



**U. S. DEPARTMENT OF HOUSING AND  
URBAN DEVELOPMENT**


**CAPITAL FUND GUIDEBOOK TRAINING**

**CAPITAL FUND GUIDEBOOK  
AN INTRODUCTION**  
24 CFR PART 905

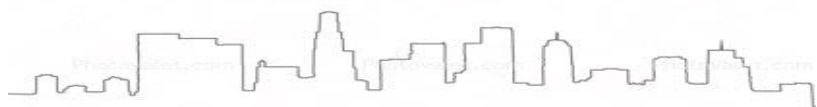



**U. S. DEPARTMENT OF HOUSING AND  
URBAN DEVELOPMENT**

**CAPITAL FUND GUIDEBOOK TRAINING  
DAY 1 MODULE 1  
ELIGIBLE ACTIVITIES (CHAPTER 2)**

 **CHAPTER 2: TOPICS**

- Eligible Activities
- Ineligible Activities
- Costs and Other Limitations




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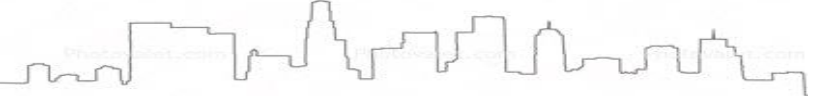
## ELIGIBLE ACTIVITIES






## ELIGIBLE CAPITAL FUND ACTIVITIES

- Eligible activities in 24 CFR 905.200
- Specified in an approved 5-Year Action Plan
- Approved by HUD for emergency/natural disaster
- Identified in a Moving to Work (MTW) Agreement


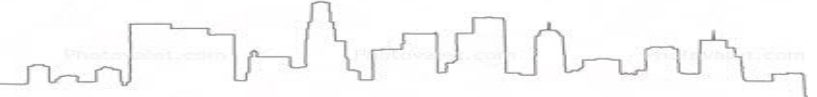


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## WHAT IS A BUDGET LINE ITEM (BLI)?

- Budgets have specific accounts which HUD calls "Budget Line Items (BLIs)".
- PHAs must classify eligible expenses into one of the HUD defined BLIs in their budgets.




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### BLI QUICK REFERENCE CHART

Capital Fund Activity	BLI
Transfer to Operations	1406
Management Improvements	1408
Economic Self-Sufficiency (soft cost)	1408
Administrative Costs	1410
Capital Fund Program Fee	1410
Audit	1411
Fees and Costs, Legal	1430
Financing Costs	1430
Homeownership	BLI for associated activity*
Force Account Labor	BLI for associated activity*
Safety and Security	BLI for associated activity*
Economic Self-Sufficiency (capital expenditure)	BLI for associated hard cost activity*





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### BLI QUICK REFERENCE CHART

Capital Fund Activity	BLI
Physical Needs Assessment & Energy Audit	1430
Site Acquisition	1440
Site Improvement	1450
Dwelling Structure	1460
Dwelling equipment, nonexpendable	1465
Nondwelling structures	1470
Nondwelling equipment	1475
Demolition	1485
Resident Relocation and Mobility Counseling	1495
Development	1499
CFFP Debt Service Payments	1501 (by PHA) 9000 (by LOCCS)
Contingency	1502
RAD	1503 and 1504

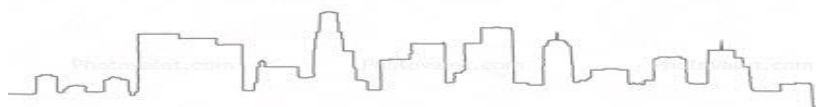





## ELIGIBLE ACTIVITIES: MODERNIZATION-PHYSICAL WORK




Modernization – Physical Work
Dwelling and Non-dwelling structures
Dwelling and Non-dwelling equipment
Site Improvement
Demolition
Reconfiguration
Site Acquisition
Demolition for a PH modernization or development project



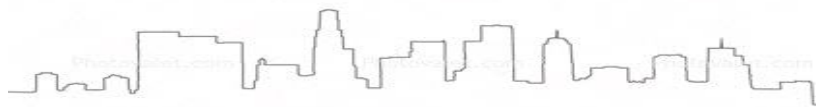
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## ELIGIBLE ACTIVITIES: PLANNED CODE COMPLIANCE




Planned Code Compliance
Local building code or the Uniform Physical Condition Standards (UPCS) under PHAS
National building code, such as those developed by the International Code Council or the National Fire Protection Association
2009 International Energy Conservation Code (IECC), or ASHRAE standard 90.1-2010



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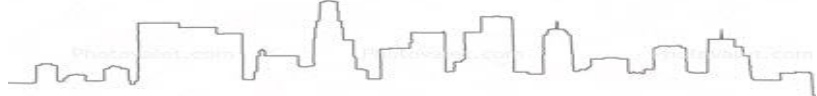


## ELIGIBLE ACTIVITIES: ENERGY EFFICIENCY




### 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: MODERNIZATION-EMERGENCY WORK AND NONROUTING MAINTENANCE

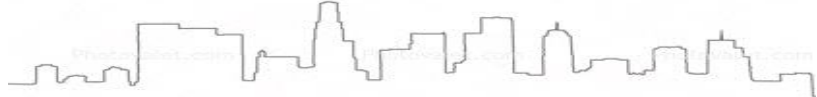


### Emergency Work


- Upon determining the need for Emergency Work, PHA should perform the work

### Nonroutine Maintenance

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


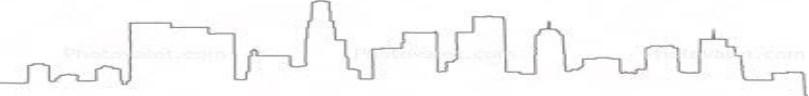


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 **ELIGIBLE ACTIVITIES: MODERNIZATION – NON-DWELLING EQUIPMENT - VEHICLES**

**Modernization – Non-dwelling equipment**



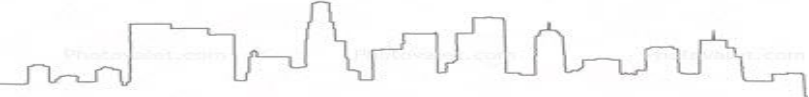
- Purchase or Lease of vehicles
- Non-passenger vehicles
- Passenger vehicles


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 **ELIGIBLE ACTIVITIES: VACANCY REDUCTION**


- Physical improvements to reduce number of vacant public housing units
- Vacancy reduction activities must remedy a defined vacancy problem detailed in the PHA's 5-Year Action Plan.

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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



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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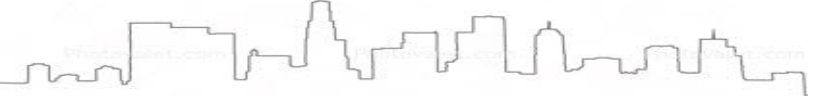





## GENERAL ELIGIBLE ACTIVITIES: SOFT COSTS

Soft Cost
Economic Self-Sufficiency
Management Improvements
Training and Technical Assistance (TA)
Resident Relocation/Mobility Counseling Due to CF Activity
Administrative Costs/Capital Fund Program Fee (CFP Fee)
Audit – Legal – Environmental – Architect – Engineering Fees

**Note:** *Capital Funds may not be used to fund the salaries and benefits of security guards or ongoing security costs.*

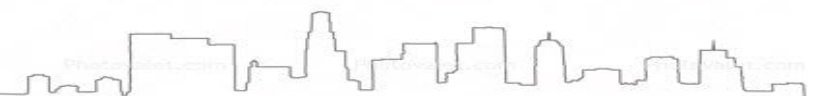


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## DISCUSSION

- 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?

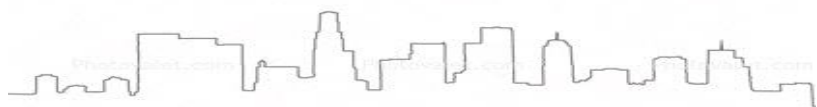



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## DISCUSSION

- A new roof on a public housing project?
- A new truck for the PHA Capital Fund 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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## INELIGIBLE ACTIVITIES



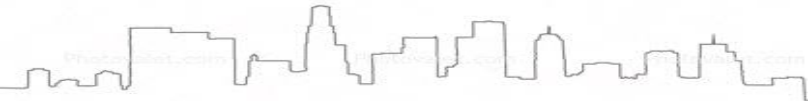


## INELIGIBLE ACTIVITIES







- Not Related to Public Housing
- Not in 5-Year Action Plan
- Fail to meet OMB Circular A-87/2 CFR Part 200 requirements
- An otherwise eligible cost that is funded by another source and would result in duplicate funding
- Other Activities and Costs that HUD may deny case-by-case




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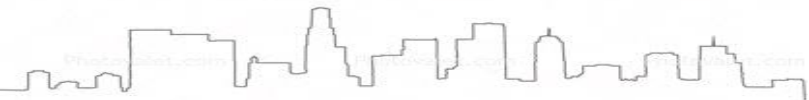


## INELIGIBLE ACTIVITIES, CONTINUED






Activities/Categories
Not Modest Design
Operating Assistance
Benefitting Other Programs
On-going Security Services
Supportive Services



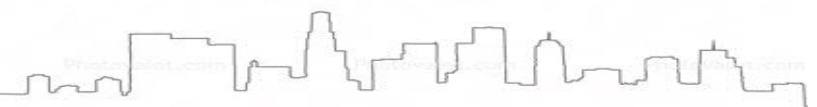
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## DISCUSSION

Are these Eligible or Ineligible Activities?


- Training Security Guards on new systems
- 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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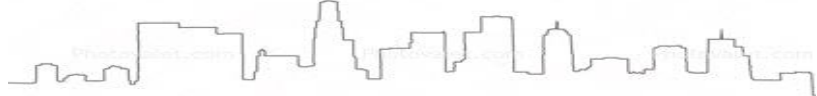


## COST AND OTHER LIMITATIONS




## COST AND OTHER LIMITATIONS

Categories	Limitation
Allocation of Costs with Other Programs	Amount directly attributable to public housing program even if other programs benefit.
Modernization Costs	Under 90% of published TDC/ Reasonable Cost.
Administrative Costs/CFP Fee	Up to 10% for non-asset management (AM) PHAs. CFP Fee - percentage of the annual Capital Fund formula grant(s) amount with exclusions for AM PHAs.
Development	3% of the total project budget, or, with HUD's approval, up to 6%

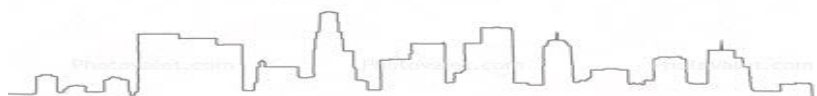


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## COST AND OTHER LIMITATIONS, CONTINUED

Categories	Limitation
Modernization Fee Cap	No more than 10%.
Force Account Labor (including materials and equipment)	Must be in a 5-Year Action Plan. HUD approval PHAS Standard Performers and below.
Total Development Cost (TDC)	the maximum amount of Public Housing Capital Assistance for use for HCC and Community Renewal Costs on a Project, absent a waiver from HUD.

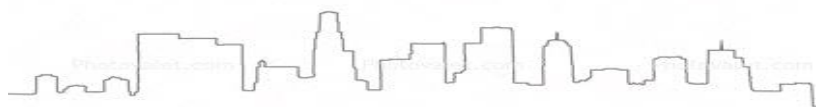


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## COST AND OTHER LIMITATIONS, CONTINUED

Categories	Limitation
TDC Limit Exceptions	May request and exception to the TDC limit for select activities associated with energy efficiency and conservation.
RMC Activities	No Capital Funds for any administrative or other reason when entire development project is RMC run, unless under contract with PHA
Community Renewal Costs	Where the maximum amount is the difference between allowed TDC and calculated HCC.



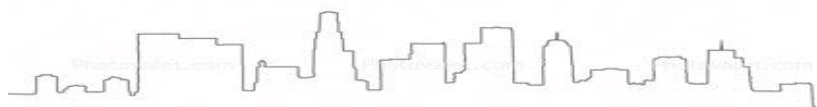
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## COST AND OTHER LIMITATIONS, CONTINUED

➤ Management Improvement Cost Limits 10%, annual reductions for transition period per chart.


FY	% Allowed
2014	18%
2015	16%
2016	14%
2017	12%
2018 Forward	10%



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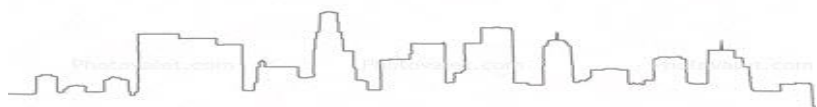


## COST AND OTHER LIMITATIONS, CONTINUED




- Capital Funds identified for operations are obligated once the funds have been budgeted and drawn down.
- Once funds are transferred, PHAs must follow the requirements of 24 CFR Part 990 – the Operating Fund Rule.


PHA Category	BLI 1406 Cost Limit
Large PHA (250 + units)	20% of CFP Grant
Small Non-troubled PHA (1-249 units)	100% of CFP Grant
Small Troubled PHA (1-249 units)	20% of CFP Grant



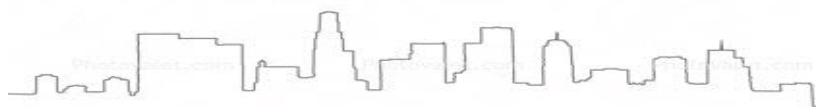
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## PREMATURE REPLACEMENT



- Must use public housing facilities and related equipment for the entire useful life.
- Premature replacement is limited to circumstances where a cost analysis shows it is cost effective, based on a simple 10 year payback.



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# WRAP UP AND QUESTIONS

