



2017 CDBG-DR Problem Solving Clinic



# CDBG-DR Basics: Key Steps for Management and Implementation



# Welcome & Speakers

- Session Objectives
  - Explain key rules and requirements necessary for managing and implementing a CDBG-DR program
  - Share program tips, best practices and lessons learned
- Speaker
  - Sue Southon, ICF



# Agenda

- CDBG-DR program overview
- Key steps in the CDBG-DR process
  - Action Plan, Amendments and Waivers
  - Program Implementation
  - Financial Management
  - Reporting & Monitoring
  - Close Out



# CDBG-DR Program Overview

- Provided as a special appropriation by Congress to states, cities, and counties to assist with long term recovery following a Presidentially-declared disaster
- Flexible program that allows grantees to deploy funding to carry out a wide range of recovery activities
- Prioritizes low- and moderate- income (LMI) persons and geographies



# CDBG-DR Funding Process

**Congress**

Approves appropriation

**HUD**

1. Calculates & announces allocations
2. Publishes a Notice in the Federal Register (FR)
3. Awards funds

**Grantee**

1. Prepares Action Plan
2. Administers its own programs and activities or works with another entity to distribute funds



# CDBG-DR Grants

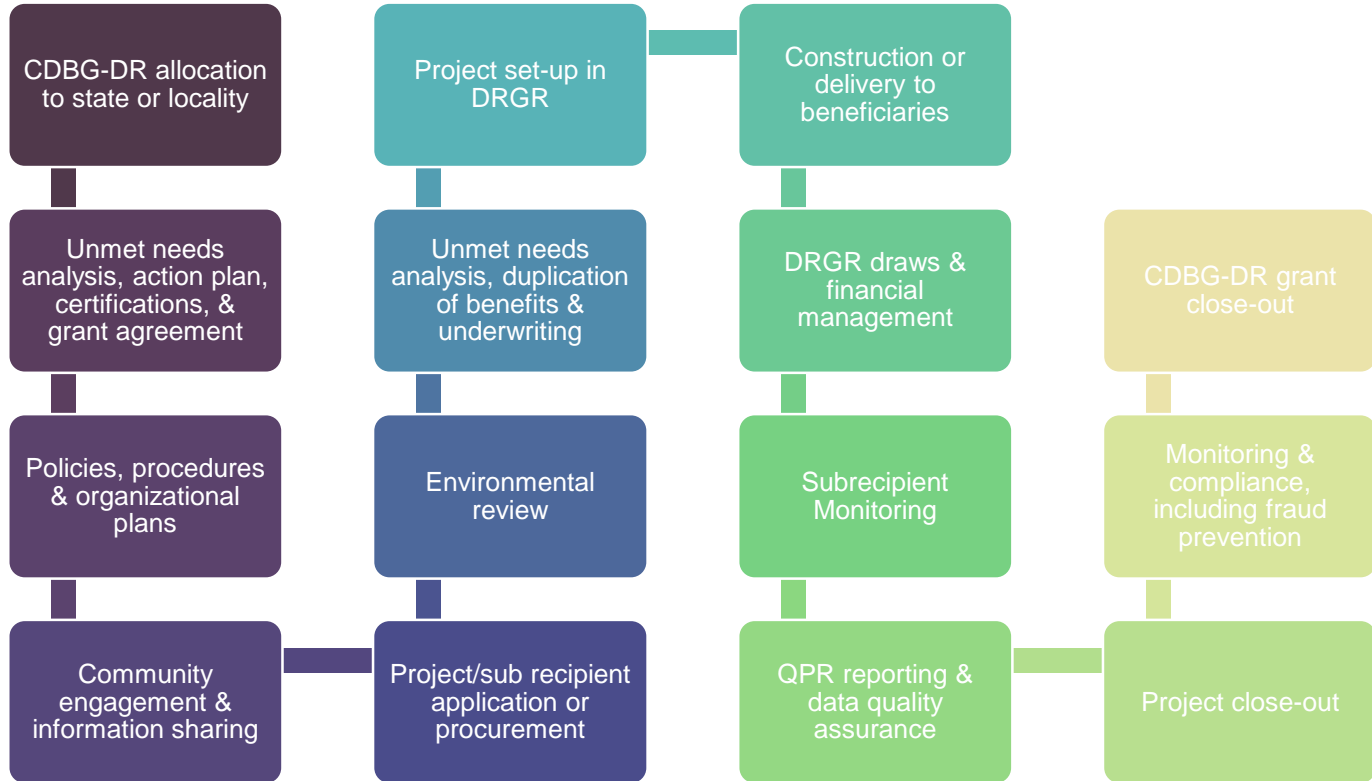
- As of August 2017, 59 active CDBG-DR grantees and 113 active grants
- Total funding allocated: \$47.7 billion (including P.L. 115-31 allocation)
- HUD HQ oversees large grants
  - $\geq$  \$500 million (i.e. FL, IA, LA, MS, NJ, NY, NYC, LMDC & TX)
- All other grants overseen by HUD CPD Field Offices
- Amount of CDBG-DR funding is based on damage estimates and unmet disaster recovery needs



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## CDBG-DR Program Steps





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# Developing an Action Plan

*Action Plan, Amendments and Waivers*





# Action Plan Development and Assessment

- Assessment – Evaluate impacts to three core aspects of recovery using the best available data:
  - Housing
  - Infrastructure
  - Economic revitalization
- Develop the plan and identify programs/activities using unmet needs and citizen participation to guide the distribution of funds
- Submit to HUD for approval
- Implement the programs as identified in the distribution of funds
- Continue to assess the progress of the plan and amend the plan as needed



# Other Cross-Cutting Federal Requirements

- CDBG-DR funding must comply with all other Federal Regulations
  - The cross cutting regulations must be addressed in the Action Plan and implemented throughout the grant process
- Environmental Review
  - Flood Insurance
  - Labor Standards
  - Section 3
  - FFATA
  - Procurement
  - Lead Based Paint
  - Fair Housing
  - Relocation (URA) and Acquisition
  - Accessibility
  - Equal Opportunity



# Waiver Requests

- Identify areas that may need a waiver from HUD
- The written request for a waiver:
  - Must show that 'Good cause' for the waiver exists
  - Must not be inconsistent with overall purpose of HCD Act
  - Cannot conflict with these cross-cutting requirements that the Secretary may not waive:
    - Discrimination
    - Fair Housing
    - Environmental Review
    - Labor Standards



# Action Plan Amendments

- Action Plans are living documents, and should be amended as often as necessary to address evolving recovery needs
- Two Types of Amendments (must be defined in the Action Plan):
  - Substantial Amendments
  - Non-substantial Amendments



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# Program Implementation

*How to implement your CDBG-DR grant*



# Implementation

- Grantees generally administer funding in one or a combination of the following ways:
  - Direct implementation model: grantee implements program directly
  - Partner model: grantee provides funding to partners such as other agencies, sub recipients or contractors to implement
  - Method of distribution model: Provide funding to Units of Local Government (UGLG) to carry out projects
- Grantee should assess its own and partners' capacity to implement its CDBG-DR program and activities
- For all programs, grantees or its partners must develop detailed policies and procedures necessary to implement the activities outlined in the Action Plan



# Eligible Activities

- Eligible activities generally fall into one of the following categories:
  - Housing
  - Restoration of infrastructure
  - Economic revitalization
  - Administration and Planning
- May be used as matching requirement for other Federal program to carry out a CDBG-DR eligible activity
- Examples:
  - Rehab of damaged properties
  - Street repairs
  - Housing Resettlement Incentives
  - Debris removal



# Planning & Administration

- Planning and Administration are eligible CDBG-DR activities
- Key is to know what counts as administration and what is allowed under planning
- Planning and Administration are capped at 20% of the grant
  - Of this, up to 5% of the grant can be used for administration





### Direct Program/Activity Delivery/Administrative Costs

- Direct development costs – actual costs to acquire, rehabilitate or construct projects
- Activity delivery costs – costs incurred by grantees or subrecipients to facilitate the development of specific projects (e.g. environmental review, work write up, applicant selection), can include soft costs tied to specific project
- Program administrative costs- cost that grantee or subrecipient must incur to administer or manage overall CDBG-DR program (e.g. planning, monitoring, financial management, reporting)



# Documenting Tie to the Disaster

- ALL CDBG-DR activities must be tied to the disaster(s) covered by the appropriation
- There are various ways to document how the proposed activity ties to the disaster event such as:
  - Beneficiary's home suffered damage from the disaster;
  - Funded project will help to economically revitalize an impacted community; or
  - Applicant community suffered impact from disaster
- As time goes by, documenting tie to the disaster event may become increasingly challenging

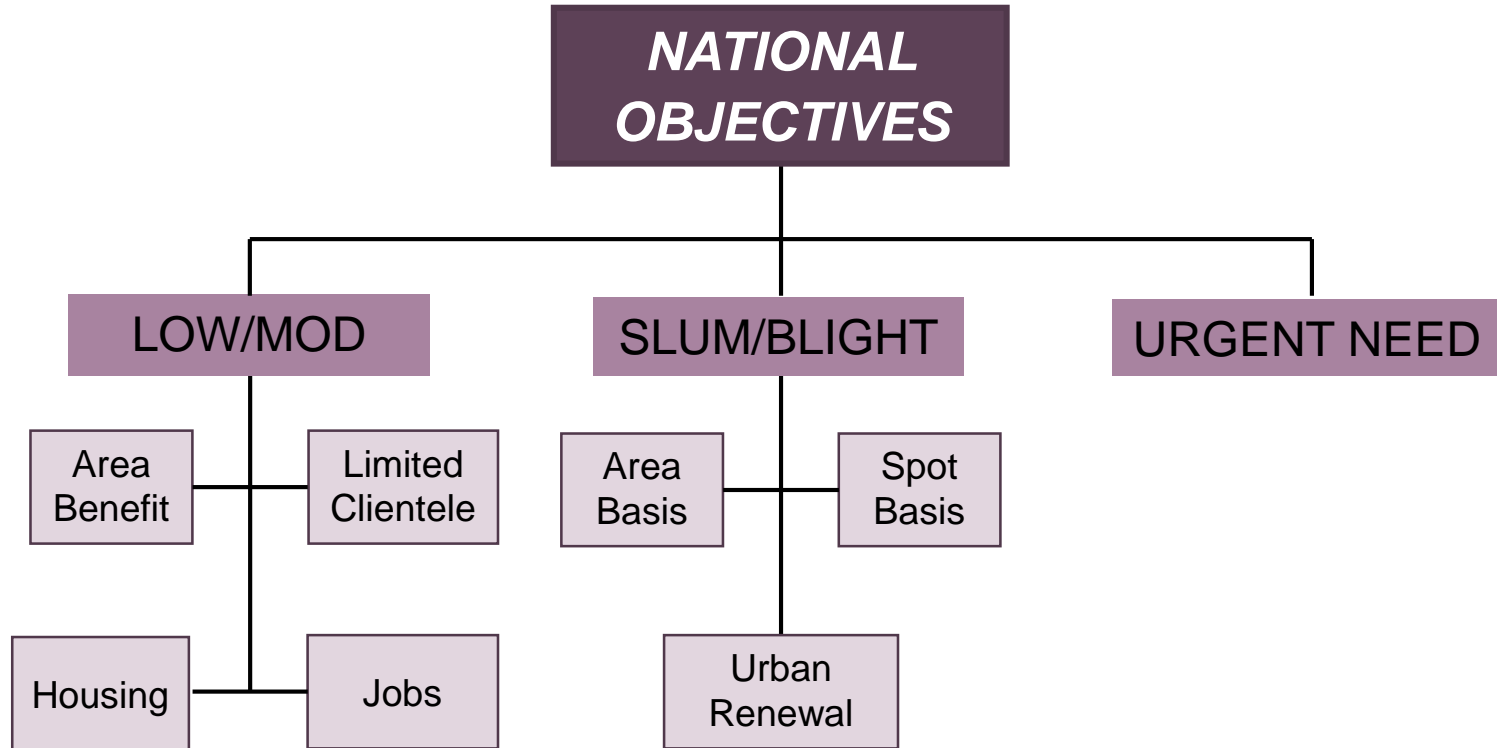


# Meeting a National Objective

- All CDBG eligible activities must meet one of the following three national objectives (except for planning and administration):
  - Benefit to low- and moderate- income (LMI) persons
  - Aid in the prevention or elimination of slums or blight
  - Meet a need having a particular urgency (referred to as urgent need)



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# LMI Overall Benefit

- HCDA requires that 70% of all CDBG expenditures benefit LMI persons
  - Newest CDBG-DR allocations maintain this requirement
  - In the past, CDBG-DR has lowered the requirement to 50%
- LMI targeting is determined, documented, and reported via the national objective used to qualify each project



# Duplication of Benefits (DOB)

- Section 312 (42 U.S.C. 5155) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act
- Necessary and reasonable requirements (24 CFR part 570 and Uniform Requirements at 2 CFR part 200)
- CDBG-DR Appropriations Acts and HUD Federal Register Notices
- Disaster assistance covered under DOB includes private sources (charitable donations, insurance proceeds, volunteer work, and grants) and funds from public agencies (FEMA, SBA, etc..)



# Duplication of Benefits (continued)

- HUD issued DOB Notice: 76 FR 71060  
<http://www.gpo.gov/fdsys/pkg/FR-2011-11-16/pdf/2011-29634.pdf>
- Assistance is duplicative when two sources exceed need for the same recovery item:
  - If beneficiary receives duplicated assistance, grantee providing assistance must recover any duplicative assistance provided
  - Assistance is NOT duplicative when two sources contribute to the same need and total assistance did not exceed the total need
  - Can combine different forms of assistance to meet recovery needs



# Duplication of Benefits (continued)

- Governments are also subject to DOB requirements
- The amount of the duplication is the amount of assistance provided in excess of need
  - Ex. Mr. Brown's home was damaged by a tornado
    - Estimated cost to repair is 100k
    - Mr. Brown receives 150k (\$25K from insurance, \$25K from FEMA, and \$100K from CDBG-DR)
    - DOB amount is the last \$50K of CDBG-DR funds





# Duplication of Benefits (continued)

- Calculation of Award
  - Subtract all assistance found to be duplicative from identified need; reduce award if program cap in place
  - Basic framework:

1. Identify Applicant's Total Need	\$ 100,000
2. Identify All Assistance Received	\$ 35,000
3. Deduct Assistance Determined to be Duplicative	\$ 30,000
4. Maximum Eligible Award (Item 1 less Item 3)	\$ 70,000
5. Program Cap (if applicable)	\$ 50,000
6. Final Award (lesser of Items 4 and 5)	\$ 50,000



# Duplication of Benefits (continued)

- Recapture
  - Federal Agency that provides the funds responsible for recapture. For HUD, means CDBG-DR grantees
  - DOB policies and procedures should address recapture
  - To ensure recapture, a subrogation agreement or similar agreement must be signed by every applicant prior to the receipt of assistance
  - Consider level of Risk (likelihood of DOB) when designing program policies
    - **Higher Risk:** Awarding CDBG-DR funds when future assistance is nearly certain but amount is uncertain
    - **Medium Risk:** Awarding CDBG-DR funds in installments, with final payment issued after DOB analysis is complete
    - **Low Risk:** Award CDBG-DR funds only after DOB analysis is complete



# Duplication of Benefits (continued)

- OMB Cost Principles – Necessary and Reasonable
  - OMB Cost Principles
    - Necessary – not defined in 2 CFR part 200. Is it eligible? For a permissible recovery purpose?
    - Reasonable – a cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.
      - Other factors related to the reasonableness of the cost are described in 2 CFR part 200
  - SBA Loans: presumption that use of CDBG funds to pay down SBA loans is not necessary or reasonable



# Duplication of Benefits (continued)

- Critical information
  - When reviewing activities, HUD expects to see:
    - Description of DOB (likely in application)
    - Identification of applicant's unmet need
    - Signed privacy waiver
    - Identification of sources of assistance provided to applicant
    - Verification of FEMA and insurance proceeds (e.g., FEMA award letter, insurance letter)
    - Verification of SBA or other proceeds (e.g., SBA data feed)
    - Treatment of declined SBA awards in accordance with 2013 guidance <https://www.hudexchange.info/resource/3137/cdbg-dr-duplication-of-benefit-requirements-and-provision-of-assistance-with-sba-funds/>
    - CDBG-DR award calculation
    - Signed subrogation agreement (or similar agreement to recapture funds if necessary)



# Financial Management

*Financial Dos and Don'ts*



# Financial Management

- Grantees and their sub recipients must comply with all OMB requirements at 2 CFR 200 including:
  - Financial and internal controls
  - Procurement
  - Independent Cost Estimates
  - Accounting procedures
  - Cost principals and audit requirements
  - Timely expenditure of funds including program income
  - Performance measures
  - Written agreements
- HUD requires grantees to prepare financial forecasts by programs to project expenditures and measure progress



# Reporting & Monitoring

*Tracking grant progress.*



# Reporting and Recordkeeping Requirements

- Disaster Recovery Grant Reporting (DRGR) system is used for CDBG-DR
- Most program reporting rules applicable under regular CDBG apply to CDBG-DR
- In DRGR, grantees:
  - Access their line of credit
  - Enter action plans and amendments
  - Report on progress quarterly
- Must retain all records for 3 years following grant closeout





# Quarterly Progress Reports (QPR)

- QPRs are a tool that allows the grantee, HUD, and Congress to track performance on individual activities
- Grantees update QPR's with the following information:
  - Activity Progress
  - Expenditures
  - Actual accomplishments by performance measure
  - Beneficiary data
  - And more...



# Monitoring

- Everyone in the process gets monitored:
  - HUD monitors the grantee
  - Grantee monitors:
    - Grantee's own files
    - Public agency partners
    - Sub recipients
    - For profit contractors and beneficiaries
- Monitoring includes:
  - Desk reviews (reports, documentation)
  - On-site visits (review of files, staff interviews, etc.)
- Grantees must also provide TA to partners and sub recipients
  - This will help reduce monitoring Findings and Concerns



# Monitoring (continued)

- Typical steps in the process:
  - Develop an annual monitoring plan
    - Plan type and frequency should be based on risk assessment
    - The most recent allocations of CDBG-DR funds, require grantees to record monitoring and TA events in DRGR
  - Conduct periodic desk reviews
  - Conduct on-site assessments:
    - Entrance meeting
    - Review of files/other documents
    - Exit meeting/interview
    - Review letter & follow-up actions



# Monitoring (continued)

- What should be monitored:
  - Program benefit, including eligible activities, national objective, and tie-back to the disaster
  - Environmental
  - Financial
  - Procurement
  - Labor
  - Relocation & acquisition
  - FHEO/504/section 3
  - Citizen participation/certifications
  - Program management
  - Program progress & reporting



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# Grant Closeout



# Closeout

- Grantees must complete the following prior to close-out:
  - DRGR:
    - All CDBG-DR funds are drawn under the correct activity
    - Activity types, national objectives, and accomplishments are accurately reported
    - Final QPR is submitted to HUD
  - All grant and subrecipient agreements are closed
  - All outstanding monitoring findings have been resolved
  - A closeout agreement has been prepared



# Resources

- CDBG-DR Website at HUD Exchange:
  - <https://www.hudexchange.info/programs/cdbg-dr/>
- 24 CFR 570:
  - [http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title24/24cfr570\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title24/24cfr570_main_02.tpl)
- HCD Act:
  - [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/fair\\_housing\\_equal\\_opp/FHLaws/109](http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/FHLaws/109)
- Toolkits:
  - <https://www.hudexchange.info/programs/cdbg-dr/toolkits/>
- Mapping Tool:
  - <https://www.hudexchange.info/programs/consolidated-plan/>
  - Under CPD Maps on far right-hand side



# Resources (continued)

- Guide to National Objectives and Eligible Activities:
  - States: <https://www.hudexchange.info/resource/2179/guide-national-objectives-eligible-activities-state-cdbg-programs/>
  - Entitlements: <https://www.hudexchange.info/resource/89/community-development-block-grant-program-cdbg-guide-to-national-objectives-and-eligible-activities-for-entitlement-communities/>
- “Basically CDBG” presentations
  - States: <https://www.hudexchange.info/resource/269/basically-cdbg-for-states/>
  - Entitlements: <https://www.hudexchange.info/resource/19/basically-cdbg-training-guidebook-and-slides/>
- Relevant supplemental appropriations law(s)
- Relevant Federal Register Notice(s)





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# Questions?