

# MASSACHUSETTS STATE-AIDED PUBLIC HOUSING PRESERVATION AND MODERNIZATION PROGRAM GUIDELINES

Department of Housing and Community Development  
Third Revision: January 2021

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## Introduction

The Department of Housing and Community Development (DHCD) originally published preservation and modernization guidelines on July 5, 2011. In this revision, dated January 2021, DHCD has updated all program information to reflect current systems, policy and practice. DHCD will continue to update these guidelines periodically. Between updates, DHCD may issue program clarifications through public housing notices. Program administrators are responsible for using the most current edition of guidelines and all applicable public housing notices.

## What's New in this Revision?

These guidelines have been edited to reflect the ongoing changes to the Formula Funding (FF) program and other changes to public housing programs. Key changes are:

- References to the RCAT program and specific RCAT Project Manager duties
- References to Cap Hub
- References to Annual Plan
- Links to updated documentation for:
  - Administrative Fees
  - RCAT
  - Force Account

## Section 1 – Executive Summary

These guidelines contain the information necessary for local housing authorities (LHAs) to access and use state-aided public housing capital funds through DHCD's Formula Funding (FF) Program. Under FF, capital funds authorized periodically by the Massachusetts Legislature are issued to all LHAs using a needs based formula based on DHCD's Capital Planning System (CPS).

To access FF, LHAs must submit annually for DHCD approval a five (5) year Capital Improvement Plan (CIP) that describes their capital investment strategy to preserve and modernize their state-aided public housing units. This approach allows LHAs to document how they are taking a coordinated approach to deploying capital, operating, and maintenance resources to manage their entire state-aided public housing portfolio.

The FF program ensures that capital funds are equitably-distributed through a transparent and predictable system. FF relies on LHAs' local expertise, with DHCD technical assistance and backup, to most effectively use capital dollars to keep as many units on-line and occupied as possible.

**CPS, FF and CIP** are central pillars of DHCD's **Comprehensive Asset Management System** that support:

- Long-term, comprehensive capital planning by providing LHAs predictable capital funds;
- Thoughtful, measured allocation of funds to the most pressing capital needs; and
- The leverage of public and private resources.

The **Capital Planning System (CPS)** is DHCD's transparent web-based capital planning system that catalogues the condition of every building and site in the statewide public housing portfolio, providing LHAs with detailed technical information to make strategic long-term capital investments.

**Formula Funding (FF)** is an LHA's multi-year share of capital funds based on an LHA's proportional capital funding need, as determined by the statewide CPS inventory of expired building and site components.

**A Capital Improvement Plan (CIP)** is a multi-year plan prepared by an LHA and submitted annually via **the Annual Plan** for DHCD approval that describes its capital investment program to preserve and modernize its state-aided public housing units. A CIP must prioritize projects in order to:

- **Keep occupied as many units as possible** by addressing core capital components and important health and safety needs;
- **Optimize life cycle investments** following DHCD design guidelines and construction standards and using maintenance strategies to extend the useful life of building components;
- **Reduce energy and water usage** and pursue other capital and operating efficiencies; and
- **Invest in projects that leverage** additional public and private resources.

In addition to FF, DHCD will award capital funds on a competitive basis to LHAs for sustainability investments, mixed-finance and high leverage projects, and other special initiatives as funding permits. These non-FF-related projects must also be included in an LHA's CIP, or by CIP revision if applied for outside of the CIP cycle.

## Section 2 – Eligible Entities

The Massachusetts state-aided public housing preservation and modernization programs are structured to allocate capital funds to LHAs organized under MGL c. 121B for use at units owned and operated by LHAs and developed under c. 200, c. 667, c. 705, c. 689 and c. 167 construction funding programs. However, LHAs with state-aided public housing units whose operating funds are provided under the Section 8 New Construction/Substantial Rehabilitation Program will not receive FF for those developments and instead must fund capital needs for those developments through dedicated project-based Section 8 reserves.

In order to receive and spend capital funds, LHAs must be current with all DHCD reporting and certification requirements and be in compliance with all applicable DHCD public housing regulations.

## Section 3 – Eligible Activities

DHCD's capital funding programs are primarily focused on those activities that preserve, stabilize and/or modernize existing state-aided public housing. Pursuant to MGL c. 121B and prior written approval by DHCD, capital funds can be used to dispose of and replicate state-aided public housing only in cases where an LHA can demonstrate that such action is economically feasible and necessary to stabilize its remaining state-aided public housing units. Only in special situations and with prior written approval by DHCD may capital funds be used to develop or acquire new units that expand the state-aided public housing portfolio.

## Section 4 – Understanding & Assembling Funding Resources

To best meet the goal of stabilizing, preserving and/or modernizing state-aided public housing, DHCD will allocate capital funds to LHAs through the following funding programs:

- Formula Funding;
- High Leverage (HILAPP);
- Compliance Reserve;
- Emergency Reserve;
- Sustainability Initiative, and;
- Other special initiatives, as funding permits.

DHCD's modernization programs will be documented in its annual Capital Plan that is submitted to the Executive Office of Administration and Finance (A&F). DHCD's programs will be updated periodically to address changing conditions and opportunities.

DHCD strongly encourages LHAs to seek additional sources of funding to supplement DHCD's resources in these programs. Other state, local, utility, or philanthropic organizations may provide grants, loans or rebates, often with some use restrictions (as to timing, locations, use only for labor or equipment, etc.).

DHCD also has set aside some capital funding for emergencies and compliance needs which cannot otherwise be addressed by LHAs with their FF and available resources. These contingency reserves will only be accessed as FF implementation occurs and special needs arise.

## DHCD Program Budgets

### Formula Funding (FF)

The **Capital Planning System (CPS)**: is DHCD's transparent web-based capital planning system that catalogues the condition of every building and site in the state-aided public housing portfolio, providing LHAs with detailed technical information to make strategic long-term capital investments. It includes a Facility Condition Index (FCI) for every development that compares the value of expired components of a development to the sum of the replacement costs for all the development's components.

**Statewide Formula Funding Allocation:** DHCD uses the value of expired components of each LHA's portfolio as a proportion of the value of expired components of the entire statewide portfolio to calculate a formula funding allocation for each LHA. The formula is  $\text{LHA expired components} / \text{portfolio expired components} \times \text{programmed formula funding}$ .

**LHA's Formula Funding Award:** is a multi-year share of capital funds issued to an LHA through a Contract for Financial Assistance (CFA). FF awards will cover three (3) years of capital funding with a new award made annually. With each award, the CFA will be updated to include an additional year of formula funding.

**LHA's FF Cap Share:** While each LHA can count on eventually expending the full amount of its FF award as documented in its FF CFA, an LHA's annual spending is controlled by DHCD's bond cap. Each LHA is allocated a cap share for spending when its CIP is approved, subject to the continued availability of bond cap.

### Formula Funding Priorities

DHCD has established the following priorities for the use of formula funding in response to limited capital and operating resources:

- **Keep occupied as many units as possible** by addressing core capital components and important health and safety needs;
- **Optimize life cycle investments** following DHCD design guidelines and construction standards and using maintenance strategies to extend the useful life of building components;
- **Reduce energy and water usage** and pursue other capital and operating efficiencies; and
- **Invest in projects that leverage** additional public and private resources.

### LHA FF Set Asides

Most of the LHA's FF award is unrestricted and can be directed to any of its needs in keeping with FF priorities. However, LHAs must use some FF for prescribed set asides in its CIP, according to the following guidance.

#### LHA FF Emergency Set Aside

In order to address emergencies, each LHA must set aside a percentage of its total FF allocation as an emergency reserve. Those percentages are as follows:

- 10% for an LHA having not more than 199 state-aided public housing units; and
- 15% for an LHA having at least 200 state-aided public housing units.

These amounts are to remain “unplanned.” That is, no CIP projects are to be assigned to this funding unless an emergency need develops.

The LHA set aside is intended to allow the LHA to have funds available to deal with unforeseen events without having to reconfigure ongoing projects in its CIP. An LHA can make a request to DHCD during the plan year to draw down its emergency reserves as needed. The reserve amount will be recomputed annually when the LHA submits its annual CIP. The set aside amount will be the applicable 10% or 15% of the total award balance.

#### [LHA FF 1% Set Aside for Reasonable Accommodations, Reasonable Modifications or Other Accessibility Improvements](#)

All LHAs need to set-aside at least 1% of their FF award amount for reasonable accommodations, reasonable modifications or other accessibility improvements. The LHA should include a project or projects in its CIP that makes use of this 1% set aside. It can be programmed to be part of a larger project with an accessibility component or a stand-alone project. LHAs with a small set aside amount may apply funds to an anticipated reasonable modification at the property where they are most likely to receive a request.

#### [LHA FF DDS and DMH Set Asides](#)

LHAs with c. 689 or c. 167 developments for individuals supported by the Department of Developmental Services (DDS) or the Department of Mental Health (DMH) have separate set asides for DDS and DMH properties. They are the portion of the FF award amount attributable to conditions at those properties. These set asides are to be used for properties by agency designation. Capital work on DDS properties is to be funded from the DDS set aside and DMH properties from the DMH set aside. The LHA should include a project or projects in its CIP for these properties, based on needs established at the annual meeting with the vendor or more recent discussions in the context of the CIP.

#### [Prospects for Future Formula Funding](#)

Upon passage of any Housing Bond Bill in the future, DHCD will likely allocate a portion of DHCD’s total available capital authorization to each of DHCD’s modernization programs, including FF. At that time, FF allocations will be recalculated. Since the CPS will be updated as capital projects are implemented, future FF allocations will reflect the relative changes to facility conditions at each LHA and across the statewide portfolio.

#### [Mixed-Finance and High Leverage](#)

DHCD will periodically make a portion of state-aided public housing capital funds available on a competitive basis to LHAs for mixed-finance and high leverage projects. The availability of such funds and the corresponding program guidelines will be announced through public housing notices as well as posted on DHCD’s website.

#### [Sustainability Initiative](#)

DHCD encourages LHAs to give priority to projects that conserve water and energy, and thereby reduce utility expenses. DHCD supports other sustainability or green goals such as improving indoor air quality, reducing



greenhouse gas emissions, recycling construction waste and use of recycled materials. DHCD is also developing a program of resiliency investments to better prepare public housing residents and buildings for the effects of climate change. DHCD has programmed at least \$5M annually in bond funds for sustainability and resiliency programs. These funds are available to be used to augment approved heating, roofing and siding projects with energy saving opportunities, implement energy saving measures for LHAs served by municipal electric and gas companies that are not eligible for utility rebates, and install Air Source Heat Pumps in electrically heated community rooms and other auxiliary spaces. These awards will be prioritized to high energy or water users. Projects up to \$100,000 may be requested on a rolling basis through CIPs. DHCD may also periodically run competitive award rounds for larger, more comprehensive sustainability & resiliency projects. In addition to the above bond-funded sustainability opportunities, DHCD encourages LHAs to apply for free utility-funded energy audits and efficiency upgrades. The Low-Income Multifamily Energy Retrofit (LIMF) program runs on a calendar year and has improved offerings each year since launching in 2010. To apply for LIMF, go to [www.leanmultifamily.org](http://www.leanmultifamily.org). DHCD will publish notices of funding availability when resources are available for new or continuing sustainability initiative programs.

### Special Initiatives

As funds become available, DHCD may launch special initiatives to address specific capital challenges that are beyond the reach of FF. DHCD will announce these initiatives to LHAs through public housing notices or direct outreach efforts. Recently, these initiatives have included initiatives to create fully accessible units, comprehensive modernizations at elderly developments leveraging service commitments, and mixed-income redevelopment.

### Other Funding Sources

#### Other Sources

DHCD strongly encourages LHAs to seek additional sources of funding for capital projects. Proposed projects to be funded from these sources are to be included in the CIP. Other sources of funding and assistance that LHAs have successfully secured for capital projects in the past include: Community Preservation Act (CPA) funding, Community Development Block Grant (CDBG) funding, Local Affordable Housing Trust Funds (AHTF), HOME grants, cell tower income, utility rebates and contracted work, and Sheriff's Department work crews.

### LHA Operating Reserves

The LHA may choose to fund a capital project, in whole or part, with available operating reserves in excess of 30% of its full reserve level. Similarly, an LHA may use c. 689 and c. 167 operating reserves in excess of 20% of full reserve for capital projects that are: 1) specific to the building for which the reserves are dedicated; and 2) in accordance with priorities established together with the vendor at the annual meeting. Proposed projects using operating reserves are to be included in the CIP. See Attachment E (or [Public Housing Notice 2012-22](#)) for more detailed guidance on how LHAs may synergistically deploy both operating reserves and bond funds to best meet their capital needs.

### DHCD Contingency Reserves

#### DHCD Emergency Reserve

DHCD has a limited emergency reserve to assist LHAs in covering the costs of extreme emergencies that exceed their available FF. DHCD's emergency reserve will be administered as funds of last resort by the Bureau of Housing Development and Construction.

#### Project Criteria for Accessing DHCD Emergency Reserve:

LHAs applying for DHCD emergency funding must show that the project to be funded meets **all** of the following criteria:

- If not repaired, the emergency condition results in an immediate threat to the health, safety, and welfare of the occupants, and/or would prevent the unit(s) from being occupied.
- The emergency cannot be funded through a reduction of other planned work in the CIP without resulting in occupied units becoming vacant. This includes projects that haven't been started as well as active projects that are not yet out to bid.
- The project must be partially funded using the LHA's own formula funding resources. The LHA must allocate all uncommitted funding except for an amount equivalent to the most recent formula funding award.
- Other resources are not available to pay for all of the work. LHAs will be required to dedicate operating reserves in excess of 70% of their full reserve to the emergency project. An LHA with restricted reserves may be required to reprogram those funds to the emergency project, depending on the urgency of the work for which the restricted reserves were originally earmarked and the LHA's operating reserve level.

#### Emergency Reserve Awards:

For projects with a design phase, DHCD's award will be limited to design funding only and a further assessment of the LHA's ability to cover construction costs will be completed prior to bidding the project. Any additional FF awarded to the LHA between the design award and the approval to bid must be dedicated to the emergency project unless DHCD approves the use of those funds to cover other urgent needs. Typically, the emergency reserve will be sized so as to commit all of an authority's formula funding except for the 3<sup>rd</sup> year award.

#### DHCD Compliance Reserve

Funding from DHCD's compliance reserve is available for projects required to comply with laws, codes or regulations covering deleading, abatement of friable asbestos, removal of abandoned underground oil tanks and reasonable modifications to units, common areas and sites in response to a specific request by, or on behalf of, a resident or anticipated resident with a disability. The compliance reserve may also be used to fund compliance with those requirements of the Massachusetts Architectural Access Board (MAAB), ADA or Section 504 of the Rehabilitation Act triggered by work performed over time using FF.

DHCD recognizes that many LHAs will want to initiate accessibility projects. Due to statewide capital funding limitations and the need to fund reasonable modifications, however, the current compliance reserve is generally not available for such projects at this time. For these projects, LHAs may use other resources such as CPA or CDBG funds, or their own FF if they have sufficient resources. They can also respond to any competitive Notices of Funding Availability for creation of accessible units. LHAs without those resources should plan for these needs as part of their Self Evaluation/Transition Plan for accessibility, which is required by the ADA and Section 504.

To receive funding from the compliance reserve, LHAs will be required to dedicate operating reserves in excess of 70% of their full reserve to the compliance project. LHAs with restricted reserves may be required to reprogram those funds to the compliance project, depending on the urgency of the work for which the restricted reserves were originally earmarked and the LHA's reserve level. Additionally, LHAs requesting funds for reasonable modifications will need to spend their own ADA set aside first to be eligible for additional funding from the DHCD compliance reserve.

## Section 5 – The CIP Cycle: Planning, Submission, Review and Approval, Modifications and Revisions

### When to Submit

Each LHA must submit an updated CIP annually in conjunction with their Annual Plan. For LHAs that participate in the RCAT program, their RCAT Project Manager will assist with preparation and submission of the CIP.

### Prior to Submission: Capital Assessment

This is the time to update CPS to reflect property changes since the last CIP and assess resources and needs. Specifically the LHA should:

- Update data in the Capital Planning System (CPS) and close out CPS projects based on ALL completed projects.
- Review these guidelines and any relevant Public Housing Notices regarding funding availability.
- Conduct an inspections review and/or a facility condition assessment of all properties to identify any new deficiencies or current deficiencies which have worsened and update CPS Facility Inventory components based on these findings.
- Build new CPS Projects to plan for and address any new deficiencies found in the inspections review and/or assessments.
- Identify, assess and prioritize to allocate your resources to your needs.

### Prior to Submission: Tenant Participation

DHCD's Modernization and Development of State-Aided Public Housing regulation (760 CMR 11.00) requires tenant participation in the modernization planning process. Since the CIP is now a component of the Annual Plan (AP), tenant participation will be conducted as part of the AP process. This process includes the following steps:

- Schedule a public hearing for the AP, to be hosted by the LHA Board. The hearing may be conducted as part of a regular board meeting. A quorum of the Board must be present for the hearing.
- Prepare a draft of the AP, including the CIP, and post it on the Internet by changing the status in CIMS to AP Posted. Complete this step and the following posting steps at least 30 business days before the hearing. Hearing notices must be posted 45 calendar days before the hearing.
- Post a link to the CIMS public portal on your LHA's website, if it is not already there. (<https://tinyurl.com/LHA-MA-AnnualPlan>)
- Print copies of the "Complete Version" from the Annual Plan Status page, distribute to any LTOs, and make available for viewing in prominent locations in the LHA's offices and community spaces.

- Post additional copies of the hearing notice in additional locations to maximize awareness.
- Review the AP with any LTOs before the hearing. DHCD recommends scheduling these reviews at least two weeks before the hearing.
- Following the hearing, update the AP, including the CIP, as required to incorporate any appropriate changes suggested before or at the hearing.
- Following the hearing consider the concerns of any LTOs or Resident Advisory Board (RAB) regarding needs and priorities and incorporate some or all of such needs and priorities in the draft plan if deemed to be consistent with sound management.
- Update the CIP component of the AP (AP-CIP), if necessary to incorporate changes to the native CIP, then republish the AP-CIP.

#### Prior to Submission: Meet with c. 689 and c. 167 Service Providers

LHAs with c. 689 or c. 167 properties must meet with each applicable service provider on an annual basis to discuss the physical condition and necessary repairs for each of the c. 689 and c. 167 developments. If the LHA is considering projects for the c. 689 or c. 167 properties that were not part of the annual service plan, or if there are questions regarding priorities, the LHA should seek input from the applicable service provider.

#### Prior to Submission: Board Approval

The board must formally vote to approve the AP before it is submitted to DHCD.

#### CIP Submission

The CIP submission consists of two (2) required parts:

1. A **Budget Scenario** that shows the LHA's active projects and proposed projects, the funding sources (FF plus other available sources), and the timeframe for planning and construction. The LHA should attempt to prepare a Primary CIP with a Budget Scenario that meets the following spending rules:
  - a) Spending in each of the 5 years of the CIP falls within 20% of the cap share for the respective year.
  - b) Total spending for the first 3 years is within 5% of the total cap share for the 3 years.
  - c) Total spending for all 5 years falls within 3% of the total cap for all 5 years.

In order to allow flexibility to implement projects that require greater variation from an LHA's cap share in any given year, an LHA may propose an Alternate CIP with a Budget Scenario in which Rule (a) above is disregarded. DHCD's ability to approve alternate CIPs will depend on cap share distribution in all LHA's approved CIPs.

If the LHA chooses to submit an Alternate CIP instead of the Primary CIP, the Alternate CIP selection must be made in Question #1 on the Narratives page and a suitable explanation must be given for not submitting a Primary CIP. The LHA may request any spending distribution in the Alternate CIP but there is a better chance that DHCD will be able to approve the Alternate CIP if it doesn't diverge too widely from the Primary CIP cap share range.

2. A **Narrative** where the LHA explains how the projects included in its CIP support DHCD's formula funding priorities or, where they differ, why the LHA made those choices. It also includes information about how the LHA will maintain expired components which it was unable to include in the CIP; and, in the case where the LHA proposes to keep or take units off line, explains why unit conditions cannot be addressed in its CIP. In the Narrative, the LHA may also request funding from other sources: LHA Emergency Reserve (ER), DHCD ER, Sustainability and Compliance Reserve.

## Changes to an Approved CIP between Submissions

Over time the LHA's priorities may change, project budgets may grow or shrink, new projects may be required, and additional funding may be granted by DHCD or other entities. Any of these changes may affect the spending projected in the CIP. When the projected spending shown in the "Active CIP", which can be viewed in CIMS and shows the cost of active Cap Hub projects, varies markedly from the "Approved CIP", the LHA should edit the CIP to reduce the discrepancy. There are two categories of CIP changes:

1. **CIP Modifications:** LHA may change project dates in the CIP to adjust projected spending to align with the spending that was approved in the most recent "Approved CIP". Changes of this sort do not need to be submitted to DHCD for approval.
2. **CIP Revisions:** LHA may add projects to the CIP or shift the approved spending amounts between years. However, in these cases, the LHA must make the changes in the CIP and then submit a proposed revision to DHCD for approval.

## Systems that Support CIP Development and Review

DHCD has two (2) key information systems that support the creation, submission and review of the CIP: the Capital Planning System (CPS) and the Consolidated Information Management System (CIMS) software.

CPS is a Web based statewide inventory, condition assessment and capital project planning system for state-aided public housing. CPS records the condition of every significant capital component at every LHA building and site, with the initial assessment completed by DHCD's consultants between 2007 and 2010 and repeated in 2015 and 2020.

LHAs use CPS to create capital projects to include in the CIP. Construction costs embedded in CPS are based on conventional sources of component-based construction information such as RS Means construction data and Commonwealth of Massachusetts wage rates. Soft costs are added when the project enters Cap Hub and are calculated as a percentage of construction cost, usually around 20%. CPS project budgets are suitable for working at a planning level when creating the CIP, although the LHA may choose to modify a project budget in Cap Hub with more specific project cost information. Before starting in CIMS, the LHA should close out all CPS projects that have been completed, update CPS to reflect any newly identified capital needs not previously captured in the CIP10, which the LHA can then prioritize in its CIP.

The LHA will prepare and submit its CIP in CIMS. There are two categories of projects in the CIMS CIP. The first type, referred to as Cap Hub projects, are identified by Cap Hub numbers as well as CPS project numbers. These projects have already been created in Cap Hub, the project management application. They get their budget and schedule information from Cap Hub. All changes to schedules, budgets, and Offsetting Income sources must be made in Cap Hub and imported to CIMS. Imports are done automatically every night and may

also be initiated by the user at any time. DHCD also maintains an awards system to track awards from DHCD bond funds. These awards are entered into the CIMS project funding detail and updated nightly in CIMS.

The second project type, referred to as CPS projects, is CPS projects which have not yet been linked to Cap Hub projects. Using the LHA's project data from CPS, the Web based CIMS program allows the LHA to prioritize, select and schedule CPS projects, assign funding sources and direct project spending to specific fiscal years to create a CIP that has a budget consistent with the LHA's FF award amount and FF cap shares, plus any additional funding resources the LHA has identified.

CIMS assigns a template schedule to each CPS project based on project size. These are generic schedules suitable for planning purposes and contain adequate time to complete the 'average' project. While LHAs cannot change project durations, they can control the timing of spending by changing any one of the four project dates or by entering a spending amount into any of the fiscal year columns.

All proposed capital projects are to be included in the LHA's CIP, whether they are funded with FF or from another source. The LHA should work with its DHCD project manager to make sure that all active projects with Cap Hub numbers have accurate budgets and schedules in Cap Hub, so that the accurate data is being imported to CIMS.

### [CIP Review by DHCD](#)

DHCD will use CIMS to conduct its review of the CIP. DHCD's goal is to approve CIPs within 30 days of LHA submission. DHCD anticipates that in many cases the CIP will be approved as submitted without any requests for additional information or modifications. In a case where DHCD is requesting additional information and or modifications, DHCD will communicate such requests to the LHA directly. In limited instances, DHCD staff may conduct field visits as part of its review process. The LHA will receive notices on the status of its CIP through CIMS, and after approval, will receive an approval letter which will contain project numbers for projects which the LHA is authorized to start as well as any conditions or comments on the CIP. The LHA should not start projects until it receives this letter.

### [Flexibility in Defining & Prioritizing Capital Projects](#)

Capital projects in CPS are generally replacements of building systems or components for multiple buildings or a whole development, based upon actual or imminent performance failure, predicted lifecycle, or as part of an overall plan to upgrade performance (e.g., for water or energy conservation purposes.) In many cases the LHA may need to split projects into phases to match funding availability.

Two (2) types of projects identified by a number of LHAs deserve clarification relative to their eligibility as capital projects versus operating expenses:

#### [Turnovers and Currently Vacant Units Needing Substantial Improvements](#)

Unit turnovers beyond routine cleaning, refinishing and repair may be included in the CIP. Eligible projects are those that address CPS tracked systems or components that have reached the end of their useful lives and require complete modernization of a unit or room or the replacement of individual CPS tracked systems or components, plus associated finish work and other incidental repairs.

### Securing Vacant Units with Excessive Capital Needs

On a case by case basis, when an LHA can demonstrate that a reasonable planned use of its FF and other resources does not allow the level of investment necessary to restore a vacant property to occupancy, DHCD will consider an LHA's request to use FF to pay the cost to secure the property until resources for redevelopment are available. Such a proposal must be requested in the LHA's CIP and include a detailed explanation of the necessity of such an action. DHCD will only consider proposals to demolish a property if the LHA can provide a plan with committed funding sources for a feasible replacement project. The proceeds of the sale of the property will be considered as one of the replacement project funding sources only if a current "as-is appraisal" completed by a certified appraiser is provided to DHCD.

Note that under [DHCD's Vacancy Policy](#), the operating budget for units vacant for an extended period of time without a fully funded plan for reoccupancy may be based on a reduced Suspended Occupancy Payment of \$110/unit/month, rather than the much higher ANUEL levels typically budgeted. LHAs are strongly encouraged to use all available resources, including FF and operating budget funds, to keep all of its units occupied whenever possible.

## Capital Project Supplemental Costs

### LHA Administrative and Overhead Expenses

An LHA's general administrative expenses associated with a particular capital project may be paid out of the LHA's FF. Administrative expenses are to be included in the project budget and billed in accordance with the progress of the job according to the milestones and percentage payment schedule in the RFS or Work Order. Admin fee detailed guidelines can be found here: <https://www.mass.gov/service-details/formula-funding-program>

### Predevelopment Third Party Expenses

Third party expenses associated with projects may be paid for with FF and are to be included in the project budget.

### Use of Bond Funds for "Force Account" Work

LHAs completing a capital work project which is included in the DHCD approved CIP with their own in-house work force (known as "Force Account" work), may request reimbursement from their Formula Funding funds for the actual cost for labor hours spent on the project and for the cost of materials. The LHA should indicate in its CIP project description that it will be completing the work in-house, if that information is known at the time the CIP is submitted, and the project budget should reflect that method of completing the work.

Please see detailed policy and implementation documents found here: <https://www.mass.gov/service-details/force-account-guidelines-and-forms>

## Section 6 – Capital Project Implementation

### Impacts of Formula Funding

FF has led to a far greater number of LHA projects, especially smaller projects, more LHA participants, more decentralized management of the bond cap, and practically no ability for DHCD to fill project funding gaps.



DHCD is responsible for ensuring the effective utilization of approximately \$95 to 110M annually (depending upon annual bond cap allocation from A&F) for state-aided public housing. In order for DHCD to effectively utilize the annual bond cap and to mitigate the potential for a reduced bond cap, it is critical that each LHA and RCAT take an active role in managing project budgets and keeping projects on schedule.

### Keeping Projects on Schedule

In FF, each LHA has a proportional allocation of bond cap based on its share of need. Every LHA's CIP has a target for annual cap spending, likely to be made up many of small projects. DHCD will not meet the overall annual bond cap unless most of the contributing small projects stay on schedule. DHCD asks LHAs to assume responsibility for keeping projects on schedule by staying in touch with consultants and making sure that all participants are aware of their responsibilities for moving the project forward on schedule. DHCD's bond cap cannot be rolled into future years. Cap that is not spent annually is lost forever and may ultimately result in a reduction in the subsequent year's bond cap thus reducing the amount of funds available to LHAs.

### Budget Change

DHCD's unallocated funding is severely limited, with almost all of the funding going directly to LHAs based on their share of overall need or to periodic competitive grants for larger modernizations. Each increase in an LHA project budget means that another high priority project at that LHA may need to be reduced in scope. LHAs proposing project increases must identify project(s) that will offset the increase with a reduction and inform DHCD how that impacted component will be maintained given the reduction. DHCD staff is available to work with LHAs seeking guidance in making these tradeoffs.

### Keeping Schedules and Budgets Up to Date

In order to properly manage the limited bond cap, DHCD needs accurate, up-to-date information on all projects. LHAs can manage their projects (under \$10,000 construction cost if participating in RCAT, under \$50,000 construction cost if exempt or waived from RCAT) using DHCD's web-based project management system, Cap\_Hub. LHAs will maintain accurate budgets and schedules for this project as they learn about changes in scope, estimates, and deadlines, and can view the schedules and budgets for DHCD or RCAT-managed projects at all times.

### Keeping CPS Accurate and Up-To-Date

DHCD has designed CPS to be a basic, easy-to-use asset management tool for LHAs. DHCD welcomes LHA suggestions for further simplification or ease of use. In order to keep CPS current, any rehabilitation or modernization work that happens annually must be put into the system along with any change in the condition of any component that affects its remaining useful life. LHAs, or their RCATs if applicable, are responsible for component updates at the end of all capital projects and for updates due to change of condition. For projects with construction budgets greater than \$50,000, DHCD will provide the LHA and its architect or engineer (A/E) a form – the CPS Inventory Component Verification Form - to record the components that were updated in the construction project. This form must be completed by the LHA or A/E, if the LHA includes it in the A/E scope, and submitted electronically in conjunction with closeout forms for the construction project. When an LHA submits its annual CIP, it will need to certify that CPS is up to date and reflects completed projects and changes in component condition. Every five (5) years, DHCD



intends to recalibrate the CPS inventory of all site and building components at every LHA, to ensure the quality and consistency of data across the statewide portfolio.

For more detailed instructions about how to complete these tasks, see [Public Housing Notice 2013-04](#).

## Implementation of Capital Projects

### Large Projects (\$50,000 or more)

DHCD initiates, reviews, and approves all projects with construction budgets of \$50,000 or more, regardless of funding source (DHCD capital funds, operating reserves, locally-controlled funds such as CPA, CDBG, HOME, etc.). All projects over \$25,000 require the services of a licensed design consultant unless approved by DHCD to be completed using alternative means. DHCD staff prepares Work Orders or Requests for Services (RFS) to assist LHAs to hire architects or engineers, either through DHCD's house doctor program or through the required solicitation process when the fee and construction budget are below the MGL c. 7 designer selection threshold. Projects with costs that exceed the designer selection threshold and are more complex than the predominantly single trade repair and renovation projects considered for the house doctor program will go through the Designer Selection Committee (DSC). DHCD staff complete design reviews, though keeping to the LHA's project schedule may require that a review be more limited in scope in individual cases, approve phases, provide bidding guidance, and monitor projects during construction, including signing construction payments. Soft cost payments will be disbursed to the LHA upon DHCD approval of invoices submitted to the DHCD Project Manager for an approved project. Construction cost payments will be disbursed to the LHA upon DHCD approval of invoices submitted to the DHCD Construction Advisor for an approved project.

### Medium projects (\$50-100,000 for Authorities participating in RCAT)

For authorities participating in RCAT, RCAT will take over project management for projects with estimated construction cost of \$50-100,000. DHCD will continue to select designers, review design submissions, approve budget changes associated with design phases, and conduct bidding, but RCATs will be responsible for project management. This will include maintaining accurate budgets and schedules, holding designers to deadlines, and providing construction oversight including requisition approval.

### Small Projects (Under \$50,000)

DHCD staff no longer assists with selection of designers, design review, bidding, contracting, and construction oversight of projects with estimated construction budgets of less than \$50,000. LHAs are responsible for managing these projects, with the assistance of their Regional Capital Assistance Team (RCAT – described in next section), if applicable. DHCD's Small Projects Guide contains step-by-step instructions to help LHAs and RCATs ensure that every project is done efficiently, cost-effectively and according to the applicable statutes, rules and regulations. It applies to all projects regardless of funding source.

The information contained in the Guide represents DHCD's understanding of the current laws, regulations, and policies regarding procurement of design and construction services and the execution of small (less than \$50,000) building-related repair, replacement or modernization projects, including public bidding of construction in Massachusetts. DHCD will update the Guide and its attachments and appendices as applicable. The most current version of the Small Projects Guide will be available on the web at:

<https://www.mass.gov/doc/small-projects-guide/download>

For submission and approval of invoices for small projects, LHAs must follow procedures included in the Small Projects Guide. Since these laws, regulations, and policies are always subject to change, the LHA and RCAT are responsible for insuring that all information is current before proceeding.

DHCD project managers, engineers, architects and construction advisors will still be available to answer questions and provide assistance when issues arise that are not addressed in the Guide. However, they will try to limit their assistance on small projects, so they can focus on helping LHAs implement hundreds of larger capital projects (those with construction costs over \$50,000).

## Section 7 - RCAT Program

Section 26C of MGL c. 121B mandates that 3 Regional Capital Assistance Teams (RCATs) are available to assist all Local Housing Authorities (LHAs) in executing capital and maintenance plans and projects. The Legislation states that all LHAs **may** participate in the program, but LHAs with 500 or fewer state-aided units **are required to** participate, unless the LHA is granted a waiver by DHCD.

DHCD issued an RFR in June 2015 to select 3 LHAs to host the RCAT program. Currently, the three Host Housing Authorities are: the Worcester, Taunton and Chelmsford Housing Authorities.

### RCAT Scope of Services Overview

The RCATs will perform the following services for Participating Local Housing Authorities (PLHAs):

- Annual portfolio needs assessment.
- Annual Capital Improvement Plan (CIP) creation and maintenance of the plan between periodic submissions to DHCD.
- Project management duties for all capital projects, with particular focus on implementing small projects.
- Assistance with securing additional capital funds from DHCD or other leverage sources.
- Annual Maintenance Plan creation and guidance.

In addition, the RCATs will organize 2 group trainings per year for their regions on topics most relevant to the needs of the LHAs in their region and will also conduct a vacant land survey of land owned by LHAs to identify areas for potential housing development.

PLHAs will receive assistance from RCAT for most of the tasks described in these Guidelines. For a more detailed description of this program, see the RCAT Program Guidelines.

## Section 8 - Performance Management Review

Section 26B of MGL c. 121B requires that DHCD establish and implement a performance-based monitoring program and develop and provide uniform assessment standards for evaluating housing authority operations. DHCD will conduct regular Performance Management Reviews (PMRs) at all LHAs. Each PMR will assess whether or not the LHA meets specific benchmarks on a number of key data points, including the following FF-related data:

[CIP Submission:](#)

- In order for an LHA to receive a favorable rating in this area (“No Findings”), its most recent CIP must be submitted On-Time and DHCD-requested modifications must be resubmitted within 45 days of notice.
- The LHA will receive a rating of “Operational Guidance” if its most recent CIP was submitted up to 45 days late, OR DHCD-requested modifications were not resubmitted within 45 days of notice.
- The LHA will receive a rating of “Corrective Action” if the most recent CIP was not submitted or was submitted more than 45 days late, or if DHCD-requested modifications were not resubmitted within 45 days of notice.

#### Formula Funding Spending:

- In order to receive a favorable rating in this area (“No Findings”), LHAs must spend during the past three years a minimum of 80% of its Formula Funding available at the beginning of the three year period.
- The LHA will receive a rating of “Operational Guidance” if it spends 50 to less than 80% of its available Formula Funding.
- The LHA will receive a rating of “Corrective Action” if it spends less than 50% of its available Formula Funding.

## Section 9 – AIMM Eligibility and AIMM Project Implementation

### AIMM Program and Eligibility

Background information can be found at:

<http://www.mass.gov/hed/docs/dhcd/ph/formula/acceleratedindependent.pdf>.

DHCD will update eligibility criteria for AIMM as necessary to coordinate with other changes to public housing regulations, programs and guidelines. Updates will be announced through Public Housing Notices and posted on DHCD’s website. At this time, new applications are only open to those LHAs that are not mandated to participate in the RCAT program (LHAs with 500 or more state-aided units or LHAs that secured a DHCD waiver from participation). Only authorities with a licensed design professional on staff are eligible for the AIMM program. DHCD will also evaluate authorities applying for AIMM status based on their management capacity as demonstrated by PMR and recent experience in project management and delivery.

### AIMM Designated LHA Responsibilities

#### Capital Planning

AIMM designated LHAs create, revise and update the LHA’s CIP independently.

#### Project Implementation

AIMM designated LHAs take full responsibility for capital improvement planning and the modernization process including compliance with all statutory and regulatory requirements, using DHCD programs and template documents. DHCD will review and approve throughout the project. AIMM LHA and DHCD responsibilities are described below.

### Procuring Architectural/Engineering (A/E) Services

DHCD requires LHAs to hire a licensed design professional for work with a construction estimate of \$25,000 or more. They may apply to DHCD on a case-by-case basis do to their own in-house specifications for projects between \$25-50,000 ECC. The LHA procures A/E services as follows:

- For projects under \$50,000 the LHA contacts the designer directly, using the Scope of Services form.
- For projects between \$50,000 and \$500,000 the LHA procures services through the DHCD house doctor program. Contact DHCD's house doctor program administrator at (617)573-1165 to receive a list of consultants available for the project.
- Projects over \$500,000 go through the DHCD Designer Selection Committee (DSC).

The LHA documents the procurement process for the project record.

### Creating the Work Order or Request for Services (RFS) for Architectural/Engineering (A/E) Services

The LHA creates the Scope of Services, Work Order or RFS using DHCD template documents which will be found on the Cap Hub web-based project management platform.. The Scope of Services, Work Order or RFS identifies the project scope, budget, design phases and schedule, and references that the A/E must adhere to DHCD design guidelines.

The AIMM LHA submits the Work Order to House Doctor Administrator for the House Doctor solicitation. At this time DHCD assigns a review architect or engineer who also receives a copy of the Work Order.

The AIMM LHA submits the RFS to the DHCD Project Manager for DHCD approval. A DHCD assigned review architect or engineer will review the draft of the RFS. Upon approval, DHCD will approve the AIMM LHA to advertise for Designer Selection through the DSC.

### Completing Required Design Reviews

The AIMM LHA is responsible for completing design reviews as required. DHCD will review the submissions at schematic phase and 100% construction document (CD) phase. The LHA and the DHCD review architect/engineer review the project concurrently. For projects requiring an RFS, the AIMM LHA invited the DHCD review architect/engineer is any scheduled design meetings.

Assuming the submissions are acceptable, DHCD will issue Schematic Approval and Approval to Bid at the completion of the schematic and 100% CD reviews.

### Bidding the Project

The bid documents incorporate applicable DHCD front ends and contracts. The AIMM LHA bids the project according to all applicable laws and regulations. The LHA reviews the low bids and determines the eligible low bidder. If the low bid is within the approved construction budget, the LHA awards the construction contract and notifies the low bidder and provides them with contracts to complete. If the low bid exceeds the approved construction budget, the LHA contacts the Project Manager for approval to increase the construction budget before awarding the contract.

Construction contracts in excess of \$50,000 need to be submitted to DHCD for approval. For these projects, the AIMM LHA provides a completed Certification of Compliance with Bid Laws form. All submissions should be sent to the project manager. The LHA documents the procurement process for the project record.

#### Construction Administration

The LHA administers all aspects of the construction contract including approving payments, change orders and closing out the project and Warranty walk-throughs. For construction contracts with a value of \$50,000 or more, the LHA's construction advisor also signs payments, change orders and closeout documents. The AIMM LHA invites the construction advisor to attend construction meetings where payment requisitions are approved.

#### Requesting Payments

The LHA submits non-construction payment requests to its project manager. The LHA certifies that the expense has been procured in accordance with law and is due and payable and that the project TDC is consistent with the CIP cost or an approved change. Administrative costs are to be billed according to the milestone percentages set in DHCD's Contract for Architectural Services. The LHA submits construction payment requests to its construction advisor. To receive final construction payment, the LHA confirms that CPS has been updated to incorporate applicable component upgrades and that the bid documents have been archived.

#### Updating CPS

The LHA updates CPS as projects are completed and to reflect changes in the condition of components.

#### Maintaining the Project Record & Archiving Projects with Biddocsonline

The LHA maintains a complete project record, including:

- initial and final scope and CPS components,
- initial and final cost,
- contracts,
- payments,
- documentation of procurement,
- bid set documents and designer certification, and
- as-builts.

All of the bid documents and as built documents are to be archived with Biddocsonline. The LHA or their consultant shall prepare and transmit an electronic version of the bid set documents (with addenda) to be archived at Biddocsonline. (DHCD's choice for DHCD's electronic archives.) The pdf documents shall be forwarded via email to [support@biddocsonline.com](mailto:support@biddocsonline.com). If the documents are too large to email, please forward a CD to BidDocs ONLINE, P.O. Box 51, Groton, MA 01450. All documents should be accompanied by a transmittal indicating the Housing Authority, the project name, the development name and number, the DHCD number and the designer's contact information.

## DHCD Non-Project Responsibilities

### Maintaining Design & Construction Guidelines & Standards (D&C – G&S)

DHCD will continue to create and revise D&C-G&S to reflect best practices modernization and sustainability for the building types represented in the state-aided housing portfolio.

### Creating Contracts and Other Template Documents

DHCD will continue to create and revise contracts and construction front ends to assist LHAs to procure goods and services more easily and to comply with procurement laws and regulations. DHCD has a small library of template scopes of work that LHAs may modify (or hire consultants to modify) to create bid documents for smaller projects, with the goal of reducing the time required for design and allowing LHAs to procure designer services at lower costs. To access these template scopes, LHAs may contact the supervising architect or engineer in DHCD's technical services unit. The new Capital Projects Center is expected to debut in January 2017.

## Section 10 – Definitions

### What is Capital Improvement Planning?

- Capital improvement planning is the process by which an LHA monitors and evaluates the physical condition of its real estate portfolio and determines the capital needs of that portfolio for the next ten (10) years;
- Creates a set of capital projects and maintenance activities based on those needs; and
- Organizes as many of those projects as possible -- given available resources -- into a five (5) year construction project schedule and spending plan.
- The CIP is coordinated with the LHA's operating budget.

### What is Formula Funding?

Allocation of bond funds to each LHA according to the condition (needs) of its portfolio in comparison to the entire state-aided public housing portfolio. In addition to allocations to each LHA, DHCD has created limited set aside funds to provide for extreme emergency or code compliance needs which are beyond the capacity of an LHA's current FF balance.

### What is the Capital Planning System (CPS)?

CPS is DHCD's transparent Web-based capital planning system that catalogues the condition of every building and site in the statewide public housing portfolio, providing LHAs with detailed technical information to make strategic long-term capital investments. It includes a Facility Condition Index (FCI) for every development that compares the value of expired components of a development relative to its replacement cost.

### What is the Consolidated Information Management System (CIMS)?

CIMS is a Web based system that contains the project data from CPS. The CIMS program allows the LHA to prioritize, select and schedule projects, assign funding sources and direct project spending to specific fiscal years to create a CIP that is consistent with the LHA's FF award amount and FF cap shares, plus any additional

funding resources the LHA has identified. The LHA submits its CIP and DHCD conducts its review of the LHA's CIP in CIMS.

### What is Cap Hub?

Cap Hub is DHCD's web based project management software. It is used to track the budget, schedule, invoicing, design and construction processes for every capital project.

### What is a CIP?

A Capital Improvement Plan (CIP) is a five (5) year plan which identifies capital projects, provides a planning scope, schedule and budget for each capital project and identifies options for financing and implementing the plan. The contents of a CIP are limited to available resources. An approved CIP is required in order to receive FF.

## Section 11: Attachments

### Attachment A: Table of Allowable Bond Funded Capital Expenses

| EXPENSE TYPE                     | ALLOWED TO BE BOND-FUNDED<br>(USE CAPITAL BOND ACCT)   |   | NOT ALLOWED TO BE BOND-FUNDED<br>(USE OPERATING BUDGET FUNDS)                               |  |
|----------------------------------|--|---|---|--|
|                                  | SITUATION  | EXAMPLE   | EXAMPLE   | SITUATION  |
| GENERAL CAPITAL EXPENSES         | Materially adds value to the asset.  | Repaint entire development envelope. (Note: This is an exception to the otherwise-enforced CPS rule).   | Spot painting; interior decorating.   | Maintains value of the asset.  |
|                                  | Prolongs useful life by at least 5 years.  |   |   | Repairs/ replacements to meet or extend useful life.                   |
|                                  | Project cost is greater than \$1,000 AND component being replaced is tracked in CPS.   |   |   | Project cost is less than \$1,000, OR component is not tracked in CPS. |
| BUILDING SYSTEMS                 | Replacement of building systems based upon lifecycle.  | Replace entire HVAC system.   | Replace a section of pipe.  | Repair to building systems.  |
|                                  |  | Roof replacement.   | Roof patching.  |  |
|                                  |  | Envelope: re-placing more than 20% of siding.   | Envelope: spot replacement of worn/damaged siding.  |  |
|                                  |  | Envelope: repointing a building.  | Envelope: spot repointing.  |  |
| BUILDING COMPONENTS OR EQUIPMENT | Replacement of equipment based upon lifecycle, generally as part of a long term, predictable schedule, OR as part of an overall plan to upgrade equipment (e.g., for energy or water conservation purposes). | Replacement of all kitchen appliances in a building at the end of their useful life, per industry norm. | Replacing one kitchen appliance in a unit because it is broken.                             | Replacing a broken piece of equipment.                                 |
|                                  |  | Replacement of all refrigerators to Energy Star models as part of an overall energy conservation plan.  | Installing one Energy Star refrigerator in a unit as replacement for a broken refrigerator. |  |



| EXPENSE TYPE   | ALLOWED TO BE BOND-FUNDED<br>(USE CAPITAL BOND ACCT)  |  | NOT ALLOWED TO BE BOND-FUNDED<br>(USE OPERATING BUDGET FUNDS)  |   |
|--|---|--|--|---|
|  | SITUATION   | EXAMPLE  | EXAMPLE  | SITUATION   |
| <b>UNIT TURNOVER</b>   | Primarily consists of replacement of components tracked in CPS, plus associated finish work and other incidental repairs which together are worth less than 15% of the project TDC.   | Complete modernization of room(s) in a unit which has not turned over for many years or has been subject to unusually hard use so that capital components have reached ends of useful lives. | Painting; carpet cleaning; replacement of failed or failing individual appliances; cabinet refinishing and repair (as opposed to replacement).   | Replace, repair, or refurbish components not listed in CPS; work typically done on unit turnover. |
| <b>SITE WORK</b>   | Heavy site work requiring special equipment and special expertise.  | Removal of trees or large tree limbs.  | Snow plowing; lawn mowing; regular landscape maintenance.  | Routine site maintenance.   |
| <b>STAFF: PLANNING &amp; ADMINISTRATION FOR CAPITAL PROJECTS</b> | <p>With project manager approval, LHA may use up to 10% of its Formula Funding for capital administrative purposes, including paying for staff time. AIMM authorities may use up to 13% of Formula Funding.</p> <p>See p.14 of this guide for detailed instruction.</p>   |  | <p>Capital funds applied toward administration must be recorded in operating budget. Funds are still subject to bond rules for contracts and expenditures.</p>   |   |
| <b>STAFF: LABOR FOR CAPITAL PROJECTS</b>                         | <p>Needs to be a formal, approved budget for the whole project. Wages paid on reimbursable basis at the hourly rate specific to each permanent employee. Capital bond funds cannot be used to pay staff retirement benefit costs. Requires careful record keeping.</p> <p>See p.16 of this guide for detailed instruction</p> |  | <p>Upon approval, wages paid on a reimbursable basis, for overtime or for temporary or seasonal employees filling in for more skilled permanent employees. Requires careful record keeping.</p> <p>See p.16 of this guide for detailed instruction</p> |   |