

Co-Managing Disaster Recovery and CARES Act Programs

INTRODUCTION

HUD provides flexible grants to help cities, counties, and states recover from Presidentially declared disasters. These programs are designed to primarily assist low-income households and areas. Funding for the programs is subject to the availability of supplemental appropriations.

CDBG-Disaster Recovery (CDBG-DR) funds are used to recover from Presidentially declared disaster for which they were appropriated. Examples of past disasters include hurricanes, floods, wildfires, tornadoes, and mudslides. Grantees conduct an unmet needs assessment to identify which aspects of the recovery have not been addressed through other sources. Grantees then prioritize and fund activities that address those unmet needs within their community.

CDBG-Coronavirus (CDBG-CV) funds must be used to prevent, prepare for, and respond to coronavirus. Both programs require substantial amendments to the grantee's CDBG Annual Action Plan.

CDBG-DR and **CDBG-CV** funding are authorized under Title I of the Housing and Community Development Act of 1974, as amended. Public Laws are the appropriation acts that provide funding for each program. In addition to any requirements cited in the appropriation acts, the CDBG regulations in 24 CFR 570 apply to both programs.

The **CDBG-DR** and **CDBG-CV** appropriations by Congress grant HUD broad authority to issue waivers and alternative requirements, which are identified in a Federal Register Notice issued after the announcement of allocations. This guide will address the difference and similarities between **CDBG-DR** and **CDBG-CV** as well as how they can be used together.

PROGRAM SIMILARITIES

Expenditures under each program must

- Be CDBG eligible activities as per 24 CFR Part 570, including any applicable waivers;
- Meet a national objective; and
- Be in compliance with cross-cutting federal regulations.

DUPLICATION OF BENEFITS

Both **CDBG-DR** and **CDBG-CV** require grantees to have adequate procedures in place to prevent any duplication of benefits. A duplication of benefits (DOB) occurs when a person, household, business, government, or other entity receives financial assistance from multiple sources for the same purpose, and the total assistance received for that purpose is more than the total need for assistance.

While both programs require procedures in place to prevent duplication of benefits, unlike **CDBG-DR**, **CDBG-CV** grantees do not need to follow a statutory “Order of Assistance” for delivery of different federal and non-federal programs. This means that **CDBG-CV** grantees do not need to validate whether other funding sources are available or will be available before allocating **CDBG-CV** assistance.

TIEBACK

Use of both **CDBG-DR** and **CDBG-CV** must tie-back to the significant events that prompted the Congress to approve special appropriations of CDBG-related funds.

Typically, the HUD publishes the above-mentioned Federal Register Notice to provide guidance for the authorized uses of the funds, including details about the tieback requirement; the basis on which those uses can support a CDBG national objective; and the percentage of funds that must be expended for activities that benefit low- and moderate-income persons.

DIFFERENCES

While both **CDBG-DR** and **CDBG-CV** must tie-back to the significant events, the requirements are slightly different. All **CDBG-DR** funded activities must address a direct or indirect impact from the respective disaster in both HUD-identified and grantee-identified most impacted and distressed areas. All **CDBG-CV** funded activities must prevent, prepare for, and respond to coronavirus.

Additionally, the two programs are different in respect to planning appropriate activities that tie-back to the event. Activities undertaken with **CDBG-DR** must be consistent with results of a “needs assessment” identified in an Action Plan. For **CDBG-CV**, no needs assessment is required; the Action Plan amendment must show additional activities to be funded.

TYPICAL ACTIVITIES

CDBG-DR

CDBG-DR funds can be used for CDBG eligible activities that tieback to the disaster for which funds were appropriated. These activities include:

- Housing Including Rehabilitation and New Construction (as often permitted via waiver);
- Public Facilities and Improvements;
- Public Services; and
- Special Economic Development Activities

Administration and planning are also eligible expenses.

Generally, Federal Register notices governing CDBG-DR funds require grantees to primarily address unmet housing needs. This includes the rehabilitation of damaged units, new construction (often permitted by waiver), and buyout programs.

CDBG-DR may fund the repair or reconstruction of public facilities and improvements, including features that will increase the resiliency of the facility or improvement.

A certain percentage of every grant must be expended for activities that benefit low- and moderate-income persons. Grantees can find the exact percentage and further requirements in the Federal Register Notices corresponding to their disasters.

CDBG-CV

CDBG-CV funds may be used for CDBG eligible activities that tieback to the pandemic, that is, to prevent, prepare for, and respond to COVID-19. These activities include:

- Public service activities
- Housing-related activities
- Public improvements and facilities
- Real property acquisition
- Economic development activities
- General administrative and planning activities

Activities must benefit residents within the jurisdiction of the grantee or as permitted by the CARES Act.

At least 70 percent of every grant must be expended for activities that benefit low- and moderate-income persons by providing housing, a permanent job, a public service, or access to new or significantly improved infrastructure. The remaining 30 percent may be used to eliminate slum or blighted conditions, or to address an urgent need for which the grantee certifies it has no other funding.

OPPORTUNITIES

ECONOMIC DEVELOPMENT

Early in the pandemic, HUD recognized the significant public benefit derived from the provision of assistance to stabilize or sustain businesses in jurisdictions that suffered disruption due to coronavirus. Guidance in the Federal Register Notice for **CDBG-CV** seeks to facilitate business assistance for this purpose to avoid complete economic collapse within a grantee's jurisdiction. Therefore, **CDBG-CV** is more targeted to small-scale economic development activities than **CDBG-DR**.

HUD established a waiver and alternative requirement to facilitate and expedite assistance to businesses affected by the pandemic by streamlining national objective criteria and recordkeeping requirements for activities that benefit low-moderate-income persons by retaining or creating jobs.

The normal job creation and retention recordkeeping requirements consider family income when determining whether a beneficiary is a person of low or moderate income. But these requirements are likely to be burdensome during a time when unemployment has surged and family income is more difficult to document. Collection of income information directly from assisted businesses streamlines assistance.

Grantees and employers may consider individuals that apply for or hold jobs to be members of one-person families for activities that prevent, prepare for, and respond to coronavirus. HUD also modified related recordkeeping requirements by adding the following additional presumption:

- The business may substitute records showing the type of job and the annual wages or salary of the job; and
- HUD will consider the person income-qualified if the annual wages or salary of the job is equal to or less than the Section 8 low-income limit established by HUD for a one-person family.

In areas that received CDBG-DR funds, business needs likely have changed between when a **CDBG-DR** Action Plan was written and the beginning of the pandemic (officially January 17, 2020). Affected businesses may need more working capital or rent assistance than contemplated when the **CDBG-DR** program was established. Also, the type and size of businesses affected by the pandemic is more varied and widespread than only those impacted by the previous disaster. As such, grantees have chosen to use **CDBG-CV** to assist a wider variety of small businesses, including microenterprises, more than large scale initiatives to support economic revitalization.

In October 2020, the Commonwealth of Puerto Rico amended its Action Plan to allocate **CDBG-CV** grant funding for a Microenterprise Enterprise Assistance Program in response to COVID-19. Municipalities provide assistance, through grants, to eligible microenterprises. The program compliments larger-scale economic development activities funded by **CDBG-DR** grants which are administered by the territorial government to support economic revitalization and recovery from disasters caused by Hurricanes Irma and María of 2017.

CDBG-CV FOR HOMELESSNESS

The pandemic has resulted in a strong push for non-congregate emergency shelters. This includes using **CDBG-CV** for the rental, acquisition and in some cases rehabilitation of motels or hotels to be used to house people experiencing homelessness. Rent subsistence programs can prioritize assistance for families that recently exited rapid rehousing or are currently in rapid re-housing or permanent supportive housing with inadequate rental assistance. These activities will most likely meet the limited clientele national objective.

In April 2020 King County WA moved more than 700 people out of high-density congregate emergency shelters and into single occupancy hotel rooms. A subsequent study by the University of Washington concluded the shelter de-intensification strategy limited the spread of COVID-19 among individuals moved to hotel locations as compared to those who stayed in congregate settings. The study also found that those in the hotels experienced higher exits to permanent housing and indications of greater engagement with homeless housing services than those that remained in congregate shelters.

PUBLIC FACILITIES

There are occasions when **CDBG-CV** and **CDBG-DR** can be used for the same project. One example would be a public facility impacted by a disaster and being repaired with **CDBG-DR** funds that experienced changing needs due to the pandemic. CV funds can be used to address those needs. Examples could include:

- A need for outdoor dining at a senior center
- Improved HVAC system that increases ventilation and includes technologies to remove or inactivate air contaminants

USEFUL RESOURCES

CDBG-CV Federal Register Notice

<https://www.hud.gov/sites/dfiles/CPD/documents/FR-6218-N-01-CDBG-CV-clean-8-7-20-header-for-posting.pdf>

CDBG-CV Resources

https://www.hud.gov/program_offices/comm_planning/cdbg_programs_covid-19

<https://www.hudexchange.info/programs/cdbg-cv/>

UPCOMING WEBINARS, TOOLS AND GUIDES

Webinars

Economic Development Models

Housing Models

National Objectives

Quick Guides

Broadband

Duplication of Benefits

Financial Management

Public Facility Improvements with CV

Rental Assistance

CDBG-CV ASK-A-QUESTION

<https://www.hudexchange.info/program-support/my-question/>

CDBG-CV ON-CALL TA

<https://www.hudexchange.info/hudexchange-portal/ta-Request/?taportalaction=tarequest%3Amain.requestta>