

2021 ConnectHomeUSA Virtual Summit

**Using Community Development Block Grant (CDBG) and Section
108 Funding for Broadband**

Tuesday, October 5, 2021

John Panetti: Hello, everyone. Welcome to ConnectHomeUSA, Using Community Development Block Grant and Section 108 Funding for Broadband. My name is John Panetti from ICF, and I'll be your host today. Before we get started, I'd like to go ahead and go over a few logistics with you.

So firstly, attendees have been muted on entry. If you have any questions throughout the webinar, for technical questions, please use the chat box, and for any content related questions you may have, please submit those via the Q&A box, which if you don't see, if you hover your mouse over your screen on the bottom of your screen, you should see your Zoom toolbar. You'll be able to open the Q&A and chat from there. So please use the Q&A box for any content questions.

And we encourage you to submit your questions throughout the webinar. However, due to timing, we may not be able to respond to all of your questions.

Finally, I'd like to let you know that this webinar is being recorded and will be posted on the HUD Exchange. With that, I'll go ahead and turn things over to Dina.

Dina Lehmann-Kim: Thank you so much, John, and thank you, everybody, for joining us today. I personally am very excited about this session. We know that CDBG or Community Development Block Grant funds can be used for broadband, but I think today we're really going to get into the weeds and we're very lucky to have a HUD star -- all-star panel. These are folks with years of experience and deep knowledge in these programs.

So I'm first going to introduce the first set of speakers who will talk about CDBG funding, and I will read their bios so you know who they are.

So first, we'll hear from Cory Schwartz, who is the deputy director of HUD States and Small Cities Division, which administers the Community Development Block Grant program for states. Since joining the division in 2020, Cory has helped launch the Recovery Housing Program and supported HUD's effort to assist communities in responding to the effects of COVID-19.

Previously, Cory served as a financial management analyst for HUD Section 108 loan guarantee program. During his 10-plus years at HUD in community planning and development, Cory has served numerous roles in advancing the department's mission of promoting community and economic development.

You will also hear from Lilah Haxton. She is a community planning and development specialist, also in the State and Small Cities Division, where she supports states in delivering Community Development Block Grant funds to local governments to help low- and moderate-income residents. And with that, I'll turn it over to Cory and Lilah.

Cory Schwartz: Thank you, Dina. Thank you to ConnectHome for having us. It's a great opportunity to present about the CDBG and Section 108 programs, which are excellent tools for providing broadband to the residents of your communities.

The CDBG program was authorized by the Housing and Community Development Act of 1974, making our program about 50 years old. It's one of the longest continuously run programs at HUD. And communities use the CDBG program, along with the Section 108 program, to address critical needs in their communities.

You can see from our mission statement that we're a pretty broad program, and it's designed to be broad. The focus of our program is the first word in the name of our program, which is community. The CDBG program is designed to benefit communities. It's designed for communities to decide what needs are critical in their communities, to involve their communities in the planning for the use of CDBG funds, and to benefit primarily low- and moderate-income persons in their community.

There are two broad aspects to keep in mind about the CDBG program and using CDBG funds. In that kind of the first part of that sentence in about developing viable communities, the CDBG funds must be used for an eligible activity. The CDBG program is very broad and allows for quite a range of different types of activities that all touch on the kind of a high level, and that especially as it pertains to broadband, Lila's going to talk about specific ways in which CDBG funds can be used for particular types of activities that support broadband in your community.

Second, our program -- our funds must be used to meet a national objective, which the easiest way to think about that is a goal of the program. The largest goal or national objective of the program is to benefit low- and moderate-income persons, low being 50 percent of the area median income and moderate being at 80 percent of the area median income.

Grantees who received CDBG funds must spend at least 70 percent of their CDBG funds to benefit those low- and moderate-income persons.

As I mentioned, CDBG has been around since 1974, and we've received funding for the program since then. In the most recent appropriations for fiscal year 2021, \$3.45 billion was appropriated for our 1250 or so grantees.

The CDBG program is a formula entitlement program. So it's entitlement in the sense that communities receive funding under the formula each year for -- that an appropriation is made, and it's formula in that the amount of funding that they receive, their allocation amount, is based on a number of factors, population, poverty, overcrowding. The grants range from anywhere in the tens of thousands of dollars to the hundreds of millions of dollars annually. Next slide.

Along with the CDBG and Section 108 program, our office administers programs related to CDBG. The most applicable one these days is the CDBG-CV program or CDBG CARES Act program. These were funds appropriated through the CARES Act.

The CARES Act was passed into law in March 2020. It was the first major piece of federal legislation in response to coronavirus, and the allocation or the appropriation was put on top of the regular CDBG program. It's generally based on this CDBG program. So the same types of activities that you can carry out with CDBG funds, you can likewise do with CDBG-CV funds.

The appropriation, as I mentioned, was \$5 billion. Allocation similarly went to all eligible grantees under the CDBG program based on a formula with different factors that were specific to coronavirus as well. But again, the grants range from the tens of thousands to the low hundreds of thousands to the hundreds of millions of dollars for those funds.

The biggest piece about CDBG-CV funds are that the funds may be -- must be used for activities to prevent, prepare for, and respond to coronavirus, what we call the PPR. For broadband, that's particularly important. For any activity that's important, but especially is for broadband. If communities want to use CDBG-CV funds for broadband, they have to identify how those activities are either preventing, preparing for, or responding to coronavirus.

Most likely, broadband activities are going to respond to coronavirus, respond to the effects of coronavirus. Lilah is going to get into a little bit later specific activities, how they can be used under a CDBG and/or CDBG-CV, and where they fit into our eligible activity and national objective framework. Next slide.

So this is a general CDBG accomplishments and expenditures graphic, and it shows generally how grantees use CDBG funds for all sorts of different activity types. These are broad activity types. They may -- just on the word -- the wording of that may not make a lot of sense, but within these activity types are a number of different activities you can do to support all sorts of community development needs, but most importantly, for broadband needs, whether building public infrastructure as part of a public facility, providing utility payments as part of a public service activity, or making a loan to a company to install broadband as part of an economic development.

This is an FY '18 accomplishments and expenditures, but it gives you a sense of not only what grantees are using CDBG funds for, what they can use them for, but the number of people that are benefiting from CDBG. Next slide.

Everywhere is eligible somehow. So this gives you a sense of, if you're anywhere in the United States, you are eligible for CDBG funding. Our -- I mentioned there are 1200 -- around 1250 grantees. Most of those grantees are what we call our entitlement communities, and those are large cities and urban counties in every state in the country.

Those communities receive funding directly from HUD, and they carry out activities directly to benefit their communities. Those communities receive about 70 percent of the overall CDBG appropriations for a given year.

If you are not in an entitlement community, you can receive funding through -- likely through your state. So as long with the entitlement communities, each of the 50 states plus Puerto Rico

receive a grant through the state CDBG program, which is about 30 percent of the CDBG appropriation.

States act as a pass-through entity in the CDBG program. They provide funds to what we call our non-entitlement areas, which can apply to their states for CDBG funding. And states can determine how they distribute their CDBG funds according to state discretion.

Funds are also available in the U.S. Virgin Islands, Guam, Northern Mariana Islands, and I'm blanking on our last insular area. Did I mention U.S. Virgin Islands? Those four communities receive funds through our insular area program.

And with that, I'd like to hand it off to my colleagues in the Financial Management Division, and they are going to talk about the Section 108 program, which is the loan guarantee component of the CDBG program.

Dina Lehmann-Kim: Thank you so much. That was great, Cory. I'm going to now introduce our next speakers.

First up, we have Paul Webster, who is the director of the Financial Management Division in HUD's Office of Community Planning and Development. For over four decades, Mr. Webster has overseen the implementation of the Section 188 loan guarantee program. Did you hear that? For over four decades; okay?

He's developed initiative -- innovative financing mechanisms, resulting in over \$9 billion in approvals and over 119,000 jobs created and retained. He also provides financial management guidance, advice, and technical assistance for CPD programs and the CDBG program.

Seema Thomas is the deputy director for the Financial Management Division. To date, she has been working on community development challenges for the past two decades. Her career has focused on developing and expanding innovative and inclusive initiatives to support communities from the neighborhood to the metropolitan scale, both domestically and internationally.

And finally, we have Jorge Morales, who is the loan origination team lead and has been a community planning and development specialist for HUD Section 108 program since 2014. Jorge is an experienced community and economic development professional with over 22 years in the CPD Housing and economic development programs.

And with that, I will pass it over to Paul.

Seema Thomas: Thank you, Dina. We are excited to be here today. We wanted to provide an overview of HUD Section 108 and, in particular, how it can be used for broadband infrastructure in communities. We'll do a quick overview of the CDBG loan guarantee component, which we refer to as Section 108.

Although we're providing an overview today, please do not hesitate to contact us with any questions or even for a brainstorming session. We hope to stay in touch and where this is the beginning of many conversations.

So first here, just a few key points to bear in mind when thinking about Section 108. While it does fall under the programmatic framework of the CDBG program, Section 108 is not a grant. It is a loan guarantee, and the idea behind the loan guarantee is to provide communities and states with an avenue to leverage their CDBG grants, as Cory outlined earlier. And this enables communities to access a larger source of noncompetitive financing.

Overall, the loan guarantee is quite flexible. It's low cost, and it's available year-round. Since each project is unique, Section 108 has considerable flexibility to structure each project accordingly, with different timelines, different repayment sources, and even collateral. And as I mentioned, it's low-cost nature. Lately, it's been under .4 percent, the variable rate. So it gives you a sense of it's not free, but it's fairly close to it and where the maximum loan term is about 20 years.

So because our program is noncompetitive, we can provide considerable one-on-one technical assistance at any stage as often as needed. We can meet with potential borrowers at any stage of the project, from initiation phase to the planning phase and even for restructuring if needed. Next.

Now, in terms of approaches, there are two primary approaches a borrower could take for using the loan guarantee program. The first and perhaps most common approach is a specific project, and this is where community has detailed idea of what they want to do with the financing.

Another common approach is the loan pool. Now, this approach has less specificity, but it allows borrowers to bundle multiple or different types of projects together. And this is ideal for targeting resources to a specific area or to advance a predetermined community development goal. Next slide.

Now, the maximum each borrower -- potential borrower can take is up to five times their current CDBG grant allocation. Any current 108 obligations and loan balances need to be subtracted to get the final maximum borrowing capacity, and here we have an example to illustrate. But to know your community's specific borrowing capacity, you can find more information on HUD Exchange.

And with that, I will now pass to Jorge to share a little bit more about our programmatic and financial requirements.

Jorge Morales: Thank you, Seema. Our program requirements Section 107 and CDBG, you may need to think about it as a Section 108 is a train and there's this track and this rails. They have to be equally -- they're equally important. Without those, the train is not moving; right? And it might be in danger. So they are both important, and that is the program requirements would include the CDBG and the Section 108 unique requirements and financial requirements. Next.

Under the program requirements, we have the standard CDBG requirements which involve the eligible activities. Let me point out that, even though CDBG has its own citation for eligible activities, the applicants must use Section 108 eligible activities, which are contained within the - - another provision of the 570.703. So just making sure that, like Seema mentioned, the Section 108 operates within the framework of the CDBG regulations, but we have our own unique provisions that apply exclusively to the Section 108.

Also, the projects or the activities must comply with or they must meet national objectives like how I you mentioned before, which are a benefit -- to benefit low- and mod individuals urgent needs and elimination of slums or blight. So one of these three national objective must be met by that activity.

In case of economic development activities, there's also the requirement assist to use the public benefit standards, and then we're -- we can be a little bit more technical about it, but I just basically it's to ensure that enough benefit is used in -- together with the benefit that will derive to the low mod individuals.

And also, cross-cutting requirements. By this, we mean fair housing, for construction, Davis-Bacon, and especially the environmental regulations that are included in Part 58. Next slide, please.

In terms of the financials -- and once again, these are where we really take a closer look here at headquarters at the Financial Management Division. We need to talk about repayments, and by repayments, we need to know the source of that repayment. So when the applicants submit an application, they have to specify exactly how they're going to be paying for that, and we are very flexible.

We can -- generally, we accept -- some of the projects generate revenue, and we will accept that revenue. We can also accept other type of revenues that the city, the county, or the local government generates as long as it is legal; right? So as long as it is legal, we can accept any type of repayment.

Also, together with that, we will also check on the collateral, where the collateral provided to secured the loan. Remember Section 108, like Seema mentioned, is not a grant, but it is a loan guarantee. And a guarantor, we need to ensure that that note or that debt obligation is secure.

So how we do that? Well, the primary source for securities, a pledge of the current and future CDBG allocations. So that is a given; right? Actually, the applicants certify that they have access to that particular pledge or grants.

Also, according to the Credit Reform Act, we are required to get additional collateral, and that will be -- could be in the form of a proper [inaudible] [inaudible] facing credit, also, depending on -- upon the situation, we also could accept the service reserve accounts on there to a certain level. But once again, both the financials and the product requirements are equally important, and none of them is more important than the other. So we will take a closer look at both of these requirements. Next, please.

This is an overview for high-level view of how -- about the loan guarantee process, where the other possible applicants look at selecting the project. Once it selects the project, there's a public comment requirement that -- or citizen participation requirement that has to happen before they can submit an application.

Once they submit the application, headquarters and the field office will review that application concurrently. Once that application complies with all the program requirements and the financial requirements, as previously stated, then we'll -- HUD will issue an offer of commitment. And in that case, once that offer a commitment is accepted by the borrower in this case, we will proceed and do -- or move on to the financing phase, which is the actual accessing the funds.

And then finally, we'll take into -- or go into the administration or completion of the project, including the loan service, including repayment that service to the lender. Next step, please. Next slide.

And this is an example of how the money flows in a typical 108 project. See how the borrower at the bottom submit or issue a note to HUD. HUD in turn as a guarantor will submit or send that note together with a guarantee to the lender, who in turn send the money directly to the borrower. Then the borrower send the repayment back to the lender. And just want to emphasize that, see the HUD of guarantor and see how the money is just at the bottom between the lender or fiscal agent and the borrower in this case. So this is the -- this is typical. Next.

In this one, there's another actor added to the equation, and in this case, when a borrower can ask or carry on an activity through specifically an economic development activity where the borrower lends the money to a third-party developer to carry out that activity, in that case the third-party developer issued a note to the borrower.

The borrower then issued a note to HUD to guarantee. Then HUD, once again, send a note and a guarantee to the lender, our fiscal agent, who then send the money directly to the borrower. The borrower then send the money or provides the funds to the developer and then the other way around; right? So once again, the money stays at the bottom between the borrower, the lender, and the third party. HUD just guarantee that transaction or that loan. Next slide, please.

And these are the four jewels that we call it because they're so precious and they're so precious to the borrowers because -- or applicants in this case because Section 108 provides a wide range of uses, and you'll see how you can use it during -- or with broadband projects, wide range of uses.

Low-cost financing with flexible terms. I think you saw when Seema was presenting that the current variable rate for a Section 108 loan is 0.385. I believe that was as of yesterday. So 0.385 percent. So that is less than half a percentage.

So the flexible terms, the capacity that HUD had to sit down with the borrowers to reach an agreement on their terms, of course, not affecting the riskiness of the note -- right -- because that's what we need to do in order to ensure that, when we present that note to the secretary to be guaranteed, that it is an acceptable risk.

And then we have the various source of repayment and collateral that I mentioned before. We are very flexible, and we will talk to the borrower and ensure that that project within the frame of the regulation and the financial requirements can be done.

And finally, the immediate availability of funds. Section 108 funds are not appropriated money. Those funds are coming directly from capital markets. So it is private money. So once again, these are the four jewels that makes Section 108 very precious. And I believe, Paul, all yours.

Paul Webster: Thank you, Jorge. It's very nice to be with everyone today. So what we would like to talk about now, having gotten background on CDBG and Section 108, is linking those two programs to ConnectHomeUSA. You can -- next.

So when a project is undertaken, typically there are three options for how the project will be financed. You want to think in terms of a source. This is the way it would typically look. So Section 108 or CDBG could be a standalone source for a project, but that's unusual because most projects are too large to be financed out of an annual grant, certainly, and sometimes even Section 108, even though it provides a fairly substantial source of funding, up to five times the most recent grant that was made to a state or a locality. But that can be done.

Another way and the more typical way is to finance project cost, with a combination of financing sources. That can include CDBG, Section 108. It could include private lending. It can include tax credits. It could include other grants from other sources, including state and local government. So there is a wide range of sources for most projects.

Gap financing is a subset of the combined financing alternative, and usually what happens there is, when a project is being developed and being underwritten and it appears that the project will not generate sufficient cash flow to fully fund all of the sources, then either CDBG or Section 108 can be inserted into the financing to fill the gap that would otherwise exist. And that's fairly typical of the way CDBG and Section 108 are used for development projects. Next slide.

So one of the nice things about CDBG and Section 108 is that it can be used with a wide range of other financing -- federal financing programs, new market tax credits, historic tax credits, opportunity zones, EDA funding, transportation, SBA, and Section 108 are often used together. Low-income housing tax credits are often a source of funds, and what we've discovered more recently is that there's a lot of opportunity for collaboration with EPA on their projects. Next slide.

So the three-legged stool for digital inclusion. Projects can involve affordable high speed internet provision, low-cost computers and tablets, and digital literacy training. Next slide.

So we go through a series of screens, eligibility screens to make sure that CDBG can be used for broadband activities, and the CDBG is -- sometimes I'll slip between using CDBG funds and Section 108 CDBG grants. But the CDBG funds includes both grants and Section 108 loan proceeds.

So we apply the basic CDBG eligibility screens. Is the project eligible? So we look at a lot of different alternatives for eligibility, infrastructure projects, housing activities, housing rehab, for example, public services, emergency payments, and economic development.

One thing to keep in mind is that there are some eligibility differences between the use of grant funds and Section 108 funds. Some activities that are eligible under CDBG -- or to be carried out with CDBG funding, meaning grants or program income, would not be eligible under Section 108, like public services or emergency payments. So sometimes the main thing is to try to find the eligibility category that would apply to a proposed use of funds.

Second screen is perhaps the most important. Does the project meet the national objectives criteria of the CDBG program? So as was mentioned earlier by Cory, an activity has to either benefit low- and moderate-income persons or prevent or eliminate slums or blight or meet an urgent community development need. And the -- the activities that are carried out, each activity has to fit and meet the criteria in our regulations for one of those three activities.

And the next step is to determine whether or not the project is included in a consolidated plan or action plan. Again, the CDBG rules come into play here. We want to make sure that the activities have been subjected to full citizen participation. And I wonder if I could ask you to move this -- if you can scroll up just a little bit on the screen.

But the funding should meet the -- oh, here we go. Are there funding gaps? So funding should address gaps or areas of unmet need and determine the risk of duplication from other funding sources. So that would be one iteration. I got it. Thank you. So next slide.

Lilah Haxton: I can take it over from here. This is Lilah Haxton. I'm from the State Community Block Grant funding, and I just wanted to provide everyone an overview of the project activities that are eligible under the Community Development Block Grant program.

There are, of course, a lot of eligible activities, but we just wanted to focus on the activities that would extend broadband access to low- and moderate-income households.

So the -- one of the first project types that is eligible is for broadband infrastructure and components. This would be kind of the public works type of activity to extend broadband. It would be the installation of wiring or fiber optic cables and other types of equipment. So kind of like when you see power lines along the road, that would be kind of stringing fiber optic lines in a similar location. This type of activity is available both for public and private broadband providers.

The second project type that might be of interest is what we call emergency payments. This is a payment for emergency payment to cover rent and utilities. Utilities is -- would include or could include internet service for up to three months, and that is for what we call the annual program.

However, to help with response to the coronavirus, there were some flexibilities provided under the Community Development Block Grant coronavirus funding, as well as the 2019 and 2020

Community Development Block Grant program years, where that was bumped up a little bit so that we -- grantees can pay up to six consecutive months for emergency payments.

The one thing I'll mention about emergency payments is that they are -- you don't give cash directly to the resident, that you would have to make arrangements to pay the ISP directly.

The next activity is what we call housing activities. So this would be modifications that you make to your residential unit so that it's ready to get broadband access. So again, it's the wiring inside the house or doing certain types of improvements with -- inside a residential structure so that they can receive high speed internet services.

It is also, if you are renovating a building that's eligible or rehabbing a building, you can also -- or rehabbing a house or a residential structure, you can also include the wiring so that that unit is internet ready.

Also, nonprofit and public social agencies that are going to provide services, free or reduced-cost internet services to eligible tenants are also allowed to make improvements. So you are going to create a room or a classroom where you can provide tutoring to students or that kind of thing, and you would use internet to do that.

The next activities that would be eligible under the Community Block Grant coronavirus funding would be to provide grants or loans to for-profit businesses that would focus on providing broadband or internet access and technology. If you're interested in doing such a type of activity, there are lots of program requirements and that kind of thing.

So we do encourage you to reach out to your state or local government grantee and partner with them on developing this type of activity because there would be some underwriting standards that you would need to address. And you would also have to design a program that had public benefits so it would reach our intended audience or our intended beneficiaries, which is low- and moderate-income residents or households.

The next project type, which is probably of the most interest to most people on the call, based on my understanding of what the ConnectHome program is about, but it's called public services. And it's where you can provide all your educational and training programs. So you can provide your literacy classes, your tutoring classes, all those educational programs to help your residents increase their knowledge of the internet and how to use the internet.

You can also purchase equipment under -- using Community Development Block Grant funds. There are some -- we want to caveat that there are some program requirements dealing with the use of equipment, the management of the equipment. The primary goal of all these regulations is to make sure that the computers are used by low- and moderate-income people. So for example, you have an after school tutoring program that may have computers which they use to receive tutoring on a weekly basis.

For our annual program, public services are capped. They are capped at 15 percent of the award. So it is really limited funding for these activities. However, to help with the response to the

coronavirus, there -- that cap is waived for certain types of funding. And so, that would be for funds under the coronavirus Community Development Block Grant program, as well as for the 2019-2020 Community Block Grant program years. So they can exceed that 15 percent, if the public service they provide is to prevent, prepare for, or respond to the coronavirus.

The last eligible activity I'm going to talk about is planning activities. These are traditional planning activities, so broadband planning, resource mapping, trying to figure out the low- to moderate-income areas that might need additional broadband services, traditional utility planning, or financial strategy, if you decide that there is an area that needs service and it requires a major infrastructure type improvement. You might need to develop a financial package that brings together different funding sources to fund an entire larger type of project.

And so, I just want to wrap up saying that I realize that we've done a high-level overview of the eligible activities. We do have a number of resources on our website, on the last site -- on the last -- towards the end of the presentation. There are some resources that you can look to find out more information about these project types.

But if you're interested in any of these types of projects, we do recommend that you reach out to your grantee, either your state grantee or your local government grantee, to find out more about these projects. They get funding on an annual basis. So you don't need to have all the specifics when you approach them. Even if you have an idea, I would reach out to them. The earlier you can do that, the more you can learn about what the program requirements are and what you need to develop a project that would be fundable under the Community Development Block Grant program.

And so, that's the end of my part, and I'm going to hand it back over to Paul.

Paul Webster: Okay. Thank you, Lilah. So one way to look at the use of the funds is how CDBG 108 funds are deployed, what stages. Typically, for a project that involves development work, there's a preparation stage that typically involves acquisition of property, demolition, if necessary, or clearance of structures needed, when that's needed to make the site usable, site preparation, remediation, if necessary, if there are environmental issues, and then if there's any displacement. One of the major cost-cutting requirements that applies to the use of CDBG and 108 funds is the payment of relocation costs and -- if such displacement occurs.

And then the next stage is the implementation stage where you, for example, might rehabilitate a structure for housing or you might purchase machinery and equipment or you might provide working capital to a business necessary to allow the economic development project to be undertaken and infrastructure public improvements would be carried out in this stage.

There are some activities that are necessary to ensure outcomes. These are activities that are fundable with CDBG, not Section 108. It can include job training, homebuyer assistance, provision of public services, technical assistance to nonprofits or other entities that require assistance in order to carry out the projects in accordance with all of the applicable requirements. Next slide.

So rehabilitation of real property owned or acquired by -- these are activities that are eligible under Section 108. Rehabilitation of real property acquired by the public entity or its public agency. Site preparation work. That can include installation of public improvements, utilities, other than buildings. It's hard to build a building, usually, with Section 108 funds as a site improvement.

Housing rehabilitation would include both privately owned buildings, low-income housing, low-income public housing, and manufactured housing. But be careful to read the regs carefully on that one.

And then the acquisition or rehabilitation or public facilities, including streets, sidewalks, improvements, public utilities, the work necessary to do the infrastructure work in connection with broadband, for example. Next.

So we've provided now as part of this presentation a available financing for ConnectHome for the communities involved, and you can see that, again, the funding for Section 108 is a function of the CDBG funding. So the -- most of the communities here have not utilized all of their funding, certainly, and some have only utilized -- have not utilized any in recent years.

So here is a list of some of the resources that are available, and one of the major resources, your field offices and the staff here in Washington, particularly on my staff when it comes to Section 108.

Walking potential users of Section 108 through a -- the process, I think is one of the best things that we do for our potential users because we can listen to what you want to do. We can help advise you how to structure a project so as to avoid any potential noncompliance issues or any other financial issues that might be associated with a funding under a loan.

So I think we do have some time for Q&A, or I'll let that --

Dina Lehmann-Kim: Yes. We do. Thank you, Paul, and all of the other wonderful speakers for the great information you shared. It looks like there are 11 questions in the chat. Let's see here. Let's see. Okay. Oh, it looks like -- sorry. I wasn't monitoring during the -- okay.

So one question is, "Could you please post the links on your last page into the chat? Thanks."

Oh, okay. So yes. Somebody already did that, it looks like. Okay. Great, Robert. Thank you so much for doing that.

I don't -- let's see. Ashley, do you see any questions that we need to answer? I'm seeing that our team was busy answering questions. We don't have any questions at the moment.

Okay. So I guess let's wait another maybe minute or so to see if we had -- the highest count of folks participating was 165. There are still 150 on right now. So I imagine at least one of them will have a question for us. But if not, while we're waiting, I do have a question and that is, I

guess, for both programs, how does HUD monitor the -- or is it the expenditure of the funds once they've been awarded? Is it -- does it happen at the field office level or --

Cory Schwartz: This is Cory. So for both sets of funds, for both CDBG and Section 108, our field offices, which is our local HUD offices around the country, have a risk analysis process where they review grantees -- certain grantees each year or every couple of years, depending on a number of factors, and they'll look at particular projects within those grantees' portfolios.

Not every project that a grantee carries out is going to be reviewed by HUD either at the field office level or at the -- or at headquarters. So there's certain reporting information for each project, but not each individual project is going to be looked at by HUD.

Dina Lehmann-Kim: Great. Thank you so much. There is a question, "Do you have a video on how to apply for these grants or a tutorial to assist in the application process?"

Cory Schwartz: So our technical assistance, in terms of -- if we're talking about CDBG, each community gets an annual grant fund. So if you are a -- if you're not part of the local government and you want to apply to your local government for these funding -- for this funding through a sub-grant or through a sub-loan, you'll have to contact your local community.

So as I mentioned, there are those 1200 large cities and urban counties around the country that get money directly from HUD. You can look on HUD's website to see if your community received an allocation, or you can just look on their website. You can look at their community housing development offices on -- at your local government to see if they received an allocation.

If you're in a smaller community, we call our non-entitlement areas, you'll have to look and see if your local community is eligible or it is eligible but how you can go about -- how they can go about receiving funds from the state. Again, those smaller communities don't receive funding directly from HUD. They get funding through their states.

Now, if you're a -- not a local government, if you're a nonprofit or public housing agency and you want to see about going to make a Section 108 loan guarantee, it's the same process. You'll have to work in concert with your local government.

But there are resources on HUD Exchange, which is HUDEXchange.info, and you can -- and I think those -- there are some links that my colleagues are posting in the chat, and you can navigate to the respective HUD Exchange page for Section 108, in particular, has a ton of great resources on how to go about accessing those loans, what the requirements are, how to work with your local government to apply for those loans, how much funding your local community has to borrow against that CDBG grant.

Dina Lehmann-Kim: Great. Thanks, Cory. I'm not seeing any more questions in the Q&A or in the chat. So I'm going to ask you a question. It sounds to me, if I understood correctly, that entitlement communities and states are pass-through entities, I guess; right, because people have to go to the state to apply, if they're in a non-entitlement community, and if they're an entitlement

community, does the community itself -- I mean, the community itself could award sub-grants; correct?

Cory Schwartz: Right. So the way -- the difference between the state program and the entitlement program is that an entitlement community can carry out activities directly. So they're getting their funding from HUD, and they're choosing what activities they want to carry out according to their community needs, according to their community input through the citizen participation process, which they go through on an annual basis.

If you're in a non-entitlement area, you may not be get -- those non-entitlement areas are not necessarily getting funds through the states. The way the state program works is that HUD passes through to the states. The state passes through those funds to non-entitlement areas, and it could be done in a couple of different ways.

States have the discretion to how they want to distribute their funds. It could be like a mini entitlement program where they distribute funds around to all the non-entitlement areas in their state based on certain factors. Or it could be a competitive application process where non-entitlement communities apply to the state for CDBG funding. Some may get it. Some may not.

Now, when any of those communities, whether they are an entitlement community or there are a non-entitlement community, get those funds, they can either carry out the activities themselves or then pass those funds, again, along to what we call sub-recipients, which are like sub-grantees. They're nonprofits or they could be grants or loans [inaudible] for-profit entities and those entities will actually carry out the activity.

So if you're a nonprofit, you'll need to contact your local government to see how they're -- how they have access to CDBG funds, what types of activities they're carrying out. They will have published a -- their -- what we call our consolidated -- their consolidated plan, which is basically their plan for how they're going to use CDBG funds, as well as how to provide input in their citizen participation process.

So if you are a nonprofit and you want your local community to direct funds in a certain way for broadband activities, that's an opportunity to say, hey, these are where the needs are. We have all these people we can service. You need to direct -- you should direct a part of your CDBG funds to these types of activities, and then they will go through the planning process. And then at that point, your community may be -- or your your entity may be eligible to get CDBG funds to carry out activities.

Dina Lehmann-Kim: Sorry. I'm on mute. Thank you so much. That was a really great explanation. I really appreciate it.

So I know we only have two minutes left, and we do have to transition to another session. Now, we have a minute left. I don't see any more questions in the chat or in the Q&A box.

So with that, I want to thank all of our wonderful speakers today. Thank you, HUD team, for supporting ConnectHomeUSA, and thank you to our participants for joining. And don't forget

that at 4:00 o'clock Eastern, you have three breakouts that you can choose from, all of which are going to be very interesting. So probably hard to choose. But anyway, thanks, everyone, and we'll see you later. Take care. Bye-bye.

Paul Webster: Thank you, Dina.

Male: Thank you all.

Dina Lehmann-Kim: Thank you.

(END)