

# CHOICE NEIGHBORHOODS IMPLEMENTATION GRANTS BUDGET GUIDANCE

## I. GENERAL BUDGET GUIDANCE

### A. Introduction

This document provides detailed information for Choice Neighborhoods 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 if there is a question as to whether the activity cost is allowable, Grantees should request assistance from their Choice Neighborhoods Team Coordinator.

### B. Choice Neighborhoods Budget Form

Choice Neighborhoods program budgets are submitted on the budget form that HUD provides. The blank form can be obtained at the Choice Neighborhoods website at [www.hud.gov/cn](http://www.hud.gov/cn).

The Choice Neighborhoods 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. Chart of Accounts

For Grantees that are public housing authorities, this Budget Guidance supplements the Public and Indian Housing Low-Rent Technical Accounting Guide, HUD Guidebook Number 7510.1, issued on May 7, 1996. Where this guidance is inconsistent with the Accounting Guide, use this guidance when preparing your budget. The Accounting Guide explains financial management standards, identifies the types of financial information Grantees must maintain, and provides a Chart of Accounts that describes the eligible expenses for each BLI. Each grantee is encouraged to obtain a copy of the Accounting Guide, as it provides assistance in preparing all HUD public housing program budgets.

### D. Supportive Services in Choice Neighborhoods Implementation Grants

In order to differentiate between capital costs, including PHA administration, and Supportive Services budgeting and expenditures, all Supportive Services budget information should be included in BLI 1405, Supportive Services. Physical improvement costs necessary to provide facilities primarily intended for the delivery of Supportive Services programs and economic development opportunities for residents of the targeted development are NOT included in the Supportive Services cost cap and not included in BLI 1405. Supportive Services cost limits are up to 15 percent of the total Choice Neighborhoods Grant. The Grantee may spend additional sums on supportive services programs using donations, HUD funds made available for that purpose, or other Grantee funds.

## II. STEPS IN THE BUDGET PROCESS

### A. Choice Neighborhoods Budget

Each selected Choice Neighborhoods Implementation Grant application included a budget for the full amount requested. To reflect changes resulting from TDC calculations, grant reductions, and other changes in the project during post-award review, each Grantee must provide a revised budget in its Post Application Submissions.

### B. BLI 2000 and Requests for Funds

Although each Choice Neighborhoods 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, when the Choice Neighborhoods Grant Agreement is first executed, the entire amount of the grant is placed into BLI 2000, 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 to ensure that major expenditures have been approved before they are disbursed.

### C. Predevelopment Costs

By definition, predevelopment costs are incurred by the Grantee before a phase’s financial closing. Once this closing occurs, development has started.

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 budget will include the Grantees request to HUD to spread ONLY the predevelopment costs requested, not the total amount of the grant. The eligible predevelopment costs are listed in the Grant Agreement. HUD will generally approve predevelopment budgets that request funds for expenses anticipated over the next six months.

In accordance with the Grant Agreement, predevelopment funds may be requested for costs incurred after the notification of grant award. Changes or corrections may be negotiated between the Grantee and HUD. The authorized signatory of the Grantee must sign and date the budget. When approvable, HUD will sign the approved budget and return a copy to the Grantee. HUD will spread the amounts on the predevelopment budget into the appropriate BLIs from BLI 2000, thus making them available for the Grantee to draw down. No further HUD approval will be required unless a particular drawdown triggers an edit (see Grantee Financial Instructions) or the grant is put on manual review.

### D. Implementation Grant Release of Funds

Grant funds needed for a public housing project or phase of a project are detailed in Exhibit F of the ACC Amendment for that project or phase. When the proposal is approved and the ACC Amendment is executed at the time of phase closing, HUD will spread the funds detailed in Exhibit F into LOCCS and make them available to the Grantee for the activities specified in the approved proposal.

Grant funds needed for a multifamily HUD-assisted project or phase of a project shall be provided to HUD in a Sources and Uses Statement that conforms to HUD standards. When the proposal is approved and the documents are executed at the time of closing, HUD will spread the funds detailed in the Sources and Uses Statement into LOCCS and make them available to the Grantee for the activities specific in the approved proposal.

For both public housing and multifamily HUD-assisted projects, the process is repeated for each phase of the project. Grantees may submit interim spread requests at times other than phase closing for costs that are not directly associated with phase development, e.g., Administration, Demolition, Relocation, etc.

#### E. Budget and Grant Term

Grantees must pay out grant funds within 3 working days after drawing them down from LOCCS so expenditures must be completed within the active period of the grant. 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 FY2010 and FY2011 Choice Neighborhoods funds are subject, can use Supportive Services funds to set up Endowment Trust funds. The Trust is a mechanism that allows Grantees to use Choice Neighborhoods funds for sustained Supportive Services activities. Details of the Trust are included in the Grant Agreement.

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

#### F. Drawdown Limit per BLI

Each BLI has a “hard edit” in LOCCS. This means that Grantees may only request funds up to 100 percent of the amount entered in LOCCS for each BLI instead of the 110 percent established for some BLIs in other public housing programs.

### III. SPECIFIC BUDGET LINE ITEM GUIDANCE

#### BLI 1405 – SUPPORTIVE SERVICES

##### Supportive Services Programs

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.

On Part II of the budget, differentiate between costs that will be incurred by staff and costs incurred by contractors.

#### Specific Eligible Supportive Services Program Costs

- staff training (including travel) related to Supportive Services programs
- staff time and materials used to develop performance measures to monitor success of Supportive Services programs.
- cost of a contractor to facilitate the organization of a community task force that performs needs assessment and other planning of the Supportive Services program.
- transportation: bus fare, leasing or purchase of vehicles for supportive services, salaries of drivers, gas and maintenance
- counseling: family, substance abuse, homeownership, etc.
- resident employment and stipends
- afterschool or daycare programs
- employment training
- senior citizens services
- needs assessment
- computer training
- computers for computer lab, lending library, or rental units
- upgrade personal computers in local schools
- case management
- health care referral
- signage
- tables, chairs, easels, portable blackboards, coffee pots, etc. for community and resident meeting rooms; including light refreshments served at meetings
- recreation programs, including playground equipment, sports equipment, uniforms

#### Supportive Services Endowment Funds:

In accordance with Section 24(d)(2) of the Housing Act of 1937, FY 2000 and later Grantees may deposit up to 15 percent of the Choice Neighborhoods grant amount in an endowment trust to provide supportive services over such period of time as the Grantee determines. However, the total amount of funds used for Supportive Services programs, including an endowment, may not exceed 15 percent of the Choice Neighborhoods grant amount as that is the maximum amount allowed per the statute to be used for Supportive Services. The amount requested will be provided by HUD in a lump sum. Funds must be placed in investment vehicles backed by the full faith and credit of the United States Government; these include 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 Choice Neighborhoods 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 Choice Neighborhoods 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

#### Economic Development Costs [SUGGEST MOVING TO BLI 1480]:

- business development costs for community financing entities or credit unions
- financial and economic development services for neighborhood residents provided by community development financial institution
- small business incubator or start-up costs such as resident-owned enterprise wage subsidies for retail employment

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

### Heightened Security Costs:

- security guards
- tenant patrols
- resident security training

### BLI 1409 – EVALUATION

BLI 1409 is for costs associated with evaluating the Choice Neighborhoods Program, including compliance from HUD's direct request or through HUD's contractors.

### Specific Eligible Costs

- surveys of residents or the community
- data management and tracking expenses

### BLI 1410 - ADMINISTRATION

BLI 1410 is intended for costs directly related to the overall administration of the Choice Neighborhoods grant by the Grantee. Any administrative expenses on the part of the Grantee that are charged to the Choice Neighborhoods budget must be prorated; for staff time this must be done in accordance with the time spent on Choice Neighborhoods 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 Choice Neighborhoods. This proration should be consistent with the Staffing and Time Allocation information maintained by the Grantee. Note that all administrative costs related to management improvements must be included in BLI 1408 (Management Improvements) and costs related to Supportive Services programs must be included in BLI 1405 (Supportive Services), and NOT under 1410.

### Specific Eligible Costs Directly Related to Choice Neighborhoods 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
- operation of motor vehicle
- advertisements to support solicitations for bids
- marketing and advertising of new units
- publications
- office space
- utilities for office
- rental of office equipment

- janitorial 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 Choice Neighborhoods funds to build a self-sufficiency 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 must be itemized in enough detail to determine the entire cost of the activity, including both the hard and soft costs.

### Specific Eligible Costs

- consultant fees and expenses:
  - program management: Note that if the Grantee is relying on a 3<sup>rd</sup> party program manager to oversee the implementation activities, HUD will review those costs under Administration (BLI 1410)
  - environmental
  - marketing
  - financial
  - legal - negotiate partnership, related documents specific to the Choice Neighborhoods 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 RFPs 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, 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 subsequent construction will be performed 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. Costs for any site improvements made strictly for the purposes of heightened security should be placed under 1408 (Management Improvements).

##### 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 1475)

#### BLI 1460 - DWELLING STRUCTURES

All costs of construction or rehabilitation of dwelling structures should be listed under this BLI.

##### 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.

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

#### BLI 1470 - NONDWELLING 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.

##### 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. Nonexpendable equipment to be purchased under the grant for supportive services should be included in BLI 1408.

##### 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
- computer and internet hardware for Neighborhood Networks grants.

#### BLI 1480 – CRITICAL COMMUNITY IMPROVEMENTS

BLI 1480 is to pay for the costs associated with improvements to the community that are specifically needed to promote upward mobility, self-sufficiency, or improved quality of life for residents of the neighborhood or to promote economic development, 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 Choice Neighborhoods grant to pay the costs of non-housing capital costs for Critical Community Improvements.

##### Specific Eligible Costs

- 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
- environmental improvements
- construction or rehabilitation of improvements or enhancements to existing transit services
- retail development activities
- development or improvement of recreation centers and amenities

#### BLI 1485 - DEMOLITION COSTS

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 must distinguish between costs related to the existing target property and costs related to acquisition of a new site. Demolition costs include:

- 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 COSTS FOR RESIDENTS

Relocation payments may include costs to permanently relocate residents of units 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 Choice Neighborhoods housing. The description on Part II of the budget must distinguish between costs related to relocation from existing public housing property and costs related to relocation from an acquired public 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 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, in 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