



CDBG-DR Basics: Key Steps for Management and Implementation

2018 CDBG-DR Problem Solving Clinic

Atlanta, GA | December 12-14, 2018

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
 - Brandy Bones, ICF



Agenda

- CDBG-DR Program Overview
- Key Steps in the CDBG-DR Process
 - Overview
 - Action Plan, Amendments and Waivers
 - Program Implementation
 - Financial Management
 - Reporting & Monitoring
 - Close Out



Overview



CDBG-DR Program Overview

- Provided as a special appropriation by Congress to states, territories, counties, and municipalities 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



Approves
appropriation

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

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

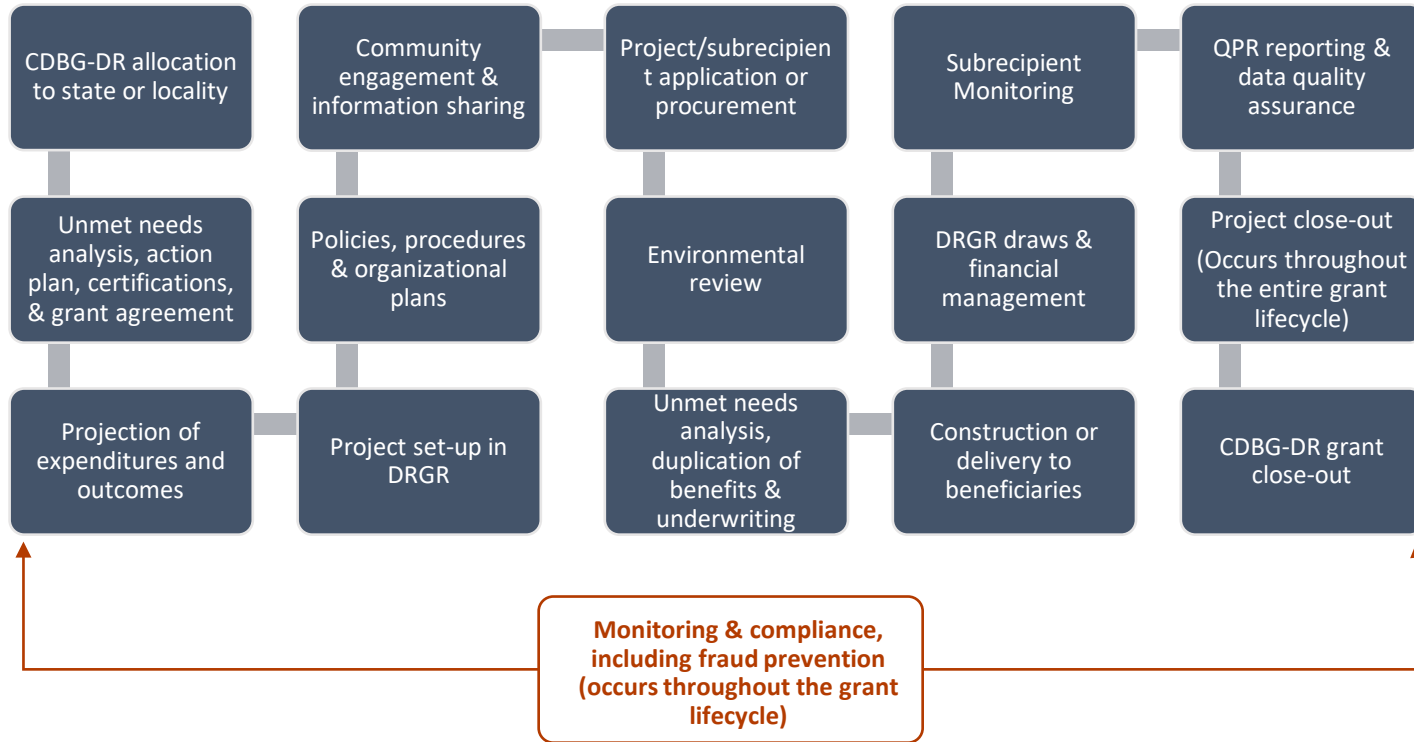


CDBG-DR Grants

- Amount of CDBG-DR funding is based on damage estimates and unmet disaster recovery needs
- As of December 2018 there were 57 active CDBG-DR grantees and 123 active grants
- Total funding allocated: \$82.5 billion (includes entire allocation under P.L.115-56 and 115-123)
- HUD HQ oversees large grants & high risk grants
 - ≥ \$500 million (i.e. FL, GA, IA, LA, MS, NC, NJ, NY, NYC, LMDC, TX, VI and PR)
- All other grants overseen by HUD CPD Field Offices
- 80% of funds must address needs within the HUD-identified Most Impacted and Distressed (MID) areas



CDBG-DR Program Steps



Developing an Action Plan: Action Plan, Amendments And Waivers



Action Plan Development and Assessment

Planning and Assessment

1. Assess and evaluate impacts
2. Primarily address unmet housing recovery needs.
3. Develop the plan and identify programs/activities using unmet needs analysis, citizen participation and stakeholder consultation

HUD Approval

Submit Action Plan (along with Projection of Expenditures & Outcomes) to HUD for Approval

Implementation

1. Implement the programs as identified in the distribution of funds
2. Continue to assess the progress of the plan and amend the plan as needed



Action Plan Amendments

Substantial Amendments

- Required for a change in allocation, beneficiary, addition or deletion of program
- Additional criteria specified in Action Plan that will constitute a substantial amendment.
- Substantial Amendments require:
 - 15/30 day public comment period, with comments and grantee response incorporated
 - Posting on grantee disaster recovery website (with translation)
 - Numbered sequentially
 - Submitted to HUD for approval prior to implementation

Non-Substantial Amendments and Technical Corrections

- These amendments require that grantees:
 - Notify HUD at least 5 days prior to enacting
 - Number them sequentially
 - Post on website (with translation)
- HUD will provide email notification of receipt within 5 days



Other Cross-Cutting Federal Requirements

- CDBG-DR funding must comply with all other applicable cross-cutting federal requirements
- 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 Economic Opportunities
- FFATA
- Financial Management & Procurement
- Lead Based Paint
- Fair Housing, Handicapped Accessibility & Equal Opportunity
- Relocation and Acquisition (URA)



Waiver Requests

- HUD may waive certain requirements
- Identify areas that may need a waiver from HUD
- The written request for a waiver:
 - Must show that ‘good cause’ supported by data for the waiver exists
 - Must not be inconsistent with overall purpose of HCD Act
 - Cannot conflict with the following cross-cutting requirements that the Secretary may not waive:
 - Equal opportunity
 - Fair Housing
 - Environmental Review
 - Davis Bacon Labor Standards & related Acts



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 (MoD) model:** Provide funding to Units of General Local Government (UGLG) who then refine activities and carry out programs
- 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



Staff Capacity and Continuity

- **Step 1:** Assess your capacity
 - Staff capacity
 - Infrastructure and real estate needs
 - Systems and processes
- **Step 2:** Identify staffing positions, partners, and vendors
- **Step 3:** Determine your approach to meeting capacity needs
 - Agency staff
 - Partnerships
 - Contractors
 - Local governments
 - Hybrid model
- **Step 4:** Execute agreements with partners



Eligible Activities

- Eligible activities generally fall into one of the following categories:
 - Housing
 - Restoration of infrastructure
 - Economic revitalization
 - Administration and Planning
- May be used to meet matching requirements for some other Federal programs provided funding is for a CDBG-DR eligible activity
- Examples of eligible activities:
 - Rehab of damaged properties
 - Street repairs
 - Debris removal
 - Buyout program



Planning & Administration

- Planning and administration are eligible CDBG-DR activities
- Planning and administration are capped at 20% of the grant
 - Of this, up to 5% of the grant can be used for administration
 - NOTE: for 2017 grantees there is a 15% planning cap
- Important to understand what counts as administration and what is allowed under planning (see 24 CFR 570.205)



Activity, Activity Delivery and Administrative Costs

- Activity Costs: actual costs to acquire, rehabilitate or construct projects, or provide assistance
- Activity Delivery Costs: costs incurred by grantees or subrecipients to facilitate the development of specific projects and programs (e.g. environmental review, work write up, applicant selection, rehab standards), can include soft costs tied to specific project and are reported within the project or program
- Grant Administrative Costs: costs that grantee or subrecipient must incur to administer or manage the CDBG-DR grant (e.g. monitoring, financial management, reporting)



Documenting Tie to the Disaster

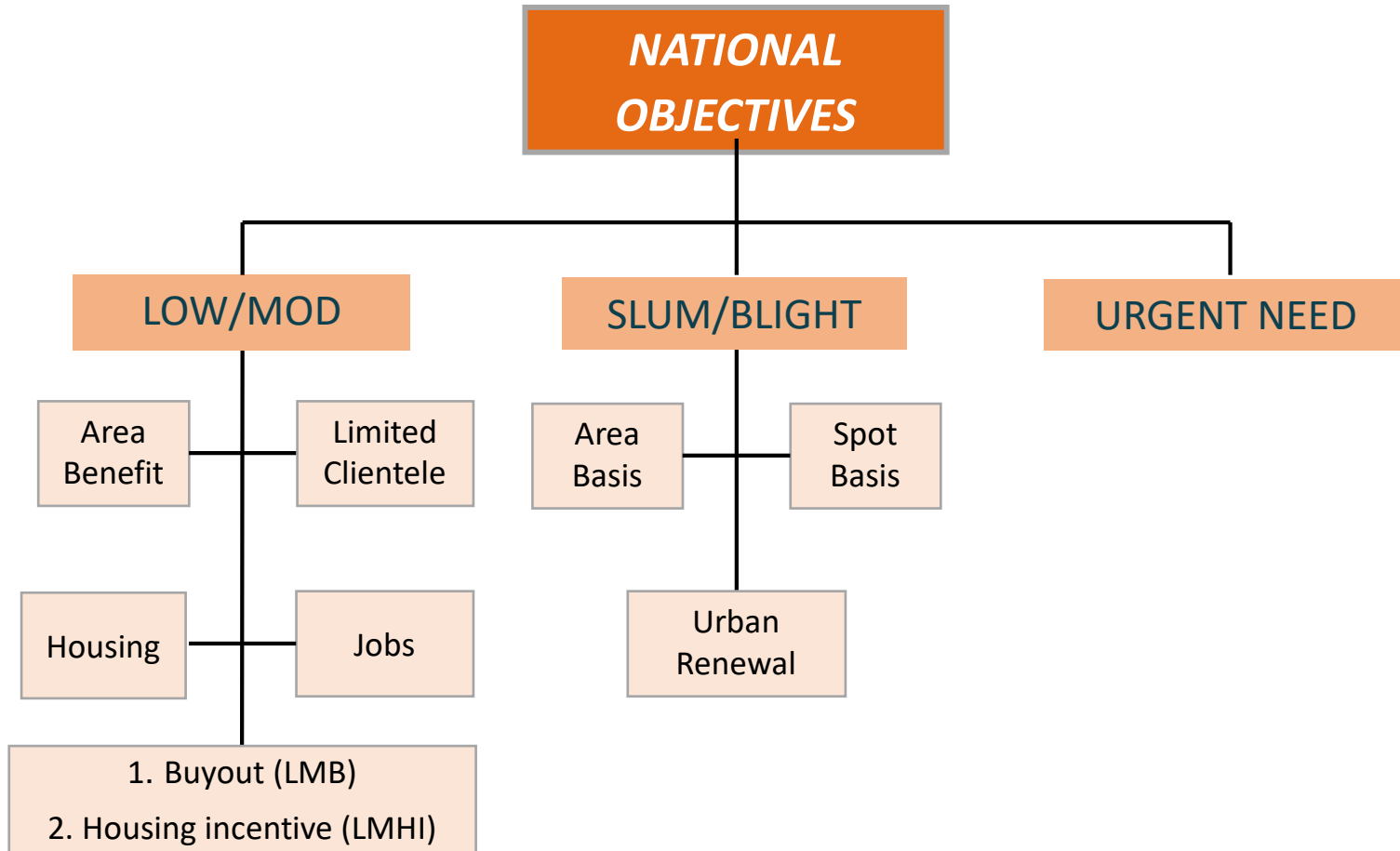
- **ALL** CDBG-DR activities must be tied to the disaster(s) covered by the CDBG-DR appropriation
- There are various ways to document how the proposed activity ties to the disaster event such as:
 - Beneficiary's home suffered damage from the disaster
 - Funded project will help to economically revitalize an impacted community
 - 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 (Urgent Need)
 - CDBG-DR Waiver makes this National Objective easier to document
 - Action Plan must address the type, scale, and location of disaster-related impacts that urgent need activities will be addressing
 - Becomes difficult to create new programs using the urgent need National Objective as time goes by





Buyout Specific National Objectives

- Low/Mod Buyout (LMB)
 - When CDBG–DR funds are used for a buyout award to acquire housing owned by a qualifying LMI household, where the award amount (including optional relocation assistance) is greater than the post-disaster (current) fair market value of that property
- Low/Mod Housing Incentive (LMHI)
 - When CDBG–DR funds are used for a housing incentive award, tied to the voluntary buyout or other voluntary acquisition of housing owned by a qualifying LMI household, for which the housing incentive is for the purpose of moving outside of the affected floodplain or to a lower-risk area; or when the housing incentive is for the purpose of providing or improving residential structures that, upon completion, will be occupied by an LMI household



LMI Overall Benefit

- HCDA requires that 70% of all CDBG expenditures benefit LMI persons
 - Newest CDBG-DR allocations maintain this requirement
 - For some previous allocations, the requirement has been lowered to 50%
 - With a proper justification and HUD approval, the Overall benefit may be further reduced
- 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 Administrative 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 & grants) and funds from public agencies (FEMA, SBA, etc.)



Duplication of Benefits (cont.)

- 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 duplicative 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 (cont.)

- Governments are also subject to DOB requirements
- The amount of the duplication is the amount of assistance provided in excess of need
 - Example: 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 that exceeds his repair cost



Duplication of Benefits (cont.)

- 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 (cont.)

- Recapture

- Federal Agency that provides the funds is responsible for recapture. For HUD, this passes down to the CBDG-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
 - For 2017 grantees, be sure these agreements include the following statement: “Warning: Any person who knowingly makes a false claim or statement to HUD may be subject to civil or criminal penalties under 18 U.S.C. 287, 1001 and 31 U.S.C. 3729.”
 - Consider level of Risk (likelihood of DOB) when designing program policies
 - Higher Risk: Awarding CBDG-DR funds when future assistance is nearly certain but amount is uncertain
 - Medium Risk: Awarding CBDG-DR funds in installments, with final payment issued after DOB analysis is complete
 - Low Risk: Award CBDG-DR funds only after DOB analysis is complete



Duplication of Benefits (cont.)

- OMB Cost Principles – Necessary and Reasonable
 - **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
 - For competitive procurements, obtain a pre-bid independent cost estimate
 - SBA Loans
 - CDBG funds cannot be used to pay down SBA loans
 - Grantees should continue to follow HUD's existing guidance on declined loans (HUD Guidance issued on July 25, 2013)
 - If an SBA Loan has any amount drawn down, then the entire amount of the loan is DOB
- **HUD will be issuing guidance to update existing SBA Loan DOB policies. Until new policies are issued grantees should continue to follow existing guidance.**



Duplication of Benefits (cont.)

- 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/>
 - Grantees should anticipate that HUD will soon be issuing guidance to address the requirements of the Appropriations Act regarding declined SBA Loans
 - CDBG-DR award calculation
 - Signed subrogation agreement (or similar agreement to recapture funds if necessary including statement for 2017 grantees)



Financial Management: Financial Dos and Don'ts



Financial Management

- Grantees and their sub recipients must comply with OMB requirements at 2 CFR 200, as applicable, such as:
 - Financial and internal controls
 - Accounting procedures
 - Cost principals
 - Timely expenditure of funds including program income
 - Performance measures
 - Procurement (see next slide) & independent cost estimates
 - Written agreements
 - Audits
- HUD requires grantees to prepare financial forecasts by programs to project expenditures and measure progress
 - Check applicable FRs for when projections are required
 - Be sure to post projections on website



Procurement

- HUD must certify to Congress that each grantee has “proficient procurement processes” in place to prevent fraud, waste and abuse
 - Grantees must follow process outlined in their certifications or submit updated certifications
- Grantees must demonstrate that their processes promote “full and open competition” and include a price or cost analysis for each procurement
- State grantees have three options:
 - Adopt 2 CFR 200.318 through 200.326 for itself and its subrecipients
 - Follow its own procurement requirements and establish requirements for subrecipients (including full and open competition and a cost or price analysis in both cases), in accordance with 24 CFR 570.489(g)
 - Adopt 2 CFR 200.317, meaning that it will follow its own State procurement policies (including a cost or price analysis), but impose 2 CFR 200.318 through 200.326 on its subrecipients



Reporting & Monitoring: Tracking Grant Progress



Reporting and Record Keeping 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 following grant closeout for 3 years for most grantees or 4 years for Entitlement grantees



Quarterly Progress Reports (QPR)

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



Monitoring

- Everyone in the process gets monitored:
 - HUD monitors the grantee
 - Grantee monitors:
 - Grantee's own files
 - Public agency partners
 - Subrecipients (e.g., local governments and nonprofit organizations)
 - For-profit contractors & beneficiaries
- Monitoring includes:
 - Desk reviews (reports, supporting documentation)
 - On-site visits (review of files, staff interviews, etc.)
- Grantees must also provide TA to partners & subrecipients
 - This will help reduce monitoring findings and concerns



Monitoring (cont.)

- 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 (cont.)

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



Grant Closeout



Closeout

- Grantees must complete the following prior to close-out:
 - DRGR:
 - 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 (including HUD OIG and Single Audit findings)
 - 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
- HCD Act:
 - 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 (cont.)

- 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)



Questions

