



ELIGIBLE COSTS

This handout includes a detailed description of allowable CoC expenses for these eligible costs:

1. Leasing
2. Rental assistance
3. Operations
4. Supportive services
5. HMIS
6. Indirect Costs
7. Administration.

Information about other eligible costs can be found in the CoC Program Interim Rule, 24 CFR 578. A useful version of the CoC Program Interim Rule can also be found at:

https://www.hudexchange.info/resources/documents/CoCProgramInterimRule_FormattedVersion.pdf

NOTE: Projects often have additional limitations beyond those included here due to their project design or the NOFA under which they are funded. For existing projects – always check the grant agreement for approved costs.

1. LEASING

Leasing structures or individual units to provide supportive housing or supportive services to homeless persons during the period covered by the grant is an eligible cost under the CoC program. In a leasing project, the lease is between the owner and the recipient/subrecipient.

Leasing funds may not be used to lease units or structures owned by the recipient, subrecipient, their parent organization(s), any other related organization(s), or organizations that are members of a partnership, where the partnership owns the structure, unless HUD authorized an exception for good cause.

Uses of Leasing Funds: The grantee or project sponsor may use grant funds to pay up to 100 percent of the rent charged by a property owner (within rent limitations described below). If electricity, gas, and water are included in the rent, these utilities may be paid from leasing funds, but not cable, phone, or internet. For more information, see:

<https://files.hudexchange.info/resources/documents/Notice-CPD-17-11-Determining-Program-Participant-Rent-Contribution-in-the-CoC-Program.pdf>. Recipients and subrecipients may also

use leasing funds to pay security deposits, in an amount not to exceed 2 months of actual rent. An advance payment of the last month's rent may be provided to the landlord in addition to the security deposit and payment of the first month's rent. Leasing may also be used to conduct Housing Quality Standards (HQS) inspections. (Please see the section on Transportation in Supportive Services for guidance on costs for travel to an inspection.)

Rent Limitations: When grants are used to pay rent for all or part of a structure or structures, the rent paid must be reasonable in relation to rents being charged in the area for comparable space. In addition, the rent paid may not exceed rents currently being charged by the same owner for comparable unassisted space. When grants are used to pay rent for individual



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housing units, the rent paid must be reasonable in relation to rents being charged for comparable units, taking into account the location, size, type, quality, amenities, facilities, and management services. In addition, the rents may not exceed rents currently being charged for comparable units, and the rent paid may not exceed HUD-determined fair market rents (FMRs).

Occupancy Charges and Rent: Leasing programs *may* charge occupancy charges or rent to program participants. Occupancy charges and rent from program participants must be calculated as provided in § 578.77 of the CoC Interim Rule. Occupancy charges and rent collected from program participants are program income. Program income earned during the grant term must be used for eligible activities under the grant, and can be used as match. Costs incident to the generation of program income may be deducted from gross income to calculate program income, provided that the costs have not been charged to grant funds. In addition, rents and occupancy charges collected from residents of transitional housing may be reserved, in whole or in part, to assist the residents from whom they are collected to move to permanent housing.

Leases: Leasing projects are required to have occupancy agreements and/or subleases. Program participants in permanent housing must enter into a lease agreement for a term of at least one year, which is terminable for cause. The leases must be automatically renewable upon expiration for terms that are a minimum of one month long, except on prior notice by either party. Program participants in transitional housing must enter into a lease agreement or occupancy agreement for a term of at least one month. The agreement must be automatically renewable upon expiration, except on prior notice by either party, up to a maximum term of 24 months.

Housing Standards: Housing leased with Continuum of Care program funds must meet the applicable housing quality standards (HQS). Before any assistance will be provided on behalf of a program participant, the recipient, or subrecipient, must physically inspect each unit to assure that the unit meets HQS. Assistance will not be provided for units that fail to meet HQS, unless the owner corrects any deficiencies within 30 days from the date of the initial inspection and the recipient or subrecipient verifies that all deficiencies have been corrected. Recipients or subrecipients must inspect all units at least annually during the grant period to ensure that the units continue to meet HQS.

Limitations on Leasing Assistance: If grant funds are used for leasing assistance, the project may not receive rental assistance, acquisition, rehabilitation or new construction assistance.

2. RENTAL ASSISTANCE

Grant funds may be used for rental assistance for homeless individuals and families. Except for Sponsor-based Rental Assistance (described below), in rental assistance, the lease is between the program participant and the owner.

Types of Rental Assistance: The rental assistance may be short-term, up to 3 months of rent; medium-term, for 3 to 24 months of rent; or long-term, for longer than 24 months of rent.

Please note that CoC-funded rapid rehousing projects are limited to 24 months. (Short- or



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medium-term rental assistance, and any tenant-based rental assistance, cannot be used in properties supported with CoC acquisition, rehabilitation, or new construction funds.) The rental assistance may be tenant-based, project-based, or sponsor-based, and may be for transitional or permanent housing.

- **Tenant-based Rental Assistance** is rental assistance in which program participants choose housing of an appropriate size in which to reside. To facilitate services, program participants may be required to live in a specific area or a specific structure, in some cases. Program participants who have complied with all program requirements during their residence retain the rental assistance if they move. Certain households with domestic violence experience may retain the assistance outside the CoC's area. Other program participants may also choose housing outside the CoC's geographic area, if the recipient is able to meet all CoC requirements in the area where the participant chooses housing. If unable to meet the requirements, the recipient may refuse to permit the participant to retain TBRA if the participant moves outside of the geographic area.
- **Sponsor-based Rental Assistance** is rental assistance provided through contracts between the recipient and a sponsor organization. Program participants must reside in housing owned or leased by the sponsor. A sponsor may be a private, nonprofit organization, or a community mental health agency established as a public nonprofit organization.
- **Project-based Rental Assistance** is rental assistance provided through a contract with the owner of an existing structure, where the owner agrees to lease the subsidized units to program participants. Program participants will not retain rental assistance if they move.

Uses of Rental Assistance: Grant funds may be used for rental assistance for homeless individuals and families. Utilities that are not included in the program participant's rent may be paid using rental assistance funds. For more information, see:

<https://files.hudexchange.info/resources/documents/Notice-CPD-17-11-Determining-Program-Participant-Rent-Contribution-in-the-CoC-Program.pdf>. Grant funds also may be used for

security deposits in an amount not to exceed 2 months of rent. An advance payment of the last month's rent may be provided to the landlord, in addition to the security deposit. If a unit is vacated before the expiration of the lease, the assistance for the unit may continue for a maximum of 30 days from the end of the month in which the unit was vacated, unless occupied by another eligible person. No additional assistance will be paid until the unit is occupied by another eligible person. Brief periods of stays in institutions, not to exceed 90 days for each occurrence, are not considered vacancies. Recipients and subrecipients (excluding rapid rehousing providers) may use grant funds in an amount not to exceed one month's rent to pay for any damage to housing due to the action of a program participant. This shall be a one-time cost per participant, incurred at the time a participant exits a housing unit. Rental assistance may also be used to conduct Housing Quality Standards (HQS) inspections. (Please see the section on Transportation in Supportive Services for guidance on costs for travel to an inspection.)

Rental assistance administrator: Rental assistance may be administered by a state, unit of general local government, a public housing agency, or a nonprofit agency.

Grant amount: The amount of rental assistance in each project will be based on the number and



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size of units proposed by the recipient to be assisted over the grant period. The amount of rental assistance in each project will be calculated by multiplying the number and size of units proposed by the FMR of each unit on the date the application is submitted to HUD, by the term of the grant.

Rent reasonableness: Although awards are made based on FMR, HUD will only provide rental assistance for a unit if the rent is reasonable. The recipient or subrecipient must determine whether the rent charged for the unit receiving rental assistance is reasonable in relation to rents being charged for comparable unassisted units, taking into account the location, size, type, quality, amenities, facilities, and management and maintenance of each unit. Reasonable rent must not exceed rents currently being charged by the same owner for comparable unassisted units.

Resident rent: Permanent supportive housing rental assistance programs *must* charge rent to program participants. Rent from program participants must be calculated as provided in § 578.77 of the CoC Interim Rule. Rent collected from program participants is program income if it goes to the provider (rather than to a landlord). Program income earned during the grant term must be used for eligible activities under the grant, and may be used as match. Costs incident to the generation of program income may be deducted from gross income to calculate program income, provided that the costs have not been charged to grant funds. In addition, rents collected from residents of transitional housing may be reserved, in whole or in part, to assist the residents from whom they are collected to move to permanent housing.

Leases: Program participants in permanent housing must enter into a lease agreement for a term of at least one year, which is terminable for cause. The leases must be automatically renewable upon expiration for terms that are a minimum of one month long, except on prior notice by either party. Program participants in transitional housing must enter into a lease agreement for a term of at least one month. The lease must be automatically renewable upon expiration, except on prior notice by either party, up to a maximum term of 24 months.

Restrictions: Rental assistance cannot be provided to a program participant who is already receiving rental assistance or living in a housing unit receiving rental assistance or operating assistance through other federal, state, or local sources.

Housing Standards: Housing for which rental assistance payments are made must meet the applicable housing quality standards (HQS), except that 24 CFR 982.401(j) applies only to housing occupied by program participants receiving tenant-based rental assistance. Before any assistance will be provided on behalf of a program participant, the recipient, or subrecipient, must physically inspect each unit to assure that the unit meets HQS. Assistance will not be provided for units that fail to meet HQS, unless the owner corrects any deficiencies within 30 days from the date of the initial inspection and the recipient or subrecipient verifies that all deficiencies have been corrected. Recipients or subrecipients must inspect all units at least annually during the grant period to ensure that the units continue to meet HQS.



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CoC Written Standards: Rental assistance must be administered in accordance with the policies and procedures established by the Continuum for providing Continuum of Care assistance, including about evaluating individuals' and families' eligibility for assistance, determining and prioritizing which eligible individuals and families will receive transitional housing, rapid rehousing, or permanent supportive housing, and what percentage or amount of rent each program participant must pay while receiving rapid rehousing assistance.

Payment of Grant: The amount of rental assistance in each project will be reserved for rental assistance over the grant period. Recipients will make draws from the grant funds to pay the actual costs of rental assistance for program participants. A recipient must serve at least as many program participants as shown in its application for assistance. If the amount in each grant reserved for rental assistance over the grant period exceeds the amount that will be needed to pay the actual costs of rental assistance, due to such factors as contract rents being lower than FMRs and program participants being able to pay a portion of the rent, recipients or subrecipients may use the excess funds for covering the costs of rent increases, certain staffing costs related to rental assistance, or for serving a greater number of program participants.

Limitations on Rental Assistance: If grant funds are used for rental assistance, the project may not receive leasing or operating assistance. In addition, if grant funds are used for short- or medium-term rental assistance or tenant-based rental assistance, the project may not receive acquisition, rehabilitation or new construction assistance.

3. SUPPORTIVE SERVICES

Uses of Supportive Services Funds: Grant funds may be used to pay the eligible costs of supportive services that address the special needs of the program participants. If the supportive services are provided in a supportive service facility not contained in a housing structure, the costs of day-to-day operation of the supportive service facility, including maintenance, repair, building security, furniture, utilities, and equipment are eligible as a supportive service.

Need for Services: Supportive services must be necessary to assist program participants obtain and maintain housing. Recipients and subrecipients shall conduct an annual assessment of the service needs of the program participants and should adjust services accordingly.

Duration of Services: For a transitional housing project, supportive services must be made available to residents throughout the duration of their residence in the project. Permanent supportive housing projects must provide supportive services for the residents to enable them to live as independently as is practicable throughout the duration of their residence in the project. Rapid rehousing projects must require the program participant to meet with a case manager not less than once per month as set forth in § 578.37(a)(1)(ii)(F), to assist the program participant in maintaining long-term housing stability. Services may also be provided to former residents of transitional housing and current residents of permanent housing who were homeless in the prior 6 months, for no more than 6 months after leaving transitional housing or homelessness, respectively, to assist their adjustment to independent living.



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Eligible Costs: Any cost that is not described as an eligible cost under this section is not an eligible cost of providing supportive services using Continuum of Care program funds.

Eligible costs include:

- Annual Assessment of Service Needs
- Assistance with moving costs
- Case management – costs of assessing, arranging, coordinating, and monitoring the delivery of individualized services to meet the needs of the program participant(s). Eligible component services and activities consist of: counseling, coordinating services, using the centralized or coordinated assessment system, obtaining benefits, monitoring participant progress, providing referrals, providing risk assessment/safety planning with victims of domestic violence, and developing individualized housing and service plans.
- Child care – costs of establishing and operating child care, and providing child-care vouchers, for children under the age of 13 (unless disabled, then under 18) from families experiencing homelessness, including providing meals and snacks, and comprehensive and coordinated developmental activities. **The child-care center must be licensed by the jurisdiction in which it operates in order for its costs to be eligible.**
- Education services – costs of improving knowledge and basic educational skills. Eligible services include instruction or training in consumer education, health education, substance abuse prevention, literacy, English as a Second Language, and General Educational Development (GED). Eligible component services or activities are screening, assessment and testing; individual or group instruction; tutoring; provision of books, supplies, and instructional material; counseling; and referral to community resources.
- Employment assistance and job training – costs of establishing and operating employment assistance and job training programs, including classroom, online and/or computer instruction, on-the-job instruction, services that assist individuals in securing employment, acquiring learning skills, and/or increasing earning potential. The cost of providing reasonable stipends to program participants in employment assistance and job training programs is also an eligible cost.
- Food – cost of providing meals or groceries to program participants
- Housing search and counseling services – costs of assisting eligible program participants to locate, obtain, and retain suitable housing. Eligible component services or activities are tenant counseling; assisting individuals and families to understand leases; securing utilities; and making moving arrangements. Other eligible costs are: mediation with property owners and landlords on behalf of eligible program participants; credit counseling, accessing a free personal credit report, and resolving personal credit issues; and the payment of rental application fees.
- Legal services – fees charged by licensed attorneys and by person(s) under the supervision of licensed attorneys, for advice and representation in matters that interfere with the homeless individual or family's ability to obtain and retain housing. Eligible subject matters are child support; guardianship; paternity; emancipation; legal separation; orders of protection and other civil remedies for victims of domestic violence,



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dating violence, sexual assault, and stalking; appeal of veterans and public benefit claim denials; landlord tenant disputes; and the resolution of outstanding criminal warrants. Eligible component services or activities may include receiving and preparing cases for trial, provision of legal advice, representation at hearings, and counseling. Fees based on the actual service performed (i.e., fee for service) are also eligible, but only if the cost would be less than the cost of hourly fees. Filing fees and other necessary court costs are also eligible. If the subrecipient is a legal services provider and performs the services itself, the eligible costs are the subrecipient's employees' salaries and other costs necessary to perform the services. **Legal services for immigration and citizenship matters and issues related to mortgages and homeownership are ineligible. Retainer fee arrangements and contingency fee arrangements are ineligible.**

- Life skills training – costs of teaching critical life management skills that may never have been learned or have been lost during the course of physical or mental illness, domestic violence, substance abuse, and homelessness. These services must be necessary to assist the program participant to function independently in the community. Component life skills training are the budgeting of resources and money management, household management, conflict management, shopping for food and other needed items, nutrition, the use of public transportation, and parent training.
- Mental health services – the direct outpatient treatment of mental health conditions that are provided by licensed professionals. Eligible component services are crisis interventions; counseling; individual, family, or group therapy sessions; the prescription of psychotropic medications or explanations about the use and management of medications; and combinations of therapeutic approaches to address multiple problems.
- Outpatient health services – the direct outpatient treatment of medical conditions when provided by licensed medical professionals including: Providing an analysis or assessment of an individual's health problems and the development of a treatment plan; Assisting individuals to understand their health needs; Providing directly or assisting individuals to obtain and utilize appropriate medical treatment; Preventive medical care and health maintenance services, including in-home health services and emergency medical services; Provision of appropriate medication; Providing follow-up services; and Preventive and non-cosmetic dental care.
- Outreach services – costs of activities to engage persons for the purpose of providing immediate support and intervention, as well as identifying potential program participants. Eligible costs include the outreach worker's transportation costs and a cell phone to be used by the individual performing the outreach. Eligible component activities and services consist of: initial assessment; crisis counseling; addressing urgent physical needs, such as providing meals, blankets, clothes, or toiletries; actively connecting and providing people with information and referrals to homeless and mainstream programs; and publicizing the availability of the housing and/or services provided within the CoC's area.
- Substance abuse treatment services – costs of program participant intake and assessment, outpatient treatment, group and individual counseling, and drug testing. Inpatient detoxification and other inpatient drug or alcohol treatment are ineligible.



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- Transportation – the costs of program participant’s travel on public transportation or in a vehicle provided by the recipient or subrecipient to and from medical care, employment, child care, or other eligible services; mileage allowance for service workers to visit program participants and to carry out housing quality inspections; the cost of purchasing or leasing a vehicle in which staff transports program participants and/or staff serving program participants; the cost of gas, insurance, taxes, and maintenance for the vehicle; the costs of recipient or subrecipient staff to accompany or assist program participants to utilize public transportation; and if public transportation options are not sufficient within the area, the recipient may make a one-time payment on behalf of a program participant needing car repairs or maintenance required to operate a personal vehicle, subject to certain restrictions.
- Utility deposits – this form of assistance consists of paying for utility deposits. Utility deposits must be a one-time fee, paid to utility companies.
- Direct provision of services – if the service described above is being directly delivered by the recipient or subrecipient, eligible costs for those services also include the costs of labor or supplies, and materials incurred by the recipient or subrecipient in directly providing supportive services to program participants; and the salary and benefit packages of the recipient and subrecipient staff who directly deliver the services.

Staff training and the costs of obtaining professional licenses or certifications needed to provide supportive services are not eligible supportive services costs.

While it is not required, recipients and subrecipients may require program participants to take part in supportive services that are not disability-related services provided through the project as a condition of continued participation in the program. Examples of disability-related services include, but are not limited to, mental health services, outpatient health services, and provision of medication, which are provided to a person with a disability to address a condition caused by the disability. If the purpose of the project is to provide substance abuse treatment services, recipients and subrecipients may require program participants to take part in such services as a condition of continued participation in the program.

4. OPERATING COSTS

Operations funds may be used to pay the costs of the day-to-day operation of transitional and permanent housing in a single structure or individual housing units.

Eligible Uses of Operations Funds: Operations can be used for:

- The maintenance and repair of housing
- Property taxes and insurance
- Scheduled payments to a reserve for replacement of major systems of the housing (provided that the payments must be based on the useful life of the system and expected replacement cost)
- Building security for a structure where more than 50 percent of the units or area is paid for with grant funds



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- Electricity, gas, and water
- Furniture (which cannot be retained by program participants at the end of the program)
- Equipment.

Not Allowed in Rental Assistance or SSO Projects: **CoC Program funds may not be used for rental assistance and operating costs in the same project.** CoC Program funds may not be used for the operating costs of emergency shelter- and supportive service-only facilities. CoC Program funds may not be used for the maintenance and repair of housing where the costs of maintaining and repairing the housing are included in the lease.

5. HOMELESS MANAGEMENT INFORMATION SYSTEM (HMIS)

HMIS funds may be used to pay the costs of contributing data to the HMIS designated by the Continuum of Care. Activities funded under this section must comply with the HMIS requirements.

Eligible HMIS Costs:

- Purchasing or leasing computer hardware
- Purchasing software or software licenses
- Purchasing or leasing equipment, including telephones, fax machines, and furniture
- Obtaining technical support
- Leasing office space
- Paying charges for electricity, gas, water, phone service, and high-speed data transmission necessary to operate or contribute data to the HMIS
- Paying salaries for operating HMIS, including: Completing data entry; Monitoring and reviewing data quality; Completing data analysis; Reporting to the HMIS Lead; Training staff on using the HMIS; and Implementing and complying with HMIS requirements;
- Paying costs of staff to travel to and attend HUD-sponsored and HUD-approved training on HMIS
- Paying staff travel costs to conduct intake
- Paying participation fees charged by the HMIS Lead, as authorized by HUD, if the recipient or subrecipient is not the HMIS Lead.

If the recipient or subrecipient is the HMIS Lead (the only entity that may receive a grant in the HMIS component), it may also use these funds to pay the costs of:

- Hosting and maintaining HMIS software or data
- Backing up, recovering, or repairing HMIS software or data
- Upgrading, customizing, and enhancing the HMIS
- Integrating and warehousing data, including development of a data warehouse for use in aggregating data from subrecipients using multiple software systems
- Administering the system
- Reporting to providers, the Continuum of Care, and HUD
- Conducting training on using the system, including traveling to the training.



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Victim Services and Legal Services Providers: If the recipient or subrecipient is a victim services provider, or a legal services provider, it may use HMIS funds to establish and operate a comparable database that complies with HUD'S HMIS requirements.

6. INDIRECT COSTS

Indirect costs (also known as “facilities and administrative costs” defined at 2 CFR 200.56) are those costs incurred for a common or joint purpose benefiting more than one cost objective, and not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect costs. Indirect cost pools should be distributed to benefited cost objectives on bases that will produce an equitable result in consideration of relative benefits derived. Refer to 2 CF 200.413 and 200.414 for additional information on determining if costs charged to the award are direct or indirect.

Projects may charge indirect costs to the award.

- Recipients with an approved federally negotiated indirect cost rate must submit with their application a copy of their approved Indirect Cost Rate Proposal to substantiate their request.
- Recipients that do not have an approved federally negotiated indirect cost rate may charge a maximum rate of 10 percent of modified total direct costs. 2 CFR 200.414(f) states that nonfederal entities that have never received a negotiated indirect cost rate (except a governmental department or agency unit that receives more than \$35 million in direct Federal funding) may elect to charge a de minimis rate of 10 percent of modified total direct costs, which may be used indefinitely. If chosen, this methodology must be used consistently for all federal awards until the entity chooses to submit an indirect cost rate proposal and negotiate for a rate.
- If a recipient chooses to negotiate for an indirect cost rate, the recipient must contact the designated cognizant agency for indirect costs. For information about cognizant agencies for indirect cost rates, see 2 CFR 200.19.

7. ADMINISTRATIVE COSTS

The recipient or subrecipient may use up to 10 percent of the grant amount awarded for the payment of project administrative costs related to the planning and execution of Continuum of Care activities. This does not include staff and overhead costs directly related to carrying out other eligible activities, because those costs are eligible as part of those activities.

Use of Administrative Funds: Eligible administrative costs include:

- Costs of overall program management, coordination, monitoring, and evaluation. These costs include, but are not limited to, necessary expenditures for the following:



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- Salaries, wages, and related costs of the recipient's staff, the staff of subrecipients, or other staff engaged in program administration. Program administration assignments include the following:
 - Preparing program budgets and schedules, and amendments to those budgets and schedules
 - Developing systems for assuring compliance with program requirements
 - Developing agreements with subrecipients and contractors to carry out program activities
 - Monitoring program activities for progress and compliance with program requirements
 - Preparing reports and other documents directly related to the program for submission to HUD
 - Coordinating the resolution of audit and monitoring findings
 - Evaluating program results against stated objectives
 - Managing or supervising persons whose primary responsibilities with regard to the program include these administrative tasks.
- Travel costs incurred for monitoring of subrecipients
- Administrative services performed under third-party contracts or agreements, including general legal services, accounting services, and audit services
- Other costs for goods and services required for administration of the program, including rental or purchase of equipment, insurance, utilities, office supplies, and rental and maintenance (but not purchase) of office space
- Costs of providing training on Continuum of Care requirements and attending HUD-sponsored Continuum of Care trainings and
- Costs of carrying out the environmental review responsibilities.

Allocation of Costs: In charging costs to this category, the recipient may include the entire salary, wages, and related costs allocable to the program of each person whose primary responsibilities with regard to the program involve program administration assignments, or the pro rata share of the salary, wages, and related costs of each person whose job includes any program administration assignments. The recipient may use only one of these methods for each fiscal year grant.

Sharing Requirement: Recipients must share at least 50% of project administrative funds with its subrecipients.