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

1. 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
  - ≥ $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
CDBG-DR Program Steps

- CDBG-DR allocation to state or locality
  - Unmet needs analysis, action plan, certifications, & grant agreement
- Policies, procedures & organizational plans
  - Community engagement & information sharing
- Unmet needs analysis, action plan, certifications, & grant agreement
  - Project set-up in DRGR
- Environmental review
  - Project/sub recipient application or procurement
- Construction or delivery to beneficiaries
  - DRGR draws & financial management
  - Subrecipient Monitoring
  - QPR reporting & data quality assurance
- CDBG-DR grant close-out
  - Monitoring & compliance, including fraud prevention
  - Project close-out
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

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<th>Additional Requirements</th>
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<td>Flood Insurance</td>
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<td>Lead Based Paint</td>
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<td>Relocation (URA) and Acquisition</td>
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<td>Accessibility</td>
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<td>Equal Opportunity</td>
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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
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)
URGENT NEED

LOW/MOD
- Area Benefit
- Limited Clientele
- Housing
- Jobs

SLUM/BLIGHT
- Area Basis
- Spot Basis
- Urban Renewal
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

- 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 CBDG-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:**

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<tr>
<th>Step</th>
<th>Description</th>
<th>Amount</th>
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<tr>
<td>1.</td>
<td>Identify Applicant’s Total Need</td>
<td>$100,000</td>
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<tr>
<td>2.</td>
<td>Identify All Assistance Received</td>
<td>$35,000</td>
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<tr>
<td>3.</td>
<td>Deduct Assistance Determined to be Duplicative</td>
<td>$30,000</td>
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<tr>
<td>4.</td>
<td>Maximum Eligible Award (Item 1 less Item 3)</td>
<td>$70,000</td>
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<tr>
<td>5.</td>
<td>Program Cap (if applicable)</td>
<td>$50,000</td>
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<tr>
<td>6.</td>
<td>Final Award (lesser of Items 4 and 5)</td>
<td>$50,000</td>
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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
    • 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
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/](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:

- Toolkits:
  - [https://www.hudexchange.info/programs/cdbg-dr/toolkits/](https://www.hudexchange.info/programs/cdbg-dr/toolkits/)

- Mapping Tool:
  - [https://www.hudexchange.info/programs/consolidated-plan/](https://www.hudexchange.info/programs/consolidated-plan/)
  - Under CPD Maps on far right-hand side
Resources (continued)

• Guide to National Objectives and Eligible Activities:

• “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)
Questions?