



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

**2019 CDBG-DR Problem Solving Clinic**

**Kansas City – Overland Park | July 30 – August 1, 2019**

# 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. Submits Certifications to HUD
3. Administers its own programs & activities and/or works with another entity to distribute funds

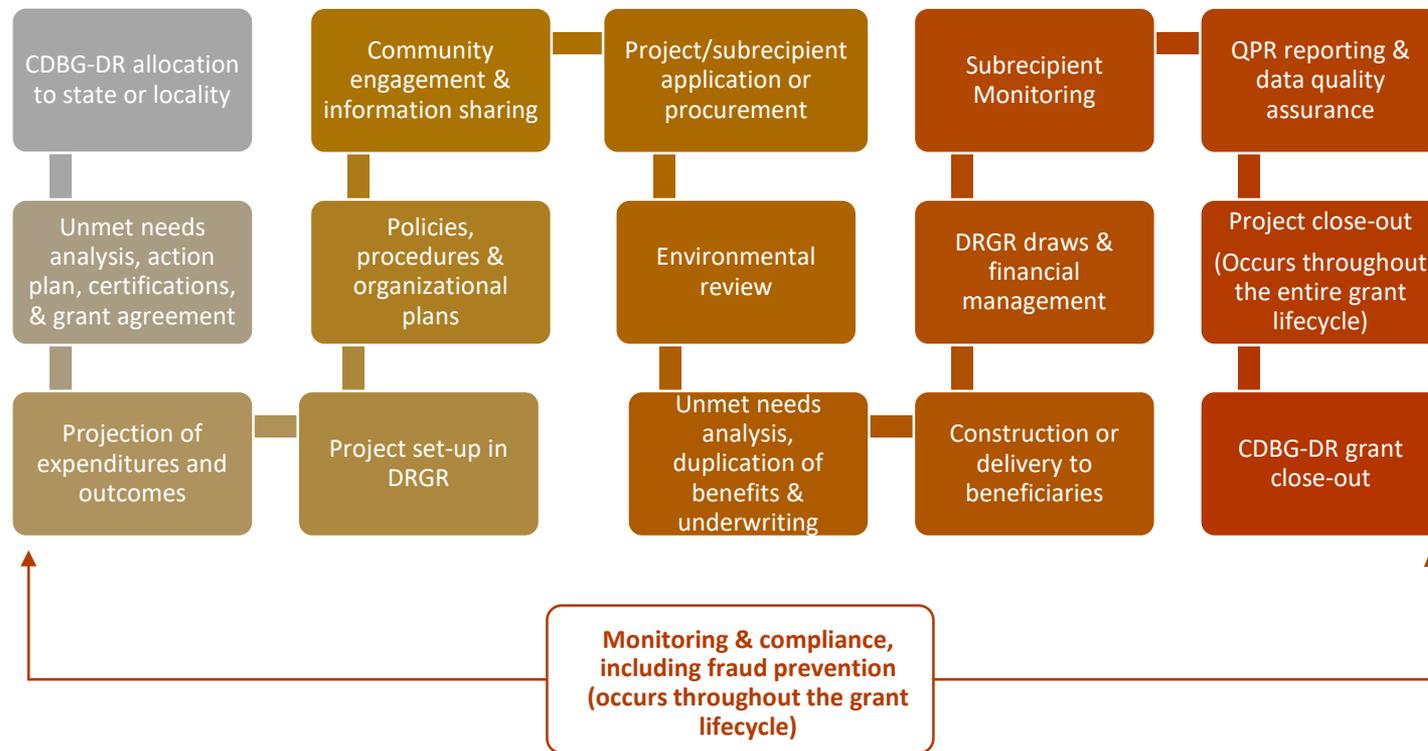


# CDBG-DR Grants

- Amount of CDBG-DR funding is based on damage estimates and unmet disaster recovery needs
- Between 2001 and June 2019, Congress has allocated over \$85 billion and DRSI currently has 57 active CDBG-DR grantees and 105 active grants
- 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	Non-substantial Amendments
Required for change in allocation, beneficiary, eligibility criteria, addition/deletion of program	Involve technical corrections, clarifications
Require public comment period specified in FR notice and citizen participation plan, with comments and response incorporated	Must notify HUD 5 days before implementing
*Must be numbered sequentially, posted on Grantee website	*Must be numbered sequentially, posted on Grantee website
Require HUD approval before implementation	HUD provides Grantee notification of receipt within 5 days

\*Note: all Amendments must be consolidated into one final, complete Action Plan



# 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 and Alternative Requirement Requests

- Identify areas that may need a waiver from HUD as early as possible
- Written requests 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 cross-cutting requirements that the Secretary cannot waive:
    - Equal opportunity
    - Fair Housing
    - Environmental Review
    - Davis Bacon Labor Standards & related Acts



# Program Implementation: How To Implement Your CDBG-DR Grant



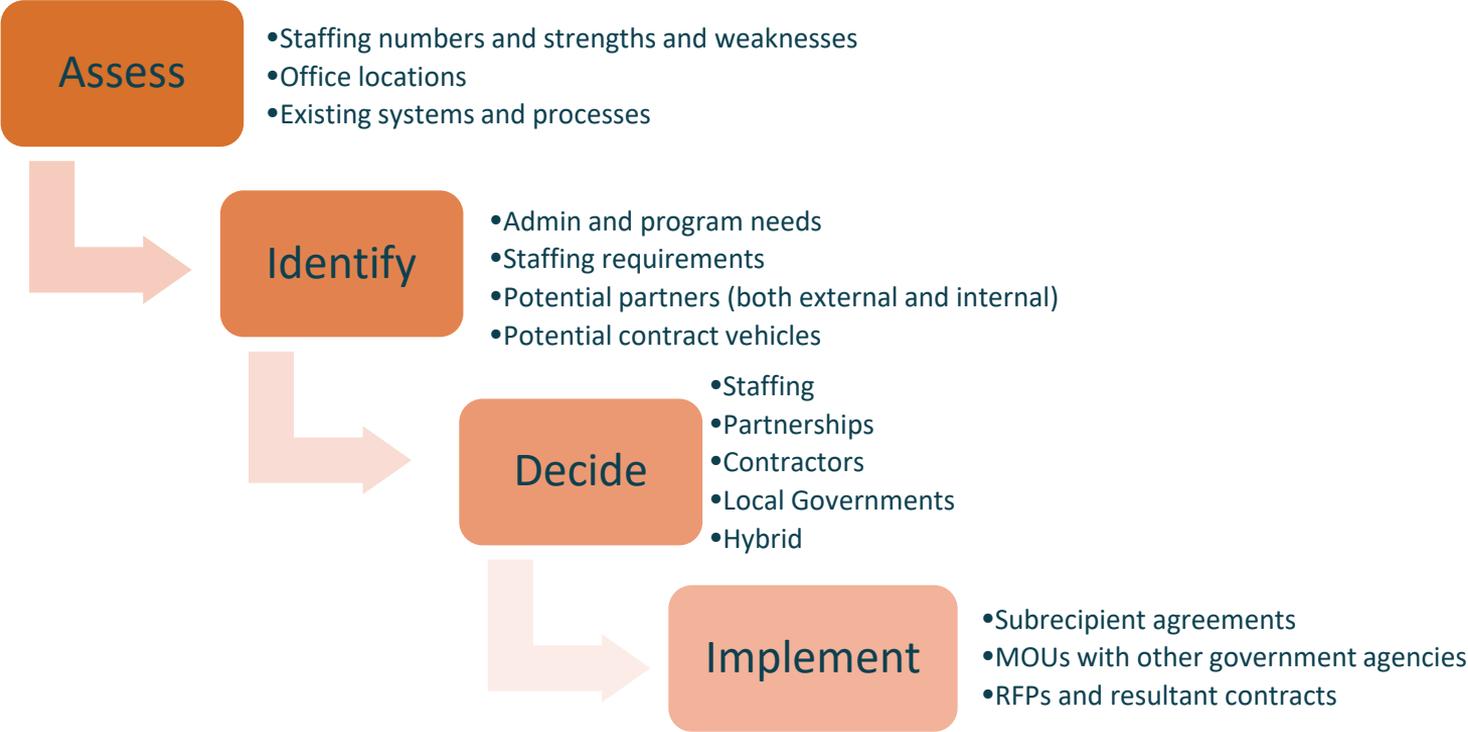
# Implementation Models

Direct Implementation	Grantee runs program directly
Partner Model	Grantee funds other agencies, nonprofits, subrecipients, contractors to implement programs
Method of Distribution Model	Grantee provides funding to Units of General Local Government to implement programs

- Grantee must assess capacity of each partner to implement
- Detailed policies and procedures are necessary to implement all programs outlined in the Action Plan
- Grantees can use a combination of the implementation models



# Staff Capacity and Continuity



# Eligible Activities

- Housing
- Infrastructure
- Economic Development/Revitalization
- Planning
  
- Examples of CDBG-DR funded programs:
  - Rehab or replacement of damaged properties
  - Repair of storm damaged infrastructure
  - Buyouts
  - Business grants and loans
  - Support for essential government services
  - Non-federal match for eligible activities



# Planning & Administration

- Eligible CDBG-DR activities
- Capped at 20% of the grant
  - Up to 5% of the grant can be used for administration
  - 2017 grantees there is a 15% planning cap
- Distinction between administration and what is allowed under planning (see 24 CFR 570.205)



# Activity, Activity Delivery and Administrative Costs

Grant Administrative Costs (GACs)	Costs that Grantee must incur to administer or manage CDGG-DR grant (monitoring, training, financial management, reporting)
Activity Delivery Costs (ADCs)	Costs incurred by grantees or subrecipients to facilitate the development of specific projects or programs
Activity Costs	Actual costs to acquire, rehabilitate or construct project or provide assistance



# Documenting Tie to the Disaster

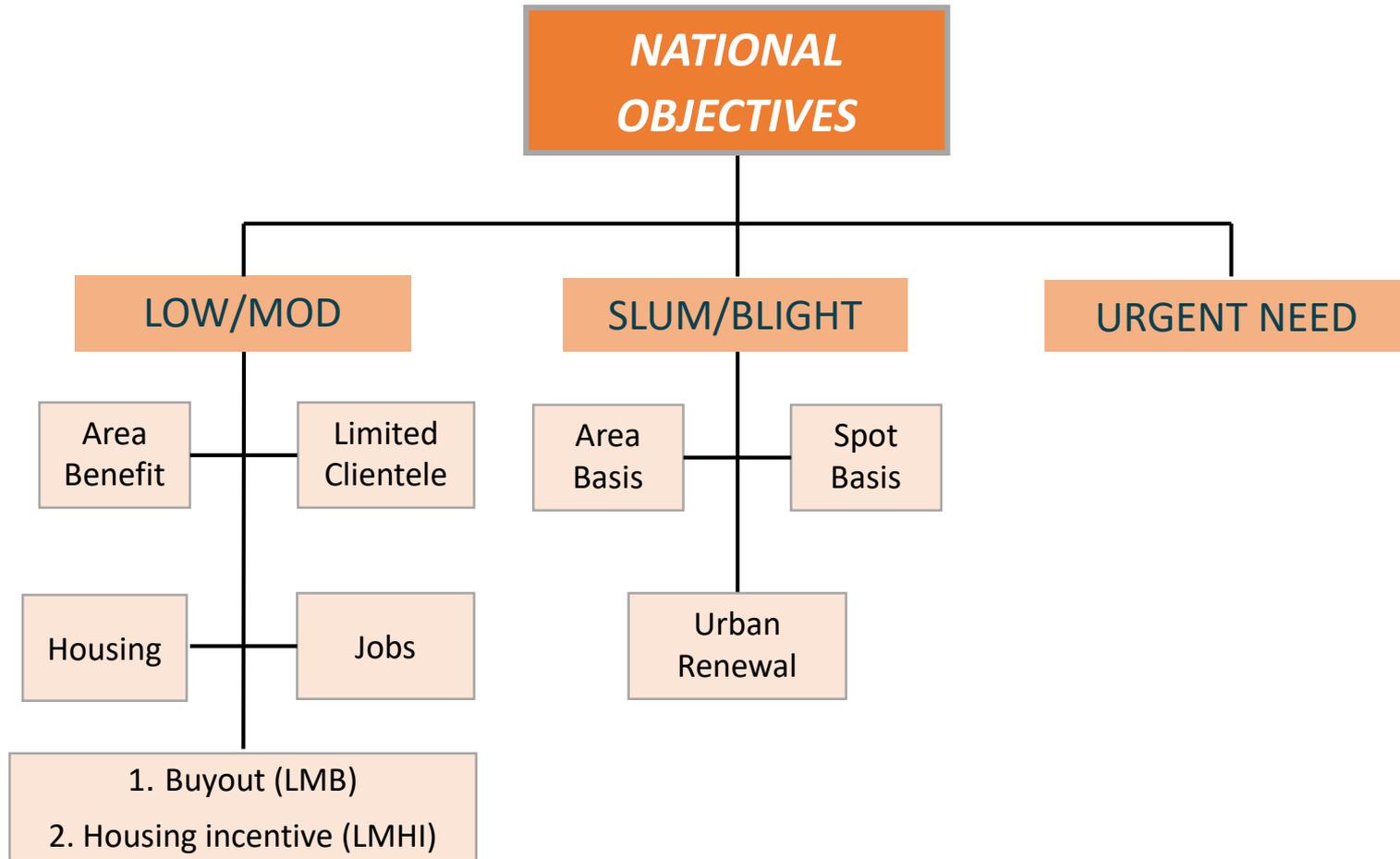
- ALL CDBG-DR activities must be tied to the disaster(s) covered by the CDBG-DR appropriation
- There are various ways to document how the proposed activity ties to the disaster event such as:
  - Beneficiary's home suffered damage from the disaster
  - Funded project will help to economically revitalize 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
    - Difficult to create new programs using the urgent need National Objective as time goes by
    - Some grants have 2-year restriction on new Urgent Need projects





# 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 new DOB Notice in June 2019 which applies to 2015 to 2021 grantees: FR 6169-N-01
- 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
- All entities receiving CDBG-DR funds are subject to DOB, including local governments



# Duplication of Benefits (cont.)

- Recapture Requirements

- 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.”



# Duplication of Benefits (cont.)

- 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



# Financial Management: Financial Do's 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



# Procurement

- 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
- In DRGR, grantees:
  - Access their line of credit
  - Enter Action Plans and amendments
  - Report on progress quarterly
- Record retention following grant closeout:
  - 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.)



# 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



# 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](http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title24/24cfr570_main_02.tpl)
- HCD Act:
  - <https://www.hudexchange.info/resource/2184/housing-and-community-development-hcd-act-of-1974/>
- 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?

**Brandy Bones**  
**(Brandy.Bones@icf.com)**

