

CDBG-CV National Objectives, 11/16/20

CHRIS KIZZIE: Thank you, Chantel. Good afternoon, everyone. I would like to first, welcome all the CDBG grantees attending today's webinar on "CDBG CARES Act and National Objectives." My name is Chris Kizzie. I'm with Enterprise Community Partners, the mission-based consultancy of Enterprise where we provide TA capacity building to support the communities, public housing authorities, and HUD grantees and their partners across the country. I've been working with HUD grantees as a HUD TA provider for over 15 years, and recently delivered a series of Basically CDBG trainings over the past couple years.

I am joined today by my co-presenter for this webinar, Rudy Muñoz. Rudy is the founder of MDG Associates, a community development consulting firm that has been providing services to municipal agencies since 1991, including but not limited to CDBG Home, NSP, and CDBG-DR programs. Today we're going to summarize the three CDBG national objectives. We're also going to review alternative requirements and flexibilities granted in the CDBG-CV notice. While flexibilities are granted in the CDBG-CV notice, we also want to point out the existing flexibilities that grantees have under the CDBG program.

We will highlight these when we get further into the webinar. Additionally, a goal today is to provide ample times to answer questions and clarify components of the notice addressing national objectives specifically. And finally, just a reminder that this is one of many trainings and TA products that will be produced related to the CV program. At the end of the webinar, we will highlight some of the recent resources that have been developed to date.

During today's webinar, we will focus on national objectives, particularly those likely to be used for COVID-19 response. We will discuss documentation requirements and highlight the flexibilities provided for certain national objectives in the Federal Register Notice. Then we will get into some program design considerations using examples of common CDBG-CV activities. And finally, we will have time at the end of the presentation for Q&A.

And with that, I would like to turn things over to my co-presenter today, Rudy Muñoz, to provide an overview of the CDBG national objectives.

RUDY MUÑOZ: Excellent. Good afternoon, everyone. And thank you, Chris, for that introduction. As Chris indicated earlier, one of the objectives of this webinar is to provide you with a summary of the three national objectives. And I'm going to start with a personal story. Many years ago, I was attending a HUD training on the CDBG program. And this, what I considered to be a very wise CDBG trainer, told us that we should do a coin test and ensure that an activity met both sides of the coin test. So we all were kind of baffled in terms of what that meant.

And the follow-up discussion was, well, what I want you to do is always make sure that you look at the first side of the coin. And the test that you do on the first side of the coin is to ensure that that activity is eligible under the CDBG regulations. And you flip over the coin, and on the second side of the coin, you will do a test to ensure that the activity meets one of three national objectives for the CDBG program. So I thought I'd share that story with you and hope that that's

a benefit to you as you are looking at the program that you wish to fund with the CDBG-CV funds. Always make sure that you're meeting both criteria, or both sides of that coin.

The authorizing statute of the CDBG program requires that each funded activity – with the exception of administration and planning – meets one of three national objectives. And those three national objectives are listed on this slide in the green boxes. And those are benefit to low- and moderate-income persons or households, the prevention or elimination of slum and blight, and the third being urgent need. In addition, you'll notice – I don't know what color those boxes are – next slide.

On this slide – and I don't know what color it is for you, but it's like a blue-gray – you'll notice there the first two national objectives, including number of categories that are associated with each national objective. As an example, if you look under the low- and moderate income national objective, you'll see the categories of area benefit, limited clientele, housing, and jobs. Now, these four categories are associated with the low- and moderate-income national objective.

For those of you who are considering implementing or are implementing an activity under the low- and moderate-income jobs national objective, it's important to remember that the CDBG-CV Federal Register Notice provides alternative requirements for documenting low- and moderate-income jobs. And many of you I know are either seeking to implement or are currently implementing a job creation or economic development type program. On this slide, we're also providing you with a link to the Federal Register Notice.

And I mention this to inform everyone that the Federal Register Notice also provides guidance on how to document the use of the urgent need national objective specifically for activities that prevent, prepare for, or respond to the COVID-19 pandemic. Throughout today's presentation, Chris and I will not go over all of these national objectives and categories. We're going try to focus on the national objectives that are associated with activities that either will likely be undertaken or are currently being undertaken to prevent, prepare for, or respond to the COVID-19 pandemic.

And for those of you, we'll be repeating this throughout the training session. As Chantel indicated earlier, for those of you who are interested in obtaining additional information on documenting compliance for national objectives, there will be information that will be provided to you. But I always tell people, the best place to start is by going to the Basically CDBG training curriculum, which is available through the HUD Exchange website. The link, or the URL to the curriculum is actually also listed on the bottom of this slide.

Another option is having conversations with your HUD rep at your field or regional office. Remember that you're partners in this, so reach out to them with any questions that you might have. And we will also provide you with information on how to access the AAQ portal, or Ask a, Question portal specifically for the CDBG-CV program that's available through the HUD Exchange website. Next slide.

So when you're funding activities using CDBG funds or CDBG-CV funds, remember that the goal of the CDBG program, as described in the Housing and Community Development Act, is –

and I'm going to read this verbatim, "...the development of viable urban communities, by providing decent housing and suitable living environment and expanding economic opportunities, principally for persons of low and moderate income..." Emphasis on that last section, "principally for persons of low and moderate income."

As such, under the CDBG and the CDBG-CV program, you must meet the 70 percent overall requirement which targets the funds to low- and moderate-income individuals and households. This overall benefit requirement applies not just to CDBG, but it also applies to the CDBG-CV program and their funds. In order for you to comply with these requirements, at least 70 percent of all non-administrative and planning expenditures must be for activities that meet the low- and moderate-income national objective.

So if you recall on that last slide, it was the national objective on the left-hand side of the slide. So 70 percent of your overall expenditures must be in that category, in that national objective. This particular table that we have in front of us shows how the overall national benefit will be measured for the CDBG-CV grant as compared to how it is measured under the regular CDBG program. We look at the CDBG when you measure the overall benefit for the regular CDBG program.

The percentage calculation is based on the aggregate expenditures over a one-, two-, or three-year period, depending on what you specified as part of your action plan certifications. In comparison – if you look at the line below that – when you measure the overall benefit for the CDBG-CV program, the 70 percent overall low- and moderate-income benefit requirement is not tied to the formula CDBG allocation. The calculation is a separate calculation that measures the total of just your CV grant expenditures. Next slide.

So let's get started with the low- and moderate-income national objective and look at the limited clientele category, which on the slide is highlighted in red. So activities that would fall under the limited clientele category serve individuals and specific populations such as low- and moderate-income people, senior citizens, homeless, just to name a few. It also includes owners of microenterprise businesses, which is an activity that many of you either are or are planning to implement with the CDBG-CV funds.

There are four ways to meet the national objective under limited clientele. And those are the four bullets that we have under options for meeting the limited clientele. The first method is to document that at least 51 percent of the participants, that they're persons whose family income does not exceed the low- and moderate-income limits. A simple, verifiable self-certification is acceptable. And HUD does provide a sample form that is available within the CPD income calculator available through the HUD Exchange website.

And Chris will go over this in more detail in the next section. But for those of you who are interested in utilizing the form, the quickest way of accessing it is just to google "HUD Exchange income calculator," and it should be the very first result that pops up. Now, under the limited clientele, keep in mind that while 51 percent of the participants must be low and moderate income, the remaining 49 percent of those beneficiaries can earn incomes above the moderate income level.

That provides you with some flexibility as it relates to program design, especially where it might be important to provide services to a larger group; services like health services or other types of services that do a larger group, rather than just those that are low and moderate income. Another option is to document 100 percent of the participants that they are low and moderate income. So depending on your specific program design, this option may be the more appropriate one for that type of activity.

Activities that fall under this option could include things such as public services or maybe emergency payments for rental assistance where your design is at exclusively 100 percent of the applicants or beneficiaries will be low and moderate income. Moving on down to the next bullet point, we talk about the presumed benefit option. It's another way to meet the low- and moderate-income national objective. Under this particular option, you would document that 100 percent of the participants are members of groups that are generally presumed by HUD to be principally low- and moderate-income persons.

And there are eight such groups, and they're all listed on this slide. I won't go through each one of them. So if your program is designed to exclusively target services to one or more of these groups, you can meet the low- and moderate-income national objective under limited clientele. It is a much easier method to make it eligible. And finally – last bullet point – there are situations where you can meet the national objective by documenting the nature and location of this activity is such that it can be concluded that the activity's clientele will primarily be low- and moderate-income persons.

A good example of this would be providing broadband services as a public service activity for residents of a low-income affordable housing development complex so that those children of the complex can attend school online, and therefore prevent community spread of COVID-19. And when we look at this example, you can document that all of the residents of that complex are required to be low and moderate income. And therefore, you're able to demonstrate the nature and location option. Next slide.

On this slide, we'll continue to have our discussion on the low- and moderate-income national objective, but this time we're going to look at the jobs category, highlighted red. Under jobs, you're looking at activities that provide economic opportunities through creation or retention of permanent jobs of which, at minimum, 51 percent of those jobs will be made available to or held by low- and moderate-income persons. And many of you may be implementing activities or planning on implementing activities under this national objective. So hopefully, we'll answer many of your questions.

Generally, you use low- and moderate-income jobs in conjunction with activities that support businesses, such as small business grant or loan program. That may be providing working capital to your businesses in your community that are currently coping with temporary closures or maybe reduced foot traffic. And so in exchange for the financial assistance that you would be providing that business, they would agree to create jobs or retain jobs that would be lost but for the CDBG-CV grant or combination thereof.

Under the low- and moderate-income jobs – I mentioned earlier that at least 51 percent of the jobs being created or retained by that business must be available to and held by low- and moderate-income persons. In addition, when you are counting those jobs that are being created or retained, make sure that you are calculating them based on full-time equivalent positions, or commonly referred to as FTEs. You can do that by basically dividing the number of hours that that employee worked per week and divide it by 40.

So as an example, if a person works 20 hours per week, that job would represent 1/2 of an FTE or full-time equivalent. If a person works 10 hours a week, the job would represent 1/4 of an FTE. Next slide. You may recall on a prior slide, we indicated that under the low- and moderate-income jobs that activities must create or retain jobs. So what does that mean? Well, the specific criteria for jobs to be considered created or retained are that for jobs that are created as a result of the CDBG or CDBG-CV assistance, the new job must either be held by or made available to a low- and moderate-income person or persons.

For jobs that are retained as a result of the CDBG assistance, you as a grantee and the business must show and document that the existing job would be lost without the provision of CDBG assistance. So a couple of examples of a job loss might include if the company or business would have gone out of business. Or if there was a drop in workforce that would have cut that job. And of course, during this pandemic period, we're seeing a high level of both of these examples.

Something to note – under the retained jobs option, 51 percent of those jobs must be currently held by a low- and moderate-income person, or the job is reasonably expected to turn over within the next two years and there is some type of documentation that shows that it will filled by or made available to a low- and moderate-income person when it is filled. Next slide.

Some of you are in specific communities where you may want to look at the demographics for your specific community. And depending on the results, you might consider using the presumed low- and moderate-income option that is available to you. It does simplify certain things. Under the presumption requirement, a job may be presumed to be low and moderate if one of the three conditions that are noted on this slide are met. And by the way, you'll notice they're all "or". So we only really need to meet one of these conditions.

And the first condition is that the employer resides in a census tract block numbering area, or BNA, with 20 percent poverty and general distress. The second condition is that the employer resides in the census tract BNA with 70 percent low and moderate income. And the third condition is that the business and job is located in the census tract BNA with a census tract BNA with 20 percent poverty and general distress. Note that you only need to meet one of the three presumptive conditions.

I also want to bring to your attention at the bottom of the slide where it informs you that to facilitate the use of CDBG-CV funds for economic development, the Federal Register Notice has removed the higher poverty rate that is required for some cases in the central business districts which is not required by statute. Next slide. Next, we'll take a look at the last national objective on the very first slide that we saw with the three national objectives; and that is the urgent need national objective.

The urgent need national objective is used to address emergency situations. And typical activities that would qualify under the urgent need national objective would include public services for nonlow- and moderate-income clientele. And this could include things such as mortgage assistance or maybe health services to address a serious outbreak, which we currently have. In order to meet the urgent need test, existing conditions must exist that pose a serious and immediate threat to health and welfare of a community. And you need to document that.

As we indicated earlier in the presentation, the Federal Register Notice establishes specific guidance to appropriately document the use of the urgent need national objective. So for those of you that are considering using urgent need national objective, make sure that you review and become familiar with that section of the Federal Register Notice. Next slide. Okay. I am done with my section. I'll hand the presentation over to Chris, where he'll present options for documenting compliance. Chris, I'm handing it over to you.

MR. KIZZIE: Thank you, Rudy. In this next section, we will review options for documenting compliance with three national objectives, including limited clientele, low-mod jobs, and urgent need. This chart summarizes the requirement, the documentation standard, and the options for grantees to demonstrate compliance. In terms of the limited clientele national objective, there are three ways to document compliance. You can document that at least 51 percent of the participants are persons whose family income does not exceed the LMI limit.

And as Rudy mentioned, so long as 51 percent are LMI, the remaining 49 percent of beneficiaries may be of any income. This flexibility is already part of the CDBG program and is not unique to CDBG-CV. However, under the LMC national objective where information on family size and income is the documentation standard, a verifiable self-certification form may be used to document that at least 51 percent of the beneficiaries served are low and moderate income.

Grantees may also require source documentation of income if that is their preference. However, some grantees use self-certification for activities that provide services that have a relatively low dollar value per capita – like bag groceries – in requiring full source documentation for activities that have higher dollar values per capita, like for instance, emergency rental payment programs that cover those payments. For self-certification, Rudy noted that HUD provides a sample form as part of the CPD income calculator.

So when you log into HUD Exchange and go to the income calculator, you can start a new CDBG calculation under low-mod limited clientele national objective. Once you enter the family size and some other information about the location, the calculator will tell you the applicable income limit. And then it takes you to a screen where it tells you that self-certification may be used. Click next, and it will take you to the screen where you can download a PDF self-certification form.

You can download that form and use it, or design your own similar form, if you prefer, to facilitate self-certification in your program. With the self-certification, the beneficiary signs off on their income at the time of assistance certifying that the information they are providing is true

and correct. The certification includes that applicant agrees to provide documentation on all income sources to HUD, to the HUD grantee, or program administrator for verification upon request. So each of the adults covered by the certification must sign and date that form.

There is some risk in using self-certification if a beneficiary is later audited and determined to be over income, particularly if your program as a whole is cutting it close in terms of the 51 percent standard that Rudy and I talked about. A question we get a lot is, who performs the auditing? And how do you verify the self-certification? HUD's expectation is that grantees or states establish reasonable policies to perform a reasonable level of sampling to collect source documentation from individuals or families to confirm their certifications.

So the size of the sampling is really up to the grantee. But generally, it should be between 10-15 percent of the beneficiaries served, unless your initial sampling reveals that there are a lot of certifications that are found actually to be over income. So one way to incorporate sampling into your procedures is to automatically request source documentation from every 5th or 10th application that comes in before they serve. That is a random selection process.

The second way to document compliance with the limited clientele national objective is to document that all participants served are members of groups that are presumed to be principally low- and moderate-income persons. And Rudy noted the eight categories that are listed on the slide. If in order to obtain the service you must qualify as one of the presumed benefit categories for the intake application and procedures of the subrecipient, then that can be the documentation.

It is important to remember here that you can't mix categories. Even if one beneficiary of an activity isn't a member of one of these groups, you can't use presumed groups for the CV activity, because the regulation says, "All participants served are members of the presumed groups." So you can have a mix of presumed groups together, but all participants must fall into one of the groups in order to make this work.

The third way to comply with the LMC is to document that the nature and location of the activity is such that it may be concluded that the activity's clientele will primarily be low- and moderate-income persons. For example, grantees can document an organization's mission or operating procedures, which limit services exclusively to LMI populations as an example. A typical approach to choosing an LMC category is that, depending on the beneficiaries who receive the services and their location, you want to evaluate the presumed groups and nature of locations first to see if one of those options works, because it is the lesser documentation approach.

If neither are a good fit, you will need to use the income certification to meet the 51 percent standard, and will have to establish your policy approach to accept self-certification, or require source documentation of income. HUD established an alternative recordkeeping requirement designed to expedite assistance for coronavirus-affected businesses.

The normal job creation retention and recordkeeping requirements consider family income when determining whether a jobholder or jobseeker is LMI. But these requirements are likely to be burdensome during a time when unemployment has surged, as we are experiencing today, and family income is a little more difficult to document.

So collection of income information directly from the assisted businesses can help to streamline the assistance process. So the alternative job creation retention recordkeeping requirements under the CDBG-CV include – grantees and employers may consider individuals that apply for or hold jobs to be members of a one-person family for activities that prevent, prepare for, or respond to the coronavirus.

Grantees may substitute records showing the type of job and annual wages or salary of the job in lieu of maintaining records showing the person's family size or income to demonstrate that the person who filled or held or retained the job was, in fact, a low- or moderate-income person.

And HUD will consider the person income-qualified if the annual wages or salary of the job is equal to or less than the Section 8 low-income limit established by HUD for a one-person family. For each business assisted for jobs to be considered held by LMI, the business must apply documentation of income of the people that are hired or evidence of a qualifying presumption. So grantees should use a written agreement to, one, enforce the requirement to document the jobs are held by LMI persons and that 51 percent of the actual FTE jobs filled are, in fact, held by LMI persons.

In each of these situations where you need to document the income of the employees, the business should be required to provide that documentation and maintain it from the employer or candidate of the job using the self-certification form. For jobs to be made available to a low- to moderate-income person, HUD expects the grantee's emphasis to be on the process of the hiring rather than the actual person hired. So the grantee must prove that for created jobs, no special skills or education beyond a high school level are required. Or if special training is required, that the businesses will provide the appropriate training to that person.

A grantee must also show that there is a process for ensuring low- and moderate-income persons will get first consideration for jobs created as a result of the CDBG assistance. So this might include an interview process that begins with candidates from a job training program or programs that ensure that the first opportunity to fill these jobs is given to a low- and moderate-income person. A grantee should use a written agreement with the business to spell out the first consideration process and the job classifications for the position created or retained. In addition, the grantee should monitor the business for compliance with that agreement and all the terms that are specified within it.

There are several ways to document that a job is held or made available to a low-mod-income individual – the regular CDBG requirement, which is to document the family income or the beneficiary; the alternative requirement that allows you to document the individual income of the beneficiary and evaluate that income against the limit for a family size of one person; the alternative requirement that allows grantees to work with businesses to document that type of job and the annual wage salary for that job is equal to or less than the Section 8 low-income limit for a one-person family; and then finally, the location presumption method, which we will discuss in a few slides.

The primary advantages of these alternative requirements is that allowing for the individual beneficiary's income rather than the family income really reduces the documentation burden because information about the income of other family members is not necessary, and the income of the employee can generally be verified through the business.

And the alternative requirement counting a job as LMI based on the annual wage or salary of that position being less than one person LMI limit substantially reduces the documentation burden by allowing grantees to work only with the assisted business to document compliance, rather than having to obtain self-certifications from each individual employee. So the attempt is to streamline the requirements and the process by lowering the standard.

In addition to the methods we discussed, a job may be presumed to be held or made available to a low- or moderate-income person if the employee resides in a census tract or block group numbering area with 70 percent LMI; or resides in a census tract with a 20 percent poverty rate and general distress; or the employee resides in the census tract block numbering area with a central business district and 30 percent poverty and general distress; and then the business and job are located in the census tract or block numbering area with a central business district and a 30 percent poverty and general distress.

And the alternative requirement provided by HUD and the CDBG-CV's Federal Notice – the business and the job are in the census tract block numbering area, including an area with a central business district with 20 percent poverty and general distress. So in effect, HUD eliminated the higher poverty requirement applicable when the business and the job are located in such an area. So I just wanted to make sure we point that out. So we also mention a couple of terms here that should be defined. So I just want to clarify those.

A central business district is an area of very high land valuation characterized by a high concentration of retail businesses, service businesses, offices, theaters, and hotels, and by very high traffic flow. So the term "general distress" means all block groups in the census tract have poverty rates of at least 20 percent; the specific activity being undertaken is located in a block group that has a poverty rate of at least 20 percent; or upon the written request of the grantee, HUD determines that the census tract exhibits other objectively determinable signs of general distress.

I just want to point out that the location-based presumption for the low-mod jobs simplifies the task of documenting compliance by increasing the number of areas within the jurisdiction where the presumption may apply to the employee, or the business and job. So grantees interested in using the location-based presumption should pull down the LMI data and poverty data to map out any areas of their jurisdiction that qualify in order to determine if it makes sense to use the location presumption.

And finally, urgent need. Grantees may use the urgent need national objective as a component of their CV program. In considering urgent need, grantees must answer three questions – Is the activity designed to alleviate existing conditions that recently became urgent within the last 18 months? In answering this question, grantees can demonstrate that the activity is preventing,

preparing for, or responding to the coronavirus. And then second, does the condition pose a serious and immediate threat to health and welfare of the community and is of recent origin?

So in answering the second questions, grantees may refer to the HHS Public Health Emergency Declaration, the Federal Disaster Declaration, or refer to the grantee's State or local Disaster Emergency Declaration. And then finally, is the grantee or unit of general local government unable to finance this activity on their own and other funding sources are currently not available?

And in answering this question and given the extreme pressure on current local and state resources, documentation of the tie-back for the COVID-19 pandemic, and in compliance with any of the duplication of benefits requirements showing that no financial assistance has been received or is available to pay cost may satisfy this requirement.

Now I will turn things back over to Rudy, who will discuss options for choosing the appropriate national objective.

MR. MUÑOZ: Okay. Chantel, I see you've taken control. I appreciate it. Next slide. Thank you. In the first section, we discuss the requirements for national objectives. In the second section, we went through documenting for each national objective. Now we're going to discuss the selection of a national objective. And note that many of the eligible activities in the CDBG program are compatible with more than one national objective. As such, you as a grantee are going to have many options regarding which of the applicable national objectives that you want to select for a particular activity.

And so when you are making that determination when you are selecting a national objective, there are some things that you want to consider, some factors that you want to consider as you are making that selection. And we'll start with determining which national objectives are compatible with the CDBG activity that you are considering undertaking. The slide provides you a link to the IDIS matrix code national objective table. And I encourage all of you to download that and have it available to you at all times as you are determining which national objective that you might want to select, because it will assist you in listing which ones are eligible.

When you're selecting a national objective, you should also consider who are the beneficiaries of that particular activity, or who are the end users? And are they one of the listed presumed groups? And Chris talked about the documentation for presumed groups and how that simplifies things for you in documenting eligibility. You might consider the documentation requirements that are associated with the national objective that you're considering. And I just talked about one of them – the presumed groups.

If there is some uncertainty regarding the ability of the activity to meet a national objective, that's another thing you want to consider. And in that particular one, as an example, you might be concerned that an activity that you are qualifying maybe on the basis of creating jobs, well, it may not meet that test that at least 51 percent of the jobs created will benefit low- and moderate-income persons once that activity gets under way and you start documenting the beneficiaries.

You might also consider selecting the national objective that best represents the activity's benefit to your community, and for which inadequate documentation is readily available or is likely to be obtained. Next slide. So we're going to provide you with three examples, three case studies of three separate activities that are being proposed. As we look at them, we're going to look at the various considerations and what may be the best choices or what the best choices are for that particular activity.

The three activities that we have chosen are activities that many of you either are implementing or will be implementing with the CV funds. So we hope that these are beneficial to you. If you look at this first slide, the proposed activity would provide emergency payments on behalf of individuals or families. So if we were to look at the likely national objectives for subsistence payments, we would look at matrix code O5Q on our matrix code national objective table that I referenced on a prior slide. And you would see that there are three possible or likely national objectives to choose from.

And those would be the low- and moderate-income clientele, the second being slum and blight area, the third being urgent need. The activity description also tells us that the proposed beneficiaries for these activities are individuals and families. So when you consider the requirement for each one of those national objectives, you would see that under the low- and moderate-income clientele national objective, there are many options available to you for documenting compliance, as well as being able to serve a range of incomes as long as a minimum of 51 percent of those that are being assisted are low and moderate income.

As an example, if you funded this emergency payment program that is listed on this slide and we used the low- and moderate-income clientele national objective, the program could serve 1,000 people of which at least 510 of those people would need to be low and moderate income. Even though the other 490 people may earn above the moderate income, the activity would still meet the low- and moderate-income clientele national objective. So you might want to keep that in mind as you are selecting the national objective for your particular activity. Next slide.

In this example two, the proposed activity would provide assistance to owners of microenterprises or persons that are forming microenterprise business. If you were to look at the likely national objectives for microenterprise – or we would say matrix code 18C on our matrix code table – you'd see that there are a number of possible national objectives to choose from. This table is three of the most likely or most commonly used, which include the low- and moderate-income clientele, the low-mod jobs, and the urgent need.

Now, if we look at this scenario, the selection of a national objective really does depend on the particular situation for this activity. You might choose to use the low- and moderate-income clientele when it's likely that you can document that the owner or the person that owns or is forming that microenterprise that they are low- and moderate-income.

Note that, by the way, there are existing provisions for low- and moderate-income clientele under 24 CFR Part 570 that allow for microenterprise owners and persons that are forming a microenterprise to continue to qualify for up to a three-year period once you have initially established that the owner is low and moderate income. So that's just an FYI for all of you.

You might choose the low-mod jobs. We're on the second bullet point now. If the owner of that microenterprise or a person forming a microenterprise is not low and moderate income but maybe they are willing to commit to creating a specific number of jobs – and as Chris and I discussed earlier – under the low-mod job national objective, at least 51 percent of those jobs need to be made available to or held by low- and moderate-income persons.

Remember that there are new flexibilities for documenting the types of job and showing that annual wages or salary of the job is equal to or less than the low- and moderate-income limit for one-person family. And Chris went through that in more detail in his session. And finally, the third bullet point, you might choose the urgent need in situations where a small microenterprise business, maybe they play a role in providing food, supplies, or some type of essential services to your community where time is of the essence to prevent, prepare for, or respond to the COVID-19 pandemic.

And in that scenario, it might make sense to go with urgent need as a way to expedite the assistance and to get small establishments open. And as I did indicate earlier, HUD has provided documentation standards for urgent need that are incorporated into the Federal Register Notice. And just as a reminder, when you are using the urgent need national objective, you need to make sure that you're managing your grant carefully to ensure that you meet the 70 percent low- and moderate-income benefit test. Next slide.

An example for you. In this example, the proposed activity would use CV funds to provide COVID-19 testing to the residents of the community. So if you were to look at the possible compatible national objectives for health services, we would look at matrix code 05M on our matrix code table. And you would see that there are several options. The three that we see grantees commonly consider include the low- and moderate-income clientele, the low- and moderate-income area, and urgent need.

Once again, the selection of a national objective is really going to depend on the situation that you have at hand. In this particular case, the low- and moderate-income clientele national objective can be used in several ways. It would be appropriate in situations where the health activity exclusively serves members, presumed groups. So a good example of this would be testing activity that is restricted to seniors or disabled adults.

We can also look at the low- and moderate-income clientele national objective if the nature and location of the activity indicates that the beneficiaries of the funds under the program are primarily low and moderate income. So an example of such programs are programs that might be operated by federally-qualified health centers, such as community health centers. There's migrant health centers. And there's health care for the homeless. And finally, low- and moderate-income clientele can be used if those that are being tested provide a verifiable self-certification of income.

So remember that if you choose to go the income verification route, at least 51 of those beneficiaries must be low and moderate income. But also know that the other 49 percent may be above moderate income. When we look at the low- and moderate-income area national objective,

it also may be appropriate if the testing is available to all of the residents in that area. And that area is a low- and moderate-income census tract block group or a target area. And that the area is primarily residential, so have the two-part test there for area benefit.

In addition, the urgent need national objective would be appropriate if the overriding consideration is that everyone is tested. And that would be with regard to income levels, membership in any presumed group, or where the people live. So just be testing everyone. To address the 70 percent overall benefit test, either the low- and moderate-income clientele or the low-mod area national objective is really the best choice. But keep in mind that it is not the only choice.

The low- and moderate-income area national objective may be the most viable when there are multiple such facilities of jurisdiction. But again, you want to look at your specific situation and try to select the national objective that is going to create the least amount of documentation, or that will facilitate documentation based on the type of activity that you will be implementing. Next slide. Okay. I'm going to turn it back over to Chris. And he's going to go over resources.

MR. KIZZIE: Thanks, Rudy. And by now, hopefully, all of you have seen or at least found and reviewed the FRN notice that was published in August. If not, there's a link to it on this slide. As a reminder, you may submit questions regarding the CDBG-CV program through the AAQ.

This is an important resource not only to get answers to any of the questions you have, but also HUD reviews the AAQs to help inform what guidance is needed across the CDBG grantees. And so if a lot of questions are coming in around the microenterprise program and documenting income, it's important that you submit those questions so that HUD can review them and inform some of the guidance that comes out. So please use that resource.

CDBG-CV resources are also posted on the CDBG-CV site within the HUD Exchange. That includes links to the AAQ, the CDBG-CV Notice, any FAQs or frequently asked questions, or duplication of benefit guidance, allocations, and other various resources. So please consult that site as well. And as Rudy mentioned earlier, the Basically CDBG Manual provides a good foundation of knowledge for local professionals who are newer to the CDBG program. So chapter 3 within the CDBG Manual details the national objective requirements associated with the regular CDBG program. So if you need more of a foundation, that's a great resource to use.

And then finally, the CPD income calculator that we touched on before is a helpful tool for those who want a step-by-step assistance with income certification. So we talked about using the calculator to generate a self-certification form to support self-certification for your program. So that can be a great resource for you as well. So please consult these resources as you design and implement your CDBG-CV program. And I just want to also point out some of the additional resources that HUD is planning.

In addition to webinars like this one and ask a question in the AAQ and FAQs, HUD is also planning several upcoming webinars on duplication of benefits, economic development models, housing models, and state CDBG-CV implementation, as well as several quick guides, including broadband, CDBG-CV launch toolkit, duplication of benefits, economic development, financial

management, public facility improvement within the CV, rental assistance, and state CV implementation.

So please check the website for the current resources, as well as any additional resources and upcoming webinars like this one, because I think it'll be a great touch point for grantees to get access to the information pretty quickly. All right. With that, I'm going to jump quickly into the Q&A portion of the session. I know some of you have submitted questions already. And we're going to jump right into that. And we have several questions that we want to respond to as well.

Rudy, I'll let you take the first question on how do I calculate the 70 percent overall benefit for CDBG-CV? Do I need to calculate it separately for each CDBG-CV award we received?

MR. MUÑOZ: All right. The 70 percent overall LMI benefit test applies specifically to the CDBG-CV grant. On one of our slides, we talked about the CDBG-CV funds being separate for our regular CDBG funds. In addition, you must treat all of your CV allocations or tranches of money that you have received as a single grant. So that should make your 70 percent calculation a very simple process. And I'll provide you with an example.

Let's say that you received \$250,000 the first round, or the first tranche, of CV allocations. And then you received another \$750,000, the second tranche CDBG-CV allocations. Your total CDBG-CV grant would be for \$1 million. In that situation, once you spend the full million dollars, you would conduct a 70 percent overall benefit test by basically taking the total expenditures – and if you recall me mentioning that you want to subtract your planning and administrative expenditures – then do your overall benefit calculation.

So if you were to assume that you spent your full 20 percent on planning administration, that would mean that your 70 percent overall benefit test would be applied to \$800,000. And if you do the math real quickly, you're basically left with the result being \$560,000. So that would be the number that you have to comply with in terms of meeting the low- and moderate-income requirements. I hope that helps clarify that.

MR. KIZZIE: Great. Yeah. Thanks, Rudy. And I'll jump into another question here. "Is a grantee or unit of general local government required to prove to HUD that the LMI national objective is not feasible before using urgent need?" No. There is no requirement to "prove" that LMI is not feasible before using urgent need. Grantees and units of general local government only need to document compliance with the three conditions for using urgent need that are detailed in the notice.

So the reason this comes up as a question very frequently is that urgent need is seldom used and because in the CDBG program the primary national objective is LMI. So as you heard in response to the last question, in addition to meeting all the criteria for urgent need, grantees need to keep a close eye on the CDBG 70 percent overall LMI benefit test. So if you do both of those things – document the conditions for using urgent need in accordance with the FRN, Federal Register Notice, and meet your 70 percent overall LMI benefit test – you will be in compliance.

MR. MUÑOZ: Okay. We'll move on to the next question. "If you're using low-mod jobs national objective for a small business assistance program, do we need to count jobs created or retained in total, or for each business that is assisted?" When you're conducting an economic development activity, each business that is assisted is considered a unique activity.

So as a result, the job creation retention requirement is for each business that you are assisting. That said, remember that you will need to set up each business assisted as its own activity in the IDIS system.

There are some exceptions to this, such as when CDBG funds are used to acquire or develop a business incubator, or also if the activity is conducted with an approved neighborhood revitalization strategy area, or NRSA. I don't know how many of you are familiar with a NRSA, or also a CDFR, community development financial institution. There are exceptions to that rule.

MR. KIZZIE: All right. I'll take the next one. What are the public benefit standards we read about in connection with the special economic development activities? I'll respond to this. This one is a little more involved. But I also want to qualify it with, as I mentioned, one of the quick guides and webinars that HUD is planning for is going to be on economic development. So there may be additional resources available to provide additional context. But I'll provide an answer to the question.

The public benefit standards are designed to make sure that certain economic development activities generate an appropriate amount of public benefit based on the amount of CDBG funds used. So the public benefit is measured based on either the number of full-time equivalent jobs created or retained, or based on goods and services provided to LMI persons. So it's important to know that the public benefit standards only apply to certain activities under the category of economic development.

So it is mandatory to comply with public benefit standards for special economic development projects, such as acquisition; construction or reconstruction; rehabilitation; installation of commercial or industrial buildings; any assistance to a private for-profit business in the form of grants, loans, or loan guarantees where that assistance is appropriate to carry out an economic development project; and then economic development services in connection with a special economic development activity.

It also applies to CBDO, or community-based development organization projects, as well as any public improvement projects classified under low to moderate job creation or retention where more than 10,000 per job in CDBG assistance is provided. So public benefit standard is not applicable to microenterprise activities. And I think we touched on this before in terms of microenterprises when those activities are performed as a stand-alone activity. So really the public benefit is measured at the individual activity level and in the aggregate each program year.

So it's important to know that the CDBG-CV Federal Notice waived that aggregate public benefit standard, and provided alternative requirements for individual activities. So I'll detail those as well. For individual activities, grantees must document that the activity will create or

retain at least one full-time equivalent permanent job per \$85,000 of CDBG funds used. The previous requirement was one per \$50,000. So this raises that cap to \$85,000.

The activity will provide goods or services to residents of an area such that the number of LMI persons residing in the area served by the assisted businesses amounts to at least one LMI person per \$1,700 of CDBG funds used; or that the assistance was provided due to a business disruption related to the coronavirus; in which case, no monetary standard applies because HUD has determined that there is sufficient public benefit derived from the provision of assistance to stabilize or sustain businesses in the grantee's jurisdictions that suffer disruption due to the coronavirus, so that the facilitation of business assistance for this purpose may help to avoid complete economic collapse.

So that's kind of the third way to document it. And HUD is working on guidance in another webinar specifically on this. So that'll detail specific economic development efforts that prevent, or prepare for, or respond to the coronavirus. So that training and that guidance is forthcoming on this topic. Rudy, do you want to take the next one?

MR. MUÑOZ: Okay. So I'll take the next one. "Can you describe how one would document a self-certification for income eligibility?" Okay. Within the CDBG program, you as a grantee are able to use the verifiable self-certification form that Chris discussed by going into the HUD Exchange income calculator and utilizing that form. Or you can develop your own form that contains similar information. The self-certification form is commonly used for public service activities.

As a reminder, when using that self-certification form, it comes with a warning label. And Chris provided you with certain documentation standards that you want to make sure that you implement. And one of the main areas where you want to establish a process is your policies and procedures indicating how you're going to implement that verifiable self-certification form and how you will be monitoring or making sure that you are sampling a certain percentage of those self-certifications so it doesn't come back later on and HUD monitors you and says, you didn't document this. And you have a large number of beneficiaries who actually are not eligible after reviewing their self-certification form and supporting documentation.

MR. KIZZIE: Great. So I'll take the next one. Can you provide an example of when you would use presumed location in nature activity? Presumed location in nature activity can be used when it may be reasonably concluded that the activity's clientele will primarily be low- to moderate-income individuals. So a COVID example would be conducting COVID-19 testing and/or providing PPE to public housing residents.

So given that the activity is taking place in public housing, it can be reasonably presumed that the majority of the clientele receiving that service are low- and moderate-income individuals. It looks like we have a couple more questions in the chat. Do you want to pick one and I'll take one.

MR. MUÑOZ: I'll take the next one. "For low- and moderate-income clientele and the presumed beneficiary, what age is considered elderly?" That's a very good question. With regard to public

service activities, HUD does not necessarily define the term "elderly," and allows you the grantee to use local prevailing definitions in meeting a national objective. Make sure that whatever definition you do use that it's consistent. And you want to include it as part of your policies and procedures so that when you are monitored that HUD can see that there was an established age for the definition "elderly."

MR. KIZZIE: All right. I'll take the next one. When using a combination of presumed LMI groups, is it okay if each beneficiary falls into one of the LMC groups, or each beneficiary must demonstrate that they fall into all of the applicable LMC groups? So we touched a little bit about this in the presentation. All of the beneficiaries served by the activity must be members of at least one presumed group. They do not need to be members of all groups that fall into those eight categories that we touched on.

So you may serve more than one presumed group as part of an activity. But everyone served by the activity must be a member of a presumed group in order to use the presumed group's category. In other words, you cannot mix family size and income with presumed groups under the same CDBG activity. And as a reminder, when using a presumed LMI group, 100 percent of that activity must be for the presumed beneficiary group or groups.

MR. MUÑOZ: Okay. I'll get the next question. "On income certification, we need to certify their income pre-COVID and current, or just current income?" When you are conducting your income certification for eligibility, you want to evaluate current income. It's a point in time. It's today. What is your current annual income? And you're looking forward for the next 12 months based on what we know today.

However, for your programs, you may wish to compare pre-COVID income – so the current income – as a way to document the COVID-19 tie-back of the assisted family or individual family and how it's an economic impact to them. That is something that you may want to incorporate into your program design. But going back to the original question, it's the current income today.

MR. KIZZIE: All right. It looks like we have a couple of minutes for a few more questions. Because 51 percent of jobs created or retained must be available to or held by LMI persons, does the business have to look at household income as LMI to determine at the household level? Are you able to mix methods of verifying that the job is held by an LMI individual? So within the formula CDBG program, i.e., non-CDBG-CV, you would need to look at family income.

However, within the CDBG-CV Federal Register Notice, additional flexibility – and this is one of the things we touched on in the webinar as well – to the existing requirement was provided to streamline the job creation retention process. So this allows you to assume that each employee assisted is a one-person family.

You can compare the 80 percent income for a one-person household to the annualized wages of salary to confirm if the position would be considered a job created or retained for an LMI individual. And yes. You can mix methods of verifying that the job is held by an LMI individual to provide you with the maximum flexibility for your program.

MR. MUÑOZ: Okay. This next question is kind of related. It says, "When doing a job-creation program, are there any requirements for how those jobs must be made available, i.e., where the job is posted, etc.?" There are no specific requirements or threshold that HUD has set for what requirements and actions must be met. But you as the grantee should establish what these thresholds are within your program guidelines, within your policies and procedures so that you make sure that these jobs are made available to low- and moderate-income individuals.

MR. KIZZIE: All right. We'll try and get a few more of these in here. We're coming up on about three minutes left. "In the presentation, you mentioned PPE as a possible activity using the LMC national objective. Does PPE need to be used by LMI people or for serving LMI people?" That's a good question.

Depending on the program objective and the eligible activity, PPE could be provided to LMI individuals as part of a public service activity to ensure the safety and wellbeing of individuals, such as a targeted service for individuals experiencing homeless. Or it could be included as a public service program that is serving LMI individuals, such as providing PPE to individuals working at a local food bank.

MR. MUÑOZ: Okay. I think we have time for one more. Next question, "What reports are available to manage the 70 percent LMI benefit test?" For those of you who are entitlement communities, if you go into IDIS, you can pull down a report called a PR26, the CDBG financial summary report, and that will provide you with your percentages where you're at. For states, that report is the PR28. And that will provide you per that information on your 70 percent LMI benefit test.

MR. KIZZIE: All right. It looks like we're at time. I want to thank all the grantees and participants for joining the webinar this afternoon. I just want to reiterate the HUD Exchange and AAQ for specific questions. I encourage all of you to communicate with your CPD representatives as you navigate both program design and implementation and documentation for compliance purposes. Chantel, did you want to close us out?

CHANTEL KEY: Thank you, Chris. As a reminder, all of the training materials – which includes the webinar recording, the transcript, and the PowerPoint – will be available on the HUD Exchange class page in about one and a half weeks. And that concludes our webinar for today. Thank you.

(END)