



# Deciding Which Activities to Fund



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# 1. Introduction

## 1.1 Purpose

Grantees develop the Consolidated Plan to allocate limited resources to the community development activities that are most likely to improve the quality of life in their communities. The Deciding Which Activities to Fund Tool helps grantees consider a combination of factors when making investment decisions, including their communities' **priority needs, market conditions, geographic targets, potential partners, and HUD resources**. The Deciding Which Activities to Fund Tool assists users in determining which activities are likely to produce the desired outcomes for the greatest number of people.

## 1.2 Who Should Use This Tool

Community development program managers and staff can use this tool to compare investment opportunities. Staff can use this tool during discussions with stakeholders and community members about options for addressing various needs in the community. The information derived from these discussions can assist community development staff in determining which activities will be included in the Strategic Plan of the Consolidated Plan and also in determining Annual Action Plan activities.

## 1.3 When to Use This Tool

Before using this tool, the grantee should have completed the Needs Assessment and Market Analysis sections of the Consolidated Plan and should have a good sense of the jurisdiction's priority needs and market dynamics. Information from the consolidated planning consultation process and knowledge of what agencies and organizations are equipped to carry out potential activities should be available before completing this tool. After using the Deciding Which Activities to Fund Tool, grantees may want to identify new activities or modify their goals and objectives as they prepare their Strategic Plan and Annual Action Plan.



The [Matching Priority Needs with Activities Tool](#) is a counterpart tool to the [Deciding Which Activities to Fund Tool](#). Grantees can use the Matching Needs and Activities Matrix to identify appropriate activities to address community needs identified through the Needs Assessment and Market Analysis. They then can use the Deciding Which Activities to Fund Tool to evaluate the potential impacts of possible activities to address the identified needs.

## 1.4 How to Use This Tool

The Deciding Which Activities to Fund Tool uses a simple four-point scale to assign values to six evaluation factors:

- **Need**
- **Market Conditions**
- **Geographic Priorities**
- **Partnership Possibilities**
- **HUD Resources**
- **Leveraged Funds**

The four-point scale ranges from a low of 1 to a high of 4, and measures the **urgency, potential impact, feasibility, partner capacity, resource adequacy, and possibility for collaboration** of the identified activity. The grantee may score activities as higher or lower depending on local priorities. For example, if a grantee identifies through its Needs Assessment and Market Analysis that there is a priority need for new construction of affordable rental housing to serve multiple income groups, the grantee may score this activity higher than an activity that would provide a social service to a limited number of people. The grantee may assign a greater weight to the rental housing activity by scoring it higher across the six factors, which would yield a higher overall score on the assessment tool.

The Deciding Which Activities to Fund Tool can be used by grantees not only to evaluate the impacts and feasibility of different activities but also to compare similar activities proposed by multiple groups. By rating potential activities across a number of factors, the grantee may discover that one group has a strong history in performing a specific activity, while another group has access to other funding sources that will help leverage HUD and local funds. This tool will help the grantee evaluate these differences and think strategically when making funding decisions about groups proposing similar activities.

After evaluating each activity against all of the factors and assigning point values, grantees can tally the total number of points and compare across activities. Not all evaluation criteria may be relevant to a given activity. The grantee should assign point values only for the factors that are relevant. The differences between activities will help the grantee identify the relative strengths and weaknesses of the various activities.

The Deciding Which Activities to Fund Tool is not a foolproof method for assigning values to activities. Grantees also should consider the context of the proposed activities and use the tool as a guide to aid their decision-making. A low score may not necessarily indicate that the activity is not worth sponsoring. Some activities that address a specific and critical need may not offer the same opportunities for leveraging, partnership, and potential impact as other activities but still may be important to undertake.

Before completing the tool, grantees should have the following information about proposed activities:

- ✓ A description of the activity and the population it is designed to serve
- ✓ Specific numerical goals for the people the activity will benefit
- ✓ The location of the activity, if applicable
- ✓ The staff qualifications of the organization implementing the activity
- ✓ The project history of the organization, including successes and failures
- ✓ Knowledge of other activity partners, including funders

## 2. Identifying the Activity

To begin completing the Deciding Which Activities to Fund Tool, briefly describe the activity on the top line of the form. An activity could be a project, such as construction of new rental units; a service, such as providing supportive services to victims of domestic violence; or a program, such as an owner-occupied housing rehabilitation loan program. First and foremost, grantees should identify activities that represent an opportunity to address community needs. The Matching Priority Needs with Activities Tool of the Maximizing Investments Toolkit can help grantees do this.

Grantees can find listings and descriptions of eligible activities in many HUD publications. Having a list of eligible activities is important so the grantee does not spend time evaluating proposals from the community that are not eligible for HUD dollars. In general, a grantee may expect to see requests to fund the following types of eligible activities: rental assistance, production of new units, rehabilitation of existing units, acquisition of existing units, homeless outreach, emergency shelter and transitional housing, rapid re-housing, homeless prevention, public facilities construction and improvements, infrastructure improvements, public services, and economic development.

### Step 1: Addressing Need



Before evaluating activities, grantees should have an understanding of the needs of various populations. The Consolidated Plan template in IDIS, the consolidated planning consultation and public participation process, and local data provide information on underserved populations and their needs. The Deciding Which Activities to Fund Tool identifies various population groups by income, household type, and number people who are homeless or have special needs. When using the tool, grantees should refer to SP-28 Priority Needs Summary of the eCon Plan Template. The grantee can assign higher point values to groups that show a higher level of need. In addition, the grantee may find it helpful to refer to the Needs Analysis and Market Analysis sections of the eCon Plan Template to review data related to the community need.

The data collected from these sources should guide the grantee in assigning point values to the different needs factors listed in the Deciding Which Activities to Fund Tool's Section 1, Needs Data.

Grantees should refer to NA-10 through NA-50 and SP-25 in the eCon Plan Template for information to guide their ratings for this section of the tool.



## Step 2: Addressing Market Conditions

The market conditions section of the Deciding Which Activities to Fund Tool identifies aspects of housing markets to help the grantee determine if the local market could support a given product or service. Designing products and services that address a specific demand (need) in an appropriate market is crucial to successful outcomes. For instance, in a rental housing market where rents are declining due to high vacancy rates, it may not make sense to add more units. The grantee should refer to the information collected in the Market Analysis section of the Consolidated Plan to assess market conditions and identify specific information on which to evaluate the factors listed in the Deciding Which Activities to Fund Tool's Section 2, Market Conditions.

For some community development programs and services, thinking in terms of supply and demand is challenging. Both data and consultation with local experts may help the grantee understand the local demand for projects, programs, or services. For example, if the data and local information show that a number of individuals cycle through homeless shelters without permanent stable housing, there may be demand for permanently affordable rental units that can deliver the needed supportive services to help residents maintain a stable housing situation.

The grantee can assign higher point values in the Deciding Which Activities to Fund Tool's Section 2, Market Conditions, for factors that reflect the high demand and low supply of the needed product or service.

Grantees should refer to MA-10 through MA-45 and SP-30 in the eCon Plan Template for information to guide ratings for this section of the tool.



## Step 3: Correlating with Geographic Priorities

Although the Consolidated Plan regulations do not require grantees to create target areas, HUD encourages grantees to consider identifying geographic priority areas and to make place-based investments. In some cases, grantees may already have target areas that they have designated for public investment. These designations may be due to blighting conditions or other factors that local leaders have determined detract from the quality of life for community members. By analyzing data through CPD Maps, a component of the eCon Planning Suite, or another GIS system, local communities may determine how to target investments to improve the social and economic conditions in certain neighborhoods or submarket areas of the jurisdiction. In some cases, the grantee or other municipal department may have designated revitalization or redevelopment areas. These designations may mean that there are plans and commitments in place to invest in areas that have been underserved or have suffered from a lack of private investment.

In the Deciding Which Activities to Fund Tool's Section 3, Geographic Target Areas, grantees may rate geographic priority area activities. Some activities may not be geographically based and, therefore, they may not score as highly in this section as others that are intended to have a direct impact on a limited area of the jurisdiction. However, a low score on geographic targeting does not necessarily mean the activity is not worth sponsoring. It may mean that the activity addresses a need that is area-wide versus a need that is specific to a given neighborhood or sub-area.

Grantees should refer to SP-10, Geographic Priorities, in the eCon Plan Template for information to guide their ratings for this section of the tool.



## Step 4: Evaluating Partners

Most successful programs and projects have a strong team executing the activities. Grantees should begin identifying partners during the consultation process for the Consolidated Plan. The tool [Using Stakeholder Input in Consolidated Planning](#), included in the Maximizing Investments Toolkit, provides useful tips on how to identify and engage community stakeholders and agencies that are involved in providing programs and services to different populations within the community.

A fundamental consideration in assessing the feasibility of an activity is the capacity of the staff carrying out the activity and the resources available to them. Often grantees have gained in-depth knowledge and information about past efforts of a given agency through monitoring. The information gained from the consultation process and monitoring can help the grantee assess the strengths and weaknesses of potential partners in the Deciding Which Activities to Fund Tool's Section 4, Potential Partnerships.

In the case of agencies and organizations that do not have an established history of completed community development projects, assessing the partners' other completed projects and programs can give grantees a good picture of the potential partner's capacity and resources. The grantee can see if the partner has support from other government agencies and commercial lenders, including whether the partner has secured other funding commitments. In a situation where multiple entities seek funding to implement the same type of activity, the results from the grantee's assessment can be a determining factor in choosing a partner.

Grantees should refer to PR-10, Consultation, and SP-40, Institutional Delivery Structure, in the eCon Plan Template for information to guide their ratings for this section of the tool.



## Step 5: Identifying Funding Resources

Funds are needed to implement any activity. However, funds provided through HUD programs can only be used for eligible activities. If a grantee wishes to use HUD funds to support an activity, the grantee not only should make sure that the activity is eligible for funding but also should consider which funding source best fits the activity as some HUD funds are more restrictive than others. For instance, if a grantee is considering funding a homeless housing activity, it may want to consider funding it with Emergency Solutions Grant (ESG) funds rather than HOME funds since ESG is specifically targeted to homeless needs and does not have some of the restrictions of HOME funds.

Typically, HUD funding alone will not be sufficient to fund all the activities grantees may want to implement. It usually will be necessary for the grantee to leverage other funding to carry out the full range of activities identified. Before completing the Deciding Which Activities to Fund Tool's Section 5, HUD Funds, and Section 6, Other Leveraged Funds, the grantee should inventory the range of funding resources that may be available to support the activity.

In an era of declining federal resources, grantees will be able to implement a broader range of activities if they can identify and recruit other funding sources to leverage their HUD resources. An important aspect of assessing actions that will produce the best outcomes includes an impartial analysis of which partners can draw on the broadest array of resources for a given activity. Evaluating the availability of resources beyond HUD allocations also can help grantees gain a clearer vision of which activities may be financially viable.

Grantees should refer to PR-10, Consultation, and SP-40, Institutional Delivery Structure, in the eCon Plan Template for information to guide their ratings for this section of the tool.

## The Final Step: Adding It All Up



The final step in using the tool is to add up all the points assigned to an activity across the six evaluation factors and write the figure next to **Total Rating Points for this Activity**. The grantee can then compare the point totals across the activities it is considering funding.

Numerous factors must be considered as communities formulate their Consolidated Plans and often program administrators face competing priorities and requests for limited funding. By engaging in a process to weigh various investment options, grantees can provide a rational framework for establishing and justifying activity choices. The Deciding Which Activities to Fund Tool can help grantees organize and document their internal decision-making.

The Deciding Which Activities to Fund Tool is not designed to replace the decision-making authority of locally appointed and elected officials. As discussed previously, grantees can use the tool in a variety of ways to inform decisions. In general, the total score is a reflection of how well the activity meets the grantee's priorities. They can use point scores to compare similar activities or to discover the activities that are most compelling. In some cases, grantees may want to assign a minimum score to projects and consider only the activities that exceed that score.

## 3. Example

On the pages that follow is an example of a completed rating sheet to illustrate how the Deciding Which Activities to Fund Tool works. It shows how a grantee might score an activity on the six evaluation factors included in the tool.

### Eligible Activity: Shady Grove Owner-Occupied Housing Rehabilitation Program

#### Section 1: Needs Data

Needs analysis tables show a higher than average percentage of residents living in substandard housing. Data shows a higher number of health and safety problems in owner-occupied structures and a high number of over-crowded households based on HUD occupancy standards for number of bedrooms compared to number of occupants. Housing problems data show a high number of owner householders paying more than 50 percent of income for shelter. **High ratings are given on the relevant factors relating to need.**

#### Section 2: Market Conditions

Local Realtors and lenders report that Shady Grove neighborhood real estate values are falling. Manufactured home lease parks report that unit owners are unable to make needed repairs because of lack of funds and financing options. **High ratings are given because of the challenges of the real estate market.**

#### Section 3: Geographic Target Area

The Shady Grove neighborhood, which is the target area for the rehabilitation program, is part of the downtown redevelopment zone created by the city several years ago. Many of the homes in the redevelopment area show signs of deterioration and disinvestment. The housing conditions were a consideration in designating the neighborhood part of the downtown redevelopment zone. **High ratings are given because the activity is located in a target area.**

#### Section 4: Potential Partnerships

Three Corners Community Action Agency has proposed providing a rehabilitation program for the Shady Grove neighborhood. The agency has previously successfully closed out other CDBG grants for rehab and public services. The agency has successfully operated a rehabilitation program in other city neighborhoods for a number of years and has always met production goals with quality completions. First Western Bank has been approached about providing bank funds to be blended with city funds to offer loans to homeowners who can afford some payments. The City Redevelopment Agency will be providing infrastructure improvements in the redevelopment area and has agreed to provide new curb/gutter/sidewalk installations for homes that need them as part of the scope of work for rehab. **High ratings are given because of the partnerships between the rehabilitation agency, the bank, and the city redevelopment agency.**

## Eligible Activity: Shady Grove Owner-Occupied Housing Rehabilitation Program

### Section 5: CPD Resources

The proposed activity is an eligible activity under both the HOME and CDBG guidelines. The flexibility of using two different HUD sources is appealing because the grantee may undertake other activities that will not meet the eligibility requirements for two HUD fund sources. **High ratings are given because the activity allows for flexible use of HUD resources.**

### Section 6: Other Leveraged Funds

Several community partners are willing to contribute resources to make the CPD funds go further. The bank is willing to provide loans in cases where homeowners can afford to contribute to the project. The city will waive building permit fees on the project and provide both up-front inspections and interim construction inspections on the projects. The state housing agency has funding allocated by the legislature for use in owner-occupied rehab projects. The community action agency will apply for state funds, which have fewer restrictions than federal funds and can be easily blended with either HOME or CDBG funds. **High ratings are given because the activity leverages more than one type of funding.**

### Adding It All Up:

The final point total for this rehab project is high because it scores well on a number of the six evaluation factors in the Deciding Which Activities to Fund Tool. The point values are somewhat subjective and depend on how the rater views the relevant factors. If there is more than one rater for a given activity, their ratings may differ. However, if each rater uses the information available to analyze the various factors, the activities that have the highest potential for success and benefit to the community will have the highest ratings.

Figure 1: Screenshot of Deciding Which Activities to Fund Tool

**Deciding Which Activities to Fund Tool** BACK

Version 1.0

PLEASE ENTER INFORMATION FOR ACTIVITY 1:

DESCRIPTION:  NICKNAME:

NEEDS DATA	RATING	COMMENTS / REASONS
Number of households in substandard housing	4	Higher than average
Number of households w/severe overcrowding	3	
Number of households overcrowded	4	High number of overcrowded households; health and safety problems
Number of households w/cost burden >50%	4	Higher number of owner householders paying more than 50%
Number of households w/cost burden >30%	3	
Number of households w/disproportionate need	1	
Number of unsheltered homeless adults	1	
Number of unsheltered homeless families	1	
Number of chronically homeless individuals	1	
Number of chronically homeless families	1	
Long wait for homeless prevention assistance	1	
Number of elderly/frail elderly	1	
Number of persons w/disabilities	1	
Number of persons w/HIV/AIDS	1	
Number of victims of domestic violence	1	
Number of persons needing supportive services	1	
Number of cost burdened owner households	4	Higher number of owner householders paying more than 50%
Non-housing community development needs	1	
Needs for public services/programs	1	
<b>Other</b>		

