



# ***Basically CDBG***

***HUD Office of Block Grant Assistance***



# A LITTLE ABOUT YOU ....

- Years of experience with CDBG?  
<1 yr   1-5 yr   6-10 yr   10+ yr
- Level of CDBG expertise
  - Beginner (what's Part 570?)
  - Some experience
  - I can cite Part 570 in my sleep

# INTRODUCTIONS

- Name
- Community
- Organization
- One thing you want to learn from the training

- **INTRODUCING CDBG: SHORT VIDEO OF PROGRAM**

<https://youtu.be/DlIGkM6Qu70>

# COURSE STRUCTURE

- Agenda
- Exercises
- Training manual
- Training manual appendices
- Overheads

# YOUR TRAINING TEAM

Rudy Muñoz, President  
MDG Associates, Inc.

Clint Whited, President  
MDG Associates, Inc.

# RULES

- Ask questions
- Keep side conversations to minimum
- Parking lot messages
- Please turn cell phones, etc. to silent mode
- Training - amnesty for all



# LOGISTICS

- Timing of breaks and lunch
- Restrooms
- Hey, where's the coffee??



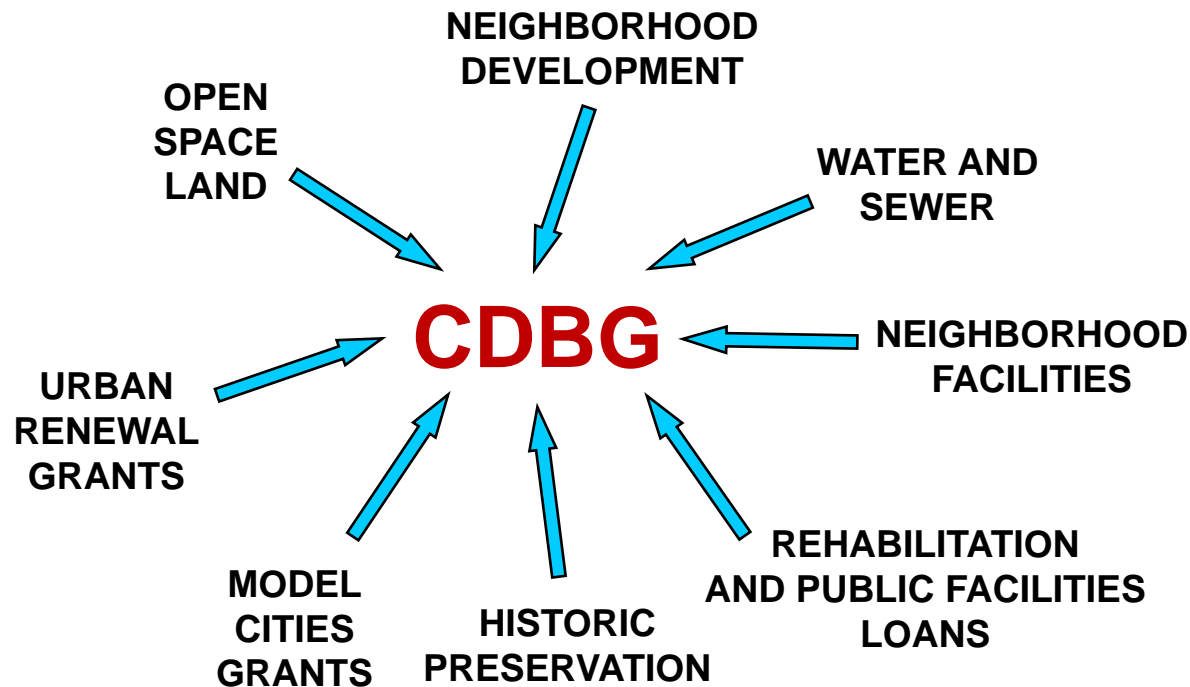
# OVERVIEW





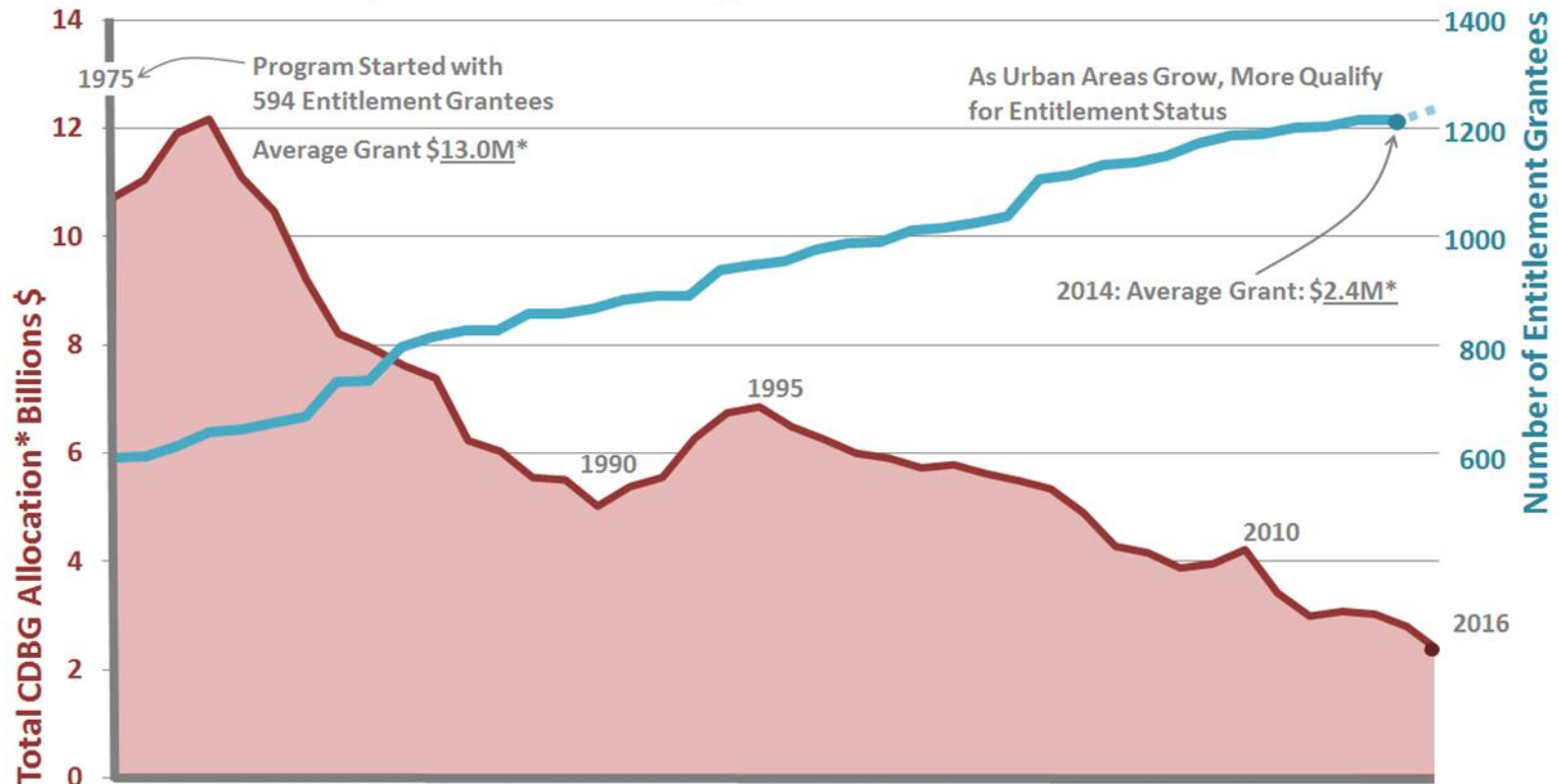
# CDBG HISTORY

Authorized under Title I of the Housing and Community Development Act of 1974



# CDBG HISTORY

## History of CDBG Funding & Number of Grantees



\*Each Allocation from 1975 to 2013 has been adjusted for inflation to value of the dollar in 2013 by using the annual average Consumer Price Index for the corresponding years. <http://www.bls.gov/cpi>. Average grant amounts take into account State & Insular CDBG grantees as well.

# CDBG PRIMARY OBJECTIVES

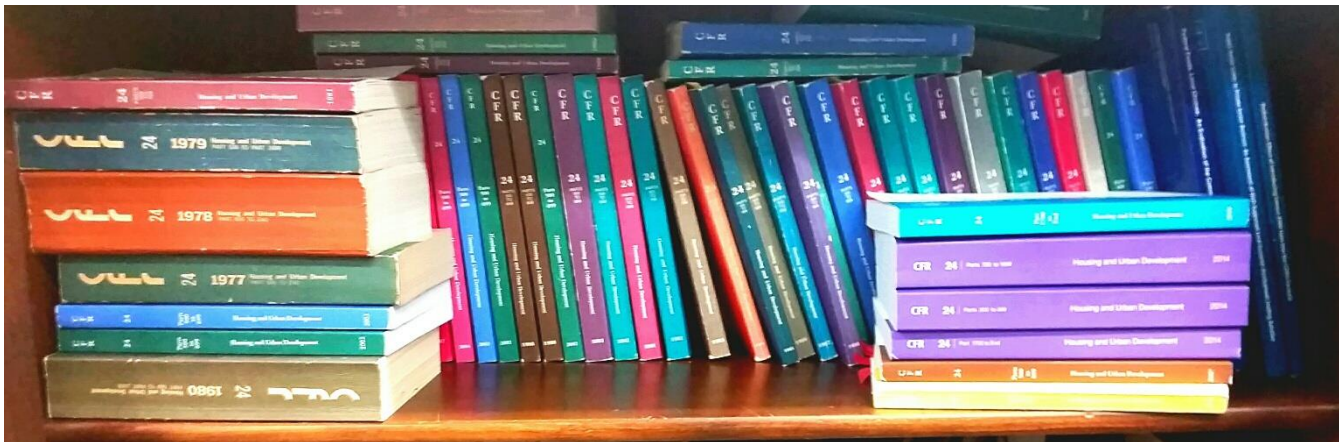
- Development of viable urban communities, principally for low/mod persons, through:
  - Decent housing
  - Suitable living environment
  - Expanded economic opportunity



Slide 11

# CDBG REGULATIONS

- Found at 24 CFR Part 570
- Most recent rule changes due to:
  - Statutory changes
  - Increased flexibility & faith-based organizations
  - Brownfields cleanup & anti-pirating
  - Public benefit standards for economic development projects
  - Implementation of 2 CFR Part 200 Requirements



# KEY DEFINITIONS

- Entitlement Program
- State CDBG Program
- CDBG Recipient/Grantee
- Consolidated Plan (Con Plan)
- Low and Moderate Income Person (LMI)
- Household v. Family

# CDBG ROLES

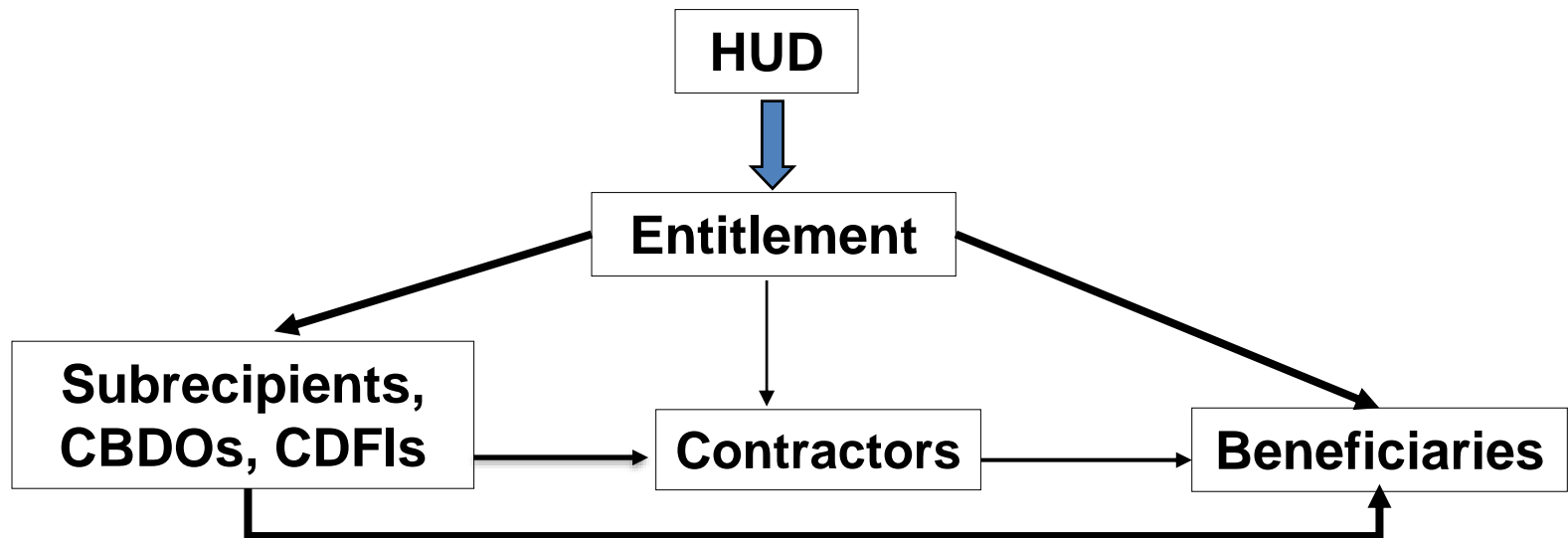
HUD's key partners in CDBG programs include:

- Entitlement Communities (cities and urban counties)
- States & Units of General Local Government (UGLGs)
- Subrecipients, CBDOs & CDFIs (will discuss in the next module)
- Contractors
- Beneficiaries



# CDBG MONEY FLOW

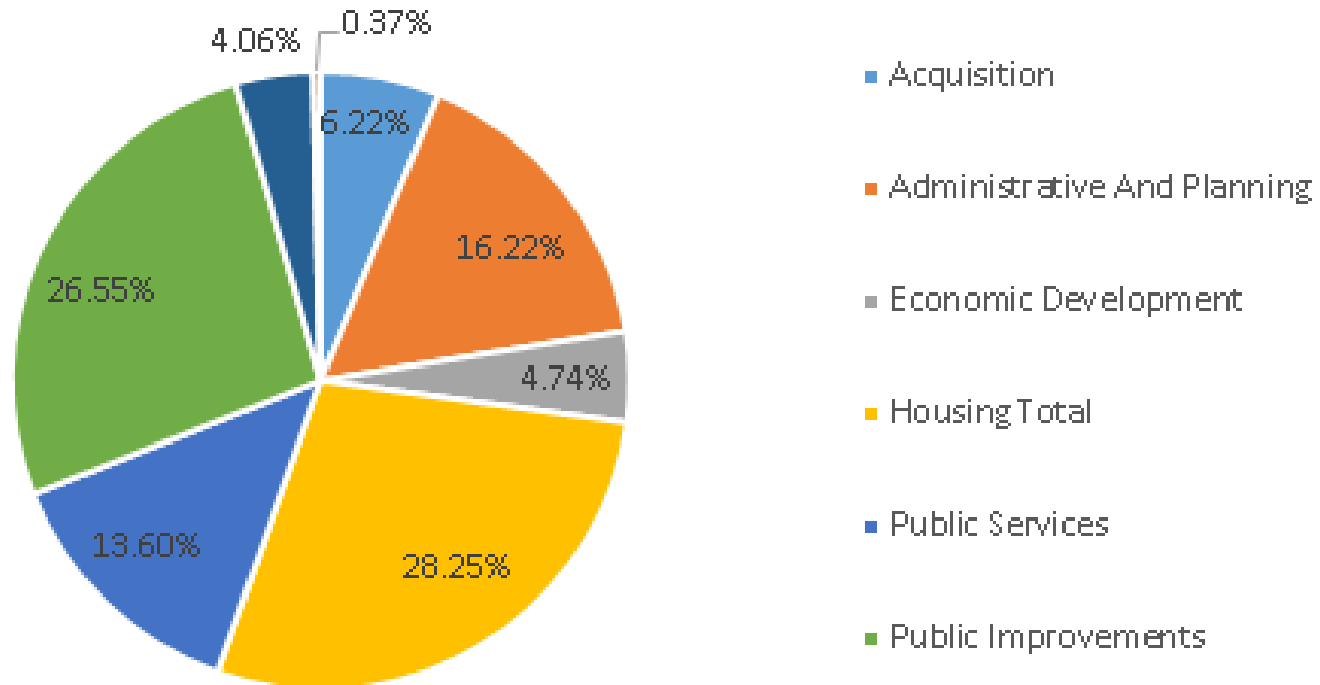
- Entitlement community partners



- States must award funds to UGLGs

# CDBG MONEY: WHERE IT GOES

## Use of CDBG Funds by Entitlement Communities in F16





# CDBG MONEY: WHAT GOES WHERE

Ten Largest CDBG Entitlement Grants  
(2016 Overall Allocation = \$2.106 billion)

	NAME	STATE	CDBG16
1.	New York	NY	\$151,460,389
2.	Chicago	IL	\$72,220,468
3.	Los Angeles	CA	\$49,744,488
4.	Philadelphia	PA	\$38,807,206
5.	Detroit	MI	\$31,372,385
6.	Houston	TX	\$22,140,237
7.	Los Angeles County	CA	\$20,750,346
8.	Cleveland	OH	\$19,382,724
9.	Baltimore	MD	\$19,099,736
10.	San Francisco	CA	\$16,485,875

# CDBG MONEY: WHAT GOES WHERE

## Ten Smallest Entitlement Grants

NAME	STATE	CDBG16
East Wenatchee	WA	\$103,293
Vienna	WV	\$94,740
Moss Point	MS	\$91,825
Anacortes	WA	\$89,552
Colonial Heights	VA	\$84,367
Naples	FL	\$83,866
Punta Gorda	FL	\$73,111
Marco Island	FL	\$71,558
North Mankato	MN	\$67,827
Fairhope	AL	\$66,961

# CDBG MONEY: WHAT GOES WHERE

## Average and Median Size of 2016 CDBG Entitlement Grants

- **Average** entitlement grant size = \$1,786,865  
(This figure does not include states.)
- **Median** entitlement grant size = \$796,198  
(This includes the Hawaii counties.)

# CDBG MONEY: WHAT GOES WHERE

## Ten Largest CDBG State Grants (2016 Overall Allocation = \$902.6 million)

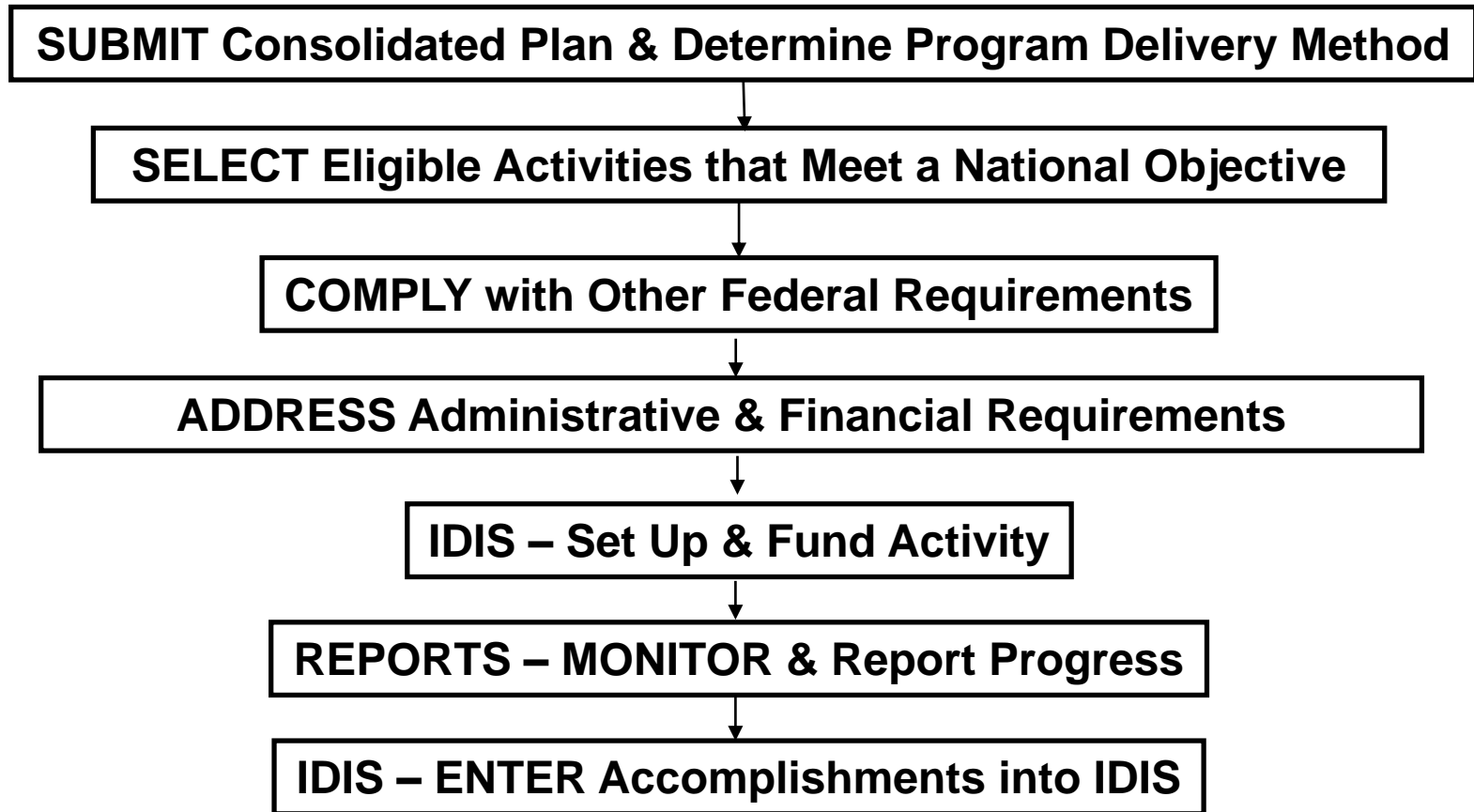
STATE	CDBG16
Texas	\$60,979,766
New York	\$45,961,285
North Carolina	\$43,901,389
Ohio	\$41,292,727
Pennsylvania	\$37,464,741
Georgia	\$37,464,404
Michigan	\$30,766,406
Massachusetts	\$29,771,920
Indiana	\$28,353,870
California	\$27,834,660

# CDBG MONEY: WHAT GOES WHERE

## Average and Median Size of 2016 CDBG STATE Grants

- **Average** state grant size = \$18,053,091
- **Median** state grant size = \$15,091,693

# CDBG IMPLEMENTATION STEPS



# ACTIVITY SELECTION, CONSOLIDATED PLAN, AND PROGRAM IMPLEMENTATION



# THE CONSOLIDATED PLAN

- Needs determine activities and organizations to fund
- Components:
  - Lead agency description
  - Housing and homeless needs assessment
  - Housing market analysis
  - Strategic plan
  - One-year action plan
- The analysis of impediments (AI) to fair housing choice should be reviewed and updated as necessary (will be replaced by AFH)



# THE CONSOLIDATED PLAN (cont'd)

- New Con Plan tools:
  - May 2012 HUD CPD introduced eCon Planning Suite
    - Consolidated Plan template in IDIS On-line
    - CPD Maps website
  - Consolidated Plan template in IDIS makes data on housing and community development needs accessible to grantees in format required by HUD
  - CPD Maps is online data mapping tool
    - Can use CPD Maps to analyze and compare housing and economic conditions
    - Consolidated Plan template allows grantees to insert maps and data tables from CPD Maps throughout their plan
    - Maps can be found at: <https://egis.hud.gov/cpdmaps/>

# THE CONSOLIDATED PLAN (cont'd)

- Requires citizen participation
- HUD reviews and approves Con Plan
  - Submitted to local field office at least 45 days prior to start of program year
- Amendments can be made
- Annual performance reporting measured against Con Plan goals and activities

# REPORTING REQUIREMENTS

- Annual report called Consolidated Annual Performance and Evaluation Report (CAPER)
- States submit a Performance Evaluation Report (PER)
  - CPD Notice 11-03



## CR-05 Goals and Outcomes

Regulation Citation(s): 24 CFR 91.520(a)

Type of Plan	Entitlement	Consortia Lead	Consortia Participant	State	Regional Lead	Regional Participant
Applicable?	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

# CAPER CONTENTS

- CAPER/PER must include two major parts:
  - Narrative component
    - Consolidated Plan progress elements
    - CDBG-specific elements
    - Affirmatively Furthering Fair Housing and Analysis of impediments (AI) strategies and actions
  - Financial reports
- Check with your Field Office
  - What they expect to be submitted
  - Can use IDIS reports for information

# SUBMISSION & REVIEW OF THE CAPER/PER

- Grantee must submit annual report to HUD within 90 days of close of program year
- Prior to submission, grantee must make report available to public for at least 15 days
- Grantee must summarize comments and make final report available to public

# RECORDKEEPING REQUIREMENTS

- Appropriate documentation necessary to ensure compliance
- Major categories of records to be kept:
  - General administrative
  - Financial
  - Project/activity specific documents
  - National objective compliance
  - Subrecipients, CBDOs, CDFIs
  - Other Federal requirements
- Have a strong and comprehensive filing system
- Use checklists, logs and cross indexing

# RECORD RETENTION

- Record retention
  - Entitlements maintain records for **four years** from the date of execution of the closeout agreement.
  - States and UGLGs maintain records for three years following closeout.
  - Records for individual activities subject to the reversion of assets provisions or the change of use provisions must be maintained for three years after those provisions no longer apply to the activity.
  - Records for individual activities for which there are outstanding loan balances, other receivables, or contingent liabilities must be retained for three years after the receivables or liabilities have been satisfied.
- Public access to records
  - Citizens must have reasonable access and provided timely information
  - HUD, IG, Comptroller General have access

# ELIGIBLE ACTIVITIES



- Wide variety possible
  - Housing & other Real Property Activities
  - Public facilities & Public services
  - Economic Development Activities
  - Subrecipient, CBDO & CDFI Activities
  - Other Activities
  - Planning and Administration Costs
- Regulation cites: §570.201 - §570.206, §570.482
- Statutory cites at HCD Act, Section 105
  - See other modules for more details on eligible activities



# INELIGIBLE ACTIVITIES

- Regulations expressly prohibit:
  - Buildings for conduct of government
    - For example, city hall improvements
    - Exception for community service centers
  - General government expenses
    - For example, normal trash pick-up or operating the city's tax collection department
  - Political activities
    - Includes any cost related to political campaigns, including “get out the vote” drives



# INELIGIBLE ACTIVITIES (cont'd)

The following are generally not allowed, except under specific circumstances:

- New housing construction
  - Income payments
  - Purchase of equipment
  - Operating and maintenance expenses
- 
- We will cover the exceptions during activity modules



# KEY QUESTIONS TO CONSIDER FOR CDBG IMPLEMENTATION

- What are our community development needs, especially for LMI persons?
- How can CDBG be used to address these needs?
- Do we have effective procedures for CDBG grant administration & oversight?
- Do we have a process for timely collection and reporting of outcome and eligibility data in IDIS?
- How will we evaluate and improve our program results and processes?

# WHO WILL MANAGE & IMPLEMENT ACTIVITIES?

- Grantees' Options:
  - Grantee staff
  - Subrecipients
  - Community-Based Development Organizations (CBDOs)
  - Community-Development Finance Institutions (CDFIs)
  - Faith-Based Organizations
  - Developers
  - Contractors



# SUBRECIPIENT DEFINED

- A Public or Private nonprofit organization/ agency receiving CDBG funds from grantee for eligible activities
  - A for-profit agency assisting microenterprises may also be subrecipient
  - Institutions of higher learning may be subrecipients
  - Nonprofits that acquire or rehab residential housing with CDBG funds NOT considered subrecipients if that is only activity
- Who is not subrecipient?
  - CBDOs are not automatically subrecipients
  - Procured contractors are not subrecipients
  - Beneficiaries of assistance are not subrecipients

# SUBRECIPIENT AGREEMENTS

- A written agreement **MUST** be executed before funds are disbursed
- Minimal required elements:
  - Statement of work
  - Records and reports
  - Program income
  - Uniform administrative & other federal requirements
  - Suspension/termination & reversion of assets
  - Conditions for religious organizations
  - See manual and regulations for more elements
- Regulatory Citation: 570.503



# ACTIVITY SELECTION PROCESS

- Subrecipients, CBDOs and CDFIs may be chosen by the grantee in any manner
- Four typical models:
  - Formal application process (or RFP)
  - Limited application process
  - RFQ process
  - Open door (unsolicited) process
- Most grantees use a combination
- Helpful information on application contents & evaluation in the training manual

# NATIONAL OBJECTIVES





# NATIONAL OBJECTIVES

- All CDBG activities must result in one of the following:

- Benefit low/mod income persons



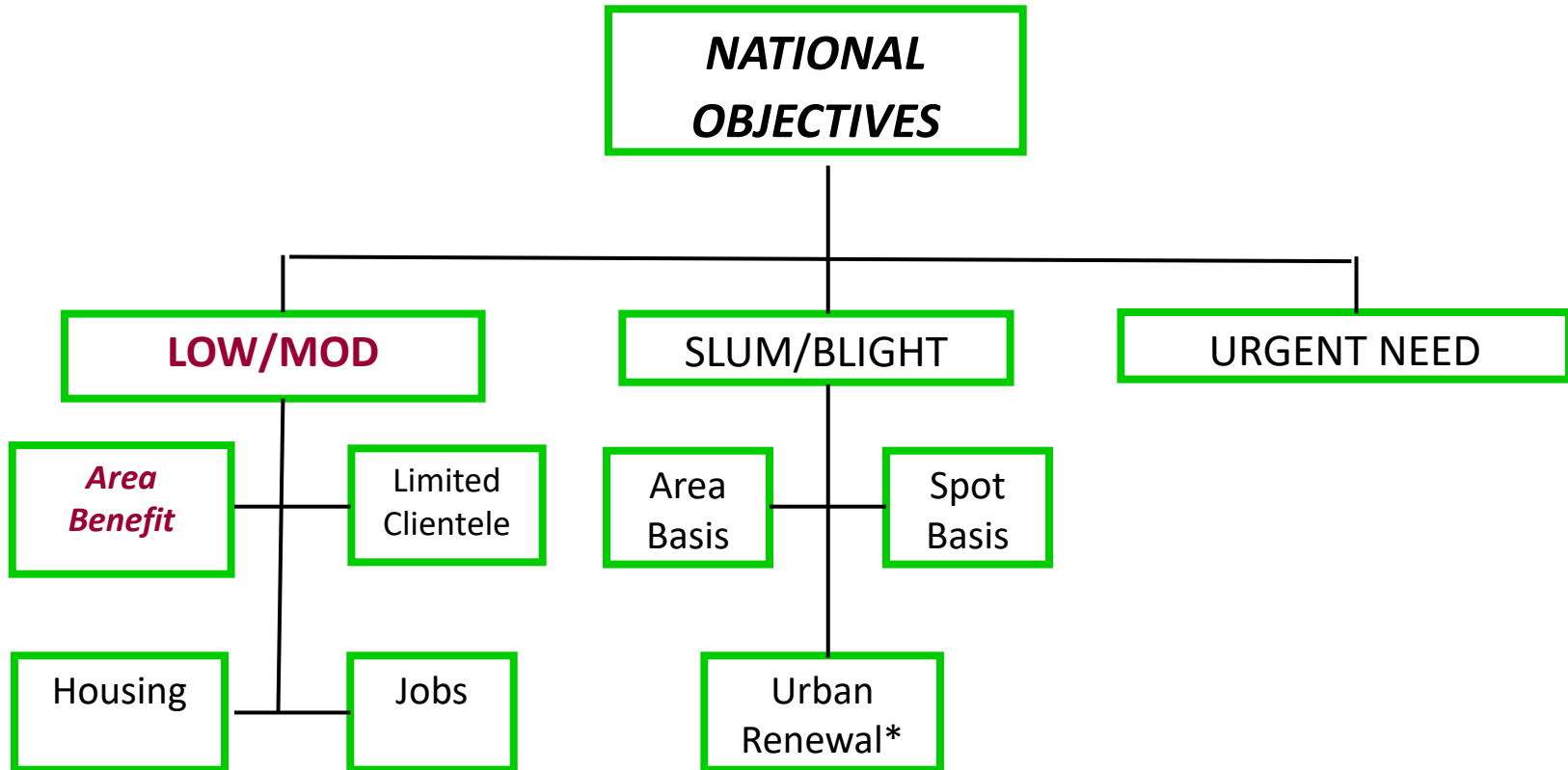
- Prevent or eliminate slums and blight OR

- Meet an urgent need



Reg cites: §570.208, 570.480

# LMI AREA BENEFIT



\* Urban renewal objective not applicable to state program

# LOW/MOD BENEFIT AREA BENEFIT

- Activities that benefit all residents of area
- Typical activities: water/sewer lines, parks, community centers
- Must determine service area of activity
  - Based on reasonable assumptions as to the area that will be serviced by the facility
- Area must be primarily residential



Slide 43

# LOW/MOD BENEFIT AREA BENEFIT (cont'd)

- Area must be at least 51% LMI persons

Use HUD special tabulation of American Community Survey (ACS) data, 2016 LMISD

- See CPD Notice 14-10 (States) or CPD Notice 14-11 (Entitlements)
- Certain entitlement grantees are “exception communities” (these grantees are allowed to go below 51% LMI for area-benefit activities)
- Can conduct survey using HUD approved methodology
  - See guidance at Notice CPD-14-13

# LOW/MOD BENEFIT AREA BENEFIT (cont'd)

URL for LMISD Mapping Tutorial

<https://www.youtube.com/watch?v=CPRmVosjsQk&feature=youtu.be>



## American Community Survey 5-Year 2006-2010 Low and Moderate Income Summary Data

The Community Development Block Grant (CDBG) program requires that each CDBG funded activity must either principally benefit low- and moderate-income persons, aid in the prevention or elimination of slums or blight, or meet a community development need having a particular urgency. With respect to activities that benefit all the residents of a given area, at least 51 percent of the area's residents must be low and moderate income.

The Office of Community Planning and Development provides estimates of the number of persons that can be considered Low, Low to Moderate, and Low, Moderate, and Medium income persons according to annually revised income limits. Data are provided at the Census Bureau's Geographic Summary Level "150": State-County-County Subdivision-Census Tract-Block Group. The statistical information used in the calculation of estimates identified in the data sets linked to the right comes from the 2006-2010 American Community Survey (ACS). ACS data are used with [Income Limits for Metropolitan Areas](#) and for [Non Metropolitan Counties](#) prepared by the Department's Office of Policy Development and Research to calculate the Low to Moderate Income Summary Data (LMISD). The Bureau of Census matches the income limits to the ACS surveys in a special tabulation in order to produce the estimates.

Estimates are provided at three income levels: Low Income (50 percent); Moderate Income (80 percent), and Medium Income (120 percent). Additional Summary levels are also made available for city, town, county and Census Designated Places and Census Civil Divisions. Each block group record has an identification section containing Federal Information Processing Standards (FIPS) codes and names for the block group, census tract, county and state, plus the name, type, and the HUD Unit-of-Government-Identification-Code for the Community Development Block Grant (CDBG) grantee with jurisdiction over the block group area for FY2014.

Questions about the calculation of the estimates may be directed to [Formula Help Desk](#).

Questions about the use of the data should be directed to the staff of the [CPD Field Office](#).

### Related Information

[ACS 5-Year 2006-2010 Low and Moderate Income Summary Data Main](#)

[Data Dictionary](#)

[Frequently Asked Questions](#)

[Exception Grantees](#)

[Uncapped Data](#)

### Data Sets

[Map Application](#)

[All Block Groups by State](#)

[Summarized Low/Mod Data by Grantee](#)

[Local Government Summaries by State](#)

[Low and Moderate National Data Set](#)

[Overall Low to Moderate Percentages by Grantee](#)



# CDBG Low Moderate Income Area Data ACS-Based



FY 2014 CDBG Grantees and LMISD Block Groups, Places, County Subdivisions & Counties

Web Mapping Application by robert.c.peterson  
Last Modified: November 24, 2014

★★★★★ (0 ratings, 13,684 views)

Sign in to rate this item.

Facebook Twitter

OPEN

## Description

HUD Office of Community Planning and Development

Low Moderate Income Area Data (FY'14) by Block Group, Place, County Subdivision and County for use by CDBG grantees to assist with Low Moderate Income Area Benefit compliance determinations.

These data represent a join of the following datasets: [CPD's LMISD Data Tables](#) & [Census 2010 geographies](#)



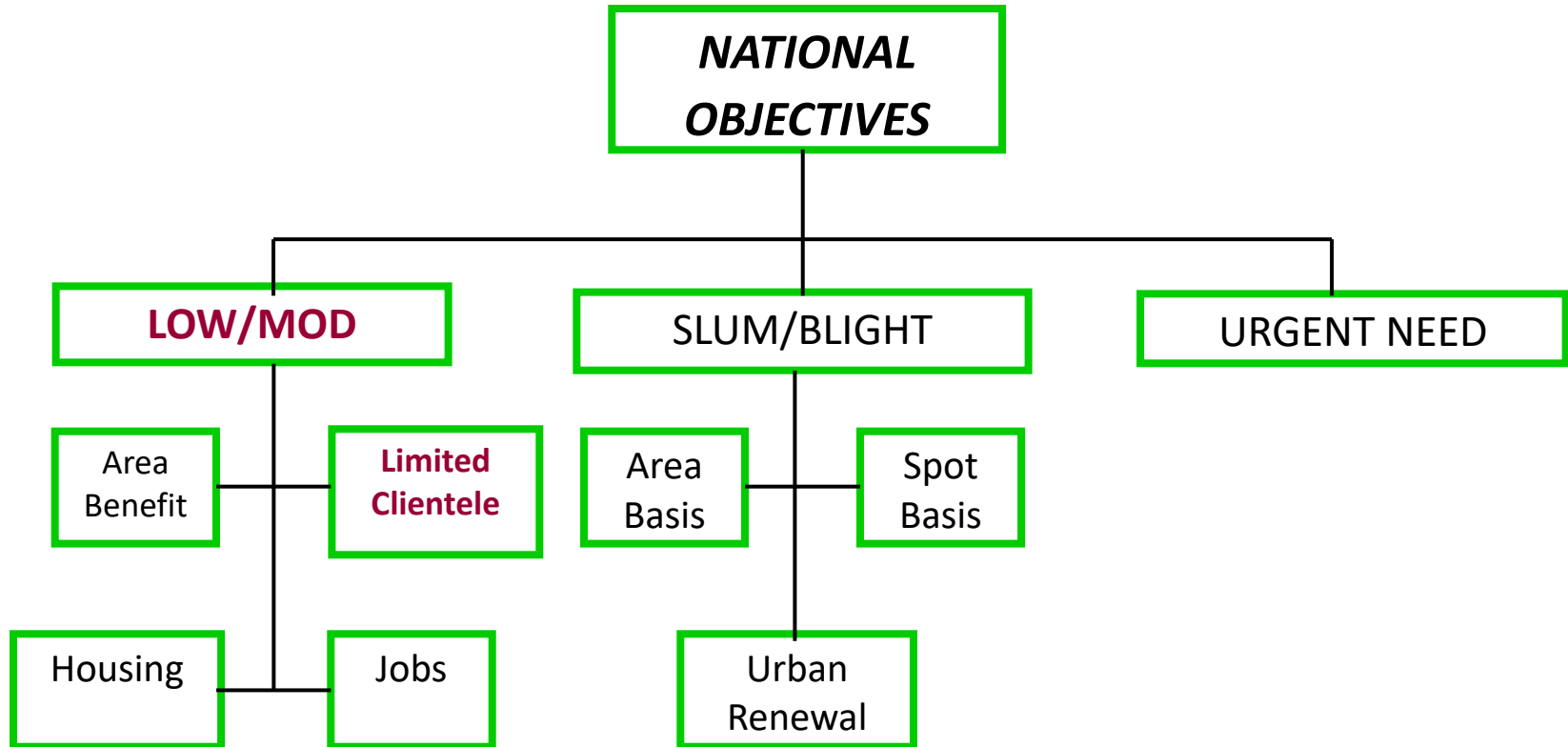
### USER GUIDANCE: [VIDEO TOUR](#)

1. Don't See Layers? Or Clunky Zoom? The app has a lot of data; so the layers will appear as the user zooms into the larger scales. The easiest way to zoom is by using the text search: Type *City, ST* and Enter. Also, only turn on one layer at a time.
2. If the geographies provided do not adequately represent the service area, grantees may consider conducting a [manual survey](#) to determine LMA compliance or reconsider the National Objective or Eligible Activity.
3. If you activity's service area would contain multiple geographies:
  - a. Select each one, note the data, and use the appropriate calculation:  $LMI \% = (LMI \text{ Persons Geography A} + LMI \text{ Persons Geography B} + LMI \text{ Persons Geography C}) / \text{Total Population}$

<https://www.youtube.com/watch?v=CPRmVosjsQk&feature=youtu.be>



# LMI LIMITED CLIENTELE





# LOW/MOD BENEFIT LIMITED CLIENTELE

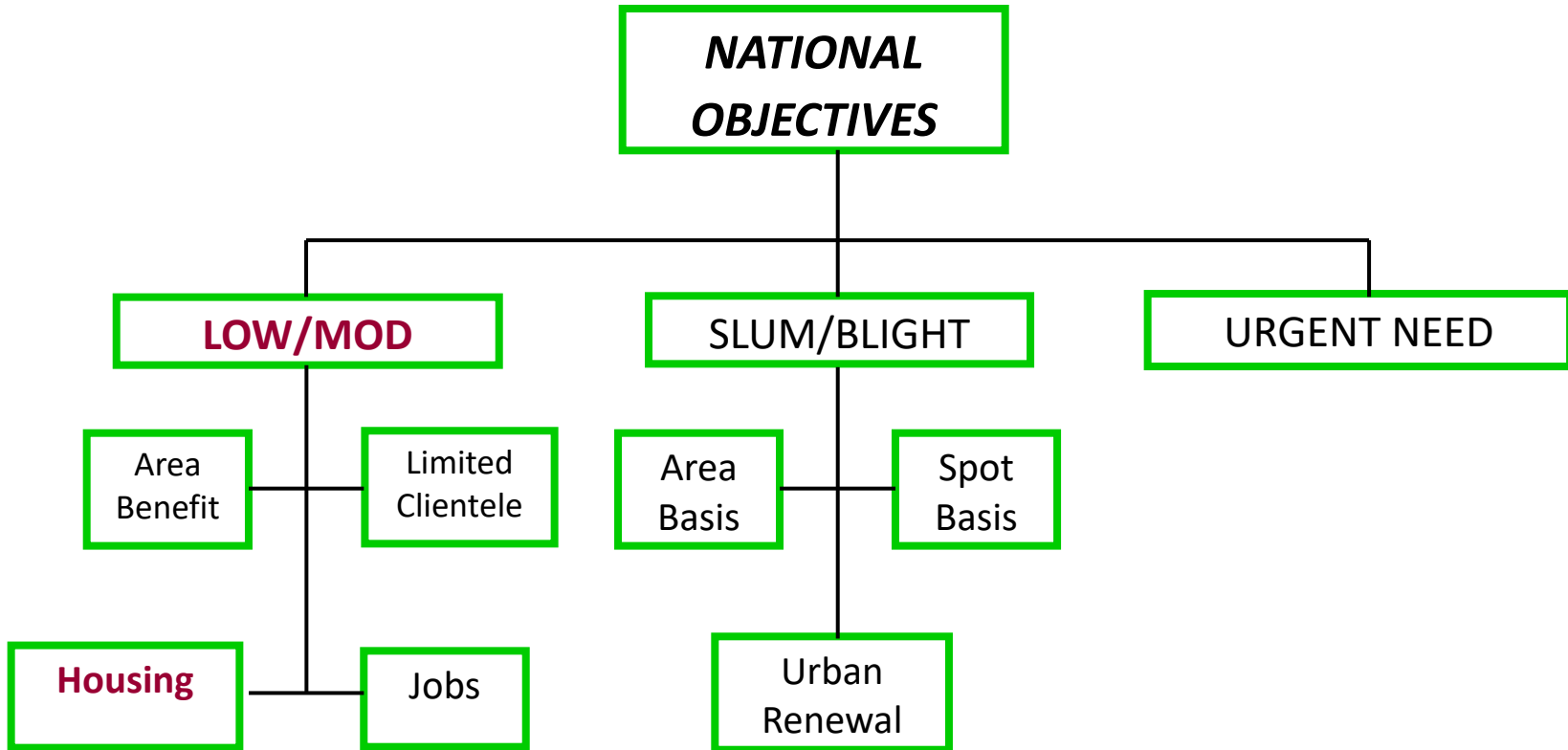
- Activities that benefit specific populations (e.g., services for seniors; homeless shelters; micro loan programs)
- Options for meeting limited clientele:
  - 51% of participants are documented as LMI
  - Participation limited to LMI only
  - Presumed clientele
    - Activity must exclusively serve: elderly, severely disabled adults, homeless persons, illiterate adults, migrant farm workers, abused children, persons with AIDS or battered spouses
  - Nature and location indicate low/mod benefit

# LIMITED CLIENTELE (cont'd)

- Some specific activities are unique
  - Removal of architectural barriers (some activities), or
  - Microenterprise activities with LMI owners, or
  - Certain types of job training efforts



# LMI HOUSING



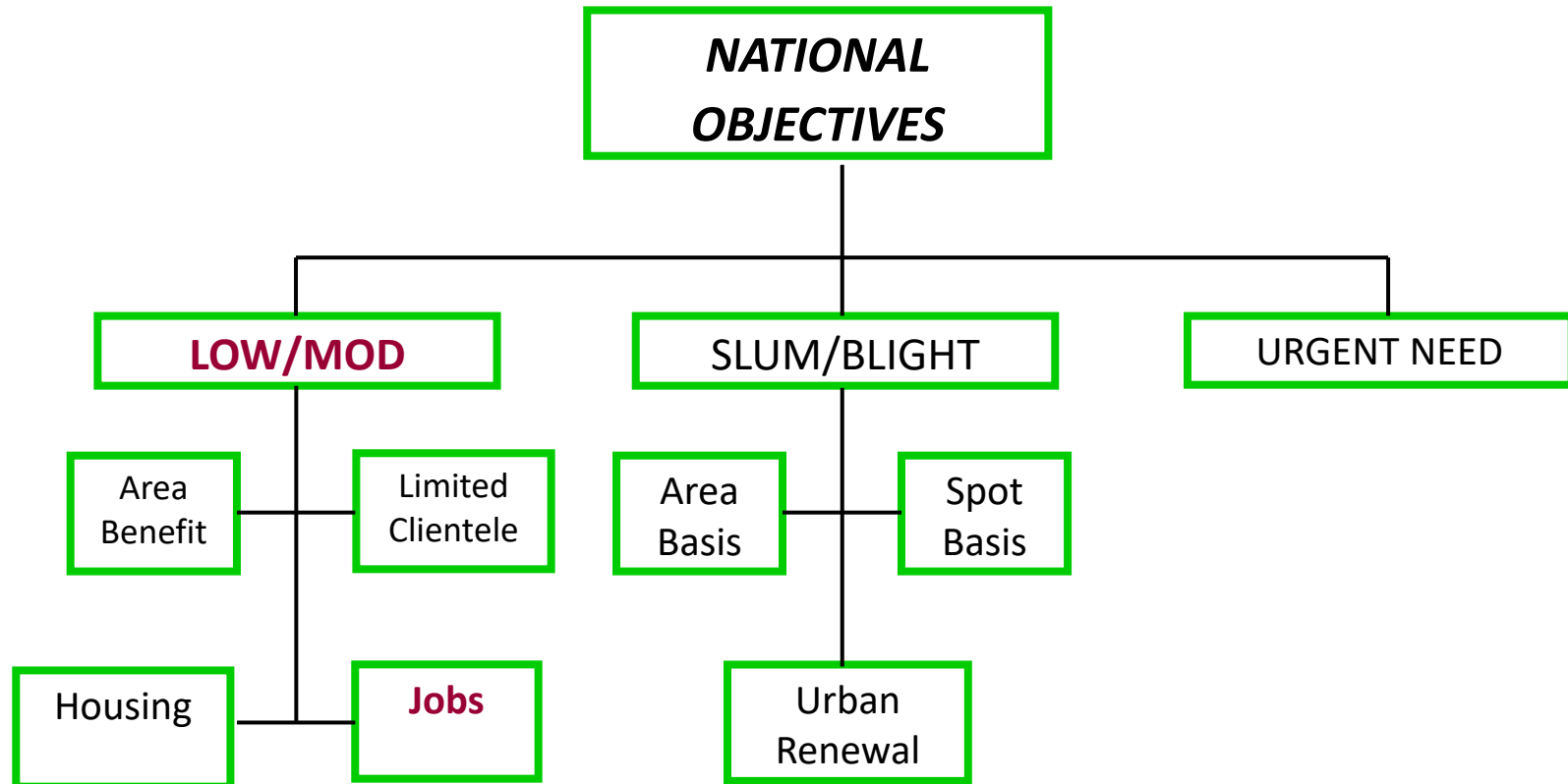
# LOW/MOD BENEFIT HOUSING

- This is the only L/M national objective for housing activities
- To meet the housing national objective, structures must be occupied by low/mod **households**
- Typical activities: homeowner rehab, rental acquisition & rehab, homebuyer assistance
- Documented based on unit occupancy:
  - One unit structures occupied by LMI
  - One unit of duplex occupied by LMI
  - 51% of 3+ multifamily units occupied by LMI

# LOW/MOD BENEFIT HOUSING (cont'd)

- May have less than 51% LMI occupancy only under certain circumstances:
  - CDBG assists the development cost of multi-family non-elderly new construction AND
  - At least 20% of the units LMI occupied AND
  - Portion of CDBG cost is no greater than LMI occupancy percentage
- Aggregation allowed in some instances
  - CDFI
  - NRSA

# LMI JOBS



# JOB CREATION & RETENTION

- Activities related to economic opportunity
- Typical activities: business loans, commercial rehabilitation, infrastructure to a business
- In order to meet this criteria, activities must ***create*** ***or retain*** permanent jobs

AND

- 51% of the jobs created/retained must be ***available*** ***to or held by*** LMI persons
  - Jobs counted on full time equivalent (FTE) basis

# JOB CREATION & RETENTION (cont'd)

- For jobs **created**, 51% of the jobs must be held by or available to LMI
- For jobs to be considered **retained**, document that jobs would be lost without CDBG and that job
  - Is currently held by LMI person OR
  - Is expected to turn over in 2 years and will be filled by/available to LMI person



# JOBS HELD BY

- For jobs to be considered *held by* LMI persons:
  - 51% of the actual FTE jobs filled must be held by LMI
  - Must document income of LMI persons hired or have evidence of a qualifying presumption
  - Must have a Written Agreement with the business



# JOBS AVAILABLE TO

- For jobs to be considered *available to* LMI persons:
  - No special skills, training, or education required
  - LMI persons must receive first consideration
  - Must have a written agreement with business

# JOBS PRESUMPTIONS

- May be presumed LMI for jobs if:
  - Employee resides in Census tract/block numbering area (BNA) with 20% poverty and general distress;
  - Employee resides in Census tract/BNA with 30% poverty, CBD, and general distress;
  - Employee resides in Census tract/BNA with 70% LMI;
  - Business and job located in Census tract/BNA with 20% poverty and general distress; or
  - Business and job in Census tract/BNA with 30% poverty, CBD, and general distress

# LMI INCOME DOCUMENTATION

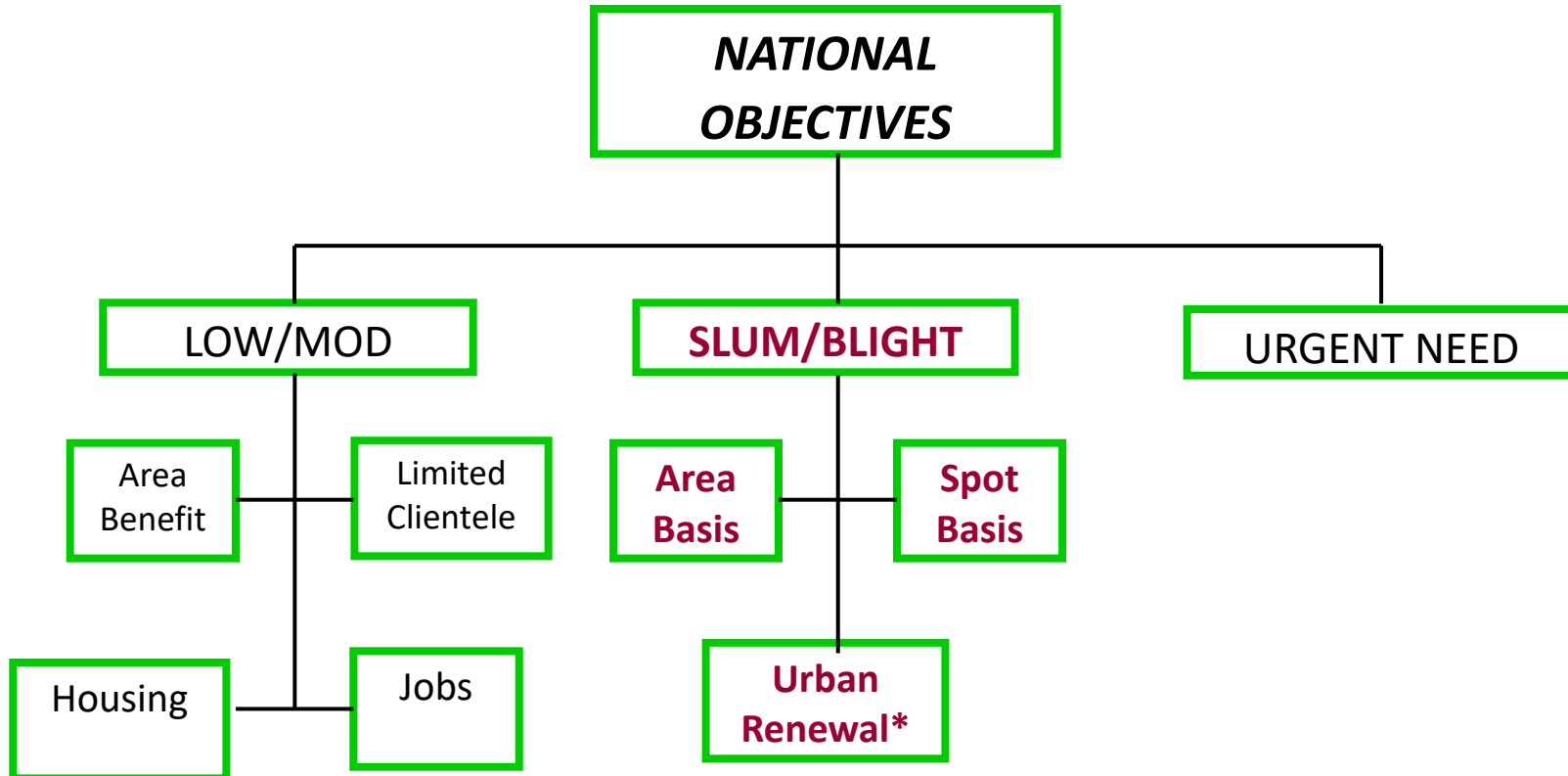
- Annual income definitions, two options:
  - Section 8 Annual Income (24 CFR Part 5)
  - IRS 1040 Series (Long Form)
  - Census Long Form - no longer exists
- Same definition must be used within programs or activities
- Income is that of all family or household members for upcoming 12-month period

# LMI INCOME DOCUMENTATION

## (cont'd)

- Several options for documentation:
  - Full 3<sup>rd</sup> party documentation, e.g., an employer
  - Evidence of qualification under another program at least as restrictive as CDBG (e.g., public housing, WIA)
  - Evidence that assisted person is homeless
  - Verifiable self-certification from assisted person
    - WARNING on using this method: If self-certification determined to be incorrect or fraudulent, project may be ineligible
  - Referral from state, county or local employment agency or other entity that agrees to determine income and maintain documentation for grantee

# SLUM & BLIGHT



\* Urban renewal objective not applicable to state program

# SLUM AND BLIGHT AREA BASIS

- Activities designed to address deteriorated physical environment
  - Not based on income of residents
- Typical activities: code enforcement, infrastructure, commercial rehabilitation
- Must be defined area & meet definition of slum/blighted area under state or local law



# SLUM AND BLIGHT AREA BASIS (cont'd)

- Meet either (A) or (B) below:
  - (A) The public improvements in the area are in a general state of deterioration (must be at least two types of improvements in state of deterioration)
  - (B) At least 25% of properties throughout the area experience 1 or more of the following conditions:
    - Physical deterioration of buildings or improvements,
    - Abandonment of properties,
    - Chronic high occupancy turnover rates or chronic high vacancy rates in commercial/industrial buildings,
    - Significant declines in property values or abnormally low property values relative to other areas in community, or
    - Known or suspected environmental contamination



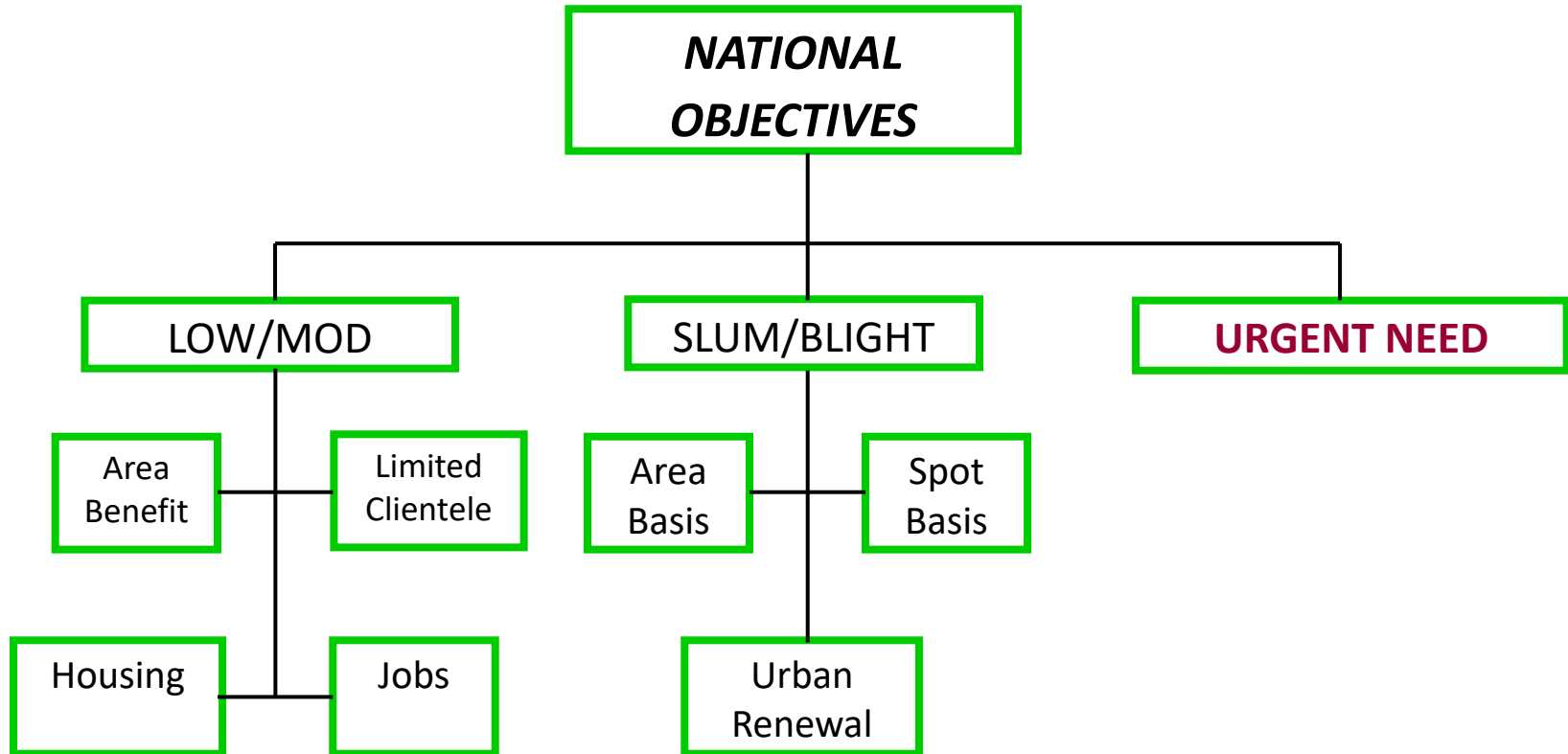
# SLUM AND BLIGHT SPOT BASIS

- Activities that address specific conditions of blight, physical decay or environmental contamination not in slum/blight area
- Activities limited: acquisition, clearance, relocation, historic preservation, remediation of environmentally contaminated properties, or building rehab
  - Acquisition & relocation must be precursor to another eligible activity that addresses slum/blighted conditions
  - Rehab limited to elimination of conditions detrimental to public health & safety

# SLUM AND BLIGHT URBAN RENEWAL

- Related to extinct HUD Urban Renewal Program
- Typical activities: infrastructure, economic development
- Activities in Urban Renewal or Neighborhood Development Program action areas
- Activities necessary to complete an existing Urban Renewal Plan
  - ❖ Not applicable to the state program

# URGENT NEEDS



# URGENT NEED NATIONAL OBJECTIVE

- Used to address emergency situations
- Typical activities: infrastructure, interim assistance, rehab of community facilities
- To meet the urgent need test:
  - Existing conditions pose serious & immediate threat to health/welfare of community
  - Existing conditions are recent or recently became urgent
    - Generally 18 months
  - Recipient cannot finance on its own
  - Other funding sources not available

# LOW/MOD OVERALL BENEFIT REQUIREMENT

- Overall Benefit is not the same as Area Benefit
- Statute requires that 70% of all CDBG expenditures benefit low/mod persons
  - Cumulative actual expenditures, not budgeted
  - Certification period of 1-3 years
- If LMI targeting not met, HUD will require grant repayment
- Reported to HUD periodically

# L/M OVERALL BENEFIT REQUIREMENT (cont'd)

- Calculating the LMI benefit
  - Based on actual expenditure when the national objective meets LMI
  - Area benefit, limited clientele, jobs = entire CDBG expenditure
  - Housing = only the \$ amount spent on LMI household occupied units
- Planning/admin not included

# LMI CALCULATION

## Low/Mod Calculation Example

Total entitlement grant amount	\$1,000,000
Less planning and admin (20 percent)	<u>(200,000)</u>
Equals amount subject to Low/Mod calculation	\$800,000
Multiplied by 70 percent	<u>x 0.70</u>
Equals <b>minimum to benefit low/mod</b>	\$560,000
Amount subject to low/mod calculation	\$800,000
Less low/mod minimum	<u>(560,000)</u>
Equals maximum slum/blight and urgent needs	\$240,000

\* NOTE: This example is for illustrative purposes only. It does not demonstrate the calculation for grantees on a multi-year certification cycle, and does not take into account program income.

# LMI CALCULATION with PROGRAM INCOME

## Low/Mod Calculation Example (With Program Income)

Total Entitlement Grant Amount	\$1,000,000
Program Income Earned	\$300,000
Total	\$1,300,000
Less 20 Percent Planning and Administration	<u>(\$260,000)</u>
Equals Amount Subject to Low/Mod Calculation	\$1,040,000
Multiplied by 70 percent	X .70
Equals <b>Minimum Amount to Benefit Low/Mods</b>	\$728,000
Amount Subject to Low/Mod Calculation	\$1,040,000
Less Low/Moderate Income Minimum	<u>(\$728,000)</u>
Equals Maximum Slum Blight and or Urgent Needs	\$312,000

*\*Note: This example is for illustrative purposes only. It does not demonstrate the calculation for grantees on a multi-year certification cycle.*



# LMI CALCULATION – LMI HOUSING

## Excluded Housing Activity Expenditures Example

Number of units occupied by LMI households	4
Total number of units in assisted structure	6
Divide number of units occupied by LMI households by total number of units in assisted structure and multiple by 100	$(4/6) * 100$
Equals percent of LMI units in structure	67%
Total cost of the housing activity (all sources of funds)	\$300,000
Multiplied by percent of LMI units in structure (i.e. proportion of housing costs attributed to LMI units)	\$200,000
CDBG assistance to the structure	\$250,000
Excess CDBG funds that have to be excluded from LM expenditures	\$50,000

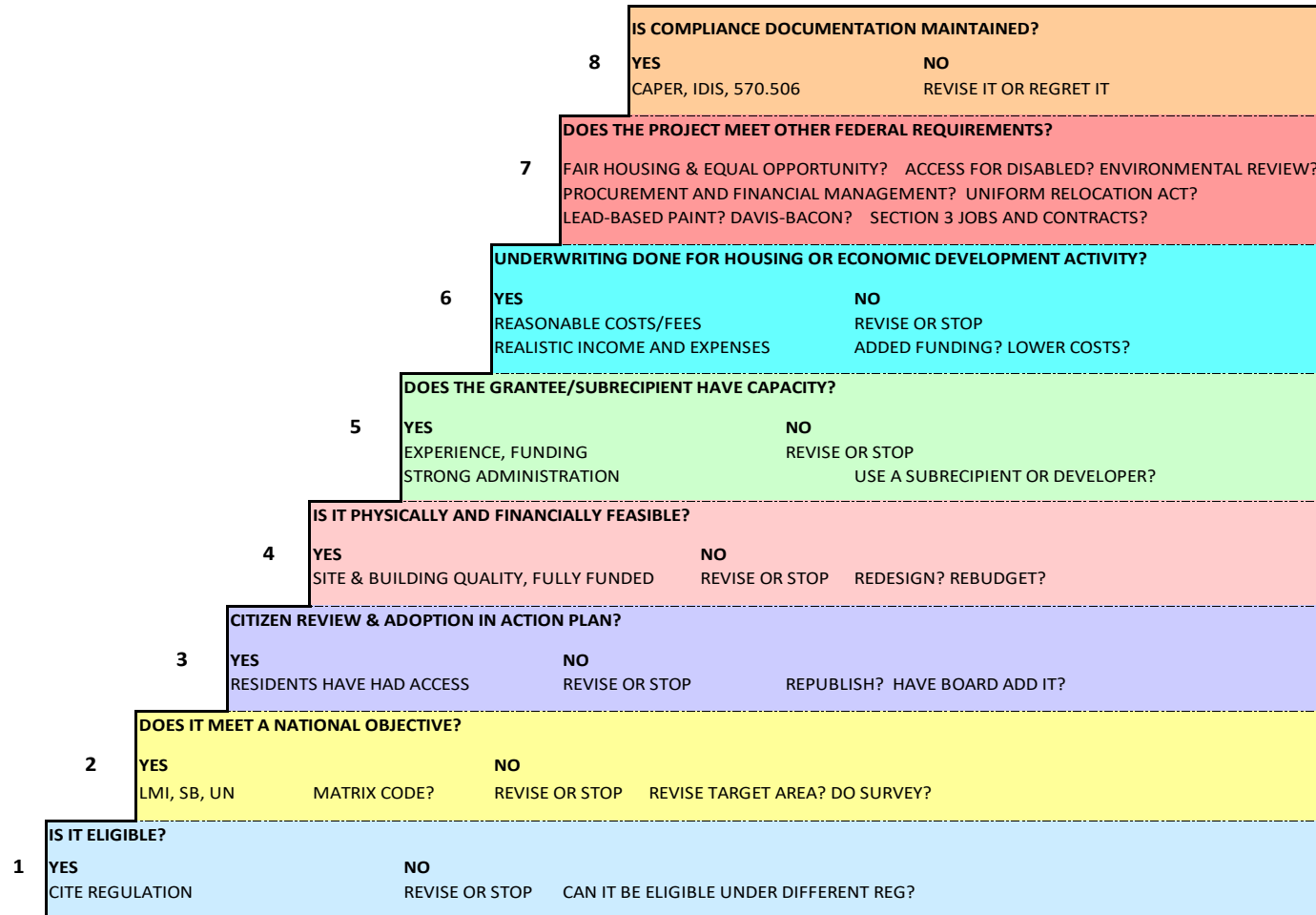
\* NOTE: This example is for illustrative purposes only.

# CHOOSING THE RIGHT NATIONAL OBJECTIVE

- Some activities qualify under more than one national objective
  - Choose the one **easiest to document**
    - Generally LMI area benefit is easiest, if applicable
    - LMI jobs sometimes considered most difficult due to tracking & administrative requirements
  - Consider the LMI targeting requirements

# PUTTING IT ALL TOGETHER

## THE CDBG STAIRWAY TO ACTIVITY COMPLIANCE



# HOUSING & OTHER REAL PROPERTY ACTIVITIES



# APPROACHES TO HOMEOWNER REHABILITATION

- Many rehabilitation program options
- Assistance can be in form of grants, loans, loan guarantees, interest subsidies
- Minor, moderate & substantial rehab possible
- Grantee:
  - May/may not require bringing all items up to code
  - May/may not adopt property or housing standards
  - May include improvements to enhance livability of unit

# APPROACHES TO HOMEOWNER REHABILITATION (cont)

- Reconstruction:
  - CDBG allows as rehab activity [24 CFR 570.202]
  - Same lot but structure does not necessarily have to be *standing* at time of project commitment
  - Manufactured housing is allowed, if part of the community's permanent housing stock

# APPROACHES TO HOMEOWNER REHAB (cont)

- Special purpose programs OK
  - Energy efficiency and weatherization
  - Emergency repair
  - Handicapped accessibility
- CDBG entitlement regulations allow refinancing if part of rehab and makes that rehab affordable
  - No refinancing only!

# HOMEOWNER REHAB

## ELIGIBLE COSTS

- Costs of labor and materials eligible
- Related eligible costs:
  - Initial homeowner warranty premium
  - Hazard insurance premium
  - Flood insurance premium
  - Lead-based paint testing & abatement
- Purchase of construction equipment not eligible
  - Tool lending programs are OK (sweat equity approach)
- Be sure to follow CDBG rules on eligible rehab costs  
(and 2 CFR 200 on cost principles)





# HOME PURCHASE ELIGIBLE ACTIVITIES

- Two ways to approach home purchase activities:
  - Assistance to homebuyers
  - Development assistance



- Eligible activities for assistance to homebuyers:
  - As direct homeownership assistance -- now a separate & permanently eligible activity
  - As a public service activity (subject to cap)

# HOME PURCHASE ELIGIBLE ACTIVITIES (cont)

- Direct homeownership assistance may include:
  - Up to 50% of required downpayment
  - Payment of reasonable closing costs
  - Principal write-down
  - Acquisition financing for LMI buyers occupying the housing
  - Acquisition of mortgages guarantees & PMI
- As public service, downpayment assistance only is eligible
- Individual Development Acct's (IDAs)
  - Dedicated savings accounts
  - Use program funds as match to owner's contribution
  - Can deposit funds in IDA if family eligible

# HOME PURCHASE ELIGIBLE ACTIVITIES (cont)

- Development assistance for homeownership
  - Acquisition with rehabilitation
  - Activities supporting creation of new homeowner units by developers:
    - Acquisition (if nonprofit/public developer)
    - Infrastructure (if public ownership)
    - Clearance and demolition
  - New housing construction only by CBDOs as part of eligible CBDO project

# APPROACHES TO RENTAL HOUSING

- Many possible approaches:
  - Acquisition
  - Rehabilitation
  - New construction
- Acquisition only activities:
  - Grantees subsidize the purchase
  - In return units are rented to LMI households at affordable rents
  - Must be public or nonprofit purchaser



# APPROACHES TO RENTAL HOUSING (cont)

- Rehabilitation
  - Can be combined with acquisition
  - CDBG mandates no required standard
  - Can do historic preservation
  - Conversion = changing something into affordable housing
  - Reconstruction = re-building same size structure on same site



# ELIGIBLE RENTAL PROJECTS

- Project ownership can be public or private
- Mixed-use buildings are allowed
  - Can pay for both commercial and residential
- Mixed-income units are also possible
- Special needs projects are allowed
  - SRO & transitional housing
- Facilities for persons with special needs are not technically “housing”, but are public facilities
  - Not subject to new construction ban
  - Must be owned by public agency or nonprofit

# RENTAL HOUSING ELIGIBLE COSTS

- Expenditures may include:
  - Labor & materials
  - Energy efficiency improvements
  - Refinancing (if necessary & appropriate)
  - Utility connections
  - Lead-based paint activities
  - Rehabilitation services (loan processing, specs, etc.)
  - Handicapped accessibility improvements



# NEW HOUSING CONSTRUCTION

- CDBG cannot generally be used to construct housing
  - Exception for housing of last resort under URA
  - Exception for CBDOs (§105(a)(15) for states)
  - Exception for special needs facilities (considered public facilities)
- CDBG can be used to *support* new construction
  - Acquisition and disposition
  - Site clearance and assemblage
  - Site improvements



# HOUSING SERVICES

- Housing services, such as counseling, may be eligible as:
  - Public service activity
  - Part of other CDBG activity (program delivery) OR
  - As separate activity when activities linked to HOME Program activities (HOME income limits apply)
- As public service, housing services may fit under Area Benefit or Limited Clientele of Low/Mod National Objective
- As part of CDBG or HOME housing activity, housing services must qualify under the Low/Mod Housing National Objective

# INELIGIBLE HOUSING ACTIVITIES

- New construction, unless by CBDO
- Direct mortgage guarantees – ex: mortgage insurance
- Purchase of construction equipment
- Mortgage or utility payments, except:
  - In an emergency, grantee can provide up to 3 consecutive months, with payments made to service provider
  - When provided as a loan
  - When provided by CBDO as part of CBDO project

# HOUSING NATIONAL OBJECTIVES

- Most common national objective is LMI housing
  - Only L/M national objective that can be used
- To meet the housing national objective, structures *must be occupied* by low/mod households
  - One unit structures occupied by LMI
  - One of two duplex units occupied by LMI
  - More than two units require 51% units occupied by LMI

# HOUSING NATIONAL OBJECTIVES

- Multi-family housing:
  - 51% of units in each structure occupied by LMI households, AND
  - Rents must be affordable-grantee determines what is “affordable” & sets limits and makes public
- If carried out in an approved NRSA or by a CDFI within a target area, may aggregate buildings to meet 51% LMI. Grantees may combine SF and MF units in a single calculation.

# HOUSING

## NATIONAL OBJECTIVES

- Properties with less than 51% LMI can be assisted when:
  - Assistance reduces development cost of new construction, multifamily rental project; and
  - Project not designed for elderly households; and
  - At least 20% of units will be occupied by LMI households; and
  - CDBG does not bear greater portion of cost than proportion of units that are occupied by LMI households

# HOUSING

## NATIONAL OBJECTIVES

- *Some* activities may qualify under Slum/Blight Area Basis or Spot Basis
- If Slum/Blight Area Basis:
  - Area must meet Slum/Blight requirements & rehab must address deterioration
  - Building must be substandard & all deficiencies must be addressed before less critical work done
- If Spot Basis, rehab limited to only the elimination of public health/safety issues



# OTHER REAL PROPERTY ACTIVITIES

- Acquisition possible when it meets a national objective based on end use
- Disposition involves selling property assisted with CDBG
  - Can pay for transfer costs such as legal docs or preparation of legal documents, as well as maintenance and marketing
- Clearance is site clean-up or demolition
  - Often is combined with other eligible activities

# TAX FORECLOSED (*IN REM*) HOUSING

- Covers eligible activities for properties acquired by grantee through tax foreclosure
- Not yet in regulations – in statute
- Can do:
  - Essential repair of units
  - Operating expenses to maintain habitability
- Used to prevent abandonment and deterioration in LMI areas
- National Objective is usually LMI area benefit
  - Slum blight may be possible



# CODE ENFORCEMENT ACTIVITIES

- Costs for code enforcement eligible if:
  - Enforcement takes place in a deteriorated or deteriorating area
  - Enforcement is accompanied by public or *private* improvements or services
- Eligible costs include:
  - Inspection (e.g., salaries and overhead)
  - Enforcement (e.g., salaries and legal costs)
- Costs of correcting violations not eligible as code enforcement, but may be eligible as rehab



# CODE ENFORCEMENT (cont)

- Typically use Low/Mod Area Benefit
  - Area must contain 51% low/mod persons and
  - Area must be primarily residential in nature
- May also use Slum/Blight Area Basis
  - Area must meet qualifying requirements
  - Activity must address slum/blight conditions

# ELIGIBLE LEAD-BASED PAINT ACTIVITIES

- Costs for evaluation and reduction of lead hazards in housing
  - Inspection
  - Testing of surfaces
  - Abatement
  - Relocation
- Lead paint evaluation and reduction is eligible as an independent activity even when buildings are not scheduled for rehab

# LEAD-BASED PAINT ACTIVITIES (cont)

- Typically use LMI Housing national objective
  - One unit structures occupied by LMI
  - One of two duplex units occupied by LMI
  - More than two units require 51% units occupied by LMI
- Slum/Blight Area Basis also possible
  - Area must meet requirements
  - Activity must address slum/blight conditions

# HISTORIC PRESERVATION ACTIVITIES

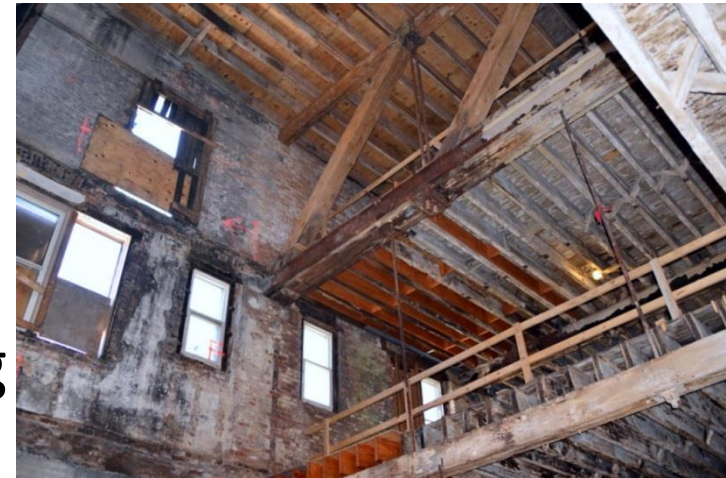
- Funds may be used for preservation, rehabilitation, or restoration of historic properties – public or private
- Historic properties include those:
  - Listed or eligible to be listed in the National Register of Historic Places
  - Listed in a State or local inventory of historic places
  - Designated as a State or local landmark or historic district by appropriate law or ordinance

# HISTORIC PRESERVATION ACTIVITIES (Con't)

- Range of national objectives possible:
  - Low/Mod Housing criteria, if residential
  - Low/Mod Area Benefit, Limited Clientele, or Job Creation/Retention if non-residential
  - Slum/Blight Area Basis, Spot Basis, or Urban Renewal (possible for entitlements only)

# RENOVATION OF CLOSED BUILDINGS

- CDBG can be used to transform obsolete buildings into new uses, such as:
  - Housing
    - Reconstruction is not considered new construction
  - Public facilities
- National objective depends upon the end use of the building



# HANDICAPPED ACCESS

- Carry handicapped accessibility improvements by *removing* barriers
  - Eligible under rehab activity if carried out on existing residential, commercial, or industrial property
  - Otherwise, must be carried out as part of another eligible activity (e.g., public facility)
- National objective depends upon activity
  - Typically low mod limited clientele



# ENERGY EFFICIENCY

- Wide range of activities possible:
  - Weatherize home or apartment building
  - Install solar and wind equipment
  - Finance energy-efficient rehabilitation
  - Establish energy standards, including recognition of the use of energy star for appliances and buildings
  - Provide audits and home energy ratings
  - Develop energy facilities
- Eligible activity category depends on type
- Must meet a national objective
  - Will depend on type of energy efficiency activity

# BROWNFIELDS REMEDIATION & DEVELOPMENT

- Brownfields are vacant or underused industrial sites with environmental contamination
- CDBG use for:
  - Acquisition
  - Remediation (under clearance)
  - Redevelopment for economic development
  - Other eligible activities as applicable
- National objective based on type of activity funded
  - New flexibility in spot slum blight national objective for brownfields
- Brownfields Economic Development Initiative Grants (BEDI) may be available

# PUBLIC FACILITIES AND IMPROVEMENTS



# ELIGIBLE PUBLIC FACILITIES ACTIVITIES

- Infrastructure
  - Streets, sidewalks
  - Water, sewer facilities/lines
- Neighborhood facilities
  - Parks, playgrounds
  - Recreational facilities
- Facilities for special needs populations
  - Homeless shelters
  - Group homes



# INELIGIBLE PUBLIC FACILITIES ACTIVITIES

- Maintenance and repair of public facilities
  - Exception for handicapped accessibility
  - Operating costs
  - Exception for costs related to operating a CDBG public service activity
- Buildings for general conduct of government (e.g., city hall)
  - Some exceptions

# PUBLIC FACILITIES NATIONAL OBJECTIVES

- Infrastructure improvements will typically qualify under:
  - Low/Mod Area Benefit
    - Surveys common for small service areas within Census Tracts (must use HUD approved survey methodology)
  - Low/Mod Limited Clientele (facilities for targeted groups of persons )



- LMI Housing national objective used IF public improvements are providing Low/Mod Housing

# SPECIAL ASSESSMENTS

- Special assessments are used to recover capital costs through a fee or charge
- Under CDBG, two ways TO think about special assessments:
  - To recover costs of CDBG-assisted public improvements
  - To pay private assessments for low/mod owner occupants
- Low/Mod Area Benefit
  - May be limited to only Low-Income persons when grant funds are insufficient to pay for all Low/Mod-Income persons

# PRIVATELY OWNED UTILITIES

- Covers utilities owned by private company not public agency
- Activities include:
  - Acquisition
  - Construction
  - Reconstruction
  - Rehabilitation
  - Installation





# PRIVATELY OWNED UTILITIES (cont'd)

- Utilities include: electricity, telephone, water, sewer, natural gas, television cable, broadband
- Must be publicly regulated company
- Must meet a national objective:
  - Area LMI
  - Possibly LMI job creation
  - Slum blight area
  - Possibly urgent need

# PUBLIC SERVICES



# ELIGIBLE PUBLIC SERVICE ACTIVITIES

- Wide range of public services possible
- Includes services related to:
  - Employment
    - Job training
  - Crime prevention/public safety
  - Child care
  - Health
    - Health services
    - Substance abuse services

# ELIGIBLE PUBLIC SERVICE ACTIVITIES (cont'd)

- Also includes services related to:
  - Housing
    - Housing counseling
    - Fair Housing counseling
    - Energy conservation
    - Downpayment assistance
    - Services for homeless persons
  - Education
  - Welfare services
  - Services for seniors
  - Recreational services



# PUBLIC SERVICE COSTS

- CDBG funds may pay for labor, supplies and materials
- CDBG funds may pay for operations and maintenance of facility where service occurs
- Payments must be directly related to the provision of eligible services
  - Cannot just provide operational support to nonprofits
  - Must document costs

# PUBLIC SERVICES RESTRICTIONS

- The service must be:
  - A *new service* OR
  - A *quantifiable increase* in the level of an existing service that has been provided by the grantee or another entity on its behalf with local gov't funding (or funding from the state to the local gov't) in the 12 months preceding Action Plan submission
    - Note: This restriction does not mean that a currently funded service organization needs to do more each year

# INELIGIBLE PUBLIC SERVICE ACTIVITIES

- Income payments ineligible
  - Except emergency grant payments
    - Not to exceed three consecutive months
    - Payments made directly to provider
- No on-going operations as a stand alone public service
  - For example: operating rental housing
  - Different than paying to offer a service within the housing development, such as counseling
- Political activities ineligible

# PUBLIC SERVICES & RELIGIOUS ENTITIES

- Generally, funds may not be used for religious activities
  - No religious events or requirements to pray before public service is provided
- However, eligible public services may be provided through a religious entity if formal agreement in place stipulating:
  - No discrimination (employment or participants)
  - No religious instruction or counseling



# PUBLIC SERVICES & RELIGIOUS ENTITIES (cont'd)

- CDBG funds can be provided for minor repairs of facility owned by religious entity that is used for public services if:
  - Repairs are directly related to public service activity AND
  - Cost is only an incidental portion of total CDBG \$ for public service activity

# PUBLIC SERVICES CAP

- Annual **obligations** for public service activities may not exceed:
  - 15% of annual entitlement grant PLUS
  - 15% of last year's program income
  - Calculated differently for States
- **Exceptions**
  - 1982/1983 grants
  - Assistance to microenterprises
  - Job training/placement/services with eligible economic development projects
  - Job training & placement by CBDO or 105(a)(15) organization
  - Services by CBDO/105(a)(15) under an approved Strategy Area (NRSA or CRSA)

# SAMPLE PUBLIC SERVICES CALCULATION

## Public Services Cap Calculation Example

Entitlement grant amount	\$1,000,000
Plus program income (prior year)	+ 100,000
Equals amount subject to cap	\$1,100,000
Multiplied by 15%	x 0.15
Equals maximum that can be obligated for public services	\$165,000

# SAMPLE PUBLIC SERVICES CALC. (cont'd)

## Public Services Cap Compliance Example

Amount of CDBG funds expended on public services during program year	\$115,000
Plus amount of unliquidated obligations at end of program year	+ 55,000
Minus unliquidated obligations as of end of preceding program year	- \$10,000
Total amount counted toward public services cap	\$160,000

# PUBLIC SERVICES

## NATIONAL OBJECTIVES

- Low/Mod benefit determined by whether service offered to all OR to a particular group of low/mod residents
  - Area Benefit
  - Limited Clientele
    - Exception to 51% rule of Limited Clientele related to job training-refer to Guide to Eligible Activities and National Objectives
- Slum/Blight Area Basis is allowed
  - Rarely used for Public Services
  - Must meet all Slum/Blight Area Basis requirements
- Slum/Blight Spot Basis NOT allowed
- Urgent Need possible, but rare

# ECONOMIC DEVELOPMENT & SECTION 108



# ELIGIBLE ECONOMIC DEVELOPMENT ACTIVITIES

- Special economic development activities (570.203)
- Community-based development organizations (570.204)
- Technical assistance to businesses (570.203)
- Microenterprise activities (570.201(o))
- Commercial rehabilitation (570.202(a)(1), (3), & (4))
- Infrastructure to assist businesses (570.201(c))
- Job training (570.201(e))

# SPECIAL ECONOMIC DEVELOPMENT ACTIVITIES

- Acquire, construct, rehabilitate, reconstruct or install commercial/industrial buildings or equipment
  - By recipient or subrecipient only
- Assistance to for-profit businesses
- Economic development services in connection with special economic development activities



# SPECIAL ECONOMIC DEVELOPMENT (cont)

- Special economic development has flexibility in types of assistance to businesses
  - Grants
  - Loans
  - Guarantees
  - Technical assistance & support services
- May meet several different national objectives; depends on business & location

# COMMUNITY BASED DEVELOPMENT ORGANIZATIONS

- CBDOs may carry out three kinds of projects:
  - Community economic development
  - Neighborhood revitalization
  - Energy conservation
- If job training done through a CBDO, doesn't count against public services cap
- CBDO economic development activities do trigger public benefit standards

# TECHNICAL ASSISTANCE TO BUSINESSES

- Helps reduce risk of business failure
- Often focused on business plan development or legal and accounting issues
- Often offered in conjunction with financial assistance
- Critical to programs directed to start-ups
  - DUNS # not required for TA

# TECHNICAL ASSISTANCE TO BUSINESSES (cont)

- Under CDBG:
  - As part of special economic development
    - Caveat: must meet public benefit
  - As a micro enterprise assistance task
  - As a public service
  - Through a CBDO
    - Must also meet public benefit

# MICROENTERPRISE ASSISTANCE

- CDBG can fund microenterprise assistance
- Microenterprise defined as:
  - Owners or persons who work toward developing, expanding or stabilizing a business
  - Commercial enterprise with  $\leq 5$  employees (including owner)
- Note: This definition differs from SBA

# MICROENTERPRISE ASSISTANCE (cont)

- May provide assistance as loans, grants and other forms of financial support
- Other support activities eligible:
  - TA, advice, and business services to owners and persons developing microenterprises
  - General support to owner and persons developing microenterprises
  - A brief word on the meaning of “general support”
  - Training and TA to build recipient and subrecipient capacity

# MICROENTERPRISE ASSISTANCE (cont)

- Can do TA and training to increase capacity of recipient/subrecipient to do microenterprise programs
- No limit on amount or type of CDBG loan/grant to each microenterprise
- Not subject to public benefit test if separate program under §570.201(o)
- Owner not required to be LMI, but must meet a national objective

# COMMERCIAL REHABILITATION

- Rehabilitation of commercial or industrial structures – §570.202(a)(3)
- If private, for-profit owner:
  - Rehabilitation limited to exterior of building and correction of code violations
  - Other improvements must be carried out under the special economic development category §570.203
- Not subject to public benefit standards if carried out under §570.202(a)(3)



# JOB TRAINING

- Help unemployed or under-employed persons gain skills to meet labor market demands
- Linked to job placement
- Job training is eligible:
  - As a public service -- §570.201(e) (subject to PS cap)
  - As part of special economic development project -- §570.203(c) (not subject to PS cap)
  - As part of microenterprise activities -- §570.201(o) (not subject to PS cap)

# INELIGIBLE ACTIVITIES

- Job pirating is prohibited
    - If assist in relocation of plant, facility or operation
  - AND
  - Relocation will result in significant loss of jobs in another geographic area of U.S.
- 
- Significant loss defined as:
    - Number of lost jobs is equal or greater than  $1/10^{\text{th}}$  of 1% of jobs in labor market area
- 
- OR
  - Loss of 500 jobs

# ECONOMIC DEVELOPMENT NATIONAL OBJECTIVES

- Economic development projects typically fall under Low/Mod Job Creation/Retention
- Be sure to document:
  - How jobs will be created or jobs will be lost without CDBG (retained jobs)
  - How jobs made available to or held by LMI
- Track jobs for reasonable period of time (not defined in regulations) as long as jobs are still being created

# JOB CREATION NATIONAL OBJECTIVE

- May presume person is LMI if:
  - Lives in Census tract with 70% LMI
  - Lives in Census tract within EZ/EC
  - Lives in Census tract area with poverty rate of 20% and no CBD (unless 30% poverty) and evidences pervasive poverty and general distress
  - Business/job is located in EC/EZ; **OR** area with poverty rate of 20% and no CBD (unless 30% poverty) and evidences pervasive poverty and general distress

# OTHER NATIONAL OBJECTIVES

- Some activities may qualify under other Low/Mod national objective categories
  - Microenterprises: limited clientele
  - Job training: limited clientele
  - Service type businesses: area benefit
- Some economic development activities may meet Slum/Blight Area national objective
  - Activities must be in a designated Slum/Blight Area or rehab under Spot Slum/Blight
  - Activities must address conditions of deterioration

# OTHER NATIONAL OBJECTIVES

- Some activities may qualify under either a Job Creation/Retention or a Low/Mod Area Benefit national objective category if:
  - Carried out by a CDFI in a primarily residential, 51% or more LMI area, or
  - Part of a HUD-approved NRSA
  - Grantee must decide which N.O. is being met and record that decision in their program files and in IDIS.

# EVALUATING ECONOMIC DEVELOPMENT PROJECTS

- Evaluation and selection of economic development projects has two parts:
  - “Voluntary” underwriting guidelines
  - Mandatory public benefit standards
- Determinations must be in writing (§570.200(e))

# VOLUNTARY UNDERWRITING GUIDELINES

- Grantees should ensure that:
  1. Project costs reasonable
  2. All sources of financing are committed
  3. CDBG not substituted for non-federal
  4. Project is financially feasible
  5. Return on investment reasonable
  6. CDBG funds distributed pro-rata



# PUBLIC BENEFIT STANDARDS

- Mandatory for the following activities:
  - Special economic development projects -- §570.203
  - CBDO projects, as applicable -- §570.204, and
  - Public improvement projects classified under Low/Mod Job Creation/Retention where more than \$10,000/job in CDBG assistance
- Not applicable to microenterprise activities (§570.201(o)) or commercial rehabilitation – (§570.202(a)(3))

# CALCULATING PUBLIC BENEFIT

- Two options for determining benefit:
  - Jobs created or retained
  - Goods or services provided to LMI persons
- Projects must meet individual test
- Entire program must meet aggregate test
- Applied at time of CDBG obligation & assessed upon completion based on actual achievements

# INDIVIDUAL STANDARDS

- May not exceed \$50,000 per FTE permanent job created or retained

OR

- May not exceed \$1,000 in expenditure per LMI person to which goods or services are provided

# APPLYING THE INDIVIDUAL STANDARDS

- Standards apply to all activities obligated in any given CDBG program year
- One or the other standard must be met
  - *Job creation/retention*
  - OR**
  - *LMI goods or services*
- Use jobs created/retained standard when assisting a *job-training-only* activity

# AGGREGATE STANDARDS

- Create or retain at least one full-time-equivalent (FTE) permanent job per \$35,000 of CDBG funds
- OR
- Provide goods and/or services to at least one LMI person per \$350 of CDBG funds

# APPLYING THE AGGREGATE STANDARDS

- Standards apply to all activities obligated in any given CDBG program year
- One or the other standard must be met
  - *Job creation/retention*
  - OR
  - *LMI goods or services*
- Use jobs created/retained standard when assisting a *job-training-only* activity

# SECTION 108 LOAN

- Method of leveraging available CDBG funds to access additional financing for projects
- Section 108 process basics:
  1. Community applies to HUD
  2. Based on community's pledge of CDBG funding as *collateral*, HUD issues a federal guarantee on the community's promissory note(s)
  3. Community uses \$\$\$ from sale of note(s) used for Section 108 eligible project
  4. Community repays note(s), often using revenue generated by project

# ADVANTAGES OF

- Leverages limited grant funds
- Not a general obligation
- Access funds immediately (versus pay as you go)
- Ability to structure repayment based on specific project
- Long-term, fixed-rate financing at favorable rates



# SECTION 108

- **Amount**
  - Up to five times most recent grant amount
- **Term**
  - Up to 20 years
- **Rates**
  - Permanent financing
  - Interim financing
- **Fees**
  - Section 108 financing fee
  - Permanent financing underwriting fees

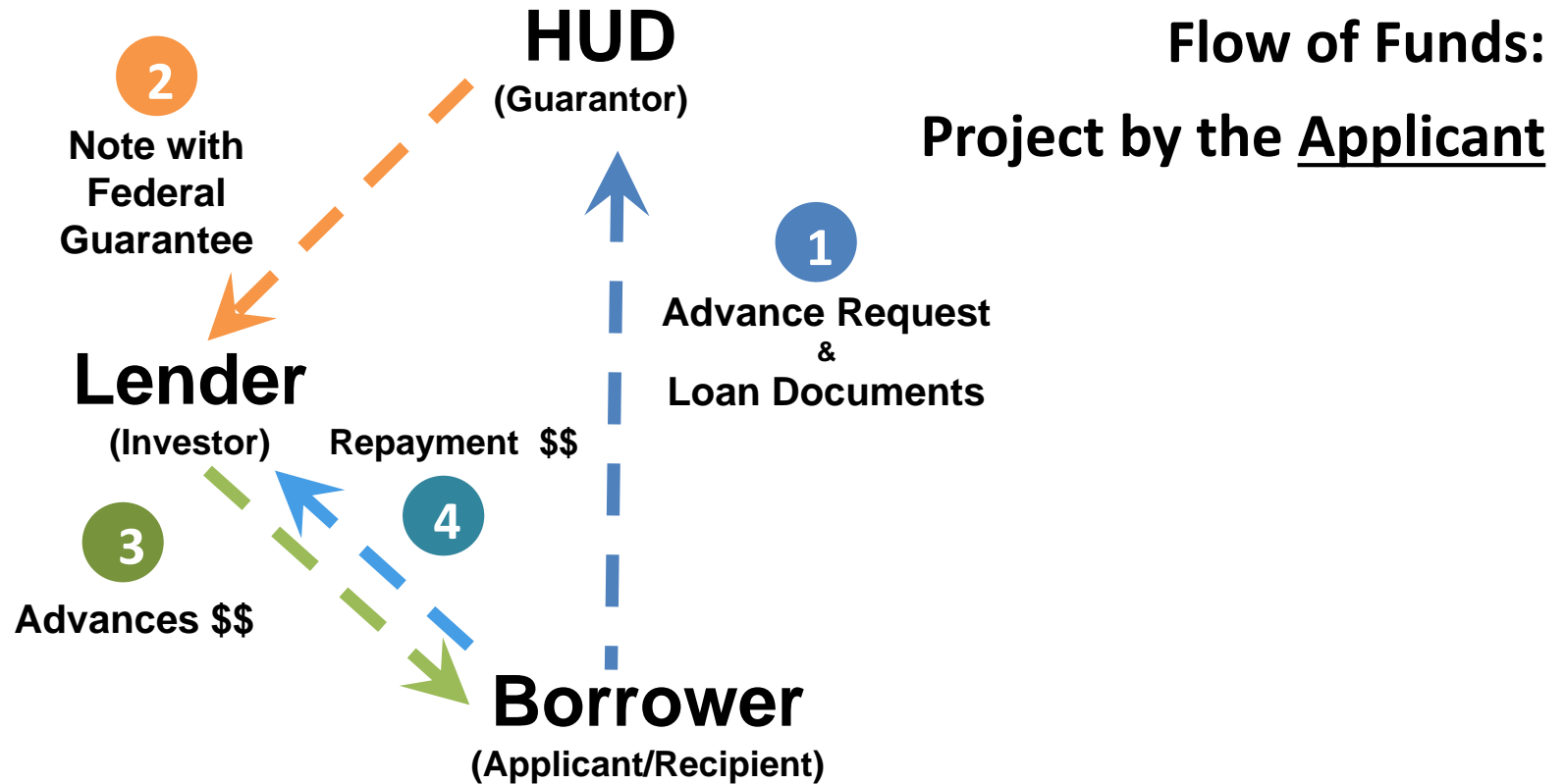
# ELIGIBLE ACTIVITIES

- Real property acquisition
- Rehabilitation of publicly owned real property
- Relocation
- Clearance/demolition
- Site preparation
- Housing rehabilitation
- Economic development
- Public facilities/improvements
- Issuance costs
- Capitalized interest
- Reserves

# APPLICABLE RULES

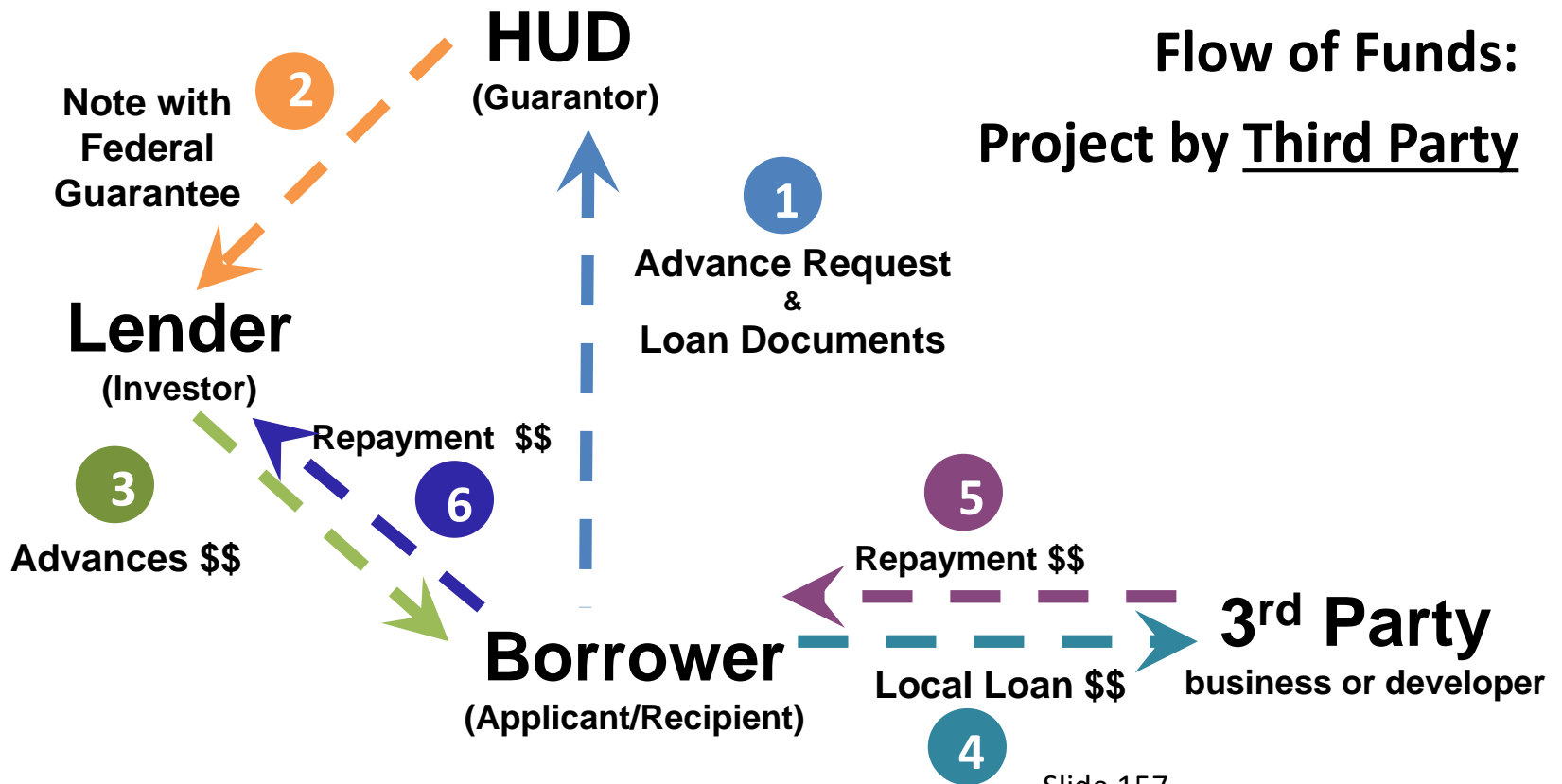
- Section 108 must comply with all key CDBG rules
  - Eligible Activity
  - Meet a National objective
  - 70% LMI-benefit targeting
  - Other federal requirements
    - Environmental review
    - Davis Bacon
    - URA
    - Omniscircular (2 CFR Part 200)
    - Fair housing/equal opportunity
    - Lead Based Paint
    - HUD Reform Act

# SECTION 108 FINANCING



Slide 156

# SECTION 108 FINANCING



# INTERIM LOANS

- Public offering usually once every 12-18 months
- Interim loan available until public offering
- Fiscal Agent arranges interim loan
  - Interest rate: 90 day LIBOR + 20 basis points

# PERMANENT LOANS

- Public offering provides long-term, fixed-rate financing
- “Public offering” conducted by Sec. 108 underwriting team
- For most recent public offering (May 2015), all-in interest rate for a 20-year loan with equal installments was 2.85%
- Fees
- Loans serviced by trustee

# SECTION 108

- Identifies risks involved in a particular loan
- Establishes suitable loan terms and conditions designed to mitigate those risks
- Minimizes risk to grant funds (both for CDBG & Section 108 projects)
- For Section 108 loans, underwriting is also essential to ensure HUD's acceptance of the grantee's loan to a 3rd party (business/developer) as collateral on the loan guarantee
- Currently, the underwriting guidelines at 24 CFR Appendix A to Part 570 are required for all 'special economic development' projects

Slide 160



# SECTION 108

- Credit Reform Act required communities to pledge collateral in addition to CDBG
- Communities must pledge this additional collateral prior to HUD's guarantee of promissory note(s)/prior to receiving funds
- New rules now require borrowers to pay fees to reduce costs of government subsidies
  - 2.59% financing fee for 2017 (fee set annually).
  - Fee is based on the principal amount and can be amortized; fees associated with public offering

Slide 161

# SOURCES OF REPAYMENT OF SECTION 108 LOANS

- Program income (repayment from third party, i.e., business or developer)
- Other repayment sources, negotiated on a case by case basis)
  - For example: revenues generated by special taxing districts (e.g., TIFs and single purpose districts), other loan portfolios, or other types of revenue available (e.g., parking or casino revenues)
- CBDG funds

# FORMS OF ADDITIONAL SECURITY

- Examples include:
  - Real Property (often the assets created from use of Sec. 108 funds)
  - Portfolio Income
  - Full Faith & Credit Pledge
  - Debt Service Reserve
  - Other Revenue Streams (e.g., taxing district revenues, parking revenues)

# OTHER ELIGIBLE ACTIVITIES



# OTHER ELIGIBLE ACTIVITIES

- There are other CDBG eligible activity options, including:
  - Interim assistance
  - Relocation
  - Loss of rental income
  - Technical assistance
  - Assistance to institutions of higher learning
  - Payment of non-federal share
  - Urban renewal completion

# ELIGIBLE INTERIM ASSISTANCE ACTIVITIES

- Interim assistance is a short term program typically related to essential services or repairs
- These activities are usually coupled with an Urgent Need
- CDBG may be used to pay for interim assistance under two circumstances:
  - Immediate action is necessary until something permanent is done
  - Emergency conditions threaten health/safety

# INTERIM ASSISTANCE NATIONAL OBJECTIVES

- Low/Mod Area Benefit
- Slum/Blight Area Basis
- Urgent Need
  - Activity must alleviate existing threatening conditions
  - Activity must address a recent condition
  - Recipient must be unable to finance activity and no other funds are available

# RELOCATION

- Must comply with the URA and 104(d)
- May pay for:
  - Temporary relocation
  - Permanent relocation
- May be related to CDBG-assisted project or other activity





# RELOCATION (cont)

- National objective depends on whether relocation is voluntary or required
- If required under URA:
  - Meets a LMI national objective if the associated CDBG project meets national objective
- If voluntary:
  - Can qualify based on re-use of the property OR
  - Income of assisted recipients
  - Activity itself does not need to meet national objective

# LOSS OF RENTAL INCOME

- Used to compensate owners for loss of rental income due to CDBG activities
  - Used while holding units pending relocation of displaced households
  - Not used to simply cover on-going rental losses
- National objective based on objective for original CDBG activity

# TECHNICAL ASSISTANCE

- Can be used to pay for TA to increase capacity to do neighborhood revitalization or economic development
  - Only for public and nonprofit entities
- Must determine eligibility of activity for which building capacity
- National objective is based on eligible activity related to the TA
  - Must ensure that resulting activity will meet national objective

# CDBG DISASTER RECOVERY



# OVERVIEW

- Helps cities, counties, and States recover from some Presidentially-declared disasters, especially in low-income areas
- Appropriated by Congress as special CDBG appropriations in response to a disaster
- CDBG used for disaster recovery because it allows for a wide-range of recovery activities

# CDBG-DR GRANTEES

- As of February 2017, a total of 59 active CDBG-DR grantees
- Total funding allocated: \$48 billion
- HUD HQ oversees larger awards
  - $\geq$  \$500 million (i.e. FL, IA, LA, MS, NJ, NY, NYC, LMDC & TX)
- Smaller grants overseen by HUD CPD Field Office
- CDBG-DR funding is based on damage estimates and unmet disaster recovery needs

# IMPLEMENTATION

- Conduct a thorough needs assessment to:
  - Design recovery programs that are responsive to the types and locations of actual needs, and
  - Identify gaps in funding where CDBG-DR may be utilized (HUD recognizes needs may change over time)
- Develop recovery programs to address identified unmet needs based on needs assessment and public comments
  - Post plan (including needs assessment) and recovery programs for public comments
  - Grantee must submit an Action Plan for Disaster Recovery funding to HUD

# IMPLEMENTATION (cont'd.)

- Grantees generally administer funding one of two ways (or use a combination thereof):
  - Grantee distributes funding to communities according to damage estimates and unmet needs; communities determine what types of activities to pursue, or
  - Grantee designs and administers the program directly



# NATIONAL OBJECTIVE

- Same 3 national objectives applicable under CDBG-DR as regular CDBG:
  - Benefit to low- and moderate- income (LMI) persons
  - Aid in the prevention or elimination of slums or blight
  - Meet a need having a particular urgency (referred to as urgent need)

# ELIGIBLE GRANTEES

- States, Units of General Local Government, Indian tribes, and Insular areas containing counties designated by the President of the United States as disaster areas
- Communities with unmet recovery needs
- Communities with capacity to carry out a disaster recovery program

# ELIGIBLE BENEFICIARIES

- Residents and businesses in communities that have been impacted by a disaster
- At least 50%, but up to 70% of CDBG-DR funds must principally benefit low-and moderate-income persons

# ELIGIBLE ACTIVITIES

- *“...necessary expenses for activities...related to disaster relief, long-term recovery, restoration of infrastructure and housing, and economic revitalization in the most impacted and distressed areas...”*
- Each activity must:
  - Be a CDBG eligible activity,
  - Address a disaster-related impact in a Presidentially-declared county for the covered disaster, and
  - Meet a national objective

# ELIGIBLE ACTIVITIES (cont)

- Must connect each activity to the effects of the covered disaster and the activity's contribution to community recovery
- The connection must be documented
- Examples of documenting connection
  - Time stamped photographs
  - Certified appraisals
  - Post-disaster economic or housing market impact analysis

# ELIGIBLE ACTIVITIES (cont)

- Eligible activities generally fall into one of the following three categories:
  - Housing
  - Restoration of infrastructure
  - Economic Revitalization
- Examples:
  - Relocation payments
  - Debris removal not covered by FEMA
  - Rehab of damaged properties

# INELIGIBLE ACTIVITIES

- Activities not located in a Presidentially-declared disaster area
- Prohibited by the appropriation laws
- Ineligible activity per the CDBG regulations (waiver has not been granted)
- Exclusively mitigation or preparedness activities not part of rebuilding efforts
- Partisan political activities and sectarian activities

# DUPLICATION OF BENEFITS

- The Robert T. Stafford Act (11/23/88) forbids recipient of federal disaster from receiving more disaster assistance than amount of loss or receiving benefits for a loss already covered by other sources
  - Known as “Duplication of Benefits” (DOB)
- Disaster assistance covered under DOB includes private and public sources such as donations, insurance proceeds, volunteer work and grants
- HUD issued DOB Notice: [76 FR 71060](#)



# DUPLICATION OF BENEFITS: PURPOSE

- Guards against fraud and ineligible use of taxpayer funding
- Ensures federal government funding is last source of recovery funding made available

# DUPLICATION OF BENEFITS

- Assistance is duplicative when two sources exceed need for the same recovery item
  - If beneficiary receives duplicated assistance, grantee providing assistance can recover
- Assistance NOT duplicative when two sources contribute to the same need and total assistance did not exceed the total need
  - Can combine different forms of assistance to meet recovery needs

# DUPLICATION OF BENEFITS: EXAMPLE

## EXAMPLE 1

- Rehabilitation cost after disaster: \$50,000
  - Insurance proceeds: \$50,000
  - Eligible CDBG-DR funding amount: \$0
- 

## EXAMPLE 2

- Rehabilitation cost after disaster: \$50,000
- Total disaster assistance (including insurance and FEMA grant): \$20,000
- Eligible CDBG-DR funding amount: Up to \$30,000

# DUPLICATION OF BENEFITS: EXAMPLE

## EXAMPLE 3

- Total cost of debris removal: \$850
  - FEMA assistance to remove debris: \$500
  - \$350 in CDBG-DR can be used to cover gap
- 

## EXAMPLE 4:

- Total interim housing costs = \$10,000
- Person receives \$10,000 from federal source for purpose of interim housing and \$9,000 from another source for interim housing
- = Duplicative assistance for the same purpose. Interim housing

# DUPLICATION OF BENEFITS: VERIFICATION

- Must have process in place to check for all assistance applied for and/or previously received
- Require beneficiaries to:
  - report all assistance sought or received including insurance, loans and grants
  - Sign affidavit certifying that all assistance reported
  - Allow grantee to check for sources of disaster assistance
  - Sign subrogation agreement

# WAIVERS

- HUD has authority to provide statutory waivers for CDBG-DR funding as long as the waiver is not inconsistent with HCDA of 1974
- Statutory waiver cannot waive requirements related to:
  - Fair housing,
  - Nondiscrimination,
  - Labor standards, or
  - The environment

# WAIVERS (cont)

- As of recent disasters, Secretary has determined initial waivers have good cause and are consistent with the HCD Act; they are effective as of the date of the Notice.
  - Initial waivers (also termed ‘common waivers’) and alternative requirements categorized under:
    - Grant Administration
    - Housing and Floodplain-related issues
    - Infrastructure
    - Economic Revitalization
    - Certifications & Collection of Information

# WAIVERS (cont)

- Examples of Initial Waivers (Notice 78 FR 14329)
  - Grant Administration
    - Citizen participation requirements streamlined to allow “reasonable” notice (at least 7 days posting of Plan)
    - Overall benefit to low and moderate-income persons reduced from 70% to 50%
  - Housing and Floodplain-related issues
    - New housing construction eligible
  - Economic Revitalization
    - Waive public benefit standard for job creation



# WAIVERS (cont)

- Grantees seeking additional waivers must submit a justification to the Department; if granted, they are effective upon publication in the Federal Register
- Waiver requests should explain why the waiver is required to help with implementation of the funds and/or achieve intended outcomes of the funding
- Grantee encouraged to consult with HUD to request the correct waivers

# OTHER REQUIREMENTS: BUYOUTS & VALUATION

- Payment of pre-flood values for buyouts based on either pre-flood or post-flood values for properties on flood plain
- Grantee must choose one valuation method for all properties

# BUYOUT

- Buyout activities typically involve:
  - Damaged properties in a flood plain and relocating residents/businesses to safer areas,
  - Acquisition of damaged properties to support other disaster recovery efforts, and/or
  - Acquisition in conjunction with another Federal program
    - Ex: FEMA Buyout to create green space

# OTHER FEDERAL REQUIREMENTS: ONE FOR ONE REPLACEMENT

- One-for-one replacement requirements waived for low- and moderate-income dwelling units:
  - (1) Damaged by the disaster,
  - (2) For which CDBG funds are used for demolition, and
  - (3) Which are not suitable for rehabilitation
- Encourages recovery by easing requirements for acquiring, converting, or demolishing disaster-damaged housing

# OTHER FEDERAL REQUIREMENTS: SECTION 104(d)

- Section 104(d) relocation assistance requirements waived where related to covered disaster recovery housing activities
  - Simplifies project administration where residential relocation of low-income persons is necessary
- Section 414 may be waived if requested by grantee in favor of a streamlined alternative requirement

# PROGRAM REPORTING AND DRGR

- Disaster Recovery Grant Reporting (DRGR) system used for CDBG-DR
- Most program reporting rules applicable under regular CDBG apply to CDBG-DR
- Record retention period of 3 years following grant closeout

# DISASTER RECOVERY ENHANCEMENT FUND (DREF)

- \$311,602,923 set-aside under the disaster recovery supplemental appropriation provided to states that received a disaster recovery allocation under P.L. 110-329
- Following states received DREF funding: Iowa, Texas, Louisiana, Florida, Illinois, Indiana, Wisconsin, California, Puerto Rico, Mississippi, Missouri, Georgia, and Kentucky
- For more information on DREF:
  - <https://www.onecpd.info/cdbg-dr/cdbg-dr-laws-regulations-and-federal-register-notices/>

# PHASES OF LONG-TERM DISASTER RECOVERY

- Phase 1: Disaster Impact and Unmet Needs Assessment
- Phase 2: Structuring the Disaster Recovery Program and Preparing the Action Plan
- Phase 3: Implementation and Strategies



# PART 1: ASSESSING THE CURRENT SITUATION

1. Collecting and Updating Data
2. Analyzing Data Collected
3. Identifying Existing, Anticipated, and Potentially Available Funding Sources

# PART 1: ASSESSING THE CURRENT SITUATION

- Damages vs. Impact
  - Unique flexibility of CDBG-DR: permits grantee to measure the **disaster impact**
  - Impact = direct damages sustained + indirect damages and secondary impacts
  - Rebuild to address pre-existing weaknesses, disaster impacts, and support long-term growth

# PART 1: ASSESSING THE CURRENT SITUATION

## 1. Collecting and Updating Data

- Pre-Disaster Baseline Data
- ConPlan
- Comprehensive Economic Development Strategy
- Metropolitan Transportation Plan
- Post-Disaster Market Data
- Formal Sources (disaster assessments): FEMA, SBA, Army Corp, Red Cross, Salvation Army, insurance companies
- Formal Sources (economic indicators): Dept of Commerce
- Informal Sources (small-scale demographic indicators): Religious organizations, schools

# PART 1: ASSESSING THE CURRENT SITUATION

## 1. Collecting and Updating Data

- Data on Assistance Provided
- Sources: FEMA, SBA, Army Corps, insurance agencies...
- Establish Data Exchanges. How?
- Involve leaders
- Request data in automated files
- Execute MOU/MOA with each entity
- Use existing data management systems to collect and store data (use the same system to store applications for funding assistance)

# PART 1: ASSESSING THE CURRENT SITUATION

- ## 2. Analyze Data Collected in light of the Impact of Short-Term Recovery Efforts
- Focus on 5 key elements
    - Activities and results of emergency and short-term recovery efforts,
    - Key parties involved in relief and recovery efforts, to date,
    - Duration, or assumed duration, of the of the emergency and short-term recovery efforts,
    - The condition of the most vulnerable populations, and
    - Initial planning initiatives at the neighborhood, city, county or regional level
  - Mapping: the essential tool

# PART 1: ASSESSING THE CURRENT SITUATION

- What are the ancillary impacts of the needs that have been met through response and initial recovery efforts?
  - Are there new economic opportunities arising?
  - Is a new type of housing required to meet changing demographic trends (i.e., 3+ bedroom units)?

# PART 1: ASSESSING THE CURRENT SITUATION

- What roles have stakeholders played in emergency and short-term recovery efforts? Is there a role for all of them in long term recovery efforts?
  - Stakeholders can be important assets in developing networks and links to the public, building capacity, and creating a foundation for longer term recovery efforts
  - Avoid overtaxing and burn-out of key actors
- What is the engagement of the citizenry?
  - Confirm that the broader public has been engaged in any planning and recovery efforts to date
  - Are needs being communicated by the public that have not been heard or captured by the current stakeholders?

# TYPICAL SOURCES OF DISASTER RECOVERY FUNDING

- Insurance proceeds
- FEMA individual assistance
- FEMA public assistance
- FEMA Hazard mitigation grant program
- FEMA community disaster loans
- Small Business Assistance homeowner & business loans
- USDA rural development (special appropriation)
- EDA competitive grants (special appropriation)
- HUD Section 108 Loan Guarantee Program
- State funding: Local funding and capacity (i.e. local bonding)
- National and regional community foundations (i.e. Rockefeller Foundation and Ford Foundation)
- Grants, donations of individual or non-profit entities



# PART 1: ASSESSING THE CURRENT SITUATION

- What are the estimates of insurance coverage (including uninsured and underinsured) among homeowners, renters, rental property owners, and commercial businesses?
- What public funding sources are available? And for what purpose? (FEMA, SBA, consider eligibility and caps for assistance)
- What portion of impacted individuals and businesses are estimated ineligible for FEMA or SBA assistance?

# PART 1: ASSESSING THE CURRENT SITUATION

- What other disaster and non-disaster public funding sources are anticipated or potentially available? Have there been additional special appropriations from other agencies (EDA, USDA)?
- What local and state government resources are or may be available (such as local bonding capacity)? Is local bond capacity viable? Is the tax base stable?
- What potential nonprofit and private sources of funding may be available? Can you leverage response efforts for long-term recovery funding?

# PART 2: ESTIMATING UNMET NEEDS

- Unmet needs = needs that are not covered by other sources and can be covered by CDBG-DR funds
  - CDBG-DR addresses the wider impact of the disaster and not just specific damages (damages v impacts)
  - CDBG-DR allows the grantee to identify needs that were not recognized by other programs and funding sources
  - CDBG-DR looks at needs at a community wide and an individual level
  - Unmet needs are a moving target

# PART 3: DETERMINING CAPACITY

- Key Organizations
  - The CDBG-DR grantee itself
  - Other public agencies such as housing authorities, redevelopment authorities, housing finance agencies, health departments, etc.
  - Nonprofit partners such as nonprofit developers (including community housing development organizations known as CHDOs), social service providers, or educational institutions
  - Business and industry such as local business leaders or firms
  - Other potential partners such as foundations, neighborhood or civic groups, or Chambers of Commerce

# PART 4: PRIORITIZING NEEDS

- Create system/tool to rank **value** of needs, based on public engagement, along key sectors
  - Does the project meet a post-disaster unmet need?
  - Is the project sustainable/feasible?
  - Can the project be executed in a timely manner? Does that timeframe further the long-term recovery vision?
  - Does the project/program trigger additional investment by other parties in the project itself (thus decreasing the funding gap that CDBG-DR dollars are filling)?
  - Does the project/program exacerbate pre-disaster market vulnerabilities?
  - Will the project trigger further reinvestment in the surrounding neighborhood? In the community at large?



# DISASTER RECOVERY RESOURCES

- OneCPD CDBG Disaster Recovery website:
  - <https://www.hudexchange.info/cdbg-dr/>
  - Including links to relevant appropriations laws and Federal Register Notices
- COSCDA Disaster Recovery Toolkit:
  - <http://coscda.org/disaster>
- Peer CDBG-DR grantees
- HUD CPD representative



**Thanks for your work using  
CDBG to build and sustain  
communities!**

# FINANCIAL MANAGEMENT





# GENERAL ADMIN VS. ACTIVITY DELIVERY

- Direct cost of carrying out activity is considered activity delivery cost
  - Example: cost of running a rehab program (taking applications, writing specs, inspections, etc.)
- Other = General administration (or Program Admin Costs - PAC)
- General administration is capped at 20%

# GENERAL ADMIN AND PLANNING COSTS

- General management, oversight & coordination
- Two options for charging salaries:
  - Entire amount
  - Pro rata share
- Direct v. indirect
- Must maintain supporting documentation by timesheets or *indirect cost allocation plan*

# ADMINISTRATIVE AND PLANNING COSTS (cont)

- Other eligible admin/planning functions include:
  - Public information
  - Fair Housing
  - Preparation of Consolidated Plan
  - Submission of applications for Federal programs
  - Admin expenses to facilitate housing
  - Overall program management of:
    - EZ/ECs
    - HOME program
  - Planning, policy work, and studies

# ACTIVITY DELIVERY COSTS

- Some costs related to administering programs may be charged to the activity
  - Activity delivery costs for staff & subrecipients
  - Rehabilitation delivery costs
  - HOME project delivery costs
    - Housing counseling
    - Energy auditing
    - Work specifications
    - Loan processing
    - Inspections
    - Tenant selection
    - Management of TBRA
- None of these project delivery costs count against the CDBG admin cap

# ADMINISTRATIVE CAP (1<sup>st</sup> Test)

- **Obligations** for planning and administration may not exceed the amount of:
  - 20% of annual entitlement grant and the program income received during current Program Year
- Cap is imposed through annual appropriations legislation, not statute
- Regulatory citation: 24 CFR 570.200(g)(2)
- Note: This cap is calculated differently for States

# CALCULATING ADMIN CAP

Total entitlement grant amount	\$1,000,000
Surplus from Urban Renewal	-
Program income received by grantee and its subrecipients	<u>\$50,000</u>
Total: the basis for calculating the cap	\$1,050,000
Multiplied by 20 percent	<u>x 0.20</u>
Maximum dollar level that may obligated and charged to Planning and Capacity Building and Program Administration	\$210,000

# DETERMINING COMPLIANCE WITH THE ADMIN CAP (1<sup>st</sup> Test)

Total costs under Planning and Administration for the program year	\$150,000
Add unliquidated obligations for planning and administration activities, as of the end of the program year	\$35,000
Subtract unliquidated obligations for planning and administration activities, as of the end of the preceeding program year	<u>(\$20,000)</u>
Net obligations for planning and administration during the program year	\$165,000
Compare to maximum dollar level calculated above to determine planning and administrative cost cap	\$210,000

# 2<sup>nd</sup> Test on Admin & Planning Cap

- Limit planning & administration expenditures to no more than 20 percent of each grant (excluding program income)
- The compliance will be determined at the end of the grant
- This test is included at 24 CFR 570.200(g)(1)
- A new report to check compliance was included in IDIS 11.12 Release



# PRE-AWARD COST RULES

- Costs incurred prior to effective date of grant agreement
  - Grant agreement effective date is latter of:
    - Program year start date, OR
    - Date Con Plan received by HUD
- Activity must meet applicable rules & requirements and must be in the Action Plan
- Total must not exceed \$300,000 or 25% of grant amount, whichever is greater
- Pre-award rules for states are at the UGLG level

# PROGRAM INCOME

- What is PI? Money that comes back to grantee or subrecipient that is generated by a CDBG activity, such as:
  - Proceeds from sale or lease of real property acquired and/or improved with CDBG
  - Gross income from use/rental of real or personal property acquired, constructed, improved (less costs incidental to generation of income) with CDBG

# PROGRAM INCOME (cont'd)

- What is program income (cont'd):
  - Payments of principal & interest on loans made with CDBG
  - Proceeds from the sale of loans or obligations secured by loans made with CDBG
  - Interest earned on program income pending its disposition
  - Funds collected through special assessments on properties not owned/occupied by LMI persons

# PROGRAM INCOME (cont'd)

- What is not program income?
  - Income received in a single year not exceeding \$25,000
  - Income generated by some Section 108 activities
  - Proceeds of subrecipient fundraising
  - Funds collected through special assessment
  - Subrecipients' proceeds from disposition of property five years or more after grant close-out

# USE OF PROGRAM INCOME

- Program income
  - Use for eligible CDBG activities
  - Subject to all CDBG rules and regulations
    - Examples: procurement, labor standards, environmental, etc.
- Miscellaneous revenue is not subject to these rules
- Can expend up to 20% of total program income for administration

# MISCELLANEOUS REVENUE

- Total amount of funds earned in a single year (from all sources) that is less than \$25,000 not program income
- Funds earned from certain types of activities carried out by certain nonprofits not program income
  - CBDOs
  - Nonprofits serving local development needs (state program only)

# DISBURSING PROGRAM INCOME

- Must use program income prior to drawing new CDBG funds from line of credit at HUD
  - Program income cannot be held for specific projects
  - Program income cannot be banked
- Exception: Revolving loan fund balances

# EXCESS PROGRAM INCOME REMITTANCE

- Reg cite §570.504(b)(2)(iii)
- Grantee must determine at end of program year whether it has *excess* program income
- Excess must be returned to HUD's CFO for deposit into a separate special account, not line-of-credit



# CALCULATING EXCESS PROGRAM INCOME

- (1) Determine aggregate amount of program income held by grantee and subrecipients
- (2) Subtract immediate cash needs, revolving fund loan balances, lump sum drawdown balances, and cash used as security for Section 108
- (3) Anything in excess of 1/12 of recent entitlement must be remitted

# SAMPLE CALCULATION

Program income:	\$250,000
Less:	
Immediate cash needs	(\$ 20,000)
Revolving loan fund balance	(\$180,000)
Lump sum draw down	(\$0)
Cash held for 108	(\$0)
Balance:	<u>\$ 50,000</u>
Annual CDBG entitlement:	\$1,920,000
1/12 annual entitlement:	\$ 160,000
Amount to be remitted:	(\$0)

# FLOAT-FUNDED ACTIVITIES

- Allows use of *obligated* funds for alternate projects
- Assumption that:
  - Funds will be repaid
  - Original activity will proceed
  - Program income will be received within 2.5 years
- All CDBG requirements apply & must be included in the Action Plan
- If States want to permit float-funded activities, they must describe them in their method of distribution

# REVOLVING FUND

- A separate fund/account for specific activities that generate repayments for reuse with similar activities (hence *revolving* funds)
- Must be in an interest bearing account
  - Interest earned on fund remitted to HUD
  - Interest paid by borrowers & loan repayments are program income

# LUMP-SUM DRAWDOWNS

- Lump-sum drawdowns may be used to establish a rehabilitation loan fund with a private financial institution
- If States wish to do lump sum, they'll use entitlement regulations
- Subject to certain limitations:
  - Cannot exceed the grant amount for specific program
  - Cannot be used solely for investment
  - Rehabilitation administrative costs not eligible

# LUMP SUM DRAWDOWNS (cont'd)

- Grantee must execute a written agreement with a lending institution
- First funds must be committed within 45 days of deposit
- Disbursements must begin within 180 days
- Financial institution must provide specific considerations in exchange for deposit
- Account must earn interest
- Interest is considered program income

# TIMELINESS

- Timeliness refers to how quickly the grantee is able to commit and expend CDBG funds
- Entitlement not allowed to have more than 1.5 times its allocation in line of credit 60 days prior to end of PY
- If the grantee chronically has more than 1.5 times their allocation in their line of credit, HUD can withhold future grants until the grantee effectively spends their existing resources
- States do not have same requirement

# UNIFORM ADMINISTRATIVE REQUIREMENTS

- CDBG recipients must comply with federal administrative guidelines & financial management requirements now found in 2 CFR Part 200 (referred to as the “super circular”)



# Cost Principles

All costs must be:

- Reasonable,
- Allowable, and
- Allocable

# COST REASONABLENESS

- Cost is reasonable when it does not exceed what a prudent person would incur under similar circumstances
- Consideration should be given to these issues:
  - Is cost necessary and ordinary?
  - Were prices comparable for similar goods and services?
  - Did individuals act with prudence?
  - Were there deviations from set policy?

# ALLOWABLE COSTS

- 2 CFR Part 200 identifies allowable and unallowable costs
  - Some costs are never allowed
    - Examples of unallowable costs: entertainment, alcohol, bad debts
  - Some costs are allowed but with certain conditions
  - Some costs depend on the federal funding source

# ALLOWABLE COSTS (cont'd)

- Criteria for allowability
  - Must be reasonable
  - Must conform to limitations
  - Must be in accordance with GAAP
  - Must not be included under another federally funded program
  - Must be adequately documented

# SOURCE DOCUMENTS

- Records must be supported by source documents
  - Explain basis of costs incurred
  - Actual dates of expenditure
  - Examples include cancelled checks, paid bills, payroll, etc.

# COST ALLOCABILITY

- Determine where to charge costs
- Process known as cost allocation methods
- Develop a cost allocation plan (re: direct & indirect costs [see beginning of FM])
- 10% de minimis modified total direct cost (MTDC) rate
- GAAP provides guidance

# Administrative Requirements

- 2 CFR Part 200 covers two key topics:
  - Effective financial management systems
  - Procurement
- Also covers:
  - Pre-award
  - Property & equipment
  - Records
  - Close-out

# EFFECTIVE FINANCIAL MANAGEMENT SYSTEMS

- Effective financial management systems must:
  - Record all financial transactions
  - Relate expenditures to activities
  - Ensure compliance with laws and regulations



# PROCUREMENT

- When selecting private, for-profit administrators or buying goods/services, grantees, state recipients and subrecipients must comply with the Federal requirements
- Also comply with Section 3 and State/local laws
- Should also adopt written procurement procedures
  - Designed to achieve maximum open and free competition
  - Covers standards of conduct and small & minority business outreach

# OTHERS COVERED BY PROCUREMENT

- Grantee not required to competitively procure state recipients, nonprofit/public subrecipients
- Once under grantee agreement, if these entities buy goods/services for CDBG program, they must procure it
- Developers and beneficiaries not subject to procurement
  - Example: A developer can simply hire a contractor
  - However, grantee may elect to impose these rules via contract

# METHODS OF PROCUREMENT

- Select one of four procurement methods based product/service procured
  - Micro-purchases
    - Goods & services  $\leq$  \$3,000 (raised to \$3,500 in 2017)  
(\$2,000 or less per Davis Bacon)
  - Small/micro purchase procedures
    - Goods & services  $\leq$  \$150,000\*
  - Competitive sealed bids
    - Construction contracts
    - Goods & services  $\geq$  \$150,000
  - Competitive proposals
    - Professional services  $\geq$  \$150,000
  - Non-competitive negotiation
    - Very limited usage in specific situations

\*Many States and localities have lower Limits

# ACCOUNTING RECORDS

- Records should sufficiently identify source and application of funds
- Minimally, a records system must have:
  - Internal Controls
  - Chart of Accounts
  - Transactions (identified and tracked)

# Single Audit Requirements

- If expending \$750,000 or more in federal awards in one year, must get single audit
- If less than \$750,000, exempt from audit requirements for that year
- Requirements now found in 2 CFR Part 200

# AUDIT REQUIREMENTS

- Qualified CPA must conduct audit
- Audits due to federal clearinghouse no later than nine months after end of fiscal year
  - Clearinghouse is supposed to send to HUD
- Recipients must resolve audit findings

# CHANGE IN USE

- Applies to *real property* under a subrecipient's control acquired or improved with \$25K or more of CDBG
  - If changed, property must:
    - Must meet a national objective for five years after *expiration* of the Subrecipient Agreement or a longer period if determined appropriate, OR
    - Must return \$ at current market value and grantee must treat as CDBG program income
      - See 24 CFR 570.503

# CHANGE IN USE

- Applies to real property under the grantee's control acquired or improved with \$25K or more of CDBG
  - Must notify citizens and receive comments on change and
  - If changed, property use must:
    - Meet a national objective for five years after *close-out* of the grant agreement, or
    - Must reimburse its CDBG program account for the current market value
    - See 24 CFR 570.505
    - Note: State CDBG rule is based on \$100k of CDBG assistance



# IDIS ONLINE



# INTEGRATED DISBURSEMENT AND INFORMATION SYSTEM (IDIS) Online

- IDIS Online is HUD's management information system
  - Used for all Community Planning and Development formula grant programs – CDBG, HOME, ESG, HOPWA
  - Also used for the Section 108 loan guarantee program
- Purposes of IDIS Online:
  - Drawdown and account for the use of funds
  - Collect and report information about funded activities and accomplishments

# IDIS Overview

- Admin (user roles, table maintenance)
- Grantee/Participating Jurisdiction (PJ) (includes subrecipients)
- Grant (includes Subfunds, Subgrants)
- Plans/Projects/Activities
- Funding/Drawdown
- Reports

The screenshot displays the top navigation bar of the IDIS system. The header includes the text "U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT" on the left and "IDIS version 11.10.0\_PROD\_3" on the right. Below this, a blue banner contains "Community Development Systems" and "Integrated Disbursement & Information System (IDIS)". A large "CD" logo is visible on the right side of the banner. Below the banner is a navigation menu with the following items: "Plans/Projects/Activities", "Funding/Drawdown", "Grant", "Grantee/PJ", and "Reports". On the far left, a user information box shows "User:" followed by "Role: Headquarters Organization".

# Admin

## Grantee Users

- Plan, Setup & Manage Activities
- Commit & Draw Funds
- Report Accomplishments
- Run Reports

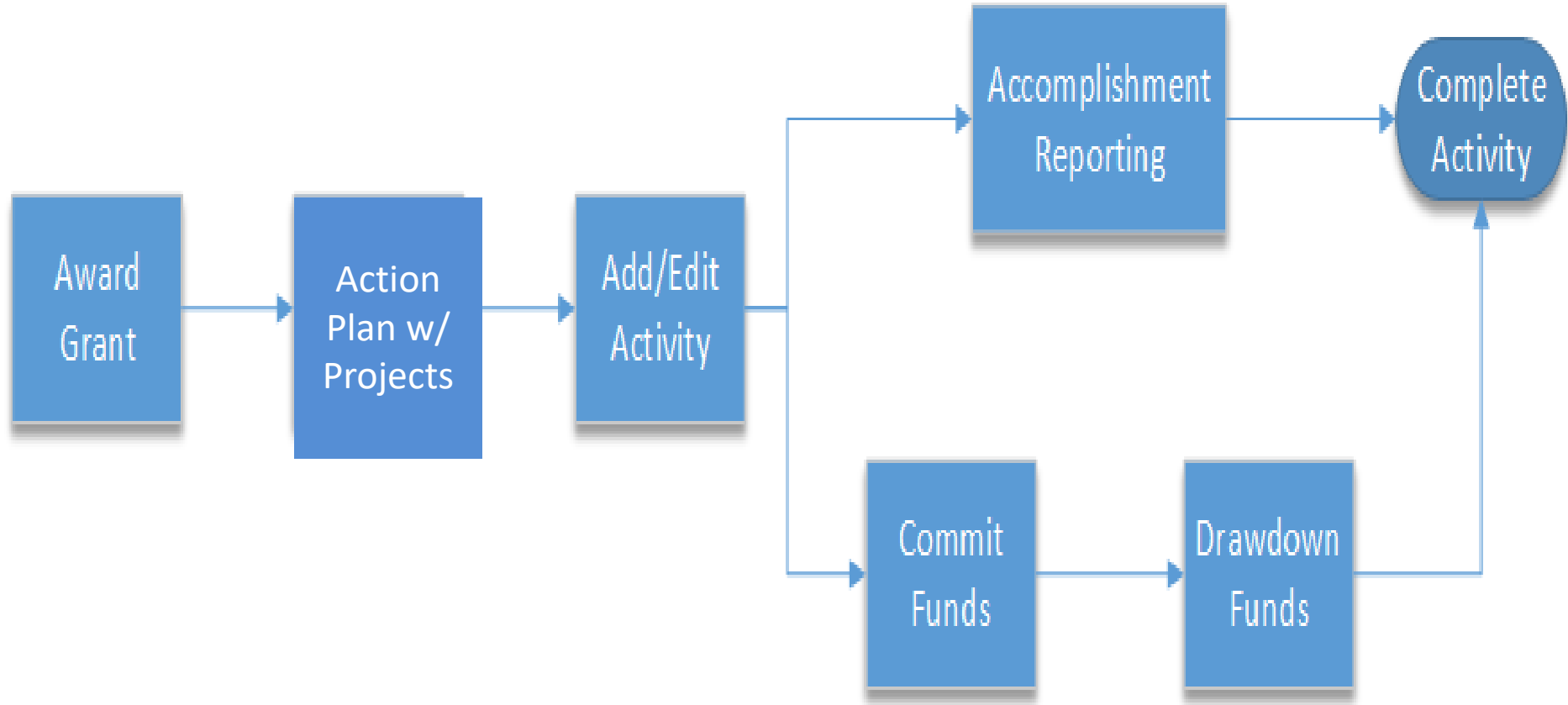
## Field Office Staff

- Review and Approve Plans
- Ensure Program Compliance
- Monitor At Risk Grantees & Activities
- Generate reports

## HQ Staff

- Grant Administration
- User Administration
- Ensure Program Compliance
- Monitor Program Progress
- Generate reports

# Process Overview



# SET-UP AND DRAW DOWN

- Grantees set up and draw \$\$ for CDBG activities
  - Projects are taken directly from the grantee's annual action plan
  - One or more specific activities are under a project
- Example:
  - Project: Street Improvements
    - Activity 1: Glover Park Street Improvements
    - Activity 2: Cherry Hill Street Improvements

# SET-UP AND DRAW DOWN (cont)

- Activities are where the majority of IDIS reporting occurs: set up, fund, draw, and complete
- Specific type of data reported is based upon selected IDIS matrix code and national objective code
- Activities are where accomplishments and performance measures are reported

# IDIS MATRIX CODES

- When setting up activity, grantees need to select a matrix code -- examples:
  - 01 Acquisition of Real Property
  - 02 Disposition
- Important to use correct, most specific matrix code
- Avoid use of general matrix codes such as 03 (general public facilities and improvements) and 05 (general public services)
- If uncertain, check matrix code use with HUD
- New Matrix Codes:
  - Tornado Shelters Serving Private Mobile Home Parks (23)
  - Payment of Interest on Section 108 Loans (24A)
  - Payment of Costs of Section 108 Financing (24B)
  - Debt Service Reserves (24C)



# IDIS ONLINE DATA ENTRY

- Data must be reported at least at the end of each program year
- Recommend more frequent data entry



# CDBG IDIS ONLINE ACTIVITY PATH

- Add/Edit Activity Screen
- CDBG Setup Detail
  - Page 1
  - Page 2
  - Page 3-5 (LMA Activities only)
- CDBG Accomplishment Detail
  - Page 1
  - Page 2

# ADD/EDIT ACTIVITY

## Activity

### Edit Activity

Save

Cancel

#### \*Indicates Required Field

**Activity Owner:**  
HAVERHILL, MA

**IDIS Activity ID:**  
750

**\*Program Year:**  
2009

**\*IDIS Project ID/Project Title:**  
7/MULTI UNIT REHABILITATION (2009)

**\*Activity Name:**  
Rental Rehabilitation - 2010 -346 W Elm Street

**Activity Status:**  
Open

**Completion Date:**  
 [Select Date](#)  
(ex: mm/dd/yyyy)

**Grantee/PJ Activity ID:**

**Initial Funding Date:**

**\*Indicate if activity will be funded with Recovery Grant Funds: (tip)**

Yes  No

# ADD/EDIT ACTIVITY

## Activity

Program	*Activity Category (tip)	Ready to Fund	Funded	Setup Detail	Accomplishment	Completion Check
CDBG	Does this activity use Section 108 loan?* No <input type="button" value="Change answer"/> 14A - Rehab; Single-Unit Residential <input type="text" value="v"/>	Yes	Yes	<input type="button" value="Edit CDBG"/>	<input type="button" value="Edit CDBG Accomp"/>	<input type="button" value="Check CDBG"/>
ESG	None <input type="text" value="v"/>	No	No	<input type="button" value="Add ESG"/>	<input type="button" value="Add ESG Accomp."/>	
HOME	None <input type="text" value="v"/>	No	No	<input type="button" value="Add HOME"/>	<input type="button" value="Add HOME Accomp."/>	
HOPWA	None <input type="text" value="v"/>	No	No	<input type="button" value="Add HOPWA"/>	<input type="button" value="Add HOPWA Accomp."/>	
HESG	None	No	No		Grantees will enter Accomp data into e-SNAPS	
HOPWA-C	None	No	No			
<input type="button" value="Activity Funding"/>	<input type="button" value="Request Cancellation With Draws"/>					

## \*Environmental Review:

Allow Another Organization to Access this Activity (tip)

COMPLETED

HEROS Environmental Review ID

Comments (tip)

## Activity Description:

Interior and exterior repairs for low/mod senior homeowner of one-family property.

# CDBG SETUP DETAIL PAGE 1

## Edit CDBG Setup Detail (Page 1)

### 14B - Rehab; Multi-Unit Residential

|  |

#### \* Indicates Required Field

<b>Grantee/PJ Activity ID:</b>	<b>Activity Name:</b> Rental Rehabilitation - 2010 -346 W Elm Street	<b>Program Year/Project ID:</b> 2009/7
<b>IDIS Activity ID:</b> 750	<b>Activity Owner:</b>	<b>Project Title:</b> MULTI UNIT REHABILITATION

#### \*National Objective:

LMH - LOW/MOD HOUSING BENEFIT

#### Proposed Accomplishments

*Accomplishment Type	*Proposed Count
10 - Housing Units <input type="button" value="Change Accomplishment Type"/>	<input type="text" value="5"/>

#### \*Performance Objective: (tip)

Create suitable living environments

#### \*Performance Outcome: (tip)

Availability/accessibility

# CDBG SETUP DETAIL PAGE 1

## Address

**Confidential** (Suppress on Reports)

**\*Address Line 1:**

346 W. Elm Street

(ex: 1313 Sherman Street)

**Address Line 2:**

Unit 2 - 5 Units

**Address Line 3:**

**\*City:**

Concord

**\*State:**

TX

**\*Zip Code:**

77850

+

## Activity Purpose:

(Indicate all that apply)

**\*Help Prevent Homelessness?**

Yes  No

**\*Help the Homeless?**

Yes  No

**\*Help Those with HIV/AIDS?**

Yes  No

**\*Help Persons with Disabilities?**

Yes  No

## Associate to Another Activity

**Will accomplishments be reported at another activity? (tip)**

Yes  No

**IDIS Activity ID:**

# CDBG SETUP DETAIL PAGE 1

## Organization carrying out activity

**\*Is this activity being carried out by the grantee?**  
(Either directly and/or through contractors)

Yes  No

**Activity is Being Carried Out by the Grantee Through:** (tip)

Grantee Employees and Contractors ▼

**Name of Organization carrying out activity:** (tip)

Select Organization

**Organization is Categorized as:** (tip)

Select Option ▼

## Target Area

**Area Type:** (tip)

Select Option ▼

**Area Name:** (tip)

Select Option ▼

Add New Area

## Special Characteristics

(Check all that apply to the location of this activity)

- Presidentially Declared Major Disaster Area
- Historic Preservation Area
- Brownfield Redevelopment Area
- Conversion from Non-Residential to Residential Use

# CDBG SETUP DETAIL PAGE 1

For Brownfield Activities, Indicate the Number of Acres Remediated: (tip)

## Activity Information

(Check all that apply)

- One-for-One Replacement
- Displacement
- Favored Activity

- Special Assessment
- Revolving Fund
- Float Funded

## Float Funds

(Only Enter if Float Funded is Checked)

Float Principal Balance: (tip)

\$

Date Float Funds to be Received:

[Select Date](#)  
(ex: mm/dd/yyyy)

Save

| Save and Continue

| Cancel



# CDBG SETUP DETAIL PAGE 2

**Multi-Unit Housing:**

Yes  No

**Includes Rental Housing:**

Yes  No

**HUD Funds**

Source of Funds	Amount
CDBG	\$ 0.00
Section 108 Loan Guarantee	\$
ESG	\$
HOME	\$
HOPWA	\$

**Other Funds**

Source of Funds	Amount
Appalachian Regional Commission	\$
Other Federal Funds	\$
State/Local Funds	\$ 5,000.00
Private Funds	\$
Other: <input type="text"/>	\$

**Activity Costs (HUD + Other Funds)**

	Amount
Total	\$ 5,000.00

**Leveraging Ratio**

(CDBG + 108 : All Other Funds)

CDBG + 108	All Other Funds
<input type="text" value="0"/>	<input type="text" value="0"/>

# CDBG SETUP DETAIL PAGE 2

## Grant/Loan Assistance

Enter the number of grants or loans provided to beneficiaries of this activity (tip)

Grants	<input type="text"/>	(tip)
Loans	1	(tip)

## Loan(s) provided

	Average Interest Rate (tip) (ex: 99.99%)	Average Amortization Period (in Months) (tip)	Total Amount
Amortized Loan	3	120	\$ 50,000
Deferred Payment Loan	<input type="text"/>	<input type="text"/>	\$ <input type="text"/>

## \*Multi-Unit Housing

	Total	Occupied (tip)	Occupied Low/Mod (tip)	Percent Low/Mod
Units at Start	5	5	3	60 %
Units Expected at Completion	5	5	3	60 %

## Housing Rehabilitation

(Indicate if this activity is limited to one or more of the following)

- Install Security Devices
- Install Smoke Detectors
- Operate a Tool Lending Library
- Perform Emergency Housing Repairs
- Provide Supplies and Equipment for Painting Houses

# Funding An Activity

- Moving from first-in, first-out (FIFO) to grant specific accounting
- Beginning with 2015 allocations, IDIS will use grant specific funding and disbursements
- Pre-2015 funds will continue to fund and draw on a FIFO basis

# Activity Funding Screen

- 2014 and all prior grants aggregated into Pre-2015 funding source

## Funding Source Pre-2015

Program	Grant Year (tip)	Fund Type	Source Name	Available for Funding	Funded Amount	Drawn Amount
CDBG	Pre-2015	EN	HUD	\$1,155,330.19	\$0.00	\$0.00

## Current Funding for This Source

Grant Year (tip)	Funded Amount	Drawn Amount
2014	\$ 15,000	\$0.00

Add Grant Year

# Activity Funding Screen (cont)

- 2015 or later allocations, funding sources are the individual grants

## Funding Source

Program	Grant Year	Fund Type	Source Name	Available for Funding	Funded Amount	Drawn Amount
CDBG	2015	EN	HUD	\$1,175,620.00	\$0.00	\$0.00
CDBG	2016	EN	HUD	\$1,175,620.00	\$0.00	\$0.00
CDBG	2017	EN	HUD	\$1,175,620.00	\$0.00	\$0.00

## Current Funding for xFIFO

Grant Year (tip)	Funded Amount	Drawn Amount
2015	\$ 20,000	\$0.00
2016	\$	\$0.00
2017	\$	\$0.00

[Return to Add-Edit Funding](#)

[Save](#)

[Cancel](#)

# Drawdown – Create Voucher

- Grantee will create vouchers for pre-2015 funds and 2015 (or later) grants separately

Activity 1 of 1

IDIS Activity ID: 25926

Activity Name: Water Improvements

Voucher Created For:

Grantee/PJ Activity ID:

Activity Owner:

Available Drawdown Amounts for This Activity

Recipient Name	Program	Grant Year	Prior Program Year	Funded Amount	Available to Draw	Drawdown Amount
	CDBG	Pre-2015	No ▼	\$13,000.00	\$13,000.00	\$ 130
	CDBG	2015	No ▼	\$15,000.00	\$15,000.00	\$ 150

Confirm Voucher | Previous Activity | Next

# Drawdown – Create Voucher (cont)

- Pre-2015 funding source vouchers will be disbursed on a FIFO basis

Voucher Details					
Line Item #	IDIS Actv ID	Activity Name	Program	Grant Year	Grant #
1	25926	Water Improvements	CDBG	2011	B11DC370001
2	25926	Water Improvements	CDBG	2015	B15DC370001

Prior Program Year	Drawdown Amount
N	\$130.00
N	\$150.00
Total	\$280.00

# ACCOMPLISHMENT DETAIL

## PAGE 1 (RENTAL REHAB)

<b>Grantee/PJ Activity ID:</b>	<b>Activity Name:</b> Rental Rehabilitation - 2010 -346 W Elm Street	<b>Program Year/IDIS Project ID:</b> 2009/7
<b>IDIS Activity ID:</b> 750	<b>Activity Owner:</b>	<b>Project Title:</b> MULTI UNIT REHABILITATION
<b>National Objective:</b> LMH		

Accomplishments for Program Year: 2009

Select Another Year:

2009	<input type="button" value="Edit Selected Year"/>
2010	
2009	

**Accomplishment Narrative:** (maximum 4000 characters)

CDBG funds in the amount of \$50,000 were used to rehabilitate these 3 out of 5 rental units, in the emergency rehabilitation program for program year 2009.

**\*Accomplishments**

Accomplishment Type	Proposed Units
10 - Housing Units	5



# ACCOMPLISHMENT DETAIL

## PAGE 1 (RENTAL REHAB)

**\*Direct Benefit Data by Households**

**Race/Ethnicity**

	Owner		Renter		Total Households	
Race	Total	Hispanic/Latino	Total	Hispanic/Latino	Total	Hispanic/Latino
White <input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	2 <input type="text" value=""/>	1 <input type="text" value=""/>	2 <input type="text" value=""/>	1 <input type="text" value=""/>
Black/African American <input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	1 <input type="text" value=""/>	<input type="text" value=""/>	1 <input type="text" value=""/>	0 <input type="text" value=""/>
<b>Totals</b>	0 <input type="text" value=""/>	0 <input type="text" value=""/>	3 <input type="text" value=""/>	1 <input type="text" value=""/>	3 <input type="text" value=""/>	1 <input type="text" value=""/>
<b>Female-Headed Households</b> (tip)	<input type="text" value=""/>	<input type="text" value=""/>	2 <input type="text" value=""/>	<input type="text" value=""/>	2 <input type="text" value=""/>	<input type="text" value=""/>

Add Another Race by Households

**Income Levels** (tip)

	Owner	Renter	Total
<b>Extremely Low</b>	<input type="text" value=""/>	2 <input type="text" value=""/>	2 <input type="text" value=""/>
<b>Low</b>	<input type="text" value=""/>	1 <input type="text" value=""/>	1 <input type="text" value=""/>
<b>Moderate</b>	<input type="text" value=""/>	<input type="text" value=""/>	0 <input type="text" value=""/>
<b>Non-Low/Moderate</b>	<input type="text" value=""/>	<input type="text" value=""/>	0 <input type="text" value=""/>
<b>Totals</b>	0 <input type="text" value=""/>	3 <input type="text" value=""/>	3 <input type="text" value=""/>
<b>Percent Low/Mod</b>	0 <input type="text" value=""/> %	100 <input type="text" value=""/> %	100 <input type="text" value=""/> %

# ACCOMPLISHMENT DETAIL

## PAGE 2 (RENTAL REHAB)

### Rental Rehab

**Total Rental Units:** (tip)

3

#### Of the Total Rental Units, Number of:

	Number of Units
Affordable Units	3
Section 504 Accessible Units	1
Brought from Substandard to Standard Condition (HQS or Local Code)	3
Units Qualified as Energy Star	
Brought into Compliance with Lead Safety Rules (24 CFR Part 35)	3
Units Created Through Conversion of Non-Residential to Residential Buildings	

#### Of the Total Affordable Units, Number of:

	Number of Units
Units Occupied by Elderly	1
Years of Affordability Guaranteed	
Units Subsidized with Project-Based Rental Assistance by Another Federal, State or Local Program	
Units Designated for Persons with HIV/AIDS Including Units Receiving Assistance for Operations	
Of Units Designated for Persons with HIV/AIDS, Number Specifically for Chronically Homeless	
Permanent Housing Units Designated for Homeless Persons and Families, Including Units Receiving Assistance for Operations	
Of Permanent Housing Units Designated for Homeless, Number for the Chronically Homeless	

# IDIS ONLINE DATA ENTRY

## AVOID ERRORS

- Ensure:
  - Data is reported in a timely fashion
  - Consistency of data across CDBG activities
  - Information is substantially complete

# AVOID IDIS ONLINE DATA ENTRY ERRORS (cont)

- Avoid:
  - Duplicative information
  - Missing or inaccurate leveraged funds data
  - Inaccurate beneficiary income data
  - Missing income level data for presumed benefit activities
  - Inaccurate counts of jobs created/retained
  - Missing accomplishment data for activity delivery cost activities

# AVOID IDIS ONLINE DATA ENTRY ERRORS (cont)

- Suggest:
  - Protect the privacy of households receiving housing assistance
  - Enter physical address
  - Report one assisted business per economic development activity

# FROM FIRST-IN, FIRST-OUT TO GRANT-BASED ACCOUNTING



# Changes Related to GBA for the CDBG Program

- Definition of Origin Year
- Changes in IDIS: Transition from first-in, first-out basis (FIFO) disbursement method to grant specific based accounting.
- Additional test for administration and planning cap
- Grant closeout requirements

# Origin Year

- Origin year means the Federal fiscal year in which the annual grant funds were appropriated. Current regulations use term “grant year”.



# First-In, First-Out Phase Out

- IDIS has historically operated on a first-in, first-out basis (FIFO).
- Under grant-based accounting funding/commitments and disbursements are made against specific origin year grants.
- Programs Impacted: CDBG, HOME, HOPWA, and ESG

# Impact on Grantees

- Grantees must assume more responsibility for ensuring that grant funds are expended within required timeframe.
- Funds Expiration Dates:

*Pre-2015  
Funding Source*

*2014-Sept. 2021*

*2013-Sept. 2020*

*2015  
Funding Source*

*Sept. 2022*

*2016  
Funding Source*

*Sept. 2023*

- May need to amend action plan more often

# Activity Funding & Draws

- Beginning with FY 2015 formula allocations, IDIS will tie activity draws to activity funding . Both funding and draws will tie to a specific grant or grants.
- 2014 or earlier allocations will continue to draw on a FIFO basis.

# Activity Funding

## Funding Source Pre-2015

Program	Grant Year (tip)	Fund Type	Available for Funding
CDBG	Pre-2015	EN	\$10,438,260.76

## Current Funding for This Source

Grant Year (tip)	Funded Amount	Drawn Amount
2014	\$ 32,000.00	\$8,000.00

## Funding Source

Program	Grant Year	Fund Type	Available for Funding	Fun
CDBG	2015	EN	\$10,438,260.76	

## Current Funding for xFIFO

Grant Year (tip)	Funded Amount	Drawn Amount
2015	\$ 2,000.00 x	\$0.00

# Drawdown – Create Voucher

- Grantee will create vouchers for pre-2015 funds and 2015 (or later) grants separately

Activity 1 of 1

IDIS Activity ID: 25926

Activity Name: Water Improvements

Voucher Created For:

Grantee/PJ Activity ID:

Activity Owner:

Available Drawdown Amounts for This Activity

Recipient Name	Program	Grant Year	Prior Program Year	Funded Amount	Available to Draw	Drawdown Amount
	CDBG	Pre-2015	No ▼	\$13,000.00	\$13,000.00	\$ 130
	CDBG	2015	No ▼	\$15,000.00	\$15,000.00	\$ 150

Confirm Voucher | Previous Activity | Next

# Drawdown – Create Voucher (cont)

- Pre-2015 funding source vouchers will be disbursed on a FIFO basis

Voucher Details					
Line Item #	IDIS Actv ID	Activity Name	Program	Grant Year	Grant #
1	25926	Water Improvements	CDBG	2011	B11DC370001
2	25926	Water Improvements	CDBG	2015	B15DC370001

Prior Program Year	Drawdown Amount
N	\$130.00
N	\$150.00
Total	\$280.00

# Program Income

- Under grant-based accounting, CDBG general program income (fund type PI) will continue to be funded and disbursed FIFO.
- Revolving loan funds (RL) and State revolving funds (SF) will continue to be funded and disbursed FIFO.

# Program Income Funding

- Fund an activity with program income

Funding Source							
Program	Fund Type	Source Name	Source Type	Recipient Name	Available for Funding	Funded Amount	Drawn Amount
CDBG	PI	HUD	MC	EUGENE, OR	\$0.00	\$2,850.50	\$0.00

Current Funding for This Source		
Program Year of Receipt	Funded Amount	Drawn Amount
2012	\$ 2,850.50	\$0.00
<input type="text" value="Add Program Year of Receipt"/>		



# Program Income Draws

- Snippet of Create Voucher – Page 2 (Drawdown Amounts) for PI

**Available Drawdown Amounts for This Activity**

Recipient Name	Program	Grant Year/ Program Year of Receipt	Fund Type	Source Name	Source Type	Prior Program Year	Funded Amount	Available to Draw	Drawdown Amount
EUGENE, OR	CDBG	Pre-2015	EN	HUD	MC	N	\$55,000.00	\$55,000.00	\$ 0
EUGENE, OR	CDBG	All	PI	HUD	MC	N	\$2,850.50	\$2,850.50	\$ 0

[Confirm Voucher](#) | [Previous Activity](#) | [Next Activity](#)

- Auto-adjust function

**Available Drawdown Amounts for This Activity**

Recipient Name	Program	Grant Year/ Program Year of Receipt	Fund Type	Source Name	Source Type	Prior Program Year	Funded Amount	Available to Draw	Drawdown Amount
BRISTOL, CT	CDBG	Pre-2015	EN	HUD	MC	N	\$30,000.00	\$30,000.00	\$ 5,000
BRISTOL, CT	CDBG	All	PI	HUD	MC	N	\$30,000.00 Automatically increased to match ALL EN funded amount. Draws against this amount will reduce funding of the most recent grant funding first.	\$30,000.00 The combined EN + PI drawdown amount must not exceed the original total available-to-draw amount of \$30,000.00	\$ 25,000

[Confirm Voucher](#) | [Previous Activity](#) | [Next Activity](#)

# Revising Voucher

- Revising Vouchers – For 2015 and later funds, grantee can only revise a draw from one activity to other activities funded from the same grant year, source organization, recipient organization, and fund type.
  - For example, a 2015 EN draw could be revised to an activity funded with 2015 EN funds, but not to an activity funded with Pre-2015 EN.

# Local Account Repayment Receipt Fund – LA fund

- New local account repayment receipt fund – LA fund.
  - LA funds are associated with specific grant year
    - LA receipts can only be created for local account reimbursements of grant funds. LA receipts cannot be created for program income (PI, RL, and SF) because those funds are reimbursed in IDIS by simply cancelling the associated vouchers
    - Normally for the grant funds that cannot be returned to the line of credit because the origin year is past the statutory 8 year time period for use.

# Add LA Receipt

**Formula Receipt**

**\*Program:** CDBG ▾

**\*Program Year of Receipt:** 2015

**\*Source Type:** DC STATE ADMINISTERED-SMALL CITY / HOME CONSORTIUM ▾

**\*Fund Type:** LA GRANT SPECIFIC REPAYMENT TO LOCAL ACCOUNT ▾

**Receipt Type:** Select Type ▾

**Description:**

**Grantee Receipt #:**

**Total Amount:** \$

**IDIS Activity ID:** 5201

Recipient	Source Name	Source Type	Grant Year	Fund Type	Drawn Amount	Previous Local Account Repayments	Remaining Balance	Local Account Repayment - Receipt Amount	Grantee Receipt #
ALABAMA	HUD	DC	2012	EN	\$112,908.08	\$0.00	\$112,908.08	\$ 56459.04	<input type="text"/>
ALABAMA	HUD	DC	2011	EN	\$115,091.92	\$0.00	\$115,091.92	\$ 57545.96	<input type="text"/>
								<b>Total: \$114,005.00</b>	

# Vouchers Have Been Repaid w LA Funds

- **Leave the vouchers in place**
- **&**
- **Cancel the activity with draws**

# Cancel Activities with Draws

## Activity

Program	*Activity Category (tip)
CDBG	Does this activity use Section 108 loan?* <b>No</b> <input type="button" value="Change answer"/> 21A - General Program Administration <input type="button" value="v"/>
ESG	None <input type="button" value="v"/>
HOME	None <input type="button" value="v"/>
HOPWA	None <input type="button" value="v"/>
HESG	None <input type="button" value="v"/>
HOPWA-C	None <input type="button" value="v"/>
<input type="button" value="Activity Funding"/>	<input type="button" value="Request Cancellation With Draws"/>

# Cancel Activities with Draws (cont)

**Edit CDBG Cancel With Draws Request**

**03J - Water/Sewer Improvements**

|  |

**\* Indicates Required Field**

<b>Grantee/PJ Activity ID:</b>	<b>Activity Name:</b> JERMYN BORO STORM WATER IMP CHESTNUT/HUDSON STS.	<b>Program Year/Project ID:</b> 2003/162
<b>IDIS Activity ID:</b> 42270	<b>Activity Owner:</b> PENNSYLVANIA	<b>Project Title:</b> LACKAWANNA COUNTY 2003 ENTITLEMENT

**Current request status:** Pending

**Current payment total:** \$ 11,056.80

**Current return total:** \$ 0.00

**Current drawn total:** \$ 11,056.80

**Return amount:\*** - \$

**Grantee's explanation:\***

**Field office's comment:**

|  |

# The Re-Use of LA Funds

- Fund and draw LA funds for new or existing activities
- The LA funds were originally associated with a specific grant year. The re-use of those funds will be associated with that same grant year.
- Grantee must disburse LA funds prior to drawing additional CDBG grant funds



# 2<sup>nd</sup> Test on Admin & Planning Cap

- Limit planning & administration expenditures to no more than 20 percent of each grant (excluding program income)
- The compliance will be determined at the end of the grant
- This test is included at 24 CFR 570.200(g)(1)
- A New IDIS report will be developed to check compliance

# Existing Test vs New Test

Existing Test	New Test
Obligations	Expenditures
Compliance is determined at the end the each program year	Compliance is determined at the end of grant
Amount = 20% (Grant amount +Program Income)	20% of Grant

# Grant Closeout

- Grantees will be required to close out grants
- Criteria for closeout:
  - All costs to be paid with a grant have been expended and drawn down
  - All activities for which funds were expended from the grant are physically completed, are eligible and have met a national objective. (Make sure all the activities are completed in IDIS as well)
  - A final performance and expenditure report has been submitted to HUD

# Criteria for Closeout (Cont.)

- Criteria for closeout:
  - For 2015 and subsequent grants, grantee has not expended more than 20 percent of grant for admin & planning costs
  - Other responsibilities under the grant agreement and applicable laws & regulations have been carried out satisfactorily
- Procedures to be determined

# Key Resources

- CPD Grant Based Accounting Website:  
<https://www.hudexchange.info/manage-a-program/grant-based-accounting/>

The interim “Grant Based Accounting” rule

<http://www.gpo.gov/fdsys/pkg/FR-2015-11-12/pdf/2015-28700.pdf>

# OTHER FEDERAL REQUIREMENTS



# OTHER FEDERAL REQUIREMENTS

- Wide range are triggered by expenditure of CDBG funds:
  - Environmental review
  - Uniform Relocation Act and 104(d)
  - Davis Bacon and Other Labor Standards
  - Lead Based Paint
  - Fair Housing and Equal Opportunity
  - OMB Circulars (covered in the financial module)

# ENVIRONMENTAL REVIEW



- CDBG projects require an environmental review before any funds can be obligated.
- The environmental review process looks at projects for impacts on environment, impacts from the environment, and notifies the public of findings.
- Resources: 24 CFR Part 58 & [HUD Exchange Environment Page](#)



# LIMITS ON ACTIVITIES PRIOR TO CLEARANCE

- Once applicant applies for HUD assistance, the project becomes “federal” and HUD’s restrictions at §58.22 apply.
- Neither applicant nor partners in the process are allowed to spend *or commit* funds (HUD or non-HUD) on physical activities, including acquisition, until the review is complete.
  - Activities that are exempt or categorically excluded not subject to §58.5 may proceed after the determination is documented.

# PROJECT AGGREGATION

- Must group together & evaluate as a single project all individual activities which are related or are logical parts of composite of contemplated actions
  - Functional Aggregation
  - Geographic Aggregation

Do not just pick the part that is CDBG-funded.  
Evaluate the impact of the entire activity

# CLASSIFYING THE ACTIVITY

- Next, determine the level of review of the activity
  - Exempt
  - Categorically Excluded Not Subject to 58.5 (CENST)
  - Categorically Excluded Subject to 58.5 (CEST)
  - Environmental Assessment (EA)
  - Environmental Impact Statement (EIS)
- If more than one activity or classification, go with most stringent

# ENVIRONMENTAL REVIEW RECORD

- Written record of compliance with all applicable environmental requirements
- Legal challenges can be won or lost based on the completeness of the ERR
- ERR should contain all documentation:
  - Project descriptions, maps, pictures, etc.
  - Forms & checklists
    - Most current HUD recommended formats are available from HUD Field Offices & on the HUD Exchange
  - Notices
  - Correspondence and relevant documents
  - Public comments

# ENVIRONMENTAL NOTICES

- Publish notices in newspaper of general circulation or post in prominent public places
  - NOTE: Floodplains/wetlands notices must be published - no posting allowed



- Send copies of notices to EPA, SHPO, other agencies & interested persons

# ENVIRONMENTAL CLEARANCE

- For projects that require a CEST, EA or EIS level of environmental analysis, an Request for Release of Funds form (7015.15) must be submitted to the HUD Field Office.
- HUD will approve the release of funds with an Authority to Release Grant Funds (HUD form 7015.16) after the HUD 15-day public comment period if no valid objections are received.

# LABOR STANDARDS – DAVIS-BACON

- Davis-Bacon applies to all construction contracts over \$2,000 involving CDBG funds
- Requires workers be paid at least minimum wages provided by Dept. of Labor



- Exception is housing of 7 or fewer units under one owner
- Does not apply to acquisition of property

# DAVIS-BACON WAGE DECISIONS

- Wage decisions are needed to determine prevailing wages by worker classification
  - Recipients get wage decisions through state or on the web
    - Types:
      - Building
      - Residential
      - Highway
      - Heavy
- Prime contractors must post wage decision
- All contractors need to use the right type of classification for each job or request additional classifications
- HUD guide provides definitions of key terms such as:
  - Employee, apprentice, prevailing wage, trade



# DAVIS-BACON IMPLEMENTATION

- All bids & contracts subject to Davis-Bacon must contain standard clauses on requirements
- Hold a preconstruction conference to review requirements with contractor
- Prime or general contractor is responsible for full compliance, including lower tier subs
- Contract administrator enforces requirements and provides information to contractor
- Grantee must review payrolls to verify wages

# OTHER LABOR LAWS

- **Contract Work Hours & Safety Standards Act**
  - Workers shall not work more than 40 hours/week unless they get overtime & projects must comply with safety standards
- **Copeland Anti-Kickback Act**
  - Requires payment once a week & only permissible payroll deductions
- **Fair Labor Standards Act**
  - Federal minimum wage & overtime requirements

# FEDERAL LEAD REQUIREMENTS

- Lead Safe Housing Rule (LSHR)
  - Applies to HUD-assisted residential properties



- Disclosure Rule
  - Applies to all residential properties
- Renovation, Repair and Paint (RRP) Rule
  - Applies to all residential properties and non-residential child occupied facilities

# LEAD SAFE HOUSING RULE

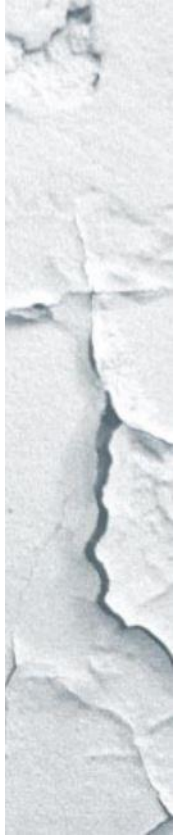
- Lead Safe Housing Rule (LSHR) applies to housing units (both homeowner occupied and rental units) built prior to 1978
  - See full rule in 24 CFR Part 35
- Lead evaluation and hazard reduction treatment depends on *type and level of assistance* which is the lower of:
  - Per unit rehabilitation hard costs (all funds) OR
  - Per unit federal assistance

# LEAD SAFE HOUSING RULE – REHABILITATION

- Evaluation activity depends on level of assistance per unit:
  - Up to and including \$5,000 = Paint testing
  - More than \$5,000 up to \$25,000 = Risk assessment
  - More than \$25,000 = Risk assessment
- Notification:
  - Notice of Lead Hazard Evaluation to homeowner within 15 days of receipt of risk assessment or lead-based paint inspection report
  - Alternatively, with presumption provide “Notice of Presumption”, within 15 days to occupant

# LEAD SAFE HOUSING RULE – REHABILITATION (cont'd)

- How to address units that have the presence of lead-based paint depends upon amount of assistance:
  - Up to \$5k = repair surfaces to be disturbed using safe work practices & using a certified renovation firm
  - Greater than \$5k to \$25k = interim controls of lead hazards using safe work practices & trained workers of a certified renovation firm
  - >\$25k = abatement of all lead hazards using a certified abatement firm



# WHEN IS THE URA TRIGGERED?

- Uniform Relocation Act
  - When real property is acquired or persons displaced as a direct result of acquisition, demolition, and rehabilitation for a Federally funded project
  - Applies to government agencies, private organizations and others
  - Note: URA may be triggered if federal assistance is in any phase of project
- URA requirements apply to:
  - Virtually all Federal programs, including CDBG/Section 108 loan guarantees
  - Grants, loans, other contributions

# RELOCATION BASICS: WHO IS A DISPLACED PERSON?

- Family
- Individual
- Business, Farm or Nonprofit



## Who Moves:

- Permanently as a direct result of a Federally-assisted project



# RELOCATION BASICS: RESIDENTIAL

- Residential displaced persons are eligible to receive:
  - Advisory services & notices
  - Minimum 90 Day notice to vacate (based on availability of comparable replacement dwelling)
  - Replacement housing payments
  - Possibly housing of last resort
  - Moving expense payments

# RELOCATION BASICS: NONRESIDENTIAL

- Nonresidential displaced persons are eligible to receive:
  - Advisory services & notices
  - Minimum 90 Day notice to vacate
  - Reestablishment expense payments (for small businesses) and moving expense payments OR
  - Fixed payment

# RELOCATION BASICS: TEMPORARY RELOCATION

- Families who do not need to move permanently are entitled to:
  - Advisory services, including notices
  - Temporary relocation assistance (if applicable) not to exceed 1 year
  - Remain in DSS, suitable, affordable unit
    - If no rent increase, unit is deemed affordable



# PURCHASERS

- URA covers purchases by:
  - Grantee
  - Nonprofits with federal assistance
  - For profits with federal assistance
  - Agent or consultant acting on grantee behalf
  - Homebuyers with federal downpayment assistance

# SECTION 104(d)

- Some projects also subject to 104(d)
- Triggered only when CDBG or HOME funds are used for the project and there is:
  - Demolition or conversion of units
- 104(d) addresses:
  - People: Relocation assistance is provided for LOW-INCOME residents
  - Units: One-for-one replacement is required when the stock of low/moderate housing is decreased

# FAIR HOUSING LAWS

- Use of CDBG requires compliance with certain Fair Housing and accessibility laws
- Key Fair Housing laws:
  - Title VIII of Civil Rights Act of 1968 – The Fair Housing Act
  - Title VI of the Civil Rights Act of 1964
  - Executive Orders 11063 and 12259
  - Age Discrimination Act
  - Section 109 of HCDA
  - Applicable state laws
- No discrimination in housing on basis of race, ethnicity, color, religion, sex, national origin, familial status or disability



# COMPLIANCE WITH FAIR HOUSING LAWS

- Recipient must not discriminate and must Affirmatively Further Fair Housing (AFFH) in the community
  - Conduct affirmative marketing
- Rules apply to locality as a whole, not just CDBG-funded activities:
  - Maximize housing choice
  - Lessen racial, ethnic, and economic concentrations of housing
  - Facilitate desegregation and racially inclusive patterns of occupancy/public facilities

# COMPLIANCE WITH FAIR HOUSING LAWS (cont'd)

- AFFH Rule, published 7/16/2015
  - See Con Plan guidance and transition notices on HUD Exchange
  - <https://www.hudexchange.info/programs/affh/>

## AFFH FACT SHEET: TRANSITIONING TO THE NEW AFFH PROCESS GUIDANCE FOR CONSOLIDATED PLAN PROGRAM PARTICIPANTS<sup>1</sup>



### WHEN IS THE FIRST ASSESSMENT OF FAIR HOUSING (AFH) DUE?

The due date for Consolidated Plan program participants Assessment of Fair Housing (AFH) is generally based on its Consolidated Plan cycle. In general, the AFH Due Date is calculated as:

- For local governments that received over \$500,000 in CDBG funds in FY2015,<sup>2</sup> the first AFH will be due 270 days prior to the program year that begins on or after January 1, 2017 for which a new 3-5 year Consolidated Plan is due.
- For all other program participants (including States, Insular areas, and local governments that received \$500,00 or less in FY2015 CDBG), the due date will be 270 days prior to the program year that begins on or after January 1, 2018 for which a new 3-5 year Consolidated Plan is due.

HUD has provided an infographic to help outline the timeline for a Consolidated Plan program participants due date for the first AFH, based on the regulatory requirement at 24 CFR § 5.160.

### EXCEPTIONS TO AFH DUE DATES:

1. **Recently Completed Regional Analysis of Impediments (RAI):** A program participant is not subject to the deadline pursuant to 24 CFR § 5.160(a) if it has completed a HUD-approved RAI in accordance with a grant awarded under HUD's FY 2010 or 2011 Sustainable Communities Regional Planning Grant Competition and submitted the RAI within 30 months prior to the date when the program participant's AFH would otherwise be due. A Consolidated Plan program participant meeting this condition will instead submit its first AFH as part of its next cycle.
2. **New Program Participants:** For new program participants that have not submitted a Consolidated Plan as of August 17, 2015. HUD will provide a deadline for submission of its first AFH.





# COMPLIANCE WITH FAIR HOUSING LAWS (cont'd)

Grantees must amend their citizen participation (CP) plan to include the new AFFH requirements. See the 3/14/2016 memo on incorporating the new rule into their CP Plan.

- Assessment Tool for local governments approved for one year and is now out for public comment connected to its renewal approval. Comments due 5/23/2016.
- Assessment Tool for States and insular areas currently out for 60-day public comment period. Comments due 5/10/2016.
- Assessment Tool for PHAs now also available for public comment. Comments due 5/23/2016.

# COMPLIANCE WITH FAIR HOUSING LAWS (cont'd)

**NOTE:** Until program participants are required to submit an AFH under the AFFH rule, the program participant must continue to conduct an analysis of impediments in accordance with existing HUD regulations.

# ACCESSIBILITY – GENERAL



- Adhere to laws and regulations:
  - Architectural Barriers Act
  - Americans with Disabilities Act
  - Section 504
  - Fair Housing Act

# SECTION 504

- Section 504 makes it unlawful to discriminate based on disability in HUD-funded housing programs
- Covered disabilities include: mobility, visual, hearing, cognitive
- Recipient must take steps to ensure accessibility of *communication*
- Prohibitions against *employment* discrimination—make reasonable accommodations
- Ensure program accessibility: Housing and Non housing

# APPLICATION OF 504 TO HOUSING

- New construction w/ 5+ units and substantial rehab of MF rental w/ 15+ units
  - Substantial rehab: rehab costs = more than 75% replacement cost
  - 5% of units accessible for persons with mobility impairments
  - Additional 2% of units accessible for persons with hearing/vision impairments

# SECTION 504 AND FACILITIES

- Facility can be:
  - Approached
  - Entered
  - Used by persons with physical handicaps
- Several options for improving program access



# EQUAL OPPORTUNITY

- Various Federal laws & authorities
  - Title VI of Civil Rights Act of 1964
  - Title VIII of Civil Rights Act of 1968, as amended
  - Section 109 of HUD Act of 1974
  - Section 3 of HUD Act of 1968 (amended 1992)
  - Age Discrimination Act of 1975
  - Section 504 of the Rehab Act of 1973
  - E.O. 11063 & 11246

# COMPLIANCE WITH EQUAL OPPORTUNITY LAWS

- Provide equal opportunity in:
  - Provision of services, facilities & improvements (program benefit)
  - CDBG-related employment
  - Procurement & contracts
- Keep records on beneficiaries to document compliance



# SECTION 3

- Requires training, employment & contracting opportunities for low income residents & business owners of the project area for programs involving construction or rehab
- Develop a Section 3 Action Plan
- Make good faith efforts to meet this plan
  - Outreach
  - Advertisements
- Maintain documentation & report to HUD

# REVITALIZATION STRATEGIES



# COMMUNITY BASED DEVELOPMENT ORGANIZATIONS

- Reg cite §570.204
- CBDOs may carry out only certain types of projects:
  - Neighborhood revitalization
  - Community economic development
  - Energy conservation
- All activities undertaken by a CBDO *must* fall into 1 of these 3 categories.

# CBDO ACTIVITIES

- Possible activities include (but are not limited to):
  - New housing construction (can only be carried out by a CBDO)
  - Job training not subject to public service cap
  - Neighborhood Revitalization Strategy Area (NRSA) public services not subject to the public service cap
  - Other economic development activities

# CBDOs v. SUBRECIPIENTS

- CBDO not automatically a subrecipient; grantee can decide how to treat the organization
- Implications:
  - Program income
  - Reversion of assets
  - Written agreement requirements
  - Uniform administrative requirements, including reversion of assets

# COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS

- A community-based lending institution
- CDFI fund managed by the Department of Treasury
- CDFIs have these characteristics:
  - Promote community development
  - Serve an *investment area* or *targeted population*
  - Provide loans or development investments and development services
  - Maintain accountability to residents
  - Are not an agency of government

# CDFI FLEXIBILITIES

- Special consideration for CDFI activities under CDBG regulations
- Flexibilities apply regardless of whether CDFI funded by Treasury program or not
- For any CDFI, may aggregate jobs created/retained by all businesses for determining low/mod benefit

# NEIGHBORHOOD REVITALIZATION STRATEGY AREAS

- Multi-faceted approach to address needs in neighborhoods
- Targets resources and efforts
- Approved strategies offer flexibility in using CDBG
- Done as a part of or amendment to Consolidated Plan
- HUD published updated NRSA Notice (16-16)



# CDBG REGULATORY INCENTIVES

- Assumption of low/mod income area benefit for job creation/retention activities
- Track scattered-site housing as a single project to meet low/mod national objective
- Economic development activities may be exempt from aggregate public benefit standards
- Public services by CBDO exempt from cap

# NEIGHBORHOOD & DEMOGRAPHIC CRITERIA

- Boundaries must be fully described
- Area must be contiguous
- Area must be primarily residential
- High percentage of low/mod
  - Greater than or equal to the upper quartile percentage;
  - But not less than 51 percent low/mod

# COMMUNITY PARTICIPATION

- Prepared in consultation with all stakeholders
- Describe community outreach efforts
- Coordinate revitalization efforts
- Describe how community needs and concerns are addressed

# ASSESSMENT OF ECONOMIC CONDITIONS

- Unemployment levels
- Services available
- Access to capital
- Housing availability and cost
- Crime and security needs
- Others

# PERFORMANCE MEASURES

- Measurable goals and outcomes must be included in the plan and tracked
- Examples include:
  - 25 new businesses created
  - Five percent increase in employment

# HUD REVIEW, APPROVAL AND MONITORING OF NRSA<sub>s</sub>

- Entitlements must submit NRSA with:
  - New Consolidated Plan
- ***OR***
- – Amendment to Consolidated Plan
- HUD must expressly approve in writing
- In effect for term of the Consolidated Plan (timeframe at grantee's discretion)
- HUD will monitor against goals & outcomes

# PERFORMANCE MEASUREMENT



# CPD PERFORMANCE MEASUREMENT SYSTEM

- Common performance measures that apply to all four CPD formula grant programs
- Outcome measures are driven by local intent
- Indicators use data commonly collected by grantees
- HUD will “roll up” results to national level



# CPD PERFORMANCE MEASUREMENT OBJECTIVES

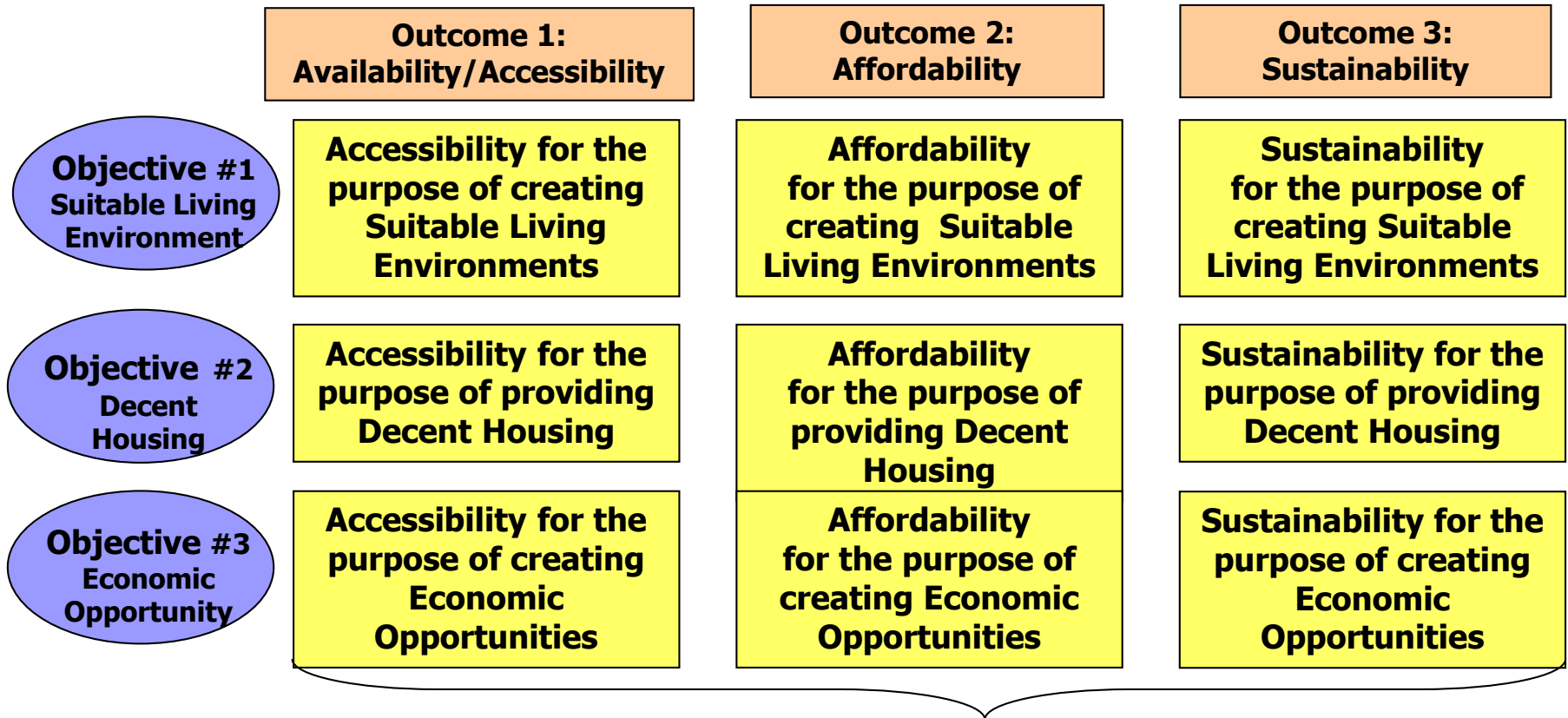
- Three Objectives:
  - Creating Suitable Living Environments
  - Providing Decent Affordable Housing
  - Creating Economic Opportunities
- Reflect the statutory purposes of the four programs
- Tie directly to HUD's Strategic Mgmt. Plan and grantee's Con Plan

# CPD PERFORMANCE MEASUREMENT OUTCOMES

- Three Outcomes:
  - Availability/Accessibility
  - Affordability
  - Sustainability
- To determine the most appropriate outcome for an activity, ask:

“What type of change or result am I seeking?”

# HUD CPD OUTCOME FRAMEWORK



## Outcome Statements

# CPD PERFORMANCE MEASUREMENT INDICATORS

- Common Indicators (4)
  - Generally apply to all activities
- Specific Indicators
  - 18 indicators, many with several data items
  - Applicable indicators determined by type of activity
  - Only report on data items relevant to the specific activity performed

# COMMON INDICATORS

- Amount of money leveraged
- Number of persons, households, businesses, units or beds assisted
- Income levels of persons or households
  - 30, 50, or 80 percent of AMI  
(only levels currently required in CDBG)
- Race, ethnicity, and disability data for activities that currently report these data

# SPECIFIC INDICATORS

- Indicators sorted by type of activity:
  - Public facility or infrastructure
  - Public service
  - Targeted revitalization
  - Commercial façade treatments or business building rehabilitation
  - Brownfields remediated
  - Rental units constructed
  - Rental units rehabilitated
  - Homeownership units constructed or acquired with rehabilitation

# SPECIFIC INDICATORS (cont'd)

- Indicators sorted by type of activity (cont'd):
  - Owner occupied units rehabilitated
  - Direct financial assistance to homebuyers
  - Tenant-based Rental Assistance (TBRA)
  - Homeless shelters
  - Emergency housing
  - Homeless prevention
  - Jobs created
  - Jobs retained
  - Business assistance
  - Businesses providing goods or services

# PM & IDIS REPORTING

- Need to determine who/how/when IDIS data entered
  - Some activities at set-up
  - Some activities at completion
  - Some activities incrementally until completion
- Advise grantees to develop record keeping system to track & document performance measures as well as accomplishments



# Detailed IDIS Entries to be on the Lookout for

- Lumping multiple eligible activities into a single activity
  - Mistake made by grantee: Setting up one activity for rehabilitation of youth facility, park, and sidewalk.
- Aggregating LMA activities with different service areas into one activity.
  - Mistake made by grantee: Grantee setting up one activity for all city parks that are to be improved.
- **Misuse of Capacity Building matrix code**
  - Mistake made by grantee: provides capacity building for an activity that is not eligible.

# Detailed IDIS Entries to be on the Lookout for (Cont.)

- Use incorrect matrix code (05R, 14H, or 13) for housing counseling only activity. Correct matrix code is 05U.
- Incorrectly report Energy Star certified housing units.
- Missing accomplishment data for the code enforcement activities.

# Cancel Activities with Draws

- Grantees may no longer cancel activities with draws without obtaining field office approval.
- Field offices will receive a bi-weekly report from IDIS entitled PR59-Requests to Cancel Activities with Draws.

IDIS

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

DATE: 11/13/2012

OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT

TIME: 10:49:30 AM

PAGE: 2/2

PR59 Requests to Cancel Activities with Draws

Hud Office	Request Status	Grantee	Activity	Activity Name	Grantee Login ID	Grantee Reason	Request Date	Field Office Login ID	Field Office Comment	Field Office Date	Last Update User Login ID	Metrics	Return Amount	Draw Down Target Amount
	Approved by FO	PENNSYLVANIA	42319	Hoover Bradford Draper Sewer	CD4004	I am returning 5\$ as a test.	11/7/2012	CD4004		11/7/2012	CD4004		(5)	12,155
	Cancelled with Draws	PENNSYLVANIA	35484	WHARTON TWP STREETS	H56825	There is totally a reasonable explanation for this.	11/5/2012	H56825		11/5/2012	System		0	39,806
			42272	Dunmore St Improvements 2nd Ward Paving Project	CD4004	I want to test this one as well	11/7/2012	CD4004		11/7/2012	System		0	135,000
PHILADELPHIA	Pending Cancel Request	PENNSYLVANIA	42270	JERMYN BORO STORM WATER IMP CHESTNUT/HUDSON STS.	CD4004	dfgdfgdfgdfgdfgh	11/8/2012				CD4004		0	11,057
			42271	2003 CS-Public Comm Facilities-Parking Spaces	CD4004	I	11/7/2012			CD4004		0	1,563	
	Rejected by FO	PENNSYLVANIA	31990	REHABILITATION - CT-07	H56825	I should absolutely be allowed to cancel this.	11/5/2012	H56825		11/5/2012	H56825		0	81,235

# Resources for at-risk Activities

- Grantee Instructions:  
<https://www.hudexchange.info/resource/2822/cdbg-changes-in-idis-instructions-for-grantees-idis-release-114/>
- Field Office Instructions: (See Handout)
- Q & A:  
<https://www.hudexchange.info/resource/3087/faqs-cdbg-idis-11-4-system-changes/>

# IDIS ONLINE REPORTS

- Grantees can generate IDIS Online reports to track and evaluate periodic and annual progress
- CDBG reports:
  - PR03: CDBG Activity Summary Report
  - PR06: Summary of Consolidated Plan Projects
  - PR23: Summary of Accomplishments
  - PR26: CDBG Financial Summary Report
  - PR59: CDBG Activities at Risk Dashboard
  - PR83: CDBG Performance Measures Report
  - PR84: CDBG Strategy Area, CDFI, and Local Target Area Report

# IDIS Resources for The CDBG Program

- URL: <https://www.hudexchange.info/idis/guides/cdbg/>

## IDIS Reference Materials for CDBG Grantees

- [Guidance for Reporting CDBG Accomplishments and Performance Measures in IDIS](#)

### Manuals

(provide detailed instructions for using IDIS)

- [IDIS Online for CDBG Entitlement Communities \(Manual and Appendices\)](#)
- [IDIS Online for State CDBG Grantees \(Manual and Appendices\)](#)

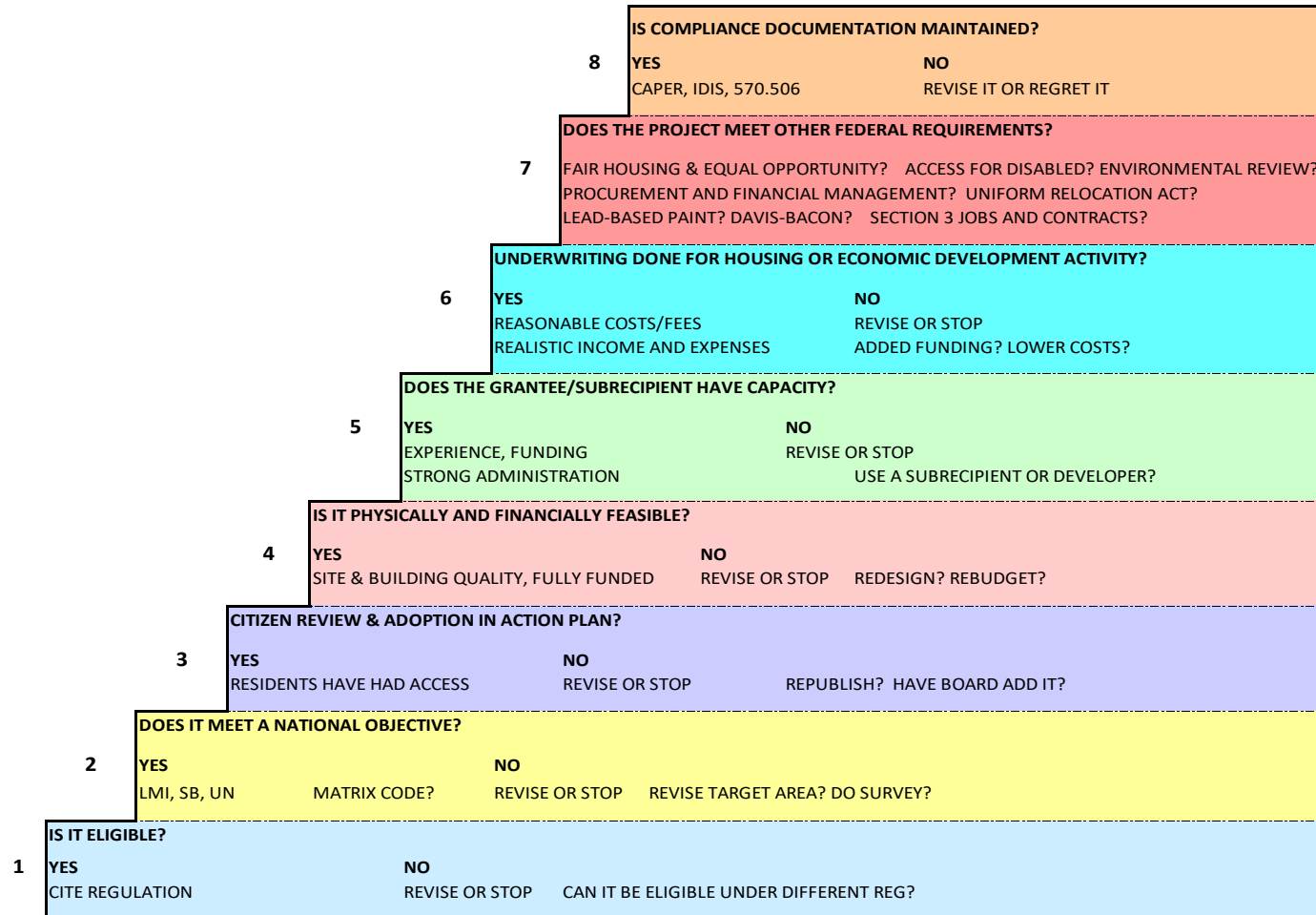
### Additional Guidance

(some of which are also available in the appendices to the above manuals)

- [FAQs CDBG IDIS 11.4 System Changes](#)
- [Zeroing Out Draws and Defunding Activities in IDIS](#)
- [Instructions for Returning Funds to the Line of Credit and to US Treasury](#)
- [Matrix Code Definitions](#)
- [National Objective Code Descriptions](#)
- [Matrix Code/National Objective Table](#)
- [Matrix Code/National Objective/Accomplishment Type Combinations Table](#)
- [EDA Job Category Definitions](#)
- [Reporting Race/Ethnicity Data for Activities Providing Access for Persons with Disabilities](#)
- [Instructions for Completing the CDBG Financial Summary Report \(PR26 \)](#)
- [Energy Star Performance Standards for Buildings](#)
- [IDIS Reports Guide](#)
- [Definitions of Strategy, Local Target, and CDFI Areas](#)
- [Selecting and Adding Special Areas on CDBG Setup Detail](#)
- [CDBG Changes in IDIS Instructions for Grantees IDIS Release 11.4: At-Risk Activity Review, Cancelling Activities with Draws, & Revising Draws to Other Activities](#)

# PUTTING IT ALL TOGETHER

## THE CDBG STAIRWAY TO ACTIVITY COMPLIANCE



# The End

