

CAPITAL FUND PROGRAM (CFP)



Professional Development

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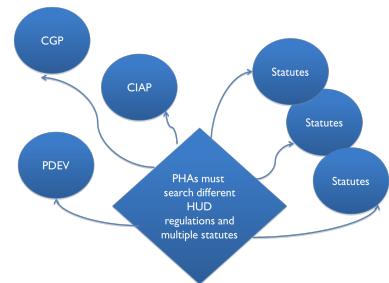
FACULTY

Jim Inglis
NAHRO Faculty

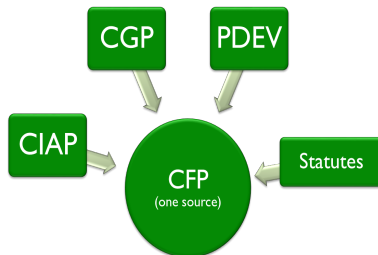
COURSE OBJECTIVES

- Understand Capital Fund Program (CFP) current guidance
 - Understand the changing face of public housing and CFP
 - Understanding of the Program requirements
 - Understand alternative financing options and use of CFP as an investment and leverage vehicle to raise "capital"
 - How to plan and implement your CFP activities

CFP - BEFORE 2013 FINAL RULE



CFP - AFTER 2013 FINAL RULE



BACKGROUND

- HUD publishes new Final CF regulation to streamline and consolidate.
 - Effective:** **November 25, 2013.**
 - Regulation: [24 CFR 905](#)
 - Major Changes:
 - Decouples Capital Fund (24 CFR 905) submission from PHA Plan (24 CFR 903)
 - Consolidates 24 CFR 941, 24 CFR 968 and 24 CFR 905 into a single final rule.
 - Requires all PHA to undertake a green physical needs assessment.

BACKGROUND

- Major Changes:
 - Reduced the Management Improvement Cap from 20 to 10% over 5 Years beginning in FY 2014.
 - Eliminated Replacement Housing Factor (RHF) grants and substitutes Demolition and Disposition (DDTF) grants.
 - Simplified Mixed Finance procedures.
 - Allowed TDC exceptions for cost saving energy management and related activities.
 - Implemented energy star requirements.
 - Standardized design and energy code requirements.

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CAPITAL FUND FORMULA

Demolition and Disposition Transitional Funding (DDTF)

- Applies to PHAs that have a **reduction in units** due to demolition or disposition that lowers their CFP unit count
- Those PHAs shall be "**held harmless**" for five (5) years and continue to receive the amount of funding they would have been eligible for before the reduction in units

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CAPITAL FUND FORMULA

Demolition and Disposition Transitional Funding (DDTF)

- DDTF will be part of and included in the annual CFP grant
 - Subject to 2 yr obligation/ 4 yr expenditure timelines so cannot be accumulated
 - Can be used for modernization of other properties as well as acquisition/development of replacement units

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CAPITAL FUND FORMULA

Annual Capital Fund grant(s) will be based on:

- The total annual Congressional appropriation available.
- The PHA's "formula share" applied to the amount available from Congress.

Distribution of the Annual Capital Fund grant(s)

- After Capital Fund grants are calculated, HUD notifies PHA and provides Capital Fund ACC Amendment online.

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OTHER CFP RELATED : REGULATORY REQUIREMENTS

- [2 CFR 200](#) - Procurement
- [24 CFR 50](#) - Environmental (by HUD)
- [24 CFR 58](#) - Environmental (by Responsible Entity)
- [24 CFR 135](#) - Section 3
- [24 CFR 943](#) - PHA Joint Ventures
- [24 CFR 963](#) - Contracting With Resident Owned Businesses

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OTHER RELATED CFP : REGULATORY REQUIREMENTS

- [24 CFR 964](#) - Tenant Participation and Opportunities
- [24 CFR 965](#) - PHA Owned or leased Projects General Provisions
- [24 CFR 990](#) - Public Housing Operating Fund Program
- [24 CFR 905](#) - Capital Fund

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HUD GUIDEBOOKS AFFECTING CFP

- [Capital Fund Handbook](#)
- [7485.3G](#): Comprehensive Grant Program
- [7417.1, Rev. 1](#): PH Development
- [7460.8, Rev. 2](#): Procurement Handbook (Revised Handbook due 2020)
- [7510.1G](#): Low Rent Accounting Guidebook
- [7475.1, Rev. 1](#): Financial Management (Canceled but retained)
- [7485.2, Rev. 1](#): Modernization Standards

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RECENT CFP PIH NOTICE GUIDANCE

- [2020-07](#): Supplemental Guidance to the Federal Fiscal Year 2020 Op Fund Appropriations
- [2020-05](#): COVID-19 Statutory Waivers
- [2019-25](#): Emergency Call Systems Guidance
- [2019-22](#): Safety and Security Grants
- [2019-14](#): DOT's Declarations of Trust
- [2019-13](#): ACC Termination
- [2019-10](#): Required Public Housing Conversion
- [2019-06](#): Carbon Monoxide Detectors

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RECENT CFP PIH NOTICE GUIDANCE

- [2018-20](#): Energy Performance Contracting
- [2018-04](#): Demolition – Disposition, Tenant Based Vouchers
- [2016-22](#): Environmental Reviews
- [2016-21](#): EPIC and 5-Year Plans
- [2016-18](#): Operating Fund for Capital, Small PHA Flexibility
- [2016-13](#): Insurance PHA Property

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MODULE 2

- The Capital Fund Program & PHA Planning Requirements

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CFP & THE PHA PLAN

- Regulations at **24 CFR 903** require the submittal of an “annual plan”
- **24 CFR 903** also requires a **5-Year Plan** which provides an opportunity to describe **agency mission and strategic goals**

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CFP & THE PHA PLAN

- New Capital Fund regulation (24 CFR 905.300)
 - Effective November 25, 2013
 - **Decoupled the CF 5 Year Action Plan and the CF Annual Plan from the PHA Plan**
 - PHA Plan requirements still apply in addition to the CF requirements

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CFP & THE PHA PLAN

- PHA Plan Process and Timelines
 - Plan Due 75 Days Before the Beginning of Fiscal Year
 - Requires Coordination with other Agencies, all PHA Departments and a Resident Advisory Board (RAB)
 - Provide ample time to allow for a 45 day review period
 - Provide ample time for the public hearing process
 - Provide ample time for obtaining required approvals

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HUD REVIEW PROCESS & THE AGENCY PLAN

- Assume sign-off on **Agency Plan** is a sign-off on **Capital Fund** plan
- Agency Plan approval process
 - HUD review for **completeness**
 - A determination that the plan is **consistent** with needs
 - **75 day** review clock
 - Submission dates tied to **fiscal years**
 - Inclusion of demo/dispo activities in plan does not constitute HUD approval. Additional approval is required for these activities

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CFP & THE PHA PLAN

- **RAB Boards**: HUD rules say PH Residents have the following rights in the Agency Plan process
 - The PHA must establish a RAB Board
 - The RAB must "adequately reflect and represent" the residents assisted by the PHA
 - PHA must provide "reasonable resources"
 - PHA must consider all RAB recommendations

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CFP & THE PHA PLAN

- The overall 5-Year Plan format includes:
 - Statement of **agency mission**
 - Identification of **goals and objectives**
 - Encouragement of numerical measures
 - Identification of capital initiatives
- This serves to link PHA capital needs to **agency mission** – but **CF requires separate submission**

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ANALYZING CAPITAL FUND INVESTMENTS (CONTINUED)

- A Physical Needs Assessment is the typical starting point for long term portfolio re-engineering.
 - Private property managers usually take a long term approach (20 years)
 - Utilization of life cycle cost analysis approach
 - The PNA Process and Team Members

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ANALYZING CAPITAL FUND INVESTMENTS (CONTINUED)

- HUD Green Physical Needs Assessment (GPNA)
 - As part of the 2013 update to the CFP regulations (24 CFR 905.300(a), HUD added a requirement that all PHAs, regardless of size, conduct a 20-year PNA every five years.
 - **HOWEVER** - Section 233 of the FY 2015 HUD Appropriations Act prohibited HUD from requiring PHAs to conduct a PNA during FY 2015 and prohibited HUD from enforcing a PNA requirement in FY 2015. Identical language was in FY 2016-2020 Appropriations Acts.

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ANALYZING CAPITAL FUND INVESTMENTS (CONTINUED)

- Tools, resources, and technical assistance are available to PHAs who elect to proceed on a voluntary basis to complete PNAs in the HUD format until such time as the rules become final.
- PHAs are also required to complete an energy audit
 - All modernization projects should include cost-effective improvements identified in the audit

MODULE 4

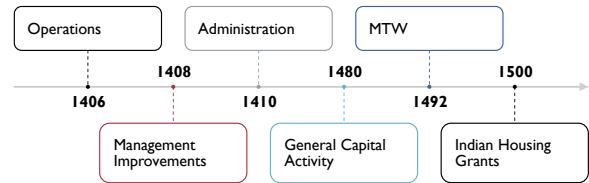
- Capital Fund Program Eligible Expenses

ELIGIBLE EXPENSES

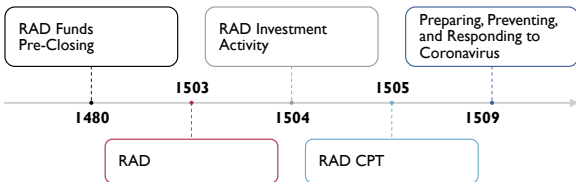
Capital Fund eligible activities include:

- Development of public housing
- Modernization of public housing
- Physical improvements to public housing
- Vacancy reduction
- Deferred and preventative maintenance
- Replacement of obsolete equipment
- Relocation
- Homeownership
- Management Improvements
- Resident economic development
- Financing

CFP BUDGET LINE ITEMS

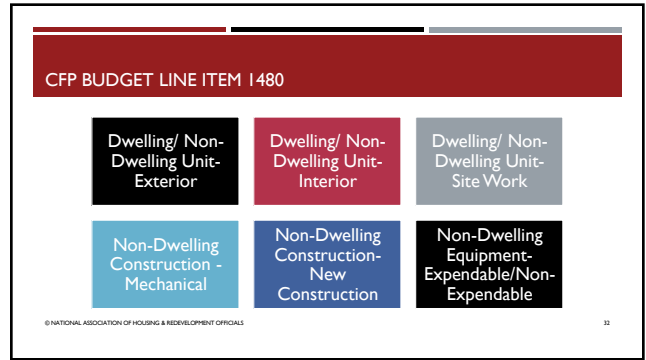
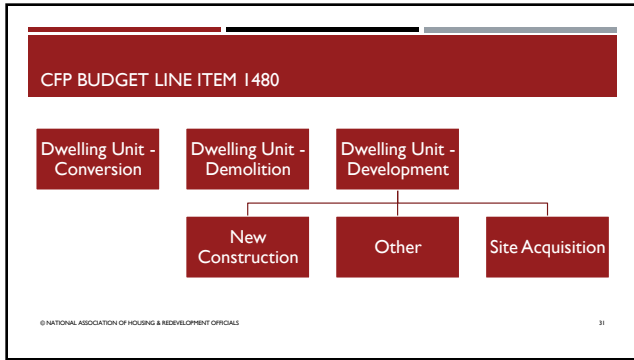


CFP BUDGET LINE ITEMS – RAD & SPECIAL USE



CFP BUDGET LINE ITEM 1480





- ### CFP LINE 1406 OPERATIONS
- Used for operational expenditures
 - Operating Transfer to the AMP
 - When transferred to the AMP level, it is now governed by the Operating Fund rules
 - Funds may be immediately drawn down upon approval; use of funds is monitored within PHA Operating Budget
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- ### CFP LINE 1408 MANAGEMENT IMPROVEMENTS
- Limited to 10%
 - Costs that are development specific or PHA-wide in nature are eligible and are needed to upgrade the **operation** of the PHA's developments, **sustain** physical improvements at those developments, or **correct** management deficiencies identified by the PHA in its Management Needs Assessment.
 - Do not have to relate directly to a physical improvements at a particular development but are limited to each AMP
 - Typically are management expenses
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- ### CFP LINE 1408 MANAGEMENT IMPROVEMENTS
- Typical uses:
 - Training of Staff
 - Improvement to financial and accounting systems
 - Crime Prevention and Security Costs
 - Consultant services related to management
 - Section 3 Plan and Implementation
 - Lead-based paint costs
 - Treated the same as line 1406 - transfer to AMP Level
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- ### CFP LINE 1480 CONTRACT ADMINISTRATION
- Fees and Costs
 - Professional fees and costs associated with implementing CFP activities
 - Includes fees for planning, identification of needs, PNA, design work, preparation of construction and bid documents, LBP professional risk assessments and testing, and inspection of work in progress
 - Examples
 - Fees for professionals like architects, PNAs and PCAs, administrative work to prepare docs for construction contracts and/or monitor said contracts
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CFP LINE 1480 DWELLING UNIT- DEVELOPMENT

- New Construction
 - PHA expenses charged for new development activities
 - Can be either fully funded or PHA's prorated share
- Site Acquisition
 - Acquisition costs for new construction sites or existing structures
 - Can only be used when some number of PH units are being constructed

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CFP LINE 1480 DWELLING UNIT

- Major focus of PHA activities
- Activities related to improving actual dwelling space of existing PHA development
- Subcategories include:
 - Exterior
 - Interior
 - Site Work

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CFP LINE 1480 NON-DWELLING CONSTRUCTION - MECHANICAL

- Modernization activities related to building systems
 - Boilers
 - Chillers
 - Common area dryers
 - Elevators
 - Hearing systems
 - And others

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CFP LINE 1480 NON-DWELLING CONSTRUCTION

- Modernization and new construction activities related to PHA administrative spaces, high rise community room spaces, and PHA owned community buildings
- COCC improvements can be made if the original building was purchased with HUD funds.
- Examples
 - Administrative Buildings, Garages, Maintenance Building, Community Rooms

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CFP LINE 1480 NON-DWELLING EXTERIOR

- Activities related to improving exteriors of existing NON-dwelling PHA developments
- Examples
 - Balconies
 - Foundations
 - Gutters
 - Roofs
 - Stairwells and Fire Escapes

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CFP LINE 1480 NON-DWELLING INTERIOR

- Activities related to improving interiors of existing NON-dwelling PHA developments
- Examples
 - Common areas
 - Day Care Centers
 - Administrative Buildings
 - Shops
 - Storage areas

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CFP LINE 1480 NON-DWELLING SITE WORK

- Activities related to improving NON-dwelling, exterior spaces of existing PHA developments
- Examples
 - Paving of Parking Lots
 - Landscaping
 - Retaining Walls
 - Fences

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CFP LINE 1480 DEMOLITION

- For demolition
- All demolition requires HUD approval

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MODULE 5

- Program Implementation & Reporting

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PROGRAM IMPLEMENTATION

CFP Annual Funding Process (24 CFR 905.302)

- Congress allocates annual appropriations
- HUD publishes allocation via website and/or PIH Notice
- PHAs validate formula characteristics (unit count)
- HUD runs formula and distributes funds to PHAs
- HUD and PHA execute ACC amendment
- PHA implements Program

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PROGRAM IMPLEMENTATION

New CFP Submission Requirements – 24 CFR 905, Subpart C (905.300-302)

- Applies to qualified and nonqualified PHA's.
- All PHAs must complete a physical needs assessment (PNA) – Congress says "no"
- Submission requirements:
 - CF 5 Year Action Plan.
 - Budget for each year.
 - Definition - Significant Amendment or Modification.
 - Minimum - Demolition, disposition, homeownership, CFFP, development and mixed finance.

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PROGRAM IMPLEMENTATION

New CFP Submission Requirements – 24 CFR 905, Subpart C (905.300-302)

- If the amendment or modification is a Significant Amendment or Modification, the PHA:
 - May not adopt the amendment or modification until it is approved by the Board of Commissioners in an open meeting; and
 - May not implement the amendment or modification until notification of the amendment or modification is provided to HUD and the amendment or modification is approved by HUD
- If the change is not a Significant Amendment or modification, no HUD approval is needed

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SIGNIFICANT AMENDMENT SAMPLE

Substantial deviation or modification is defined as a significant change to rent or admissions policies or organization of the waiting list; a substantial change in a goal(s) identified in the Five Year Plan; significant modifications to major strategies to address housing needs; any change in the planned or actual use of federal funds for activities that would prohibit or redirect the PHA's strategic goals of increasing the availability of decent, safe and affordable housing; additions of non-emergency work items (items not included in the current Annual Statement or Five-year Action Plan) or change in the use of funds that exceeds 20% of the Capital Fund allocation; and any change with regard to demolition or disposition, designation, homeownership programs or conversion activities – does not include changes to funding or financing structure due to RAD, Section 18 or Section 22.

PROGRAM IMPLEMENTATION

CFP Submission Requirements – 24 CFR 905, Subpart C (905.300-302)

- Public hearing.
 - Must conduct a public hearing and consult with and consider Resident Advisory Board (RAB) comments.
 - 45 days prior to public meeting; PHA must make material available, publish notice of meeting and conduct outreach.
- Must be consistent with Consolidated Plan.

PROGRAM IMPLEMENTATION

CFP Submission Requirements – 24 CFR 905, Subpart C (905.300-302)

- HUD approval.
 - Submission through EPIC.
- Performance and Evaluation Reports.
 - Must be prepare an Annual Statement/Performance and Evaluation Report as prescribed by HUD.
 - PHA retains in files - does not submit to HUD.
 - PHAS-SEMAP Troubled - must submit to HUD.

ANNUAL STATEMENT

- The Annual Statement [HUD 50075.1](#) serves as the "up front" budgeting mechanism for the upcoming year's CFP activities.
- Practitioners should start with Part II when preparing the Annual Plan
- Part I is a summary of Part II
- Part III serves as an implementation plan

ANNUAL STATEMENT PART I

| Annual Statement/Performance and Evaluation Report | | U.S. Department of Housing and Urban Development | |
|---|--|---|---|
| Capital Fund Program/Capital Fund Program Replacement Housing Factor and Capital Fund Housing Program | | Office of Public and Indian Housing | |
| CFR No. 207.6103 | | Expires: 3/31/2020 | |
| Part I: Summary | | | |
| PHA Name: Apogee Housing Authority | Grant Type and Number: Capital Fund Program Grant No. TX #P0166# 20 Replacement Housing Factor Grant No. Date of CFP: | FFY of Grant: 2020 FFY of Grant Approval: 2020 | |
| Type of Grant | | | |
| ■ Original Annual Statement | | □ Reserve for Disasters/Emergencies | |
| □ Performance and Evaluation Report for Period Ending: | | □ Final Performance and Evaluation Report | |
| Line | Summary by Development Account | Total Estimated Cost | Total Actual Cost ¹ |
| | | Original | Revised ² Obligated Expended |
| 1 | Total non-CFP Funds | | |
| 2 | 1456 Operations (may not exceed 20% of line 21) ³ | \$330,234 | |
| 3 | 1458 Management Improvements | \$99,841 | |
| 4 | 1418 Administration (may not exceed 10% of line 21) | \$115,000 | |
| 5 | 1480 General Capital Activity | \$705,976 | |
| 6 | 1492 Housing to Work Demonstration | | |
| 7 | 1501 Collaboration Expense / Date Service Paid by PHA | | |
| 8 | 1503 RAD-CFP | \$1 | |
| 9 | 1504 RAD Investment Activity | | |
| 10 | 1505 RAD-CFP | | |
| 11 | 9000 Debt Reserve | | |
| 12 | 9001 Bond Debt Obligation paid Via System of Direct Payment | | |
| 13 | 9002 Loan Debt Obligation paid Via System of Direct Payment | | |
| 14 | 9000 Net Asset Adjustment | | |
| | Subtotal: | \$ 1,151,022 | |

¹ To be completed for the Performance and Evaluation Report.
² To be completed for the Performance and Evaluation Report or a Revised Annual Statement.
³ Public with under 200 units in management may use 100% of CFP Grants for operations.

ANNUAL STATEMENT PART I

| Annual Statement/Performance and Evaluation Report | | U.S. Department of Housing and Urban Development | |
|---|--|---|---|
| Capital Fund Program/Capital Fund Program Replacement Housing Factor and Capital Fund Housing Program | | Office of Public and Indian Housing | |
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| Type of Grant | | | |
| ■ Original Annual Statement | | □ Reserve for Disasters/Emergencies | |
| □ Performance and Evaluation Report for Period Ending: | | □ Final Performance and Evaluation Report | |
| Line | Summary by Development Account | Total Estimated Cost | Total Actual Cost ¹ |
| | | Original | Revised ² Obligated Expended |
| 15 | Amount of Annual Grant: (sum of lines 2 - 14) | \$ 1,151,022 | |
| 16 | Amount of line 20 Related to LSP Activities | | |
| 17 | Amount of line 20 Related to Section 504 Activities | | |
| 18 | Amount of line 20 Related to Security - Soft Costs | | |
| 19 | Amount of line 20 Related to Security - Hard Costs | | |
| 20 | Amount of line 20 Related to Energy Conservation Measures | | |
| Signature of Executive Director | | Date | Signature of Public Housing Director |
| | | | Date |

¹ To be completed for the Performance and Evaluation Report.
² To be completed for the Performance and Evaluation Report or a Revised Annual Statement.
 Public with under 200 units in management may use 100% of CFP Grants for operations.

CFP SUBMISSION USING EPIC

- Creating a 5 Year Action Plan
 - Must enter Type of Plan, Starting Year and Estimated Amounts by Plan Year
- Can choose a "Fixed Plan" or "Rolling Plan"
 - Fixed – Covers a static five year period; must be redone every five years
 - Rolling – covers a rolling five year period; every year a new plan is created, but automatically deletes the oldest year of the plan
- PHAs can change the Type of Plan when creating a new 5 Year Plan

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CFP SUBMISSION USING EPIC

- HUD Review and Approval of 5YAP
 - Field Offices will review and approve
 - Once plan is approved and "unlocked", PHA can modify plan to reflect changing circumstances and decisions
- Some changes will not require additional HUD approval
 - Funging/ rescheduling approved work activities
 - Revisions of funding amounts
 - Changes in work activity amount
 - Deletion of work activities

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TIMEFRAMES FOR USE OF THE CFP

- **Obligation** (24 CFR 905.306)
 - See annual grant guidance from HUD regarding commencement date. HUD uses a single commencement date for all PHAs in a given grant year
 - Obligation is defined as contract award or start of Force Account work
 - **24 months to obligate 90% of each annual grant**
- **Expenditure** (24 CFR 905.306)
 - (pay bills-disburse from eLOCCS)
 - 48 months to expend 100% of grant

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OBLIGATION

- An obligation is a binding agreement (executed by all parties) for work or financing that will result in outlays of Capital Funds immediately or in the future
- If parties sign the contract at different times, the date of the last signature is the obligation date
- A purchase order can also be considered an obligation

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EXPENDITURE

- Relates to the amount of PHA bills due and payable
- Disbursement - Distributing Capital Funds from LOCCS to the PHA's bank to pay the bills
- Expenditure End Date (EED) - The final date a PHA may expend (pay out) funds drawn from LOCCS for Capital Fund-related expenses.
- Failure to expend all funds in a Capital Fund grant from LOCCS by the EED will result in recapture of all unexpended funds by HUD.

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DISBURSEMENT TIPS

- BLI 1406 - Operations:
 - For transfers to Operations, the funds must be drawn down by LOCCS vouchers to be considered obligated.
 - Voucher date in LOCCS is the date of obligation and expenditure.
 - Funds budgeted for Operations but never drawn down are not obligated or expended.
- BLI 1410 - Administration:
 - PHAs can disburse funds budgeted for BLI 1410 Administration all at once or on a monthly basis.

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FUNGIBILITY

Definition:

The ability to substitute any **unobligated work-item** from the latest approved Five-Year Action Plan to any previously approved (open) CFP Annual Statement.

FUNGIBILITY (CONTINUED)

- Fungibility provides the **flexibility** to rearrange work to speed up fund obligation, within certain parameters:
 - Non-emergency activities** must already have been included in HUD-approved documents (Annual Statement/5YAP)
 - Emergency activities** do not require prior HUD approval

10 BASIC CFP CONTRACTING RULES



10 BASIC CFP CONTRACTING RULES

METHODS OF PROCUREMENT

