CDBG-DR Key Concepts, 6/8/20

Jen Carpenter: Hello, folks. Welcome. I'm really glad everyone could join us today. This is our third webinar in the CDBG-DR webinar series that we had planned. My name is Jen Carpenter. I'm the assistant director of policy at HQ in DC. I'm happy to be hosting today's webinar with our colleagues from ICF.

By way of announcements, I just want to remind folks that we have officially cancelled our 2020 Problem-Solving Clinic that was set to be in Chicago in August. So that was cancelled. But we are hopeful and have went ahead and gone forward with our 2021 Problem-Solving Clinic. That's now scheduled for March 30th, 2021. And we're really hoping that we'll all be able to meet in person at that time.

If you are not on the HUD Exchange listserv, please make sure that you sign up for that. That's how we're making all our announcements around any Problem-Solving Clinic announcements. So please make sure you're on that listserv.

But focusing on today's webinar, it's really designed for our brand-new grantees. We've got a lot of brand-new grantees in the latest round of 2018 and 2019 disaster allocations that we announced back in January. So we're welcoming all those folks today.

And also, I know we have a lot of experienced grantees all around the country who are hiring new staff and bringing in new folks. So this is really for those CDBG-DR beginners.

The agenda today is we will really focus on those key steps in the DR process. We'll talk in general about the program and give you an overview, and then focus on how the program works and what that process looks like. And that really first starts with grantees putting together their documentation for their certifications and their implementation plan, and then moving to action plan.

We'll talk about amendments and waivers. Then moving to your program implementation and focusing on financial management. And then really taking you all the way to wrapping things up. So what you're doing along the way when it comes to reporting, your responsibilities around monitoring your program with your subrecipients and your other partners that are carrying out your activities. And then even all the way to closeout and what steps are required there.

So pretty high level and just focusing on the really main concepts that all our grantees and all grantee staff should really be able to dive into.

So I'm going to now pass it over to Scott from ICF.

Scott Ledford: Thanks very much, Jen. And welcome, everybody. Happy to be here on this webinar today.

I was just thinking, Jen, as you were going over that agenda how remarkable it is to summarize CDBG-DR in, oh, five or six bullets. I think for attendees today you'll see as we go through this

we will kind of hit at a high level. There's a lot of material to cover and obviously a lot of other webinars will be able to cover some of these topics in greater detail.

So I wanted to start off with a few introductions. So again, my name is Scott Ledford. I started working with the CDBG program back in the 1990s in a local government with Texas. I've since been with ICF for over 20 years providing training and technical assistance literally across the country.

I started working with disaster recovery programs with Katrina and Rita in Louisiana in around 2005-2006. Spent a couple years down there between Baton Rouge, New Orleans, West Louisiana.

One of the kind of side things I did in support of that recovery effort was created a research, reporting, and online approach to providing information about what resources and what community resources were becoming available in the neighborhoods in Louisiana. And we called that WIMBY, or what's in my back yard.

I spent a few years in between some of the bigger events working on Neighborhood Stabilization Program actually, and the Housing Economic Recovery Act before our large American Recovery and Reinvestment Act. Started working with NSP then. Also worked on the Recovery Act broadband loan and grant program.

Then I spent over a year up in New Jersey on Sandy recovery running as the program director of the environmental review and program at operations for completing environmental reviews up in New Jersey. And then I spent some time also last year working on the 2017 storm programs.

So also had my colleague Sue Southon with me. And Sue is a development professional trainer and strategic planner with over 30 years of experience in community economic development and affordable housing production. She has managed several technical assistance engagements for the U.S. Department of Housing and Urban Development in states including Michigan, where she provided senior expertise on program design, organizational structure, staffing requirements, budget development, regulatory compliance, and project underwriting.

She has assisted (meter ?) disaster recovery initiatives, including Louisiana, New Jersey, Pennsylvania, U.S. Virgin Islands, and city of Houston. She has served as both a technical assistance provider to CDBG-DR grantees and has assisted grantees directly to develop a variety of recovery programs, organizational structures, staffing projections, and monitoring and compliance -- (inaudible) -- calls.

She is a recognized subject-matter expert in redevelopment, program design, policies, procedures, document templates and checklists, and provision of technical assistance with regulatory issues.

Sue garnered this experience through years of working with states and localities, where she served as a strategic advisor to local governments, community development organizations, and private developers. She served as a trainer for the International Economic Development Council

Professional Certification Program, the Economic Development Institute, and the National Association of Workforce Boards.

I'm also pleased to have my other colleague Kelly Price working with us today. Kelly has nearly 30 years of professional experience in planning and housing and community development programs. She has an undergraduate degree from the College of Charleston in urban studies, and completed significant coursework towards a master's of urban planning at the University of Virginia/Virginia Tech.

Kelly worked in a local government for six years prior to joining ICF in 1996. She has hands-on expertise in planning, development, implementation, and evaluation of housing and community development activities at the local level.

Kelly currently manages large, multi-task technical assistance projects for HUD and other state and local grantees on HOME, Housing Trust Fund, CDBG, and other disaster recovery programs. Kelly has worked with and trained CDBG-DR grantees since the last 1990's and is currently assisting the USVI with its program implementation.

So I'm thrilled to have colleagues with such extensive backgrounds working with us. And obviously also have to Jen supporting this webinar. You have a great wealth of knowledge and expertise on this team, so maybe you'll have some good questions for everybody.

I'll go ahead and advance to our poll question. So to get to know the audience a little bit further, we'd like to know which group you are participating as. Are you a 2018-2019 grantee? Are you a 2017 grantee? Maybe another grantee? Or maybe you're not a grantee. If you could just respond to that poll question, we'll take a moment and wait for some results to roll in. (Pause.)

Nicole, do we have some results coming in? (Pause.) All right. Well, it looks like the largest group didn't answer. But we have a pretty even split between 2018 and 2019. And then a few 2017's, and a fair amount of folks who aren't grantees, actually. So could be any other of (number rules ?). And that's fine. Everybody's welcome to participate in the webinar. So thanks very much for your response to that. Helps us understand a little bit more about who we're speaking with.

All right. So we'll kick off with a little bit of an overview of the CDBG-DR program. And again, I think you'll find this will be at a very, very high level.

So one of the things about CDBG-DR is that it is a special appropriation from Congress through the states or territory, county, municipality, to assist with long-term recovery. It is a flexible program, carries some of that flexibility that comes from the original CDBG program, which allows for a wide range of recovery activities to take place.

For those who may be familiar with the "regular" CDBG program, that is more of an annual appropriation process with formula allocations. Whereas, again, these are special appropriations by Congress in the disaster recovery program.

One thing I like to emphasize is that with the disaster recovery program you look at the term "long-term recovery." And as everyone knows, these are the not the funds that become immediately available. And so keeping in mind that this is long-term recovery and there's a lot of different programs and activities that you might be carrying out with these dollars.

In the disaster response lifecycle we like to talk about planning, response, recovery, mitigation. Somewhere in the response recovery is also this concept that there's short-term stability and long-term recovery that I think these dollars can be applied towards.

The flexibility of the CDBG program has been in place for many, many years. But one of the things to remember about that flexibility is that it's also targeted. And on the last bullet there, you'll see that there is a priority or a targeting. It is prioritized towards low- and moderate-income individuals and geographies. So while there's a lot of flexibility in the programs you can do, there is some targeting that you do need to keep in mind.

So the funding process, again, for CDBG-DR, Congress approves the appropriation. HUD does the calculations and announces the allocations. And once again, in the disaster recovery context, these are different than your regular annual formula allocations. HUD publishes a notice in the Federal Register.

An important thing for everyone to understand is that the Federal Register notices have been evolving in recent years to better reflect the implementation of CDBG in a disaster recovery context. A lot has been learned and applied in several decades of doing this.

Next step is for HUD to award the funds. And then really the bulk of this webinar is going to cover the three items that are under grantee, about getting your certifications, action plans, and administering your programs.

So again, under the CDBG-DR the allocation process is a little different. It is based on damage estimates and unmet disaster recovery needs. So it is different than your annual allocation. Different factors are put into play. And what we look at is after damage estimates and the dollars that might come from other places, what are the unmet needs? As I'm sure we all know, those can still be some very large numbers.

The last bullet emphasizes that there is a little more refined targeting in the disaster recovery program, vis-à-vis the regular CDBG program, where you have this concept of most impacted and distressed areas, where 80 percent of the funds need to be used.

The middle bullet here just talks about the volume; $89 billion dollars between 2001 and 2020, 62 active CDBG-DR grantees and 106 active grants. So this is a lot going on in the CDBG-DR space.

Moving on to the certifications and pre-award requirements. But first we want to ask a couple more poll questions.

First one is, how long have you been working on CDBG-related activities? And then the second part is, how long have you been working on disaster recovery activities? Those may be the same answers; they may not be the same answers. (Pause.)

Female: The poll will be closing in 20 seconds. (Pause.)

Scott Ledford: OK. I think we have some results that have come in. So on the first question we have -- I'm trying to do mental math here. They tell you never do math on the fly. And now they have disappeared from me. OK. So we have -- the bulk of folks are less than a year of working with the CDBG program. The next largest group did not provide an answer. Then we have roughly the same amount of folks who have between one and three years or over three years of experience. So we do have a lot of folks in the right target audience for this webinar.

In terms of how long folks have been working on disaster recovery activities, once again the bulk of the participants are less than a year. The next largest group is one to three years. And then over three years, still a reasonable size. And then of course we have the no answers as well.

So thanks very much for your responses to these. Again, it helps us understand who's on the line with us. And yeah, looks like we have a lot of the right folks on.

All right. So HUD certifications. So another twist in the disaster recovery world from the regular CDBG world -- and I apologize I keep using that word. It's just one that's in my vernacular, I suppose. But the key concepts here are there these are certifications that need to be done and submitted to HUD and approved before your grant funds will be released to you.

So you may be doing these in parallel with an action plan. We'll talk about action plans in a minute. Somebody may be familiar with the action plan process; others may not be. But this is kind of another twist in the disaster recovery world where we need to make sure that we are providing documentation related to proficient management controls; procurement processes and standards; duplication of benefits, which Sue will cover for us in a bit more detail momentarily; notice number five is about a disaster recovery website that needs to be established; and having procedures for the detection and prevention of fraud, waste, and abuse.

So these are things that will be done in parallel and pre-set your setup for running your disaster recovery programs with CDBG funds.

So the HUD certifications. The Appropriations Act requires that the secretary approves these in advance of the grant signing. So again, even as you're action planning, you're going to want to be making sure that you have the appropriate set of folks working on these certifications to also get them in place.

Also take note that in terms of timing, these may also require review by HUD's chief financial officer and the Office of Inspector General.

So on implementation plan and management capacity, part of an additional need in the disaster recovery world is to be sure you're able to provide timely information on an application's status.

Where and how does one create and maintain timely information on the status of an application? Essentially it comes down to having an effective information management system.

One important aspect of that is recognizing and building in the appropriate information security and protection of PII -- or personally identifiable information. There's a lot that goes into being able to provide this timely information on an application status. It's one line here, but suffice it to say that spreadsheets are unlikely to accomplish these simultaneous objectives of being able to provide the timely information and provide the necessarily security around that information as well.

On the implementation plan, Sue's going to get more into capacity assessments a bit later. She'll also talk a fair amount about the staffing.

One thing I'll throw in is, to be realistic about this, it's really impactful on your ability to deliver effectively. And again, these things take time to do and to do well. And you also need to be trying to get them done expeditiously so you can get your grant signed. So it's worth some good planning and thought in advance to get these pieces in place so that your programs can run smoothly going forward.

All right. We'll talk about action plans. For those of you who have some experience with CDBG program, this will be familiar to you. But again, it has some unique twists. If you'll notice within the planning and assessment phase, you should be prioritizing unmet housing recovery needs.

The topics of stakeholder consultation, citizen input, are probably familiar to many of you. But again, they do have a disaster recovery when you're specifically focused on addressing disaster recovery needs.

On the HUD approval, notice that there's also an expenditure and outcomes requirement, which will also require some time and attention. Places where your budget and finance folks will probably be pretty helpful to you as you come up with your projections of expenditures and outcomes.

And in your implementation you're going to have an ongoing need to continue to assess your progress. You can amend your plans if needed. So just keep in mind that you are not locked in. Your needs can and probably will change over time as you're implementing these programs.

Now, you can make these changes and you need to follow a set of guidelines about what constitutes a substantial amendment to your action plan or a non-substantial amendment to your action plan.

I wanted to talk about the column on the right first, which is the non-substantial amendments. On occasions we might have made a technical error. We might need to clarify something and that's OK. You'd need to notify HUD five days before you would actually implement any technical correction or clarification. And then HUD will provide the grantee notification of receipt of these non-substantial amendments within five days.

Skipped over the middle bullet there. I'm going to hit on that as we go through the substantial amendments as well.

So under substantial amendments, you can see a pretty specific list of what drives a substantial amendment. If you plan to make changes in allocation, beneficiaries, eligibility criteria, add or delete a program or change the monetary threshold amount that was established for a program. So for example, if you decided that a 10 percent budget move was going to trigger a substantial amendment, and then you want to change that to be 10 percent or $5 million, then that change is also a substantial amendment.

So the difference between a non-substantial and substantial not only is what items can be amended, but the public comment and citizen participation process is triggered for substantial amendments. And they do require HUD approval before you implement them.

So one thing that can get tricky at times is, again, things happen while you're implementing these programs. You need to make some changes. This outlines the process. They are allowed, but one thing you need to keep in mind is that you do need to have one consolidated, complete action plan that someone can download from your website and review.

So rather than having an initial action plan and four, five, six, seven amendments, you need to make sure that everything gets incorporated into one as well. And that it is available on your website.

We have a group of other cross-cutting federal requirements. Again, those who have worked in CDBG for some time, this list is probably pretty familiar to you. But also in the CDBG disaster recovery, we need to make sure that we are complying with all other applicable cross-cutting federal requirements.

These obviously come into play as you're designing programs and you're putting your action plan together. It comes in place in the planning, the design, the execution. And I think recognizing, importantly, that there's time and money associated with each of these and you need to factor them in and just please do not ignore them.

So Sue will get into monitoring a little bit further. But I think you should rest assured that these cross-cutting federal requirements are very often included in monitoring activities.

So you do have cross-cutting federal requirements, you do have the CDBG requirements, and you also have opportunities for waivers. So you can request waivers from HUD. The recommendation is to get these areas identified as early as possible. Ideally, when you're designing your programs if you see some things that just aren't working well together to address the needs in your community, you can request a waiver.

But notice at the bottom there are four areas that are pretty much set in stone. And HUD cannot waive requirements related to equal opportunity, fair housing, environmental review, or Davis

Bacon labor standards and related acts. That ability has not been provided to HUD, so those are in place.

If you are seeking waivers, support them with a solid rationale that shows a good cause and that it's not inconsistent with the original Housing and Community Development Act. And if we go all the way back to the beginning of the CDBG program, this is the basis for why these funds are made available and made available in the disaster recovery context as well.

And at this point I'm going to hand it over to Sue who's going to talk about implementation and financial management.

Sue Southon: Thanks, Scott. And good afternoon, everyone. CDBG-DR programs are usually larger and more complex than typical Housing and Community Development programs, requiring distinct operational functions to accomplish the diverse activities necessary for effective program management. In this section we're going to talk about the things as grantees that you need to think about when designing your programs.

HUD has identified operational functions that grantees must implement to carry out a successful CDBG-DR program. Each function requires operating procedures, staff, and systems to meet the mission.

Now, Scott's already mentioned a number of these in the previous section. But just to review, you need to be concerned about operations related to grants management, program operation, policy development, financial management, procurement and contract management, data systems and reporting, training, compliance and monitoring, human resources, communications, and outreach.

Now, there are two ways that grantees can choose to implement their programs. These are listed on the slide. While it's hard on the communities -- (inaudible) -- directly are working with subrecipients. State grantees have historically distributed their funding to local -- (inaudible) -- government.

With CDBG-DR, HUD has given state grantees the opportunity to directly run programs should they choose to do so, and most grantees use a combination of these two models. It may make sense to run programs that can be more complicated at the state level to ensure expenditure goals are being reached and compliance is achieved.

For example, most state grantees opt to run homeowner rehab and reconstruction programs directly. The choice of using subrecipients, partner state agencies, or local units of government should always be examined by a capacity assessment of these potential subrecipients. You need to ensure that they have the capacity to successfully carry out the programs you're designating to them.

Successful program implementation will likely require increasing the size of your staff and cultivating new partnerships with other agencies, subrecipients, and contractors. One of the most frequent problems we see is that state agencies try to manage these programs with existing staff.

It just cannot be done. You need to assess realistically your own capacity to make decisions about how best to build a team that has the skills and resources necessary to implement the operational functions that you're going to need.

This slide illustrates the key steps to building your CDBG-DR team. First, assess your capacity. Determine where your gaps are and the various responsibilities that you're going to need to fulfill in order to execute your program. This is going to include assessments of your staff capacity to identify the volume and the needs and determine where your current staffing levels may fall short.

You also need to determine your needs for new equipment and space to accommodate additional staff and program functions. And lastly, don't forget to evaluate your current systems and processes to determine what they may need to have in terms of automotation (sic) and improvement and consider what kind of assistance you're going to need to make these changes.

Secondly, identify staffing positions, partners, and vendors. Once you've identified the gaps, identify the staffing positions and partners you're going to need to augment your capacity and fulfill these key functions. These again can include other government agencies, nonprofits, and contractors.

Third, determine your approach to meeting those capacity needs. Having assessed your capacity and the entities that are available to help with your program implementation, you can make choices about the best way to build your team.

As a grantee, you've got lots of options for staffing and administering these programs. You can implement it with your own staff and hire new staff to address the increase in program size. You can delegate distinct responsibilities of programs to other state agencies and nonprofits. You can hire contractors to perform specific program functions. Obviously -- (inaudible) -- procurement rules and executing appropriate contracts. Or state grantees can provide funding to local governments to run programs acting as their subrecipient.

And as we said previously, most grantees offer a hybrid of all three of these models, depending on the type of programs that they're running.

Lastly, you're going to need to execute agreements with your partners and your subrecipients to make sure those are in place before you begin your implementation.

In your action plan, as Scott referenced, you're going to be -- you need to identify how to distribute your funding between your major activity categories, which are housing, infrastructure, and economic development.

HUD is going to expect a justification of that distribution that reflects the outcome of that unmet needs assessment that he referenced. This slide gives some examples of the programs that grantees typically undertake under those broad categories of rehab, buyout programs for housing, infrastructure repairs, or assistance for essential government services. FEMA match is one that

has ended up being critical to many, many grantees to match the local share of the funding for large FEMA-funded infrastructure projects. And then economic development and revitalization.

There will be additional detail provided in the webinar next week on all of these broad categories.

In addition to housing, infrastructure, and economic development, you're going to be funding planning and admin. Examples of eligible planning activities include urban environmental design, policy planning, capacity building. The cost of these -- the data gathering, studies, analysis, preparation plans -- are all eligible activities.

And some examples of planning that grantees have done in the past include, obviously, action plans (and ?) substantial development -- substantial amount of development. Those are definitely planning activities, not admin. Comprehensive plans, redevelopment plans, land use and urban environmental plans, economic development strategies, energy conservation plans, historic preservation plans are all examples.

It's important also to remember that you're capped at 20 percent for a combination of planning and admin, but that admin cap is a hard 5 percent. And the next slide is going to talk about how important it is that you allocate activities appropriately to preserve as much of that precious 5 percent as possible.

There are three categories of activities. The items you see here under grant administration are typically the only activities that must be charged to admin. So that's monitoring, training, financial management, and reporting.

Many grantees tend to charge all of their costs to administration, when many of these costs are legitimately activity delivery for a program. For example, staff time devoted to program policy and procedure development for a housing rehab program is an activity delivery for that program. Time spent by staff developing an action plan, as I mentioned, is a planning cost.

Contractor costs to gather information to enable staff and determine homeowner eligibility through an intake process for a program is an activity delivery. Also, the staff time used to make eligibility determinations based on that information is also an activity delivery.

For general administrative costs, subrecipient is not included in this chart because in most instances subrecipients are not true grant administrators. HUD has provided a lot of technical assistance around this topic because grantees continue to (gather ?) admin money for subrecipients who are actually doing activities that are appropriately classified as activity delivery.

Something unique about the CDBG-DR is the need to document the tie back to the disaster with every activity that you fund. It can either be a direct tie back, for example, the (load ?) is washed out and needs to be repaired, or that person's home is damaged and you're providing rehab assistance; or an indirect tieback, for example, the storm reduced the inventory of affordable

housing, or the storm had a significant economic impact on the commercial quarter in our particular town.

For the indirect examples, to give you an idea of how this would work, if you've got storm-damaged affordable housing stock, or the storm damaged increased the demand for affordable housing and landlords raised rental pricing, that constitutes a tie-back to a disaster for creation of new construction of housing. So if you're building new housing, probably because there was a reduction in the availability of affordable housing after the disaster, then that constitutes your appropriate tie-back to the disaster.

For each of your activities, as you outline them in the action plan you're going to indicate for that eligible activity which one you're funding. And this again goes back to Scott's reference to the Housing and Community Development Act. You're going to indicate the dollar allocation for that activity and where that activity is going to take place. For example, a MID area, a Most Impacted and Distressed area. Or it can even be more specific than that in some instances.

But these by and large -- most will be -- benefit to low-mod income or an urgent need. There are some programs that have used elimination of slum or blight, but we don't see that very often with disaster recovery programs. And most of the current DR grants require at least 70 percent of the funding benefit low- and moderate-income households or areas.

It's also important to note here, because this is a bit different from what you would anticipate, that that two-year restriction on urgent need requirements may be in your substantial amendment or your -- I'm sorry, your Federal Register notice. Be sure you note that. Noting also that the further away from the disaster you are in terms of time, the harder that urgent need is to document.

These are the typical national objectives. For those of you who have worked with CDBG over the years, these are going to be very familiar. Couple of things to remember. Often times your infrastructure programs are going to be area benefit. But in order to be low-mod area benefit, not only does it have to be an area where you've documented by census data that it's over 50 percent low-mod, it also has to be predominantly residential, which is something that sometimes grantees forget.

With limited clientele, you're talking about programs that exclusively benefit a clientele that's generally perceived by HUD to be principally low-mod. Often, socially vulnerable populations are in this category, the elderly, the homeless, people with disabilities. Limited clientele is not an objective that can be used for either housing or for jobs.

For those of you who maybe need a DR and also fairly recently there have been two additional national objectives that have been identified to be used by our programs. The first is low-mod buyout. And this is when Community Development Block Grant disaster funds are used to buy properties that are owned by a low-mod household, where the award amount, including optional relocation, is greater than the post-disaster value of the property.

You are not required to follow the LMI household once that buyout is completed. And that buyout then -- that property then becomes permanent green space. And there are other requirements attached to that going forward for the grantee.

For low-mod housing incentives, it's another incentive that's tied to voluntary buyout of housing owned by low-moderate income household, for which the housing incentive serves as a purpose of being able to allow that household to move outside of an affected floodplain into a lower-risk area. And in that instance, your -- the amount over and above the fair market value of the property is considered a federal benefit for duplication of benefits purposes.

Speaking of which, for those of you who have not worked with DR funds before under a Stafford Act designation of a national disaster, duplication of benefits is a requirement. It will be for all of your programs, no matter what kind of program you're funding. You've got to include and document that a duplication of benefits analysis has taken place, and that needs to be included in your program file.

And that analysis takes into account funding from all of your public sources, most likely to be things like FEMA, Small Business Administration, National Flood Insurance Program; but also private insurance sources, charity, both cash charity and in-kind donations of work.

Assistance is duplicative when two sources receive the need for the same recovery item. It is not duplicative if the sources combined and the total received doesn't exceed the total need. So for homeowner programs, for example, it's important to factor in how the homeowner used funding that may have been received in advance of applying for and receiving your DR funds.

For example, if a homeowner made a repair using SBA funds, the net repair -- that need for that repair is no longer existing and any remaining SBA funding can be used to address remaining unmet needs. Be aware, however, that some FEMA funding is usually, although not always, used to make what's considered temporary rather than permanent repairs. And this is done specifically to allow a homeowner to shelter in place, making their home only safe and sanitary, not necessarily code-compliant.

That determination regarding whether a repair made with FEMA funds is temporary or permanent is made at the time that your home inspector in your homeowner rehab program does that inspection and develops the repair specifications that you're going to consider for funding.

There's also some new guidance which is referenced on this slide that impacts primarily how SBA loans are treated, that I would encourage you to review as you structure your programs.

Jen Carpenter: Sue, we have about 15 minutes. Just giving you a time check.

Sue Southon: OK. Thank you. Subrecipient agreements needs to be part of all of your grant loan and subrecipient agreements. It's possible that a recipient of DR funding may also receive additional potentially duplicative benefits. All grantees should have as part of their policies and procedures a recapture policy and process by which to implement that policy. And details on

how that recapture of funds will be pursued should exist. HUD is going to expect you to recapture any funds that are considered to be duplicative.

When you're looking at your programs, think about the level of risk involved. The highest risk programs are those where you know there's going to be future assistance but you don't know how much.

Typically you see that most in the homeowner programs where you've got a recipient of flood insurance who is also able to receive what they call ICC, or increased cost of compliance, for elevation; because the second half of that funding that they get from NFIP doesn't come until after the rehab has been completed and the elevation certificate received. So always do a final grant reconciliation prior to closeout.

OK. As Scott touched on earlier, there are a series of conditions that must be met prior to submission of your action plan and execution of your grant agreement. Financial management certifications checklist was provided with the new funding allocations. And it isn't just a checklist, but HUD expects you to attach the relevant (file piece ?) for their review. Any concerns that HUD might raise have to be addressed either prior to execution of a grant agreement or HUD may include these as grant conditions.

In addition to that financial management checklist, HUD is going to require financial and (metric ?) forecasts be provided for your major program activities as part of the action plan submission.

We recommend that all of the grantees attend the procurement training, as procurement is becoming a big topic with both the Office of the Inspector General and HUD's (Vet ?) Recovery Special Issues Division. Many grantees are not properly procuring services and/or they're piggybacking services onto existing contracts, which is not permitted.

You need to make sure that with state -- if you're a state grantee and you're using partner agencies, please make sure that if they're using their own procurement policies that they're compliant, because many of them are not. Most important things to check is that they're conducting a cross-analysis prior to procurement, that their procurement involves fair and open competition, and that they're including the appropriate wage determinations and Section III requirements when -- (inaudible).

I'm now going to turn it back to Scott who's going to talk about reporting and monitoring. (Pause.)

Jen Carpenter: Scott, I think you may be on mute.

Scott Ledford: You caught me. I am on mute. Sorry about that, folks. So I'll repeat myself.

So going back to this first bullet here, the disaster recovery grant reporting system is HUD's system that is used for CDBG-DR reporting. So one thing to keep in mind is that you as the grantees are reporting into the DRGR system. But also keep in mind that this is probably not the system that you are going to be using as your own information management system, and you

need to have other ways to provide and protect that information that then rolls up to become what you report into DRGR.

So DRGR's functionality is built around helping to manage and track action plans, progress reports, and the money of the grant itself. So you will be using and reporting into DRGR for many years -- you or your colleagues. And it's good to make it your friend. It may not be something that you're intimately familiar with right now, but ultimately you will need to be.

Also notice that the requirement for record retention that's detailed on this slide is for these records and these periods after grant closeout, which we'll get into in just a second. So three or four years beyond grant closeout.

So on a quarterly basis, QPR is required, which helps keep all parties informed about progress on these grants. So remember back to your action planning and financial planning at the start. These help you to track, report, inform, and even adjust along the way. But remember, you have to have your own tools to collect and manage, protect and roll up the information that's going to go into your QPR.

So from a monitoring standpoint, it really is the case that everyone should expect to be monitored. As you can see in this list here, everyone in their process does get monitored. This is something that you should also recognize in your staffing, your budgeting, your planning. This requires time and resources on your part and you need to build that capacity into your teams. You also need to remind your partners, your subrecipients, contractors, that they will also need to be ready to participate in monitoring activities.

The two methods of monitoring mentioned here are obviously evolving and the timing of them is evolving in our new COVID world. But in essence, just recognize that there are a couple different ways that monitoring can and does happen, and that you should be prepared and particularly, again, in our evolving situation, just be flexible.

And moving on to grant closeout, you'll notice that there's a good list of items that need to be completed prior to the closeout of the grant. So you need to have accurate data, you need to have your activities complete, you need to have your funds spent and your monitorings resolved before you get to the point of getting a closeout agreement prepared and in place.

So as we sit here today with the grantees who are newer in particular, this can be many years in your future. And then recognize that you still have to maintain all those records as discussed previously. So start planning for this now.

Again, recognize this in your staffing and your budgeting and your program designs, that you will be doing grant closeout only after you have accurate data, activities, complete funds spent, and your monitorings resolves. Then you'll need to maintain your records for those three or four years as well. So just some important things to be thinking about now so you're best prepared for the long term.

All right. At this point we're going to turn it over to Q&A. Kelly or Jen, any Q&A we should go through?

Kelly Price: Yeah. So we don't have a lot of questions, Scott. I would imagine because this is a lot of information and we have a lot of new grantees or new staff -- or relatively new staff. There are a couple that we might want to hit on and then, Jen, you might have some suggestions as well for things that you guys see when you go out right away -- and I know you've done that recently -- to meet with some of the new grantees about sort of getting started.

One is probably a ping over to Sue, Scott, which is to the extent we can quickly provide a little more clarification around the national objectives topic. Maybe we could even scroll back to that slide with the chart. Particularly around housing and jobs and how those typically are qualified.

Sue Southon: OK. So basically with your housing programs -- your housing rehab programs -- you will be income qualifying households. And the grantee can make a decision about what form of income verification they want to use, whether it's Part V, which is -- those of you who run a lot of home programs are going to be familiar with that one. Or whether it's adjusted gross income or other short -- shortly called 1040s.

Most grantees -- and I would really encourage this -- use HUD's income calculator, which can be found on the HUD Exchange, because that will provide you with the documentation and you can actually print that out and put it in your file once that documentation is complete. So for the individual homeowner program, that's typically the way it's done.

For job -- for low-mod jobs -- and it depends, to some extent, on the Federal Register notice under which you're operating. But in many instances, HUD has made some alternative (plans ?) which make it easier to get economic development programming under DR than many of you who may be (EBOs ?) are familiar with under the regular program.

Two things that are really quite different, the first being that the public benefit requirement is waived. So it's not capped at $35,000 per job, or $50,000. The second is that you can qualify a job based on the income of a one-person household at 80 percent. So while you still absolutely have to track job creation and/or retention, it's a little bit easier to document those. So hopefully that gives you some assistance.

I will say that with the rental programs, the documentation occurs at -- (inaudible). So again, that would be like your rental rehab programs that you may be doing now. Or for those of you that are doing low-income housing tax credit developments, that is effectively very different. You're qualifying that unit as a low-income unit at the time it has its first tenant.

Kelly Price: OK. Thank you, Sue. We had a question regarding duplication of benefits and specifically how to do that. Looking at the clock, we probably don't have time to delve into that too deeply.

But what I would say to the audience is, especially again, if you're hearing that terminology for the first time and/or have kind of gotten wind of it already and are a little intimidated by that, we

will be hitting on that a little bit more in next week's webinar, which we're calling "DR Program Launch: Action Plan to Implementation." So we'll be jumping off of many of today's topics and hitting on those just a little bit deeper. It's likely that some additional webinars will also be provided over the summer and into the fall.

And then finally again, we always encourage folks, please go to the HUD Exchange website. There's a number of resources, from notices to the old webinars that we've done before. The materials from prior clinics are also posted there, as well as some toolkits that have information there. So those would be other options.

And then finally, Sue, if we have time quickly, I think one of the other questions -- and again, Jen, certainly jump in here as well -- is just looking for -- and we hear this a lot -- a little bit of clarification around admin and program delivery. Again, I think we'll hit this a little bit more in the next webinar. But just sort of when is it right or wrong to use which one if it's a gray area? What's some clear distinction or line in the sand regarding what type of costs go where?

Sue Southon: I'm going to punt this one to Jen because she is the final arbiter -- HUD is the final arbiter of what is and isn't acceptable. And I think Jen can probably provide the most comprehensive and succinct description of that, if you would, Jen, please?

Jen Carpenter: Yeah. I mean, I would say follow what Sue was saying earlier about if they are costs that you can tie directly to an activity, you really should classify them as activity delivery. And I think the question in the box was saying, well, what if we're not even close to our 5 percent cap? We have this extra -- essentially extra admin money.

I would really think about that because, depending on where you're at in your grant cycle, you may have extra admin money today; but consider that as you move forward, even as your programs wind down prior to closeout, you still have to continue monitoring. You still have to be looking at compliance. You're still going to need staff to do all of that. So you don't want -- you want to make sure you're projecting how you're going to use your admin across the life of your grant.

And so even if you have -- you still have some money; you still have some room left in there. I think it's better to be safe than sorry and just make sure you're calculating those costs correctly, just to give yourself the ultimate amount of room. But essentially, at the end of the day, any costs that are used for the administration of your grant can be charged to admin. So you're not going to get dinged, but I think really it's just thinking long-term about your entire grant cycle.

Sue Southon: The other thing I might add -- and this is probably particularly relevant for state grantees -- is that this is, in many instances, a firehose worth of funding through a garden hose delivery system, because you are not used to spending -- having and spending literally hundreds of millions of dollars, in many instances.

And so the systems that you have for things like grant tracking, grant management, financial processing, invoice processing, things that you do routinely but not at the volume and the level you're going to be doing them, are places where -- and again, this is where maybe an investment

of admin money and upgrading systems, or buying better software will be well worth it because this is not something you'll be able to track on an Excel spreadsheet over time.

Kelly Price: Great point. OK. I think we are getting in several really great questions here at the end, Scott, which is great. Things are clicking. And unfortunately, we just don't have time, I don't think, to go over those.

I wanted to assure the audience that we are able to collect all the questions and the answers we've had so far and we're working with HUD on a whole series of webinars to potentially put our some guidance or just a group list of questions and answers once all the webinars are completed.

And then I also wanted to remind folks again that the slides themselves, the webinar recording, as well as the transcript will also be posted to the HUD Exchange with all the other webinars once the series are completed within the next couple of weeks. So you will have access to all of that information.

Scott, let me turn it back to you.

Scott Ledford: Sure. Sound good. I went ahead, Kelly, when you were mentioning earlier about the resources that are available through the HUD Exchange and also on HUD.gov. Just want to emphasize for folks, there has been a lot of energy put into creating a lot of very useful resources. So I won't read off all the list, and particularly not the URLs.

But just notice on here, there are some resources that have been created; take advantage of them. Some of them are reflective of required things. Like for example, the HCD Act is obviously the underpinning of all of this. But the toolkits are not required for you to use, but there's been an investment in creating these to help grantees with their programs.

So I really encourage you to take some time, go to these resources on the HUD Exchange, also through HUD.gov.

And then flip to the next one here real quick. There is some conversation about eligible activities and national objectives. If you look at those first few items for states and entitlement communities around national objectives and eligible activities, these guides really form the logic and the construct of the core concepts that underpin CDBG overall.

And it's really -- for those of us who like CDBG -- it's really interesting reading. I'm sure there are some folks who don't find it interesting. But you can really understand a lot more about where some of these things are coming from that you're hearing.

And then you have also basically the CDBG presentations. And one thing to always emphasize, especially in a disaster recovery context, is make sure you are familiar with the appropriations and the Federal Register notices attached to the money that you received.

Again, there has been some evolution in the requirements along the way, so you want to make sure -- even if you're a multi-year grantee, you need to know which appropriations act and which

Federal Register notices apply to which pot of money that you're working with. So always make sure you're tracking that as well.

And at this point, we ran a few minutes over. Hopefully you found this interesting and useful. If you have further questions, you can see contact info here. And just want to thank you for your time today.

And once again, there is an ongoing webinar series. We mentioned next week we'll go into some more details about these items. And be on the lookout for more coming from that HUD Exchange listserv that Jen mentioned early in the webinar.

Thank you once again. And have a wonderful day.

(END)