning, design, implementation, and monitoring of the Capital Improvements and Management Improvements.


Capital Fund Program Fee costs associated with oversight and management of the CFP attributable to the HUD-accepted COCC.

Note: CFP Fee does not cover costs for construction, supervisory, and inspection functions that are front-line project costs.








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MANAGEMENT ACTIVITIES – MANAGEMENT IMPROVEMENTS (BLI 1408)


 Noncapital activities that are PHA-wide or site specific.

 Eligible Activities only for the implementation period of physical improvements, unless a longer period is approved by HUD.

 Must have clear link to correction of an identified management deficiency.



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MANAGEMENT IMPROVEMENTS EXAMPLE

The City PHA has noted that they are having difficulty managing their inventory and their maintenance staff are wasting time returning to the warehouse for supplies.

They've decided to add the work-order module to their existing property management software, but this will cost the PHA \$10,000 to do so with the cost of the software, implementation and training of staff on the use of the software.


They would like to use their Capital Funds to pay for this. Can they? And if so, to which BLI should it be charged?






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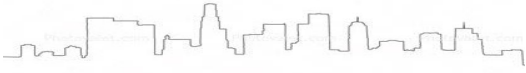


GENERAL ELIGIBLE ACTIVITIES: OTHER COSTS




Other Costs


- Economic Self-Sufficiency
- Training and Technical Assistance
- Resident Relocation/Mobility Counseling Due to CF Activity
- Audit
- Homeownership



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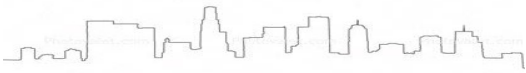


KNOWLEDGE CHECK #1




Yes or No?


- Is the Community Building only for Section 8 Residents an eligible cost?
- Community Building for both Section 8 and PH residents?
- A new boiler for a public housing project?
- A new boiler for a Section 8 project?
- The cost of implementing a Section 3 program for the PHA?



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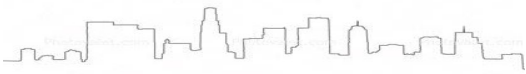


KNOWLEDGE CHECK #2



Yes or No?

- Pre-development costs for a RAD project?
- A new truck for the PHA Executive Director?
- The cost of energy improvements included in an Energy Performance Contract?
- The daily cost of PHA Police?
- Physical improvements included in a defined vacancy reduction.



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QUESTIONS




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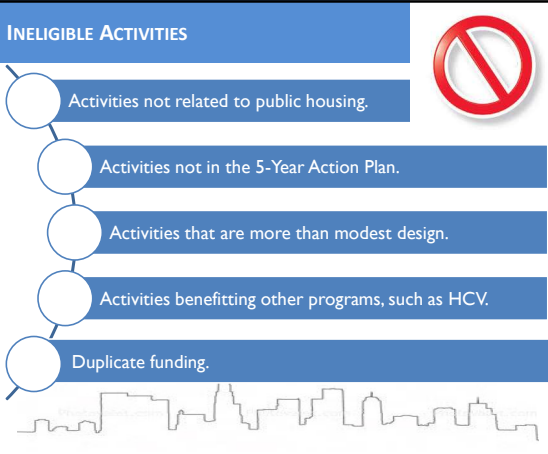





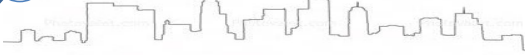
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INELIGIBLE ACTIVITIES




- Activities not related to public housing.
- Activities not in the 5-Year Action Plan.
- Activities that are more than modest design.
- Activities benefitting other programs, such as HCV.
- Duplicate funding.




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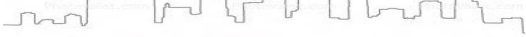


INELIGIBLE SOFT COSTS




Items that do not upgrade or improve the operation or management of the PHA's public housing programs, energy conservation, physical improvements or identified major deficiencies.

- Security guard salaries or ongoing security services
- General remedial education for staff or residents
- Job counseling or placement, etc.
- Supportive services such as resident coordinators, case managers, nurses, tutors, etc.
- Health and wellness or educational enrichment or recreation activities for residents.

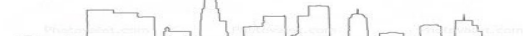


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INELIGIBLE ACTIVITIES: VEHICLES

Passenger Vehicles	Non-passenger Vehicles
<ul style="list-style-type: none"> Generally NOT ELIGIBLE Operating Fund expense 	<ul style="list-style-type: none"> Mowers, trucks, cars and snow removal equipment generally NOT ELIGIBLE Routine maintenance items eligible under the Operating Fund



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INELIGIBLE ITEMS : VEHICLES – EXCEPTION-

- Vehicles may be purchased using Management Improvement funds only under limited circumstances
- **Passenger Vehicles & Non Passenger Vehicles may be purchased when they are** required for staff or force account to perform Capital Fund activities **exclusively**
 - A vehicle for the ED to travel to scattered sites
 - A truck used to haul modernization equipment
 - **If the vehicle is used for any other purposes, it MUST be prorated with that program**



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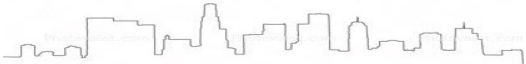
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KNOWLEDGE CHECK #3


Are these Eligible or Ineligible Activities?

- **Training** Security Guards on new security systems purchased by the PHA.
- Security Guard Salaries
- Whirlpool Bathtubs
- The full cost of a vehicle used for both HCV and the Capital Fund Programs
- Costs for the portion of the annual audit covering the Capital Fund Program
- Hiring a social worker
- Security Cameras

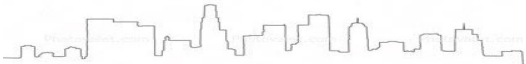





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QUESTIONS






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COST AND OTHER LIMITATIONS




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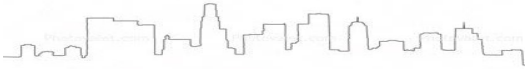
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COST AND OTHER LIMITATION REMINDERS




- Pro-rate when using CF for activities in which public housing as well as other programs (even the COCC benefit)
- No Capital Funds may be collected for any administrative or other reason when entire development project is Resident Management Corporation (RMC) run, unless under contract with PHA.



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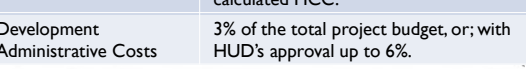


DEVELOPMENT COST LIMITATIONS



Total Development Cost (TDC) - the maximum amount of Public Housing Capital Assistance for use for Housing Construction Costs (HCC) and Community Renewal Costs.

Categories	Limitation
Modernization Costs	Under 90% of published TDC/ Reasonable Cost.
TDC/HCC Limit Exceptions	Calculated and published by HUD annually. May request and exception to the TDC limit for select activities.
Community Renewal Costs	Where the maximum amount is the difference between allowed TDC and the calculated HCC.
Development Administrative Costs	3% of the total project budget, or; with HUD's approval up to 6%.



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QUESTIONS






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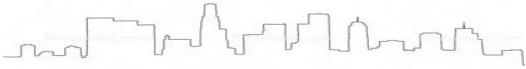


KNOWLEDGE CHECK: QUESTION #4




How much can a PHA that has 150 units but is designated as troubled transfer to BLI 1406 Operations?


- a) 100%
- b) 10%
- c) 20%
- d) 80%



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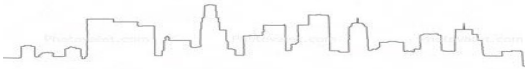


KNOWLEDGE CHECK: QUESTION #5




The Housing Authority that operates both public housing and an HCV program purchases a new financial software program. They charge the entire cost to the Capital Fund. **Is this allowed?**


- a) Yes
- b) No



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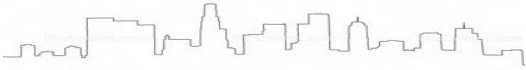


WRAP UP



For general questions send an email to:
PIHOCI@hud.gov

For more information on Eligible Activities see
Chapter 2 of the Capital Fund Guidebook:
<https://www.hud.gov/sites/documents/CAPITALFUNDGUIDEBOOKFINAL.PDF>



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