

# SNAPS-Shots

*Bite-Size Information on the Emergency Solutions Grants and Continuum of Care Programs*

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## Emergency Shelters: Distinguishing Between Renovation/Conversion and Maintenance Activities

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Under the Emergency Shelter component, the ESG interim rule establishes an activity category for Shelter Operations, which includes maintenance—“including minor or routine repairs”—and a separate activity category for renovation (see 24 CFR 576.102(a)(3) and (a)(2)). This SNAPS-Shot explains the categories and provides examples of each, in an effort to distinguish and clarify these activities and associated requirements for recipients and subrecipients.

### Shelter Operations: Maintenance

In general, maintenance activities include: cleaning; minor or routine repairs of furnishings, equipment, and fixtures; and protective or preventative measures to keep a building, its systems, and its grounds in working order. Maintenance activities:

- Do not materially add to the value of the building/property;
- Do not appreciably prolong the useful life of the building/property; and
- Do not adapt the building/property to new uses.

Examples of maintenance activities could include activities such as: replacing a few shingles on a leaky roof; patching leaking pipes or plumbing; replacing a broken window; fixing a crack in a sidewalk; filling potholes in a parking lot; and repairing portions of a fence.

**Minimum period of use:** The minimum period of use for maintenance activities is the same as for other shelter operations and essential services activities—that is, the recipient/subrecipient must provide services or shelter to homeless individuals and families at least for the period during which the ESG funds are provided (for example, the contract period specified in a subrecipient agreement) (see § 576.102(c)(2)).

**Level of environmental review required:** Maintenance activities are Categorically Excluded, Not Subject to §58.5 (CENST), meaning that maintenance is categorically excluded from National Environmental Policy Act (NEPA), and not subject to § 58.5, but still subject to § 58.6 (see § 58.35(b)(3)).

### Renovation and Conversion

In general, an activity that **does** materially add to the value of the building, appreciably prolong its useful life, or adapt it to new uses would be considered renovation or conversion. Examples of renovation could include: replacing fixtures, such as the HVAC system or plumbing; replacing a roof; etc. Depending on the cost of the renovation and value of the building, it might be considered minor rehabilitation or major rehabilitation (see below and § 576.102(c)).

**Question: Are architect’s fees, engineering costs, permits, and other costs of a renovation or conversion project eligible ESG costs?**

Answer: Yes, so long as the costs are reasonable and appropriate, and directly related to the renovation or conversion project.

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Renovation actually includes four separate activities. The chart below shows each activity, the definition, the minimum period of use requirement, and the level of environmental review for each. Note that for renovation and conversion activities, the minimum period of use starts on the date the building is first occupied by homeless individuals or families after the renovation or, if the building is occupied during the renovation, the period of use starts on the date the renovation is completed.

| <b>Types of Renovation Activities</b> | <b>ESG Definition</b>   | <b>Minimum Period of Use</b> | <b>Level of Environmental Review Required</b>  |
|---------------------------------------|---|------------------------------|--|
| Minor Rehabilitation                  | The cost of the rehabilitation of an existing emergency shelter is 75% or less of the value of the building <u>before</u> rehabilitation* | 3 years                      | Generally Categorically Excluded, Subject to §58.5 (Also subject to §58.6) (see 24 CFR 58.35(a)(3))<br><br>Environmental Assessment (May require an Environmental Impact Statement (EIS) if any conditions in §58.37 apply; also subject to §58.6) |
| Major Rehabilitation                  | The cost of the rehabilitation of an existing emergency shelter exceeds 75% of the value of the building <u>before</u> rehabilitation*    | 10 years**                   |  |
| Minor Conversion                      | The cost of the conversion of a building to an emergency shelter is 75% or less of the value of the building <u>after</u> conversion*     | 3 years                      |  |
| Major Conversion                      | The cost of the conversion of a building to an emergency shelter exceeds 75% of the value of the building <u>after</u> conversion*        | 10 years**                   |  |

\* The value of the building is the reasonable monetary value assigned to the building, e.g., by an independent real estate appraiser.

\*\* A 10-year minimum period of use for major rehabilitation or conversion must be enforced by a recorded deed or use restriction.

## Related Resources

For more information on this issue, see the [ESG Program Interim Rule](#) at 24 CFR Part 576 and the environmental review regulations at 24 CFR Part 58.

## Ask A Question

If you have questions or suggestions for SNAPS-Shots topics, please submit them to HUD via [HUD Exchange Ask a Question \(AAQ\) Portal](#).

**Please note: This SNAPS-Shot is provided as a resource to help recipients and subrecipients understand the ESG Program Interim Rule. Always refer to the program regulations to ensure compliance with program requirements.**