




Capital Planning Process

ED Training
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Schedule

- **Capital Planning & Capital Fund Program** (also a little bit on Procurement 😊)
- **It's all EPIC now**
The nitty gritty details on how to complete 5 year and annual Capital under the new EPIC System

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Capital Planning

It's more than the annual CFP budget

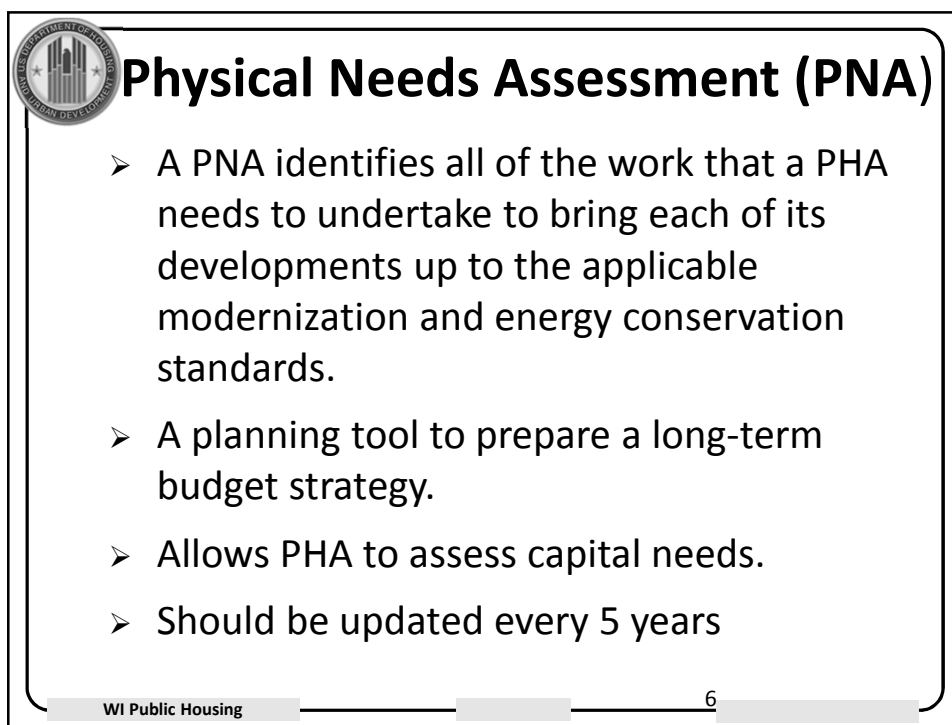
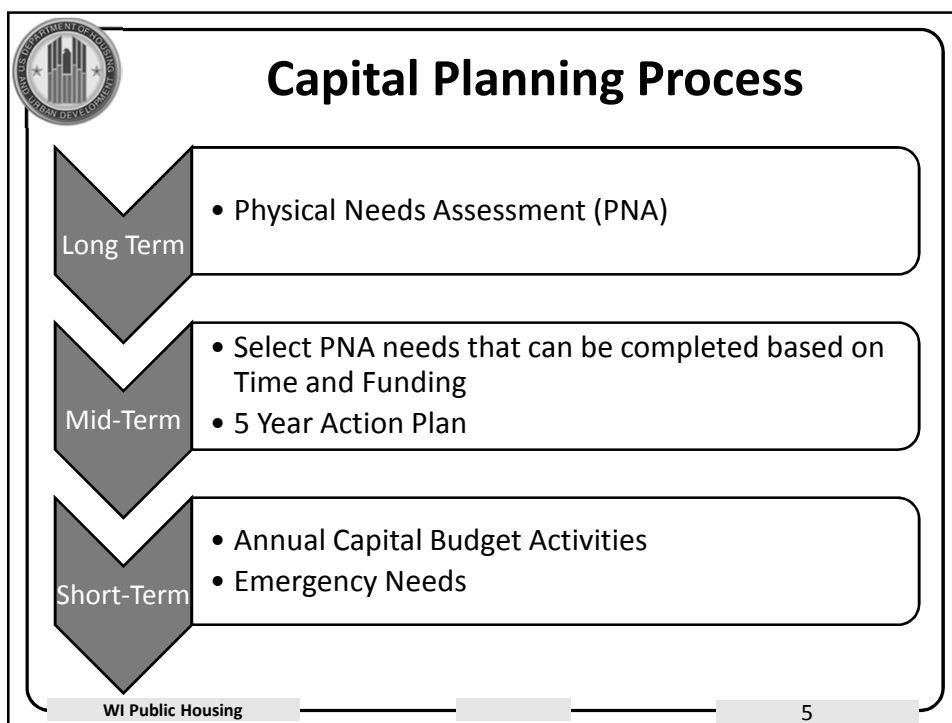
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Capital Planning Process

- Identify Long-Term needs (Physical Needs Assessment)
- Identify Mid-Term needs
- Prioritize Mid-Term needs & select activities that can be completed based on funds and time (5 Year Action Plan)
- Schedule Selected Capital activities and complete emergency items (Annual Capital Budget)

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PNA Required

- The requirement to complete a PNA was only prohibited for FY2015
- A PNA is required for ALL PHAs with 250 units or more
- This has been required as part of capital needs process for over 25 years
- In order to receive Capital Fund grants, PHAs will be required to comply with the PNA requirements found in the CFP Final Rule (24 CFR 905.300)

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PNA Encouraged

- PHAs with fewer than 250 Units are HIGHLY encouraged to conduct a PNA
- PNA is the industry standard way to identify and plan for necessary capital improvements
- will not be required to perform a PNA until the issuance of a notice implementing the requirement
- An amendment to the CFP final rule will be published requiring PNAs for all PHAs at some point

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Status of Standardized PNA

- In 2011, HUD issued a proposed rule establishing standards for PNAs – Final Rule has not yet been published
- Proposed rule anticipates that the PNA will be performed once every 5 years and will be coordinated with the Energy Audit
- Standardized GPNA tool is available on Office of Capital Improvements website



Why HUD Wants You to Do a Physical Needs Assessment


- Sound management of your capital assets
- Encourage voluntary submission of the PNA Tool
- HUD uses data to identify and analyze capital needs of the Public Housing portfolio
- HUD uses data in submission to Congress on need for Capital Funding



ENERGY AUDIT

- **Proposed Rule - Public Housing Energy Audits**
 - **Proposed Rule, 76 Federal Register 71287 (Nov. 17, 2011)**
 - Requires PHAs to complete an Energy Audit at least once every 5 years for each PHA-owned project.
 - Proposes Energy Conservation Measures (ECMs) PHAs must consider, at a minimum, when performing an energy audit.
 - Energy audits must be integrated with Capital Planning (PNA) per the Energy Policy Act of 2005
 - Evidence of completion of an energy audit every five years is currently an operating fund requirement


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I complete the 5 year action plan as required, why should I do a PNA?

A PNA captures the **TOTAL** needs of a PHA, while the 5-Year Action Plan only includes work items the PHA is **ABLE** to perform **BASED ON FUNDING** it receives.


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5 Year Action Plan

- PIH Notice 2016-21 Requires submission of 5 Year Action Plans in EPIC System
- Phased in based on FYE of PHAs
- For FY18 all PHAs need to submit 5 yr Action Plan in EPIC
- Afternoon Session goes into details on EPIC System and process to submit 5 Year Action Plan


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5 Year Action Plan

- Prioritizes long-term needs that must be completed in the Mid-Term
- Identifies Capital Needs that can be funded
- Allows Capital Needs to be scheduled based on Funding and Staffing/Contracting


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Tips for 5 Year Action Plan

- Always include completely rehabbing a unit during turnover in your plan
 - If it happens you don't have to amend your action plan
- Be more detailed than you think you need to
 - Is there going to be LBP/Asbestos or other environmental remediation needed during activity
 - If using force labor identify in description

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New Budget Line Items

Line Item	Name	Line Item	Name
0100	Reserved Budget	1406	Operations
0110	Initial Budget	1408	Management Improvement
1406	Operations	1410	Administration
1408	Management Improvement	1480	General Capital Activity
1410	Administration	1492	MovingToWorkDemonstration
1411	Audit Cost	1501	Collater Exp / Debt Srvc
1430	Fees & Costs	1503	RAD-CFP
1440	Site Acquisition	1504	RAD Investment Activity
1450	Site Improvement	9000	Debt Reserves
1460	Dwelling Structures	9001	Bond Debt Obligation
1465	Dwelling Equipment	9002	Loan Debt Obligation
1470	Non-Dwelling Structures	9900	Post Audit Adjustment
1475	Non-Dwelling Equipment		
1485	Demolition		
1490	Replacement Reserve		
1492	MovingToWorkDemonstration		
1495	Relocation Costs		
1499	Development Activity		
1500	Indian Housing Grants		
1501	Collater Exp / Debt Srvc		
1502	Contingency		
1503	RAD-CFP		
1504	RAD Investment Activity		
9000	Debt Reserves		
9001	Bond Debt Obligation		
9002	Loan Debt Obligation		
9900	Post Audit Adjustment		

Figure 7: Table Displaying Former and New Budget Line Item Structures

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Hearing Requirements for 5 yr Action Plan

- 905.300 PHA must ANNUALLY conduct both:
 - Public Hearing
 - Consult with Resident Advisory Board
- Most provide 45 Day Notice of hearing
- Both hearings may be held in conjunction with the PHA plan hearings

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Annual Capital Budget

- PHA does not need to send an Annual Statement/Budget – instead it completes an Annual Statement/Budget in EPIC and links it to its grants
- Once a PHA has linked an Annual Statement/Budget to a grant in EPIC (with certain exceptions), there is an automated process that will spread the BLIs in LOCCS via a batch routine that takes 1 or 2 days to process. Must be approved by the Field Office.

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Annual Capital Budget

- Once the FO approves a 5-Year Action plan, the PHA does not have to come back to the FO for:
 - Approval of Annual Statement/Budget
 - PHA can only select **approved** 5 Year Action plan work activities to include in Annual Statement/Budget
 - PHA submits AS/Budget to the system and there is an automatic routine that spreads/updates the BLIs in LOCCS except:
 - Changes in amounts
 - Changes in Years



Requirements to Receive Capital Fund Grant


- Validate Project Level Data in PIC
- Have an approved 5 Year Action Plan
- Sign the Capital Fund ACC
- Have a valid and unencumbered DOT or DORC on the PH property
- All PHAs with PH units under an ACC are eligible to receive CFP Grants



Capital Fund Obligation / Expenditure

- **Obligation**-PHAs must obligate 90% of grant funds no later than 24 months after grant award
 - Obligation means a commitment has been made to expend funds
 - A proposal is not a commitment
 - Examples:
 - A signed contract to do work
 - A purchase order to buy materials
- **Expenditure**-All funds must be expended no later than 48 months after grant award


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“Fungibility”

- Defined in 24 CFR 968.305 permits a PHA to substitute any work item from the latest approved Five-Year Action Plan to any CFP Annual Statement
- Rescheduling activities approved in the 5 year action plan to different annual budgets **DOES NOT** require HUD approval.


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Eligible Activities for Capital Funds

- 24 CFR 905.200 Defines Eligible Capital Activities
- Must be identified in approved 5 year Action Plan
- OR approved by HUD as an emergency / natural disaster


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Eligible Activities for Capital Funds

- Eligible Major Categories
 - Modernization
 - Non-Routine Maintenance
 - Financing
 - Development
 - Energy Efficiency


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Modernization

- Code Compliance
- Safety and Security improvements
- Items not considered routine maintenance
- Vacancy reduction – physical improvements to reduce number of units vacant


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Non-Routine Maintenance


- Work items that would normally be considered routine maintenance activities but have become substantial due to
 - Postponement
 - Excessive expenditure that would distort trend of maintenance expenditure
 - Such as replacement of obsolete utility systems
 - Obsolete dwelling equipment

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So, how do I determine if it is
Modernization/ Non-Routine
Maintenance or just plan Routine
Maintenance?


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Determining Capital Item or
Maintenance

- Helpfully HUD / PIH does not specifically outline maintenance activities other than regular upkeep and preservation of facilities
- However, CPD Notice 2016-02 does
 - Be advised that CPD 2016-02 only applies to categorizing activities for Environmental Review
 - But – it can be used as a guide to determine capital or maintenance

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CPD 2016-02

EXAMPLES OF MAINTENANCE ACTIVITIES vs. REHABILITATION ACTIVITIES FOR ENVIRONMENTAL REVIEW PURPOSES

Feature or System	Maintenance Activities ⁴	Rehabilitation Activities ⁵
Site	<ul style="list-style-type: none"> • lawn care (litter pickup, mowing, raking), trimming trees and shrubs • snow/ice removal • neighborhood cleanup • application of pavement sealants, parking lot restriping, directional signage or marking for handicapped accessibility • repair of cracked or broken sidewalks 	<ul style="list-style-type: none"> • new landscaping throughout an area • construction of new walkways, driveways or parking areas, or replacement thereof
Building Exterior	<ul style="list-style-type: none"> • cleaning and fixing gutters and downspouts • repainting previously painted surfaces (including limited wet scraping and low-pressure washing) 	<ul style="list-style-type: none"> • cleaning masonry or stripping painted surfaces by sandblasting, acid wash, or high pressure washing • applying new exterior siding


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Financing & Development

- **Financing**
 - Debt financing costs for Development or Modernization
 - Capital Fund Financing Program (CFFP)
- **Development**
 - Activities that add to the development
 - Build new developments
 - Significantly reconfigure existing developments


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Energy Efficiency

- Energy Audit
- Energy and Water Conservation or Efficiency Measures
- Installation and use of Energy Star Appliances
- Utility and Energy Management Automation


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Ineligible Cap Fund Activities

- Not related to Public Housing
- Not in 5 year Action Plan
- Not Modest Design
- Administrative Costs (not associated with capital management)
- Operating Assistance (*>250 PHA no more than 20% - <250 see PIH 2016-18*)
- Security Services
- Supportive Services for PH residents


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PIH 2016-18 Small PHA Full Flexibility i.e. Putting Capital Grant in BLI 1406

- 24CFR 905.314(1)(2) allows eligible small PHAs to use up to 100% of a CFP grant for OFP Activities (BLI 1406) **if** the PHA does NOT have debt service, significant capital needs or emergency needs.
- Eligible small PHAs must complete a thorough assessment of their capital needs prior to completing the 5-Year Action Plan and accurately reflect those needs in the capital fund submission.

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Full Flexibility Continued

- The FO may determine significant capital needs by review of CFP 5-Year Action Plan, Physical Needs Assessment, past CFP grant history, REAC Inspections.
- If the FO determines that the PHA has capital needs a revised 5 year Action Plan will need to be submitted by the PHA

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Full Flexibility Continued BLI 1406 Operations

- Funds in BLI 1406 are considered Operating Funds and must be used for eligible expenditures under 24 CFR 990

What does this mean????

Funds in BLI 1406 CAN NOT be used for ANY capital activities!

Please don't schedule Capital Grant in BLI 1406 as a way to get around Capital Planning or Environmental Review Requirements



Full Flexibility Continued The Flip Side

- Small PHAs may use Operating Funds for eligible CFP activities
 - Must be included in the 5 year Action Plan
 - Eligible uses defined by 24 CFR 905.200
 - Environmental Review requirements apply to these funds





Management Improvement

- In order to direct more Capital Funds towards modernization limits placed on this Category
- **For FFY18 and later**
 - **Maximum Allowed is 10%**



Force Labor

- Labor Employed directly by PHA either permanent employees or temp basis
- Perform Physical Work funded by Cap Fund
- PHA shall conduct a cost benefit analysis to determine cost effectiveness
- Davis-Bacon & Prevailing Wage rates apply to Force Labor work
- Goods and services must be procured in accordance with 2 CFR 200
- Must be identified in the 5 yr Action Plan



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PROCUREMENT

Now that little bit on Procurement



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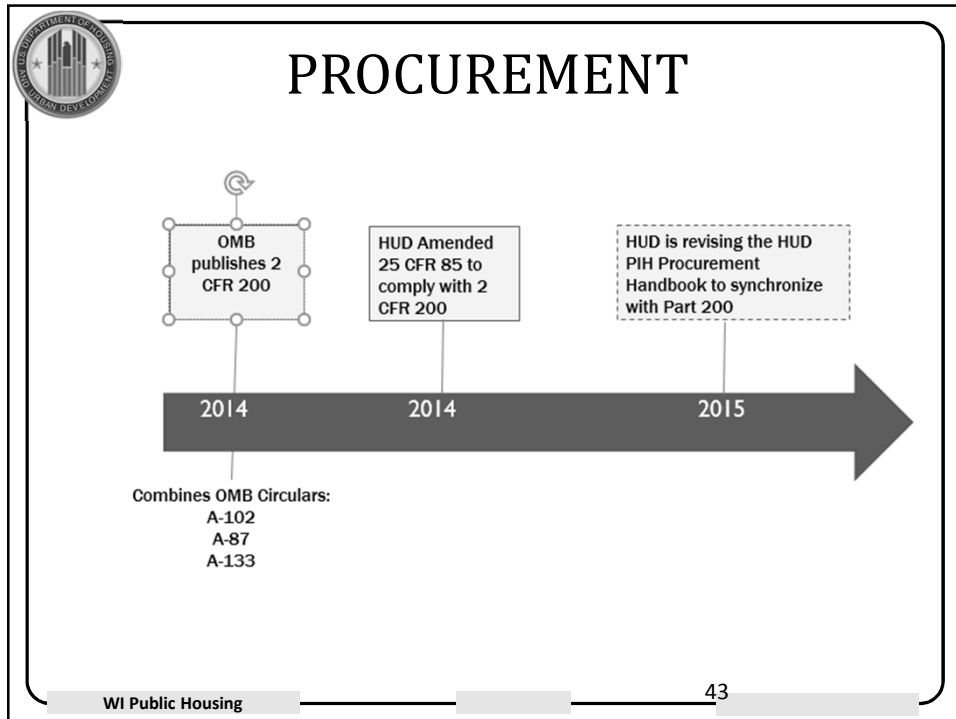
PROCUREMENT

- **Since December 2015, 2 CFR 200, also known as the Uniform Guidance, provides administrative requirements for ALL federal grant programs, including HUD's programs, *unless there are explicit exceptions to 2 CFR 200 outlined in HUD's regulations at 24 CFR.***
- An example of one important exception is that 24 CFR 970 outlines the disposition requirements for HUD real property. Since this is an exception, 24 CFR 970 trumps the real property disposition requirements at 2 CFR 200.
- ***There are very few exceptions to 2 CFR 200 in 24 CFR*** which means that for the vast majority of the time, 2 CFR 200 is what PHAs must follow.



PROCUREMENT


- Scott keeps talking and I can't wait to get out of this presentation. Hud's procurement Regs are at 24 CFR 85.36, Right?
- ***WRONG!! Awards made after December 2015 are governed by 2 CFR 200. At that time, HUD specifically updated 24 CFR 85 to say that 2 CFR 200 governs procurement.***



PROCUREMENT

- OK, Ok, but there are probably no Big changes between 24 CFR 85 and 2 CFR 200 regarding right?
- Not exactly. Does your current procurement policy reference Micropurchases?
- If not, your procurement policy needs to be updated to reflect 2 Cfr 200 and come into agreement with the procurement methods that it outlines.

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PROCUREMENT

- where can I find the Procurement Sections of 2 cfr 200?
 - www.ecfr.gov
 - The procurement Sections of 2 CFR 200 Applicable to PHAS are found at 2 CFR 200.318 through 2 CFR 200.326:

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PROCUREMENT

Procurement Standards

§200.317	Procurements by states.
§200.318	General procurement standards.
§200.319	Competition.
§200.320	Methods of procurement to be followed.
§200.321	Contracting with small and minority businesses, women's business enterprises, and labor surplus area firms.
§200.322	Procurement of recovered materials.
§200.323	Contract cost and price.
§200.324	Federal awarding agency or pass-through entity review.
§200.325	Bonding requirements.
§200.326	Contract provisions.

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Where am I?

- The official place to retrieve any Federal Regulation is:
 - www.ecfr.gov
- The official place to retrieve any PIH Notice is:
 - https://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/notices/pih


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RESOURCES

- Capital Fund Guidebook
- 24 CFR Part 905- PH Capital Fund Program
- PIH Notice 2016-21-EPIC User Manual-Energy Efficiency Measures (EEM) and Activity Planning Module
- PIH Notice 2016-18: Guidance on Full Flexibility for Small PHAs


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RESOURCES

- Guidebook 7510.1G-Finance Accounts Guidebook
- HUD Handbook 7460.8, REV 2, dated 2/2007-Procurement
- 2 CFR § 200
- PIH Notice 2010-41: Using Energy Star to Promote Energy Efficiency in Public Housing

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Unanswered Questions

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