



BASICALLY CDBG

FOR ENTITLEMENT COMMUNITIES



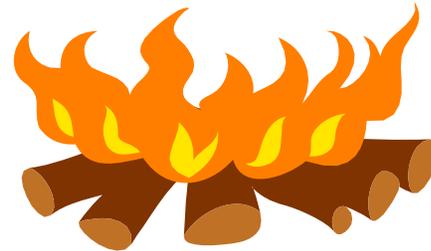
WELCOME

- ❑ Sponsored by:
 - ◆ U.S. Department of Housing and Urban Development, Kansas City, KS Office
- ❑ Developed by ICF Consulting Inc.
 - ◆ Bill Rotert
 - ◆ Steve Eberlein



INTRODUCTIONS

- ❑ Name
- ❑ Organization
- ❑ Types of CDBG activities
- ❑ Hot questions



MORE ABOUT YOU

□ Years of experience with CDBG

<1 yr

1-5 yr

5-10 yr

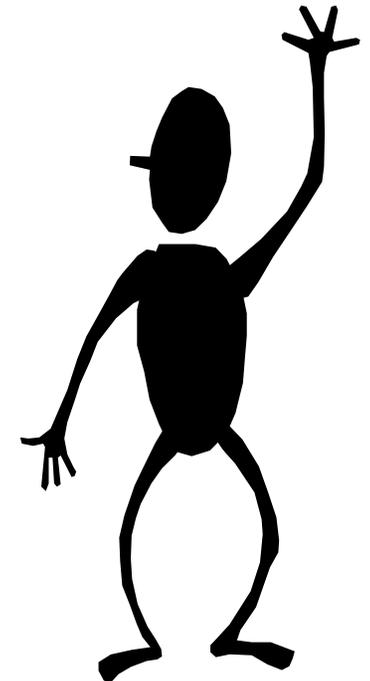
10+ yr

□ Level of CDBG expertise

Expert!

Some experience

“CDBG” stands for what?



BACKGROUND

- ❑ Course goals
- ❑ Exercises
- ❑ Lunch/breaks
- ❑ Facilities
- ❑ Agenda
- ❑ Manual



COURSE RULES

- ❑ Ask questions!
- ❑ Share information
- ❑ Arrive on time / Leave on time
- ❑ Amnesty



CHAPTER 1: CDBG OVERVIEW

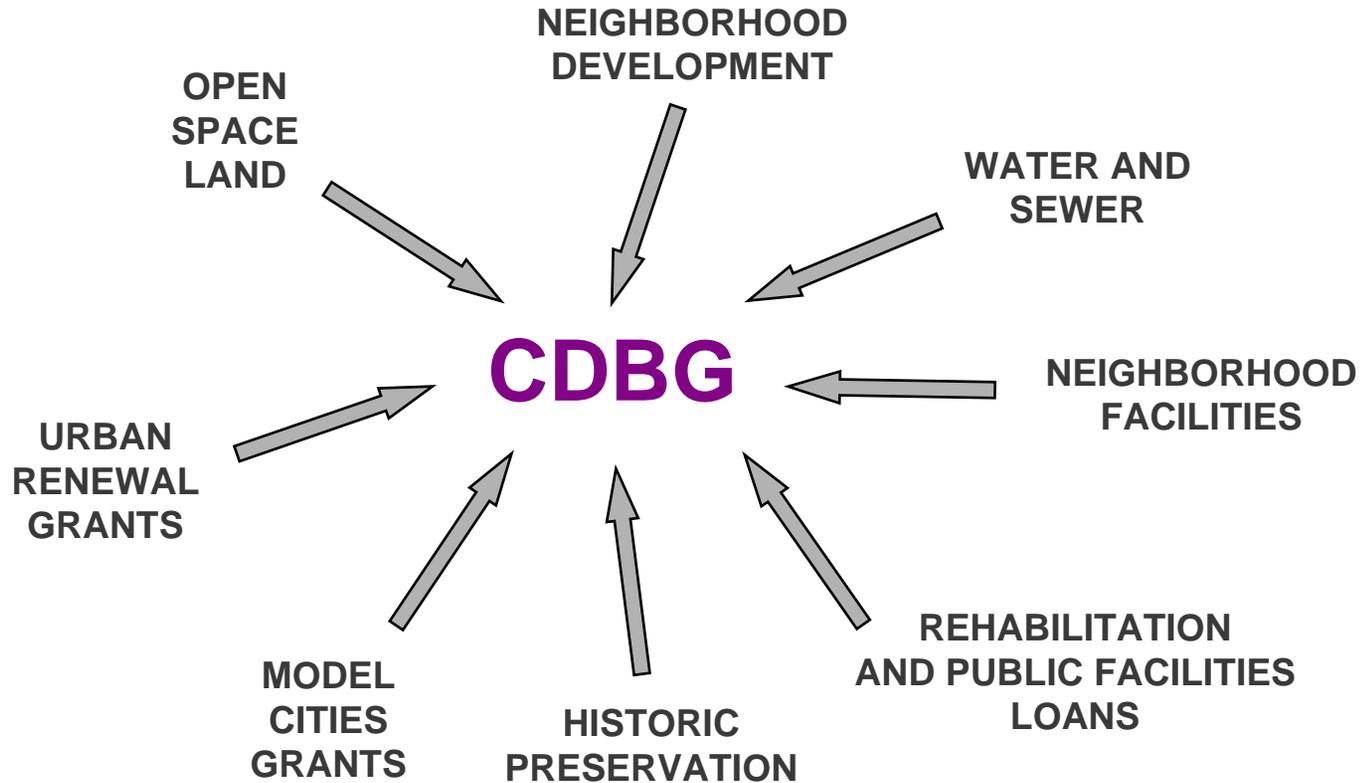
□ Covers:

- ◆ Program history and objectives
- ◆ Regulatory context
- ◆ Eligible and Ineligible CDBG activities
- ◆ National objectives
- ◆ Spending targets and caps



CDBG HISTORY

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



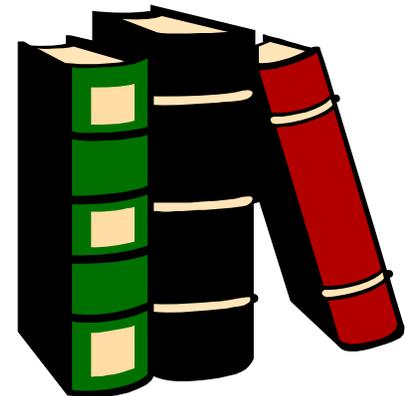
PRIMARY OBJECTIVE

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



CDBG REGULATIONS

- ❑ Found at 24 CFR Part 570
- ❑ Rules changes in recent years due to:
 - ◆ statutory changes
 - ◆ desire for increased flexibility
 - ◆ response to IG audits
- ❑ Major rule revisions:
 - ◆ January 1995
 - ◆ November 1995
 - ◆ April 1996



KEY DEFINITIONS

- ❑ Entitlement Program
- ❑ State and Small Cities Program
- ❑ CDBG Recipient
- ❑ Subrecipient
- ❑ Consolidated Plan
- ❑ Low and Moderate Income



ELIGIBLE ACTIVITIES & NATIONAL OBJECTIVES

- 5 key questions prior to funding activity
 - ◆ Is the activity in the Consolidated Plan, Action Plan?
 - ◆ Is the activity eligible?
 - ◆ Is it ineligible?
 - ◆ Will it meet a national objective?
 - ◆ Will it help to meet the 70% low/mod benefit rule?

- Answers critical to determine prior to funding



ELIGIBLE ACTIVITIES

□ Wide variety possible

- ◆ Real property activities
- ◆ Economic development
- ◆ Public services
- ◆ CBDO activities
- ◆ Planning and administration
- ◆ Others



□ Reg cites §570.201 - §570.206



Selecting Activities

□ Fund & Report Activities Separately

- ◆ With few exceptions do not aggregate activities
 - ↳ Like activities with different services areas
 - ↳ Like activities with different clientele
 - ↳ Housing activities with different scopes of work
- ◆ Avoid “bundling” activities that meet different national objective requirements
- ◆ Evaluate reporting burdens
- ◆ Evaluate staff capacity
 - ↳ Internally
 - ↳ Subrecipient Level



Selecting Activities

- ❑ Do the proposed costs for the activity appear necessary and reasonable and would those costs conform to requirements of applicable OMB Circulars?
- ❑ Reference: §570.502 and Parts 84 & 85



INELIGIBLE ACTIVITIES

- ❑ Regs expressly prohibit:
 - ◆ Buildings for conduct of government & general government expenses
 - ◆ Political activities
 - ◆ New housing construction(with some exceptions)
 - ◆ Income payments
 - ◆ Purchase of equipment
 - ◆ Operating and maintenance expenses
 - ◆ Assistance to professional sports franchises

- ❑ Some exceptions for ED and CBDO activities, interim assistance



CONSTITUTIONAL PROHIBITION

- ❑ CDBG funds may not be used for religious activities or to promote religious interests
- ❑ New Rule published on 9/30/03.
 - ◆ Allows more involvement by faith-based groups
 - ◆ Still restricts religious activities/interests
 - ◆ Cannot use religion as a basis for selection
 - ◆ No improvements to places of worship
 - ◆ Allows cost allocation approach to rehab

Office of Faith Based Initiatives

- ◆ <http://www.hud.gov/offices/fbci/index.cfm>



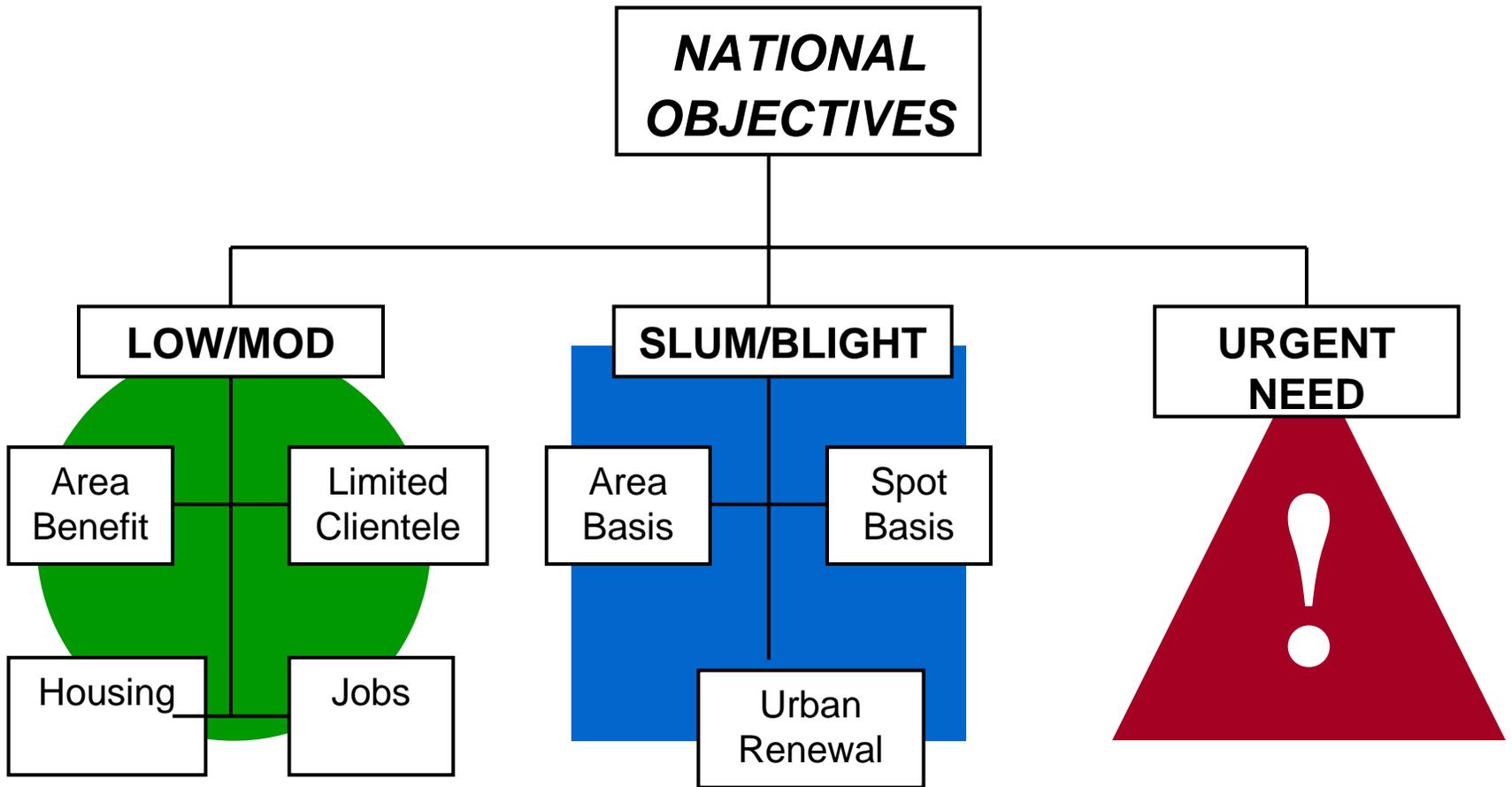
NATIONAL OBJECTIVES

- ❑ Reg cite §570.208

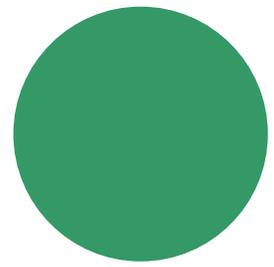
- ❑ All CDBG activities must:
 - ◆ Benefit low/mod income persons
 - ◆ Prevent or eliminate slums and blight OR
 - ◆ Meet an urgent need



NATIONAL OBJECTIVES



LOW/MOD BENEFIT NATIONAL OBJECTIVE



- ❑ §570.208(a)
- ❑ To meet the low/mod national objective, activities must:
 - ◆ Meet the **area benefit** test;
 - ◆ Benefit a **limited clientele**;
 - ◆ Meet the **housing** occupancy criteria; OR
 - ◆ Meet the **job creation or retention** test



LOW/MOD BENEFIT AREA BENEFIT



- Activities that benefit all residents of area
 - ◆ 51% low/mod OR
 - ◆ Upper quartile percentage (exception communities)
- Area must be primarily residential



Area Benefit

- ❑ Service Area must be clearly defined
- ❑ Service Area must be realistic to for the activity being undertaken
- ❑ Benefits of the activity must be available to all residents of the service area
- ❑ Service Area must be consistent with geographic priorities of the Con Plan



LOW/MOD BENEFIT LIMITED CLIENTELE



❑ Activities that benefit specific populations

- ◆ Presumed clientele
- ◆ 51% of participants are LMI
- ◆ participation limited to LMI only
- ◆ Nature and location indicate low/mod benefit



❑ Some activities may qualify

- ◆ Removal of architectural barriers (some activities); or
- ◆ Microenterprise activities with LMI owners; or
- ◆ Certain types of job training efforts.



Limited Clientele – Presumed Benefit

- Activities that exclusively serve:
 - ◆ Abused Children
 - ◆ Battered Spouses
 - ◆ Elderly Persons (62+)
 - ◆ Severely Disabled Adults (not children)
 - ◆ Homeless Persons
 - ◆ Illiterate Adults
 - ◆ Persons with AIDS
 - ◆ Migrant Farm Workers



Limited Clientele

- ❑ Activities involving the following cannot be classified under the Limited Clientele National Objective:
 - ◆ Acquisition of Housing
 - ◆ Construction of Housing
 - ◆ Rehabilitation of Housing
- ❑ Remember to collect race/ethnicity data on all persons benefitting



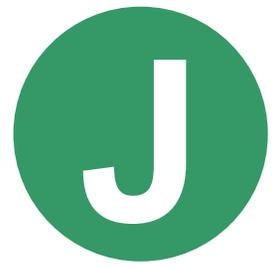
LOW/MOD BENEFIT HOUSING



- ❑ To meet the housing national objective, structures must be occupied by low/mod households
 - ◆ One unit structures occupied by LMI household
 - ◆ One unit of duplex occupied by LMI household
 - ◆ 51% of 3+ units LMI occupied by LMI household
- ❑ May have less than 51% LMI occupancy only under certain circumstances
- ❑ Aggregation allowed in some instances



LOW/MOD BENEFIT JOBS



- ❑ 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



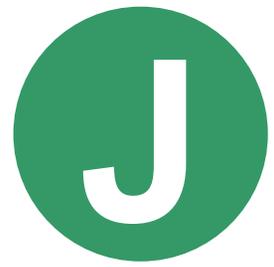
LOW/MOD BENEFIT JOBS



- ❑ For jobs **created**, 51% of the jobs must be available to or held by LMI persons
- ❑ For jobs to be considered **retained**, document that jobs would be lost without CDBG and that the 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.



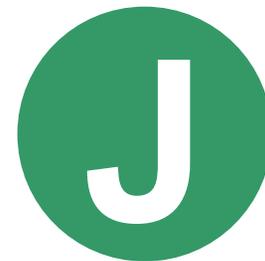
LOW/MOD BENEFIT JOBS AVAILABLE TO LMI



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



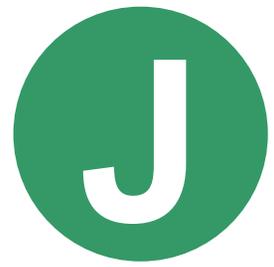
LOW/MOD BENEFIT JOBS HELD BY LMI



- For jobs to be considered *held by* LMI persons:
 - ◆ 51% of the FTE jobs must be LMI
 - ◆ Must document income of LMI persons hired or have evidence of presumption
 - ◆ Must have a written agreement with business



LOW/MOD BENEFIT LMI PRESUMPTION



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



SLUM AND BLIGHT NATIONAL OBJECTIVE



- ❑ Reg cite §570.208(b)
- ❑ Must meet test:
 - ◆ On an **area basis**
 - ◆ On a **spot basis** OR
 - ◆ Be in an **urban renewal** area.



SLUM AND BLIGHT

AREA BASIS



- ❑ Area must meet definition of slum/blighted area under state/local law
- ❑ Substantial number of deteriorated/deteriorating buildings or public improvements
- ❑ Activity must address conditions contributing to deterioration



SLUM AND BLIGHT SPOT BASIS



- ❑ Activities that address specific conditions of blight/physical decay not in slum/blight area
- ❑ Activities limited to acquisition, clearance, relocation, historic preservation, building rehab
- ❑ Rehab limited to elimination of conditions detrimental to public health and safety



SLUM AND BLIGHT **URBAN RENEWAL**



- ❑ Activities in Urban Renewal or Neighborhood Development Program action areas
- ❑ Activities necessary to complete an Urban Renewal Plan
- ❑ Uncommon as many grantees no longer have Urban Renewal funds/plans

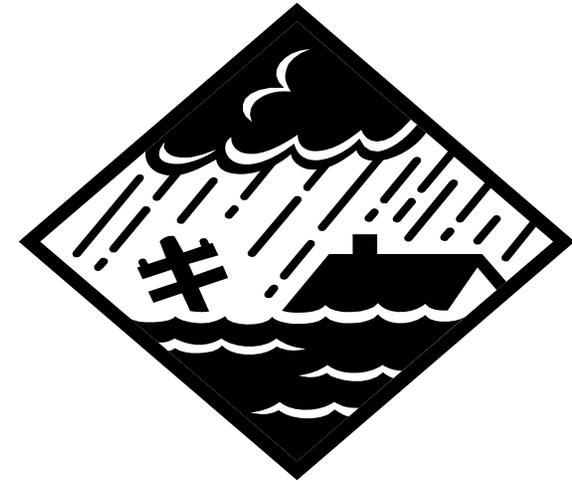


URGENT NEED

NATIONAL OBJECTIVE



- ❑ Reg cite §570.208(c)
- ❑ 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
 - ◆ Recipient cannot finance on its own
 - ◆ Other funding sources not available



LOW/MOD BENEFIT REQUIREMENT

- ❑ Requires that 70% of all CDBG expenditures benefit low/mod persons
 - ◆ Cumulative expenditures, not budgeted
 - ◆ Certification period of 1-3 years
- ❑ Reported in CAPER
- ❑ Section 108 is a CDBG expenditure, planning/admin not included



PUBLIC SERVICES CAP

- ❑ Obligations for public service activities may not exceed:
 - ◆ 15% of annual entitlement grant **PLUS**
 - ◆ 15% of last year's program income
- ❑ Some public services may now be excluded from the cap calculation



ADMINISTRATIVE CAP

- Obligations for planning and administration may not exceed:
 - ◆ 20% of annual entitlement grant **PLUS**
 - ◆ Current year program income



OTHER FEDERAL REQUIREMENTS

- ❑ Fair Housing and equal opportunity
- ❑ Handicapped accessibility
- ❑ Employment and contracting
- ❑ Environmental review
- ❑ Flood insurance
- ❑ Lead-based paint
- ❑ Labor standards
- ❑ Debarred contractors
- ❑ Conflict of interest
- ❑ Acquisition and relocation



CHAPTER 2: SELECT AND IMPLEMENT ACTIVITIES

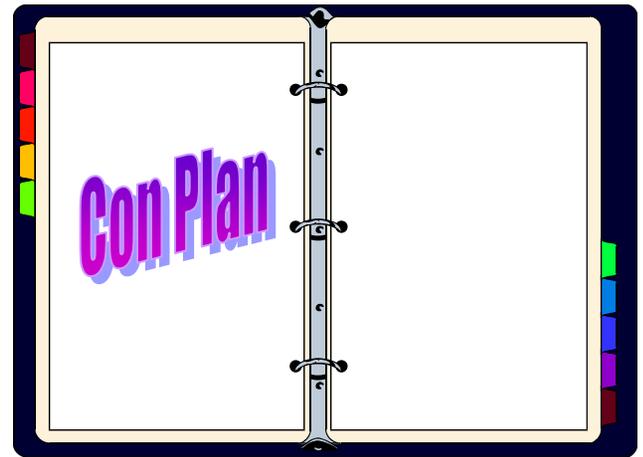
□ Covers:

- ◆ WHAT: The Planning Framework
 - ↳ The Consolidated Plan as a planning tool
- ◆ WHO: Organizations and Activities
 - ↳ Subrecipients
 - ↳ CDBOs
 - ↳ CDFIs
 - ↳ Contractors
- ◆ HOW: Choosing Projects and Subrecipients



THE CONSOLIDATED PLAN

- ❑ Helps determine activities and organizations to fund
- ❑ Components:
 - ◆ Lead agency description
 - ◆ Housing and homeless needs assessment
 - ◆ Housing market analysis
 - ◆ Strategic plan
 - ◆ Anti-poverty Plan
 - ◆ One-year action plan



THE CONSOLIDATED PLAN

- ❑ Citizen participation required
- ❑ Activities must be specifically identified
 - ◆ No bundling. Identify by activity & national objective
- ❑ Include Performance Benchmarks
- ❑ Con Plan reviewed and approved by HUD
 - ◆ Submitted to field office at least 45 days prior to start of program year
 - ◆ Con Plan approval is based on content not specific activities
- ❑ Amendments allowed
- ❑ Annual performance reporting measured against Con Plan goals and activities



WHO WILL MANAGE & IMPLEMENT ACTIVITIES?

- Grantees have options:
 - ◆ Grantee staff
 - ◆ Subrecipients
 - ◆ Community Based Development Organizations (CBDOs)
 - ◆ Community Development Finance Institutions (CDFIs)
 - ◆ Contractors



MAKING THE DECISION

- ❑ Some programs run mainly by grantee staff
- ❑ Some programs rely heavily on subrecipients, CBDOs or contractors
- ❑ Program design influenced by:
 - ◆ Size of community/amount of grant
 - ◆ Types of programs
 - ◆ Staff/subrecipient capacity



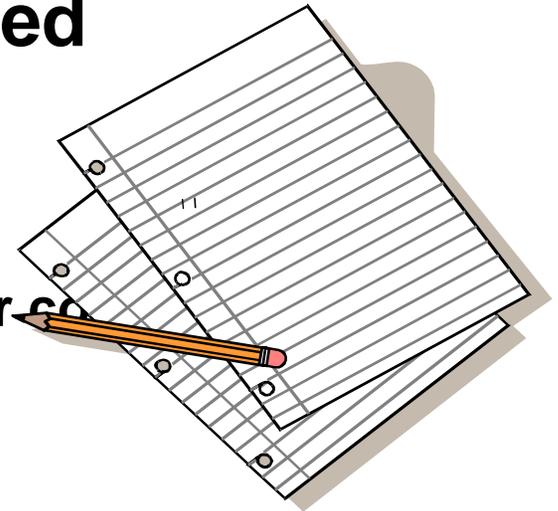
SUBRECIPIENT DEFINED

- ❑ Reg cite §570.500(c)
- ❑ Public or private nonprofit organization/ agency receiving CDBG funds from grantee for eligible activities
 - ◆ A for-profit agency assisting microenterprises may be a subrecipient
 - ◆ Institutions of higher learning may be subrecipients
 - ◆ CBDOs not automatically subrecipients
 - ◆ Contractors are not subrecipients
 - ◆ Property owners receiving grant funds not subs



SUBRECIPIENT AGREEMENTS

- ❑ A detailed written agreement **MUST** be executed before funds disbursed
- ❑ Required elements:
 - ◆ Statement of work
 - ↳ Specific tasks, output, timetable for completion
 - ◆ Records and reports
 - ◆ Program income
 - ◆ Uniform administrative & other federal requirements
 - ◆ Suspension/termination & reversion of assets
 - ◆ Conditions for religious organizations



COMMUNITY BASED DEVELOPMENT ORGANIZATIONS (CBDOS)

- ❑ Reg cite §570.204
- ❑ CBDOs may carry out certain projects:
 - ◆ Neighborhood revitalization
 - ◆ Community economic development
 - ◆ Energy conservation
- ❑ All activities they undertake *must* fall into one of these areas



CBDO REQUIREMENTS

□ Organization must:

- ◆ Be organized under state/local law for specific community development activities
- ◆ Operate in a specific geographic area within grantee's jurisdiction (Not City-wide)
- ◆ Have as its primary focus the improvement of economic/ physical/social aspect of service area, particularly for low/mod persons
- ◆ Have a governing body of at least 51% low/mod reps



CBDO GOVERNING BODY

- ❑ To meet the 51% low/mod representation:
 - ◆ Residents of service area
 - ◆ Owners/officers of entities located in service area OR
 - ◆ Representatives of low/mod neighborhood groups in service area
- ❑ Less than 1/3 of board may be elected/ appointed public officials or employees of grantee
- ❑ Governing body must be nominated by general membership



OTHER CBDO REQUIREMENTS

- ❑ If CBDO is a for-profit entity, profits to shareholders/ members must be incidental to operations
- ❑ Single-neighborhood-based CHDOs automatically meet CBDO requirements; other CHDOs must qualify
- ❑ Certain SBA organizations may qualify (501, 502, 503)



CBDOS v. SUBRECIPIENTS

- ❑ CBDO not automatically a subrecipient; grantee may decide how to treat organization
- ❑ Implications:
 - ◆ Program income
 - ◆ Written agreement requirements
 - ◆ Uniform administrative requirements, incl. reversion of assets
 - ◆ Cost reasonableness must be established



CBDO ACTIVITIES

- ❑ Must fall into one or more of the CBDO Umbrella activities
- ❑ Possibilities:
 - ◆ New housing construction (can ONLY be carried out by a CBDO)
 - ◆ Job training outside the public services cap
 - ◆ Public services as part of approved Neighborhood Revitalization Strategy effort outside the cap
 - ◆ Other economic development activities



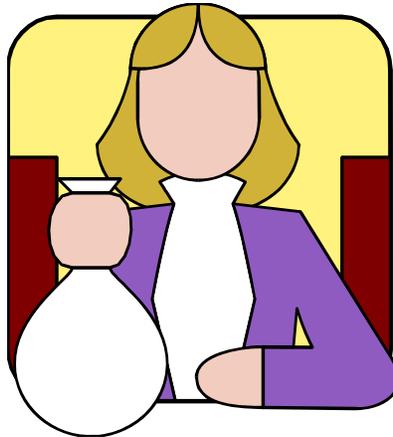
COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFIs)

- ❑ A community-based lending institution
- ❑ 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



CDFIs

- ❑ Examples: c.d. banks, c.d. loan funds, microenterprise loan funds, some venture capital organizations
- ❑ CDFI fund managed by the Department of Treasury



CDFI FLEXIBILITIES

- ❑ Special consideration for CDFI activities under new 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



CDFI FLEXIBILITIES (cont.)

- When CDFI charter limited to a 51% LMI investment area:
 - ◆ Job activities qualified as meeting area benefit
 - ◆ Scattered site housing may be considered a single structure
 - ◆ ED activities may be exempt from aggregate standards



HOW

WILL SELECTIONS BE MADE?

- ❑ Subrecipients, CBDOs and CDFIs may be “picked” by the grantee
- ❑ Four models:
 - ◆ Formal application process (RFP or NOFA)
 - ◆ Limited application process
 - ◆ Business as usual/RFQ process
 - ◆ Open door (unsolicited) process
- ❑ Most grantees use a combination



CONTRACTORS

- ❑ Different than CBDO or subrecipient
- ❑ Must be competitively procured
- ❑ Use when activity:
 - ◆ Is discrete
 - ◆ Has a defined beginning and end date
 - ◆ Is for a specific project



SELECTING CONTRACTORS

- ❑ Selection of contractors must be procured
 - ◆ 24 CFR Part 85 (for public entities)
 - ◆ OMB Circular A-110 (for nonprofits)

- ❑ Procurement requirements must also be followed when purchasing supplies, materials or equipment



CHAPTER 3: HOUSING ACTIVITIES

- This chapter covers:
 - ◆ Homeowner rehab
 - ◆ Home purchase
 - ◆ Rental housing acquisition and rehab
 - ◆ Housing services



Housing Activities

□ Important Considerations

- ◆ Written Program Criteria
- ◆ Separate Different Programs
- ◆ Detailed Specifications/Underwriting
- ◆ Cost Reasonableness
- ◆ Inspection Standards
- ◆ Documentation at Completion



HOMEOWNER REHAB ELIGIBLE ACTIVITIES

- ❑ General rehab programs eligible
- ❑ Special purpose programs OK
 - ◆ Energy efficiency and weatherization
 - ◆ Emergency repair
 - ◆ Handicapped accessibility
- ❑ Assistance can be in form of grants, loans, loan guarantees, interest subsidies



HOMEOWNER REHAB ELIGIBLE ACTIVITIES

- ❑ Reconstruction now eligible
- ❑ Loans for refinancing existing, secured indebtedness OK
- ❑ Rehab of homes with business considered eligible homeowner rehab if:
 - ◆ Necessary to operate business
 - ◆ Improvements provide general benefit to occupants



HOMEOWNER REHAB ELIGIBLE COSTS

- ❑ Costs of labor and materials eligible
- ❑ Related eligible costs:
 - ◆ Initial homeowner warranty premium
 - ◆ Hazard insurance premium (except with grant)
 - ◆ Flood insurance premium
 - ◆ Lead-based paint testing & abatement



HOMEOWNER REHAB INELIGIBLE ACTIVITIES

❑ Maintenance Activities

- ◆ OMB A-87: Activities that do not add to the permanent value of the property or appreciably prolong its extended life

❑ Purchase of construction equipment not eligible

- ◆ Tool lending programs are OK as long as tools are housing rehab related.



HOMEOWNER REHAB

NATIONAL OBJECTIVES

- ❑ Typically done under Low/Mod Housing national objective
- ❑ May be done under Slum/Blight Area Basis or Spot Basis
 - ◆ Remember constraints about rehab activities!



ESCROW ACCOUNTS

- ❑ Escrow accounts provide an excellent way to pay contractors
 - ◆ Must be required in order for project to move forward
 - ◆ Rarely needed with the advent of wire transfer
- ❑ Must be used for loans and grants for primarily residential structures
- ❑ Require an executed contract with homeowner authorizing escrow account



ESCROW ACCOUNTS

- ❑ Funds deposited in account must be used within 10 working days
- ❑ Limited to paying actual rehab costs
- ❑ Account must be interest bearing & interest must be paid to HUD quarterly



HOME PURCHASE ELIGIBLE ACTIVITIES

- Two ways to do homeownership assistance:
 - ↪ As direct homeownership assistance
 - ↪ As a public service activity (subject to cap)



HOME PURCHASE ELIGIBLE ACTIVITIES

- ❑ Direct homeownership assistance means:
 - ◆ Up to 50% of required downpayment
 - ◆ Reasonable closing costs
 - ◆ Principal write-down
 - ◆ Acquisition financing
 - ◆ Acquisition of mortgages guarantees
 - ◆ LIMITED TO LMI HOUSEHOLDS

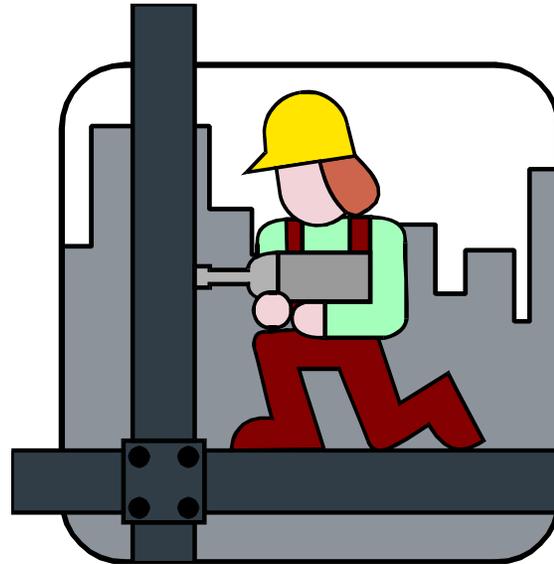
- ❑ As public service, only downpayment assistance eligible



HOME PURCHASE ELIGIBLE ACTIVITIES

□ Other activities

- ◆ Activities supporting development
- ◆ New construction of housing by CBDOs as part of 1 of the 3 CBDO projects



HOME PURCHASE INELIGIBLE ACTIVITIES

- ❑ New construction, unless by CBDO
- ❑ Direct mortgage guarantees
- ❑ Purchase of construction equipment
- ❑ Mortgage or utility payments, except when:
 - ◆ Provided for less than 3 months in an emergency & payments made to provider
 - ◆ When provided as a loan
 - ◆ When provided by CBDO as part of CBDO project



HOME PURCHASE NATIONAL OBJECTIVES

- ❑ Homeownership assistance MUST qualify under Housing National Objective
- ❑ If service provided by a CDFI or takes place in a NRSA, aggregation is allowed, but calculation is modified
 - ◆ All direct homeownership assistance units must be occupied by LMI
 - ◆ Can be used for the calculation in determining total number of units in aggregation



RENTAL HOUSING ELIGIBLE ACTIVITIES

- ❑ May use CDBG to acquire or rehab rental housing
- ❑ Assistance may be in loans, grants, loan guarantees, interest subsidies
- ❑ Properties may be:
 - ◆ Publicly or privately owned
 - ◆ Residential or mixed use



RENTAL HOUSING ELIGIBLE COSTS

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



NEW CONSTRUCTION OF RENTAL HOUSING

- ❑ OK if done by CBDO as neighborhood revitalization or community economic development project
- ❑ Grantee can “support” development of rental housing through:
 - ◆ Acquisition and disposition
 - ◆ Site clearance and assemblage
 - ◆ Site improvements



INELIGIBLE RENTAL HOUSING ACTIVITIES

- ❑ New construction (except by CBDO as part of 1 of the 3 CBDO umbrella activities)
- ❑ Subsistence payments as a grant for longer than 3 months (except by CBDO)



RENTAL HOUSING NATIONAL OBJECTIVES

- ❑ Rental housing typically qualifies under Low/Mod Housing National Objective:
 - ◆ 51% of units in each project occupied by LMI households AND
 - ◆ Rents must be affordable; grantee determines what is “affordable”
 - ◆ If carried out by CDFI w/target area or in NRS, may aggregate projects to meet 51%



RENTAL HOUSING NATIONAL OBJECTIVES

- ❑ To meet Low/Mod Housing National Objective, properties occupied by less than 51% LMI can only be assisted when:
 - ◆ Assistance reduces development cost of new construction, multifamily project
 - ◆ Project not designed for elderly households
 - ◆ At least 20% of units will be occupied by LMI households
 - ◆ CDBG does not bear greater portion of cost than proportion of units that are occupied by low/mod



RENTAL HOUSING NATIONAL OBJECTIVES

- ❑ *Some* activities may qualify under Slum/
Blight Area Basis or Spot Basis
- ❑ If Area Basis:
 - ◆ Area must meet 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 elimination of public health/safety issues



HOUSING SERVICES

- ❑ **Housing services 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**
 - ↳ **Housing counseling**
 - ↳ **Tenant selection**
 - ↳ **Preparation of work specs & inspections**
 - ↳ **Loan processing**
 - ↳ **TBRA management**
 - ↳ **Energy auditing**



HOUSING SERVICES NATIONAL OBJECTIVES

- ❑ 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



CHAPTER 4: OTHER PROPERTY IMPROVEMENTS

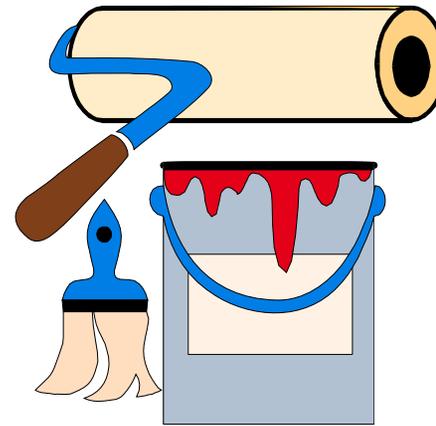
- ❑ Covers eligible activities and national objectives for:
 - ◆ Lead-based paint hazard evaluation and reduction
 - ◆ Code enforcement
 - ◆ Historic preservation



ELIGIBLE LEAD-BASED PAINT ACTIVITIES

- ❑ Costs for evaluation and reduction of lead hazards in housing
 - ◆ Inspection
 - ◆ Testing surfaces
 - ◆ Abatement
 - ◆ Relocation

- ❑ Lead paint evaluation and reduction eligible as independent activity even when buildings not scheduled for rehab



LEAD-BASED PAINT NATIONAL OBJECTIVES

□ Low/Mod Housing

- ◆ If homeownership units, all occupants must be low/mod
- ◆ If owner occupied or rental, 51% of properties with 2 or more units must be occupied by low/mod
 - ◡ Aggregation allowed for CDFIs w/target area and in NRSAs

□ Slum/Blight Area Basis

- ◆ Area must meet requirements
- ◆ Activity must address slum/blight conditions



ELIGIBLE 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 CODE ENFORCEMENT ACTIVITIES

- ❑ Eligible costs include:
 - ◆ Inspection (e.g., salaries and overhead)
 - ◆ Enforcement (e.g., salaries and legal costs)
- ❑ Costs of correcting violations not eligible as separate code enforcement activity, but OK with eligible rehab



CODE ENFORCEMENT NATIONAL OBJECTIVES

□ Low/Mod Area Benefit

- ◆ Area must contain 51% low/mod persons and
- ◆ Area must be primarily residential in nature

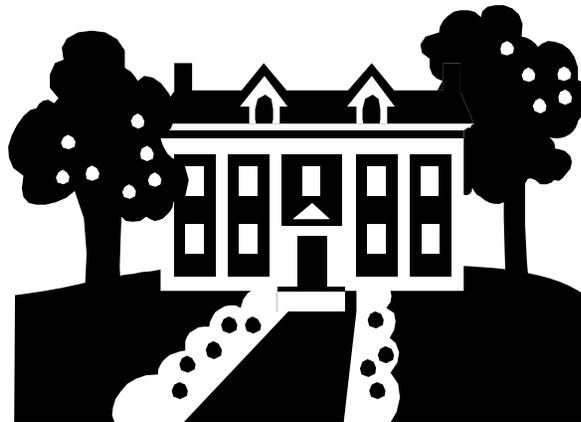
□ Slum/Blight Area Basis

- ◆ Area must meet qualifying requirements
- ◆ Activity must address slum/blight conditions



ELIGIBLE HISTORIC PRESERVATION ACTIVITIES

- ❑ Funds may be used for preservation, rehabilitation or restoration of historic properties
- ❑ Both public and private properties are eligible



HISTORIC PROPERTIES

- Historic properties include properties
 - ◆ 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



ELIGIBLE HISTORIC PRESERVATION COSTS

- Eligible costs include:
 - ◆ Historic preservation studies and plans
 - ◆ Acquisition assistance to private individuals and entities (if property will be used for housing)
 - ◆ Rehab, restoration or preservation costs
 - ◆ Temporary relocation costs



HISTORIC PRESERVATION NATIONAL OBJECTIVES

- ❑ 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 also possible



CHAPTER 5: PUBLIC FACILITIES, SPECIAL ASSESSMENTS AND INTERIM ASSISTANCE

- This chapter covers:
 - ◆ Eligible Activities
 - ◆ Determining and documenting national objectives
 - ◆ Other Federal requirements



ELIGIBLE PUBLIC FACILITIES ACTIVITIES

❑ Infrastructure

- ◆ Streets, sidewalks
- ◆ Water, sewer

❑ 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 (some exceptions)
- ❑ Operating costs (unless as a separate public service activity)
- ❑ Removable fixtures and equipment (unless as part of a separate public service activity)
- ❑ Buildings for general conduct of government (e.g., city hall)



PUBLIC FACILITIES

NATIONAL OBJECTIVES

- ❑ Infrastructure improvements will typically qualify under:
 - ◆ Low/Mod Area Benefit
 - ◆ Low/Mod Limited Clientele
- ❑ Low/Mod Housing national objective possible, if improvements for purpose of housing for low/mod households



PUBLIC FACILITIES NATIONAL OBJECTIVES

- ❑ Low/Mod Job Creation/Retention possible, but:
 - ◆ Must aggregate all FTE jobs created by affected businesses if cost/job less than \$10,000/job
 - ◆ If \$10,000+ must aggregate all FTE jobs created in service area within one year after construction completed

- ❑ Some improvements may fit Slum/Blight Area Basis national objective



ELIGIBLE SPECIAL ASSESSMENTS

- ❑ Special assessments means recovery of capital costs through a fee or charge
- ❑ Under CDBG, two ways think about special assessments:
 - To recover costs of public improvements
 - ✿ To pay assessments for low/mod owner occupants



ELIGIBLE SPECIAL ASSESSMENTS

- ❑ Special assessments may be imposed to recover funds used for public improvements
 - ◆ To recover CDBG funds only against non low/mod property owners
 - ◆ To recover non-CDBG funds ONLY IF CDBG is used to pay on behalf of low/mod owners



ELIGIBLE SPECIAL ASSESSMENTS

- ❑ CDBG funds may be used to pay special assessments for Low/Mod owners if:
 - ◆ Installation was in compliance with all applicable requirements
 - ◆ Assessment if paid for ALL low/mod owners (or at least ALL low-income owners)



INELIGIBLE SPECIAL ASSESSMENTS

- ❑ Special assessments are not taxes
 - ◆ Establishing the value of real estate for collecting taxes is ineligible
- ❑ Periodic charges based on use (e.g., water or sewer) are ineligible
- ❑ Charges for system expansion, maintenance, or future uses are ineligible



SPECIAL ASSESSMENTS

NATIONAL OBJECTIVES

- ❑ Low/Mod Area Benefit
- ❑ Slum/Blight Area Basis



ELIGIBLE INTERIM ASSISTANCE ACTIVITIES

□ Activities are limited to:

- ◆ Repairing streets, sidewalks, parks, playgrounds, publicly-owned utilities and public buildings;
- ◆ Execution of special garbage, trash, debris removal but not regular curbside trash collection.
- ◆ Activities to alleviate emergency conditions threatening the public health & safety:
 - ↳ Public improvements but not parks/playgrounds
 - ↳ Clearance of streets
 - ↳ Improvements to private property



ELIGIBLE INTERIM ASSISTANCE ACTIVITIES

- CDBG may be used as interim assistance under two circumstances:
 - ↪ Immediate action is necessary until something permanent is done
 - ✦ Emergency conditions threaten health/safety



ELIGIBLE INTERIM ASSISTANCE ACTIVITIES

- Under first situation, grantee must document that:
 - ◆ Immediate action is necessary to stop deterioration AND
 - ◆ Permanent improvements will be carried out ASAP



ELIGIBLE INTERIM ASSISTANCE ACTIVITIES

- Under second situation, grantee's CEO must determine that:
 - ◆ Situation is an emergency
 - ◆ Situation requires immediate action



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



CHAPTER 6: ECONOMIC DEVELOPMENT

- This chapter covers:
 - ◆ Eligible economic development activities
 - ◆ How to apply public benefit standards
 - ◆ Documenting national objectives



ELIGIBLE ECONOMIC DEVELOPMENT ACTIVITIES

- ❑ Special ED activities §570.203
- ❑ Microenterprise activities §570.201(o)
- ❑ Commercial rehab §570.202
- ❑ CBDO §570.204



SPECIAL ED ACTIVITIES

§570.203

- ❑ Acquire, construct, rehab, reconstruct or install commercial/industrial buildings or equipment (by recipient or subrecipient only)
- ❑ Assistance to for-profits (loans, grants, etc.)
- ❑ Economic development services in connection with CDBG E.D. activities



MICROENTERPRISE

- ❑ Microenterprise = 5 or fewer employees including the owner
- ❑ Assistance to persons owning or developing microenterprises eligible



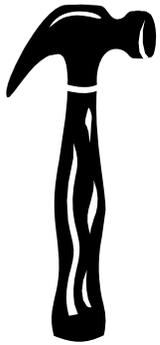
MICROENTERPRISE ASSISTANCE §570.201(o)

- ❑ 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
 - ◆ Training and TA to build recipient and subrecipient capacity



COMMERCIAL REHAB

§570.202



- Rehab of publicly or privately owned commercial or industrial structures
- If owned by private, for-profit:
 - ◆ 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



CBDO §570.204

- CBDOs may carry out 3 kinds of projects:
 - ◆ Community economic development
 - ◆ Neighborhood revitalization
 - ◆ Energy conservation

- If job training done through a CBDO, doesn't count against public services cap



PROJECT EXAMPLES

- ❑ Microbusiness loan pool
- ❑ Incubators
- ❑ TA and job training
- ❑ Large scale commercial activities
- ❑ Community-based lending
 - ◆ Revolving loan funds
 - ◆ CDFIs



EVALUATING PROJECTS

- Evaluation & selection of E.D. projects has two parts:
 - ↪ Voluntary underwriting guidelines
 - ✿ Mandatory public benefit standards



UNDERWRITING GUIDELINES

- ❑ Project costs reasonable
- ❑ All sources of financing are committed
- ❑ CDBG not substituted for non-federal
- ❑ Project is financially feasible
- ❑ Return on investment reasonable
- ❑ CDBG funds distributed pro-rata



PUBLIC BENEFIT STANDARDS

- ❑ Mandatory for:
 - ◆ Special economic development projects (§570.203)
 - ◆ Some CBDO projects (§570.204) and
 - ◆ Public improvement projects classified under Low/Mod Job Creation/Retention where more than \$10,000/job in CDBG funding

- ❑ Microenterprise activities (§570.201(o)) not covered



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



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

- ❑ Activities that create both jobs and services disqualified only if fail both standards
- ❑ Standards applied at time of obligation
- ❑ When training only activity, jobs considered created or retained for applying standards



AGGREGATE STANDARDS

- ❑ Create or retain at least one full-time (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 expenditure



APPLYING THE AGGREGATE STANDARDS

- ❑ Must apply to all activities obligated in a given year
- ❑ Depending upon activity, may count under job creation or goods/services but *not both*
- ❑ When training only activity, jobs considered created or retained
- ❑ Some activities may be excluded from aggregate standards



DOCUMENTING NATIONAL OBJECTIVES

- ❑ E.D. 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)



JOBS

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



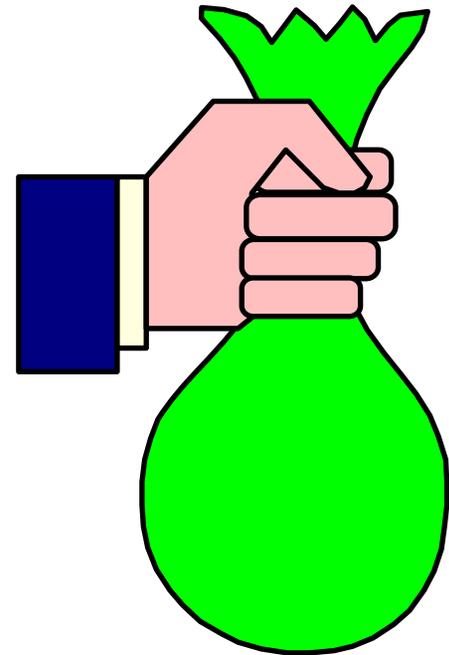
OTHER NATIONAL OBJECTIVES

- ❑ Some activities may qualify under other Low/Mod national objective categories
 - ◆ Microbusinesses (limited clientele)
 - ◆ Service type businesses (area benefit)
- ❑ Can do some E.D. activities under Slum/Blight national objective
 - ◆ Must meet criteria for addressing deterioration
 - ◆ Remember expenditure cap!



SECTION 108

- Source of financing for projects
 - ◆ Community pledges CDBG plus additional security (as needed)
 - ◆ HUD issues guaranteed notes



BASIC RULES

- ❑ Max loan is 5 times entitlement
- ❑ Max term is 20 years
- ❑ Applicants are entitlements or non-entitlement communities through state



BASIC RULES

- Eligible activities include:
 - ◆ acquisition;
 - ◆ rehab of public property;
 - ◆ clearance;
 - ◆ economic development;
 - ◆ housing rehab;
 - ◆ finance costs;
 - ◆ relocation;
 - ◆ infrastructure



BASIC 108 RULES

- All CDBG rules apply
 - ◆ national objective
 - ◆ public benefit standards
 - ◆ other federal requirements



INELIGIBLE ACTIVITIES



Operating and maintenance
Non-federal share
Long term planning
Public Services



PROCESS

- ❑ Apply
- ❑ HUD approval
- ❑ Notes sold and security pledged
- ❑ Project completed
- ❑ Notes repaid



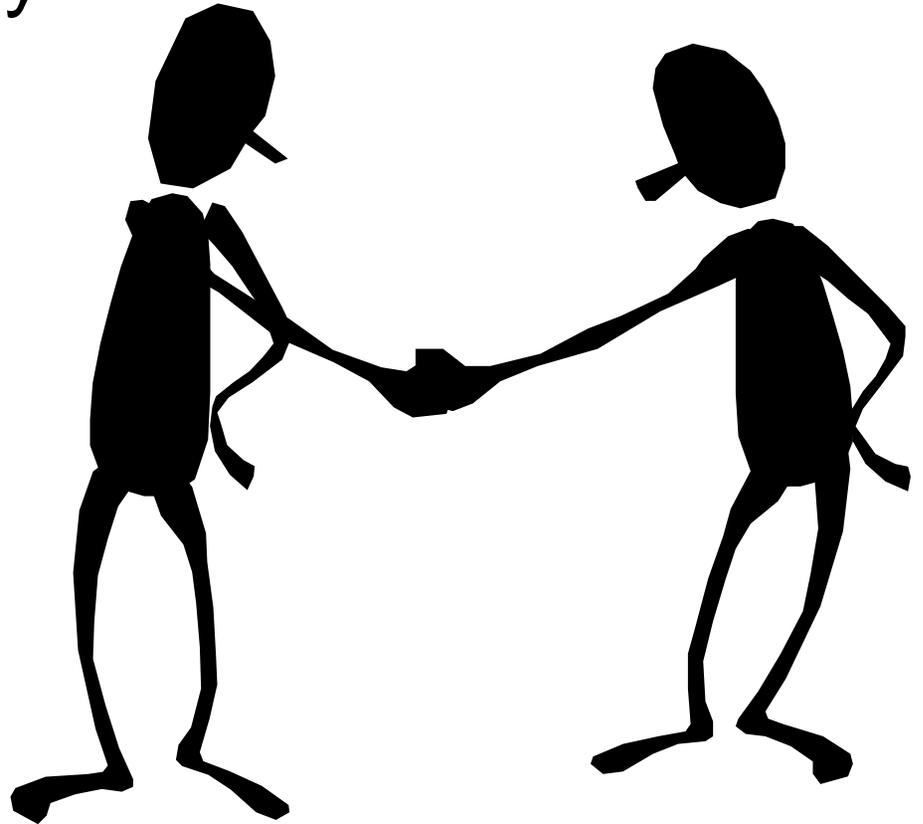
NOTE SECURITY

- ❑ Credit Reform Act
- ❑ Must pledge security
 - ◆ Usually future CDBG entitlement PLUS additional cash flow
 - ◆ Typically HUD is looking for about 1.2 debt coverage



PLAYERS

- ❑ Eligible community
- ❑ HUD
- ❑ Underwriter
- ❑ Fiscal Agent
- ❑ Investors
- ❑ Borrowers



TYPICAL 108 ACTIVITIES

- Projects with anticipated paybacks
 - ◆ Economic development
 - ◆ Housing rehabilitation
 - ◆ Bridge financing
 - ◆ Public facilities with alternate collateral



SECTION 108 ADVANTAGES

- ❑ Leverage for large project
- ❑ Accelerate activities
- ❑ Spread costs over time



CHAPTER 7: PUBLIC SERVICE ACTIVITIES

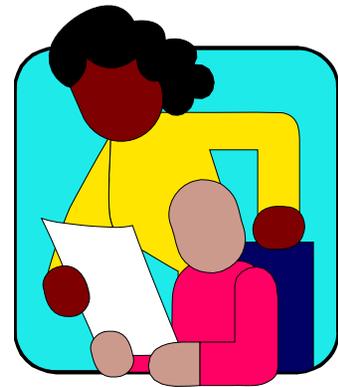
- This chapter covers:
 - ◆ Eligible public service activities
 - ◆ Documenting national objectives
 - ◆ Other Federal requirements



ELIGIBLE PUBLIC SERVICE ACTIVITIES

□ Eligible public services include:

- ◆ Employment services
- ◆ Crime prevention/public safety
- ◆ Child care
- ◆ Health services
- ◆ Substance abuse services
- ◆ Fair Housing counseling
- ◆ Energy conservation
- ◆ Education
- ◆ Job training



OTHER ELIGIBLE PUBLIC SERVICE ACTIVITIES

- ❑ Other eligible services:
 - ◆ Welfare services
 - ◆ Downpayment assistance
 - ◆ Recreational services
- ❑ CDBG funds may pay for labor, supplies and materials
- ❑ CDBG funds may pay for operations and maintenance of facility delivering a public service



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 submission of the Action Plan



PUBLIC SERVICES CAP

- ❑ 15% annual cap on public service obligations
 - ◆ Based on annual allocation plus last year's program income

- ❑ Exceptions
 - ◆ 1982/1983 grants
 - ◆ Assistance to microenterprises
 - ◆ Job training and placement with eligible E.D. projects
 - ◆ Services in conjunction with special E.D. projects
 - ◆ Job training and placement by CBDO
 - ◆ Services by CBDO under an approved NRS



DOCUMENTING NATIONAL OBJECTIVES

□ Low/Mod Area Benefit

- ◆ Area must be 51% low/mod and primarily residential
- ◆ Service must be available to all residents of the service area

□ Low/Mod Limited Clientele

- ◆ 51% of participants must be low/mod
 - ↳ evidenced by income documentation or
 - ↳ limited by income eligibility requirements
- ◆ Presumed population or nature/location OK



DOCUMENTING NATIONAL OBJECTIVES

- ❑ Exception to 51% rule of Limited Clientele
 - ◆ Where CDBG funds *only* fund job training, placement or support services to assist businesses (no other CDBG \$ in activity) AND
 - ◆ The proportion of total CDBG funds for job training or support services is not greater than the proportion of total low/mod persons assisted



OTHER NATIONAL OBJECTIVES

- ❑ Slum/Blight Area Basis 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



CHAPTER 8: NEIGHBORHOOD REVITALIZATION STRATEGIES

- ❑ Multi-faceted approach to address needs in neighborhoods
- ❑ Targets resources and efforts
- ❑ Approved strategies offer flexibility in using CDBG



CDBG 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



CDBG INCENTIVES II

- Economic development activities may be exempt from aggregate public benefit standards
- Public services by CBDO exempt from cap



NEIGHBORHOOD AND DEMOGRAPHIC CRITERIA

- ❑ Boundaries must be fully described
- ❑ Areas must be contiguous
- ❑ Area must be primarily residential
- ❑ High percentage of low/mod
 - ◆ At least 70% LMI if upper quartile $> 70\%$
 - ◆ At least 51% LMI if upper quartile $< 51\%$
 - ◆ If upper quartile is between 51% and 70%, then at least the upper quartile percentage of LMI



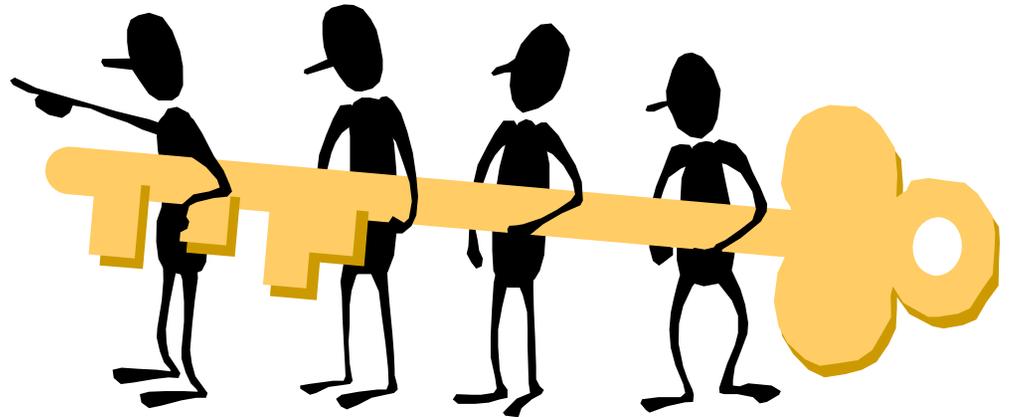
EZ/EC ELIGIBILITY

- ❑ Empowerment Zones & Enterprise Communities are presumed to meet criteria for NRS area designation
- ❑ HUD Field Office must still be notified of intention to qualify EZs/ECs as NRS areas



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 ECOMONIC CONDITIONS

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



OPPORTUNITIES AND PROBLEMS

□ Opportunity:

- ◆ Unmet demand
- ◆ Organizations ready to assist
- ◆ Under-used skills or incomplete projects

□ Problem:

- ◆ Lack of lending
- ◆ Opposition
- ◆ Inexperience
- ◆ Crime



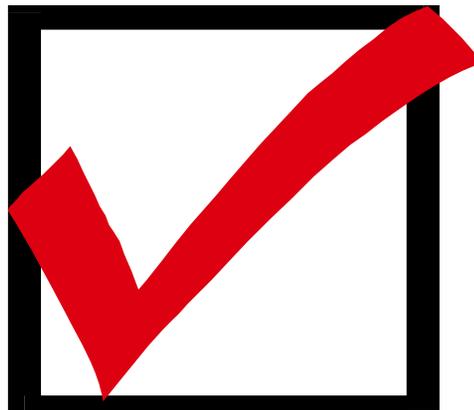
ECONOMIC EMPOWERMENT

- ❑ Describe how will create meaningful jobs
- ❑ Describe how will promote revitalization



PERFORMANCE MEASURES

- Measurable goals, for example
 - ◆ 25 new businesses created
 - ◆ Five percent increase in employment



HUD REVIEW, APPROVAL AND MONITORING OF NRS

- ❑ Undertaken in conjunction with Consolidated Plan
- OR***
- ❑ Strategy may be amendment to Consolidated Plan
 - ❑ Consult CPD staff in preparation



HUD REVIEW, APPROVAL AND MONITORING OF NRS

- ❑ HUD must expressly approve
- ❑ In effect for term of the Consolidated Plan (timeframe at grantee's discretion)
- ❑ HUD will monitor against benchmarks
- ❑ NRS Designation can be revoked
- ❑ Remember 5-year term for NRS
- ❑ EZ/EC has 10-year term then must submit an NRS



CHAPTER 9:

FINANCIAL MANAGEMENT

- This chapter covers:
 - ◆ Uniform administrative requirements
 - ◆ Program income
 - ◆ Pre-award costs
 - ◆ Revolving loan funds
 - ◆ Float funded activities
 - ◆ Lump sum draw downs
 - ◆ IDIS



UNIFORM ADMINISTRATIVE REQUIREMENTS

- ❑ CDBG recipients must comply with federal admin guidelines & financial management requirements:
 - ◆ Governmental entities/public agencies
 - ↳ OMB A-87
 - ↳ 24 CFR Part 85
 - ↳ OMB A-133
 - ◆ Nonprofit subrecipients
 - ↳ OMB A-122
 - ↳ 24 CFR Part 84
 - ↳ OMB A-133



PROGRAM INCOME

- What is it? Monies that come back to a grantee or subgrantee & are generated by use of CDBG
 - ◆ Proceeds from sale or lease of property purchased/improved with CDBG
 - ◆ Proceeds from lease of equipment purchased with CDBG
 - ◆ Gross income from use/rental of real or personal property acquired, constructed, improved (less costs incidental to generation of income)



PROGRAM INCOME

- What is program income (cont.)
 - ◆ Payments of principal & interest on CDBG loans
 - ◆ 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

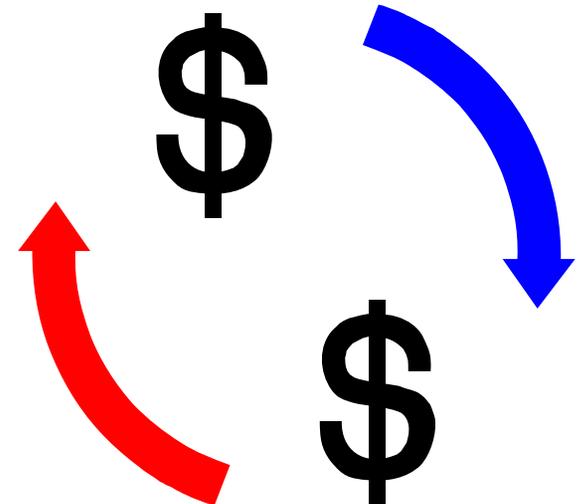
□ What isn't it?

- ◆ Income in a single year not exceeding \$25,000
- ◆ Income generated by some Section 108 activities
- ◆ Proceeds of subrecipient fundraising
- ◆ Subrecipients' proceeds from disposition of property five years or more after grant close-out
 - ◡ unless otherwise specified in agreement



REMISSION OF PROGRAM INCOME

- ❑ Reg cite §570.504(b)(2)(iii)
- ❑ Beginning with 1996 program year, grantees must determine at end of program year whether it has excess program income
- ❑ Excess must be returned to grantee's line of credit



HOW TO CALCULATE EXCESS 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	<u>(\$0)</u>
Balance:	\$ 50,000

Annual CDBG entitlement:	\$1,920,000
1/12 annual entitlement:	\$ 160,000
Amount to be remitted:	(\$0)



PRE-AWARD COST RULES

- ❑ Sometimes grantees need to incur costs prior to grant agreement date
 - ◆ Grant agreement date is latter of:
 - ↳ Program year start date OR
 - ↳ Date Con Plan received by HUD
- ❑ Cost must meet applicable rules & requirements and must be in Action Plan
- ❑ Total must not exceed \$300,000 or 25% of grant amount, whichever is greater



REVOLVING LOAN FUNDS

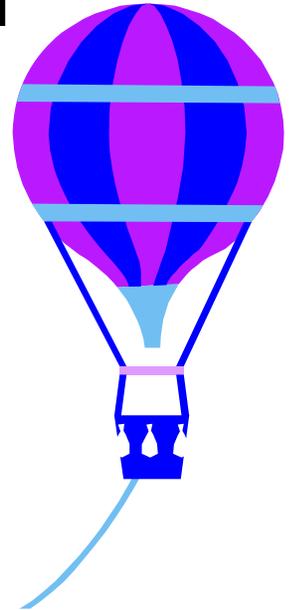
570.500(b)

- ❑ Separate fund for a specific activity that generates payment to the account for the same activity
- ❑ Must be in an interest bearing account
 - ◆ Interest on fund remitted to Treasury annually
 - ◆ Interest paid by borrowers is program income



FLOAT-FUNDED ACTIVITIES (§570.301)

- ❑ Allows use of obligated funds for alternate projects
- ❑ Assumption that:
 - ◆ Funds repaid
 - ◆ Original activity will proceed
 - ◆ Program will be reimbursed within 2.5 years
- ❑ All CDBG requirements apply & must be included in Action Plan



LUMP SUM DRAWDOWNS

(§570.513)

- ❑ Lump sum drawdowns may be used to establish a rehab fund with a private financial institution
- ❑ Subject to certain limitations:
 - ◆ Cannot exceed the grant amount needed for specific program
 - ◆ Cannot be used solely for investment
 - ◆ Admin costs not eligible



LUMP SUM DRAWDOWNS

- ❑ Grantee must execute a written agreement with 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



LUMP SUM DRAWDOWNS

- ❑ Account must earn interest
- ❑ Interest is considered program income
- ❑ If used to guarantee non-CDBG-funded rehab, project becomes CDBG-assisted



INTEGRATED DISBURSEMENT AND INFORMATION SYSTEM (IDIS)

- ❑ Two key objectives
 - ◆ Manage and account for CDBG funds
 - ◆ Collect, consolidate and report on CDBG

- ❑ Works like a bank
 - ◆ Each grantee has an account
 - ◆ Grantees can withdraw funds using a PC
 - ◆ Grantees must account for the purpose of each withdrawal



CHAPTER 10:

PROGRAM PERFORMANCE

- This chapter covers:
 - ◆ Monitoring of activities for program compliance and performance
 - ◆ CAPER requirements
 - ◆ Recordkeeping requirements



MONITORING OVERVIEW

- ❑ Grantees are responsible for compliance with CDBG and other Federal rules & requirements
- ❑ Monitoring of projects and programs helps to ensure compliance and evaluate performance
- ❑ Subrecipient performance must be reviewed at least annually



MONITORING

- The monitoring process usually includes:
 - ◆ Developing a plan
 - ◆ Standardizing procedures
 - ◆ Identifying “risky” subrecipients for first or more detailed reviews
 - ◆ Establishing a schedule
 - ◆ Preparing for the visit
 - ◆ Conducting the visit
 - ◆ Follow-up and/or intervention



REPORTING REQUIREMENTS

- Annual report called Consolidated Annual Performance and Evaluation Report (CAPER)



CAPER CONTENTS

- **CAPER must include two major parts:**
 - ◆ **Narrative component**
 - ↳ **Consolidated Plan progress elements**
 - ↳ **CDBG-specific elements**
 - ◆ **Financial reports**

- **Project information must include:**
 - ◆ **Specific activity undertaken**
 - ◆ **Accomplishments**
 - ◆ **National Objective compliance**
 - ◆ **Current Status**



SUBMISSION & REVIEW OF THE CAPER

- ❑ 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

- ❑ Demonstration of compliance with applicable rules/requirements depends upon documentation maintained
- ❑ Major categories of records to be kept:
 - ◆ General administrative
 - ◆ Financial
 - ◆ Project/activity
 - ◆ National objectives
 - ◆ Income documentation
 - ◆ Subrecipients



SUBRECIPIENTS

- ❑ Subrecipient application
- ❑ Written agreement
- ❑ Financial records and audits
- ❑ Progress reports
- ❑ Draw down requests
- ❑ Monitoring reports
- ❑ Correspondence



INCOME DOCUMENTATION

- ❑ Annual income definitions:
 - ◆ Section 8 Annual Income (24 CFR Part 5)
 - ◆ Census Long Form
 - ◆ IRS 1040 Series (Long Form)
- ❑ Same definition must be used within programs or activities
- ❑ Income is that of all adult household members for upcoming 12-month period



INCOME DOCUMENTATION

- Several options for documentation:
 - ◆ Evidence of qualification under another program at least as restrictive as CDBG (e.g., JTPA or welfare)
 - ◆ Evidence that assisted person is homeless
 - ◆ Verifiable certification from assisted person
 - ◆ Referral from state, county or local employment agency or other entity that agrees to determine income and maintain documentation for grantee



RECORDKEEPING

□ Record retention

- ◆ Maintain records for **four years** following end of program year activity funded
- ◆ Consistent with Consolidated Plan requirements
- ◆ Generally consistent with HOME Program rules

□ Public access to records

- ◆ Citizens must have reasonable access
- ◆ Citizens must be provided timely information
- ◆ HUD, Comptroller General have access

