

# CoC Eligible Costs, Match, and Leverage

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Illinois TA Discussion Series

November 7, 2017



# Today's Agenda

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## Introductions

Who we are, about the Illinois TA Discussion Series, and additional information about available technical assistance



## HUD Updates

Recent news and reminders from the U.S. Department of Housing and Urban Development



## CoC Eligible Costs, Match, and Leverage

Overview of eligible costs under the CoC Program; Description of match and leverage requirements



## Discussion and Next Steps

Participant-driven discussion of eligible costs, match, and leverage; planning upcoming sessions in the Illinois TA Discussion Series



# Introductions

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- Who We Are (and What We Do)
- About the Illinois TA Discussion Series
- Other Technical Assistance Available



# Who We Are (and What We Do)

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- **Patrick Wigmore** and **Matt Olsson** serve as HUD technical assistance providers for HomeBase, a San Francisco-based nonprofit public interest law firm dedicated to the social problem of homelessness
- We work at the federal, state, and local levels to support communities in implementing responses to homelessness while fostering collaboration in addressing the socioeconomic causes of homelessness



# About the Illinois TA Discussion Series

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- **Monthly** peer-to-peer and capacity building discussion series
- Each session will cover an important **systems-level topic**
- HomeBase will provide an **overview of the topic**, including national best practices, and facilitate a **participant-driven discussion** of the challenges faced in Illinois CoCs



# Other Technical Assistance Available

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- HomeBase is available on an ongoing basis to provide **individualized technical assistance** to Illinois CoCs on the discussion topic or other challenges facing your CoCs
- For more information or technical assistance, **please contact** either:
  - Patrick Wigmore: [patrick@homebaseccc.org](mailto:patrick@homebaseccc.org) or (415) 788-7961 x328; or,
  - Matt Olsson: [matt@homebaseccc.org](mailto:matt@homebaseccc.org) or (415) 788-7961 x314



# HUD Updates

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- Recent News and Reminders from the U.S. Department of Housing and Urban Development



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# HUD

## Chicago Field Office

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# CoC Eligible Costs

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- Context for Cost Requirements
- Eligible Costs
- Program Income and Fees



# Broader Context

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All costs billed to a CoC grant must be...

1

## Reasonable

- Necessary and directly related to the grant
- To determine reasonableness, consider:
  - Whether the expenditure is ordinary and necessary
  - The cost of comparable goods and services
  - The benefit to program participants

2

3

4

5



# Broader Context

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All costs billed to a CoC grant must be...

1

**Reasonable**

2

**Allowable**

- Included within the description of eligible activities in the CoC Program regulations
- Included directly or indirectly for the benefit of an eligible CoC Program participant
- In accordance with any limitations specified in the CoC grant award process
- Documented adequately
- Determined to be reasonable, allocable to the CoC Program grant, and otherwise in conformity with the general criteria for allowable costs in OMB Circular A-122

3

4

5



# Broader Context

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All costs billed to a CoC grant must be...

1

Reasonable

2

Allowable

3

**Documented**

Supported by materials backing up the expenditure, including:

- Voided checks
- Paid bills
- Certified payrolls
- Time and attendance records

4

5



# Broader Context

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All costs billed to a CoC grant must be...

1

Reasonable

2

Allowable

3

Documented

4

**Allocable**

- Expenditures are considered allocable to federal grants in two circumstances:
  - Incurred directly for the purposes of a specific grant, contract, or program; or,
  - Benefits a grant, contract, or program and other costs objectives, and can be distributed among objectives in reasonable proportion to the benefits received
- Costs can be charged on a direct or indirect basis: indirect costs are incurred for common/joint purpose benefiting more than one program or activity and are not readily identifiable with a particular cost objective (e.g., utilities, facility maintenance, accounting expenses, etc.)

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# Broader Context

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All costs billed to a CoC grant must be...

1

Reasonable

2

Allowable

3

Documented

4

Allocable

5

**Reimbursable**

- In accordance with a HUD-approved budget and otherwise allowable
- Made within an eligible timeframe (the grant term)



# Broader Context

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All costs billed to a CoC grant must be...

1

**Reasonable**

2

**Allowable**

3

**Documented**

4

**Allocable**

5

**Reimbursable**



# Eligible vs. Approved Costs

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## Eligible Costs

All costs included in the **CoC Interim Rule**

## Approved Costs

Costs included in a project's **HUD approved budget**

- Projects can only expend CoC funding on approved costs only after completing a fully-executed grant agreement
- Projects may make changes to their budgets through a **grant amendment**, but must speak with the Chicago CPD Field Office first





# Basics of Eligible Costs

Eligible Costs*	PSH	RRH	TH	SSO	HMIS
Leasing	✓		✓	✓	
Rental Assistance	✓	✓	✓		
Supportive Services	✓	✓	✓	✓	
Operating	✓		✓		
HMIS	✓	✓	✓	✓	✓
Administration	✓	✓	✓	✓	✓

\*Note: We do not include Acquisition, Rehabilitation, and New Construction costs in this chart



# Eligible Costs: Leasing Costs

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Leasing funds may be used to **lease structures or individuals units** to provide housing or supportive services

- May be used to cover 100% of the costs of leasing the unit(s) or structure
- May not be used to leased units or structures owned by the recipient, subrecipient, or any related organization
- In addition to paying rent, leasing funds can be used for:
  - Security deposits (up to two months)
  - First/last month's rent (up to one month of each, allowed as advance payment)
  - Costs associated with conducting Housing Quality Standards (HQS) inspections
  - Payments on unoccupied units while identifying a new program participant
  - Costs associated with carrying out leasing activities, including processing lease payments, calculating program participant income and occupancy charges, making rent reasonableness determinations, inspecting units, and collecting/processing occupancy fee payments
  - \*Note: Must still fulfill the obligations of the grant (i.e., number of clients served)



# Characteristics: Leasing Costs

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- The project must lease the unit directly from the property owner (the recipient or subrecipient must be the entity signing the lease) and sublease to the tenant
- The project can, but does not have to, charge the client rent/occupancy charges
  - If the project charges the tenant, the amount is capped based on rental calculations
  - The program is responsible for 100% of the lease to the landlord, even if the participant does not pay the charges in a given month
- May go no higher than the lower of Fair Market Rent (FMR) or reasonable rent
- Leasing budgets are historical (with some minor adjustments), so program leasing budgets may be less than the FMR x the number of clients x 12 months



# Eligible Costs: Rental Assistance Costs

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Rental assistance funds may be used to **pay part of the rent for a unit** in which a program participant will reside

- Assistance may be short- (less than 3 months), medium- (4-24 months), or long-term (more than 24 months)
- May be used in units or structures owned by the recipient or subrecipient
- In addition to paying rent, rental assistance funds can be used for:
  - Security deposits (up to two months)
  - Up to one month of first and/or last month's rent (allowed as advance payment)
  - Up to one month of rent for damages to property
  - Up to 30 days of vacancy payments following the end of the month in which the unit is vacated
  - \*Note: Must still fulfill the obligations of the grant (i.e., number of clients served)
- Rental assistance cannot be combined with operating costs



# Characteristics: Rental Assistance Costs

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- The tenant holds the lease directly with the property owner (the project can enter into a written agreement with the property owner for the payment of rental assistance)
- The tenant must pay rent directly to the property owner based on the rental calculation formula (except in RRH, where the project must follow the CoC's Written Standards of assistance)
- Rental assistance payment amounts are the difference between the total rent and the amount paid by the client
- May be higher than Fair Market Rent (FMR), so long as the rent is reasonable
- Rental assistance budgets are adjusted annually so that the total amount equals the FMR x the number of clients x 12 months



# Eligible Costs: Operating Costs

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Operating funds may be used to **pay costs associated with the day-to-day physical operation** of a facility in which homeless persons are housed

- Operating funds **may be used** for:
  - Maintenance and repair of housing
  - Building security for a housing program (where >50% of the units or building area is paid for with grant funds)
  - Utilities, including: electricity, gas, heating oil or other heating/cooling costs, and water
  - Furniture (must be retained for use by the housing program)
  - Equipment
  - Staff time and related overhead costs of carrying out operating activities



# Common Mistakes: Operating Costs

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Keep in mind that operating funds **may not be used** for:

- Operating costs of emergency shelters and supportive services only facilities
- Maintenance and repair of housing where those costs are included in the lease
- A structure or unit also subsidized by rental assistance funds
- Food



# Eligible Costs: Supportive Services Costs

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Supportive services funds may be used to **pay for services** to assist homeless persons transition from homelessness to permanent housing, including the costs of labor (salary and benefits) and supplies/materials directly related to providing the services

- Supportive services funds **may only be used** for the eligible costs listed in the CoC Interim Rule:
  - Assessing service needs
  - Moving costs
  - Case management
  - Child care
  - Education services
  - Employment assistance and job training
  - Food
  - Housing search and counseling services
  - Legal services
  - Life skills training
  - Mental health services
  - Outpatient health services
  - Outreach services
  - Substance abuse treatment services
  - Transportation
  - Utility Deposits





# Eligible Costs: HMIS Costs

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All projects may include an HMIS line item that may be used to **pay costs associated with HMIS data collection** (only the HMIS Lead for each CoC may be funded under the HMIS component)

- **HMIS Line Item:** HMIS funds **may be used** for:
  - Purchasing/leasing hardware or software licenses
  - Leasing office space or utilities for HMIS activities
  - Salaries, operating costs, and duties as required to operate an HMIS
  - HMIS trainings
  - HMIS reporting to the CoC
- **HMIS Component:** The **HMIS lead can use HMIS funds** for:
  - Leasing/operating the facility in which the HMIS is based
  - Hosting and maintaining HMIS software or data
  - Backing up, recovering, and/or repairing HMIS software or data
  - Upgrading, customizing, and/or enhancing the HMIS
  - Integrating and warehousing data
  - Administering the system
  - Reporting to providers, the CoC, and/or HUD
  - Conducting HMIS training, including travel to the training



# Eligible Costs: Administrative Costs

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Projects may receive administrative funds worth an additional 10% of the total grant awarded to conduct:

- General management, oversight, and coordination
  - Salaries, wages, and related costs of recipient's staff, staff of subrecipients, or other staff engaged in project administration
  - Travel costs incurred for monitoring subrecipients
  - Administrative services performed under third-party contracts or agreements (general legal services, accounting services, or audit services)
  - Other costs for goods and services required for administration of projects (rental or purchase of equipment, insurance, utilities, office supplies, rental and maintenance – not purchase – of office space)
- Costs of providing training on CoC requirements and attending HUD-sponsored CoC trainings
- Environmental review



# General Billing Practices

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Staff and overhead costs **related to carrying out** each eligible activity are **eligible as part of that activity's line item**:

- Staff time should be billed to the eligible activity, not to project administration
- Note that the project still must meet the obligations of the grant



# Program Income

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- Program income is income received by the recipient or subrecipient that is directly generated by a grant-supported activity
- Rent or occupancy charges are considered program income
  - Rental assistance projects **must** charge rent
  - Leasing projects **may** charge rent or impose occupancy charges
- Funds obtained through rent or occupancy charges must be:
  - Retained by the recipient or subrecipient
  - Committed to the project
  - Used to cover CoC eligible costs, not just identified costs costs in the program budget
  - \*Recent change\*: rent and occupancy charges **can be used as match**



# Calculating Rent and Occupancy Charges

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- Rental assistance projects **must charge rent**, which may equal no more than the highest of:
  - 30% of the family's adjusted monthly income;
  - 10% of the family's gross monthly income; or,
  - The portion of the family's welfare assistance designated for payment of rent
- Leasing projects **may impose occupancy charges**, but if they do they must follow these guidelines:
  - All participants must be treated the same
  - The process for determining the amount must be clear and universal
  - Prevent overcharging by following specific calculation procedures



# Program Fees

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- Program fees are **any charges imposed by the recipient or subrecipient other than rent or an occupancy charge**, such as:
  - Laundry or cleaning services
  - Child care
  - Transportation
  - Case management
- Recipients and subrecipients are **prohibited** from charging program fees: no fees may be imposed **except** for rent or occupancy charges



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# Questions on CoC Eligible Costs?

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# Match and Leverage

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- Match
- Leverage





# Overview

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## Match

- The HEARTH Act (enacted in 2009) allows for a new, simplified match requirement
- The recipient or subrecipient of a CoC Program grant must match all grant funds (except for leasing funds) with **no less than 25% of individual grants funds** with cash or in-kind contributions from other sources on a grant-by-grant basis

## Leverage

- The annual CoC Program Competition outlines basic leverage requirements
- In 2017, the CoC as a whole was expected to leverage **no less than 150% of total CoC-wide grant funds** in excess of the match requirement
- This CoC-wide obligation is ordinarily imposed by the CoC on individual grants



# Definition of Match

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To meet the **match requirement**, each recipient or subrecipient must:

- Match **all** grant funds (except for leasing funds)
- With **no less than 25%** of that funding
- In the form of **cash or in-kind contributions/services**, on a grant-by-grant basis
- To be used on **eligible costs** of the project (as defined under Subpart D of the HEARTH Act)



# Amount of Match

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While the amount of match required is no less than 25% of the overall grant, **overmatching should be avoided:**

- Committing more than 25% of the grant **does not increase competitiveness** in the annual CoC Program competition
- Committing match is a **contractual commitment** and **limits the use** of the funding to eligible activities under the CoC Program



# Calculating Match

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	Project A	Project B
Leasing	---	\$90,000
Rental Assistance	\$90,000	---
Supportive Services	\$10,000	\$10,000
Administration	\$10,000	\$10,000
Subtotal	\$110,000	\$110,000
<b>25% Match</b>	<b>\$27,500</b>	<b>\$5,000</b>



# Sources of Match

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## Eligible Sources

- A recipient or subrecipient may use funds from any source, including any other federal sources (except for CoC Program funds), as well as funding from State, local, and/or private sources
- The funds must not be statutorily prohibited from being used as match (the recipient or subrecipient must ensure that the rules governing use of the matching funds allow the funding to be used as match for the CoC Program)

## Ineligible Sources

- Resources used as match for another grant
- Program participant resources (including savings)
- CoC Program funds
- Funding sources that are prohibited from being used as match for the CoC Program



# In-Kind Match

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- A recipient or subrecipient **may use the value of any of the following** that are contributed to the project as match, provided that the costs would've been eligible under Subpart D of the HEARTH Act had the recipient or subrecipient had to pay for them with grant funds:
  - Real property
  - Equipment
  - Goods
  - Services (time, expertise, etc.)
- Note: In-kind match has special documentation requirements that will be discussed later



# Eligible Uses of Match

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- Match must be used for eligible costs under Subpart D of the HEARTH Act **for the specific project**, which may include:
  - Leasing
  - Rental assistance
  - Operating expenses
  - Supportive services
  - HMIS costs
  - Administrative costs
  - Acquisition, rehabilitation, and new construction
- Match **does not have to be an approved cost** for the project
- Match **must be used to support** CoC program participants



# Reminder: Eligible vs. Approved Costs

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- Eligible costs are costs **allowed under the CoC Program Interim Rule**
  - Certain projects have limitations on which costs are eligible (e.g., rental assistance projects are not eligible for operating costs)
- Approved costs are the costs **included in the CoC project's budget**
- Match does not have to be used for approved costs, just eligible costs





# Changes Under the CoC Program

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- Contrary to pre-HEARTH requirements, match in the CoC Program is **grant-wide** (except for funding dedicated to the leasing line item)
- Match **does not need to be made for each budget line item** (although that may be easiest for tracking purposes, especially with staff time)
  - Example: If a grant has enough eligible administrative costs paid for by eligible sources of match equaling 25% of the grant award, the match for the grant could be all in the form of administrative costs
- Program income, in the form of **rent or occupancy charges**, is now an eligible source of match



# Documenting Match

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**All match must be documented**, with cash match and in-kind match having separate requirements:

- Cash match requires a **written commitment**
- In-kind match requires a **Memorandum of Understanding (MOU)**



# Documenting Cash Match

## Content Requirements

Cash match and some in-kind match requires a written commitment that may consist of a signed letter, memorandum of understanding, or other documented evidence of a commitment.

Written commitments must:

- Be documented on the source agency's letterhead stationary and addressed to the project applicant or subrecipient;
- Be signed and dated by an authorized representative (with his/her name and title clearly stated); and,
- Contain (at a **minimum**):
  - The name of the project and the organization to which the contribution will be given;
  - The name of the organization providing the contribution;
  - The type and use of contribution (e.g., cash, child care, case management);
  - The value of the contribution (either (1) cash amount or (2) description/value of in kind AND methodology to determine value of match); and,
  - The date or time period that the contribution will be available (which should match the grant's operating year) and the fiscal year to which it will be contributed



# Documenting In-Kind Match

## Content Requirements

In-kind match for services provided by a third party requires a formal memorandum of understanding (MOU).

- Services must be provided during the term of the grant
- Services provided by individuals must be valued at rates consistent with those ordinarily paid for similar work in the recipient's or subrecipient's organization or with those ordinarily paid by other employers for similar work in the same labor market.

A Memorandum of Understanding (MOU) between the recipient or subrecipient and a third party must:

- Contain (at a **minimum**):
  - The unconditional commitment (except for selection to receive a grant);
  - The name of the project and the organization to which the contribution will be given;
  - The name of the organization providing the contribution;
  - The date or time period that the services will be available (which should match the grant's operating year).
  - The specific service to be provided;
  - The profession of persons providing services;
  - The hourly cost of any services to be provided.
- Include a system to document the actual value of services provided during the grant term.
- Be signed and dated by an authorized representative of the match source (and his/her name and title are clearly stated)



# Recordkeeping Requirements

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Apart from documenting match prior to grant agreement:

- The recipient or subrecipient **must keep records of the source and use** of contributions made to satisfy the match requirement (e.g., a general ledger), including that match was expended on **eligible costs**
- The records must **indicate the grant and fiscal year** for which each matching contribution is counted
- The records **must show how the value placed on third-party in-kind contributions was determined:**
  - To the extent feasible, volunteer services must be supported by the same methods that the organization uses to support the allocation of regular personnel costs



# Common Match Mistakes

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- Matching **less than the amount required** per the CoC funding expended
- Failing to **document match sources and uses** throughout the grant period
- Matching **“both ways”** with Federal funding



# Is It Match?

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Match must meet **all the following requirements:**

- Be used for an eligible project cost (as defined for this project) based on Subpart D of the HEARTH Act
- Cannot already be paid for by CoC Program funds
- Contribute directly to the project and can be documented
- Cannot be used as match for any other project
- Will be used within the same contract year
- For in-kind match, have an MOU established within the appropriate timeframe



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# Questions on Match?

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# Definition of Leverage

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Leverage is cash or in-kind contributions **in excess of match** (match does not count towards meeting leverage goals):

- The amount of leverage obtained **increases the CoC's score** in the CoC Program Competition
- Leverage is **calculated CoC-wide** (as opposed to project-by-project like match) and there is no limit to the amount of leverage allowed
- The 2017 CoC Program Competition **required each CoC to leverage 150%** of its grant resources
- Leverage funds may be **used for any CoC project-related costs**, including those that are not eligible under the CoC Program



# Eligible Uses of Leverage

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Leverage may be used for any costs related to a CoC project, including:

Contribution Type	Examples
Cash	Rent, utilities, client program income, donations, etc.
Buildings	Office space, storage space, property, leasing, etc.
Project Administration	Maintenance, insurance, furniture, project relocation fees, food, etc.
Equipment	Clothing, furniture, food, equipment, office supplies, internet, etc.
Services	Case management, addiction treatment, child care, health/medical care, employment training, etc.
Volunteer Time	Attendance at AA, NA, CA, DRA, Al-Anon, etc.; volunteers who help with gardening, children's groups, filing, meals, etc.



# Ineligible Sources of Leverage

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The following **cannot** be used as leverage:

- Client benefits
- The value of commitments of land, buildings, or equipment if those have been used as leverage or match before, or if they previously or currently used as match or leverage by another project (one-time use only)



# Leverage Documentation and Recordkeeping

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- At application, leverage must be documented by a **written commitment**
- The recipient or subrecipient **must keep records of the source and use** of contributions made to satisfy the leverage requirement (e.g., a general ledger)
- The records must indicate the **grant and fiscal year** for which each contribution is counted
- The records **must show how the value placed on third-party in-kind contributions was determined:**
  - To the extent feasible, volunteer services must be supported by the same methods that the organization uses to support the allocation of regular personnel costs



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# Questions on Leverage?

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# Discussion and Next Steps

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- CoC Eligible Costs, Match, and Leverage Q&A
- Upcoming Topics in the Illinois TA Discussion Series
- Thank You!



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# Discussion

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# Upcoming Topics

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- **Upcoming Topics:** HomeBase and the Chicago HUD CPD Field Office request your input on upcoming topics for the ongoing Illinois TA Discussion Series!
- **Previous Topics:**
  - CoC Eligible Costs, Match, and Leverage
  - CoC Mergers
  - System Performance Measures





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# Thank You!

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