

ENGAGING AND MANAGING CDBG-CV SUBRECIPIENTS: The Subrecipient Agreement as a Management Tool

Session Two



Speakers

Opening Remarks

- Rob Sronce, The Cloudburst Group

Presenters

- Cherré Palenius, Cloudburst Consultant
- Sara Daines, The Cloudburst Group

HUD Office of Block Grant Assistance Representatives

- Puping Huang, Senior CPD Specialist
- Gloria Coates, Senior CPD Specialist



Learning Objectives

Improve participants' understanding of how tools and processes can be used to effectively engage and manage CDBG-CV subrecipients to meet program objectives.

Session One

- Benefits of collaborating with subrecipients to prevent, prepare for, and respond to the coronavirus.
- Ways to strategically identify, select, and contract with subrecipients.
- Use of the subrecipient agreement as a management tool.

Learning Objectives

Improve participants' understanding of how tools and processes can be used to effectively engage and manage CDBG-CV subrecipients to meet program objectives.

Session Two

Use of the subrecipient agreement as a management tool to:

- Comply with Coronavirus Aid, Relief, and Economic Security (CARES) Act requirements, waivers, and other regulatory and statutory requirements.
- Reduce risks for common but lesser known CDBG-CV activities and national objectives.
- Improve program results and timely expenditures of funds.

Engaging and Managing CDBG-CV Subrecipients

Session One:

Working with Subrecipients to Expand Programs

Agenda

- Addressing Changing Community Needs
- Identifying and Partnering with Subrecipients
- Subrecipient Agreements as a Management Tool
- Basic Elements of a Subrecipient Agreement
- Resources
- Questions and Answers

Session Two:

The Subrecipient Agreement as a Management Tool

Agenda

- Subrecipient Agreement CDBG and CDBG-CV Contract Provisions
- Selection of a National Objective
- Incorporation of Specific CDBG-CV Provisions
- Monitoring and Risk Assessment
- Resources
- Questions and Answers

SUBRECIPIENT AGREEMENT CDBG AND CDBG-CV CONTRACT PROVISIONS

A Well-Crafted Subrecipient Agreement Will Help You:

- Set clear expectations and performance goals.
- Define roles and responsibilities.
- Assist with monitoring.
- Manage your CDBG-CV subrecipients.

The agreement can also serve as an effective staff and subrecipient training tool.

CDBG Regulations and CDBG-CV Waivers

The requirements that apply to the CDBG program also apply to the use of CDBG-CV and PY 2019 and PY 2020 CDBG funds used to prevent, prepare for, and respond to the coronavirus. These requirements must be addressed in your agreement with your subrecipient unless specifically waived or an alternative requirement has been issued by HUD.

Resources: [CARES Act](#)
[Federal Notice FR-6218-N-01](#)

The CARES Act included several special CDBG program regulations that must be incorporated into your subrecipient agreement and considered during monitoring:

- ✓ Coronavirus PPR tieback
- ✓ Emergency subsistence payments
- ✓ Economic development activities
- ✓ Duplication of benefit
- ✓ Expenditure of funds
- ✓ Reporting requirements

Minimally, Your Subrecipient Agreement Must Include All of the Following Provisions from 24 CFR 570.503(b):

- Statement of Work including activity budget
- Records and reports
- Program income ([24 CFR 570.504\(c\)](#))
 - Retained by subrecipient or returned to the grantee
 - If retained by subrecipient, specify eligible activities/uses
- Uniform administrative requirements ([2 CFR 200](#) as described in [24 CFR 570.502](#))
- Other regulatory requirements ([24 CFR Part 570, Subpart K](#))
- Remedies and sanctions for breach of agreement
- Suspension and termination
- Reversion of assets

General CDBG-CV Provisions

When working with a subrecipient, it is important to include in the subrecipient agreement:

- The identification of CDBG-CV funding in the scope of work.
- Reimbursement of pre-award costs incurred after January 21, 2020.
- Coronavirus PPR tie-back.
- The national objective supported by the eligible activity.
- Duplication of benefits restrictions.

General CDBG-CV Provisions

It is also important to include:

- Documentation requirements for each activity.
- Verification that the amount of assistance is necessary and reasonable.
- Timeframe of expenditures in the period of performance.
- Confirmation that CDBG-CV funds are not being substituted for non-federal financial support.
- Repayment and recapture provisions if funds are used inappropriately or not documented adequately.

The Subrecipient Agreement

When drafting the agreement be sure to:

- Review policies and procedures for eligible activities, recipients, limits of assistance, conflict of interest, etc.
- Include information for meeting the national objective and verifying overall benefit requirements are met.
- Include enough detailed information for people not familiar with the project to understand it.
- Incorporate monitoring and reporting requirements.

The Subrecipient Agreement:

- Must be executed before:
 - The subrecipient begins any new activity.
 - The subrecipient receives CDBG or CDBG-CV funds.
- Must remain in effect while an eligible activity is carried out and the subrecipient has control of CDBG and CDBG-CV funds including program income.
- Can include reimbursement of allowable costs of activities incurred after January 21, 2020.
- Should be reviewed annually to allow for adjustments based on changing conditions or performance expectations.

SELECTION OF A NATIONAL OBJECTIVE



U.S. Department of Housing and Urban Development
Office of Community Planning and Development

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM



*Guide to National
Objectives &
Eligible Activities
for Entitlement
Communities*

When Determining the Compatibility of a National Objective with the Eligible Activity, Consider:

- Who are the actual beneficiaries of the activity?
- What are the program requirements?
- What are the documentation requirements?
- How will the required documentation be obtained?
- Will the activity contribute to the Overall Benefit Test?

Resources:

- [Guide to National Objectives and Eligible Activities for CDBG Entitlement Communities](#)
- [Guide to National Objectives and Eligible Activities for State CDBG Programs](#)





Documentation Options Based on National Objective:

Low- and Moderate-Income Clientele (LMC)

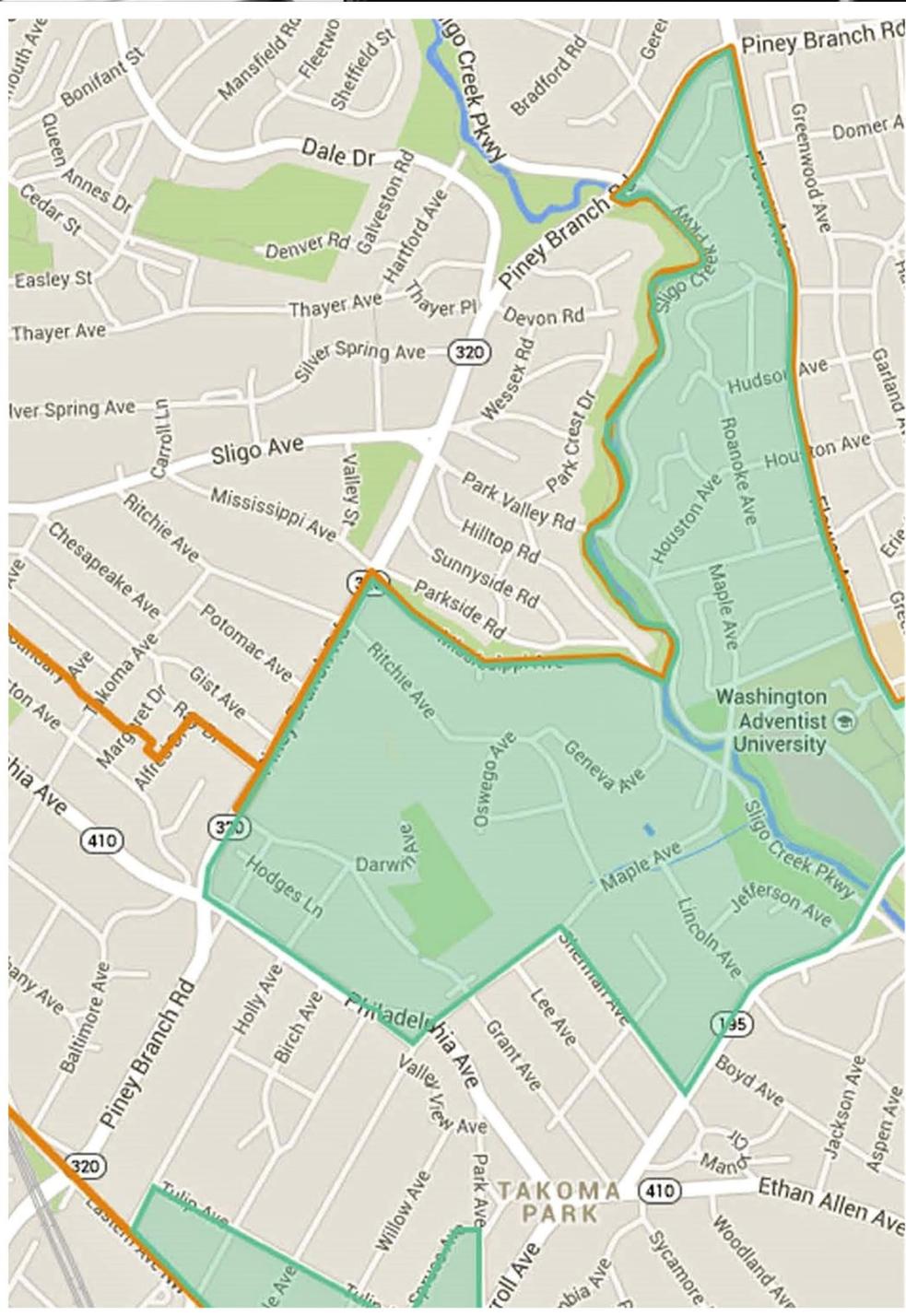
To meet a LMC objective, the subrecipient must document that:

- At least 51% of the participants are or will be low- and moderate-income (LMI) with incomes of $\leq 80\%$ of the Area Median Income (AMI).
- Participation is limited to LMI persons or households.
- Participants are presumed to be LMI.
- The nature and location of the activity benefits primarily LMI households.
- Microenterprise owner is LMI.

Documentation Options Based on National Objective: Low- and Moderate-Income Area (LMA)

The defined service area is one of the following:

- Primarily residential in nature with at least 51% of the residents being LMI (unless the grantee is an exception grantee).
- A CDBG-targeted area.
- A designated Neighborhood Revitalization Strategy Area (NRSA).



Documentation Options Based on National Objective: Low- and Moderate-Income Housing (LMH)

To meet a LMH objective, the subrecipient must:

- Document that the units will be occupied by LMI households.
- Document that household members are living in substandard living conditions (mold, lead-based paint, poor ventilation), and/or are experiencing housing instability or overcrowding.



Documentation Options Based on National Objective: Low- and Moderate-Income Jobs (LMJ)

To meet an LMJ objective, the subrecipient must document that:

- The employee's annual income is equal to or less than the LMI limit based on a one-person household.
- The annual wages or salary of the job is equal to or less than the LMI limit for a one-person household.
- The census tract where the employee lives or where the assisted business and job are located:
 - Has a poverty rate of at least 20%.
 - Does not include a central business district unless it has a poverty rate of at least 20%.
 - Has evidence of pervasive poverty and general distress.

Resource: [CARES Act Notice FR-6218-N-01](#)
(III.B.5(d)iii, pages 33–34)

Documentation Options Based on National Objective: Urgent Need (URG)

- Document existing conditions that pose a serious and immediate threat to health and welfare to the community.
- Document the nature and degree of seriousness and collect information on the timing of the development of the serious condition.
- Document evidence confirming that no other sources of financing are available to alleviate the need. PPR documentation and duplication of benefits records may be used.

Be sure to read [CDBG-CV Notice FAQs](#) (page 10) for specific information on acceptable ways to document urgent need.



INCORPORATING CDBG-CV PROVISIONS IN YOUR SUBRECIPIENT AGREEMENT

Documentation requirements for emergency grant payments, self-certification, economic development, LMI benefits, housing, job creation, and duplication of benefits as well as monitoring considerations.

Public Services: LMI-Limited Clientele

Qualifications	Include in the Subrecipient Agreement
Eviction prevention	<ul style="list-style-type: none"> • Document that LMC beneficiaries could become homeless without assistance. • Beneficiaries have the financial means to cover subsequent future payments. • Over 100 days visual lead-based paint inspection required.
Hotel or motel vouchers	<ul style="list-style-type: none"> • Document, for example, conditions of overcrowding, need for quarantine rooms, housing for the homeless.
Food insecurity (i.e., food bank)	<ul style="list-style-type: none"> • LMC beneficiaries, or nature and location, or LMA.
Housing counseling, information, or referral services	<ul style="list-style-type: none"> • Document services provided to LMC beneficiaries and purpose of counseling.

Public Services: LMI-Limited Clientele

CDBG-CV Waivers

- 15% public services cap eliminated for activities that prevent, prepare for, and respond to coronavirus.
- Three-month emergency subsistence payments extended to six-month payments made to the provider (e.g., landlord, mortgagee, utility company, etc.).

Monitoring

- Verification of LMC beneficiaries or LMA.
- Beneficiaries have the means to cover subsequent future payments.
- Visual lead-based paint inspection conducted when assistance is provided for more than 100 days.

Public Services: Urgent Need

Qualifications	Include in the Subrecipient Agreement
Eviction prevention	<ul style="list-style-type: none"> • Beneficiaries could become homeless without assistance and have the financial means to cover subsequent future payments. • Over 100 days visual lead-based paint inspection required.
Housing counseling, information, or referral services	<ul style="list-style-type: none"> • Types of rental or mortgage counseling services to be provided.
Health services	<ul style="list-style-type: none"> • Description of activities (e.g., diagnosis, testing, and vaccination clinics, delivery of meals to medically vulnerable beneficiaries, etc.).

Public Services: Urgent Need

CDBG-CV Waivers

- 15% public services cap waived for activities that prevent, prepare for, and respond to coronavirus.
- Three-month limitation on payments made to the provider (e.g., landlord, utility company, etc.) on behalf of the individual or household is extended to no more than six consecutive months from date of the initial subsistence payment.

Monitoring

- Verification that the grantee is unable to finance the activity on its own.
- Documentation of condition posing a serious and immediate threat to the health or welfare of the community that is of recent origin or recently became urgent.
- Beneficiaries have the means to cover subsequent future payments.
- Visual lead-based paint inspection conducted when assistance is provided for more than 100 days.

Economic Development LMI Job Creation and Retention

There are two ways to qualify an LMJ activity:

- Location-based presumption of LMI benefit.
- Creation and retention of jobs either held by, or considered to be available to, LMI persons.

Activities must be designed to prevent, prepare for, or respond to the economic impacts of the coronavirus.

Resource: [CDBG-CV-Economic-Development-Quick-Guide](#)



Economic Development: LMI Job Creation and Retention

Qualifications	Include in the Subrecipient Agreement
Location-based presumption of LMI benefit: <ul style="list-style-type: none"> • 20% poverty rate • Pervasive poverty and distress 	Location information and poverty rate in the scope of work
CDBG-CV Waivers	
Elimination of higher poverty rate (30%) for central business districts.	
Monitoring	
Verification that CDBG-CV funds were spent at the proper location.	

Economic Development: LMI Job Creation and Retention

Qualifications	Include in the Subrecipient Agreement
<p>Income verification that new and retained hires were LMI:</p> <ul style="list-style-type: none"> • Verified by type of job and annual wage/salary. • Using Section 8 low-income limit for one-person family. 	<p>Require documentation from subrecipient:</p> <ul style="list-style-type: none"> • Type of job • Annual salary • Completion of the income verification form • What information to submit • When to submit information
<h3>CDBG-CV Waivers</h3>	
<ul style="list-style-type: none"> • Subrecipient can work with the business rather than the employee to verify income. • Income verification based on individual income rather than household income. • Allows for the use of substitute records showing the type of job and the annual wages/salary of the job. • The job can be located in an area with a Central Business District with 20% poverty rate and general distress. 	
<h3>Monitoring</h3>	
<ul style="list-style-type: none"> • Review subrecipient files to make sure they are complete and in order. • Review information for eligibility. 	

Economic Development: Underwriting Criteria

Modified Requirements	Include in the Subrecipient Agreement
<ul style="list-style-type: none"> Project costs are eligible, reasonable, clearly identified, and committed. 	<ul style="list-style-type: none"> Budget includes total project costs noting any matching funds, source of funds, and status.
<ul style="list-style-type: none"> The project is financially feasible. 	<ul style="list-style-type: none"> None—internal record.
<ul style="list-style-type: none"> The return on the owner’s equity investment will not be unreasonably high. 	<ul style="list-style-type: none"> Clearly state the return on investment projected.
<ul style="list-style-type: none"> Funds disbursed on a <i>pro rata</i> basis. 	<ul style="list-style-type: none"> Create drawdown requirements.
<h2>Monitoring</h2>	
<ul style="list-style-type: none"> Verify that matching funds are also being utilized for the project, if applicable. Total costs are still as projected and have not gone down. The return on investment has not changed; if it has, it must still be reasonable. 	

Economic Development: Verification of Public Benefit

Modified Requirements	Include in the Subrecipient Agreement
<ul style="list-style-type: none"> • Create or retain at least one FTE per \$85,000 of CDBG-CV funds invested (up from \$35,000 per job). 	<ul style="list-style-type: none"> • Show the math: CDBG-CV \$ per job X # total jobs = Max award
<ul style="list-style-type: none"> • Activity must provide goods and services to residents of an area so that one LMI person per \$1,700 of CDBG-CV funds invested (up from \$1,000). 	<ul style="list-style-type: none"> • Show the math: CDBG-CV \$ per LMI person X # of LMI = Max award
<ul style="list-style-type: none"> • Demonstrate that assistance was provided due to business disruption related to coronavirus (in which case, no monetary standard applies). 	<ul style="list-style-type: none"> • A description of the disruption in the scope of work.
<h3>CDBG-CV Waivers</h3>	
<ul style="list-style-type: none"> • Standard for aggregate public benefit has been waived <u>and</u> individual standard revised. 	
<h3>Monitoring</h3>	
<ul style="list-style-type: none"> • Confirm that none of the requirements verified in the application have changed. 	

Public Facilities: Long-Term Use Requirements

Requirements	Include in the Subrecipient Agreement
<ul style="list-style-type: none"> • Written process for how real property will be disposed. 	<ul style="list-style-type: none"> • Document the written process.
<ul style="list-style-type: none"> • Use requirements remain in place for a minimum of five years following the close-out of the CDBG-CV grant. 	<ul style="list-style-type: none"> • Include the provisions of 24 CFR 570. Entitlement Grantees: 24 CFR 570.503(b)(7) States: 24 CFR 570.489 (j) (1-3)
Monitoring	
<ul style="list-style-type: none"> • Verify periodically that the property is still being used for its intended purpose for five years after the expiration of the subrecipient agreement (24 CFR 570.503 (b)(7)) 	

Duplication of Benefits

When a person, household, business, government, or other entity receives financial assistance from multiple sources for the same purpose and the total assistance received for that purpose is more than the total need for assistance.

Requirements	Include in the Subrecipient Agreement
<ul style="list-style-type: none"> • Subrogation agreements. 	<ul style="list-style-type: none"> • Signed form in appendix . (Every beneficiary that is served must sign an agreement)
<ul style="list-style-type: none"> • Calculation of unmet need. 	<ul style="list-style-type: none"> • Completed calculation form in appendix. (Every beneficiary will have a separate calculation)
<ul style="list-style-type: none"> • Affidavit documents of no other financial assistance. 	<ul style="list-style-type: none"> • Signed and dated affidavits in appendix.

Duplication of Benefits: Monitoring

The grantee needs to reassess if the beneficiary [end user] received other funds that changed their initial unmet need.

At the beginning of the project:

- Review and verify beneficiary form.
- Recalculate the unmet need before funds are provided.

And again at the end of the grant or loan performance period.

Resources: [Coronavirus Response Grantee Resources Related to Preventing Duplication of Benefits Duplication of Benefits Quick Guide](#)

Program Income

Income generated by a CDBG-CV activity is treated as annual formula CDBG program income and is subject to the public services cap.

Requirements	Include in the Subrecipient Agreement
<ul style="list-style-type: none"> • Can be retained by the subrecipient ONLY if the amount is equal or below projected cash needs for annual CDBG activities, including those designed to prevent, prepare for, and respond to the coronavirus. • Any program income earned above projected cash needs to be receipted as program income to the annual appropriation CDBG program. 	<ul style="list-style-type: none"> • When and how any program income should be returned. • The threshold for returning program income.
Monitoring	
<ul style="list-style-type: none"> • Verify how much program income is being generated. • Include mechanisms in agreement to capture program income when and if necessary. • Verify the amount of program income retained is equal to or below projected cash needs for annual CDBG activities and annual CDBG PPR activities. • If program income is retained, verify that it is being used for eligible activities which meet CDBG requirements, including those designed for PPR activities. 	

MONITORING AND RISK ASSESSMENT

Monitoring Risk Assessment

- Should be completed at least annually on each subrecipient.
- A system to evaluate each subrecipient.
- Assessment criteria can include:
 - Type of activity and national objective
 - Grant amount
 - Experience
 - Past findings

Participant Self-Certification

- Obtain a verifiable self-certification from assisted households that includes:
 - A statement of how coronavirus created a financial hardship (e.g., reduced income or job loss).
 - Household size and income documentation.
 - Race and ethnicity.
 - Applicant certification and signature.
- Collect an executed subrogation agreement.
- Enter into a landlord agreement or collect a W-9 from the entity receiving rental payments on behalf of tenants, providing a 1099 at the end of the year.

Resource: [CDBG-CV Toolkit—Income](#)

Use of Checklists as a Management and Monitoring Tool

- Create file and monitoring checklists.
- Make sure the checklists correspond to information in the subrecipient agreement.



When and How to Monitor?

Monitoring can occur at any phase of the CDBG-CV activity:

- Based on activity accomplishments or lack thereof.
- Frequency should be based on your risk assessment of each subrecipient.
- Can include on-site, desk, or a combination of approaches.
- Can be conducted in person or remotely.

Resource: [CPD Monitoring Handbook](#)

In Summary

Create a well-crafted CDBG-CV subrecipient agreement that clearly describes:

- Eligible CDBG-CV activities.
- Documentation requirements.
- Coronavirus PPR tieback.
- National objectives.
- Monitoring requirements.

In Summary

A well-crafted CDBG-CV subrecipient agreement will:

- Increase the success of your subrecipient.
- Maximize the impact of your CDBG-CV resources.
- Ensure you meet your expenditure deadlines.

Resources

- [Basically CDBG Online](#)
- [Managing CDBG: Guidebook for CDBG Grantees on Subrecipient Oversight](#)
- [CDBG CARES Act \(CDBG-CV\)](#)
- [CDBG-CV Notice FAQs](#)
- [CDBG-CV Toolkit](#)
- [CDBG-CV PPR Tieback Flexibilities Quick Guide](#)
- [CPD Monitoring Handbook](#)
- [State CDBG-CV Implementation Quick Guide](#)

Questions and Answers



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