

CHAPTER 2. ELIGIBLE COSTS

2-1. PHYSICAL IMPROVEMENT COSTS.

- a. Long-Term Viability. No physical improvements, other than those necessary to correct immediate emergencies, shall be approved unless HUD determines that the project, after modernization, will have long-term physical and social viability (see paragraph 3-9).
- b. Mandatory Standards. All funded improvements in projects rehabilitated under the CIAP shall comply with the mandatory physical standards, set forth in the Public Housing Modernization Standards Handbook 7485.2 REV-1, whenever there is a component that is not functional or serviceable. The mandatory standards include energy conservation measures (ECMs) which have been identified by an updated energy audit as having a simple payback of 15 years or less (the cost of the ECM divided by the annual value of the energy saved) and a useful life equal to or greater than the payback term.

* Refer to Workbook HUD-PDR-700(3). Before recommending funding of ECMs, the Field Office shall take into account the following: Headquarters-provided annual estimates of long-term borrowing rates and long-term inflation rates for fuel oil, natural gas, and electricity; associated changes in ongoing maintenance and operating (other than energy) costs; and the PHA's operating experience. See paragraph 6-8 regarding update of energy audits. *

- c. Premature Replacement. Premature replacement of serviceable building components, systems, equipment or materials is not approvable under the CIAP, except where a life-cycle analysis indicates that the ECM will be cost-effective, assuming a simple payback term of 10 years or less. Refer to HUD Handbook 7418.1, Preparation of a Life-Cycle Cost Analysis for Utility Combinations, for guidance. However, before approving the premature replacement of relatively new or functional items, the Regional and Field Offices shall exercise judgment regarding whether it is in the best economic interest of the Department and the PHA. Therefore, compliance with the Modernization Standards will occur over a period of time as needed replacements are made.
- d. Project Specific Work. The mandatory standards may only be exceeded when necessary or highly desirable for

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the long-term physical and social viability of the individual project, including site and building security. Work exceeding the standards is project

specific and not applicable to all projects. Such work responds to differences in climate, location, building type, resident use and concerns, and management/maintenance systems. Work exceeding the standards may not be justified on the basis of competition with other assisted or subsidized housing. Where work exceeding the standards is proposed, the PHA shall discuss the work items with the Field Office at the Joint Review and

* provide written justification, if requested, for each work item.

2-2. COST GUIDELINES. The Regional Office shall not approve a modernization program for a project, excluding modernization under Group 1, where CIAP funds or operating funds or reserves will be used to pay any cost in development accounts 1450 through 1475 (hard costs) which exceeds 62.5 percent of the published cost guidelines for nonelevator units (69 percent for elevator units) for construction of similar units in the area. The cost guidelines are now based on Total Development Cost (TDC). The PHA may use funds from other sources, such as CDBG funds or, in compliance with paragraph 8-2d of HUD Handbook 7420.7 CHG-4, excess Section 8 administrative fees, to exceed cost guidelines. The cost guidelines are used to indicate when a modernization program may not be financially feasible and Headquarters review is warranted. High costs raise questions regarding the long-term viability of the project; i.e., whether the improvements can be sustained and whether sufficient efforts have been made to reduce costs.

a. Calculation. This calculation is not required for modernization under Group 1. To calculate the cost guideline limit, the Field Office shall obtain the most recently published cost guidelines for the type and size of units that will be in the project after modernization; i.e., following any unit conversion or demolition. The Field Office shall not adjust the published cost guidelines for inflation or other reasons. The Field Office shall then compare the total cost guideline limit to the modernization hard costs proposed for the current fiscal year. For comprehensive modernization, use the total hard costs of all stages, but exclude from the total hard costs any other types of modernization funded before or after the comprehensive modernization of the project. The following example illustrates how to calculate the cost guideline limit for a walkup project in the Northeast: *

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| Number of Bedrooms | Number of | | Guideline Unit Cost | Total Cost |
|-----------------------|------------------------------|---|------------------------|------------|
| | Units After Modernization | | | |
| 0-BR | 20 | x | \$26,250 = \$ | 525,000 |
| 1-BR | 20 | x | \$31,350 = \$ | 627,000 |

| | | | |
|--------------------------------|----|---|------------------------|
| 2-BR | 30 | x | \$34,700 = \$1,041,000 |
| 3-BR | 10 | x | \$41,400 = \$ 414,000 |
| * Total Development Cost (TDC) | | | \$2,607,000 |

| | |
|--|-------------|
| CIAP Hard Cost Limit for Nonelevator Units (62.5% of TDC) | \$1,629,375 |
| CIAP Hard Cost Limit for Elevator Units (69% of TDC) | \$1,798,830 |

- b. Averaging Not Allowed. If the project contains dissimilar types of structures, such as a mid-rise with several low-rises, the Field Office shall separately calculate the cost guideline limit for each type of structure. The Field Office shall not average the modernization cost for dissimilar structures so that the less costly modernization on one type of structure disproportionately carries the more costly modernization on the other type of structure.
- c. Family High-Rises. To calculate the cost guideline limit for family high-rises where there are no published figures for units with three or more bedrooms, the Field Office shall multiply the two-bedroom cost guideline figure for elevator structures for each additional bedroom by the factor provided below. The following example illustrates how to calculate the cost guideline limit for a 250-unit family high-rise project:

| Number of Bedrooms | Number of Units After Modernization | | Guideline Unit Cost | Total Cost |
|------------------------------|-------------------------------------|------------------|---------------------|---------------|
| 1-BR | 50 | x | \$21,000 | = \$1,050,000 |
| 2-BR | 50 | x | \$25,000 | = \$1,250,000 |
| 3-BR | 50 | x(1.20x\$25,000) | \$30,000 | = \$1,500,000 |
| 4-BR | 50 | x(1.39x\$25,000) | \$34,750 | = \$1,737,500 |
| 5-BR | 50 | x(1.48x\$25,000) | \$37,000 | = \$1,850,000 |
| Total Development Cost (TDC) | | | | \$7,387,500 |

| | | |
|---|-------------|---|
| CIAP Hard Cost Limit for Elevator Units (69% of TDC) | \$5,097,375 | * |
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- d. Scattered Site Units. Where only a portion of the

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units in a scattered site project are being comprehensively modernized, the Field Office shall calculate the cost guideline limit for only those detached and semi-detached scattered site units being modernized.

- * e. Over Six-Bedroom Units.

- (1) For detached or semi-detached units and row dwellings, the cost guideline limit for a

7-bedroom unit is derived by multiplying the 6-bedroom guideline figure by a factor of 1.03. The cost guideline limit for a 8-bedroom unit is calculated by multiplying the 6-bedroom guideline figure by a factor of 1.05. For example:

$\$60,250$ (6-bedroom) \times 1.03 = $\$62,058$ (7-bedroom)

$\$60,250$ (6-bedroom) \times 1.05 = $\$63,263$ (8-bedroom)

- f. Submission to Region and Headquarters. If the modernization hard costs exceed the cost guideline limit and the Field Office supports the modernization program, the Field Office shall submit its recommendation for approval, fully justified, to the Regional Office. The recommendation shall include a breakdown of the modernization cost by development account and work item. If the Regional Office recommends approval, the Regional Office shall forward both the Field Office's and its recommendations to Headquarters for consideration.

2-3. MANAGEMENT IMPROVEMENT COSTS.

- a. Eligibility. Management improvements that are project specific or PHA-wide in nature are eligible modernization costs under comprehensive modernization, subject to the following conditions: (Note: management improvements are ineligible modernization costs under emergency, special purpose or homeownership modernization.)
- (1) The management improvements are necessary to correct identified management problems and to sustain the physical improvements at the project to be comprehensively modernized. Special PHA management initiatives to improve the economic climate of the project to be comprehensively modernized may be eligible for funding where the PHA can demonstrate that such initiatives are necessary to sustain the physical improvements. *

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A PHA-wide management improvement may be funded where the PHA can demonstrate that, to correct the management deficiency at the project to be comprehensively modernized, a management improvement must be undertaken which also will benefit other PHA public housing projects. If the PHA cannot demonstrate the linkage between the PHA-wide management improvement and the correction of an identified management deficiency, including sustaining the physical improvements, at the project to be comprehensively modernized, the PHA-wide management improvement is ineligible for

funding. Examples of eligible project specific and PHA-wide management improvements are:

- (a) Rent collection is a management problem at the project to be comprehensively modernized and the correction requires development and installation of new PHA-wide rent collection procedures;
- (b) PHA-wide maintenance training program where the maintenance staff at the project to be comprehensively modernized lack the necessary skills to perform their jobs, but training this staff would not be cost-effective because of the small number involved, and the maintenance staff at other PHA projects also lack skills;
- (c) Purchase of computer hardware and software for PHA-wide use to provide needed management information where lack of information is a problem at the project to be comprehensively modernized. Where the management improvement will benefit programs other than Public Housing, such as Section 8, renewal, etc., the eligible CIAP cost is limited to the amount directly attributable to the Public Housing Program. See subparagraph e for instructions on charging computer hardware and software costs;
- (d) Equal opportunity and civil rights training and development of appropriate procedures where there are management problems regarding the PHA's administration of equal opportunity requirements at the project to be comprehensively modernized; *

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- * (e) Hiring of additional staff or use of existing staff to secure and coordinate needed social services from the public and private sectors and to establish linkages with the local community;
 - (f) Hiring of additional staff or use of existing staff to perform an economic and market assessment for the project to be comprehensively modernized to develop specific incentives for improving economic conditions; and
 - (g) Hiring of additional staff or use of existing staff to coordinate resident training

activities under subparagraph b(5).

- (2) The management improvements require additional funds for implementation and the funds are not available from other sources.
- (3) The combined costs for management improvements, including equipment related to drug elimination activities (see Appendix 2), and planning under paragraph 2-6 shall not exceed 10 percent of the estimated total hard costs (development accounts 1450 through 1475) for all stages of a project, unless specifically approved by Headquarters. Under paragraph 2-6, planning costs shall not exceed five percent of the funds available to the Field Office in a particular FFY.
- (4) Management improvement costs shall be fundable only for the implementation period of the physical improvements, unless a longer period, up to a maximum of five years, is clearly necessary to achieve HUD-approved performance targets. *
- (5) Where an approved modernization program includes management improvements which involve ongoing costs, such as security guards, HUD will not be obligated to provide continued funding or additional operating subsidy after the end of the implementation period of the management improvements. The PHA shall be responsible for finding other funding sources, reducing its ongoing management costs, or terminating the management activities.

b. Eligible Management Areas. Subject to the conditions set forth in subparagraph a, management improvements

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may involve or upgrade the following areas:

- (1) Management, financial and accounting control systems of the PHA which are related to the project to be comprehensively modernized.
- (2) Adequacy and qualifications of personnel employed by the PHA in the management and operation of the project to be comprehensively modernized for each category of employment.
- (3) Adequacy and efficacy of the following for the project to be comprehensively modernized:
 - (a) Resident Programs and Services. The PHA must be able to secure and coordinate the provision of appropriate social services from

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local government or other public and private entities. Eligible costs include the hiring of additional staff to coordinate such services as drug education, resident training, assistance to a resident management corporation (RMC), and economic development. See subparagraphs b(4), (5), (6), and (7).

- (b) Resident and Project Security. The PHA must be able to provide adequate security for the residents and adequate protection against vandalism to the property, including securing adequate police services under the terms of the Cooperation Agreement, providing necessary project surveillance and control of access, and excluding individuals who would jeopardize or evict those who are jeopardizing resident security.
- (c) Resident Selection and Eviction. The PHA must be able to screen, select and assign applicants in accordance with HUD requirements and sound management practices. The PHA also must be able to deal effectively with disruptive residents. *
- (d) Occupancy. The PHA must be able to maintain a 97 percent occupancy rate for the project after completion of the physical improvements, in accordance with its Comprehensive Occupancy Plan. The PHA must be able to prepare vacated units for reoccupancy within

a reasonable time period to achieve its occupancy goals.

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(e) Rent Collection. The non-Indian PHA must be able to collect the rents at the project at a rate of at least 90 percent of the annual rents chargeable, plus year-end tenant rental accounts receivable (TAR). Where the PHA's TAR for tenants in possession as a percentage of the total monthly charges at the project exceeds 10 percent, the PHA must provide a plan to reduce the TAR to 10 percent within an acceptable period. In addition, the PHA must be able to carry out timely evictions for nonpayment of rent. The IHA must be able to develop and implement policies and procedures regarding rent collection which result in the stabilization and/or reduction in TARs.

- (f) Maintenance. The PHA must be able to provide adequate maintenance for the project after completion of the physical improvements, so that the units continue to meet the Section 8 Housing Quality Standards. This includes timely response to routine and emergency maintenance requests, and conduct of a preventive maintenance program for all major systems at the project and annual unit inspections.
- (g) Equal Opportunity. The PHA must be able to provide public housing on a nondiscriminatory basis.
- (4) Drug elimination activities at the project to be comprehensively modernized. See Appendix 2 for a discussion of the eligible and ineligible uses of CIAP funds for management and related physical improvements in this area and the need for PHA coordination with local governmental strategies and programs.
- (5) Resident training activities directly related to carrying out the physical and management improvements at the project to be comprehensively modernized. The PHA may choose to develop its own job training program or to participate in an existing community program. Although the training must focus on on-the-job training at the project *

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* site, necessary classroom instruction is permitted.

- (a) CIAP funds may be used to pay for the following costs: program design and development; outreach and screening of tenants to be trained; instructor's salaries; purchase of curricula or preparation of new curricula; books and other training materials; course-related tools, building supplies, and materials; trainees' stipends, wages or both; consultants or contractors who perform eligible training-related tasks; rent, utilities, etc., for training facilities; and administration.
- (b) CIAP funds may not be used to pay for the following costs: general remedial education or instruction on general social skills; job counseling; job development and placement; and supportive services during training.
- (c) PHAs are strongly encouraged to hire

residents to carry out the physical and management improvements. Under Section 3 of the HUD Act of 1968, the PHA or the contractor is required to use project area residents as trainees or employees, to the greatest extent feasible, when modernization work exceeds \$500,000. Refer to paragraph 6-1c.

- (6) Technical assistance to a Resident Management Corporation (RMC), as defined in 24 CFR 964.7, at the project to be comprehensively modernized for the purpose of determining the feasibility of the resident management entity or assisting in its formation. For additional information, see 24 CFR 964.45. In addition, the PHA may contract with the RMC to carry out management improvements identified as PHA-wide or project specific. Also refer to Chapter 5 for tenant/homebuyer consultation requirements.
- (7) Economic development activities at the project to be comprehensively modernized for the purpose of carrying out activities related to the management and physical improvements or general operation of the project. Such activities may be funded by loans, such as through a revolving loan fund, to *

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* resident-owned businesses; however, further information and instructions will be provided in the near future.

- (8) Study of feasibility of converting rental to homeownership units at the project to be comprehensively modernized.
- c. Where there are identified management deficiencies in the areas set forth in subparagraph b, they must be addressed as part of the comprehensive modernization, with established performance targets and regardless of whether CIAP funds are required for correction. IHAs should refer to the Administrative Capabilities Assessment (ACA) as a guide in determining the specific areas which should be targeted for correction. * Management improvements which require funding may be funded only under comprehensive modernization. See paragraph 2-7 for guidance on administrative costs.
 - d. Examples of ineligible management improvements include, but are not limited to:
 - (1) Hiring of additional staff or use of existing staff to directly provide social services to the residents of the project to be comprehensively

modernized.

- (2) Funding of ongoing operating expenses of resident organizations. However, resident organizations may be contracted with to carry out eligible physical and management improvements. Appropriate payment for these activities is an eligible cost.

- e. Where management improvements involve planning costs (i.e., costs incurred before modernization program approval), such costs shall be charged in accordance with paragraph 2-6d. Where management improvements involve administrative costs (i.e., costs to be incurred after modernization program approval), such costs shall
 - * be charged in accordance with paragraph 2-7d. Where management improvements involve computer systems, the computer hardware costs shall be charged to development account, Nondwelling Equipment - Office Furniture and Equipment (Account 1475.1), which is not subject to the 10 percent limitation, and the computer software and training costs shall be charged to development account, Management Improvements (Account 1408), which is subject to the 10 percent limitation. *

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- * 2-4. RELOCATION COSTS. Relocation costs as a direct result of rehabilitation, demolition or acquisition for a CIAP-funded project are eligible costs and shall be charged to Relocation Costs (Accounts 1495.1 through 1495.5). Refer to paragraph 6-7 for specific requirements. *

2-5. CORRECTION OF DEVELOPMENT DEFICIENCIES.

a. Definitions.

- (1) Development deficiencies are project deficiencies that relate to errors or inadequacies in the design or construction of a project which become known before Field Office approval of the Actual Development Cost Certificate (ADCC). Design deficiencies result from the use of plans and specifications that fail to meet HUD and other applicable design standards in effect at the time of project approval, such as Contract of Sale, Notice to Proceed, etc. Construction deficiencies result from the use of improper construction methods or materials, poor workmanship, or failure to complete the project in accordance with HUD-approved plans.
- (2) Development funds, as used in this paragraph, are funds remaining in the Development Cost Budget, funds remaining in the ACC in excess of the Development Cost Budget, or development amendment funds.

- b. Management Concurrence in Actual Development Cost Certificate. The Chief, Mortgage Credit Branch, shall send the ADCC and all supporting documents to the Chief, Assisted Housing Management Branch (AHMB), for review and concurrence.
- c. Responsibility for Correction.
 - (1) Before Management Concurrence in ADCC. Before AHMB concurrence in the ADCC, the correction of any development deficiencies shall be financed from development funds, as defined in subparagraph a(2). If there are insufficient funds in the Development Cost Budget or ACC, that budget may be amended with available development funds, subject to limitations placed on the use of amendment funds. See the Public Housing Development Handbook 7417.1 REV-1. Where there are no remaining or inadequate development funds, the Field Office

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Manager may submit a documented request to use CIAP funds to correct development deficiencies. The request shall be forwarded through the Regional Office, to the Assistant Secretary for Public and Indian Housing, Attention: Director, Office of Public Housing. The request shall describe the deficiencies, their causes, the amount of CIAP funds required for correction, and efforts by the Field Office and PHA to secure correction or indemnification from the architect or contractor, as appropriate. The request also shall state there are no remaining or inadequate development funds for correction.

- (2) After Management Concurrence in ADCC. After AHMB concurrence in the ADCC, the correction of any subsequently identified deficiencies may be financed from CIAP funds without Headquarters approval. Such deficiencies will be considered to be latent defects that could not reasonably have been foreseen by the Field Office at the time the ADCC was reviewed.

2-6. PLANNING COSTS. Planning costs are costs incurred before modernization program approval.

a. Reimbursement.

- (1) Application Development. Planning costs necessary to develop the CIAP Application and prepare for the Joint Review are eligible CIAP costs. These

costs may be reimbursed after application approval where the Regional or Field Office determine that the PHA does not have the staff or financial resources to assume these additional responsibilities or costs. If the PHA incurs planning costs without prior Field Office approval, the PHA does so with the full understanding that the costs may not be reimbursed upon modernization program approval.

- (2) Design Work. Eligible planning costs may include architectural/engineering (A/E) fees for detailed design work and preparation of the construction and bid documents or A/E or consultant fees for lead-based paint testing. Such costs shall be charged to the appropriate development account under Account 1430. The PHA may wish to incur such costs to expedite implementation of its modernization program. To minimize the risk that

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these costs will not be reimbursed upon modernization program approval, the PHA should consult with the Field Office on its modernization plan, the likelihood of subsequent funding, the amount of the fees, and the scope of the A/E's work before executing the A/E contract. See

- paragraph 3-18g. These planning costs will be reimbursed if the fees and scope of work are reasonable and approvable and if the PHA is subsequently selected for funding. Where the PHA is approved for multi-stage comprehensive modernization, these planning costs will be reimbursed at the time the first stage is funded.* In procuring A/E services, the PHA shall follow the selection process in paragraph 8-2 and the HUD review requirements in paragraph 8-7 where certification is not allowed.

- b. Limitations. To maximize the use of CIAP funds for needed physical improvements, the Regional or Field Office shall not approve more than 10 percent of the total hard costs for a project for combined management improvement, including equipment costs related to drug elimination activities, and planning costs. Planning costs shall not exceed five percent of the funds available to the Field Office in a particular FFY.
- c. Advance Funding. A financially distressed PHA, as defined in paragraph 1-3, may request approval for upfront funding of planning costs as a separate Modernization Project, where developing the CIAP Application would otherwise present an undue financial hardship. Where planning costs are funded, the 10 percent limitation shall apply to the estimated total

hard costs for all stages for the affected project(s). *
If, upon subsequent approval of the total hard costs,
the previously approved planning costs exceed the 10
percent limitation, the PHA shall reimburse HUD for the
excess amount. See paragraph 3-19c.

- d. Charging Planning Costs. Where approved by HUD,
planning costs shall be charged to the appropriate
development accounts, as set forth in Appendix 3.
Planning costs related to management improvements shall
not be charged to development account, Management
Improvements (Account 1408).

- 2-7. ADMINISTRATIVE COSTS. Administrative costs necessary for
the additional design and implementation of the physical and
management improvements (i.e., costs to be incurred

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after modernization program approval) and that are
reasonable when compared with similar costs in the same area
are eligible CIAP costs, as follows:

- a. Salaries. The salaries of non-technical and technical
PHA personnel assigned full-time or part-time to
modernization are eligible costs only where the scope
and volume of the work are beyond that which could be
reasonably expected to be accomplished by such personnel
* in the performance of their normal duties. Any direct
charges for salaries must be justified by the PHA, *
authorized by the Field Office and reflected by an
appropriate revision to the PHA's operating budget.
- b. Employee Benefit Contributions. PHA contributions to
employee benefit plans on behalf of non-technical and
technical PHA personnel are eligible costs in proportion
to the amount of salary charged to the modernization
program. The cost of terminating an employee hired on a
temporary basis to work on modernization is an eligible
cost, such as the expense of unemployment compensation
where required by State law. The PHA shall estimate the
extent of these costs and request a sufficient amount of
CIAP funds to cover such costs.
- * c. Resident Employment. The PHA is strongly encouraged to
employ residents or require the contractor to employ
residents to carry out any required activity, including
administrative, in the modernization of the project.
See paragraphs 2-3b(5) and 5-3. *
- d. Charging Administrative Costs.
 - (1) All administrative costs relating to physical
improvements shall be charged to the following
appropriate development accounts: Non-Technical

Salaries (Account 1410.1); Technical Salaries (Account 1410.2); Employee Benefit Contributions (Account 1410.9); Architectural and Engineering Fees (Account 1430.1); Consultant Fees (Account 1430.2); and other accounts set forth in Appendix 3.

- (2) All administrative costs relating to management improvements shall be charged to development account, Management Improvements (Account 1408), regardless of whether the costs involve non-technical or technical salaries, employee benefit contributions or consultant fees.

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- (3) Where PHA personnel assigned to the modernization program work on both physical and management improvements, their salaries shall be prorated, for budgeting purposes, between the physical and the management improvements. For example, if the PHA Modernization Coordinator will spend 60 percent of his/her time on physical improvements and 40 percent on management improvements, then the salary of the PHA Modernization Coordinator shall be charged 60 percent to either Non-Technical Salaries (Account 1410.1) or Technical Salaries (Account 1410.2), as appropriate, and 40 percent to Management Improvements (Account 1408). During implementation, the modernization budget shall be revised to reflect costs directly charged. Documentation such as time records shall be available to substantiate these direct charges.

* 2-8. LEAD-BASED PAINT TESTING AND ABATEMENT COSTS. Costs to comply with the requirements of paragraph 6-5 are eligible CIAP costs. Testing costs shall be charged to Architectural and Engineering Fees (Account 1430.1) or Consultant Fees (Account 1430.2) and abatement costs shall be charged to Dwelling Structures (Account 1460) or Nondwelling Structures (Account 1470).

2-9. PHYSICAL ACCESSIBILITY COSTS. Costs to comply with the requirements of paragraph 6-6 are eligible CIAP costs.

2-10. DEMOLITION, CONVERSION, AND RELATED NEW DEVELOPMENT COSTS.

- a. Demolition Costs. Costs to demolish dwelling units or nondwelling facilities, where the demolition is approved by HUD under 24 CFR Part 970, are eligible CIAP costs. Eligible related costs include clearing and grading the site after demolition and any subsequent site improvements to benefit the remaining existing project.
- b. Unit Conversion Costs. Costs to convert existing

dwelling units to different bedroom sizes are eligible CIAP costs. See the Public Housing Demolition, Disposition and Conversion Handbook 7486.1.

- c. Related New Development Costs. Costs in support of the development or acquisition of public housing units, or the rehabilitation of units acquired with or without rehabilitation within the last three years, are ineligible CIAP costs. Other ineligible costs include: conversion of nondwelling space, which originally was *

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- * not dwelling space, to dwelling use; reconstruction of a fire-damaged unit where only the foundation remains; extension of exterior walls to enlarge interior dwelling space; and construction of additional bedrooms.

2-11. HOMEOWNERSHIP PROJECTS. Eligible physical improvements are limited to work items which are not the responsibility of the homebuyer families and which are related to health and safety, accessibility for the physically handicapped, correction of development deficiencies (as permitted under paragraph 2-5), energy audits and cost-effective energy conservation, and lead-based paint testing and abatement. * The correction of development deficiencies, update of energy audits and undertaking of cost-effective energy conservation measures, and lead-based paint testing and abatement with CIAP funds shall not increase the purchase price and amortization period for homebuyer families; however, other eligible physical improvements shall increase the purchase price and amortization period. Nonroutine maintenance or replacements, additions, items which are the responsibility of the homebuyer families, and management improvements are not eligible CIAP costs. See paragraphs 4-8 and 5-2 regarding special instructions for homeownership projects.

2-12. USE OF DEVELOPMENT ACCOUNTS. For work to be financed with CIAP funds, the PHA shall enter the appropriate development account number that relates to an individual work item on

- * Form HUD-52825, Comprehensive Assessment/Program Budget. Expendable Nondwelling Equipment (Account 1475.9) is an eligible cost only where required to carry out force account work, approved by HUD. Development accounts that may be used in the CIAP are listed in Appendix 3. Development * accounts that may not be used in the CIAP and, therefore, represent ineligible costs are listed in Appendix 4.

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