

HOPE VI BUDGET GUIDANCE

I. GENERAL BUDGET GUIDANCE

A. Introduction

This document provides detailed information for HOPE VI Grantees to use when developing and revising their program budgets. All guidance is applicable to both Revitalization and Demolition and Neighborhood Networks HOPE VI grants unless specific other instructions are provided. Included are examples of eligible 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 or if an expense is unclear, Grantees should request assistance from their HOPE VI Grant Manager.

B. HOPE VI Budget Form

HOPE VI program budgets are submitted on Form HUD-52825-A, Parts I and II. The form can be obtained from the HOPE VI Grant Manager. The HOPE VI 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. HOPE VI Program Area

The original name of the HOPE VI Program, as created in FY 1993, was the Urban Revitalization Demonstration, aka URD. Grantees will find the initials URD in their HOPE VI grant numbers. However, the Program Area in LOCCS is URP, for Urban Revitalization Program. Unfortunately, because these letters have been programmed into the LOCCS mainframe computer, they cannot be changed to be consistent.

D. Chart of Accounts

This Budget Guidance supplements the HOPE VI Budget Guidance chapter in the HOPE VI Guidebook, dated October 2000, and 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 the HOPE VI 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. Pages IV-28 through IV-50 of the Accounting Guide are posted to the HOPE VI Website for the convenience of Grantees. Each PHA is encouraged to obtain a copy of the Accounting Guide, as it provides assistance in preparing all HUD public housing program budgets.

E. Capital Costs vs. Supportive Services

Although funds budgeted and expended under a capital cost BLI may be moved to another BLI as the need arises, CSS funds may only be used for CSS purposes. In order to differentiate between capital cost, including PHA administration, and CSS budgeting and expenditures, all CSS services budget information should be included in BLI 1408, Management Improvements. Physical improvement costs necessary to provide facilities primarily intended for the delivery of CSS programs and economic development opportunities for residents of the targeted development are NOT included in the CSS cost cap and not included in BLI 1408. CSS cost limits are:

1. FY 1993 - 1996 Grantees may use not more than 20 percent of their grant for CSS programs and related administrative expenses.
2. FY 1997 Grantees are limited to no more than \$5,000 per unit for CSS programs and related administrative expenses, based on the higher of:
 - a. the number of currently occupied units in the project to be revitalized, or
 - b. the number of Replacement Units after revitalization, as defined in Section II.K.3 of the FY 1997 NOFA.
3. FY 1998 Grantees are limited to no more than \$5,000 per unit for CSS programs, based on:
 - a. the number of households in occupied units in the project to be revitalized at the time of application submission, and
 - b. the estimated number of new households that are expected to occupy replacement units after revitalization.
 - c. For Elderly grants, \$5,000 per household for human services programs to address quality of life and other social needs, particularly as related to aging in place and assisted living.
4. FY 1999 to the present Grantees may budget up to 15 percent of the total HOPE VI grant amount to pay the costs of CSS programs.

This means that CSS costs must be allocated between two Budget Line Items on the budget form, as follows:

| Budget Line Item | Capital Costs Column | Supportive Services Column |
|------------------|--|--|
| 1408 | All costs related to Management Improvements | All "soft" CSS costs, regardless of whether activities will be carried out by Grantee staff or by a partner or contractor. |
| 1470 | Construction or rehabilitation of structures to be used for CSS programs | |

II. STEPS IN THE BUDGET PROCESS

A. Revitalization Budget

Each selected Revitalization application included a budget, submitted on Form HUD-52825-A, 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 Supplemental Submissions.

B. Demolition Budget

Demolition Grantees are sent approved budgets when they are first notified of selection. In most cases, all grant funds are made available to the Grantee as soon as the Grant Agreement is executed. Exceptions include:

1. If the application was funded for an amount less than the amount requested, the budget may indicate the HUD-approved total amount only. The Grantee must submit a revised budget to its Field Office reflecting the revised amount.
2. If an application was approved based on a Section 202 Conversion Plan that was submitted to HUD but not yet approved, funds will not be made available to the Grantee until the Conversion Plan is approved.

C. Neighborhood Networks

For Neighborhood Networks grants, both the CSS and capital cost BLIs may be used. The Neighborhood Networks grants do not include a CSS cap. The amount spent on CSS related services and the other BLIs is determined by the Grantee, with HUD's Budget approval.

D. BLI 2000 and Requests for Funds

Although each HOPE VI Revitalization 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 a Revitalization 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 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.

BLI 2000 is rarely used for Demolition grants, but HUD may place grant funds into BLI 2000 to restrict drawdowns pending resolution of particular issues.

E. Predevelopment Budget

The Revitalization Grant Agreement provides that a Grantee may submit a predevelopment budget to request grant funds for specific eligible predevelopment costs. The predevelopment budget, also submitted on Form HUD-52825-A and clearly marked as a Predevelopment Budget, will include 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 and before Grant Agreement execution. Changes or corrections may be negotiated between the Grantee and HUD. The CEO of the Grantee must sign and date the predevelopment budget. When approvable, HUD will sign the approved predevelopment 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.

F. Neighborhood Networks Allowable Expenditures from Award Notice

There is no pre-development budget for Neighborhood Networks grants. However, expenditures are allowed from the date that the grantee received notice of the grant award.

G. Mixed-Finance Release of Funds

Grant funds needed for a 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, 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. This process is repeated for each phase of the project.

H. Budget and Grant Term

Costs may be included in the HOPE VI Budget for the development period of the grant only. That is, if it will take four years for the Grantee to accomplish its proposed demolition, rehabilitation/new construction, and full lease-up, funds may be budgeted to provide staff salaries, supportive services, etc. for only a four year period. This is consistent with the general rule that any funds drawn from the Federal Treasury must be disbursed by the Grantee to the payee within three working days.

The only exception is in the case of a CSS Endowment Trust. Section 24 of the U.S. Housing Act authorized Grantees awarded Revitalization grants in FY 2000 and beyond to use CSS funds to set up Endowment Trust funds. The Trust is a mechanism that allows Grantees to use HOPE VI funds for CSS activities after the physical development stage is completed. Details of the Trust are included in the FY 2000 Grant Agreement.

III. SPECIFIC BUDGET LINE ITEM GUIDANCE

BLI 1408 - MANAGEMENT IMPROVEMENTS

Costs applicable to BLI 1408 are those related to management improvement activities and community and supportive services programs. Although this section discusses costs for management improvements and CSS programs separately, both types of costs must be included in 1408. Please note that a hard edit has been placed on BLI 1408 in LOCCS. This means that Grantees may only request funds up to 100 percent of the amount entered in LOCCS for BLI 1408 instead of the 110 percent established for other BLIs.

A. Management Improvements

Management improvements are the costs of improvements to PHA management systems that are made in conjunction with HOPE VI grant-related revitalization efforts. All management improvements costs must be placed in the "Capital Costs" column. Note that regardless of whether costs for management improvements are to be incurred by PHA 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 PHA and those by contractors.

Specific Eligible Management Improvements Costs

- PHA staff training (including travel) related to management improvements
- PHA 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
- PHA staff time and materials used to develop performance measures to monitor success of management improvements
- development or purchase of ADP/computer systems

Resident Management:

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

Heightened Security Costs:

- security guards
- tenant patrols
- resident security training

B. Community and Supportive Services Programs

All "soft" costs for CSS programs, regardless of whether activities will be carried out by Grantee staff or by a partner or contractor, must be placed under BLI 1408. On Part II of the budget, differentiate between costs that will be incurred by PHA staff and costs incurred by contractors. All costs in BLI 1408 for CSS programs will be placed in the Supportive Services column of the budget.

Specific Eligible CSS Program Costs

- PHA staff training (including travel) related to CSS programs
- PHA staff time and materials used to develop performance measures to monitor success of CSS programs.
- cost of a contractor to facilitate the organization of a community task force that performs needs assessment and other planning of the CSS 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
- latchkey, daycare
- 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
- maintenance equipment associated with management improvements

- 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

Economic Development Costs:

- revolving loan fund. HOPE VI funds may not be deposited into an interest-bearing account to establish a revolving loan fund. However, program income and the interest it collects can be used to establish either a revolving loan fund or endowment fund.
- establishment of credit union
- contract with community development bank to manage special financial and economic development services
- establishment of a component of a local CDC to provide leadership in community organizing
- planning for development of small business on site, including resident-owned enterprises
- wage subsidies for retail employment

Supportive Services Endowment Funds:

In accordance with Section 24(d)(2) of the Housing Act of 1937, FY 2000 and beyond Grantees only may deposit up to 15 percent of the HOPE VI grant amount (the maximum amount of the grant allowable for CSS programs) in an endowment trust to provide community and supportive services over such period of time as the Grantee determines. The amount requested will be provided by HUD in a lump sum. Funds must be invested in a wise and prudent manner, i.e., funds may be invested in deposits, certificates of deposit, and other types of securities that are deposited in an account insured by the United States of America. Endowment funds (together with any interest earned) may only be used for eligible and necessary CSS program costs. Endowment funds may be used in conjunction with other amounts donated or otherwise made available to the fund for similar purposes.

BLI 1410 - ADMINISTRATION

BLI 1410 is intended for costs associated with the general, overall administration of the HOPE VI development by the Grantee. Any administrative expenses on the part of the Grantee that are charged to the HOPE VI budget must be prorated in accordance with the time spent on HOPE VI grant-related activities. The Grantee must itemize the PHA personnel that will be working on the project, the percentage of time for each person, and the amount of salary billed to HOPE VI. This proration should be consistent with the Staffing and Time Allocation Plan submitted by the Grantee and approved by HUD.

A hard edit has been placed on BLI 1410 in LOCCS. This means that Grantees may only request funds up to 100 percent of the amount entered in LOCCS for BLI 1410, instead of the 110 percent established for other BLIs.

Note that all costs related to management improvements or CSS programs must be included in BLI 1408 (Management Improvements), and NOT under 1410.

Specific Eligible Costs

- staff salaries and benefits, including resident employment, not directly related to CSS programs
- staff attorney (not including fees and expenses directly related to site acquisition)
- staff training, related travel
- 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 not already paid by the PHA
- PHA's 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:

- CSS and management improvement costs must be charged to BLI 1408, regardless of whether those activities will be carried out by PHA 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.
- 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.

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 HOPE VI funds to build a self-sufficiency service center, the costs to physically build the center belong in BLI 1470 (Nondwelling 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:
 - program management: Note that if the Grantee is relying on a Program Manager, the HUD Grant Manager will be closely reviewing costs under Administration (BLI 1410)
 - environmental
 - marketing
 - financial
 - legal - negotiate partnership, related documents specific to the HOPE VI 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
- fees for 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, nondwelling 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 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 1985
- drainage
- grading
- sewers and utilities, including utility transformers, distribution cables, and meters, and the provision of these services to individual housing units
- parking lots
- sidewalks
- landscaping
- 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

- excavation and backfill, foundations
- renovation and reconfiguration of remaining buildings
- construction of replacement housing
- loans to development partners for the development of public housing
- rehabilitation of acquired scattered sites
- construction of homeownership units
- soft second mortgages/construction writedowns for homeownership
- initial operating deficit
- contractor profit, overhead, contingency, and general conditions
- collateralization of bonds
- utilities from the street
- finished 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 nondwelling 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 Community Building
- construction/conversion of center for leasing, property management, and/or maintenance
- construction of laundry room
- costs associated with negotiations, appraisal, legal fees for non-dwelling structures development and/or rehab
- construction of parking garage
- construction of resident enterprise facility

BLI 1475 - NONDWELLING EQUIPMENT

Nondwelling 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 community and 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

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 \$10,000 per unit for abatement and demolition, and in most cases the cost per unit should be less than \$10,000. Any budget amount over \$10,000 per unit must be justified in detail. The description on Part II of the budget must distinguish between costs related to existing public housing property and costs related to acquisition of a new public housing 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

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 HOPE VI 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 PHA relocation staff and/or relocation contractors managing the relocation process
- costs of temporary relocation offices
- settlement costs for occupants displaced by acquisition of property