

**GUIDANCE FOR PROPOSAL BUDGET FORM
AND LIMITATIONS ON THE USE OF CDBG FUNDS**

The following Budget Form is in two parts:

- A one-page blank form to identify the line item costs that are included in the proposed budget.
 - For service projects: itemize the costs of salaries, fringe benefits, payroll taxes, operating expenses, and any consultant services or trainee stipends.
 - For construction projects: itemize the costs of architectural or engineering services, construction, and permits or fees.
 - For acquisition projects: itemize the costs of appraisal and purchase.
- A one-page supplemental budget page to describe other funds and volunteer or donated services/resources to be used in the project.

Do not exceed the one page limit of each.

A separate budget must be provided for each District from which funding is being requested. If the same amount is being requested for each of the two fiscal years, one budget form should be used showing the annual costs for a fiscal year. If different amounts are being requested, either a separate budget form should be prepared for each year or the annual amounts should be shown in separate columns on one budget form, and the fiscal years should be clearly identified. **Do not use cents but round off each amount to the nearest dollar.**

If a proposed project includes construction and/or acquisition as well as program operation and delivery of services, the funding request must be prepared as two separate proposals identifying the respective activities and costs.

Limitations to the use of CDBG funds: Before completing the Budget Form, please review very carefully the following limitations to the use of CDBG funds which should be observed.

1. Property Acquisition:

- a. Requests for acquisition of property must include a purchase agreement with the owner. A property owner who is an employee, agent, officer or consultant of an agency applying for capital improvement funds could potentially be in conflict of interest by deriving a direct financial benefit from improvements to his/her property.
- b. CDBG funds may be used for acquisition of a public facility if the entity undertaking the purchase takes title to the property. **However, HUD has determined that paying off or refinancing a loan obtained for the purchase of real property is not considered acquisition if no change in title results.**
- c. A request for property acquisition should identify the proposed site and sale price, as well as the estimated value based upon comparable market values.
- d. CDBG funds may not be used for the acquisition of structures used for inherently religious purposes but may be used for structures in which eligible activities under a HUD program or activity are conducted. Where a structure is used for both eligible and inherently religious activities, HUD funds may not exceed the cost of the portion of the

acquisition that is attributable to eligible activities in accordance with the cost accounting requirements applicable to the HUD program or activity.

2. Lease and Rent Payments:

- a. CDBG funds may not be used solely for lease or rent payments without other allowable operating costs.
- b. CDBG third-party contractors may be precluded by Federal conflict of interest provisions from renting or leasing space from a public official or from an employee, agent, officer or consultant of the contractor's agency.

3. Capital Improvements:

- a. Requests for funds to undertake capital improvements to real property or open space development must include proof of legal ownership or authorization from the owner to perform the improvements.
- b. Renovation costs may include equipment provided that the equipment is fixed and permanent and is not moveable.
- c. A request for capital improvements should be supported by cost estimates, preferably from at least three (3) sources.
- d. CDBG funds may not be used for the construction or rehabilitation of structures used for inherently religious purposes but may be used for structures in which eligible activities under a HUD program or activity are conducted. Where a structure is used for both eligible and inherently religious activities, HUD funds may not exceed the cost of the portions of the construction or rehabilitation that is attributable to eligible activities in accordance with the cost accounting requirements applicable to the HUD program or activity.

4. Capital Equipment:

Lease or rental of capital equipment is generally advised because all assets which a third-party contractor acquires with CDBG funds have, upon termination of the contract, to be transferred to the City or the contractor must reimburse the CDBG Program at the current per unit fair market value less the amount of depreciation previously agreed upon with the City. Estimates of the lease/rental costs should be provided.

5. Unallowable Costs:

The following costs are unallowable: bad debts; contingencies; contributions and donations; entertainment costs (including meals for social events and awards/graduation banquets); gifts or incentive awards to individuals; fines and penalties resulting from violations of or non-compliance with Federal, State, and Local laws; interest on borrowed capital; fundraising; investment management; losses on other awards; and litigation expenses.