



BASICALLY CDBG FOR STATES



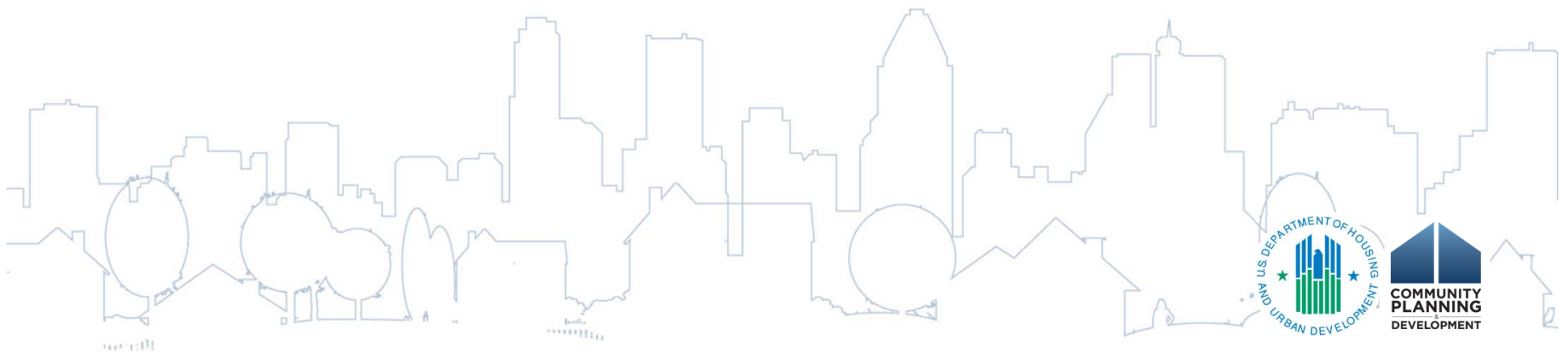
A LITTLE ABOUT YOU

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



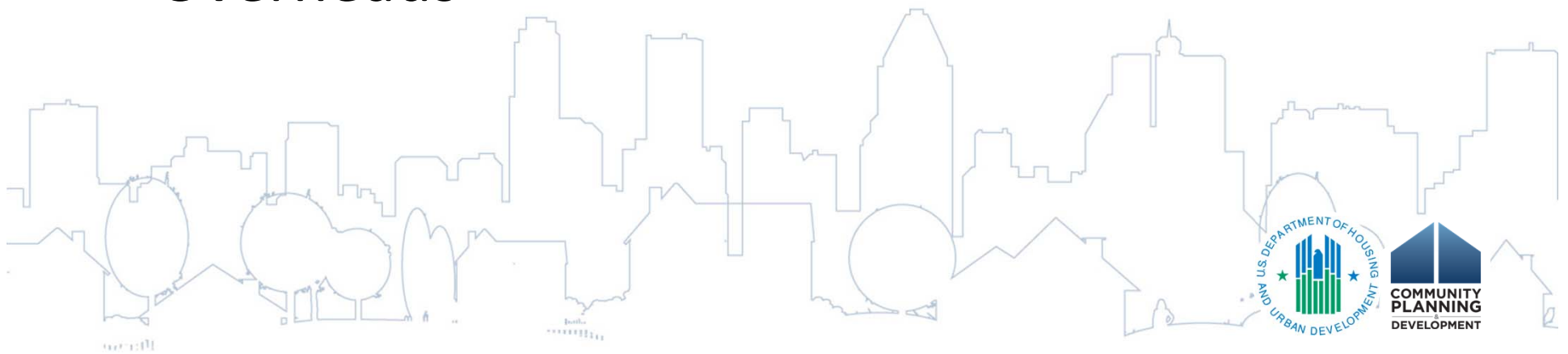
INTRODUCTIONS

- Name
- State
- Organization
- CDBG activities carried out



COURSE STRUCTURE

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



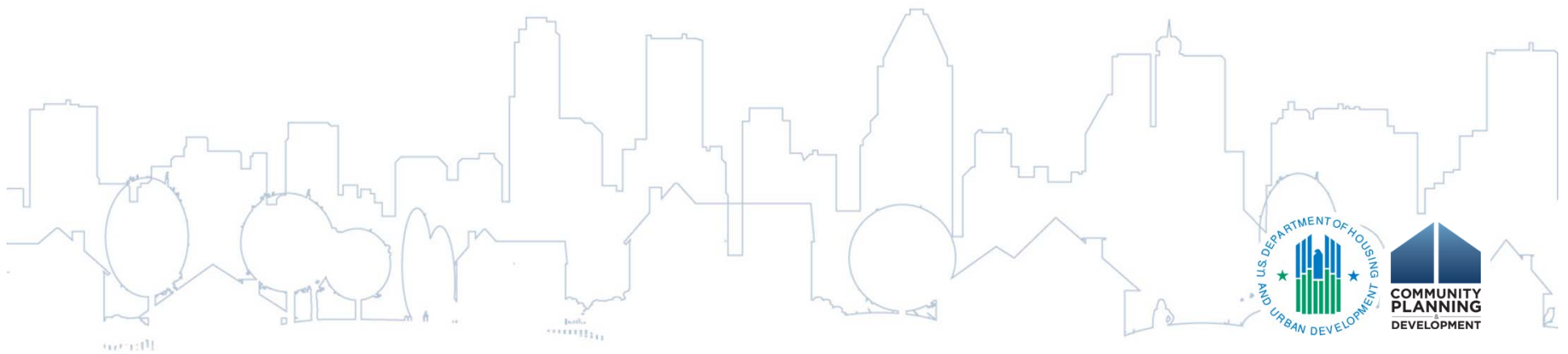
RULES

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

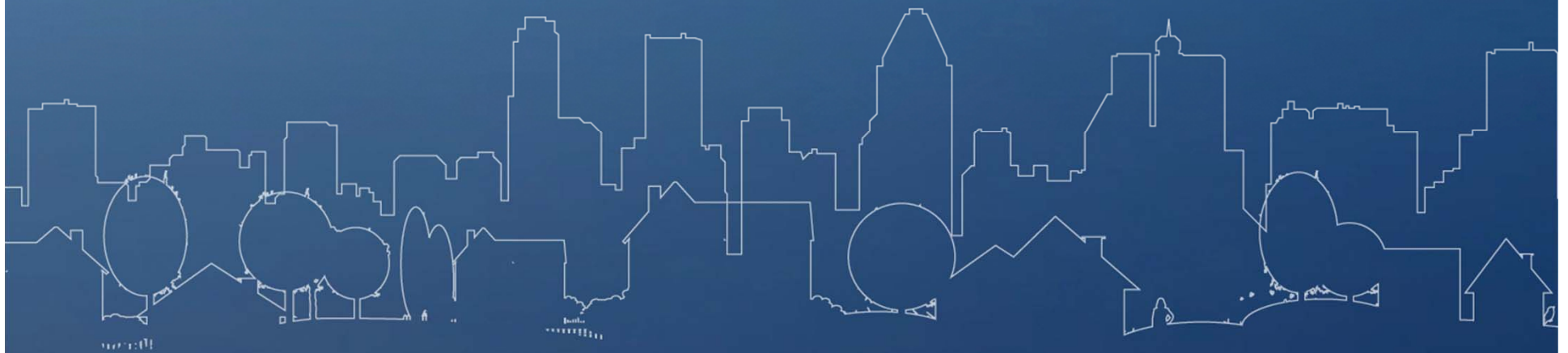


LOGISTICS

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

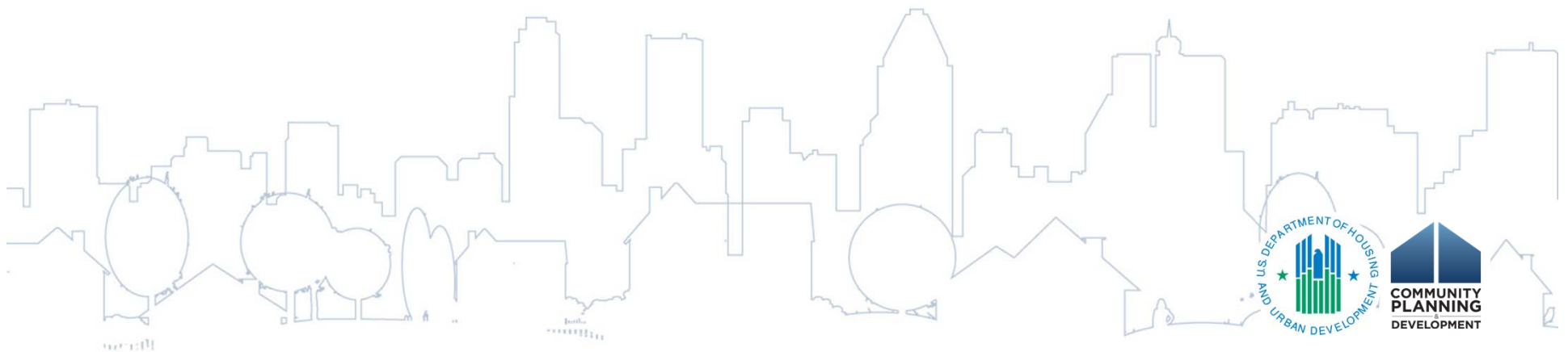


OVERVIEW



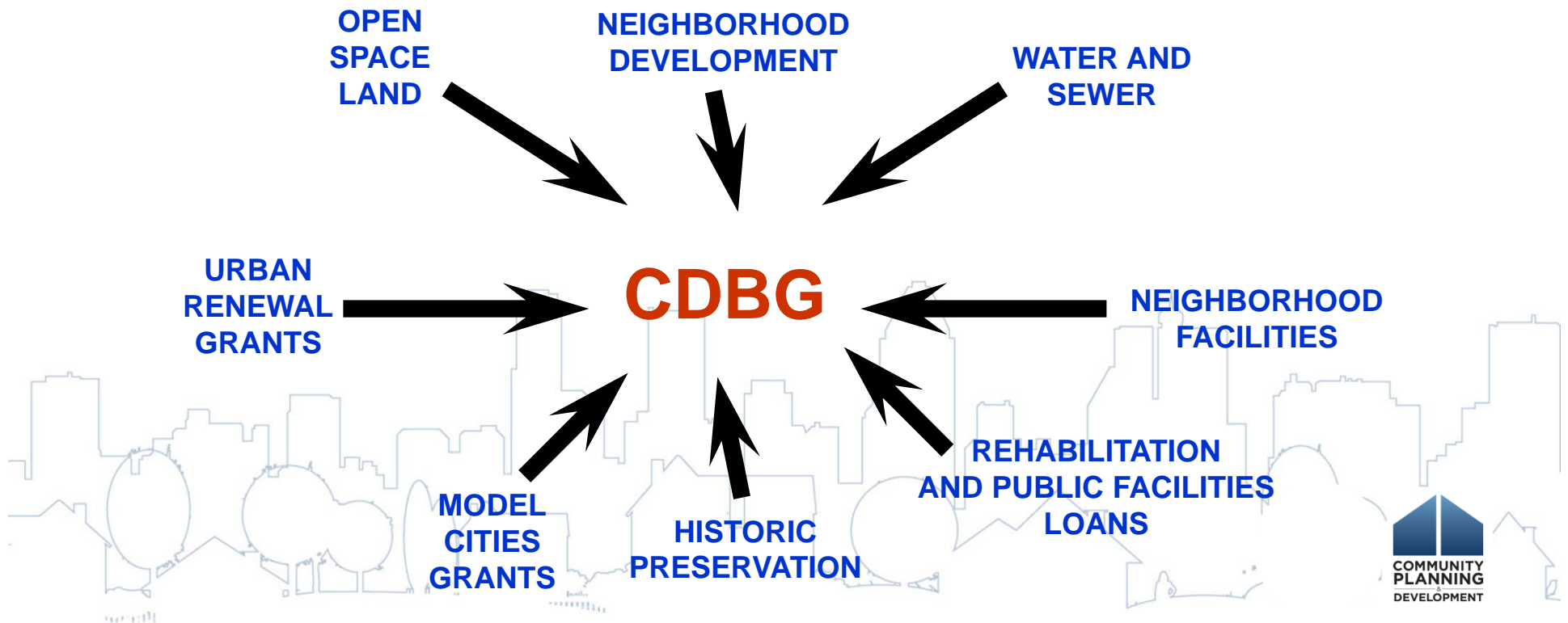
OVERVIEW CHAPTER

- Covers:
 - CDBG history
 - CDBG purpose
 - Overview of eligible & ineligible activities
 - Other related programs (brief overview)



CDBG HISTORY

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



CDBG HISTORY (cont)

- 1974 - Housing and Community Development Act
- 1975 – 81 HUD Conducted Annual Competition to fund small cities
- 1981 – Amendments to Housing and Community Development Act (HCDA)
 - More power to communities to set own priorities
 - Eliminated formal HUD approval of entitlement applications
- In 1982 states began administration of the State CDBG program



CDBG HISTORY (cont)

- 1992 OMB Directive to reduce length of regulations – no substantive changes in state regulations since then
- Regulations issued by policy memo no longer acceptable
- Trend towards making requirements for programs more similar (e.g. ConPlan, CAPER, URA, Lead Paint, Faith Based)



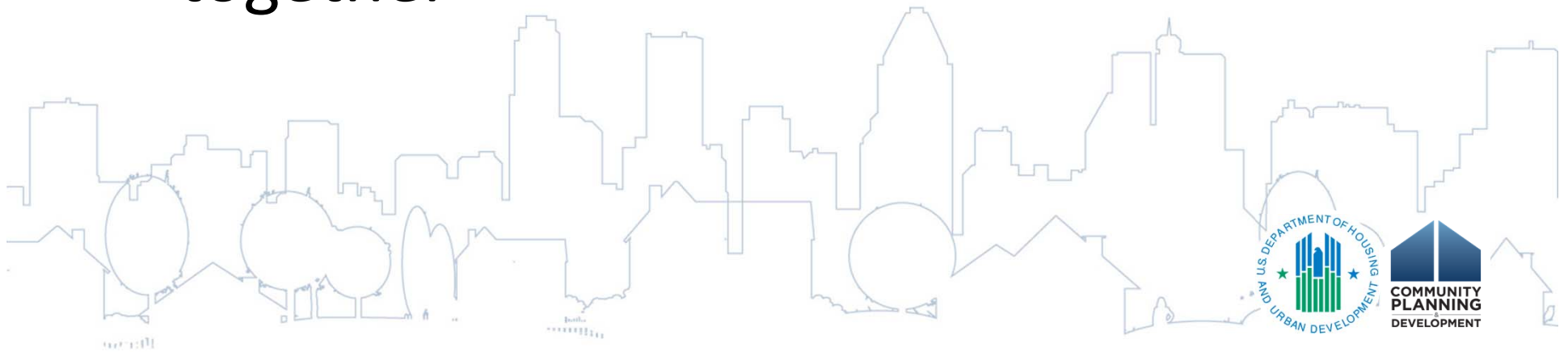
2012 Rule Changes

- 2012 rule was issued for comment in October of 2008
- Changes update regulations to align with statutory changes, provide clarification on program income requirements, update IDIS reporting requirements, and provide some additional flexibility for State programs
- Training will note key 2012 rule changes



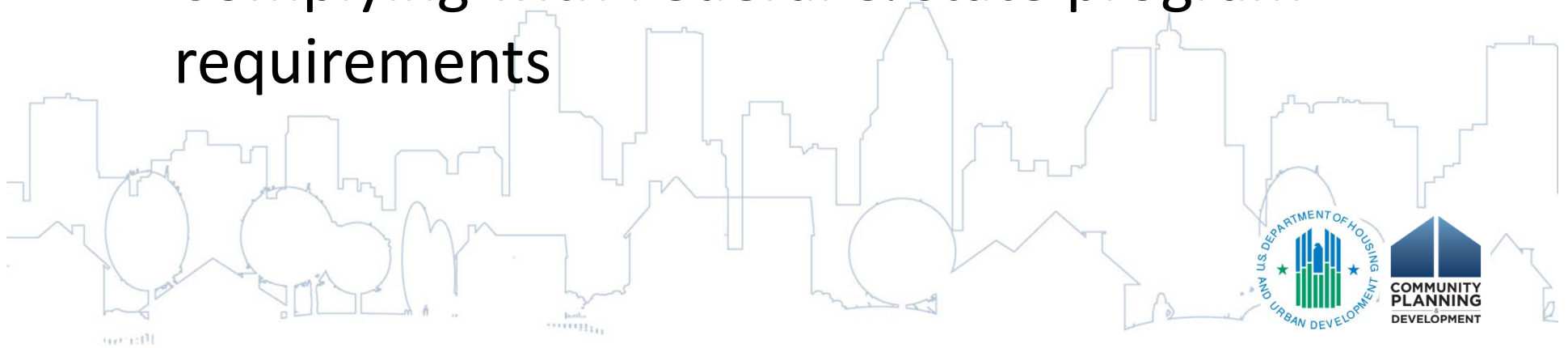
PROGRAM RESPONSIBILITIES

- Unit of general local govt (UGLG), state and HUD have responsibilities for administration of State CDBG program
- All of these responsibilities are linked together



UGLG RESPONSIBILITIES

- Deciding what type of activities to apply for
- Citizen participation
- Carrying out activities state agreed to fund
- Complying with Federal & state program requirements



STATE RESPONSIBILITIES

- Designing program
- Setting funding requirements based on Method of Distribution (MOD)
- Selecting recipients of funds allocated
- Establishing financial management, recordkeeping, reporting, monitoring and closeout procedures
- Ensuring compliance by UGLG



HUD RESPONSIBILITIES

- Monitor states to ensure programs are in compliance with State CDBG regulations & HCDA statute
- If state chooses to invoke section of entitlement regulations, to make sure state follows those regulations



BASICS OF CDBG FORMULA

- Basic overview of CDBG formula
 - Entitlement uses growth lag
 - Non-entitlement uses population
- Entitlement:
 - Formula factor number or percentage for each individual entitlement is compared to total number/average for all entitlement cities & urban counties
- State:
 - Formula factor number or percentage represents sum of all nonentitlement areas in that state; nonentitlement sum for each state is compared to total number/average for nonentitlement areas in all states



PRIMARY CDBG PURPOSE

- Develop viable urban communities through:
 - Provision of decent housing, and
 - Expanding economic opportunities
 - Principally for LMI persons
- National objectives and eligible activities: the two sides of CDBG “coin”
- Consolidated Plan: the third side



CDBG REGULATIONS

- Found at 24 CFR Part 570.480 through 570.497
 - Entitlement portions of 570 are “safe harbor” for states and not required
- Rules changes in recent years due to:
 - Statutory changes
 - Desire for increased flexibility
 - Response to IG audits
- Major entitlement rule revisions:
 - January & November 1995
 - April 1996
 - November 2000
 - September 2003
 - December 2005
 - May 2006

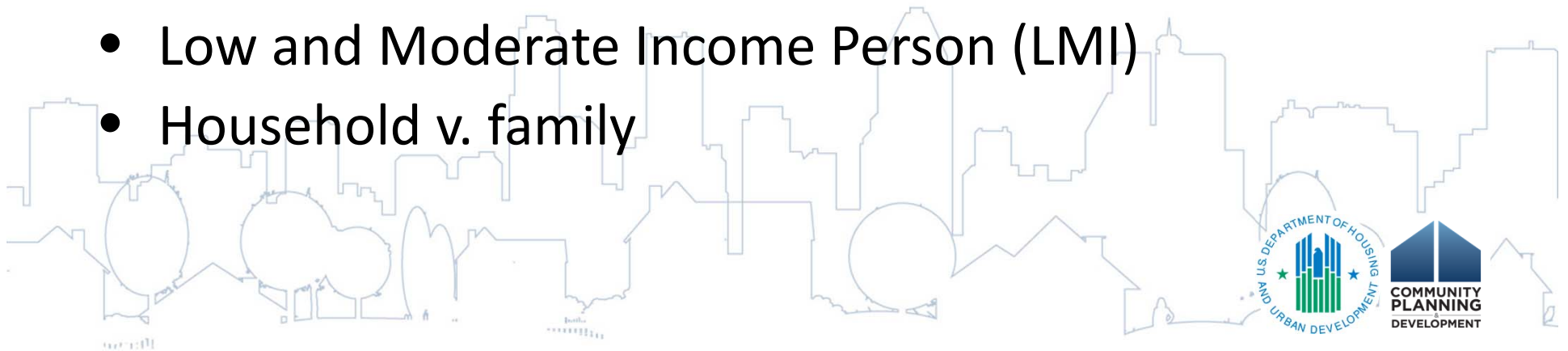


MAXIMUM FEASIBLE DEFERENCE (MFD)

- Term created by General Counsel in interpreting statutory intent
- Not in Statute; in regulations at 24 CFR 570.480(c)
- Gives states ability to interpret law
 - As long as interpretation is not inconsistent/contradictory with HCDA of 1974, as amended

KEY DEFINITIONS

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



ELIGIBLE ACTIVITIES

- Wide variety possible
 - Housing & other real property activities
 - Public facilities
 - Public services
 - Economic development
 - Nonprofit development activities under 105(a)(15) of statute
 - Other activities
 - Planning and administration
- Regulation cites §570.482
- Statutory cites at Section 105



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

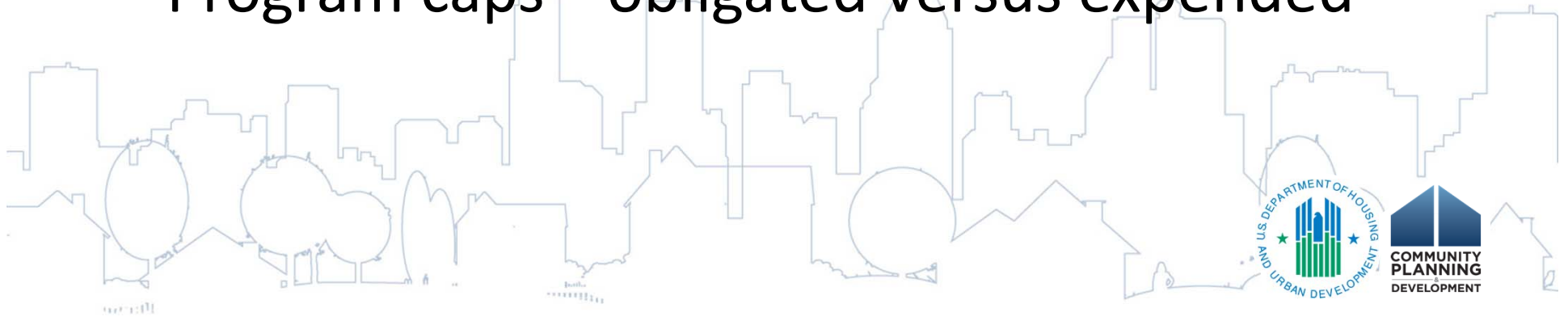
INELIGIBLE ACTIVITIES (cont)

- 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 the activity modules



KEY DIFFERENCES BETWEEN STATES AND ENTITLEMENTS

- Regs/statute
- List of activities versus method of distribution (MOD)
- National objectives
- Timely expenditure versus timely distribution
- Program caps—obligated versus expended



KEY DIFFERENCES BETWEEN STATES AND ENTITLEMENTS (cont)

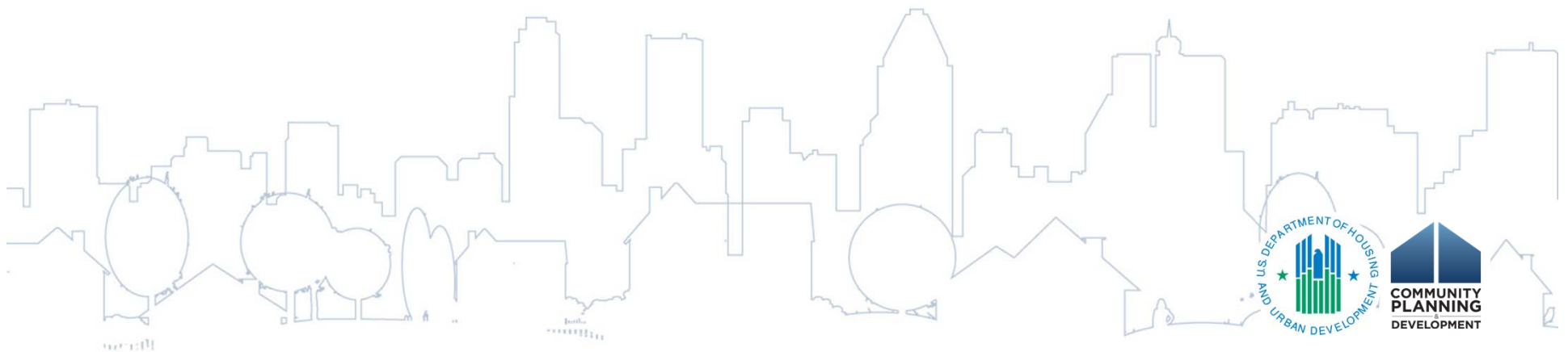
- Administrative funds/matching requirements
- Recordkeeping
- Program income
- Part 85
- Environmental review
- Activities funded



SELECTING ELIGIBLE ACTIVITIES

SELECTING ACTIVITIES CHAPTER

- Covers:
 - Key state responsibilities
 - Consolidated Plan
 - Method of Distribution
 - Methods of administering programs



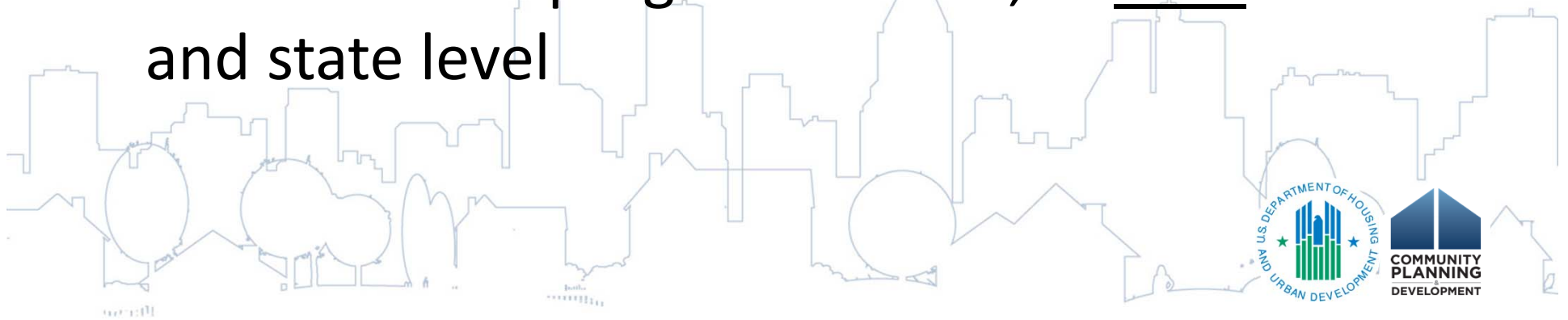
STATE PROGRAM DESIGN-MAJOR COMPONENTS

- Consolidated Plan - identifies conditions, needs and priorities
- Method of Distribution (MOD) - identifies kinds of activities and communities state wants to fund
- Citizen Participation Process- both at state & UGLG level including process for dealing with complaints



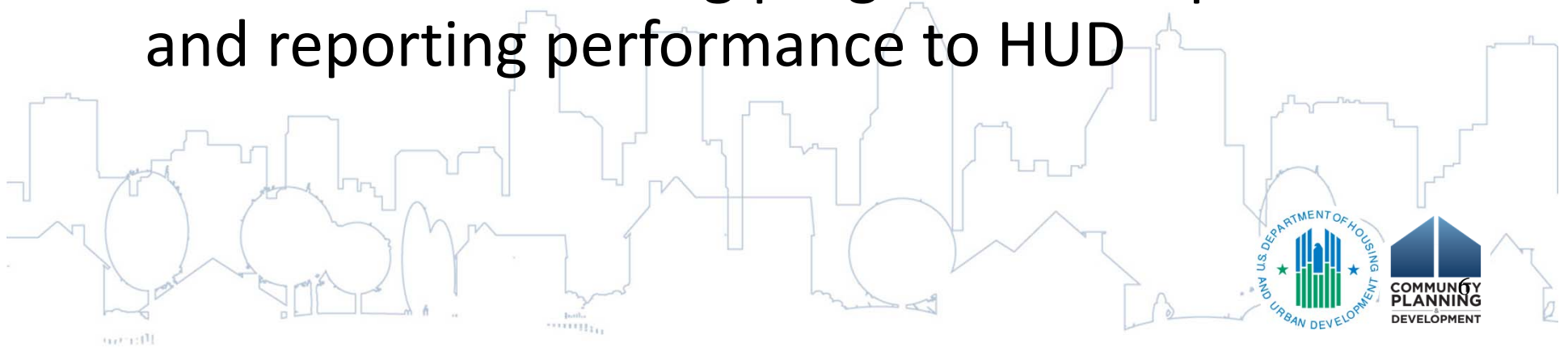
STATE PROGRAM DESIGN-MAJOR COMPONENTS (cont)

- Set of administrative, fiscal & procedural requirements to be followed in implementing activities
- System by which state draws & tracks dollars—both those drawn from Line of Credit and for program income, at both UGLG and state level



STATE PROGRAM DESIGN-MAJOR COMPONENTS (cont)

- Process to ensure that UGLG are carrying out their activities in compliance with all federal & state program requirements
- Processes for closing out completed activities/grants and obtaining/reviewing audits
- Process for collecting program accomplishments and reporting performance to HUD



FLOW OF CDBG FUNDS TO UGLG

Consolidated Plan

Annual Action Plan

CDBG Method of Distribution

Funding to Localities



CONSOLIDATED PLAN

- Helps determine activities and organizations to fund
- Components:
 - Description of the lead agency
 - Citizen participation
 - Housing, homeless and community development needs
 - A Strategic Plan (three to five years in length)
 - A one-year Action Plan



CONSOLIDATED PLAN (cont)

- Citizen participation required
- Con Plan reviewed and approved by HUD
 - Submitted to field office at least 45 days prior to start of program year
- Amendments allowed
- Annual performance reporting (PER) measured against Con Plan goals and activities



CONSOLIDATED PLAN (cont)

- Guidelines available on the web and in the manual for this course
 - http://www.hud.gov/utilities/intercept.cfm?/offices/cpd/about/conplan/toolsandguidance/guidance/state_guidelines.pdf
- These guidelines are not required
 - Includes a logical thought process to prepare con plan
 - Indicate what is required and helpful to include in plan
- Required:
 - Table 1: Housing, Homeless, and Special Needs
 - Table 2 A: Priority Housing Needs and Activities
- Optional: Tables 3A, 3B and 3C

THE CONSOLIDATED PLAN (cont)

- New Con Plan tools:
 - May 2012 HUD CPD introduced eCon Planning Suite
 - Consolidated Plan template in IDIS OnLine
 - 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: <http://egis.hud.gov/cpdmaps/>



CONSOLIDATED PLAN (cont)

- HUD has 45 days from receipt of plan to review and approve/disapprove
 - Approval – automatically approved after time frame
 - Partial Approval Granted. HUD will notify the state regarding the disapproved portion
 - Disapproval – State will be notified before review period expires and 15 days after notification
- Consolidated Plans not approved after 15 day notification
 - State has 45 days from 1st notification to revise and resubmit
 - HUD will respond in 30 days with approval/disapproval

METHOD OF DISTRIBUTION (MOD)

- States must consult with UGLG local elected officials in developing MOD
- MOD contains a description of:
 - Criteria used to select applications, including relative importance of criteria
 - How all CDBG resources (including PI and recaptures) will be allocated among all funding categories
 - Threshold factors & grants size limits to be applied
 - Available Section 108 loan guarantee amounts & how applications will be selected, if state will allow
 - State's process & criteria for approving CRSA, if the state will allow

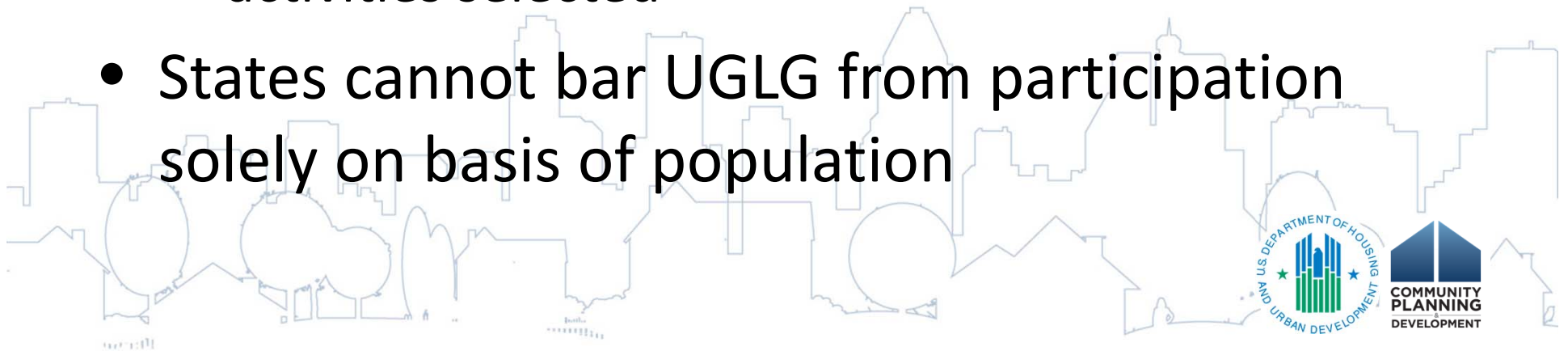


METHOD OF DISTRIBUTION (cont)

- MOD must also contain the following:
 - Sufficient information so that UGLG will be able to understand and comment
 - Understand how the UGLG's application will be judged
 - Be able to prepare responsive applications
- MOD may provide summary of selection criteria, providing that details are set forth in application manuals and widely distributed

METHOD OF DISTRIBUTION (cont)

- States cannot refuse to distribute \$ to any UGLG on basis of eligible activity selected by UGLG to meet its needs, but...
 - This does not prevent State from establishing priorities in distributing such amounts on basis of activities selected
- States cannot bar UGLG from participation solely on basis of population



METHOD OF DISTRIBUTION (cont)

- When developing MOD, states must:
 - Identify total amount of resources available (including PI and recaptures)
 - Identify funding categories and dollar amounts per category
 - Specify application deadlines, thresholds, applicability of 108, CRS, floats
 - Provide specificity in selection criteria
 - Memorialize internal application processing procedures to support decisions

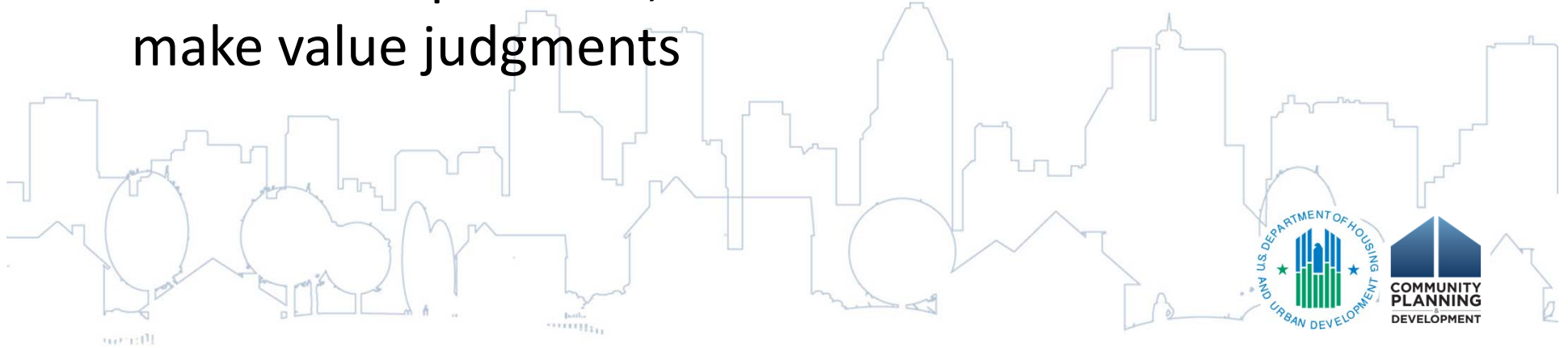


EXAMPLE OF UNCLEAR STATE MOD

- “Negotiations of financing assistance will include, but are not limited to, any or all of the following considerations:
 - Amount of financial assistance is not excessive
 - Reasonableness of costs
 - Community commitments
 - Level of risk
 - Labor market considerations
 - Other public benefits”

WHAT'S WRONG WITH EXAMPLE MOD?

- Implies that there are other criteria not mentioned that state may apply arbitrarily
- Specific factors are vague & undefined –what does state mean by these?
- Relative terms for which no definition or point of reference is provided; no indication of how state will make value judgments



HUD'S EXPECTATIONS FOR MOD

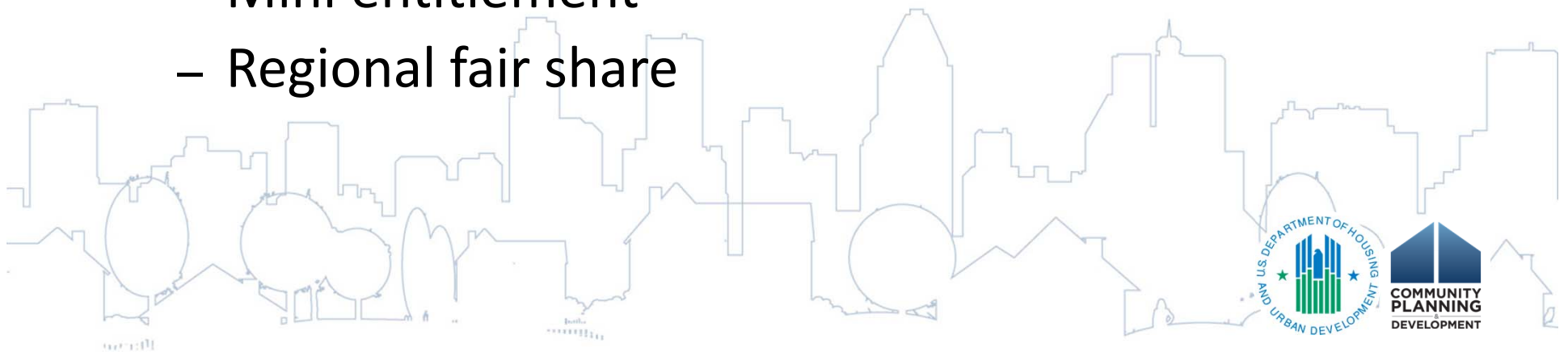
- MOD should accurately describe nature of process
- State must include ALL criteria to be used
- State should define terms they use
- Selection criteria should describe what data, factors or criteria will be used to evaluate applications
- Applicants need to know what they are expected to submit
- Where state reserves right to exceed maximums/minimums, it should explain situations in which it will consider this

HUD'S EXPECTATIONS FOR MOD (cont)

- State should identify *all specific* information they want to see for *each* selection factor
- Different selection criteria call for different types of information
 - If there are minimum requirements for what fundable application must contain, state should say so
- If competitive, state should relate degree, detail or quality of information/ evidence to how it will score application

ACTIVITY SELECTION PROCESS

- UGLG chosen by state in any fair manner
- Five typical models:
 - Formal application process
 - Two stage w/TA
 - Open door (unsolicited) process
 - Mini entitlement
 - Regional fair share



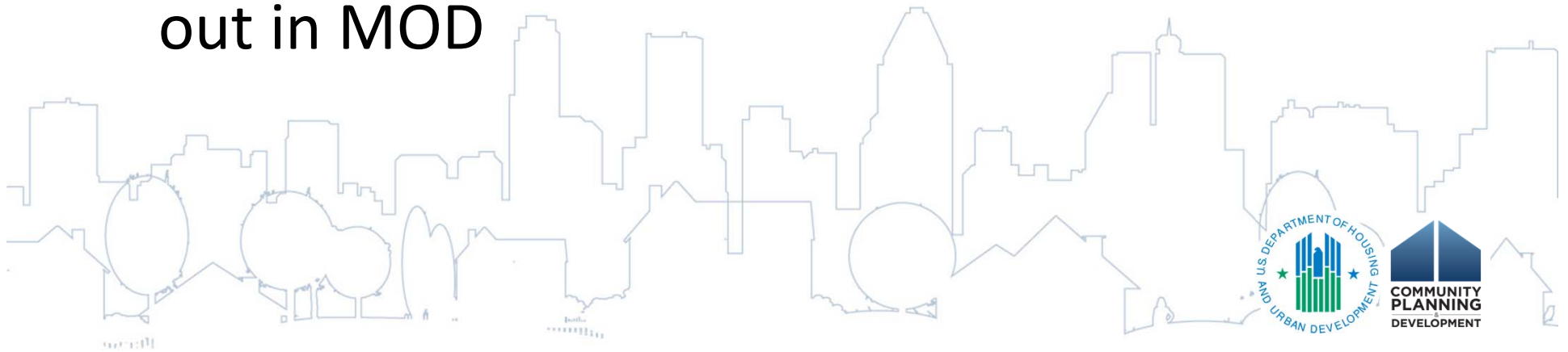
ACTIVITY SELECTION PROCESS (cont)

- *Formal application process* = funding competitions with annual or multiple rounds per year
- *Two stage w/TA* = pre-application then full application
- *Open door* = first come, first serve, non-competitive



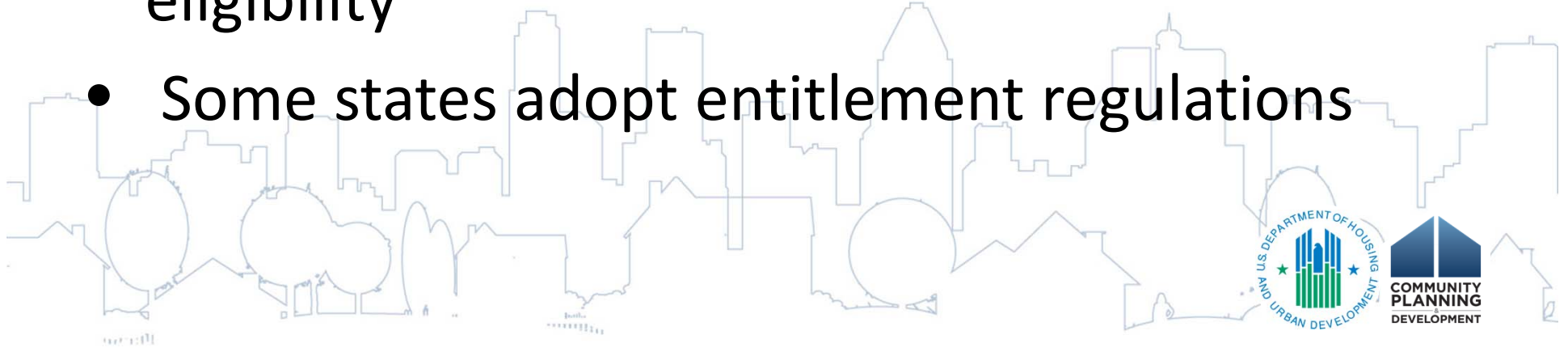
ACTIVITY SELECTION PROCESS (cont)

- *Mini entitlement* = formula for annual funding to UGLG
- *Regional fair share* = division of \$\$\$ by region w/UGLG selection input by regional orgs
- Can mix and match as long as this is spelled out in MOD



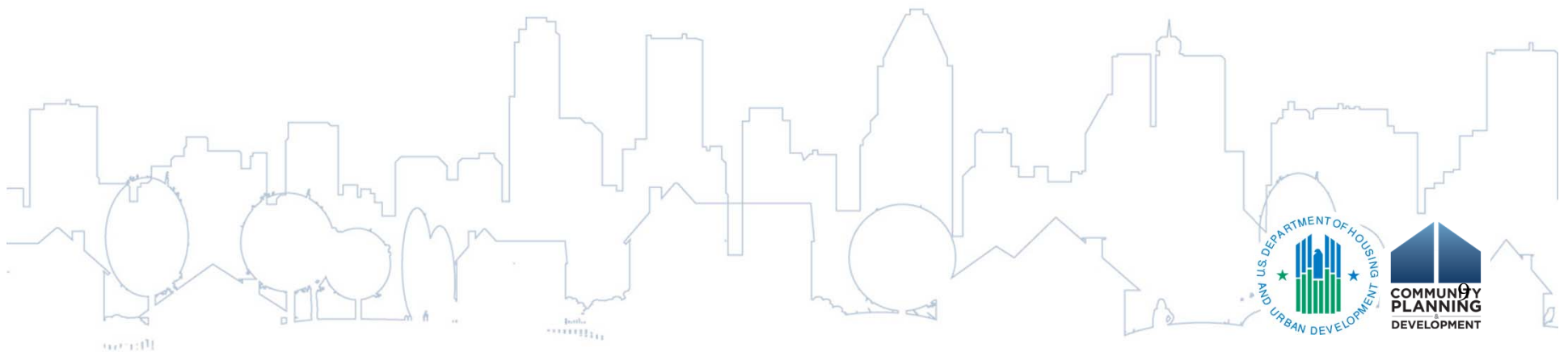
ACTIVITY SELECTION PROCESS (cont)

- Eligible activities are listed in the Housing and Community Development Act (HCDA) Section 105(a)
- Entitlement regulations at 24 CFR 570.201-206 may be used as guidance to determine eligibility
- Some states adopt entitlement regulations



COMMON FUNDING CATEGORIES

- Comprehensive vs. single purpose
- Separate public facilities/economic development/housing categories
- Separate urgent needs category
- Planning only grants



WHO WILL MANAGE & IMPLEMENT ACTIVITIES?

- UGLG have options:
 - UGLG staff
 - Subgrantees
 - Nonprofit development organizations under 105(a)(15)
 - Community Development Finance Institutions (CDFIs)
 - Faith Based Organizations
 - Contractors



SECTION 105(A)(15) NONPROFIT ENTITIES

- Activity & Organization must qualify under Section 105(a)(15) of HCDA
 - Activity is assistance to nonprofit organization to carry out:
 - Neighborhood Revitalization
 - Community economic development
 - Energy conservation
 - Can carry out some activities not otherwise eligible in other sections of the HCDA

SECTION 105(A)(15) NONPROFIT ENTITIES (cont)

- Eligible types of nonprofits:
 - Neighborhood-based nonprofit organizations
 - Local development corps.
 - SBA definition of Small business investment corps.
 - Nonprofit organizations serving development needs of communities in nonentitlement areas
- Most nonprofit CD or ED organization can qualify
- Public vs. private nonprofit?
 - Only if meets IRS definition of nonprofit (preamble 1995 regs)



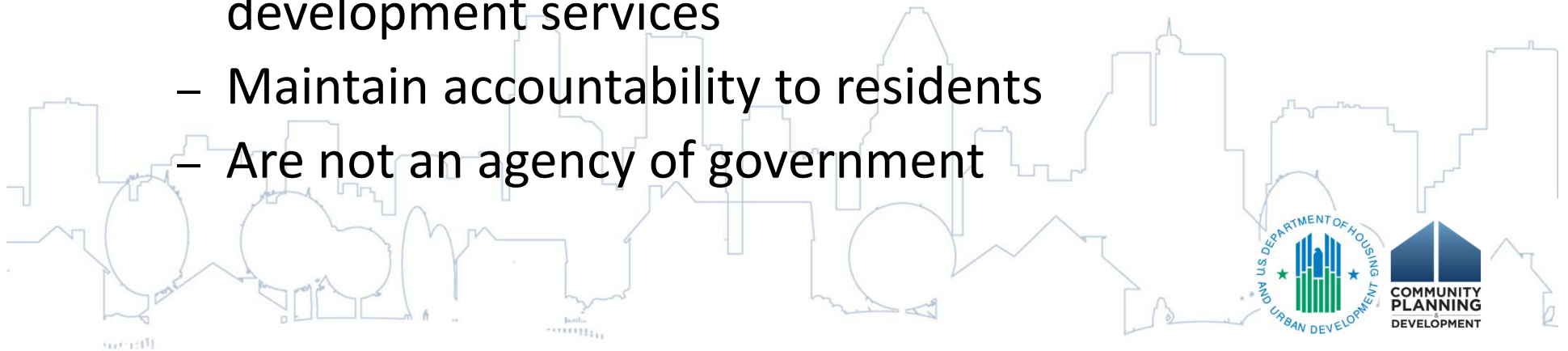
SECTION 105(A)(15) NONPROFIT ENTITIES (cont)

- Nonprofit organization must be actively involved in managing activity:
 - Sufficient control to ensure that requirements are met
 - Nonprofit organization cannot be passive participant that passes funds from UGLG to another entity which performs all work



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



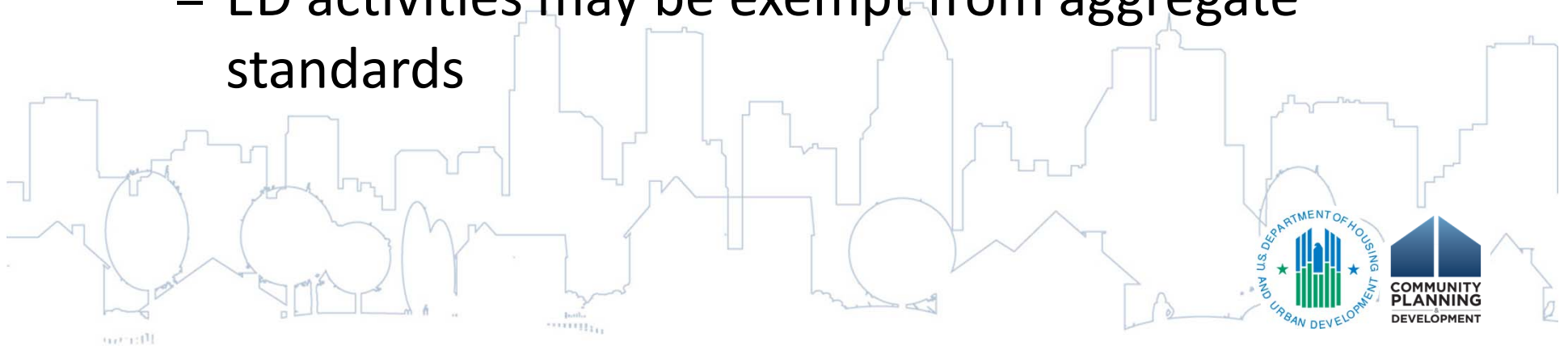
CDFI FLEXIBILITIES

- Special consideration for CDFI activities under 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



FAITH BASED ORGANIZATIONS

- Rule changed in 2003
- No longer need to set up separate nonprofit
- Can undertake all CDBG eligible activities but cannot:
 - Support inherently religious activities
 - Discriminate in employment on basis of religion for staff working on CDBG programs
 - Discriminate in serving eligible beneficiaries



CONTRACTED ADMINISTRATORS

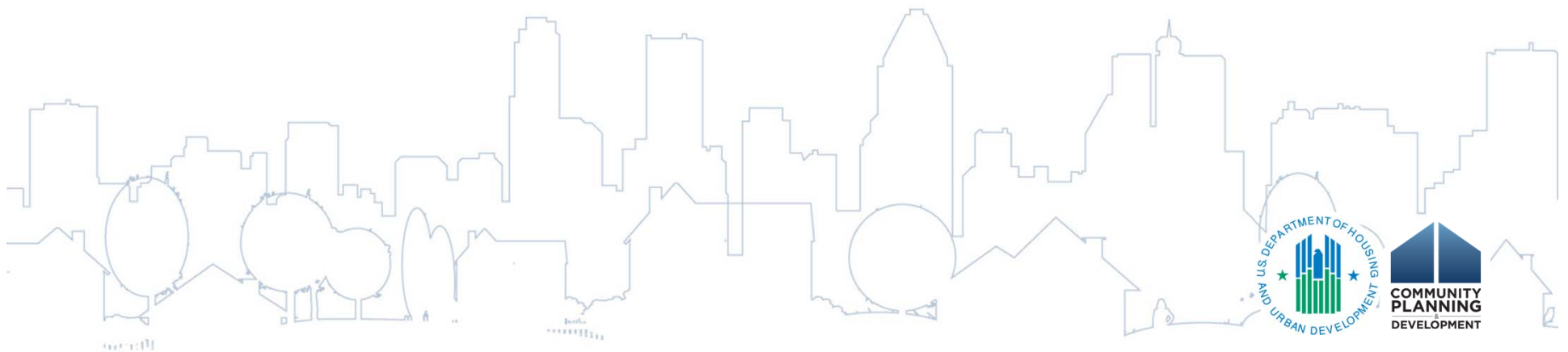
- Different than nonprofit development organization or subrecipient
- Must be competitively procured under Part 85
 - Some states use part 85 & some states use own procurement rules
- Use when activity:
 - Is discrete
 - Has a defined beginning and end date
 - Is for a specific project

NATIONAL OBJECTIVES



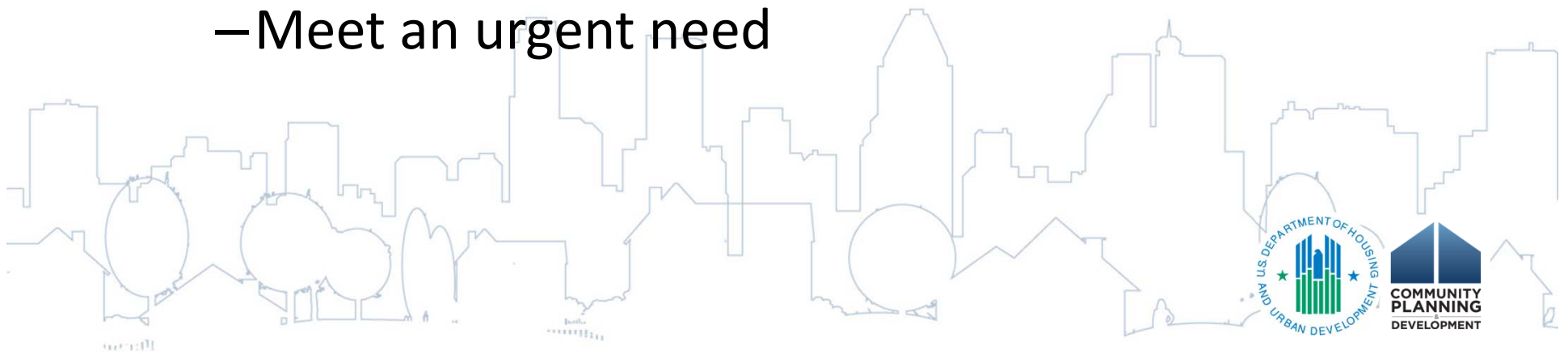
NATIONAL OBJECTIVES CHAPTER

- Covers:
 - National objective options
 - Documentation
 - LMI targeting

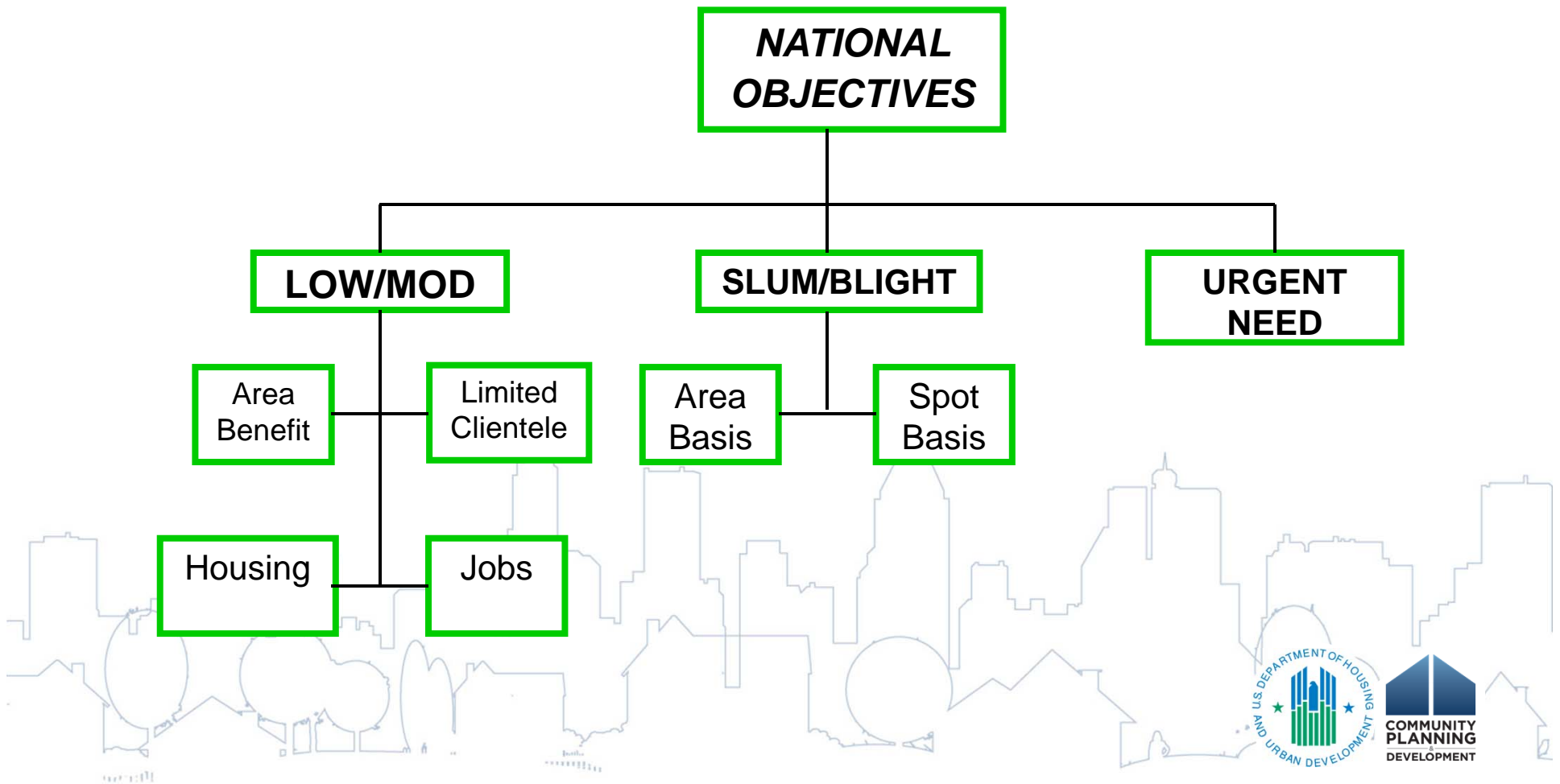


NATIONAL OBJECTIVES

- Reg cite §570.480
- All CDBG activities must meet one of the following:
 - Benefit low/mod income persons
 - Prevent or eliminate slums and blight OR
 - Meet an urgent need



NATIONAL OBJECTIVES (cont)



DEFINITION OF LOW-MOD

- What is low- and moderate income?
 - Extremely Low Income: up to 30% of median family income
 - Low Income: greater than 30% but does not exceed 50% of median family income
 - Moderate Income: greater than 50% but does not exceed 80% of median family income

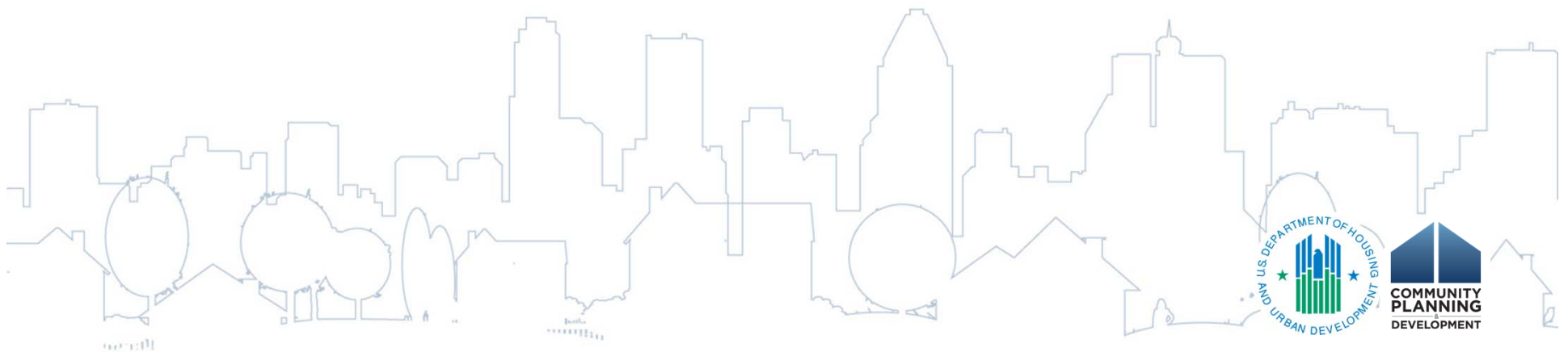


LOW/MOD BENEFIT AREA BENEFIT

- Activities that benefit all residents of area
- Typical activities: water/sewer, parks, community centers
- Must determine service area of activity
 - Based on reasonable assumptions as to who would access the facility, service, etc.
- Area must be primarily residential
- Local applicant defines service area and state approves

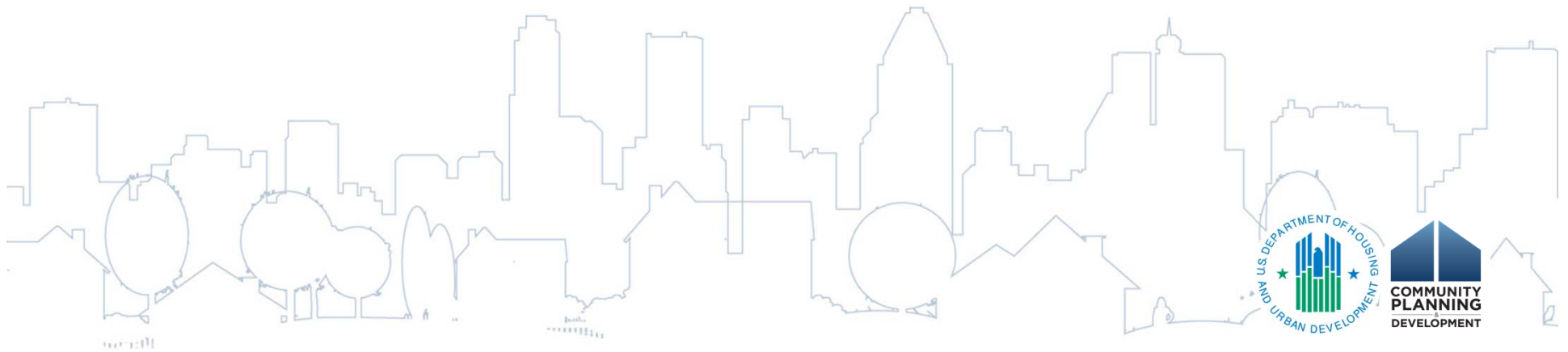
LOW/MOD BENEFIT AREA BENEFIT (cont)

- Area must be at least 51% LMI persons
 - Typically use Census/American Community Survey (ACS) data
 - Can conduct survey using approved methodology



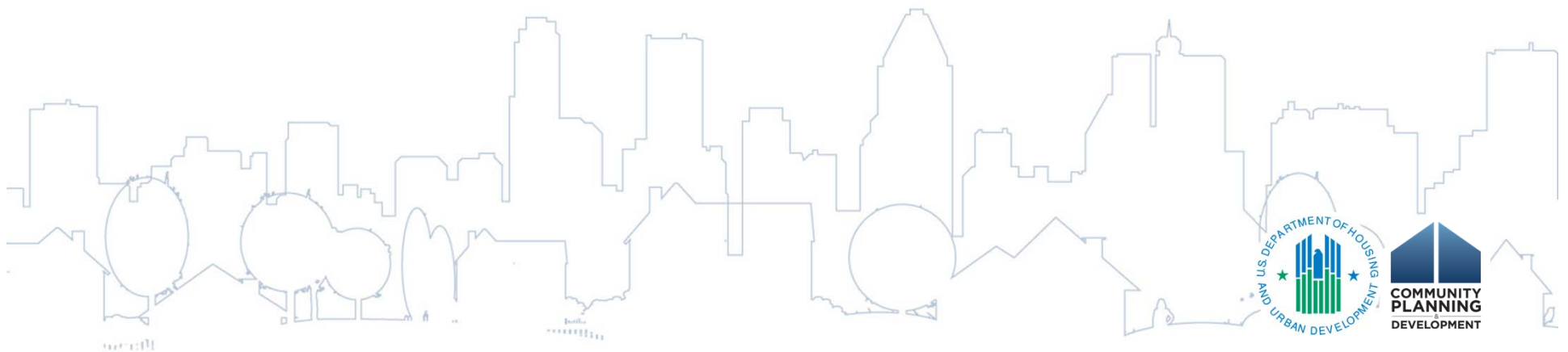
CHARACTERISTICS OF SERVICE AREA

- Nature of activity
- Location of activity
- Accessibility
- Availability of comparable activities
- Established boundaries or districts



DOCUMENTING AREA BENEFIT

- Income limits and timeframe
- Boundaries of the service area
- Income characteristics of service area
- Proof of primarily residential



DOCUMENTING AREA BENEFIT: INCOME SURVEYS

- Why conduct a survey?
 - LMI summary data does not reflect current income levels in service area due to:
 - Economic changes such as plant openings or closings or massive layoffs
 - Non-economic changes such as natural disasters
 - Change in population (due to migration patterns)
 - Boundaries of service area are not coterminous with boundaries of census/American Community Survey tract or block group



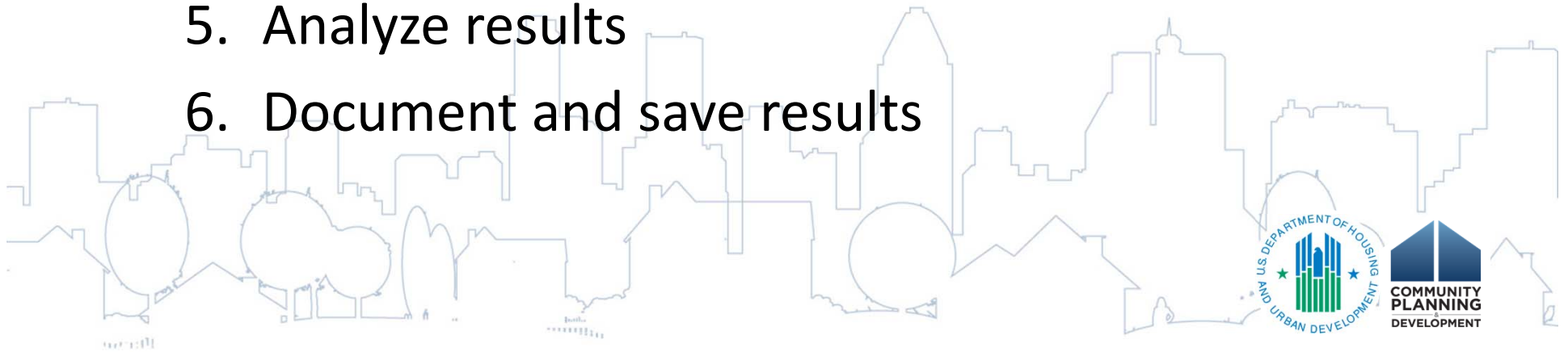
DOCUMENTING AREA BENEFIT: INCOME SURVEYS (cont)

- There are three common types of surveys
 - Mail survey (or self-administered questionnaire)
 - Face-to-face (or door-to-door) interviews
 - Telephone interviews
- Sample size
 - Determine sample size whose characteristics reflect those of population under study
 - Use the Sample Size Calculator in “CPD Notice 05-06”



DOCUMENTING AREA BENEFIT: INCOME SURVEYS (cont)

- Steps in conducting surveys
 1. Select survey type
 2. Develop questionnaire
 3. Determine sample size
 4. Conduct survey
 5. Analyze results
 6. Document and save results

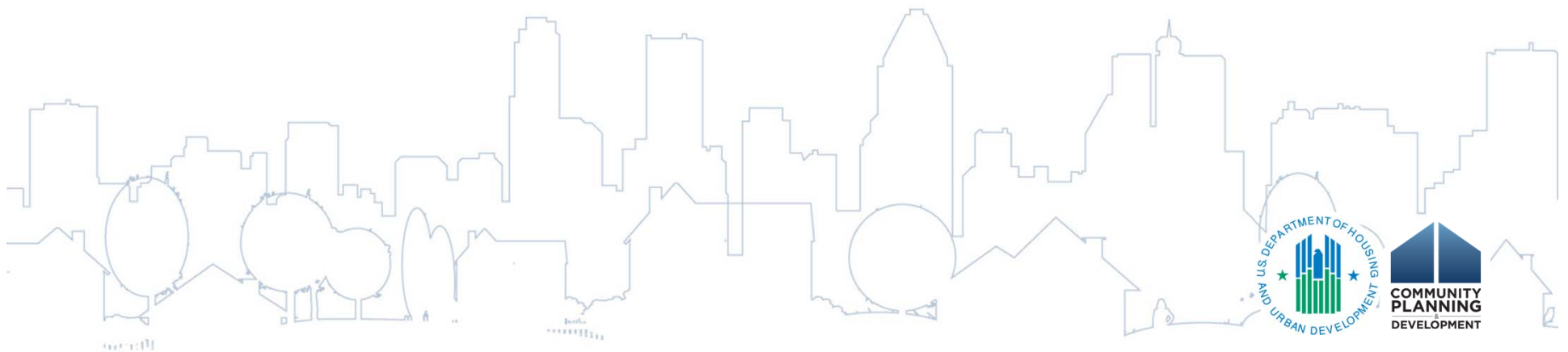


LOW/MOD BENEFIT LIMITED CLIENTELE

- Activities that benefit specific populations (e.g., services for seniors; homeless shelters; micro loan programs)
- Options for meeting limited clientele:
 - 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
 - 51% of participants are documented as LMI
 - Participation limited to LMI only
 - Nature and location indicate low/mod benefit

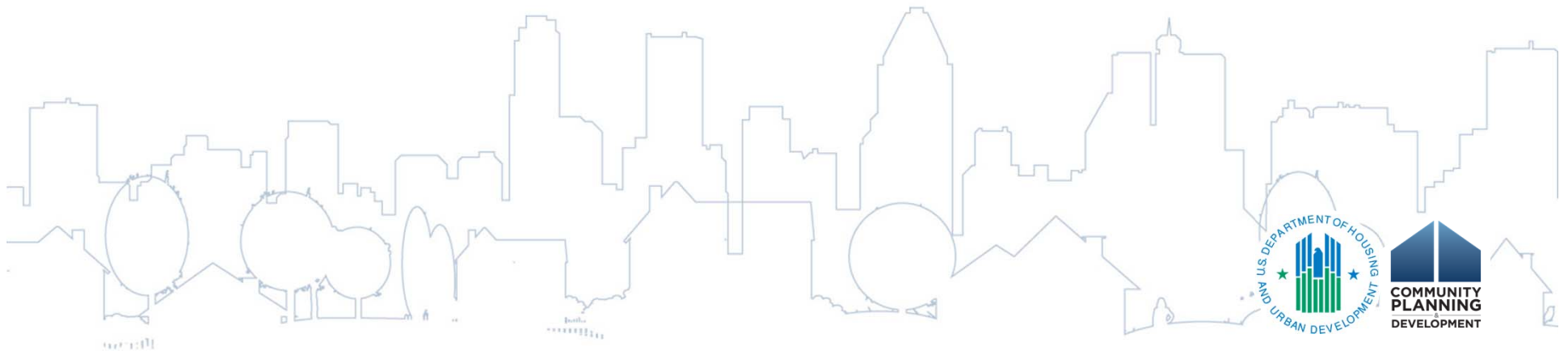
LIMITED CLIENTELE (cont)

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



DOCUMENTING LIMITED CLIENTELE

- Income limits and timeframe
- Presumed clientele (if applicable)
- Nature and location information (if applicable)
- Data showing size & annual income of family of all persons receiving benefit



LOW/MOD BENEFIT HOUSING

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



DOCUMENTING HOUSING

- Income limits and timeframe
- Written agreement with developer/landlord indicating units assisted and LMI occupancy
- For LMI units, size and income of household
- For rental:
 - Rents charged
 - Information on affordability
- For property with no existing structure, evidence that criteria will be met
- Documentation when less than 51% (as applicable)
- Evidence of homebuyer category and size and income of household



LOW/MOD BENEFIT 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



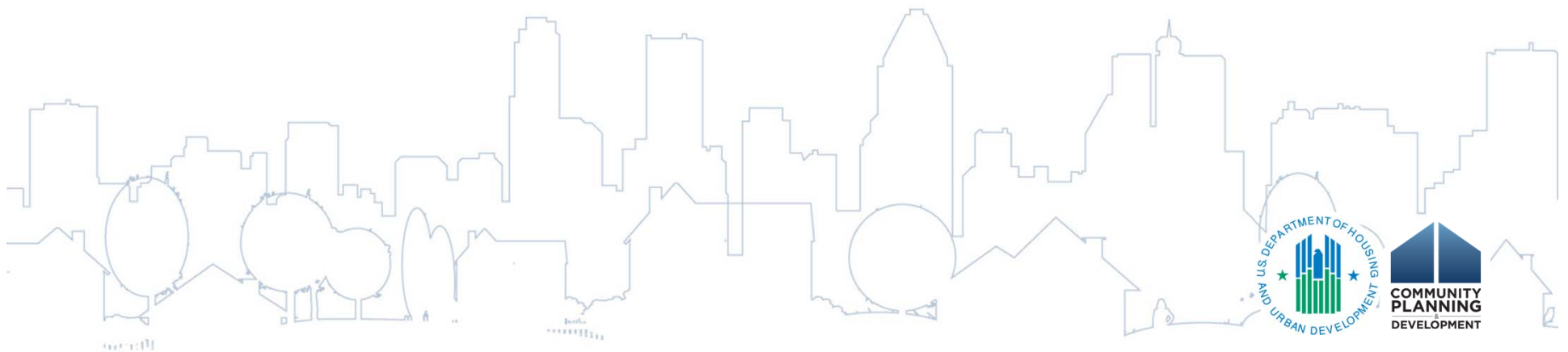
LOW/MOD BENEFIT JOB CREATION/RETENTION (cont)

- 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 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



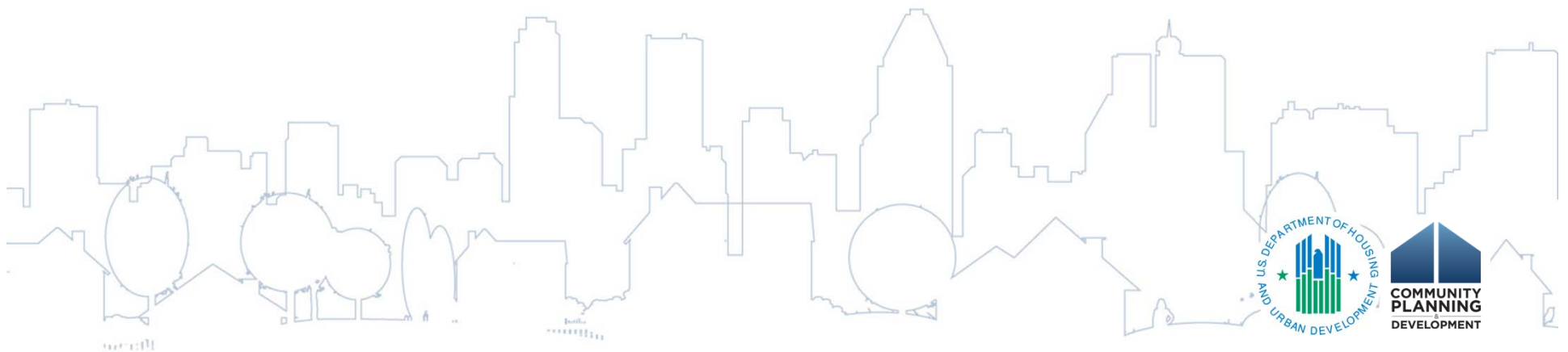
LOW/MOD BENEFIT JOBS AVAILABLE TO LMI

- 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



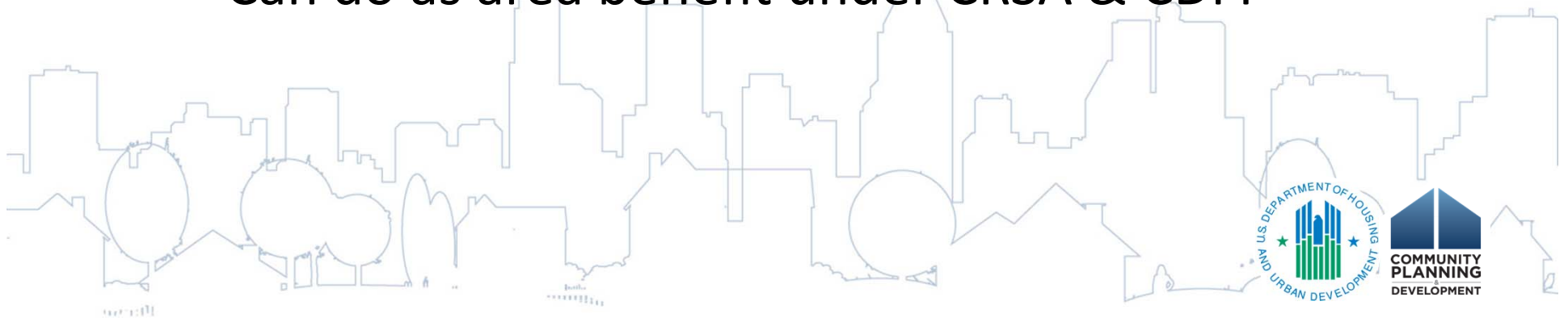
LOW/MOD BENEFIT LMI PRESUMPTION FOR JOBS

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



WHICH JOBS TO COUNT?

- Each business tracked individually
- Can aggregate when:
 - Improving real property and no other assistance
 - Paying staff costs when making loans but no CDBG financial \$\$\$
 - Can do as area benefit under CRSA & CDFI



WHICH JOBS TO COUNT? (cont)

- Count all jobs created as direct result of CDBG \$\$\$
- Cannot stop counting at specified time or planned number of jobs
- Count first person to take position, not turn-over
- LMI based on current income not salary of created job

DOCUMENTING JOB CREATION

- Income limits and timeframe
- When “available to”
 - Written agreement with business commitment, listing of job titles, description of actions to be taken
 - Listing of jobs filled and which were made available, how first consideration was given, hiring process, interview of LMI persons, and LMI people hired

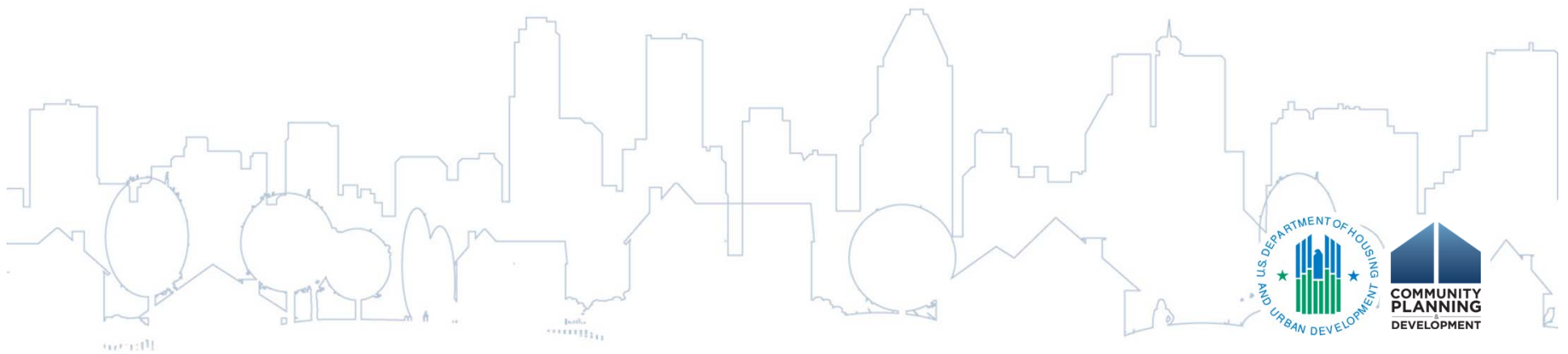


DOCUMENTING JOB CREATION (cont)

- When “held by”
 - Written agreement with business commitment, listing of job titles
 - Listing of permanent jobs filled which were held by LMI
 - For each LMI person hired, income and family size prior to hire
 - FTE status of job (whether part-time)

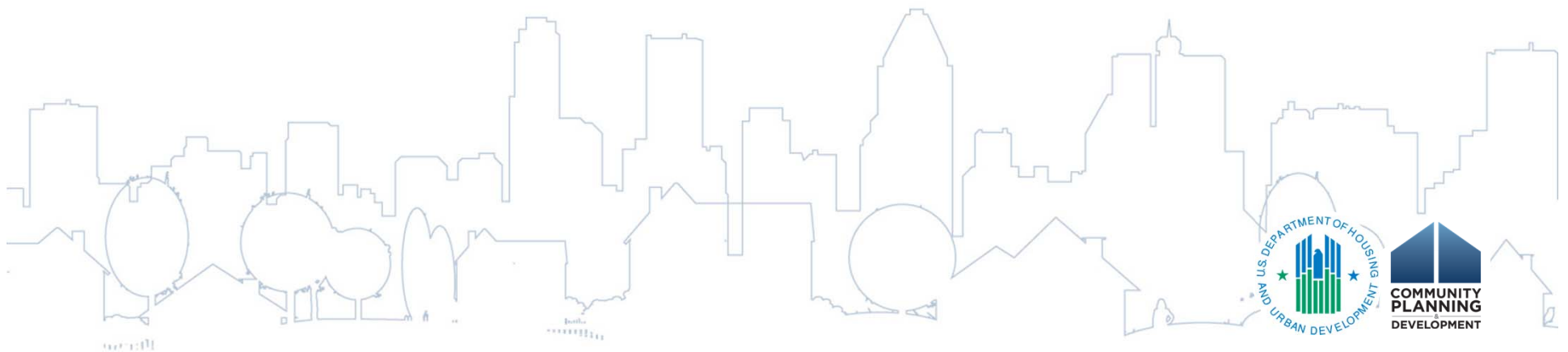
DOCUMENTING JOB RETENTION

- Evidence that jobs would be lost w/out CDBG
- Job title, FTE status, family size and income
- If job retained and counting turn-over: basis of job turn over, turn-over date, income status of person taking job



DOCUMENTING JOB PRESUMPTION

- Substitute either person's address OR
- Business address
- Census/American Community Survey tract, % LMI, data source, pervasive poverty and general distress



LMI INCOME DOCUMENTATION

- State selects or develops own income definition
- May choose from common annual income definitions, options:
 - Section 8 Annual Income (24 CFR Part 5)
 - Census Long Form
 - IRS 1040 Series (Long Form)
- Same definition should be used within programs or activities
- Income is that of all adult household members for upcoming 12-month period



LMI INCOME DOCUMENTATION (cont)

- Several options for documentation
- Possible approaches:
 - Full 3rd party documentation
 - Evidence of qualification under another program at least as restrictive as CDBG (e.g., public housing)
 - 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 AND BLIGHT AREA BASIS

- Activity designed to address dilapidated physical environment
 - Not based on income of residents
- Typical activities: code enforcement, infrastructure, commercial rehabilitation
- Area must meet definition of slum/blighted area under state/local law AND



SLUM AND BLIGHT AREA BASIS (cont)

- Meet either A) or B) below:
 - A) 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.
 - B) The public improvements in the area are in a general state of deterioration
 - If residential rehab, must address substandard items before addressing other work



DOCUMENTING AREA SLUM/BLIGHT

- Boundaries of area
- Identify all building and public improvement conditions demonstrating blight
- Description of activity addressing the condition led to blight in area
- If residential rehabilitation:
 - Definition of substandard
 - Pre-rehab inspection
 - Scope of CDBG rehab
- Review every 10 years to continue an area as qualified

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

DOCUMENTING SPOT SLUM/BLIGHT

- Documentation that activity was one of six possible
- Description of condition of blight or decay
- For rehab:
 - Description of conditions detrimental to public health and safety
 - Scope of CDBG rehabilitation



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
 - UGLG cannot finance on its own
 - Other funding sources not available

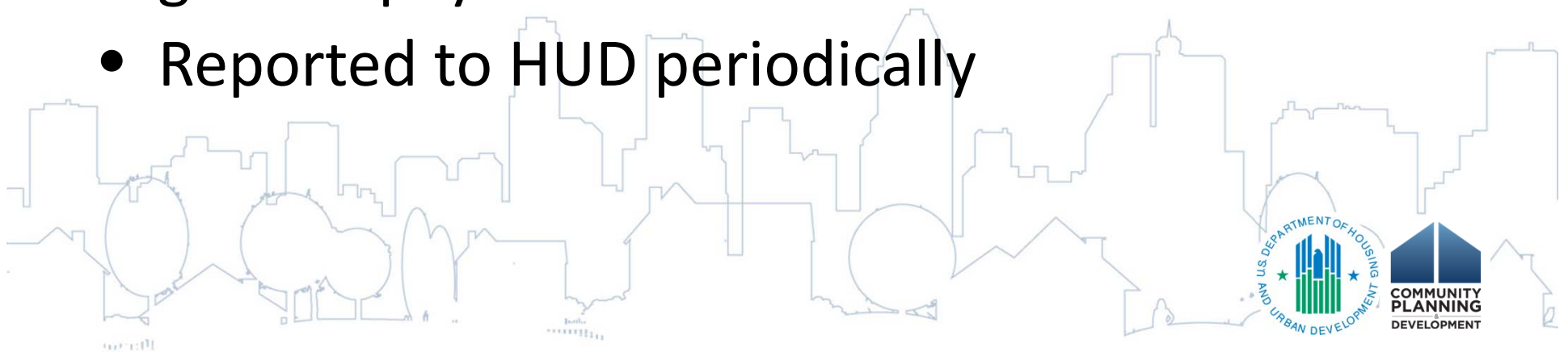


DOCUMENTING URGENT NEED

- Documentation on nature and degree of condition
- Evidence that CDBG addresses this condition
- Information on timing of problem
 - For example, date activity certified as serious or urgent
- Evidence that other financial resources not available

LOW/MOD BENEFIT REQUIREMENT

- 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 can require grant repayment
- Reported to HUD periodically



LOW/MOD BENEFIT REQUIREMENT (cont)

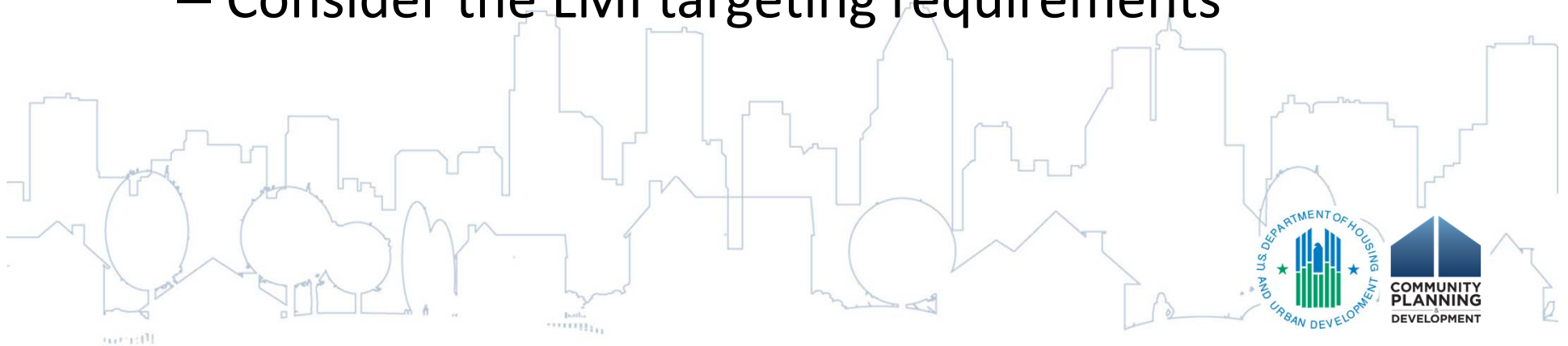
- Calculating the LMI benefit
 - Based on actual expenditure when the national objective meets LMI
 - Area benefit, limited clientele, jobs = entire CDBG expenditure
 - Housing = only the amount spent on LMI occupied unit

- Planning/admin not included



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 possible
 - LMI jobs sometimes considered most difficult due to tracking & administrative requirements
 - Consider the LMI targeting requirements

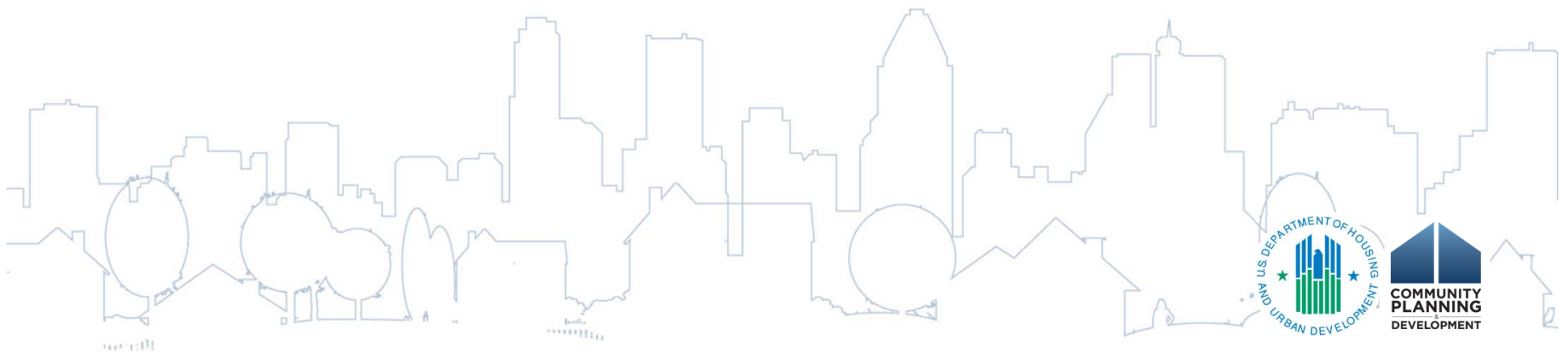


HOUSING & OTHER REAL PROPERTY ACTIVITIES



HOUSING & REAL PROPERTY CHAPTER

- Covers:
 - Eligible housing activities
 - National objectives
 - Escrow accounts
 - Other real property activities



APPROACHES TO HOMEOWNER REHABILITATION

- Many options for types of rehab programs
- Assistance can be in form of grants, loans, loan guarantees, interest subsidies
- Minor, moderate & substantial rehab possible:
 - May or may not involve bringing all items up to code
 - May also include other improvements to enhance livability of unit
 - No required property standards but grantee may adopt



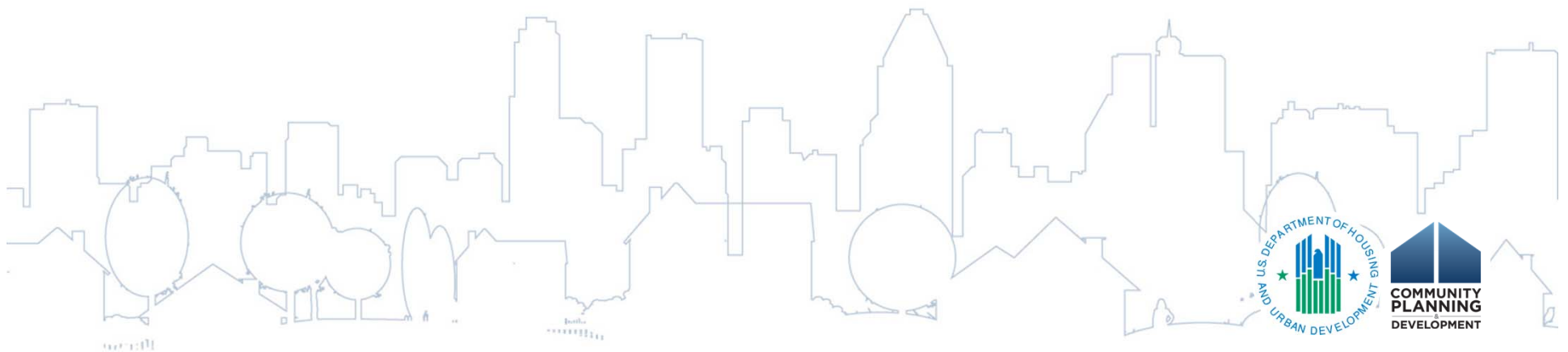
APPROACHES TO HOMEOWNER REHABILITATION (cont)

- Special purpose programs OK
 - Energy efficiency and weatherization
 - Emergency repair
 - Handicapped accessibility
- Reconstruction:
 - CDBG now allows as rehabilitation
 - Reconstruction is rebuilding on the same site in substantially the same manner
 - Change in number of housing units may constitute new construction
 - Same lot but not necessarily standing at time of project commitment
 - Manufactured housing is allowed if part of the community's permanent housing stock



APPROACHES TO HOMEOWNER REHABILITATION (cont)

- CDBG entitlement regulations allows 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 (except with grant)
 - Flood insurance premium
 - Lead-based paint testing & abatement
- Purchase of construction equipment not eligible
 - Tool lending programs are OK
- Be sure to follow HCDA PLUS A-87 cost reasonableness



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 means:
 - Up to 50% of required downpayment
 - Reasonable closing costs
 - Principal write-down
 - Acquisition financing
 - Acquisition of mortgages guarantees
- As public service, only downpayment assistance eligible
- IDAs:
 - Dedicated savings accounts
 - Use program funds as matching
 - 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 construction of housing by nonprofit development orgs under 105(a)(15)

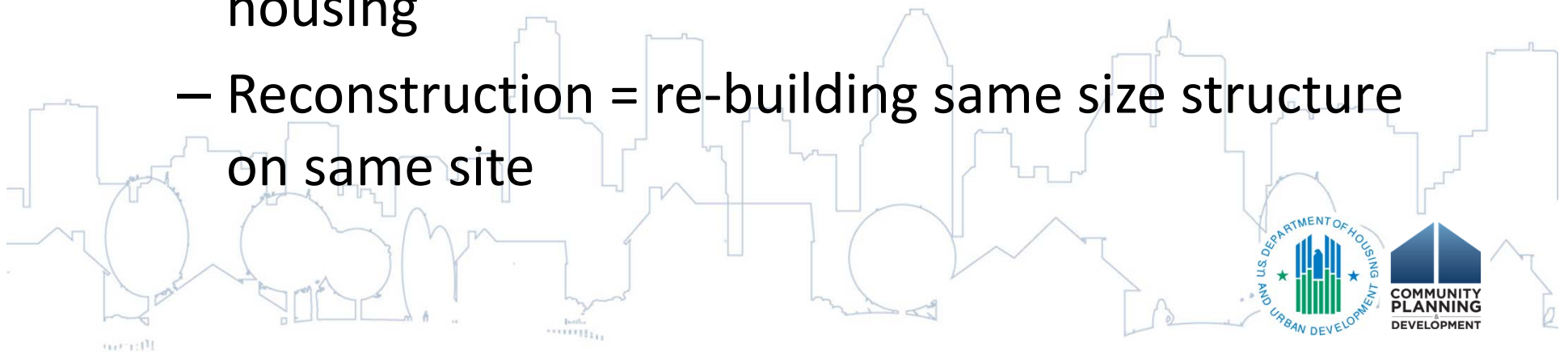
APPROACHES TO RENTAL HOUSING

- Many possible approaches:
 - Acquisition
 - Rehabilitation
 - New construction
- Acquisition:
 - Subsidize the purchase
 - In return units are rented to LMI persons at affordable rent
 - Must be public or nonprofit purchaser



APPROACHES TO RENTAL HOUSING (cont)

- Rehabilitation
 - Can be combined with acquisition
 - CDBG mandates no 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 is allowed
 - Can pay for both commercial and residential
- Mixed income is also possible
- Special needs projects are allowed
 - Includes group homes, SRO, transitional
- Can develop facilities but these are not “housing”
 - Not subject to new construction ban
 - Must be owned by public agency or nonprofit



RENTAL HOUSING ELIGIBLE COSTS

- Expenditures may include:
 - Labor & materials
 - Refinancing (if necessary & appropriate)
 - Energy efficiency improvements
 - 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 rental housing
 - Exception for housing of last resort under URA
 - Exception for 105(a)(15) orgs
 - 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 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
- 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 under 105(a)(15)
- Direct mortgage guarantees
- Purchase of construction equipment
- Mortgage or utility payments, except when:
 - Provided for less than 3 consecutive months in an emergency & payments made to provider
 - When provided as a loan
 - When provided under 105(a)(15) as part of eligible project



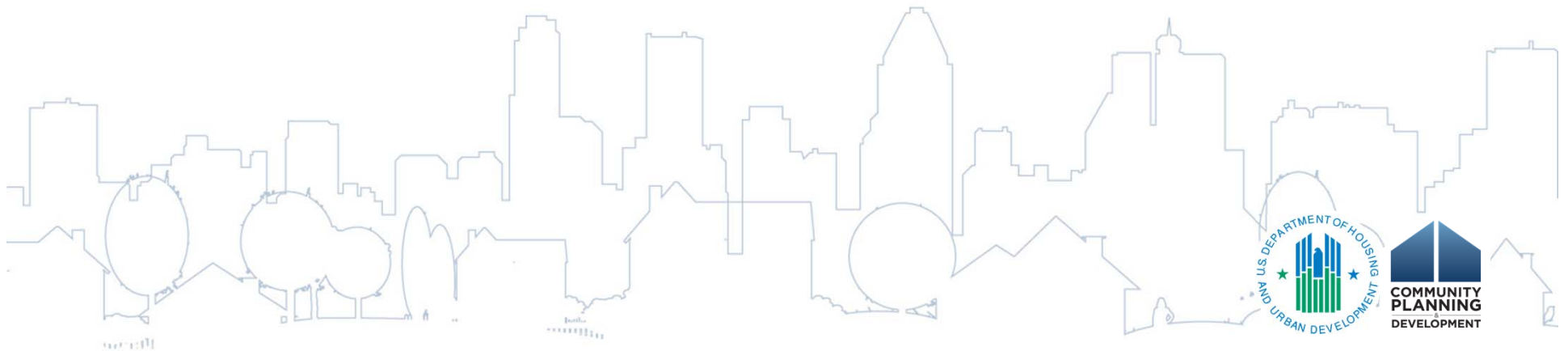
NATIONAL OBJECTIVES FOR HOUSING

- 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 unit of duplex occupied by LMI
 - 51% of 3+ units LMI occupied by LMI



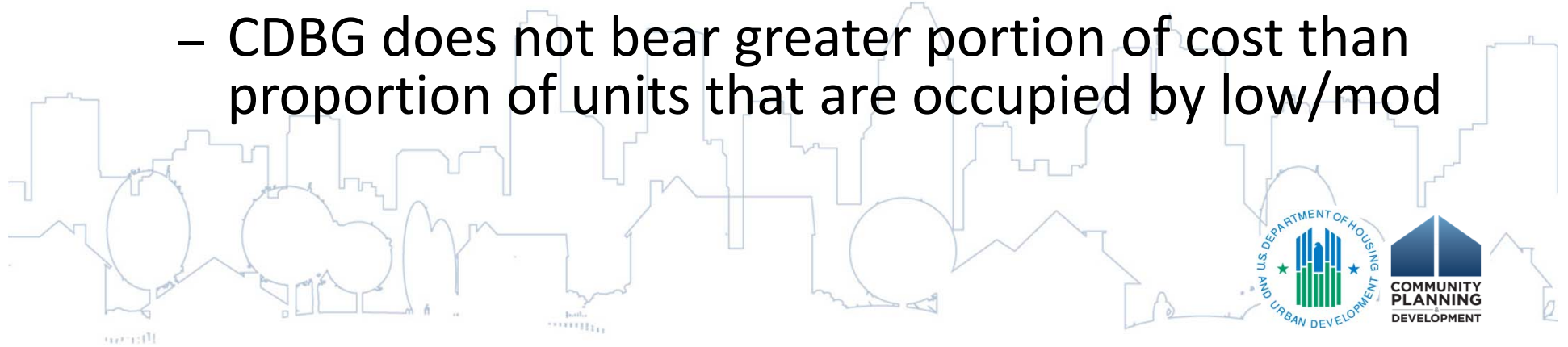
NATIONAL OBJECTIVES FOR HOUSING (cont)

- Multi-family housing:
 - 51% of units in each structure occupied by LMI households AND
 - Rents must be affordable; grantee determines what is “affordable”
 - If carried out by CDFI w/target area or in CRSA, may aggregate projects to meet 51%



NATIONAL OBJECTIVES FOR HOUSING (cont)

- Properties with less than 51% LMI can be assisted when:
 - Assistance reduces development cost of new construction, multifamily rental 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



NATIONAL OBJECTIVES FOR HOUSING (cont)

- *Some* activities may qualify under Slum/ Blight Area Basis or Spot Basis
- If Slum/Blight 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

ESCROW ACCOUNTS

- Escrow account is a trust account held in a borrower's name to pay certain obligations
- Escrow accounts provide an excellent way to pay contractors on an owner's behalf
- CDBG rules on escrow accounts:
 - Used for loans and grants for primarily residential structures
 - Require an executed contract with homeowner authorizing escrow account

ESCROW ACCOUNTS (cont)

- CDBG rules on escrow accounts (cont):
 - 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
- Above requirements are for entitlements & are safe harbor for state programs



OTHER REAL PROPERTY ACTIVITIES

- Acquisition possible when undertaken by public agency or nonprofit
 - Must meet 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
- 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
 - 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 surfaces
 - Abatement
 - Relocation
- Lead paint evaluation and reduction eligible as independent activity even when buildings are not scheduled for rehab



LEAD-BASED PAINT ACTIVITIES (cont)

- Typically use the Low/Mod Housing national objective
 - 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
- Slum/Blight Area Basis also possible
 - Area must meet requirements
 - Activity must address slum/blight conditions

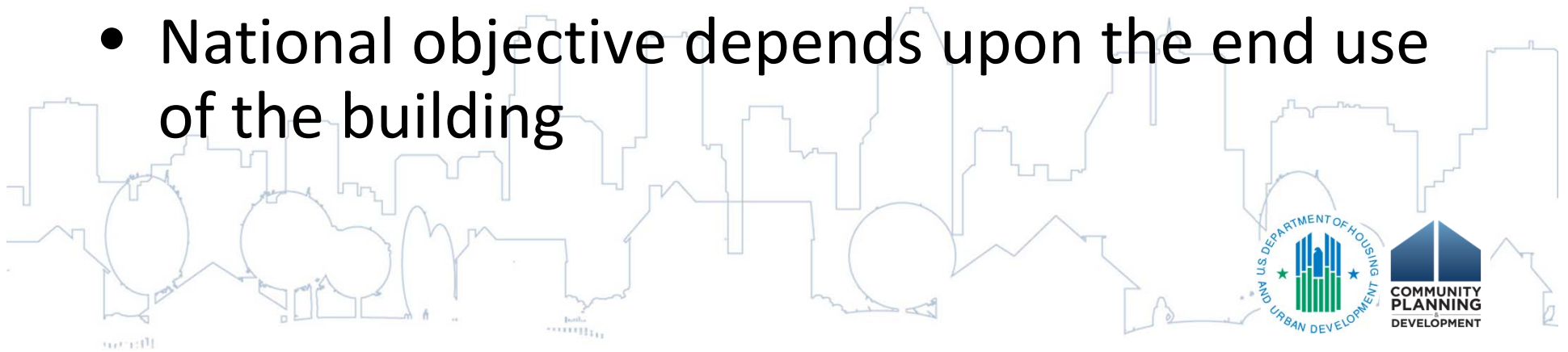
HISTORIC PRESERVATION ACTIVITIES

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



RENOVATION OF CLOSED BUILDINGS

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



HANDICAPPED ACCESS

- Can carry out handicapped accessibility improvements
 - 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 (e.g., energy star)
 - 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

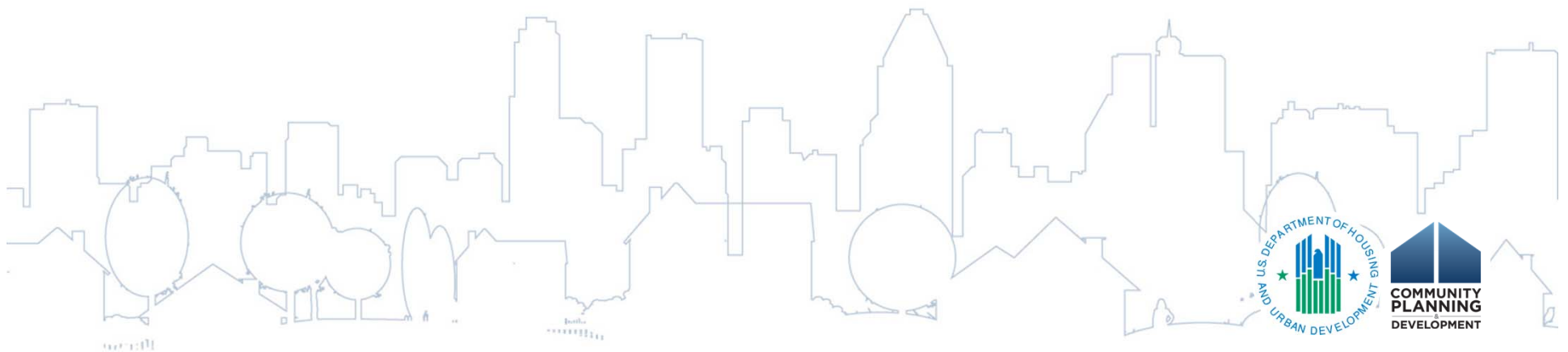
- Brownfields are vacant/underused industrial sites with environmental contamination
- CDBG can be used for:
 - Acquisition
 - Remediation (under clearance)
 - Redevelopment for economic development
 - Other eligible activities as applicable
- National objective will be based on type of activity funded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



PUBLIC FACILITIES

PUBLIC FACILITIES CHAPTER

- Covers:
 - Eligible activities
 - National objective
 - Special assessments
 - Private utilities



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
 - 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/American Community Survey Tracts (must have HUD approved survey methodology)
 - Low/Mod Limited Clientele (facilities for persons with special needs)
- Low/Mod Housing national objective should be used IF public improvements are for purpose of providing water/sewer hookups for LMI



PUBLIC FACILITIES NATIONAL OBJECTIVES (cont)

- Low/Mod Job Creation/Retention possible, but:
 - Must aggregate all FTE jobs created by affected businesses if cost/job less than \$10,000
 - If \$10,000+ must aggregate all FTE jobs created in service area within 1 year after construction completed
- Some improvements may fit Slum/Blight Area Basis national objective



SPECIAL ASSESSMENTS

- Special assessments are used to recover capital costs through a fee or charge
- Under CDBG, 2 ways think about special assessments:
 - To recover costs of CDBG-assisted public improvements
 - To pay private assessments for low/mod owner occupants

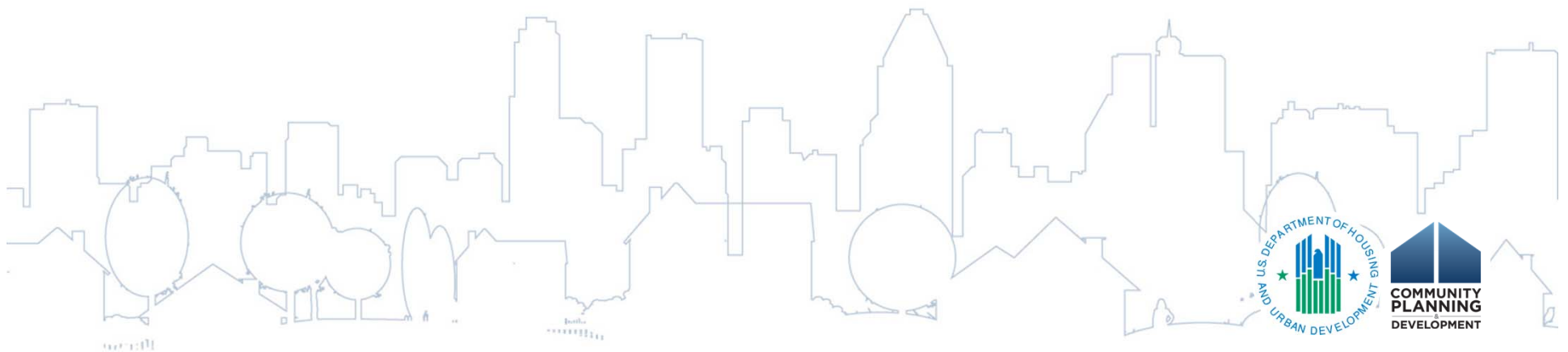


SPECIAL ASSESSMENTS (cont)

- If all costs of public improvement paid w/ CDBG, special assessment may recover CDBG funds
 - Only made against properties owned & occupied by non LMI persons
 - Special assessment considered program income
- If CDBG \$ used to pay for part of public improvement, assessments may recover non CDBG-assisted portion
 - CDBG \$ must be used to pay assessment on behalf of properties owned & occupied by LMI persons
- If public improvement not initially funded with CDBG, use of CDBG to pay assessments to recover the cost makes improvement CDBG assisted

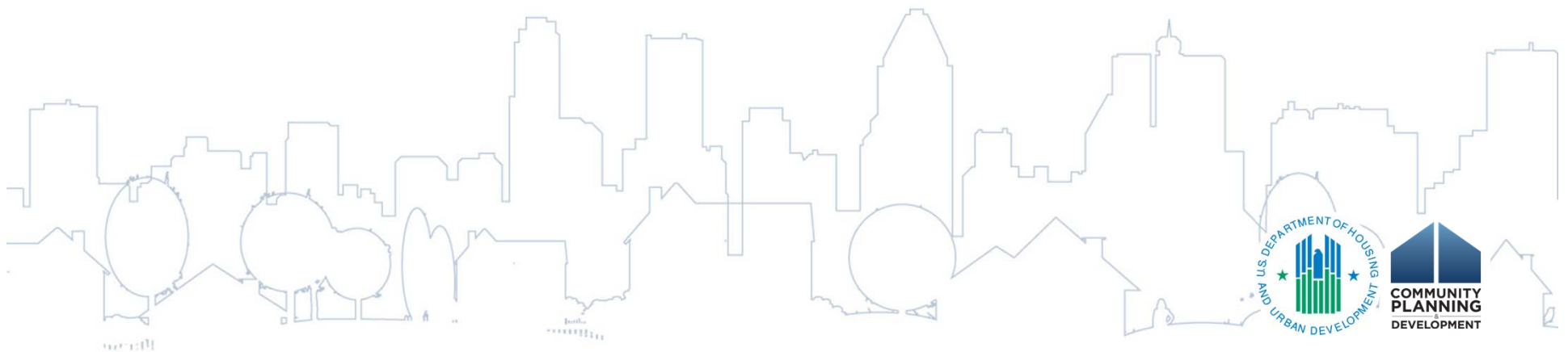
WHAT SPECIAL ASSESSMENTS ARE NOT

- Special assessments are not taxes
- Special assessments are not periodic charges based on use (e.g. water or sewer)



SPECIAL ASSESSMENTS NATIONAL OBJECTIVES

- Typically use:
 - Low/Mod Area Benefit OR
 - Limited Clientele



PRIVATELY OWNED UTILITIES

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

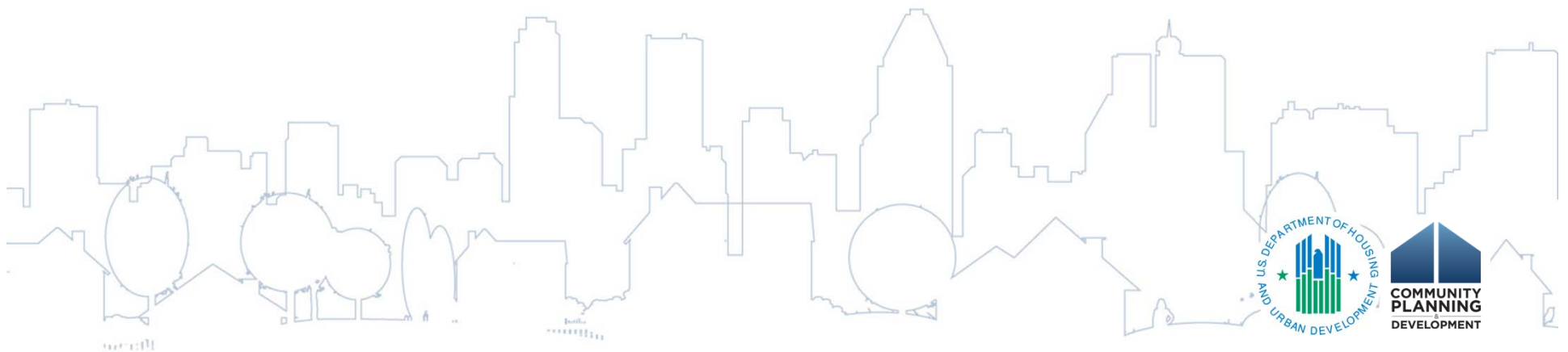
PRIVATELY OWNED UTILITIES (cont)

- Utilities includes: electricity; telephone; water; sewer; natural gas; television cable
- Must be publicly regulated and provided through distribution lines to private property
- Must meet a national objective:
 - Area LMI
 - Possibly LMI job creation
 - Slum blight area
 - Possibly urgent need

PUBLIC SERVICES

PUBLIC SERVICES CHAPTER

- Covers:
 - Eligible public services
 - Public services cap



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)

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



PUBLIC SERVICES COST

- 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 submission of the Action Plan
- Note: this restriction does not mean that an existing, funded services 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



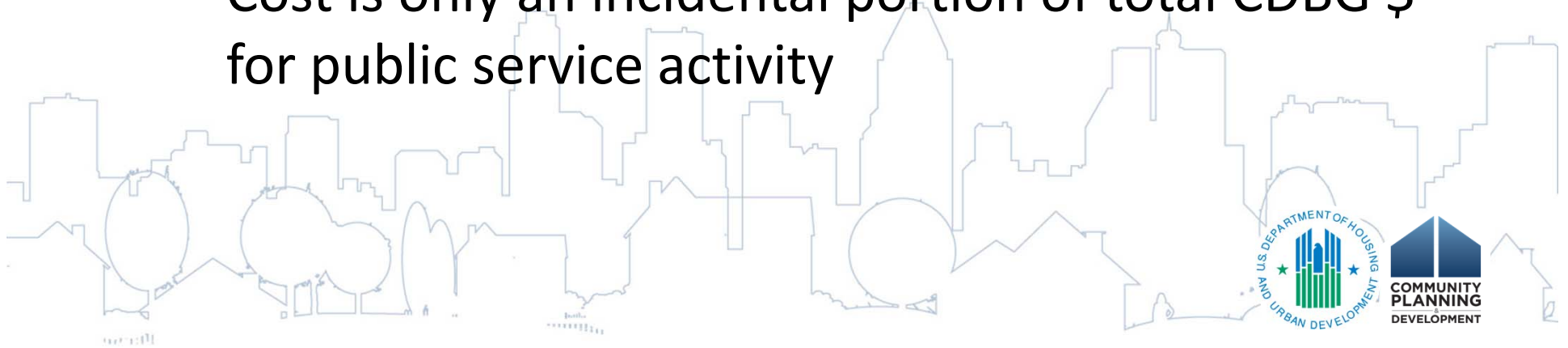
PUBLIC SERVICES & RELIGIOUS ENTITIES

- 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



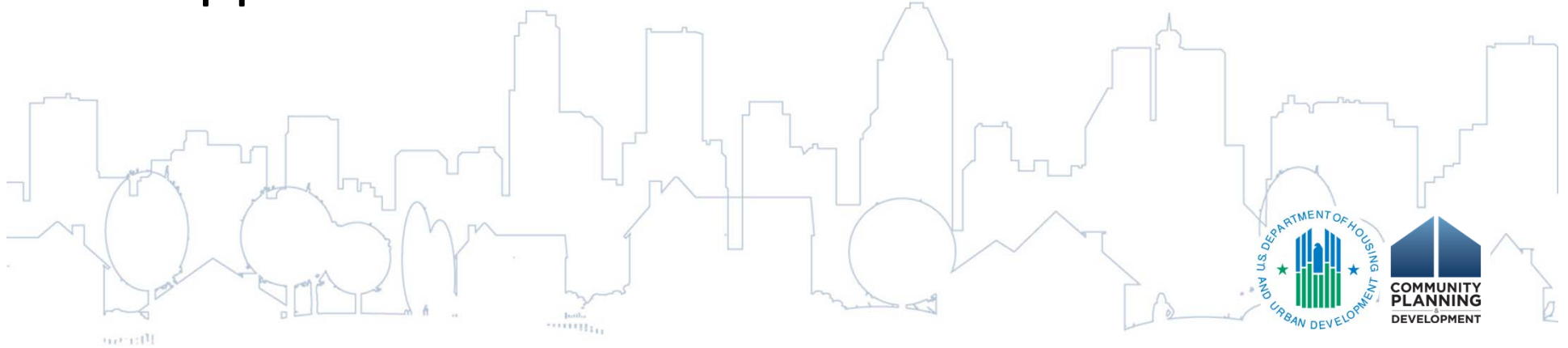
PUBLIC SERVICES & RELIGIOUS ENTITIES (cont)

- 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



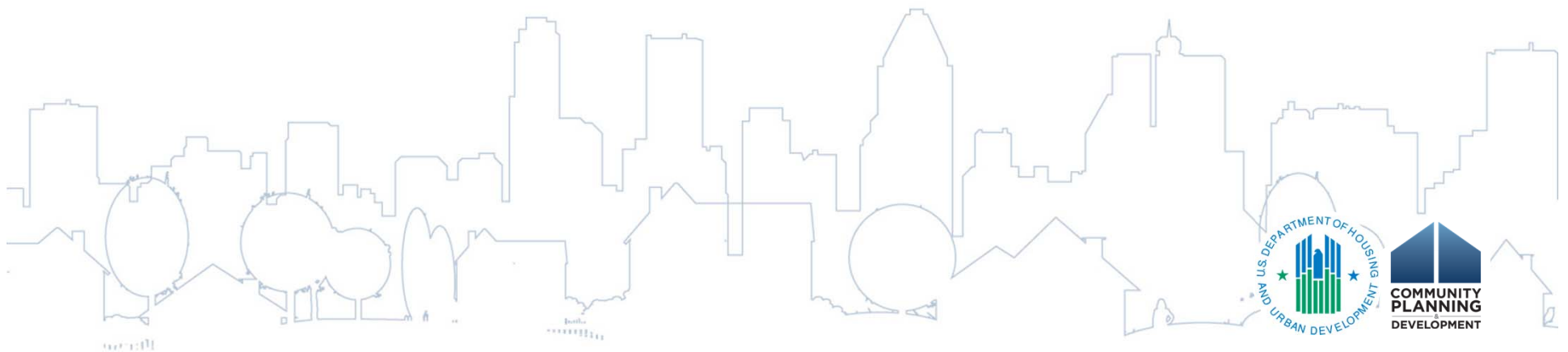
PUBLIC SERVICES CAP

- Calculated as:
 - 15% of the sum of:
 - State's annual CDBG grant +
 - Program income under that year's method of distribution
- Applies to the entire state not each UGLG



PUBLIC SERVICE CAP (cont)

- Since the cap applies to the state as a whole, public-service-only grants may be made by the state
- Cap measured on expenditures rather than obligations



NOT SUBJECT TO THE CAP

- Support Services to microenterprises under Section 105(a)(22)
- Services under Section 105(a)(15) to increase economic opportunities through job training and placement, and other employment support services such as peer support, counseling, child care, transportation, etc.
- Public Services under Section 105(a)(15) where there is an approved CRSA



PUBLIC SERVICES

NATIONAL OBJECTIVES

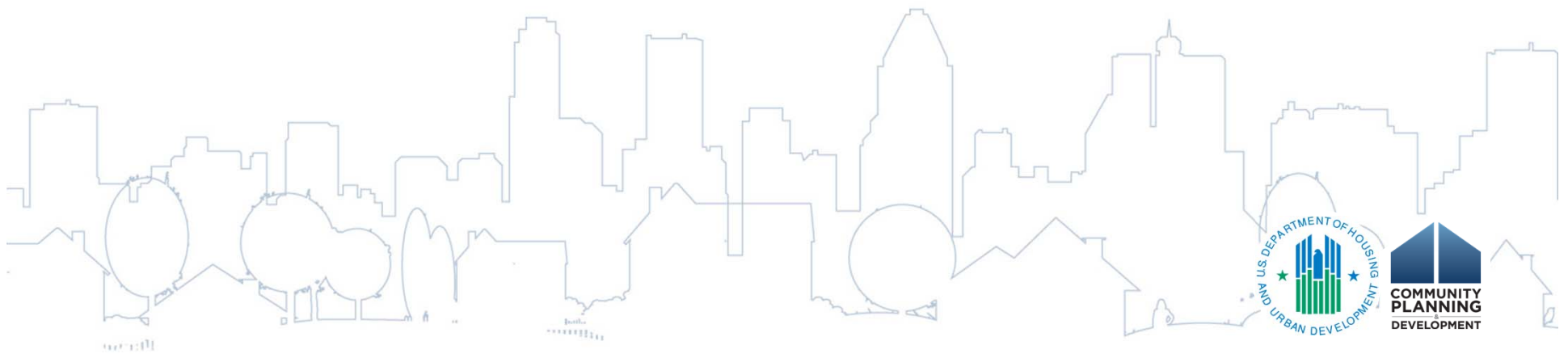
- Low/Mod benefit determined by whether service offered to all OR to a particular group of low/mod residents
 - Area Benefit
 - Limited Clientele
 - Exception to 51% rule of Limited Clientele related to job training- refer to Guide to Eligible Activities and National Objectives
- Slum/Blight Area Basis 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

ECONOMIC DEVELOPMENT CHAPTER

- Covers:
 - Brief overview of eligible activities & national objective
 - Public benefit standards



ELIGIBLE ECONOMIC DEVELOPMENT ACTIVITIES

- For profit economic development activities
- Community-based development organizations
- Technical assistance to businesses
- Microenterprise activities
- Commercial rehabilitation
- Infrastructure to assist businesses
- Job training



ASSISTANCE TO FOR PROFITS

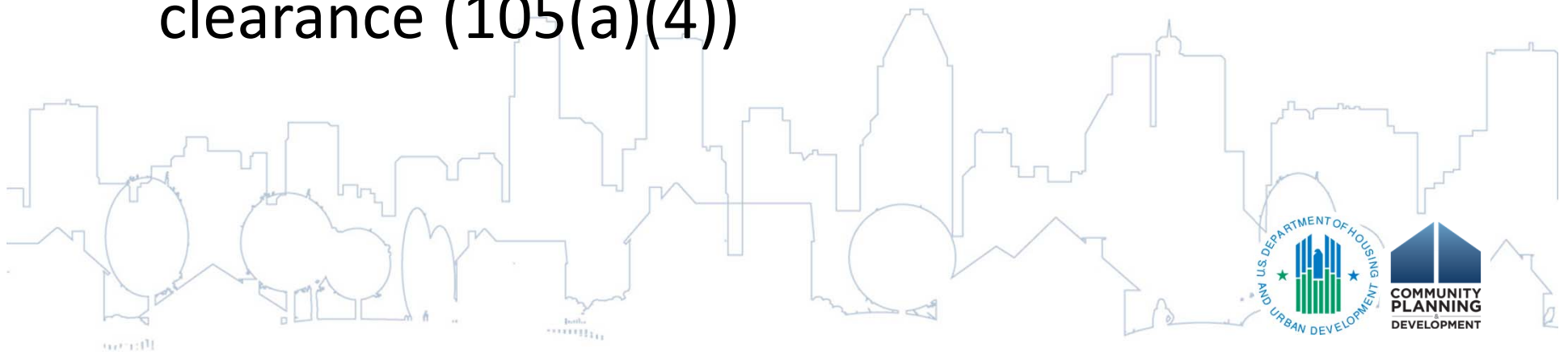
105(a)(17)

- Assistance to for-profit businesses
- “Special economic development” has flexibility in types of assistance to businesses
 - Grants
 - Loans
 - Guarantees
 - Technical assistance & support services
- Economic development services in connection with special economic development activities



PUBLIC ED ASSISTANCE 105(a)(14)

- Acquire, construct, rehabilitate, reconstruct or install commercial/industrial buildings or equipment
 - By recipient or subrecipient only
- Can also do public facility (105(a)(2)) or clearance (105(a)(4))



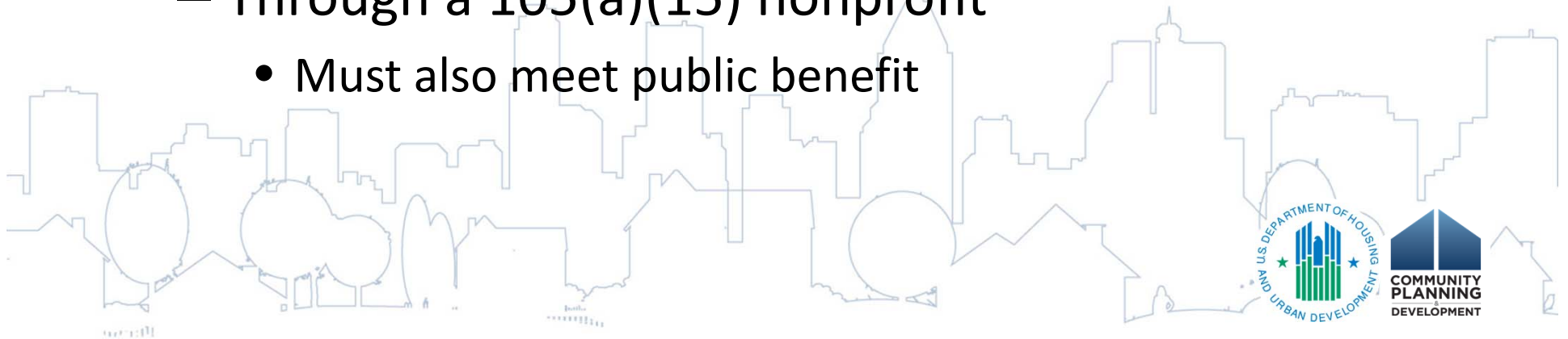
NONPROFIT DEVELOPMENT ORGANIZATIONS 105(a)(15)

- May carry out three kinds of projects:
 - Community economic development
 - Neighborhood revitalization
 - Energy conservation
- If job training done through this org, doesn't count against public services cap



TECHNICAL ASSISTANCE TO BUSINESSES

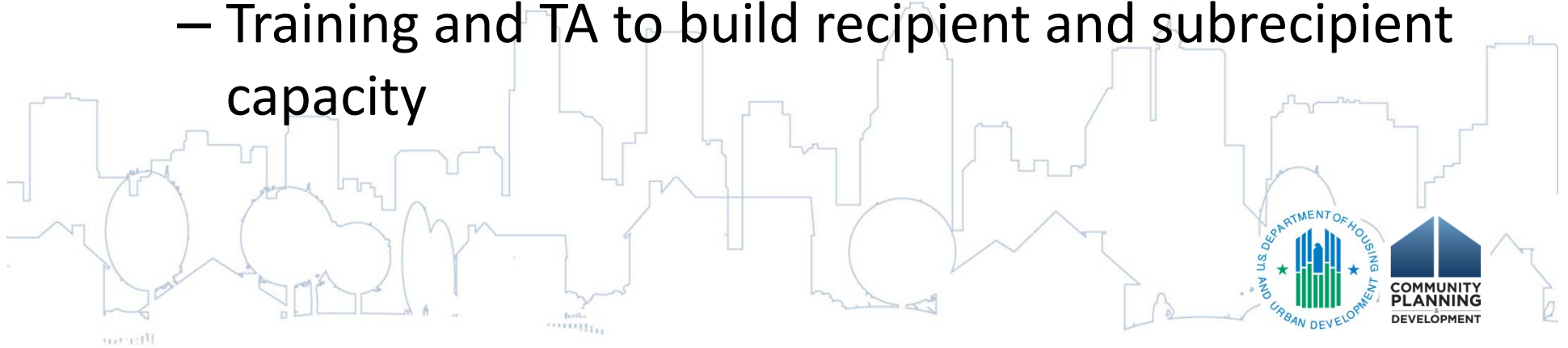
- Under CDBG:
 - As part of special economic development
 - Caveat: must meet public benefit
 - As a micro enterprise assistance task
 - As a public service
 - Through a 105(a)(15) nonprofit
 - Must also meet public benefit



MICROENTERPRISE ASSISTANCE

105(a)(22)

- May provide assistance as loans, grants and other forms of financial support
- Other support activities eligible:
 - TA, advice, and business services
 - General support
 - Training and TA to build recipient and subrecipient capacity



COMMERCIAL REHABILITATION

105(a)(4)

- Rehabilitation of commercial or industrial structures
- If private, for-profit owner:
 - Rehabilitation limited to exterior of building and correction of code violations
 - Other improvements must be carried out under the economic development category



INFRASTRUCTURE FOR ECONOMIC DEVELOPMENT

- Roads, streets, sewers that are:
 - Leading to business location
 - Within an industrial park
 - On a business site
- If public facility must be owned by public agency/nonprofit
- If owned by business, conduct as special economic development
- Triggers the public benefit standard if using the jobs national objective standard and spend more than \$10,000/job



JOB TRAINING

- Help unemployed or under-employed persons gain skills to meet labor market demands
- Linked to job placement
- Four ways to do job training:
 - As a public service
 - As part of special economic development project
 - By 105(a)(15) orgs
 - As part of micro-enterprise activities

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
- Projects with 25 jobs or less are exempt

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



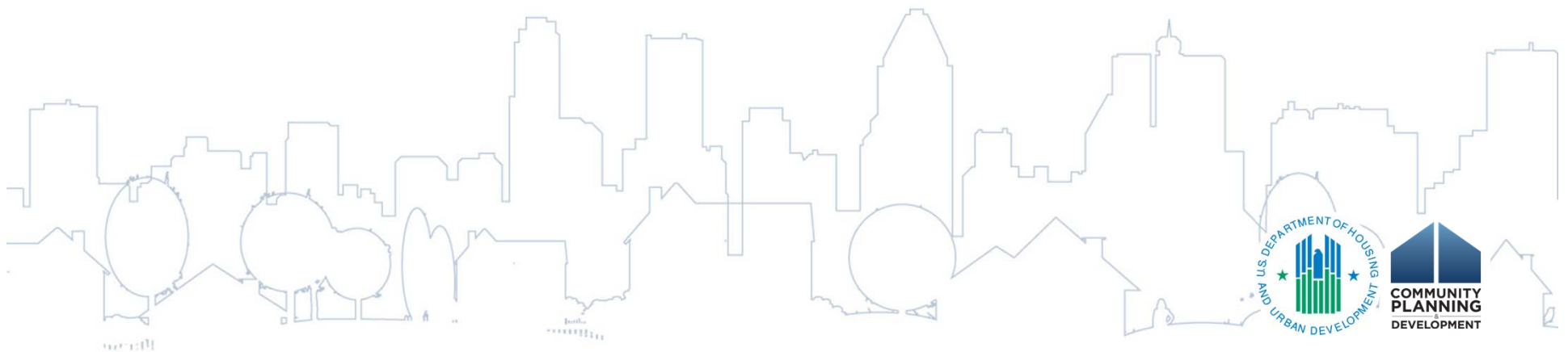
OTHER NATIONAL OBJECTIVES

- Some activities may qualify under other Low/Mod national objective categories
 - Microbusinesses (limited clientele)
 - Job training (limited clientele)
 - Service type businesses (area benefit)
- Can do some economic development activities under Slum/ Blight national objective
 - Activities must address conditions of deterioration
 - Ensure remaining activities meet the 70% requirement for low-and moderate-income persons



EVALUATING ECONOMIC DEVELOPMENT PROJECTS

- Evaluation and selection of economic development projects has two parts:
 - Voluntary underwriting guidelines (next slide)
 - Mandatory public benefit standards
- Determinations must be in writing



VOLUNTARY UNDERWRITING GUIDELINES

- States should ensure that:
 - 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
- States can develop underwriting guidelines
 - Must be practicable and comply with the program benefit standards



PUBLIC BENEFIT STANDARDS

- Mandatory for:
 - Special economic development projects
 - 105(a)(15) projects, as applicable
 - Public improvement projects classified under Low/Mod Job Creation/Retention where more than \$10,000/job in CDBG assistance
- Not applicable to microenterprise activities or commercial rehabilitation



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

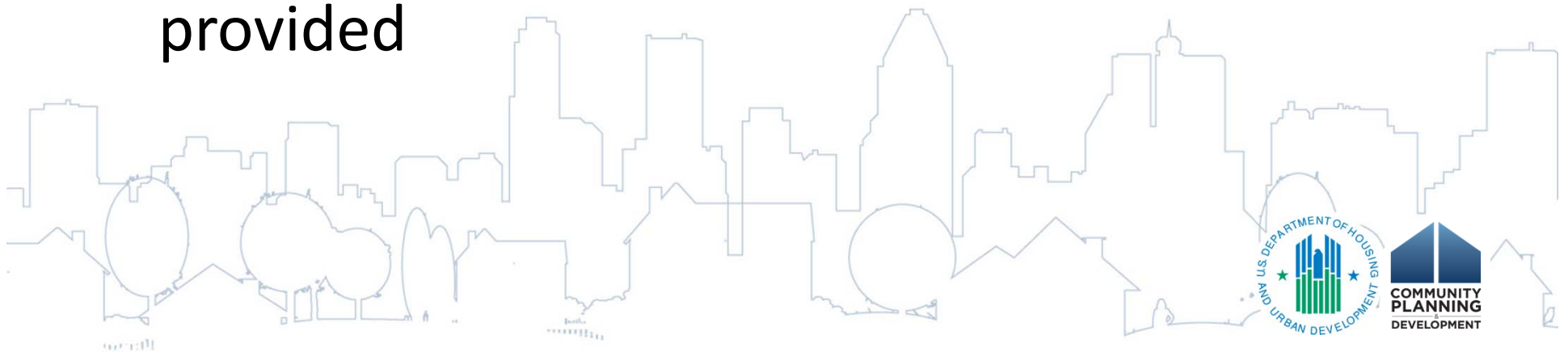


INDIVIDUAL STANDARDS

- 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

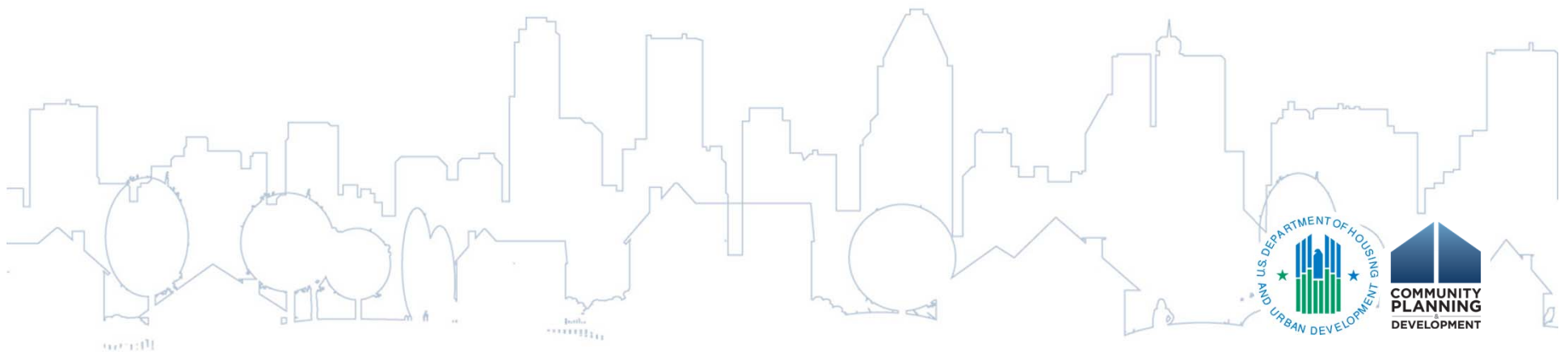


AGGREGATE STANDARDS

- 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



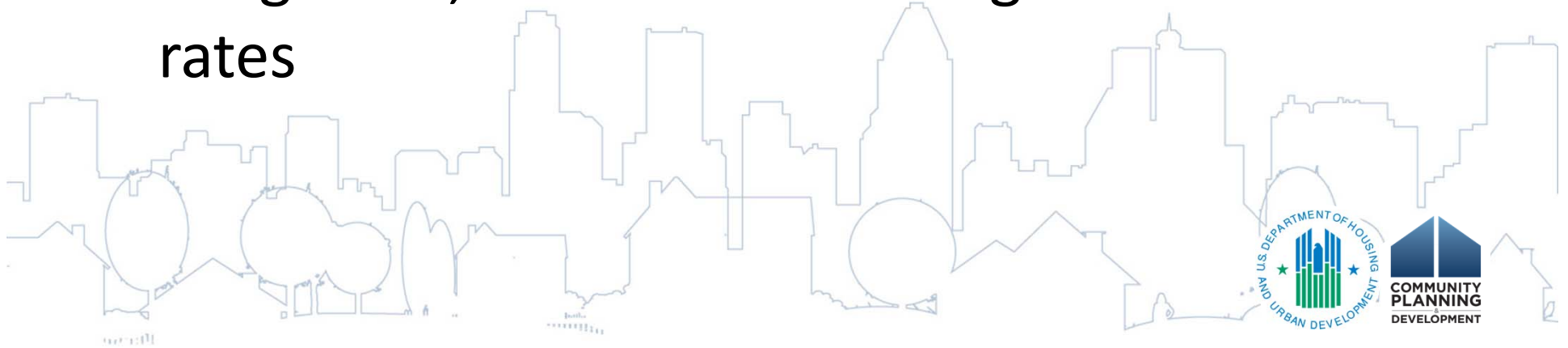
SECTION 108 LOAN GUARANTEES

- Method of expanding CDBG funds by using *future* CDBG grant as *collateral* to borrow funds
- Section 108 process basics:
 1. State applies to HUD either on its own or on behalf of an unentitlement community (Note change on state's ability to apply directly, Interim Rule)
 2. Based on state's pledge, HUD issues promissory notes
 3. \$\$\$ from sale of notes used for Section 108 eligible project
 4. Notes are repaid



ADVANTAGES OF SECTION 108

- Leverages grants
- Not a general obligation
- Receive funds now (no pay as you go)
- Spread costs over multi-year period
- Long-term, fixed-rate financing at favorable rates



SECTION 108 FINANCING SPECIFICS

- Amount
 - Up to five times annual entitlement
- Term
- Rates
 - Permanent financing
 - Interim financing

- 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

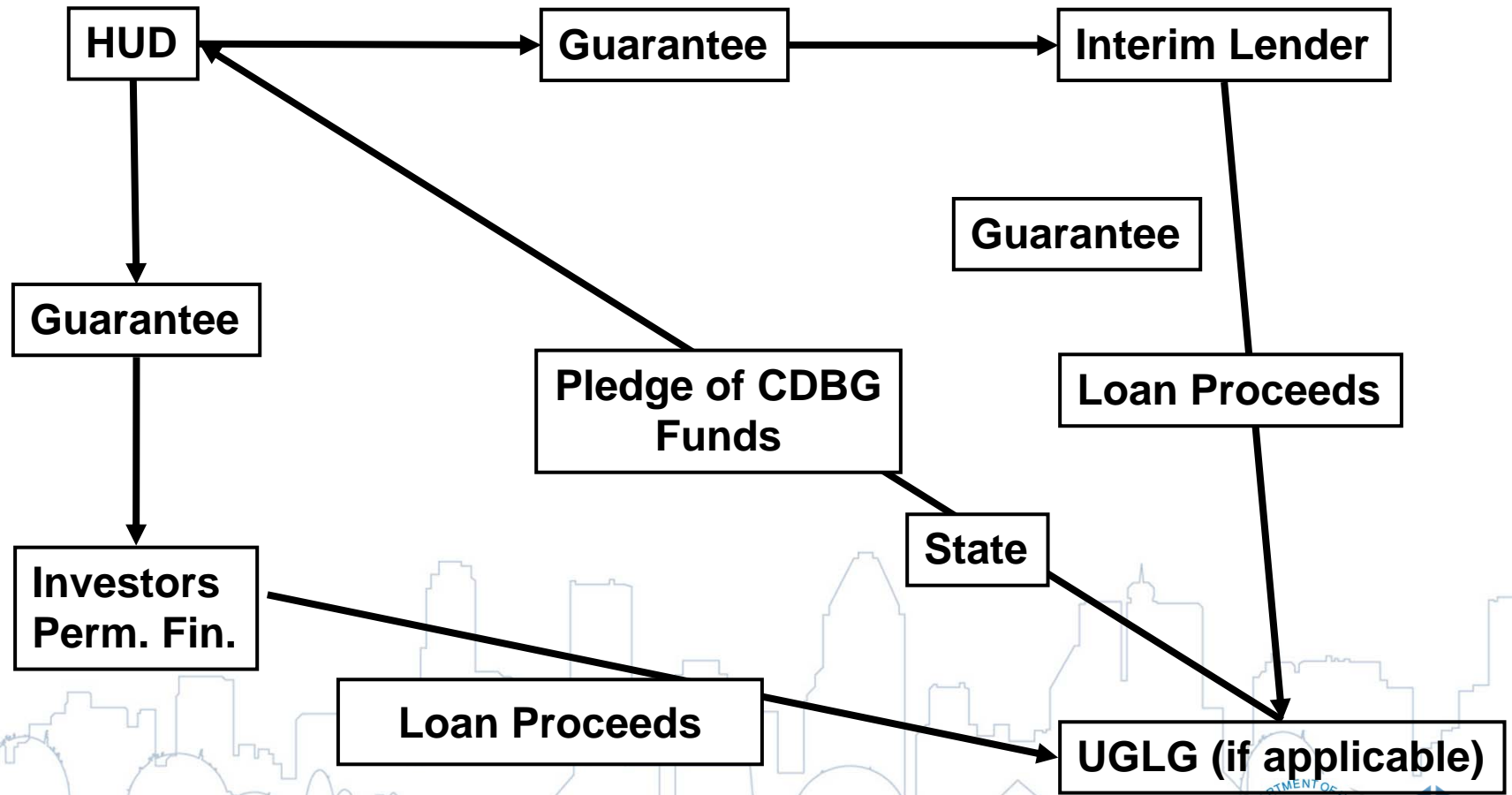


SECTION 108 APPLICABLE RULES

- 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
 - OMB circulars
 - Fair housing/equal opportunity
 - Lead Based Paint
 - HUD Reform Act



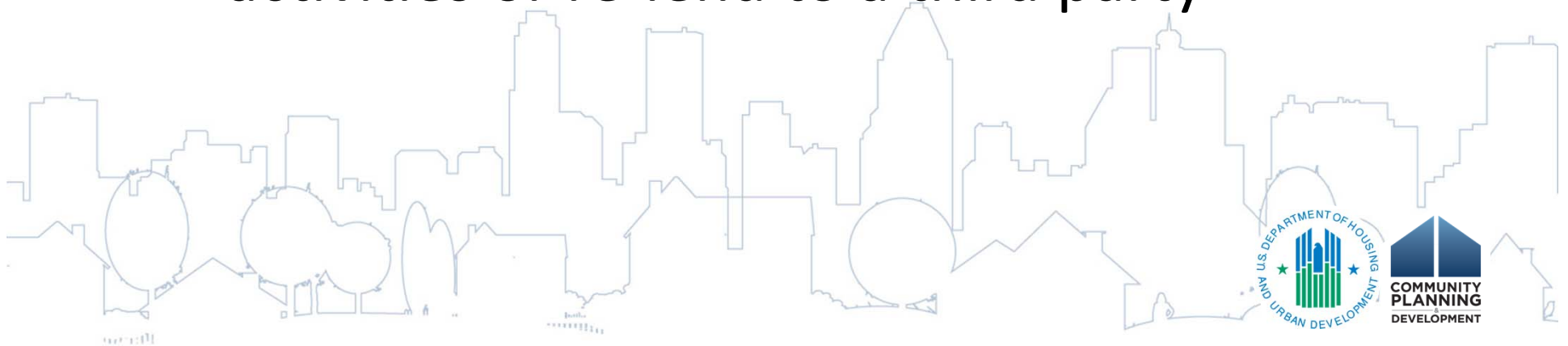
SECTION 108: SAMPLE FINANCING STRUCTURE



SECTION 108: LEVELS OF TRANSACTION

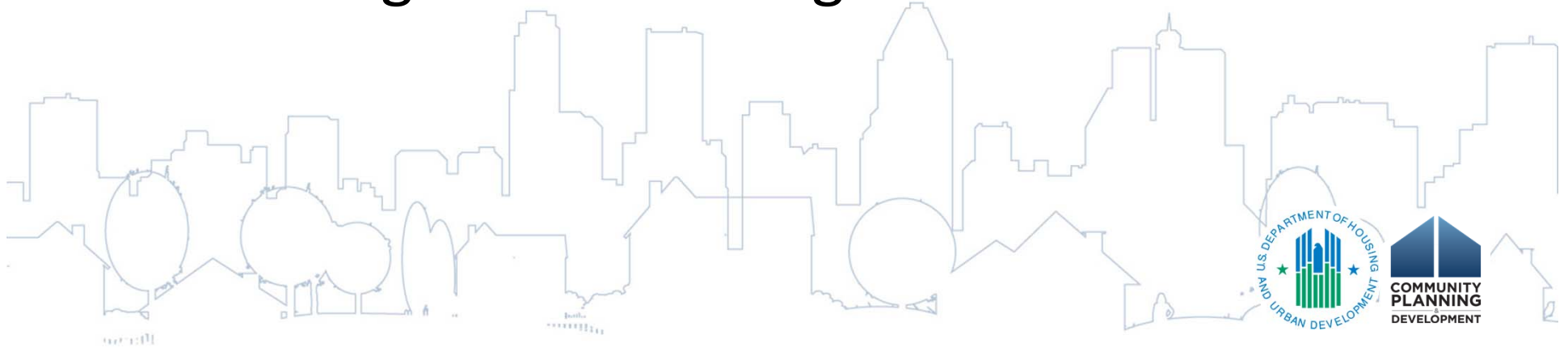
1 – State/UGLG borrow promissory notes from investors, and

2 - Use note proceeds to undertake activities or re-lend to a third party



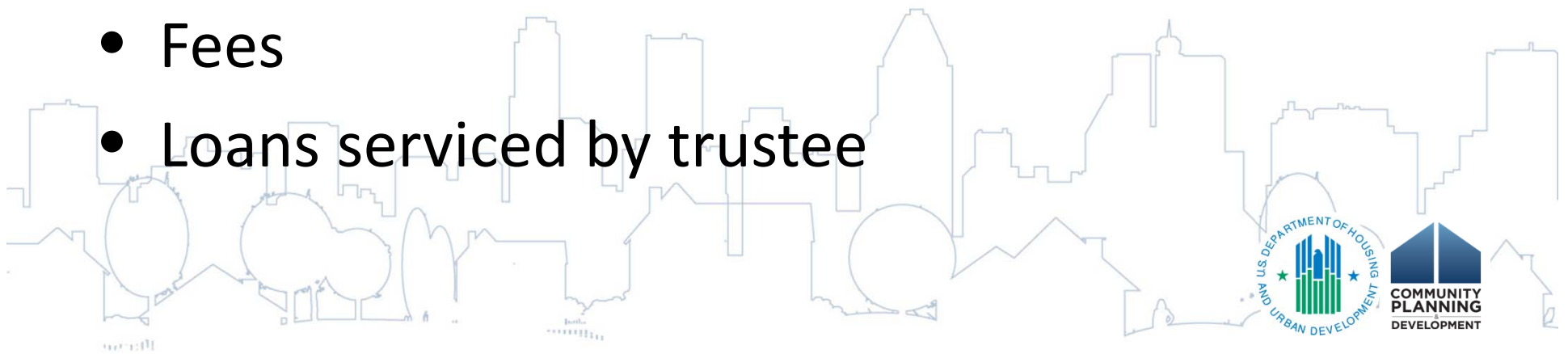
SECTION 108: INTERIM LOANS

- Public offering usually once a year
- Interim loan available until public offering
- Fiscal Agent arranges interim loan
 - Interest rate: 90 day LIBOR + 20 basis points
 - HUD guarantees obligation



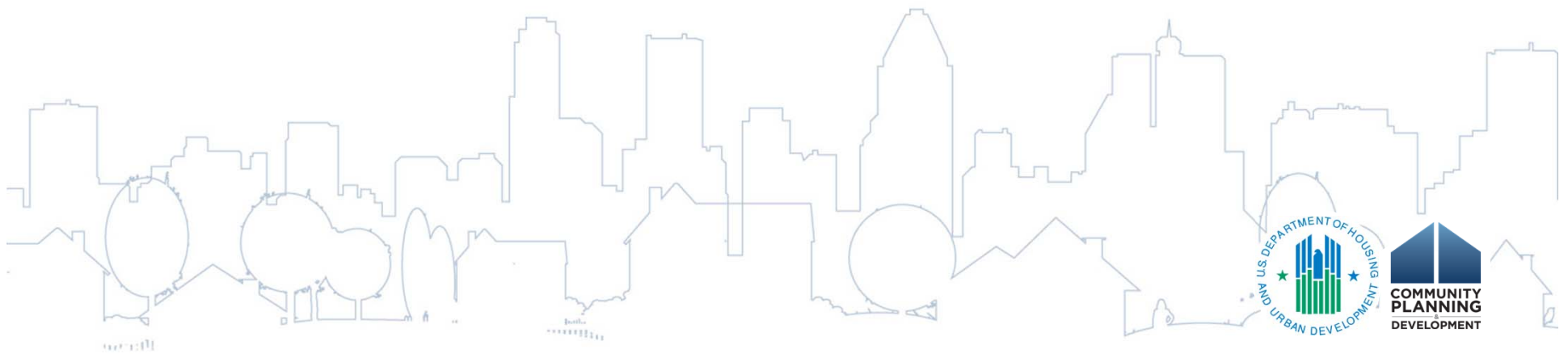
SECTION 108: PERMANENT LOANS

- Public offering provides long-term, fixed-rate financing
- “Public offering” conducted annually by Sec. 108 underwriting team
- Interest rates
- Fees
- Loans serviced by trustee



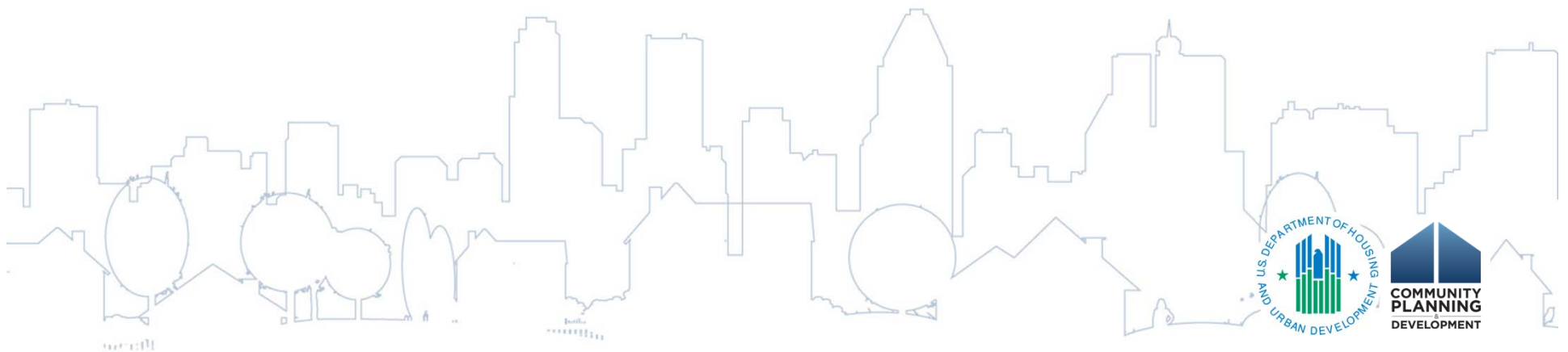
SECTION 108: UNDERWRITING

- Credit Reform Act
- HUD estimates “subsidy rate” for Section 108
- HUD establishes loss reserve
- Additional security



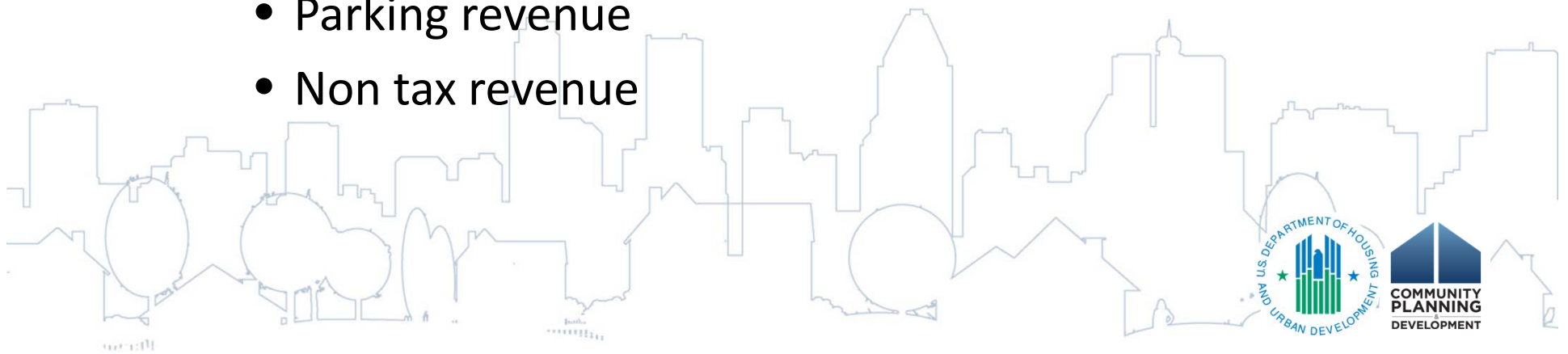
SECTION 108: LOAN REPAYMENT SOURCES

- CDBG funds from state or UGLG (if granted to them by state)
- Program income
- “Additional security” (negotiated on a case by case basis)



SECTION 108: FORMS OF ADDITIONAL SECURITY

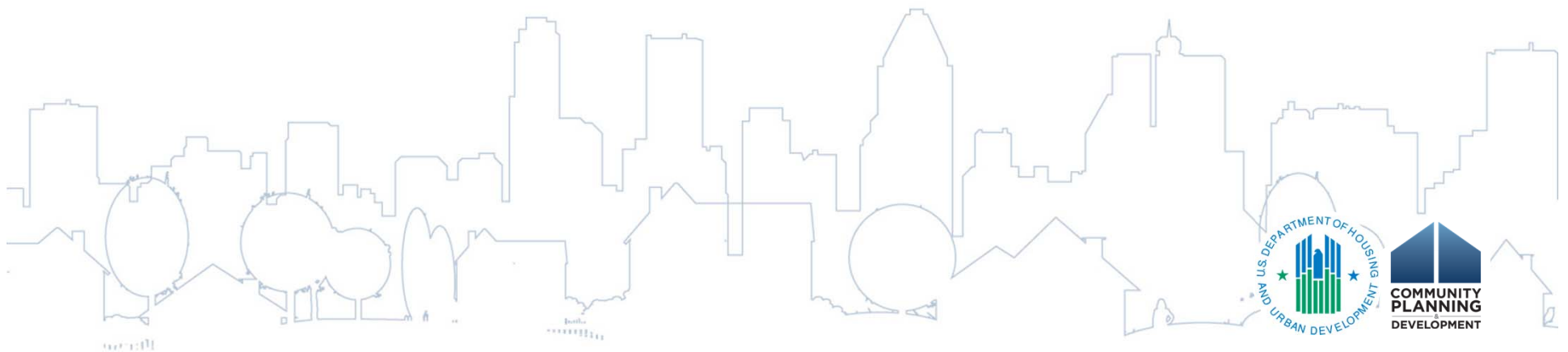
- Examples include:
 - Assets created from use of Sec. 108 funds
 - Real Property
 - Portfolio income
 - Other
 - Parking revenue
 - Non tax revenue



OTHER ELIGIBLE ACTIVITIES

OTHER ACTIVITIES CHAPTER

- Covers:
 - Other types of eligible activities
 - Applicable national objectives



OTHER ELIGIBLE ACTIVITIES

- Many other CDBG eligible activity options not discussed in detail in these webcast sessions, including:
 - Interim assistance
 - Relocation
 - Loss of rental income
 - Technical assistance
 - Planning & Planning only grants
 - Assistance to institutions of higher learning
 - Payment of non-federal share
 - Urban renewal completion

ELIGIBLE INTERIM ASSISTANCE ACTIVITIES

- Interim assistance are short term programs typically related to essential services or repairs
- 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

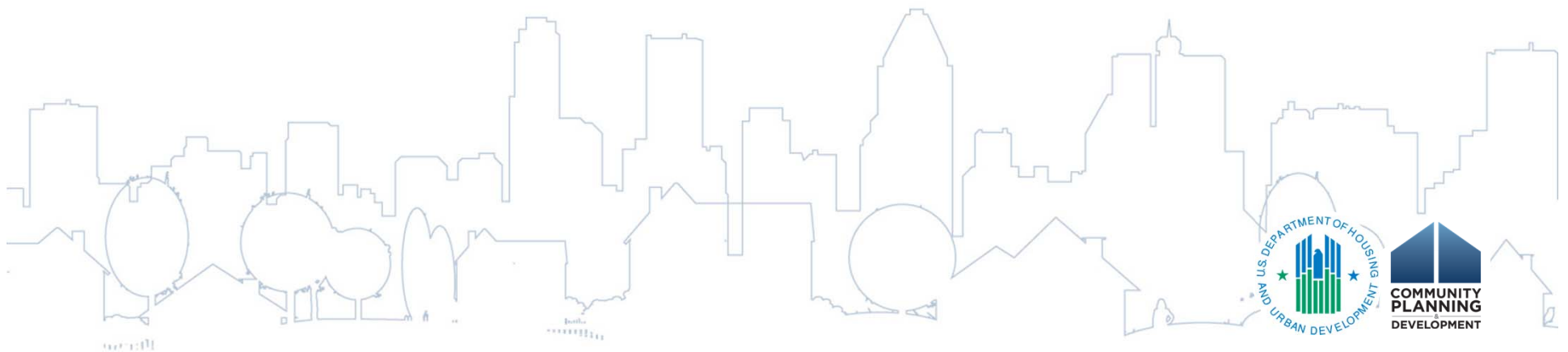


ELIGIBLE INTERIM ASSISTANCE ACTIVITIES (cont)

- Under immediate action situation, grantee must document that:
 - Immediate action is necessary to stop deterioration AND
 - Permanent improvements will be carried out ASAP
- Not permissible to use this category to cover on-going, repeated programs
 - Not a way to avoid public services cap or ban on maintaining and operating public facilities

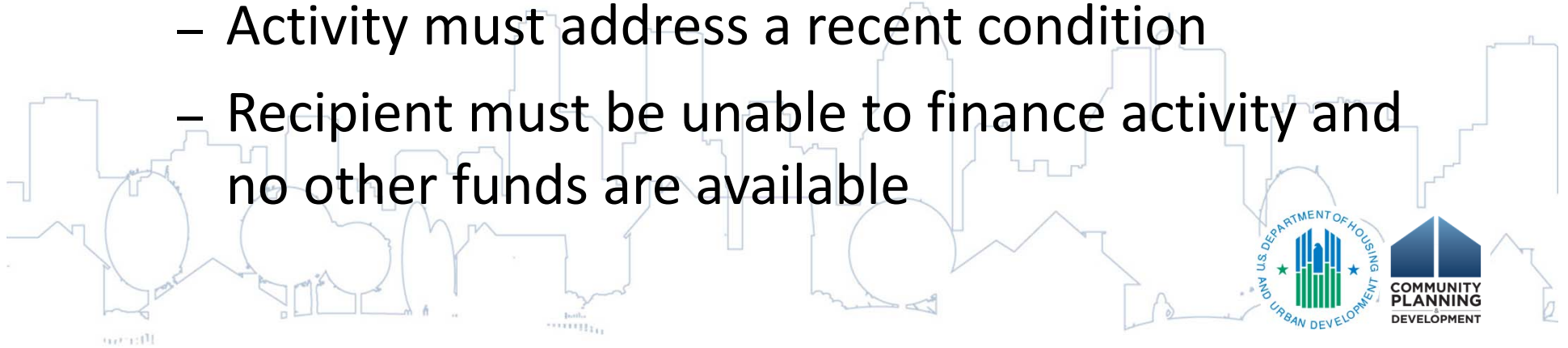
ELIGIBLE INTERIM ASSISTANCE ACTIVITIES (cont)

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



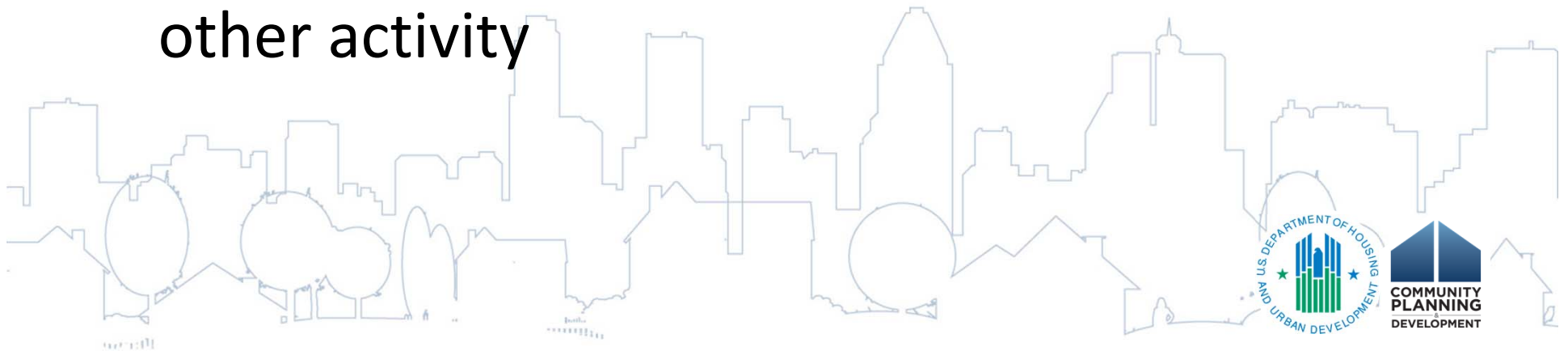
INTERIM ASSISTANCE NATIONAL OBJECTIVES

- 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 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



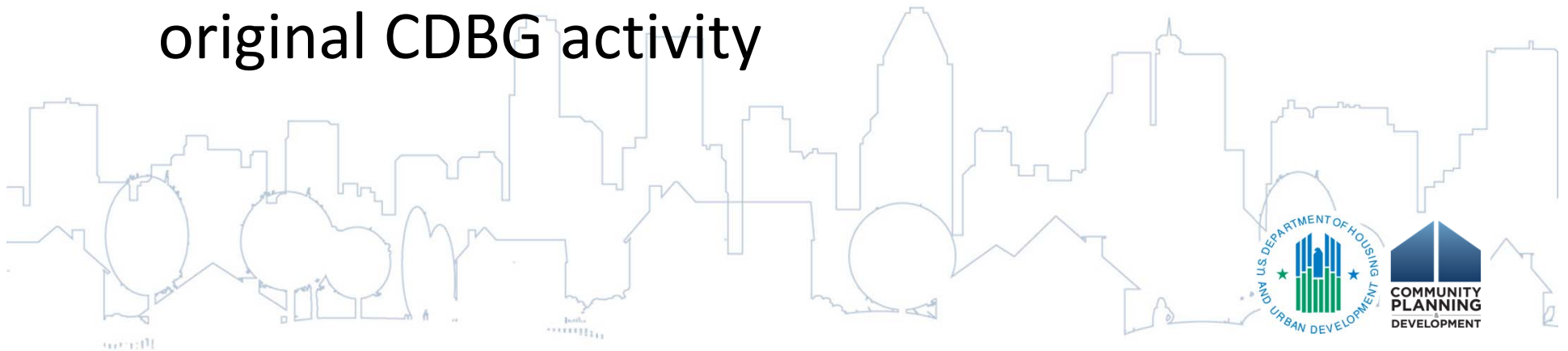
RELOCATION (cont)

- 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

- Two ways to pay for TA under state program
- (1) 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 build capacity
- National objective is based on eligible activity related to the TA
 - Must ensure that resulting activity will meet national objective
- (2) Can provide general TA under the cap – more later under Admin module

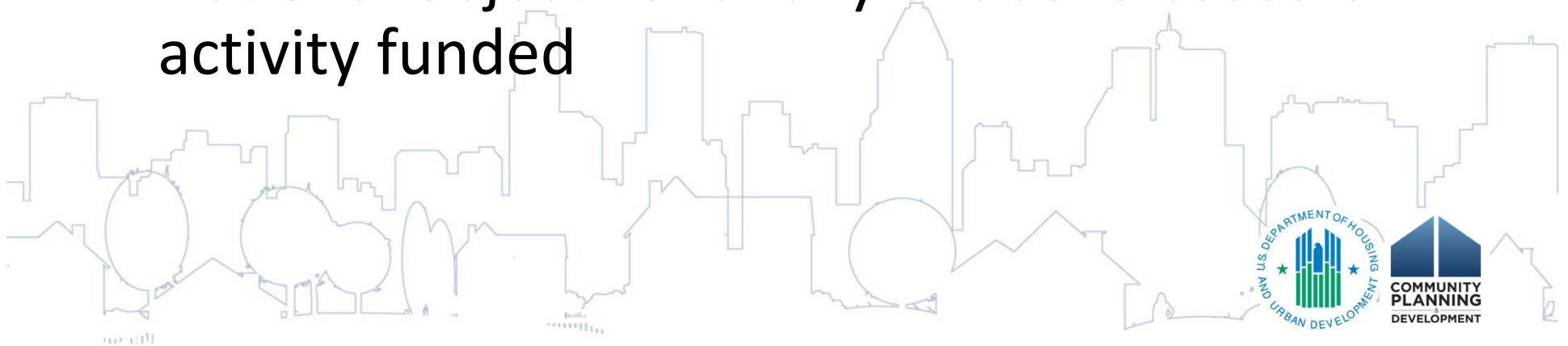


PLANNING & PLANNING ONLY GRANTS

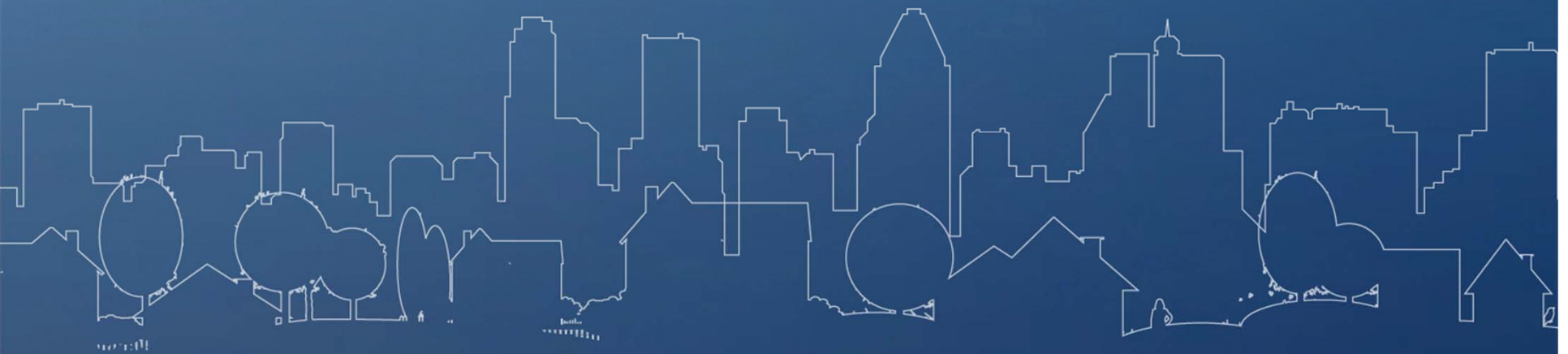
- Three ways planning can be done under CDBG
 - General planning to assist in determining community needs, for example:
 - Comprehensive plans
 - Neighborhood plans
 - Planning that is related to implementing a CDBG-assisted project
 - Planning for a specific project or activity (known as planning only grants)
- Planning only grants are unrelated to another activity
 - Not subject to the 20% administrative cap
 - Must meet its own national objective, for example:
 - Area benefit: if plan for low- and moderate area
 - Slum and blight area

OTHER ACTIVITIES

- Can assist institutions of higher learning to carry out otherwise eligible activities
- Grantee can pay for non-federal share when required & allowed by project
 - This makes the project CDBG assisted
- National objective for any of above based on activity funded



COMMUNITY REVITALIZATION STRATEGY AREAS



COMMUNITY 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 is developing new notice

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 (OR 105(a)(15)) exempt from cap



CRSA SUBMISSION INFO

- Done as part of Con Plan:
 - Neighborhood & demographic criteria
 - Community participation
 - Assessment of economic conditions
 - Opportunities & problems
 - Economic empowerment
 - Performance measures
- Must wait for HUD approval to implement



CROSS CUTTING OTHER FEDERAL REQUIREMENTS

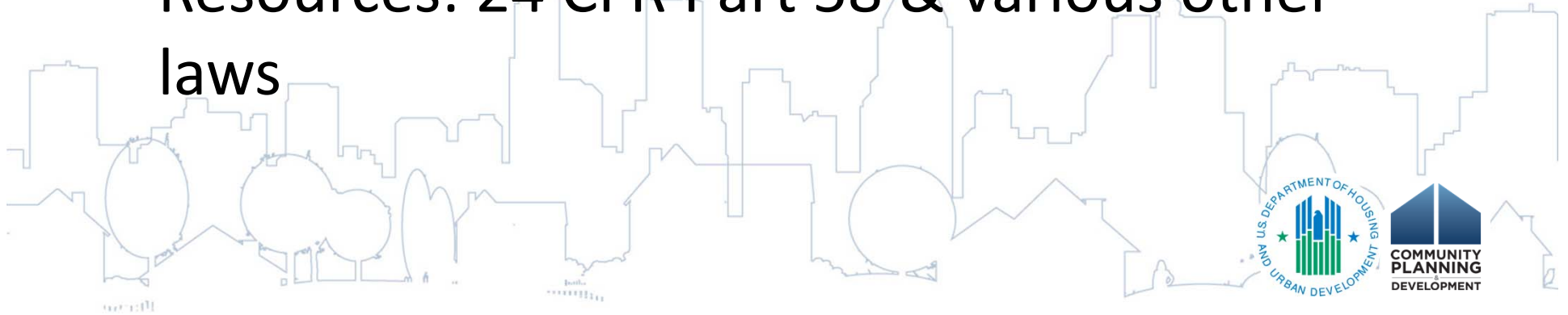
OTHER FEDERAL REQUIREMENTS

CHAPTER

- 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)

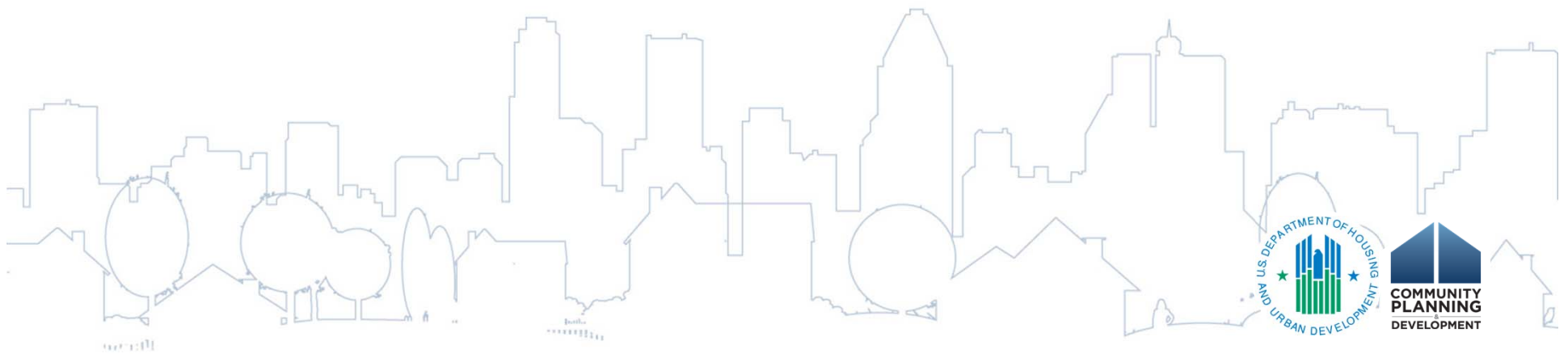
ENVIRONMENTAL REVIEW

- Environmental review of CDBG projects required before any funds obligated
- Environmental review refers to process of looking at project for impact on environment and notifying the public of findings
- Resources: 24 CFR Part 58 & various other laws



ENVIRONMENTAL REVIEW ENTITIES

- Responsible Entity (RE)
- Certifying Official
- Environmental Officer



ENVIRONMENTAL REVIEW RECORD

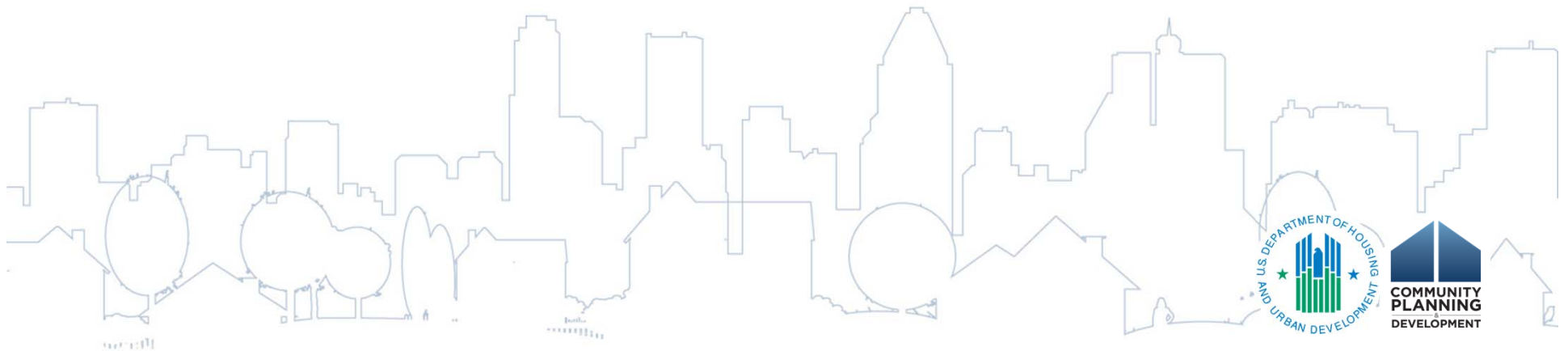
- Written record of compliance with all applicable environmental requirements
- Legal challenges can be won or lost based on the completeness of the ERR
- ERR should contain all documentation:
 - Project descriptions, maps, pictures, etc.
 - Forms & checklists
 - Most current HUD recommended formats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

LIMITS ON ACTIVITIES PRIOR TO CLEARANCE

- No participant may commit or expend HUD funds prior to receiving state (or HUD) approval IF the activity would have an adverse environmental impact or limit the choice of reasonable alternatives
 - “Participant” includes public or private nonprofit or for-profit entities or their contractors
 - Activities that are exempt or categorically excluded not subject to §58.5 may proceed

LIMITS ON ACTIVITIES PRIOR TO CLEARANCE

- Must ensure actions are not taken prior to receiving HUD approval
- It is OK to make:
 - A statement of conditional funding or
 - A non-legally binding agreement



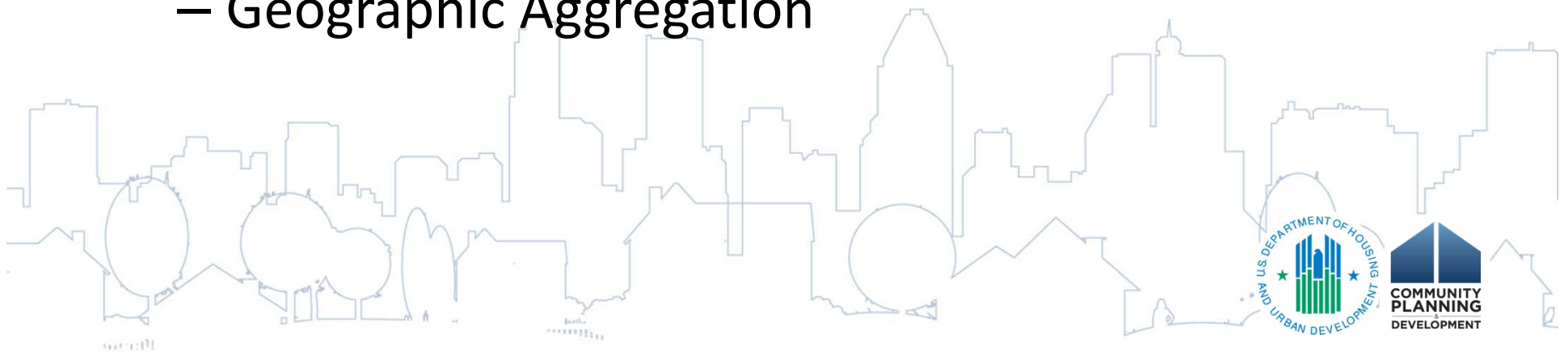
LIMITS ON ACTIVITIES PRIOR TO CLEARANCE

- For land acquisition projects, an **option** agreement (to purchase land) is allowable prior to HUD approval only when:
 - It is subject to a HUD determination of environmental desirability
 - and
 - It is of a nominal amount



PROJECT AGGREGATION

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



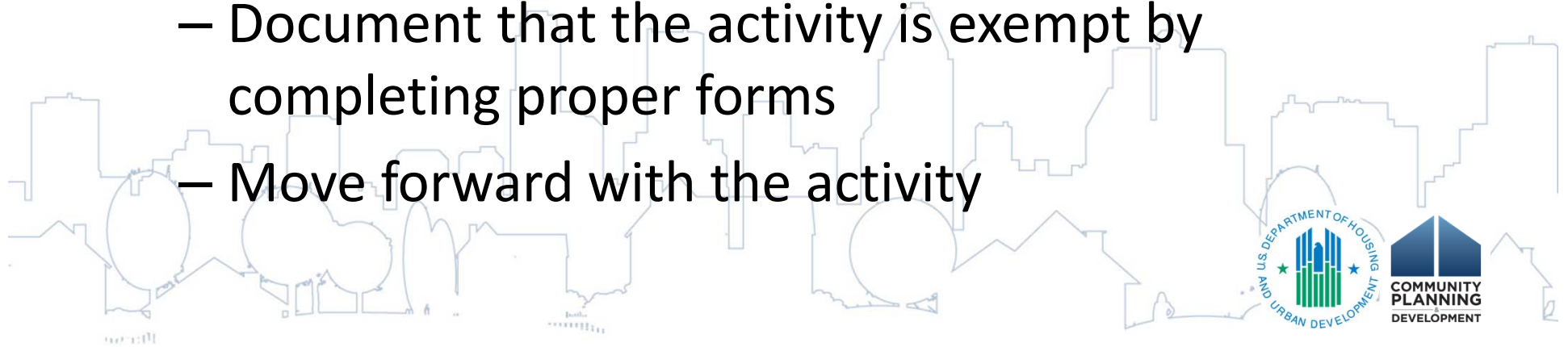
CLASSIFYING THE ACTIVITY

- Next, determine the classification of the activity
 - Exempt
 - Categorically Excluded (“Subject To” or “Not Subject To”)
 - Requires Environmental Assessment
 - Requires Environmental Impact Statement
- If more than one activity or classification, go with most stringent



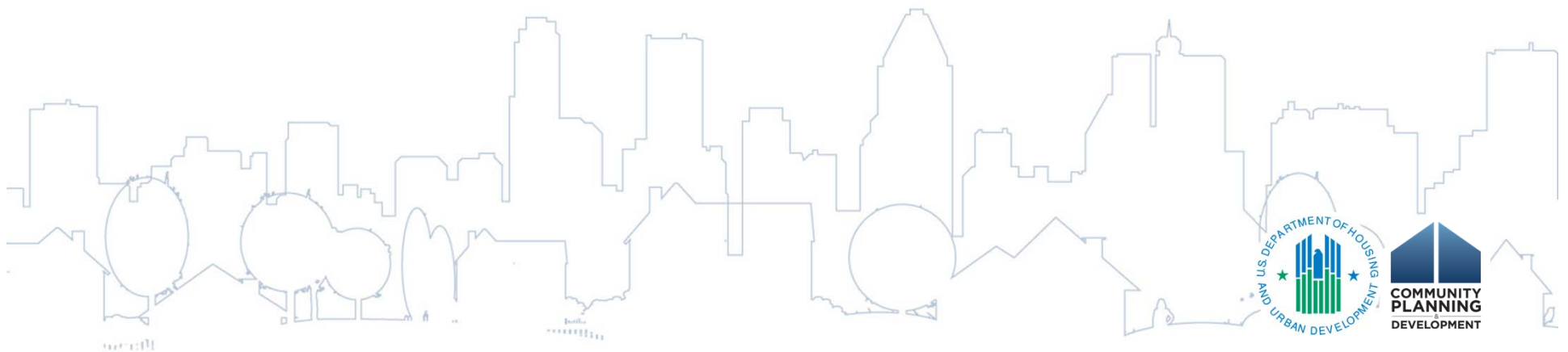
EXEMPT ACTIVITIES

- Activity is exempt when there is no effect on the environment
 - Studies, plans and admin costs
 - Public service activities with no physical impact
- What steps do you take?
 - Document that the activity is exempt by completing proper forms
 - Move forward with the activity



CATEGORICALLY EXCLUDED ACTIVITIES

- Categorically Excluded means excluded from NEPA requirements
- Some activities still subject to some parts of HUD regs at 24 CFR 58.5 while others are not
 - Referred to as “Subject To” or “Not Subject To”



CATEGORICALLY EXCLUDED 'NOT SUBJECT TO' ACTIVITIES

- “*NOT subject to*” activities include:
 - Operating costs or supportive services
 - Direct assistance to homebuyers for existing housing or housing under construction
 - Predevelopment costs with no physical impact
- Steps for activities *NOT subject to 58.5*:
 - Make sure activities not in Runway Clear Zone or on Coastal Barrier Island
 - Complete & submit proper forms
 - Proceed with the activity



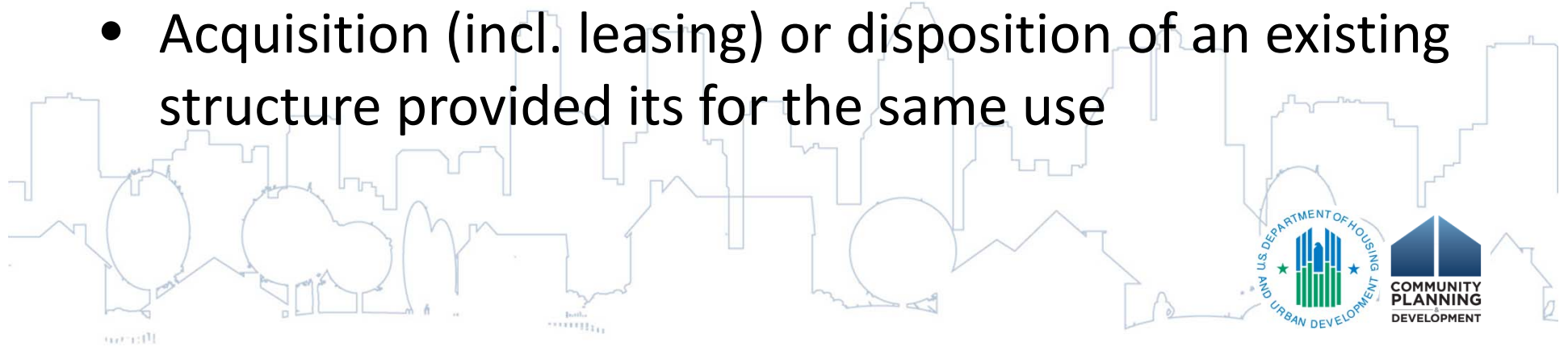
CATEGORICALLY EXCLUDED 'SUBJECT TO' ACTIVITIES

- Acquisition, improvement, or rehabilitation of public facilities other than buildings
- Removal of material and architectural barriers
- Rehab & improvement of single family (1 to 4 unit) dwellings
- Rehab & improvement of multifamily dwellings provided the unit density isn't increased more than 20%, does not change to non-residential use & the est. cost of rehab is less than 75% of replacement cost



CATEGORICALLY EXCLUDED 'SUBJECT TO' ACTIVITIES

- An individual action on 1 to 4 dwelling units where there is a max of 4 units on any 1 site
- An individual action on 5 or more housing units developed on scattered sites when sites are more than 2,000 feet apart & there are no more than 4 units on any 1 site
- Acquisition (incl. leasing) or disposition of an existing structure provided its for the same use

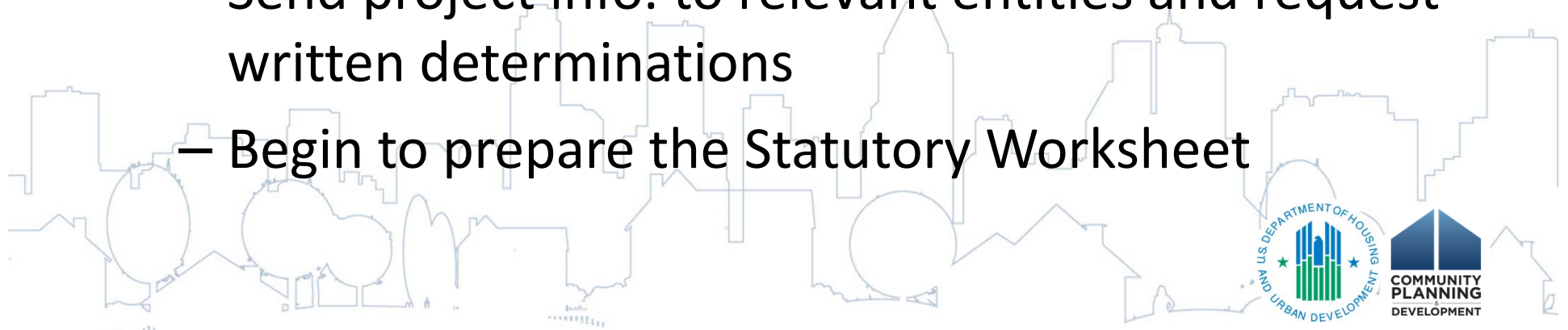


CATEGORICALLY EXCLUDED 'SUBJECT TO' ACTIVITIES

- Steps to take for those activities

Subject To 58.5:

- Prepare project description & map
- Prepare & submit Section 106 Review Form to SHPO
- Send project info. to relevant entities and request written determinations
- Begin to prepare the Statutory Worksheet



CATEGORICALLY EXCLUDED 'SUBJECT TO' ACTIVITIES

- Determine if in or impact on floodplains or wetlands
 - If yes, apply “Eight Step Process” and publish notices
- Complete the Statutory Worksheet
 - If determination is that project will NOT affect resources, converts to exempt -- sign form and file
 - If project will affect resources, show mitigation, publish “Notice of Intent to Request Release of Funds” and submit required information to state
- Place all documentation in ERR
- Proceed with activity only after receipt of NOREC from state



ENVIRONMENTAL ASSESSMENTS

- If project not Exempt or Categorically Excluded, an Assessment is required
- Steps to follow:
 - Complete the first part of the Format II, incl. project description & map
 - Prepare & submit Section 106 Review Form
 - Send project info. to various agencies & request written determinations
 - Complete the Modified Format II

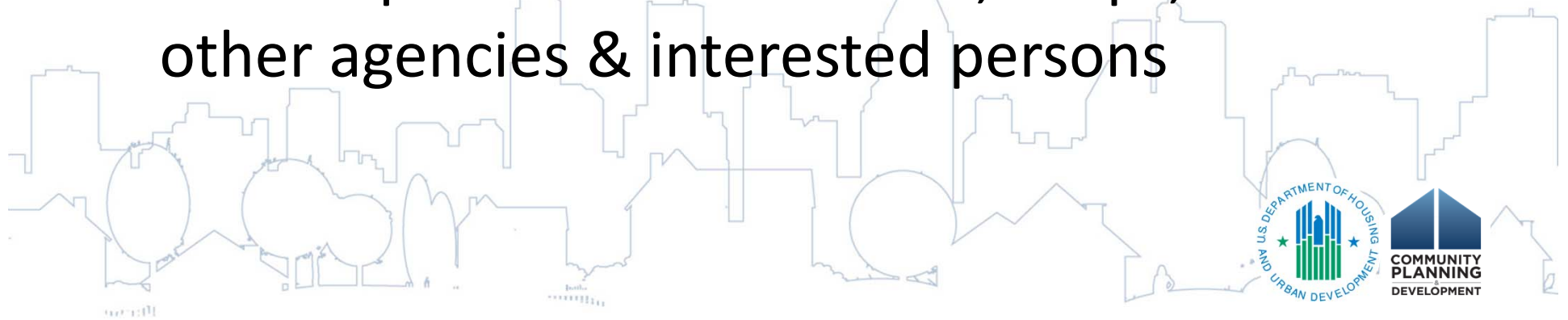


ENVIRONMENTAL ASSESSMENTS (cont)

- Steps (cont):
 - Determine whether project will or will not have significant impact on environment
 - If no significant impact:
 - Publish “Combined Notice of FONSI/Notice of Request for Release of Funds”
 - Put documentation in ERR
 - Submit required information to state
 - Proceed with project only after receipt of NOREC received from the state

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, Corps, SHPO & other agencies & interested persons

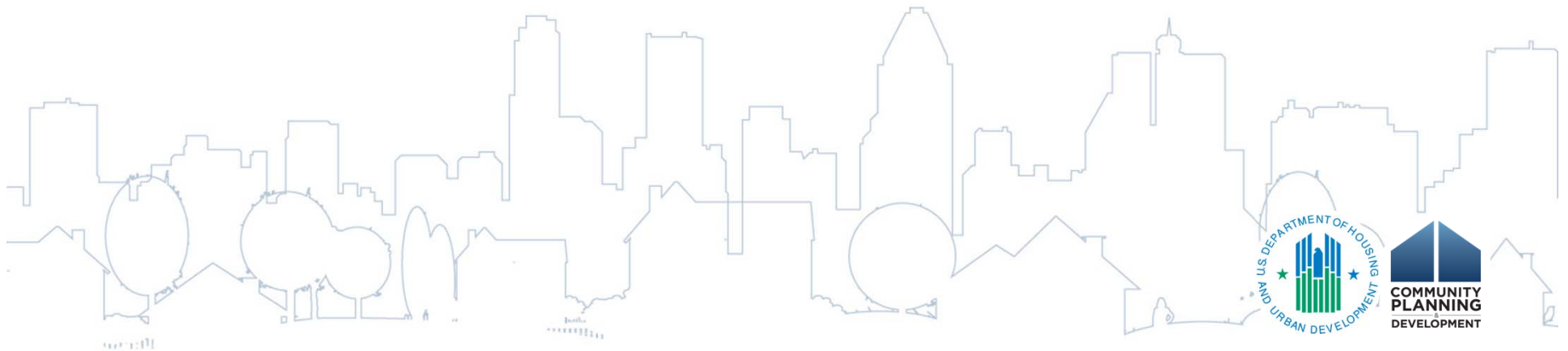


TIMING OF ENVIRONMENTAL NOTICES

Notice	Method	Timing
FONSI	Published	15 days
FONSI	Posted	18 days
NOI/RROF	Published	7 days + 15 days for state
NOI/RROF	Posted	10 days + 15 days for state
Combined FONSI & NOI/RROF	Published	15 days for comment 15 days for objections
Floodplain Notice of Early Public Review	Published (required)	15 days
Floodplain Statement of Findings & Public Explanation	Published (required)	7 days

LABOR STANDARDS – DAVIS-BACON

- Davis-Bacon applies to all construction contracts over \$2,000 involving CDBG funds
 - Exception is housing of less than 8 units under one owner
- Requires workers be paid at least minimum wages provided by Dept of Labor



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



DAVIS-BACON WAGE DECISIONS

- Decisions are needed to determine prevailing wages by worker classification
 - Recipients get wage decisions through state or on the web based upon the following types: building, residential, highway, and 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



WEEKLY PAYROLLS

- Prime contractors and subcontractors must submit certified weekly payrolls in timely fashion
- Content of the payroll form:
 - Project information
 - Employee information
 - Work classification
 - Hours
 - Rate of pay
 - Wages
 - Deductions
 - Net pay
 - Statement of compliance

PAYROLL REVIEW

- Recipient will conduct on-site review of employment on the project (HUD 11)
 - Contractor must make employees available for interviews
- Prime contractor and recipient should review all payrolls
 - Compare to wage decision & interviews
 - Make sure calculations OK and deductions are documented
- Contractors must keep copies of payroll records



ON-SITE INTERVIEWS

- Must periodically conduct on-site construction employee interviews
- Ask questions such as:
 - Name
 - Address
 - Dates and hours worked
 - Rate of pay
 - Duties and tools

RESTITUTION

- If underpayments, contractor will make restitution
- Steps include:
 - Recipient notifies the prime contractor
 - Computation of restitution & payment to worker
 - Contractor submits correct payroll
 - Recipient review of corrected payroll
- If workers not found, will escrow restitution and recipient will look for 3 years
 - After 3 years, amount is credited to HUD



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

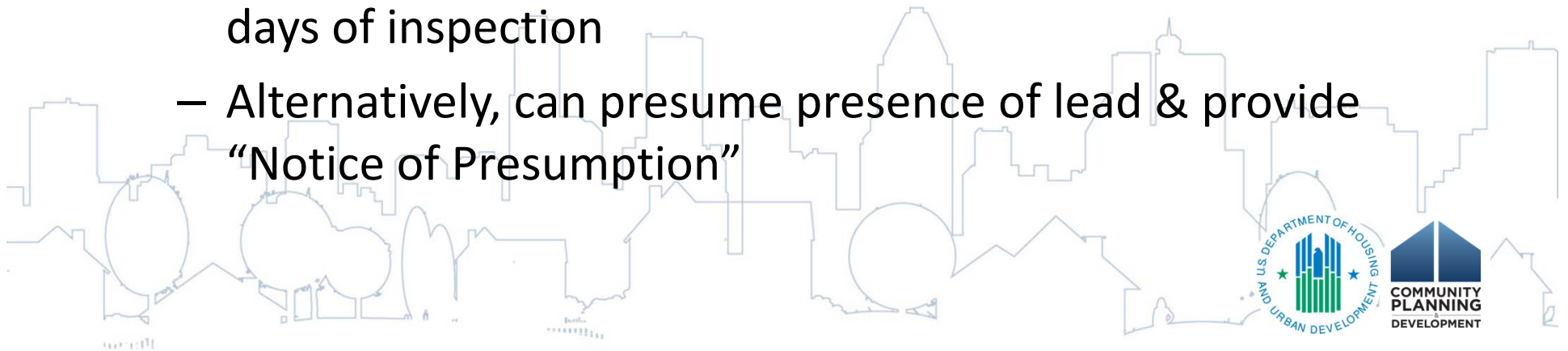
LEAD SAFE HOUSING RULE REQUIREMENTS

- Lead Safe Housing Rule (LSHR) generally apply to properties built prior to 1978
 - Certain types of rehab work exempt
 - Properties tested & found not to have lead
 - Properties where lead has been removed
 - Rehab won't disturb paint surfaces
- Lead evaluation and treatment depends on *level of assistance* which is the lower of:
 - Per unit rehabilitation hard costs (all funds) OR
 - Per unit federal assistance



LEAD SAFE HOUSING RULE REQUIREMENTS (cont)

- Evaluation activity depends on level of assistance:
 - Less than \$5,000 = Paint testing
 - \$5,000 to \$25,000 = Risk assessment
 - More than \$25,000 = Risk assessment
- Notification:
 - Notice of Lead Hazard Evaluation to homeowner within 15 days of inspection
 - Alternatively, can presume presence of lead & provide “Notice of Presumption”



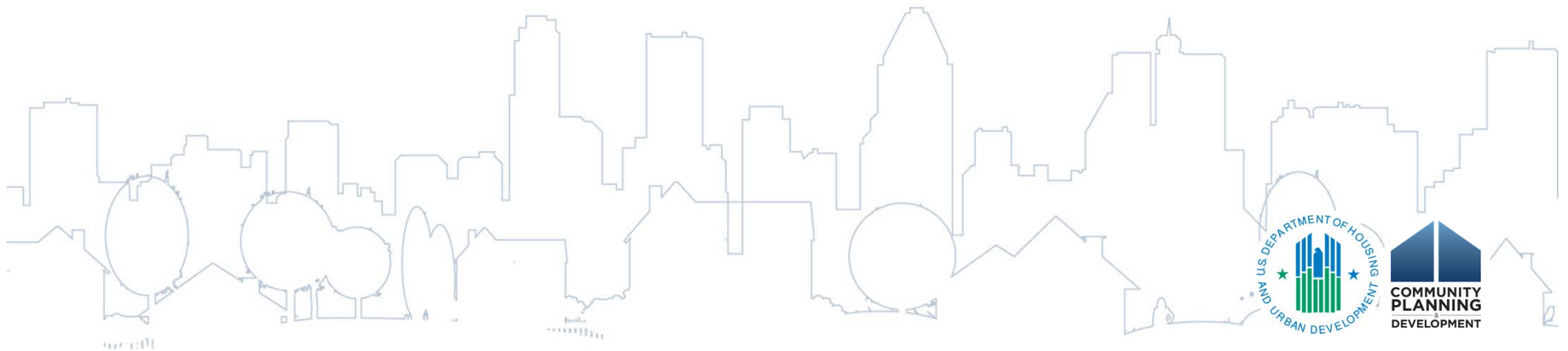
LEAD SAFE HOUSING RULE REQUIREMENTS (cont)

- How to address lead depends upon amount of assistance:
 - <\$5k = repair surfaces to be disturbed using safe work practices
 - \$5k - \$25k = interim controls using safe work practices & trained workers
 - >\$25k = abatement using safe work practices & certified supervisor & workers



LEAD SAFE HOUSING RULE REQUIREMENTS (cont)

- Clearance must also be performed
 - Do NOT pay final payment to contractor before unit has passed clearance
 - Provide Notice of Lead Hazard Reduction to property owner within 15 days of clearance test



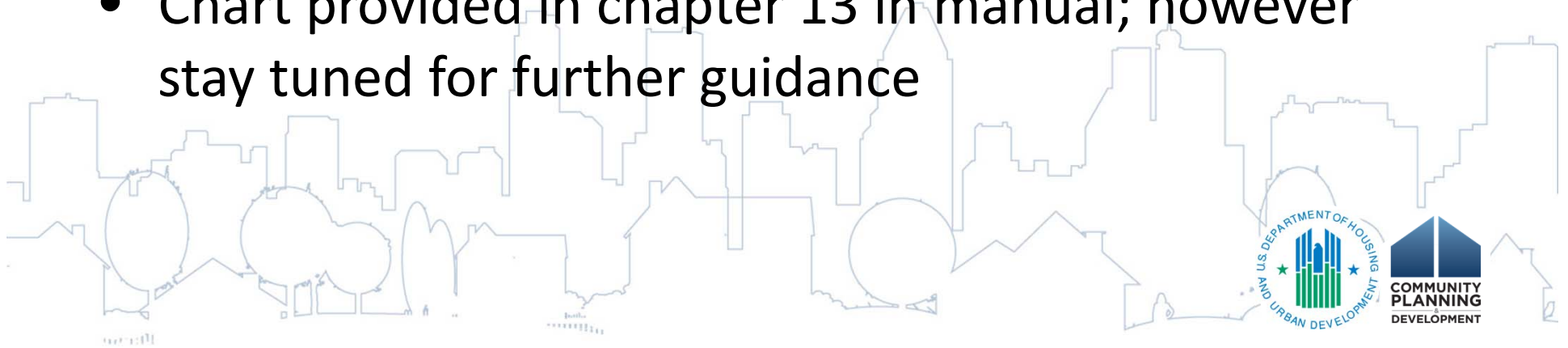
RENOVATION, REPAIR AND PAINTING RULE

- Renovation, Repair and Painting Rule (RRP) was first issued by EPA in April 2008 requiring use of lead safe work practices and other actions to prevent lead poisoning
- Following a two year period, beginning on April 22, 2010:
 - Contractors performing renovation, repair and painting projects that disturb lead-based paint in homes, child-occupied facilities, and schools built before 1978 must be certified and must follow specific work practices to prevent lead contamination



RENOVATION, REPAIR AND PAINTING RULE (cont)

- Differences between Lead Safe Housing Rule and RRP
 - Overall in housing activities, LSHR will be more restrictive than RRP
 - LSHR requires clearance examinations, RRP does not
 - RRP covers child care facilities, which is more restrictive than LSHR
- Chart provided in chapter 13 in manual; however stay tuned for further guidance



WHEN IS THE URA TRIGGERED?

- Uniform Relocation Act (URA)
 - 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



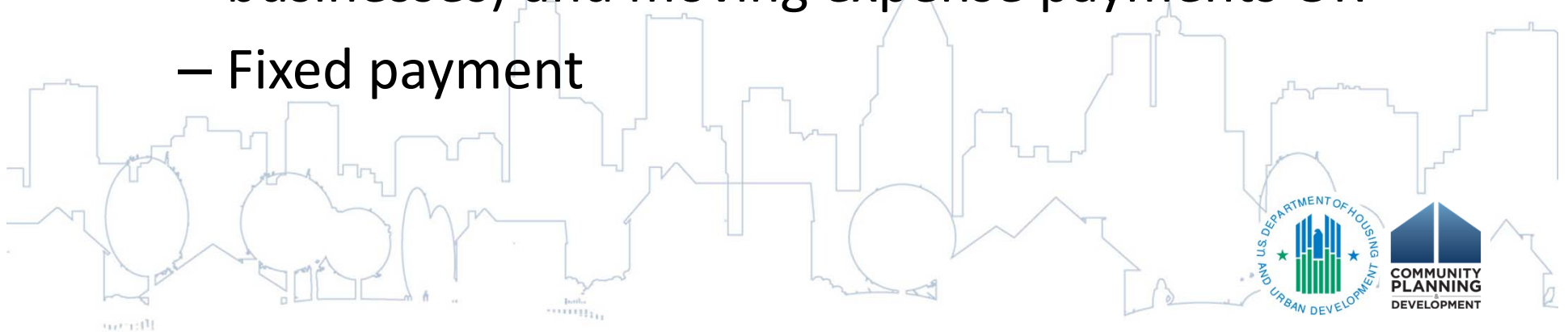
RELOCATION BASICS: RESIDENTIAL

- 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



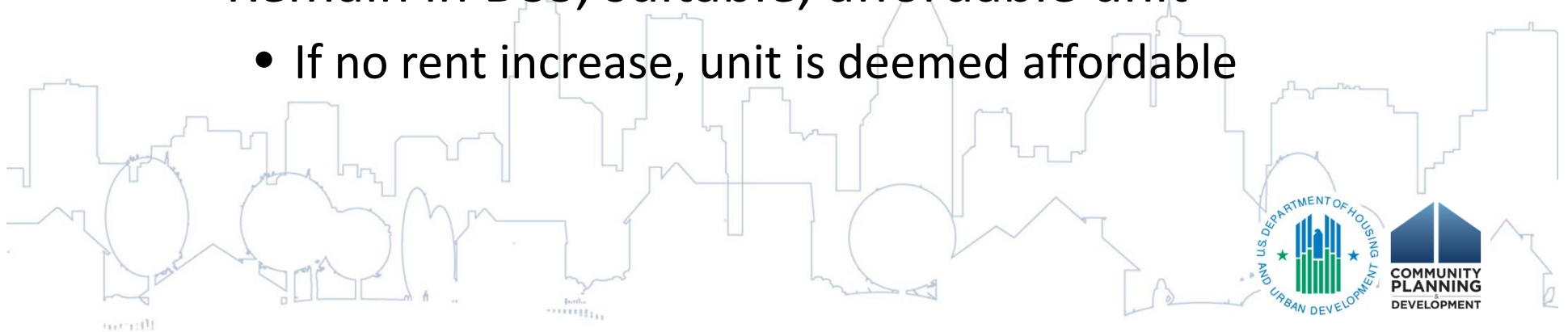
RELOCATION BASICS: NONRESIDENTIAL

- 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



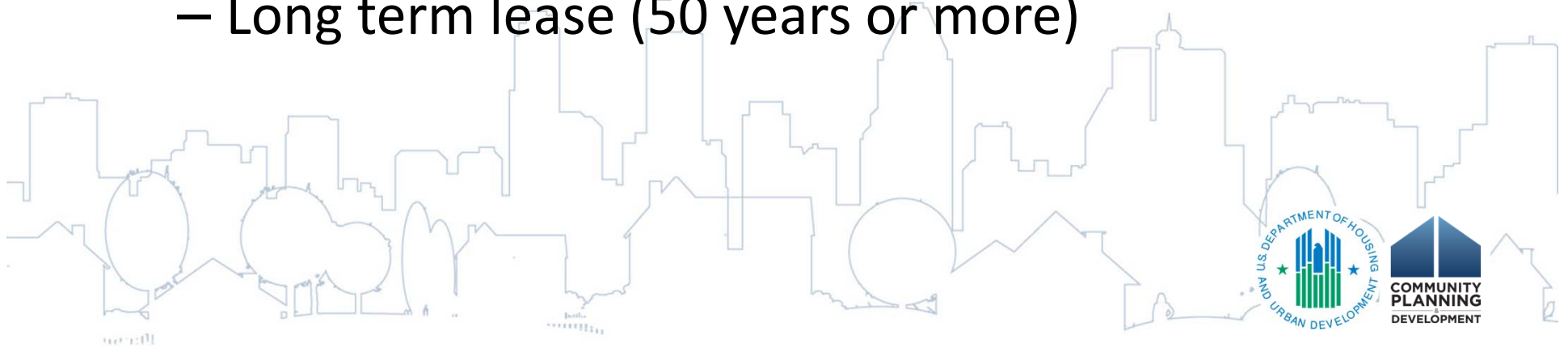
RELOCATION BASICS: TEMPORARY RELOCATION

- 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



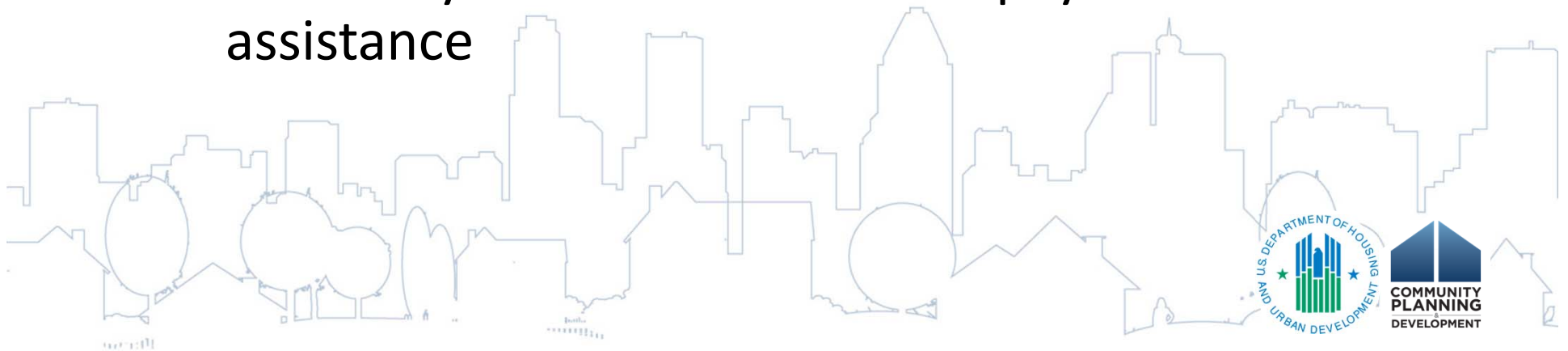
URA AND ACQUISITION

- Applies to wide range of types of purchases:
 - Fee simple title
 - Permanent easements
 - Temporary easements necessary for the project
 - Life estate
 - Long term lease (50 years or more)



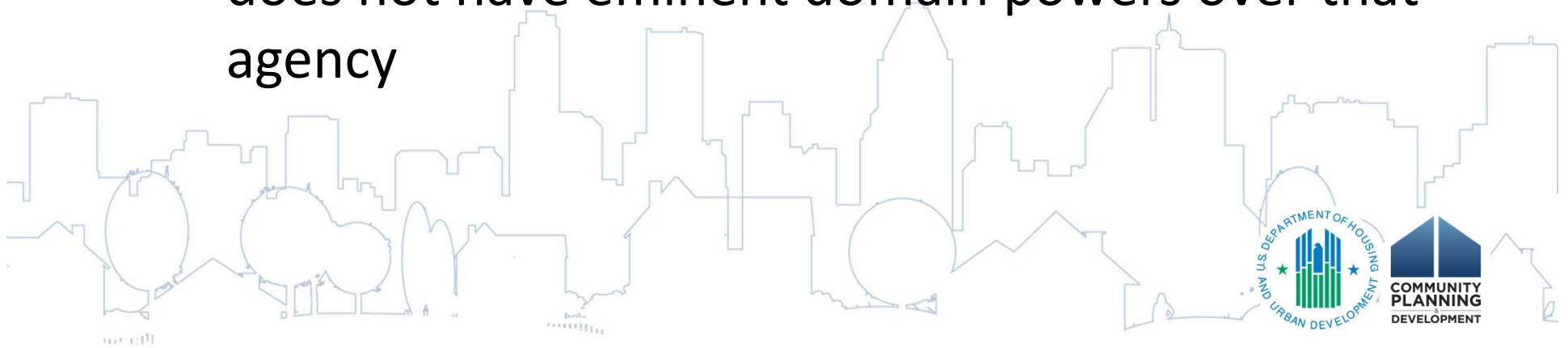
PURCHASERS

- 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



VOLUNTARY ACQUISITIONS

- Three possible:
 - Grantee has eminent domain powers but won't use
 - Grantee doesn't have eminent domain powers
 - Purchases from government agency where buyer does not have eminent domain powers over that agency



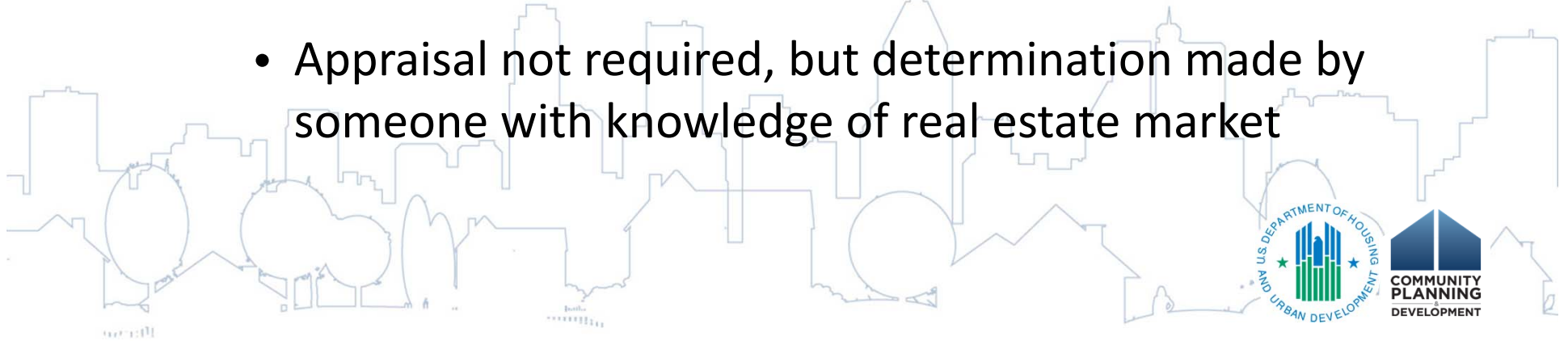
GRANTEE WILL NOT USE EMINENT DOMAIN

- Grantee must not intend to use its eminent domain powers if sale cannot be negotiated
- Property cannot be:
 - Specifically required
 - Part of a planned or designated area in which all or substantially all property in area will be purchased
- Private developer acting as agent of grantee is treated as grantee



GRANTEE WILL NOT USE EMINENT DOMAIN (cont)

- Must notify the seller:
 - Grantee will not use the power of eminent domain
 - Seller not eligible to receive relocation assistance
 - Estimate of fair market value
 - Appraisal not required, but determination made by someone with knowledge of real estate market



DONATIONS

- Owners may voluntarily donate but...
 - Must be fully informed of rights
 - Must acknowledge his or her decision to voluntarily relinquish payments due under URA
 - Get it in writing!
 - Keep in project file!



INVOLUNTARY ACQUISITION

- Grantees must:
 - Provide notices to the owner
 - Need proof of delivery
 - Provide URA notices and assistance to occupants
 - Offer market value for the property
 - Complete the purchase expeditiously
- New rule: with fy06 funds, eminent domain cannot be used for any acquisition not benefiting the public
 - Generally applies to economic development and related activities
 - Check before proceeding on eminent domain if not for housing or infrastructure related to public use



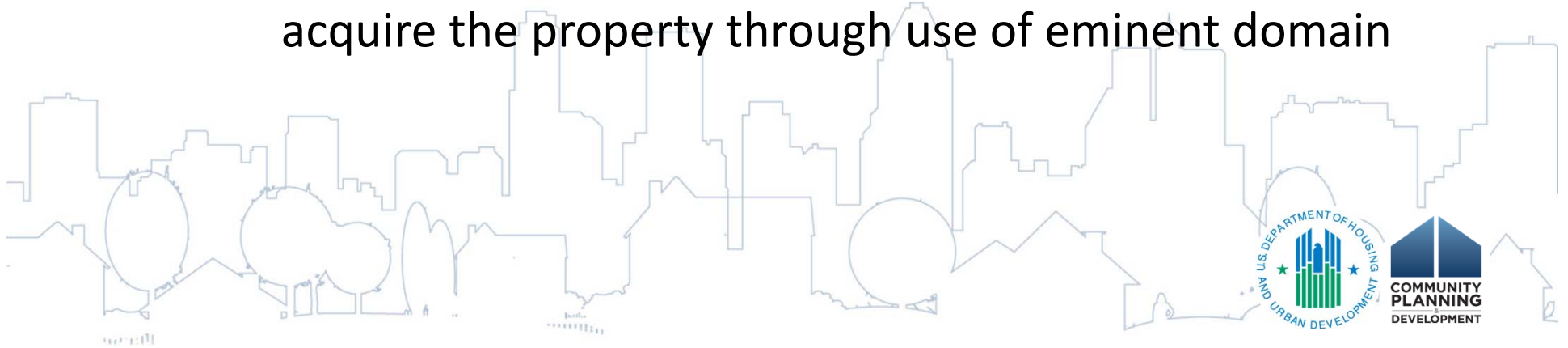
PROCESS FOR INVOLUNTARY ACQUISITION

- General process:
 1. Notify owner of the agency's interest in acquiring the property and their protections under the URA
 2. Appraise the property and invite the owner to accompany the appraiser or prepare waiver valuation
 3. Review the appraisal
 4. Establish just compensation for the property
 5. Provide owner with written offer and summary statement for property to be acquired



PROCESS FOR INVOLUNTARY ACQUISITION

- General process (cont)
 6. Negotiate with owner for the purchase of property
 - If negotiations are successful, complete the sale
 - If negotiations are unsuccessful, consider an administrative settlement to complete the sale
 - If negotiations are still unsuccessful, the agency should acquire the property through use of eminent domain



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



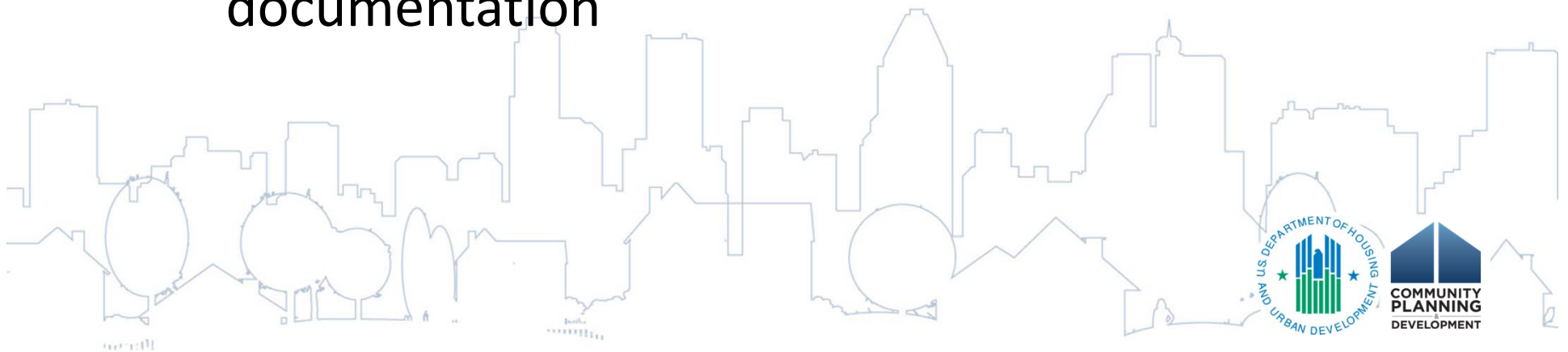
COMPLIANCE WITH FAIR HOUSING LAWS

- Recipient must not discriminate and must affirmatively further Fair Housing in the community
 - Conduct affirmative marketing
- Rules apply to locality as a whole, not just with CDBG \$:
 - Maximize housing choice
 - Lessen racial, ethnic, and economic concentrations of housing
 - Facilitate desegregation and racially inclusive patterns of occupancy/public facilities



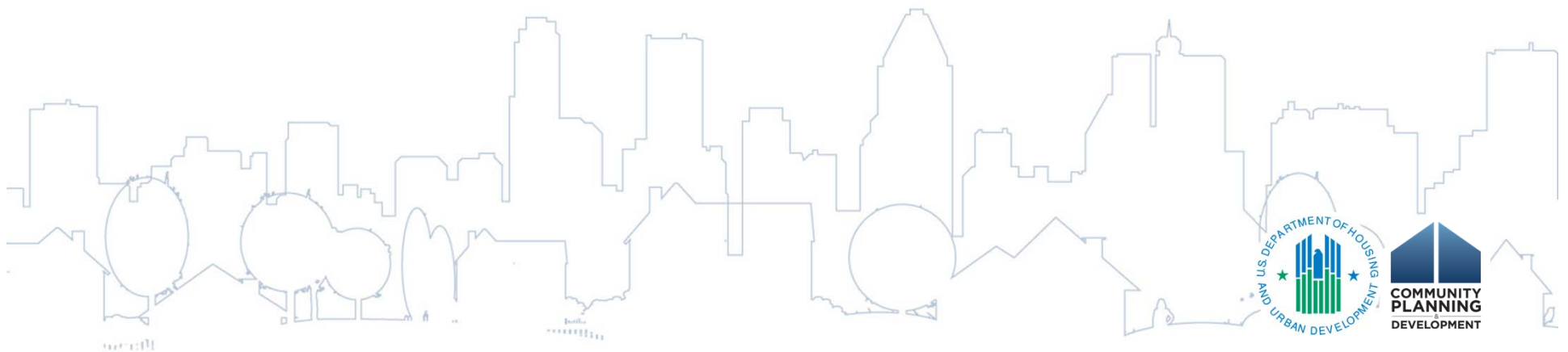
COMPLIANCE WITH FAIR HOUSING LAWS (cont)

- Analysis of impediments to fair housing
 - No official regulations – guidebook
 - See Con Plan guidance
 - Analyze current situation and describe actions
 - Certify to compliance but not required to submit documentation



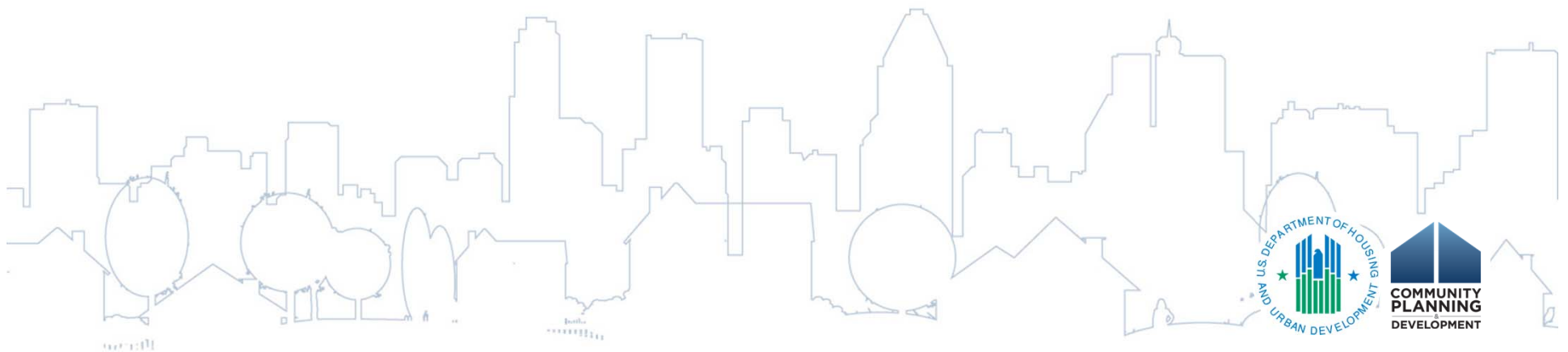
ACCESSIBILITY – GENERAL

- 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

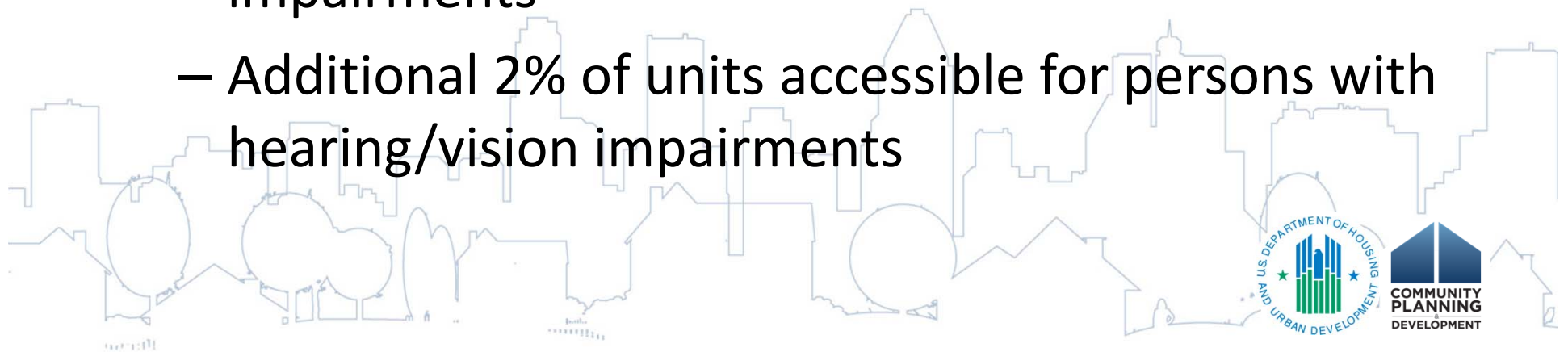


SECTION 504 (cont)

- Recipient must take steps to ensure accessibility of *communication*
- Prohibitions against *employment* discrimination—make reasonable accommodations
- Ensure program accessibility:
 - Housing
 - Non housing

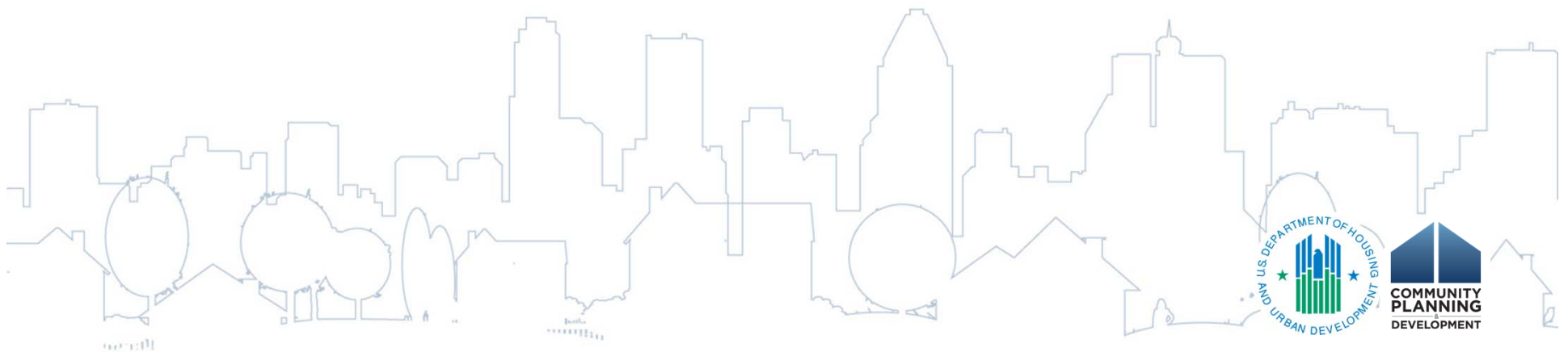
APPLICATION OF 504 TO HOUSING

- New construction 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



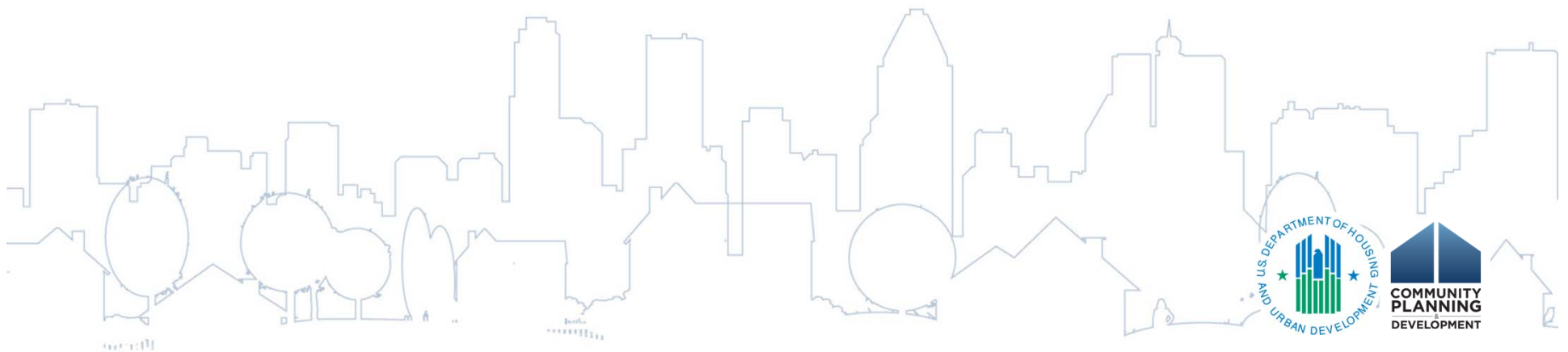
SECTION 504 AND FACILITIES

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



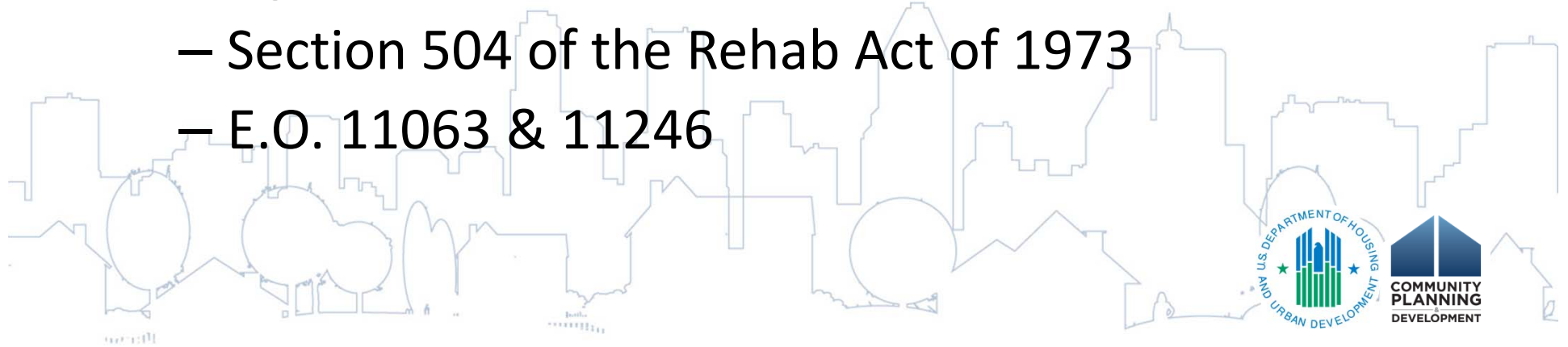
SPECIAL 504 REQUIREMENTS FOR RECIPIENTS WITH 15+ EMPLOYEES

- If 15 or more full or part-time employees:
 - Designation of responsible employee and adoption of grievance procedures
 - Notification to participants, beneficiaries, and employees of nondiscrimination policy



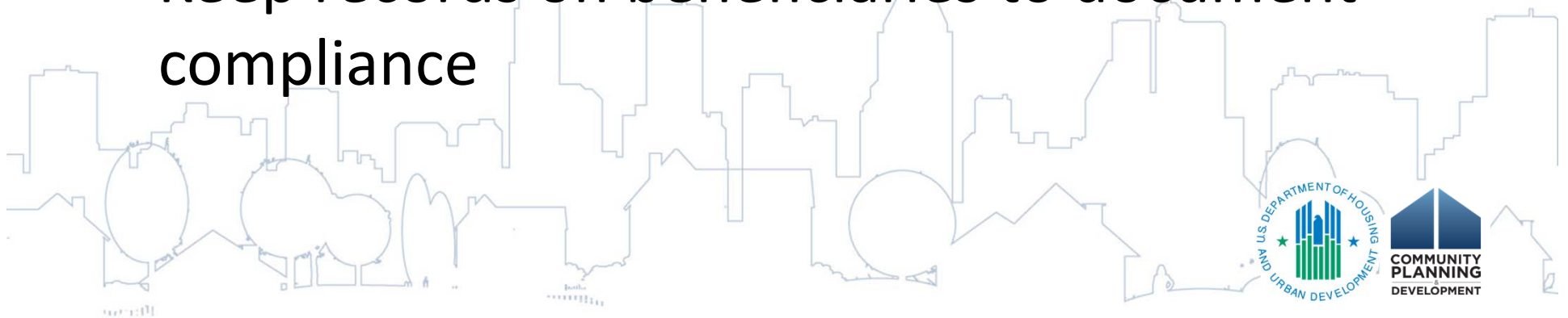
EQUAL OPPORTUNITY

- 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

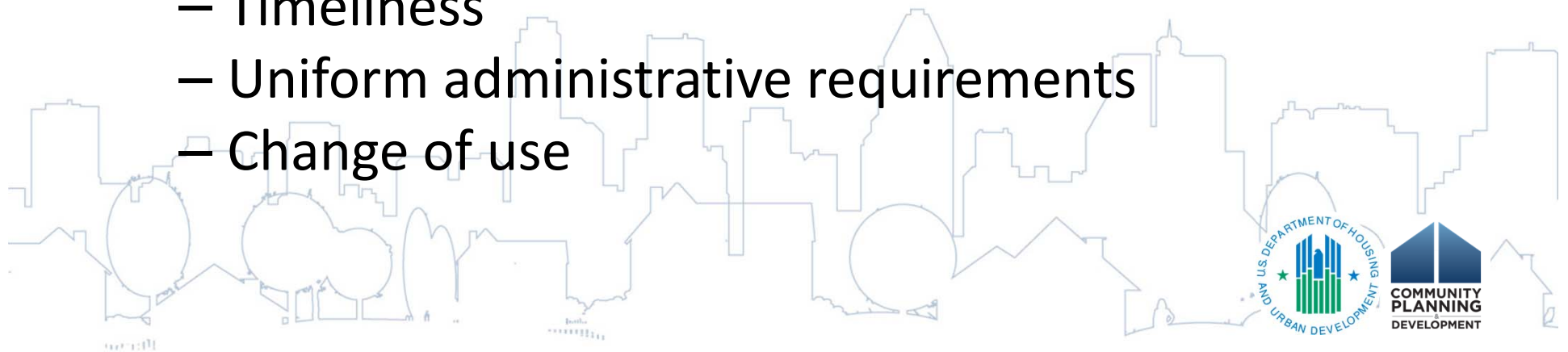
- Requires employment and contracting opportunities for low income residents
- Develop a Section 3 Action Plan
- Make good faith efforts to meet this plan
 - Outreach
 - Advertisements
- See resources on HUD website
 - <http://www.hud.gov/offices/fheo/section3/Section3.pdf>



FINANCIAL MANAGEMENT

FINANCIAL MANAGEMENT CHAPTER

- Covers:
 - Administrative costs
 - Float funding
 - Revolving loan funds
 - Lump sum draw downs
 - Program income
 - Timeliness
 - Uniform administrative requirements
 - Change of use



STATE & UGLG GENERAL ADMIN AND PLANNING COSTS

- General management, oversight & coordination
- Two options for charging salaries:
 - Entire amount
 - Pro rata
- 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 (state itself)
 - Submission of applications for Federal programs
 - HOME program management
 - Planning, policy, studies

20% PLANNING AND ADMINISTRATION CAP

- Planning and administration subject to 20% cap
- In total, State and all UGLG's cannot spend more than:
 - 20% of annual grant + program income + funds reallocated in period final statement for annual grant is in effect
- Cap does not include UGLG project delivery costs

20% PLANNING AND ADMINISTRATION CAP (cont)

- Some States allow lower administrative percentage for UGLG or require administration to be local match
- States can fund planning-only grants
 - Outside of admin cap
 - Expected result of planning, if implemented, must meet National Objective
 - See chapter 9 for further information



ALLOWABLE STATE ADMINISTRATIVE COSTS

- \$100,000 plus 50% of costs beyond \$100,000 up to 3% of the grant + PI + reallocated funds
 - \$100,000 is outside the cap and not need to be matched
- Percentage used for admin must be matched at time CDBG funds are drawn
 - Match does not have to be in cash
- Compliance is either cumulative since inception of program or another method that demonstrates requirement is met
- Admin can be spent on any year's program activity regardless of source year of Admin funds



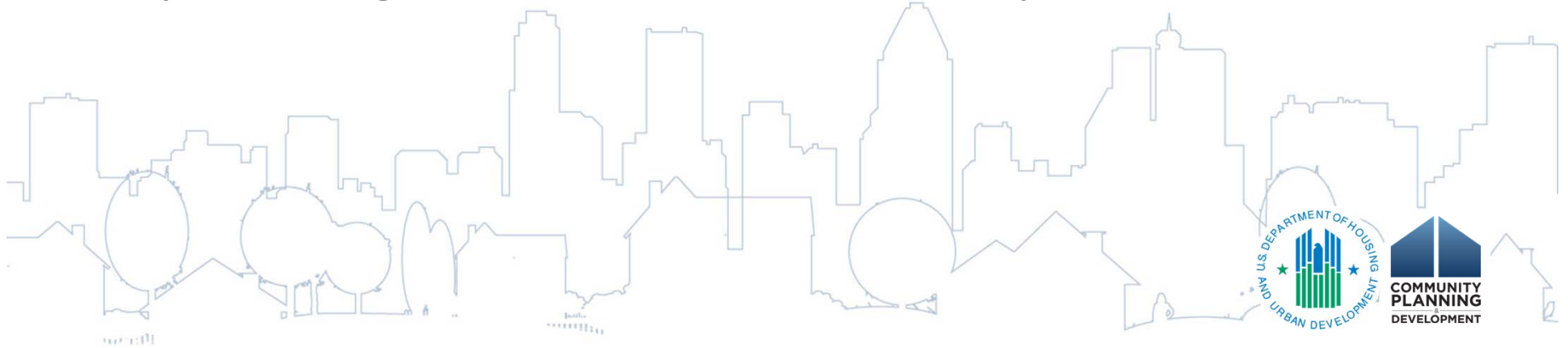
UGLG COSTS TO ADMINISTER CDBG

- State can elect whether to pay for UGLG staff & costs for CDBG projects:
 - All admin costs state-wide are capped
 - If UGLG project delivery cost, state not required to count toward cap
- Direct cost of carrying out activity is considered activity/program delivery cost
 - Example: cost of running a rehab program (taking applications, writing specs, inspections, etc.)
- Other = general administration



TECHNICAL ASSISTANCE ALLOWANCE

- 3% of state's grant can be used to provide TA to UGLG and non-profits
 - Now a part of overall admin & planning cap
 - Note, no PI is included in TA calculation
- Tradeoff between paying for admin, TA and planning since all are within cap



USE OF TA FUNDS

- Pay for State staff to provide TA
- Hire contractor to provide TA
- Grant funds to recipients to allow them to purchase TA
- Grant funds to subrecipients such as regional planning organization or Community College to provide TA
- Pay for tuition, training and or travel for trainees from UGLG's and nonprofits
- Transfer funds to another state agency for the provision of TA



INELIGIBLE UNDER TA

- General admin activities of state such as monitoring grantees, or developing Consolidated Plan
- General admin costs, such as hiring grants administrator
- Local administrative expenses not related to community development, such as computerizing county personnel records
- Training of state staff to perform administrative requirements, such as ED training
- Training of entities other than UGLG's and non-profit participants, such as lead-based paint contractors



TA, ADMIN & PLANNING: EXAMPLE 1

- State A gets \$10M Allocation in 2008
 - State gets \$1M in program income
 - State chooses 3% Admin / 0% TA
- State admin cap = \$430,000
 - \$10M X 3% = \$300,000
 - \$1M X 3% = \$30,000
 - \$100,000 allowed without match
- State must match \$330,000



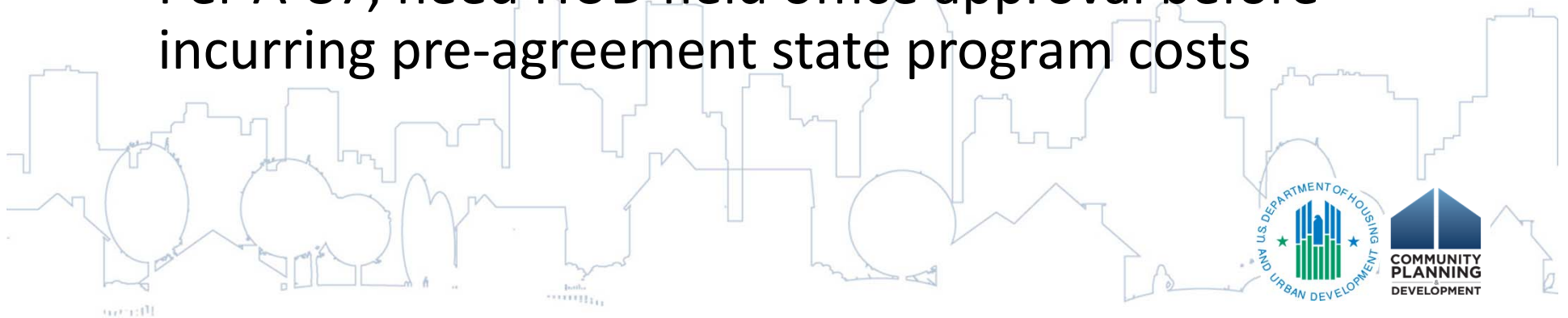
TA, ADMIN & PLANNING: EXAMPLE 2

- State A gets \$10M Allocation in 2008
 - State gets \$1M in program income
 - State chooses 1% Admin / 2% TA
- State admin cap = \$210,000
 - \$10M X 1% = \$100,000
 - \$1M X 1% = \$10,000
 - \$100,000 allowed without match
- State TA cap = \$200,000
 - \$10M X 2% = \$200,000
- State must match \$110,000



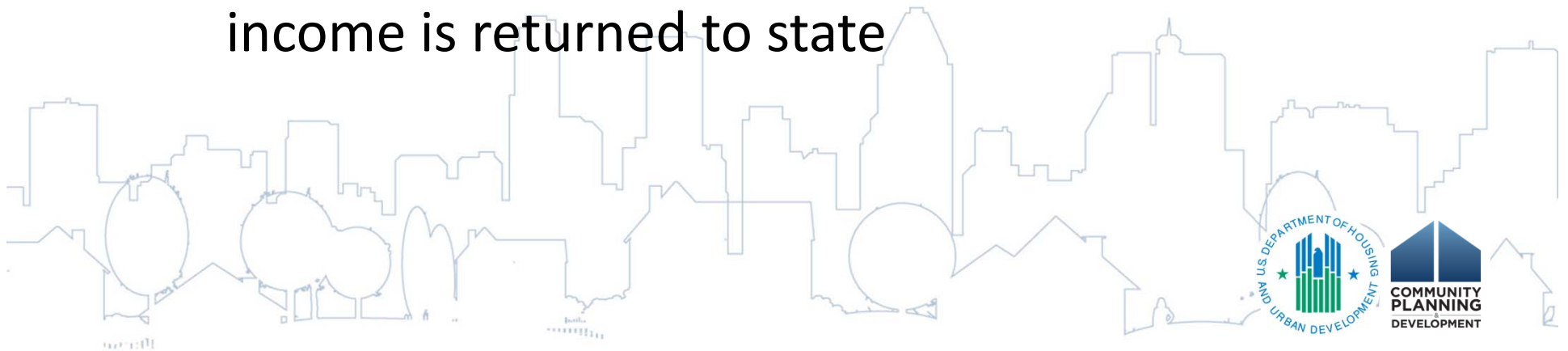
PRE-AGREEMENT COSTS

- State choice to allow or not allow
- May allow UGLGs to incur costs *before* execution of state UGLG agreement
- Encourage “conditional funding” clause in state/UGLG agreement
- State 3% administration is “yearless” in practice
- Per A-87, need HUD field office approval before incurring pre-agreement state program costs



FLOAT-FUNDED ACTIVITIES

- Float = grant to UGLG which makes a loan to project that is repaid
- If wish to do:
 - State's method of distribution must provide for float-funded activities
 - State's program design must require that program income is returned to state

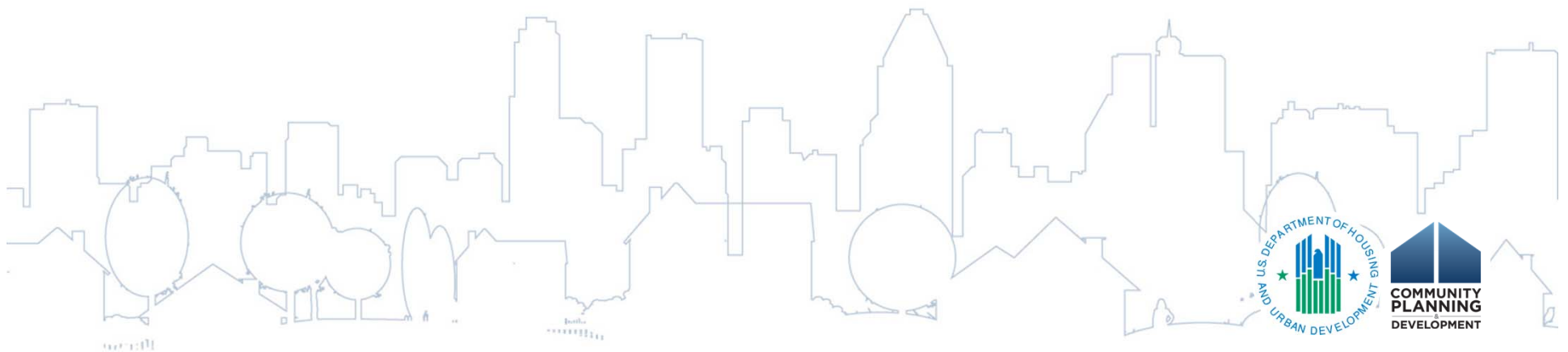


REVOLVING LOAN FUNDS

- 2012 rule allows for the creation of State Regional Revolving loan funds
- Separate fund for a specific activity that generates payment to an account for that activity only
 - Cannot be initially capitalized by CDBG
 - Usually created via program income
- Should be in an interest bearing account
 - Interest paid by borrowers is program income

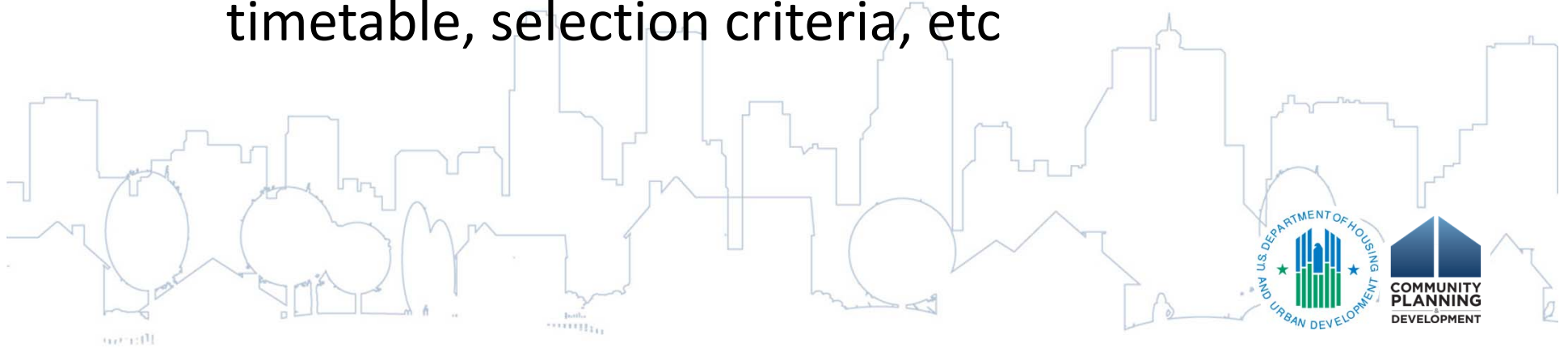
REVOLVING LOAN FUNDS (cont)

- Repayments are program income (PI)
- Subject to all CDBG statutory & regulatory requirements for as long as it exists
- Must have some way to ensure compliance
- Implications on state closeout procedures



STATE REVOLVING FUNDS (SRF)

- Variation – PI returned to state from UGLG
- State establishes a revolving fund
- To do this, State's method of distribution must discuss
 - MOD must spell out grant amounts, application timetable, selection criteria, etc



SRF REPAYMENTS

- Repayments go into SRF – not into general pool of PI received by state
- SRF program income used for applications from UGLG for activities funded initially out of SRF
- Funds requests for other types of activities are paid out of “regular” state program income or via drawdown from line of credit



REGIONAL LOAN FUNDS: SECTION 105(A)(15) NONPROFITS

- UGLG receives grant from State
- UGLG gives money to 105(a)(15) nonprofit
- Nonprofit cannot be a subrecipient
- Nonprofit carries out activity
- Nonprofit undertakes activities in UGLG area & receives loan or sales revenue

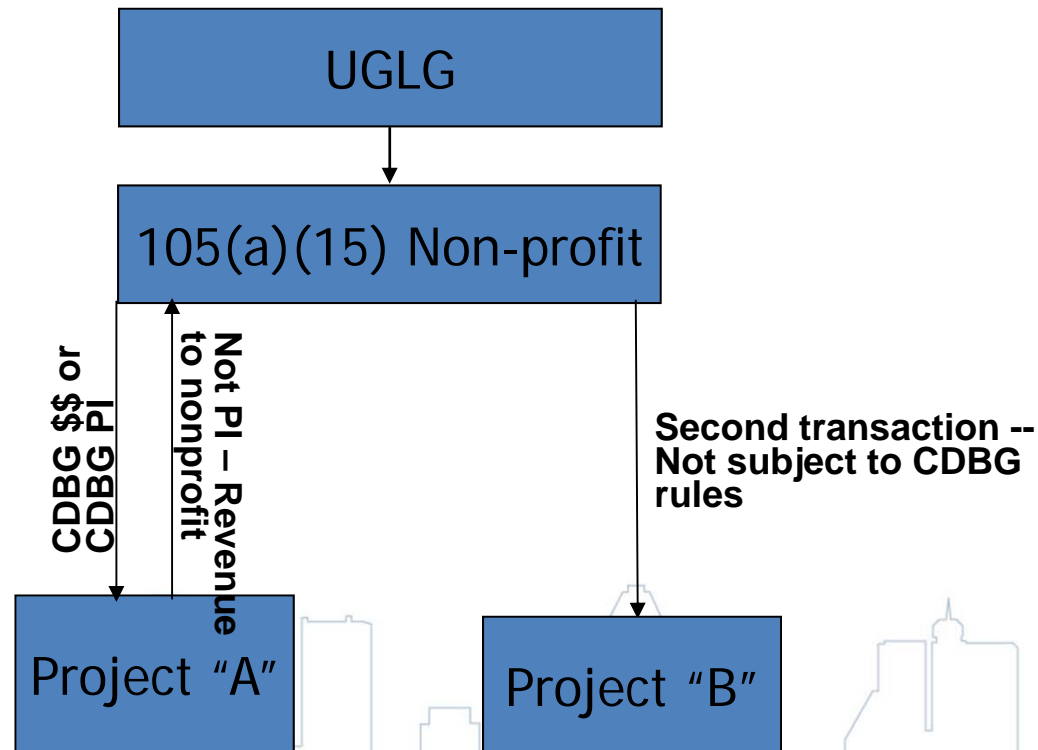


REGIONAL LOAN FUNDS: SECTION 105(A)(15) NONPROFITS (cont)

- Loan repayments from assisted beneficiaries:
 - Made directly to nonprofit as lender
 - Not program income to UGLG or state (unless repaid to them)
 - No CDBG requirements apply to reuse of repayments
- UGLGs existing PI given to nonprofit; CDBG requirements apply to first use of money by 105(a)(15) nonprofit
 - Cannot just “wash” CDBG PI by giving to nonprofit



USING 105(A)(15)S FOR RLF'S

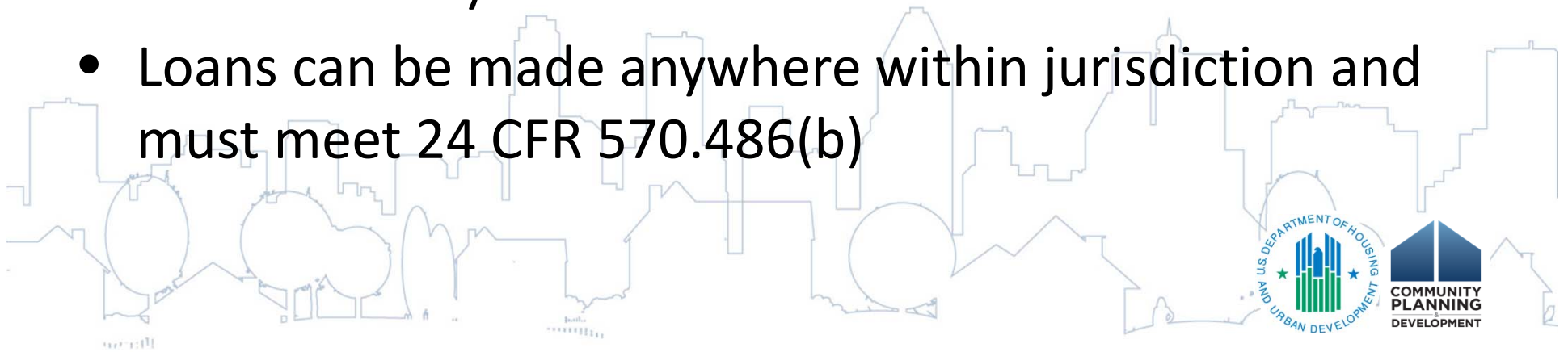


1. Initial Loan = CDBG rules (whether made using CDBG \$\$ or CDBG PI)
2. Repayment of principal and interest to nonprofit
3. Second loan no longer subject to CDBG regulations



REGIONAL LOAN FUNDS: COMBINATIONS OF GOVT

- Combinations of governments can apply and whole region gets CDBG money from state
- UGLG's are co-applicants; one must lead
 - Can be counties rather than cities/towns
- Lead jurisdiction can carry out activity or give funds to another entity
- Loans can be made anywhere within jurisdiction and must meet 24 CFR 570.486(b)



REGIONAL LOAN FUNDS: COMBINATIONS OF GOVT (cont)

- Additional communities can sign on later
- Repayments can be reused anywhere within combinations of governments regardless of who loan repayments are made to
 - Loan repayments are CDBG PI and must be used for eligible activities



LUMP-SUM DRAWDOWNS

- UGLG receives grant from state to carry out rehab of privately-owned property
 - UGLG can carry out activity or give funds to another entity
- UGLG or nonprofit establishes lump sum deposit agreement with financial institution
- UGLG makes lump-sum drawdown via state & deposits CDBG money with financial institution
- Interest earned on CDBG funds on deposit is PI; funds on deposit (including PI) must be used for property rehab, not admin costs



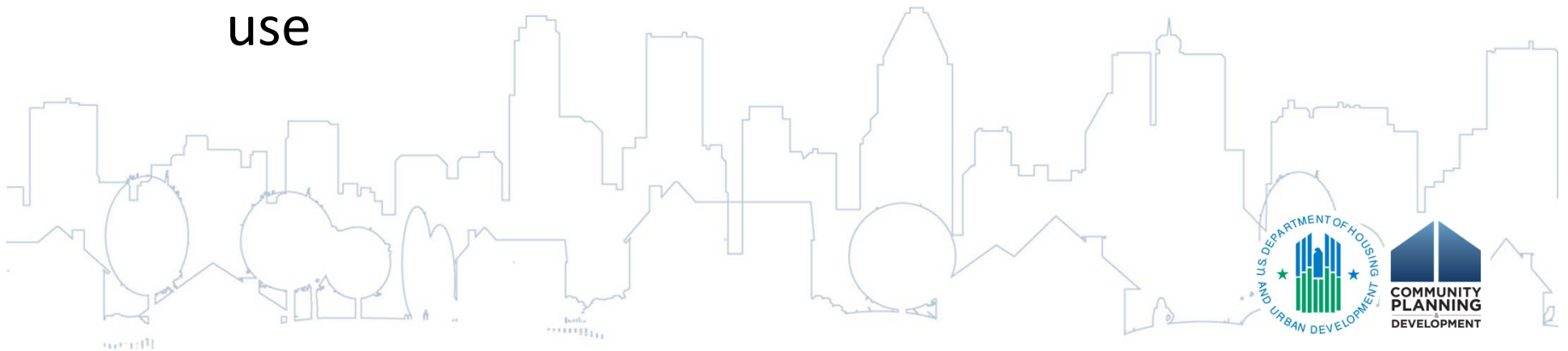
PROGRAM INCOME

- Program income = funds generated due to expenditure of CDBG \$\$\$ that are paid to state grantee, UGLG or a subrecipient
- PI rules described in CDBG statute and regulations
 - Section 104(j)
 - 24 CFR §570.489(e)
- Statute was changed in 1992 to clarify PI but regulations not yet updated
- Refer to HUD Notice CPD 04-11 (10/27/04)
- 2012 rule PI changes covered in this section



PROGRAM INCOME (cont)

- CDBG defines PI as:
 - Sale, lease, or rental proceeds of property acquired with/improved by CDBG
 - Payments of principal and interest on CDBG loans
 - Proceeds from sale of CDBG loans or obligations
 - Interest earned on program income pending re-use



PROGRAM INCOME (cont)

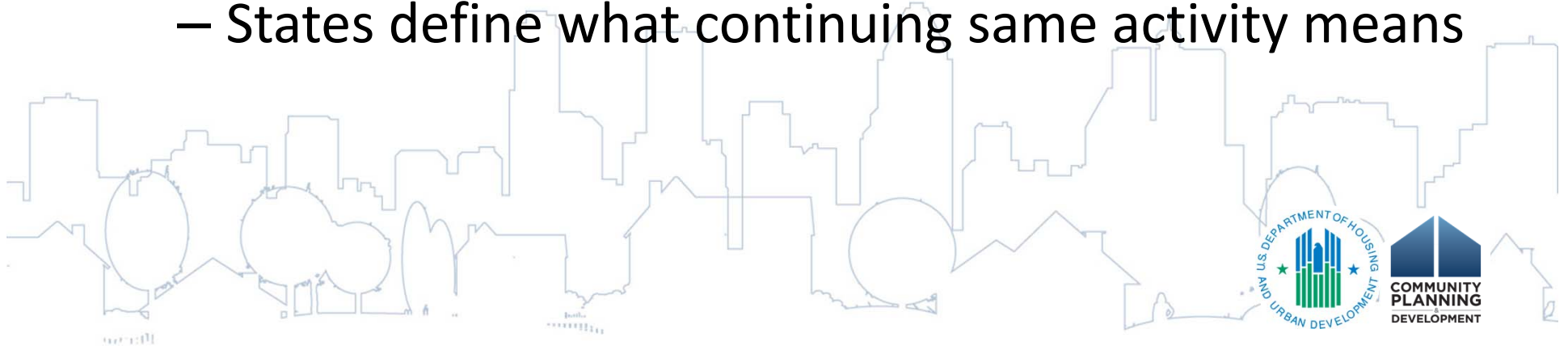
- CDBG also defines PI as:
 - Special assessments collected from non-LMI households to cover part of CDBG portion of public improvement
 - Income paid to UGLG or subrecipient from ownership interest in for-profit entity acquired in exchange for CDBG \$\$\$
 - Other income not specifically mentioned in regulations as exclusions

PROGRAM INCOME (cont)

- CDBG specifically excludes some income from PI:
 - Income received and retained by UGLG and its subrecipients in a single year which is less than \$25,000 (2012 rule to raise to \$35,000)
 - Income generated by some Section 108 activities
 - Income received by a nonprofit under 105(a)(15) of the statute
- Income earned and retained by 105(a)(15) nonprofit is not PI
 - Must be doing neighborhood revitalization, community economic development, or energy conservation

PROGRAM INCOME (cont)

- State may:
 - Permit UGLG to retain program income
 - Require UGLG to return program income to state
- If used to “continue same activity”, state must allow UGLG to retain income
 - States define what continuing same activity means



PROGRAM INCOME (cont)

- State held program income:
 - No \$ threshold – always program income
 - Considered additional CDBG funds
 - Subject to state method of distribution for the year funds are received, not year that generated PI
 - Non-SRF PI distributed (as feasible) before additional treasury draws
 - SRF PI distributed before additional draws for “same activity” (state defines)



PROGRAM INCOME (cont)

- UGLG retained program income:
 - \$ 25,000 annual threshold (\$25K+ is all program income so need to track in case PI surpasses \$24,999)
 - Considered additional CDBG funds
 - Subject to all program requirements
 - Non-RLF PI distributed (as feasible) before additional draws from state
 - RLF PI distributed before additional draws for “same activity” (state defines)



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 not subject to these rules, but 2012 rule raises the limit to \$35,000
- Can expend up to 20% of total program income for administration
- See further information on PI in CPD Notice 04-11
- 2012 Rule requires States to report program income held by local governments and include in PERs



TIMELINESS

- There is currently no timely expenditure requirement for the State CDBG program in either statute or regulation
- State is timely if:
 - All of state's annual grant (excluding state administration) has been obligated and announced to UGLG within 15 months of state signing its grant agreement with HUD



TIMELINESS (cont)

- Term “obligated and announced to” means:
 - Date on which state officially announces selection and awards of grants to UGLG
 - See CPD Notice 94-26
 - Obligated is:
 - Contract
 - Letter
 - Press Release
 - News Announcement
 - Public Notice

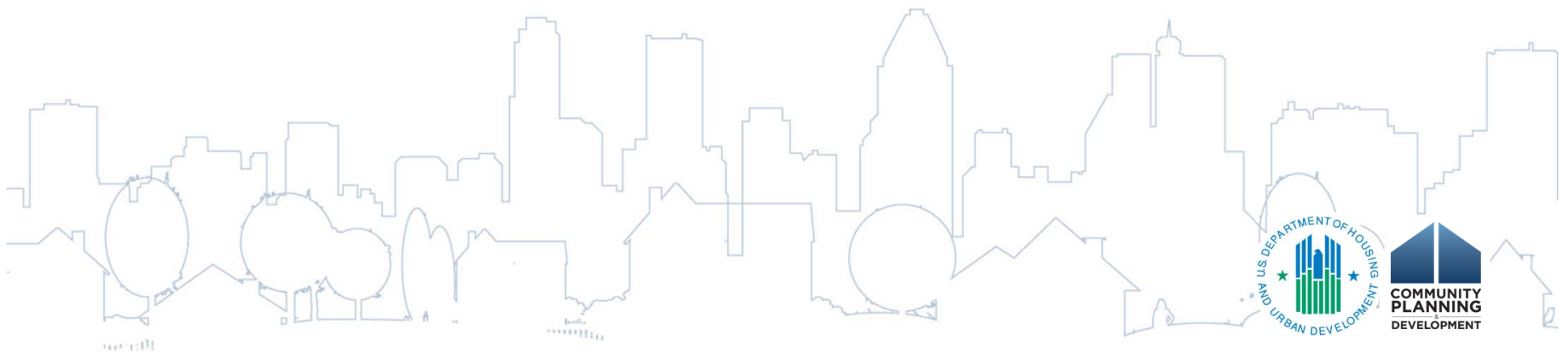
TIMELINESS (cont)

- Tracked by HUD via LOCCS data
- Reported monthly to states
- Significant indicators
 - Unexpended ratio
 - Spending Rate
- Congressional interest in appropriated funds not spent
- State Expenditure Report helps track



THE EXPENDITURE REPORT

- Monthly listing of states ranked by unexpended ratio
- Chart showing individual state's ratios over 24 months
- Chart showing national average over 24 months
- List of state rankings by program year group



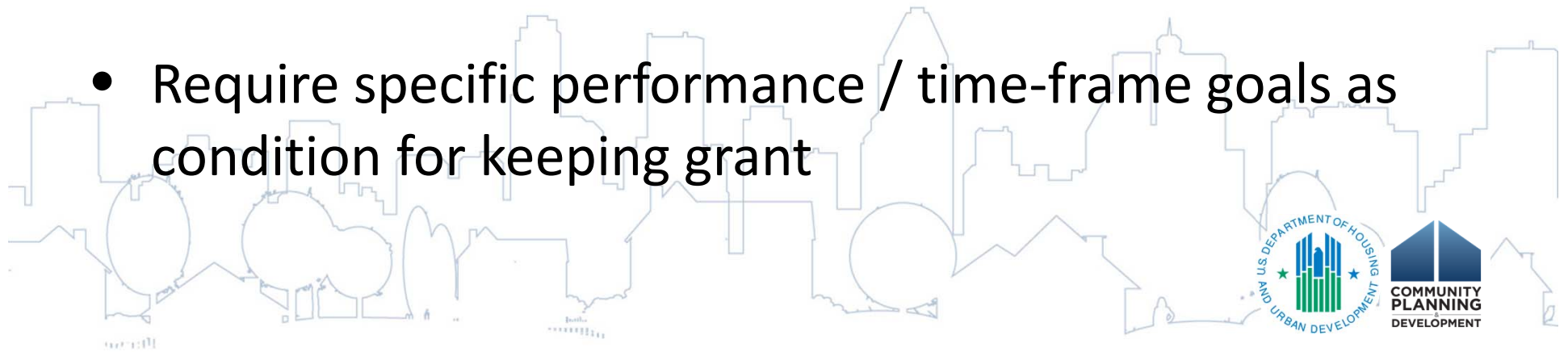
PROGRAM DESIGN AND TIMELINESS

- Things to consider:
 - Program Year start date
 - Method of Distribution
 - State statutes / constitution
 - Politics
 - State bureaucracy
 - Type of activities
 - Construction season
 - Maximum grant size



PROGRAM DESIGN AND TIMELINESS (cont)

- Hold 2 years competition at same time
- Separate planning from construction grants for large projects
- Require Environmental review to be complete at time of application
- Require specific performance / time-frame goals as condition for keeping grant



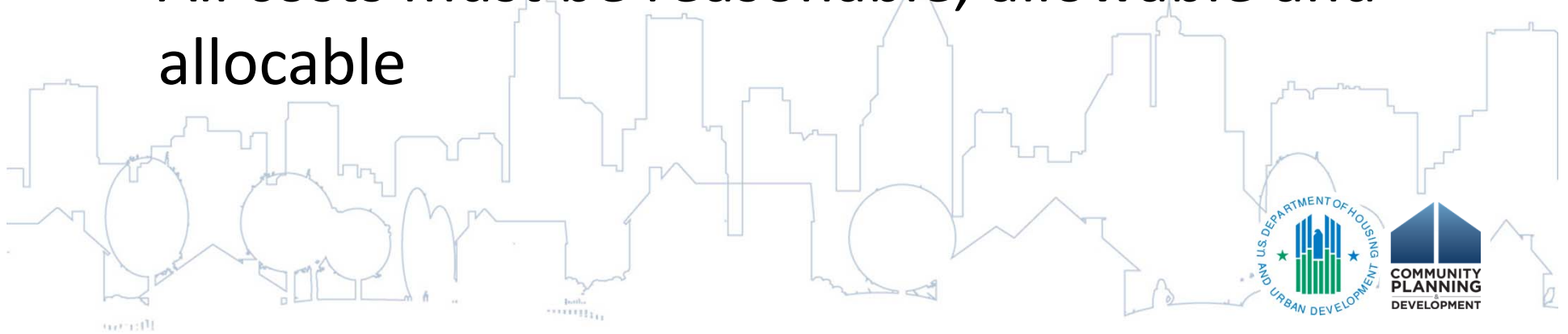
UNIFORM ADMINISTRATIVE REQUIREMENTS

- A-87(reasonable costs), A-133(audits)
- Only Subpart I unless State chooses to be more restrictive (can't be inconsistent with Statute) ±
 - Acquisition/Relocation at 24 CFR 570.606 per 24 CFR 570.488
 - Faith Based at 24 CFR 570.200(j) per 24 CFR 570.480(e)
 - Section 108 24 CFR 570, subpart M
 - Lump sum drawdowns 24 CFR 570.513



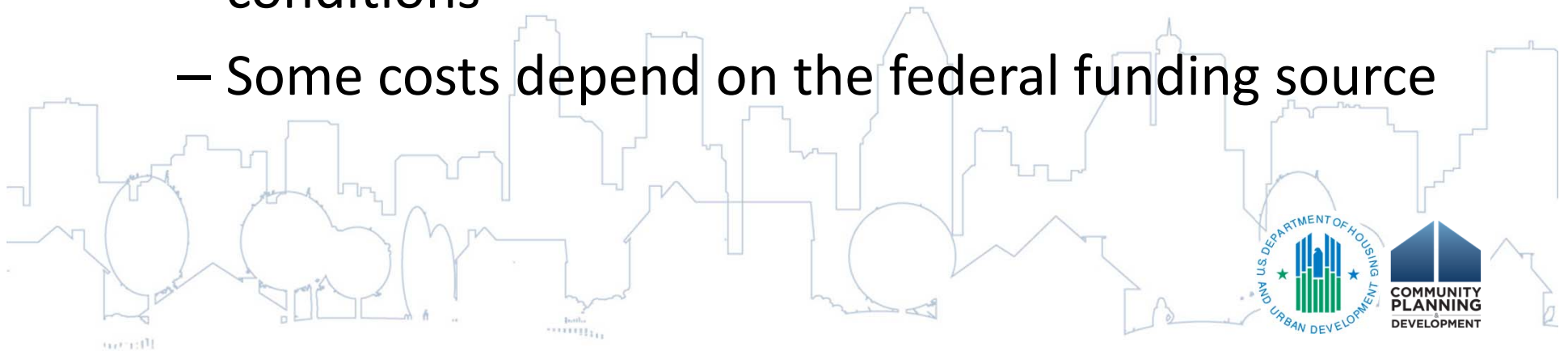
OMB A-87/122

- Establishes cost principles
 - State & UGLG are responsible for efficient and effective administration
 - Administer consistent with program rules and agreements
- All costs must be reasonable, allowable and allocable



ALLOWABLE COSTS

- A-87/A-122 Identifies allowable and unallowable costs
 - Some costs are never allowed
 - Examples of unallowable costs: entertainment, alcohol
 - Some costs are allowed but with certain conditions
 - Some costs depend on the federal funding source



ALLOWABLE COSTS (cont)

- 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



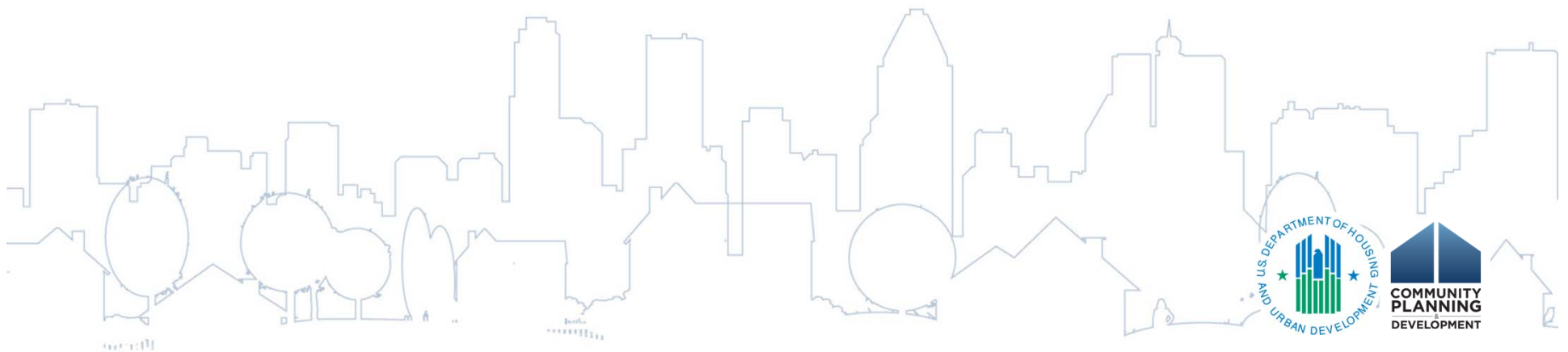
COST REASONABLENESS

- Cost is reasonable when it does not exceed what a prudent person would incur under similar circumstances
- Consideration should be given to:
 - Is cost necessary and ordinary?
 - Market prices for comparable goods and services
 - Individuals acted with prudence
 - Deviations from set policy



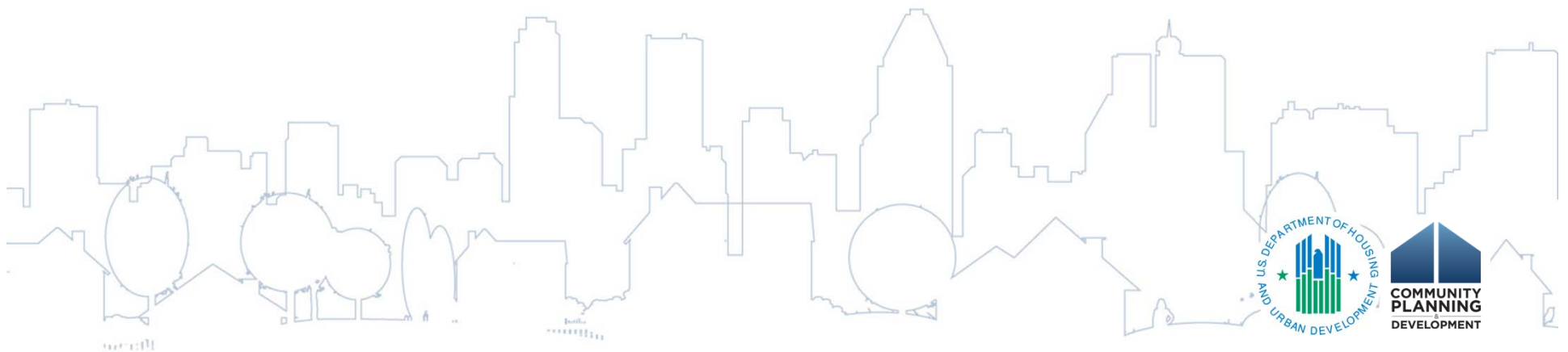
COST ALLOCABILITY

- Determines where put cost
- Process known as cost allocation method
- Found in cost allocation plan
- GAAP provides guidance



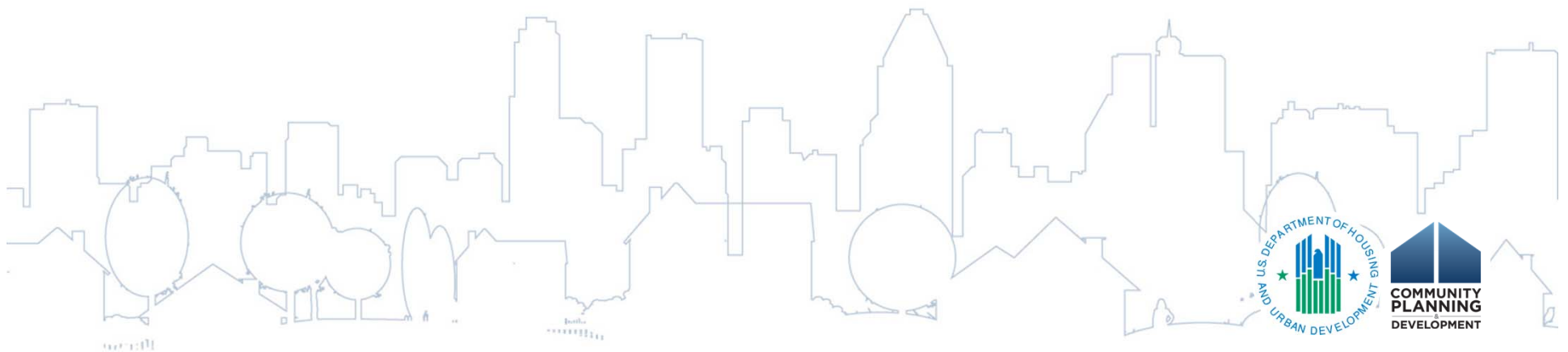
FISCAL CONTROLS & ACCOUNTING PROCEDURES

- State options
 - Own existing requirements
 - Adopting new ones
 - 24 CFR Part 85



ACCOUNTING RECORDS

- Records should sufficiently identify source and application of funds
- Minimally, a system must:
 - Identify & track transactions
 - Provide for internal controls



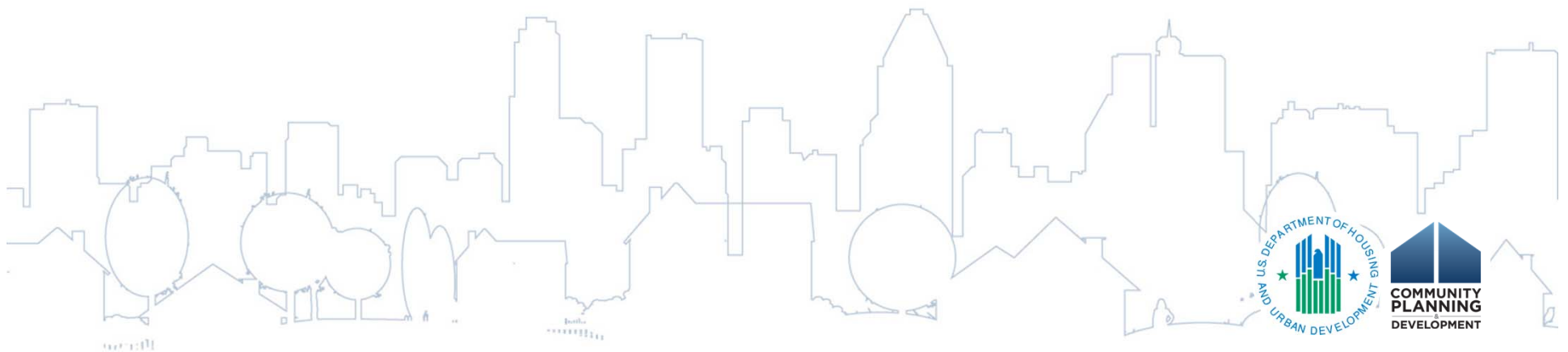
CIRCULAR A-133

- If expend \$500,000 or more in federal awards, get single or program audit
 - Program audit allowed only if that agency expended funds under only one Federal program
- If less than \$500,000, exempt from audit requirements for that year



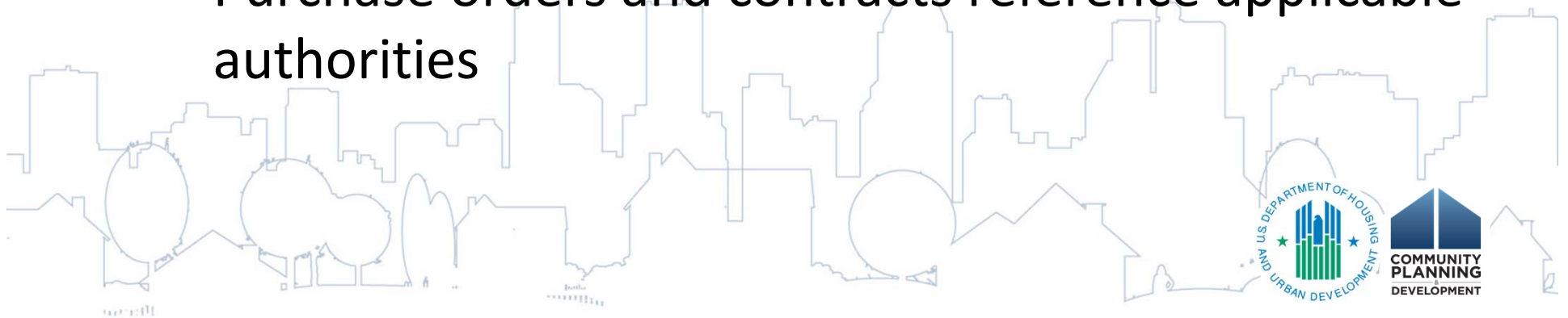
AUDIT REQUIREMENTS

- 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



PROCUREMENT

- State choice w/ HUD minimum standards
 - Promote full and open competition
 - Specify methods
 - Note, cost plus percentage NOT allowed
 - Standards of conduct
 - Purchase orders and contracts reference applicable authorities



CONFLICT OF INTEREST

- State decision-making on UGLG situations
- Applies only to non-procurement activities
 - State standards of conduct apply to procurement actions
- General rule:
 - State or UGLG CDBG program decision-makers (and their family) cannot benefit from CDBG activities
 - Applies for 1 year after leaving position



CONFLICT OF INTEREST (cont)

- Exceptions:
 - HUD evaluates and determines for state employees or agents
 - State evaluates and determines for UGLG employees or agents
 - Regulations detail factors to be included and considered
 - Request for exception must include public disclosure & attorney opinion that exception does not violate state or local law



CHANGE IN USE

- Applies to real property under UGLG control acquired or improved with \$100k plus of CDBG
 - Applies for five years after close-out of UGLG Grant with State
 - New use has to be approved by the State and meet national objective
 - ALERT! Based on final use, NOT acquisition/clearance



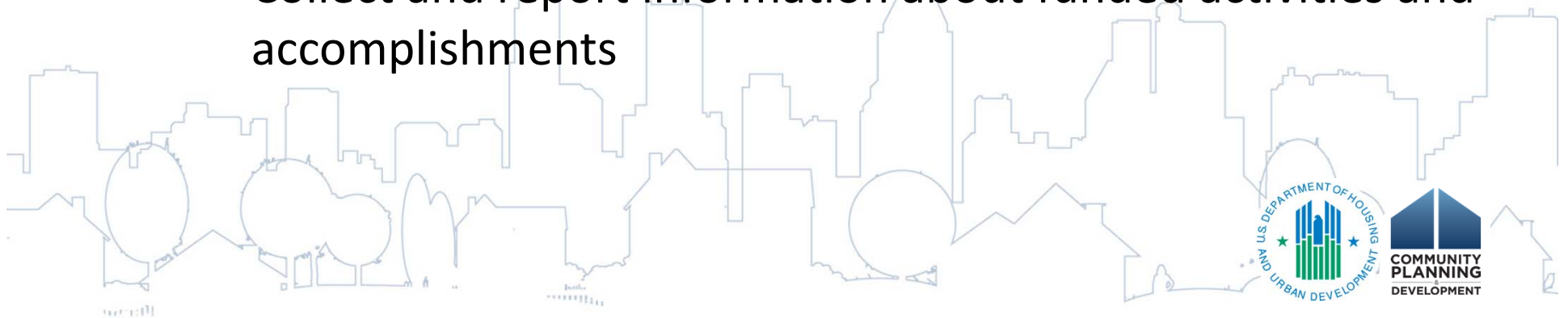
CHANGE IN USE (cont)

- Requirements *before* changing use
 - Public notice and citizen participation
 - One of the following two
 - New use meets a national objective and is NOT for general conduct of govt
 - CDBG program reimbursed for fair market value
 - State or local level, state choice
 - After closeout, reimbursement must go to state
 - Reimbursement removes “CDBG strings”

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
- Purposes of IDIS Online:
 - Drawdown and account for the use of funds
 - Collect and report information about funded activities and accomplishments

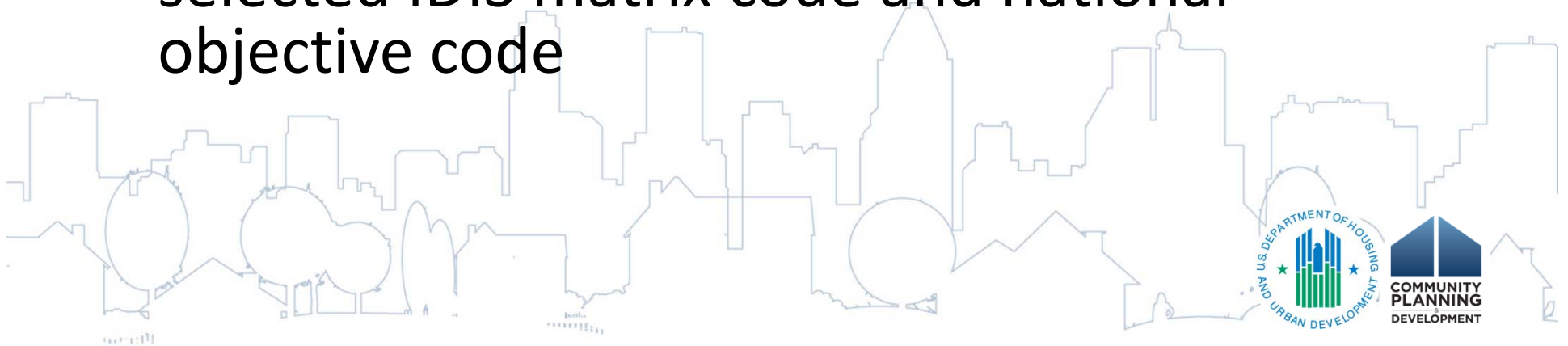


SET-UP AND DRAW DOWN

- States set up and draw \$\$ for CDBG activities
 - Projects are taken directly from the state's annual action plan
 - One or more specific activities are under a project
 - Activities are where the majority of IDIS reporting occurs: set up, fund, draw, and complete
 - Activities are where accomplishments and performance measures are reported
- Example:
 - Project: Street Improvements
 - Activity 1: Glover Park Street Improvements
 - Activity 2: Cherry Hill Street Improvements

SET-UP AND DRAW DOWN (cont)

- States must enter IDIS Online data on:
 - Number and demographics of beneficiaries (under certain matrix codes)
 - National objective
 - CPD performance measures and accomplishments
- Specific type of data reported is based upon selected IDIS matrix code and national objective code



IDIS MATRIX CODES

- When setting up activity, use IDIS matrix codes -- examples:
 - 01 Acquisition of Real Property
 - 02 Disposition
 - 03A Senior Centers
 - 03C Homeless Facilities (not operating costs)
- Important to use correct, most specific matrix code
- Avoid use of general matrix codes such as 03 (public facilities and improvements) and 05 (public services)



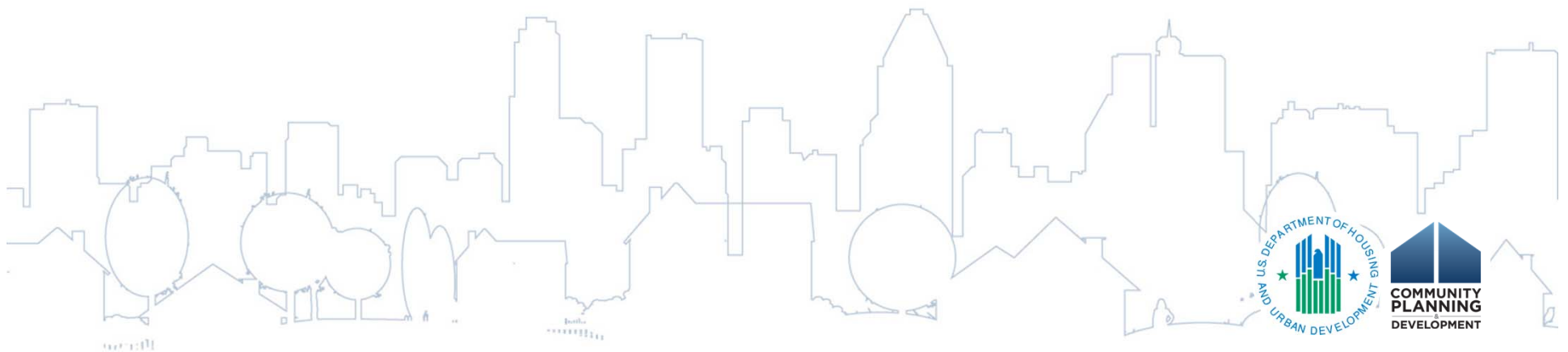
IDIS MATRIX CODES (cont)

- If uncertain, check matrix code use with HUD
- New Matrix Codes:
 - Housing counseling (05U)
 - Neighborhood cleanups (05V)
 - Food banks (05W)
 - Housing services (14J)
 - Planning only (States) (20A)
 - State administration costs (21J)
 - Tornado Shelters Serving Private Mobile Home Parks (23)



IDIS ONLINE DATA ENTRY

- Recommend States report on a quarterly basis
- 2012 rule mandates the annual entry of data to show accomplishments for each program year



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	14B - Rehab; Multi-Unit Residential <input type="text"/>	Yes	No	<input type="button" value="Edit CDBG"/>	<input type="button" value="Edit CDBG Accomp."/>	<input type="button" value="Check CDBG"/>
ESG	None	No	No			
HOME	None					
No	No					
HOPWA	None	No	No			

*Environmental Assessment:

EXEMPT

Allow Another Organization to Access this Activity (tip)

Activity Description:

Five units requiring extensive rehabilitation to be brought up to local codes were rehabbed using CDBG funds.

|

CDBG SETUP DETAIL

PAGE 1

Edit CDBG Setup Detail (Page 1)

14B - Rehab; Multi-Unit Residential

| |

*** Indicates Required Field**

Grantee/PJ Activity ID:	Activity Name: Rental Rehabilitation - 2010 -346 W Elm Street	Program Year/Project ID: 2009/7
IDIS Activity ID: 750	Activity Owner:	Project Title: 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 (cont)

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 (cont)

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 (cont)

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"/>	<input type="text"/>

CDBG SETUP DETAIL

PAGE 2 (cont)

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



ACCOMPLISHMENT DETAIL

PAGE 1 (RENTAL REHAB)

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

Accomplishments for Program Year: 2009

Select Another Year:

2009

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



PLANNING
DEVELOPMENT

ACCOMPLISHMENT DETAIL

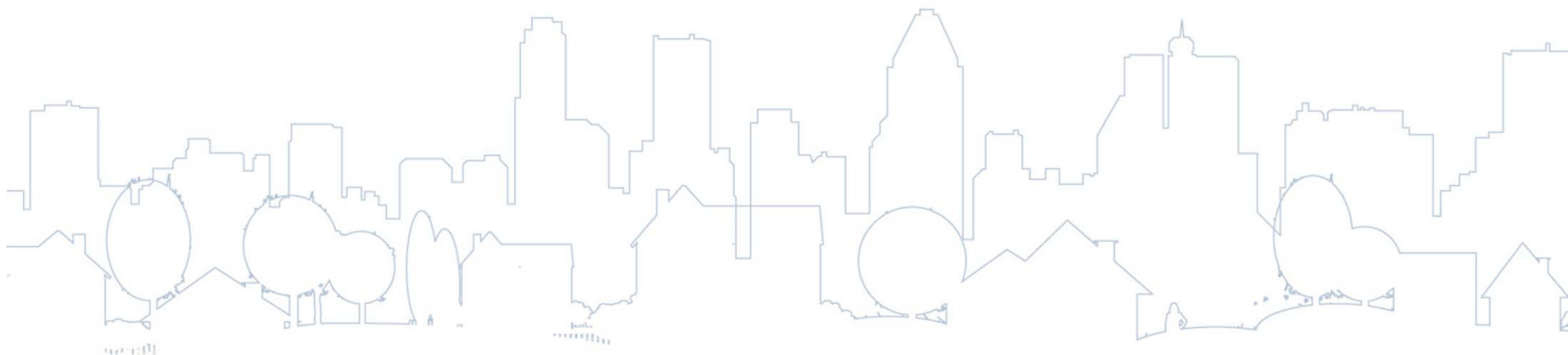
PAGE 1 (RENTAL REHAB)

*Direct Benefit Data by Households

Race/Ethnicity

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

Income Levels (tip)



ACCOMPLISHMENT DETAIL

PAGE 2 (RENTAL REHAB)

Rental Rehab

Total Rental Units: (tip)

3

Of the Total Rental Units, Number of:

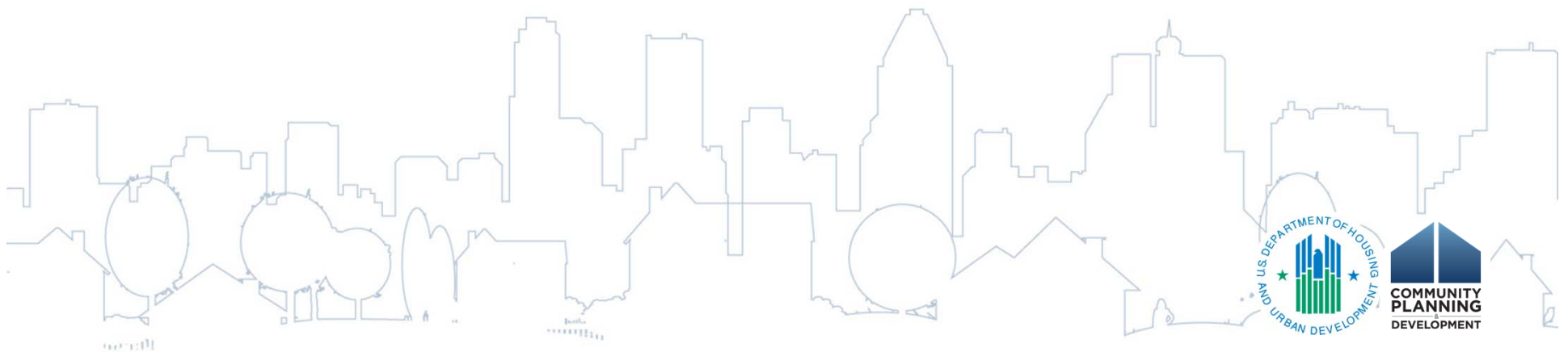
	Number of Units
Affordable Units	3
Section 504 Accessible Units	1
Brought from Substandard to Standard Condition (HQS or Local Code)	3
Units Qualified as Energy Star	
Brought into Compliance with Lead Safety Rules (24 CFR Part 35)	3
Units Created Through Conversion of Non-Residential to Residential Buildings	

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

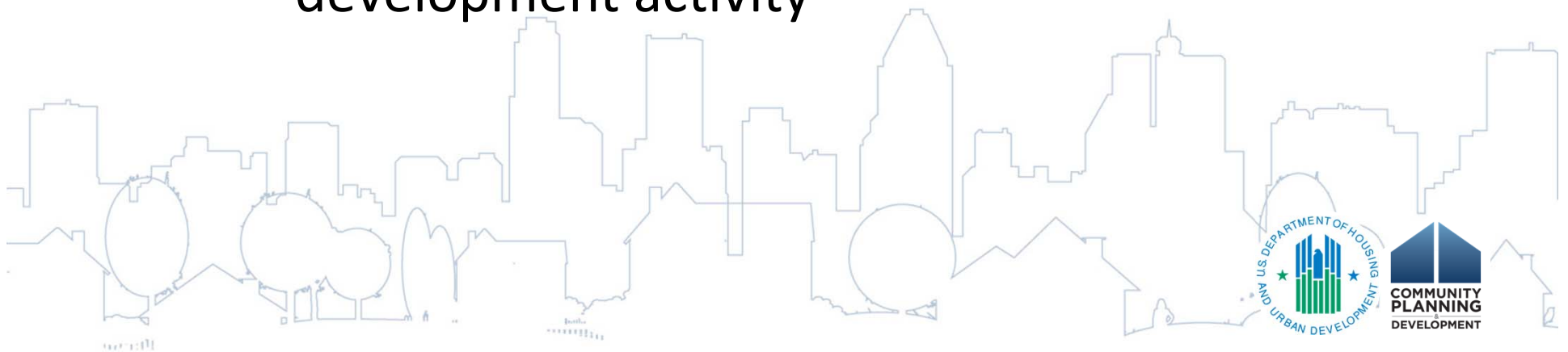


AVOID IDIS ONLINE DATA ENTRY ERRORS (cont)

- 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



DATA CLEAN-UP

- States are required to enter complete, timely and accurate IDIS Online data
- Worksheets assist states to identify and address issues:
 - Missing data
 - Incorrect matrix code and national objective combinations
 - Inaccurate or inconsistent accomplishment data
 - Missing Organization Name
- HUD is updating worksheets to reflect migration to IDIS Online: <http://www.hud.gov/offices/cpd/communitydevelopment/cleanup>



IDIS ONLINE REPORTS

- States can generate IDIS Online reports to track and evaluate periodic and annual progress
- CDBG reports:
 - PR28 - Activity Summary
 - PR28 – Financial Summary
 - PR06: Summary of Consolidated Plan Projects
 - PR23: Summary of Accomplishments
 - PR83: CDBG Performance Measures Report
 - PR84: CDBG Strategy Area, CDFI, and Local Target Area Report
 - PR85: Housing Performance Report



REPORTS ON THE HUD WEB SITE

- Available for each state by program year (through 2010, grantees can run recent reports in IDIS):
 - Performance Profiles
 - Expenditure Reports
 - Selected Accomplishments
- States can use reports to assess local/state CDBG program performance
- HUD reports IDIS data to entities that evaluate CDBG program: Congress, GAO, OMB, IG
- Data is aggregated to demonstrate progress toward HUD goals and strategies

Community Development Block Grant Performance Profile

OHIO, OH

Program Year From 7/1/2007 To 6/30/2008

Data as of 09/30/2008

Program Year 2007 Funds ¹

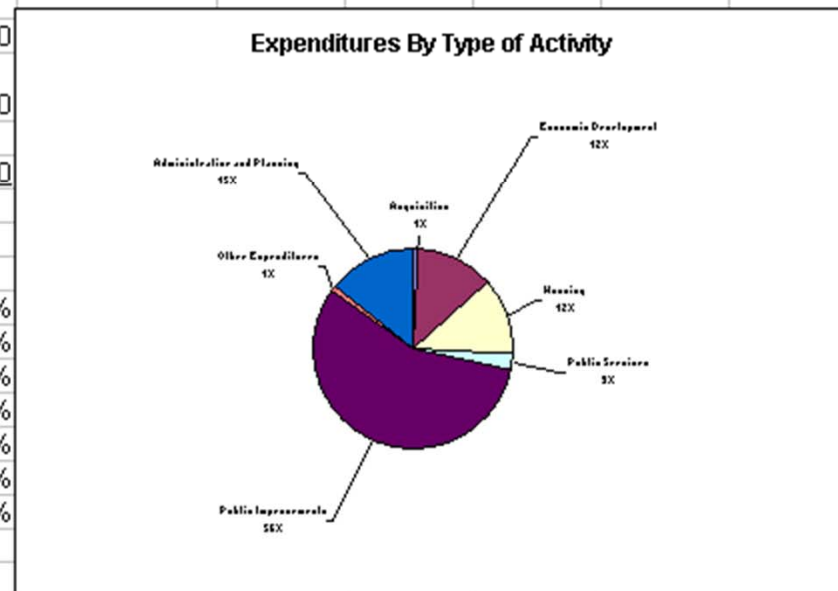
2007 CDBG Allocation	\$49,269,577.00
Program Income Received During Program Year 2007	\$0.00

Total Available

\$49,269,577.00

Expenditures ²

Type of Activity	Expenditures	Percentage
Acquisition	\$496,129.60	1.13%
Economic Development	\$5,447,138.24	12.41%
Housing	\$5,384,254.13	12.27%
Public Services	\$1,209,329.00	2.76%
Public Improvements	\$24,681,490.81	56.24%
Other Expenditures	\$292,414.88	0.67%
Administrative and Planning	\$6,372,754.52	14.52%
Total Expenditure	\$43,883,511.18	

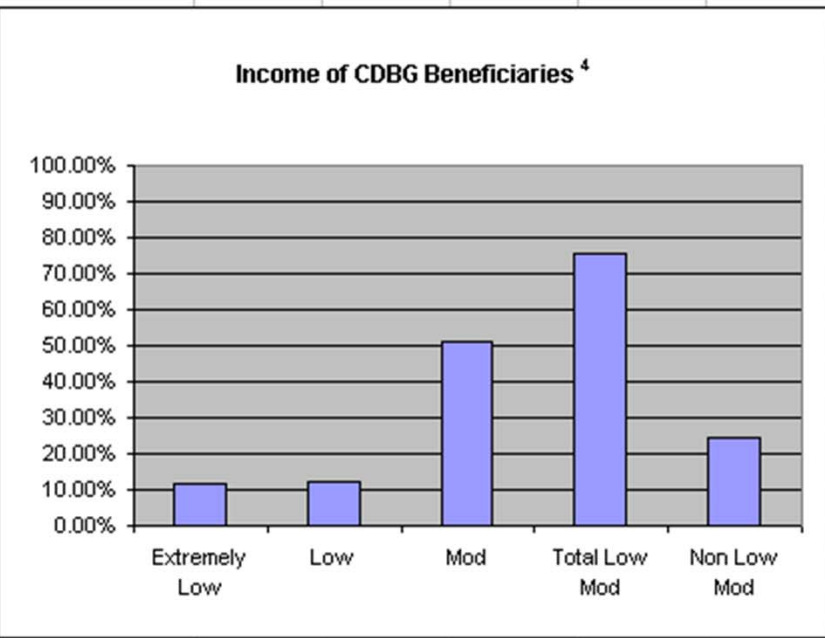


Program Targeting

Percentage of Expenditures Assisting Low- and Moderate-Income Beneficiaries ³	91.48%
Percentage of Expenditures That Benefit Low/Mod Income Areas	51.18%
Percentage of Expenditures That Aid in The Acquisition or Elimination of Slum or Blight	Slide 348

A	B	C	D	E	F	G	H	I	J
CDBG Beneficiaries by Racial/Ethnic Category⁴									
Race		Total	Hispanic						
White		94.02%	0.69%						
Black		3.37%	0.03%						
Asian Pacific Islander		0.00%	0.00%						
American Indian/Alaskan Native		0.24%	0.02%						
Asian		0.56%	0.01%						
Hawaiian/Other Pacific Islander		0.03%	0.00%						
American Indian/Alaskan Native & White		0.00%	0.00%						
Asian & White		0.00%	0.00%						
Black & White		0.00%	0.00%						
American Indian/Alaskan Native & Black		0.00%	0.00%						
Hispanic Ethnic		0.00%	0.00%						
Other Multi-Racial		1.78%	0.70%						

Income of CDBG Beneficiaries⁴	
Income Level	Percentage
Extremely low Income (<=30%)	11.89%
Low Income (30-50%)	12.24%
Moderate Income (50-80%)	51.29%
Total Low and Moderate Income (<=80%)	75.43%
Non Low and Moderate Income (>80%)	24.57%



Program Year 2007 Accomplishments	
Number of Actual Jobs Created or Retained	1,580
Number of Households Receiving Housing Assistance	1,020
Number of Persons Assisted Directly, Primarily By Public Services and Public Facilities	701,828

IDIS ONLINE RESOURCES

- IDIS Online Training Manual (note: not geared toward states but good reference until state manual is completed)
 - www.hud.gov/offices/cpd/systems/idis/library/idis_online_entitlements.pdf
- IDIS Online Quick Tips User Guide
 - [www.hud.gov/offices/cpd/systems/idis/IDIS Online Quick Tips User Guide v3.pdf](http://www.hud.gov/offices/cpd/systems/idis/IDIS_Online_Quick_Tips_User_Guide_v3.pdf)
- How to Run Reports in IDIS Online
 - www.hud.gov/offices/cpd/systems/idis/reengineering/idis_reports_guide_1_4.pdf
- CDBG Performance Profiles
 - www.hud.gov/offices/cpd/communitydevelopment/library/performanceprofiles/
- CDBG Data Cleanup Spreadsheets
 - www.hud.gov/offices/cpd/communitydevelopment/cleanup/
- IDIS Online Password Reset: 1-888-297-8689
- Technical Assistance Unit: 1-877-483-8282



IDIS ONLINE TRAINING

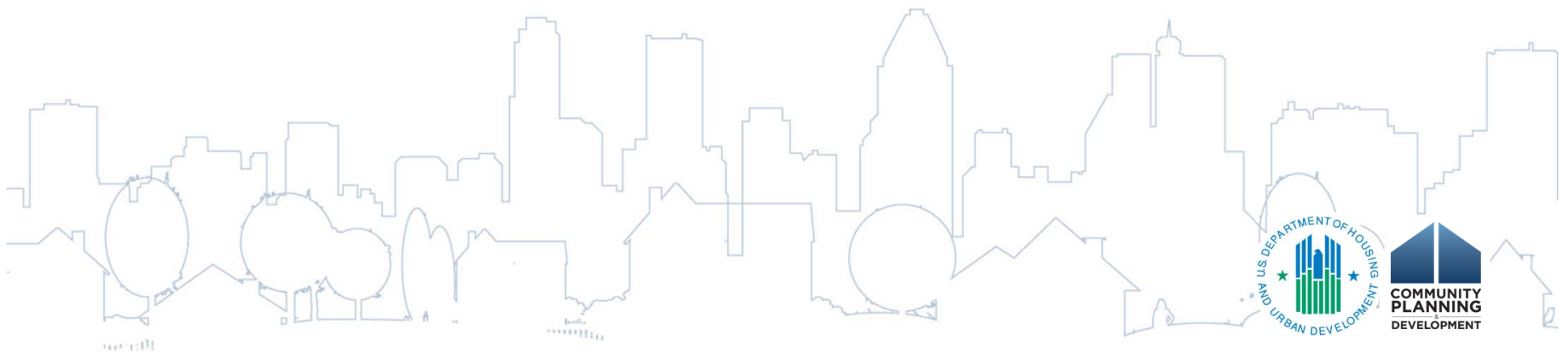
- CDBG IDIS Online Training is now available
- States can attend any session; however, there is one session left in 2010 specifically for states
 - Chicago: August 12-13
- Register at:
 - <http://www.cdbgidistraining.org/>



PERFORMANCE MEASUREMENT & REPORTING

PERFORMANCE MEASUREMENT, REPORTING, MONITORING, & RECORDKEEPING CHAPTER

- Covers:
 - Performance measurement
 - Reporting
 - Recordkeeping
 - Monitoring



CPD PERFORMANCE MEASUREMENT SYSTEM

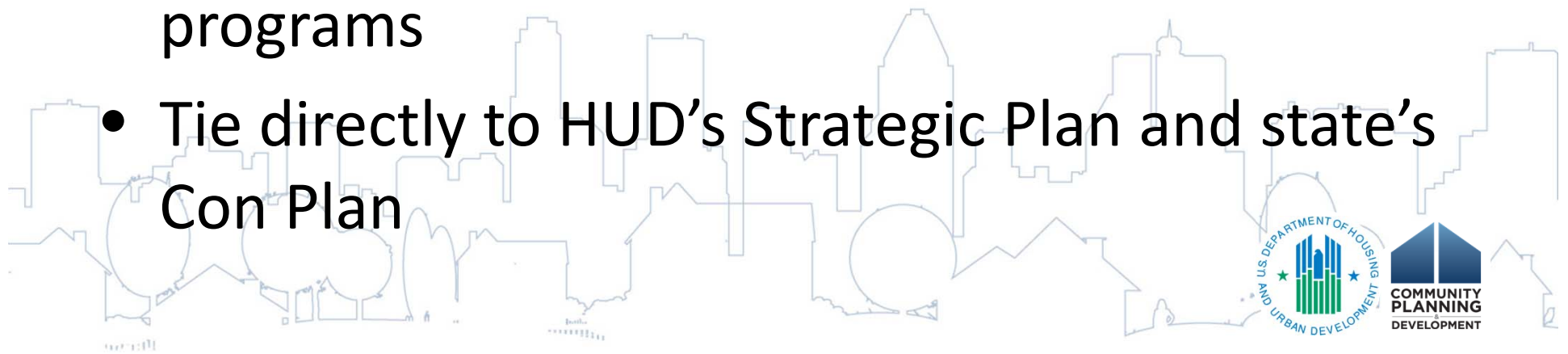
- Common performance measures that apply to all four CPD formula grant programs
- Outcome measures are driven by local intent
- Indicators use data commonly collected by grantees
- HUD will “roll up” results to national level

<http://www.hud.gov/offices/cpd/about/performance/>



CPD PERFORMANCE MEASUREMENT SYSTEM (cont)

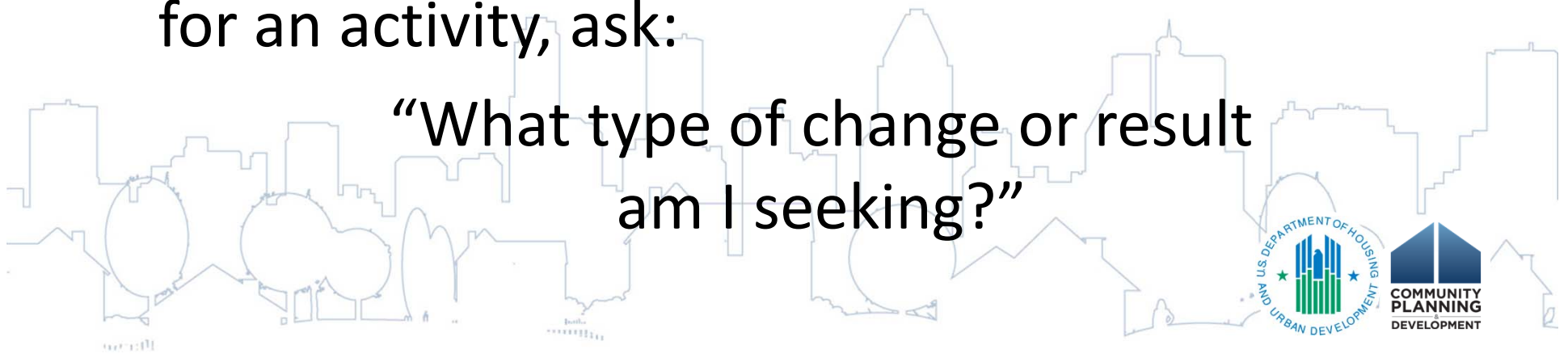
- Three Objectives:
 - Creating Suitable Living Environments
 - Providing Decent Affordable Housing
 - Creating Economic Opportunities
- Reflect the statutory purposes of the four programs
- Tie directly to HUD's Strategic Plan and state's Con Plan



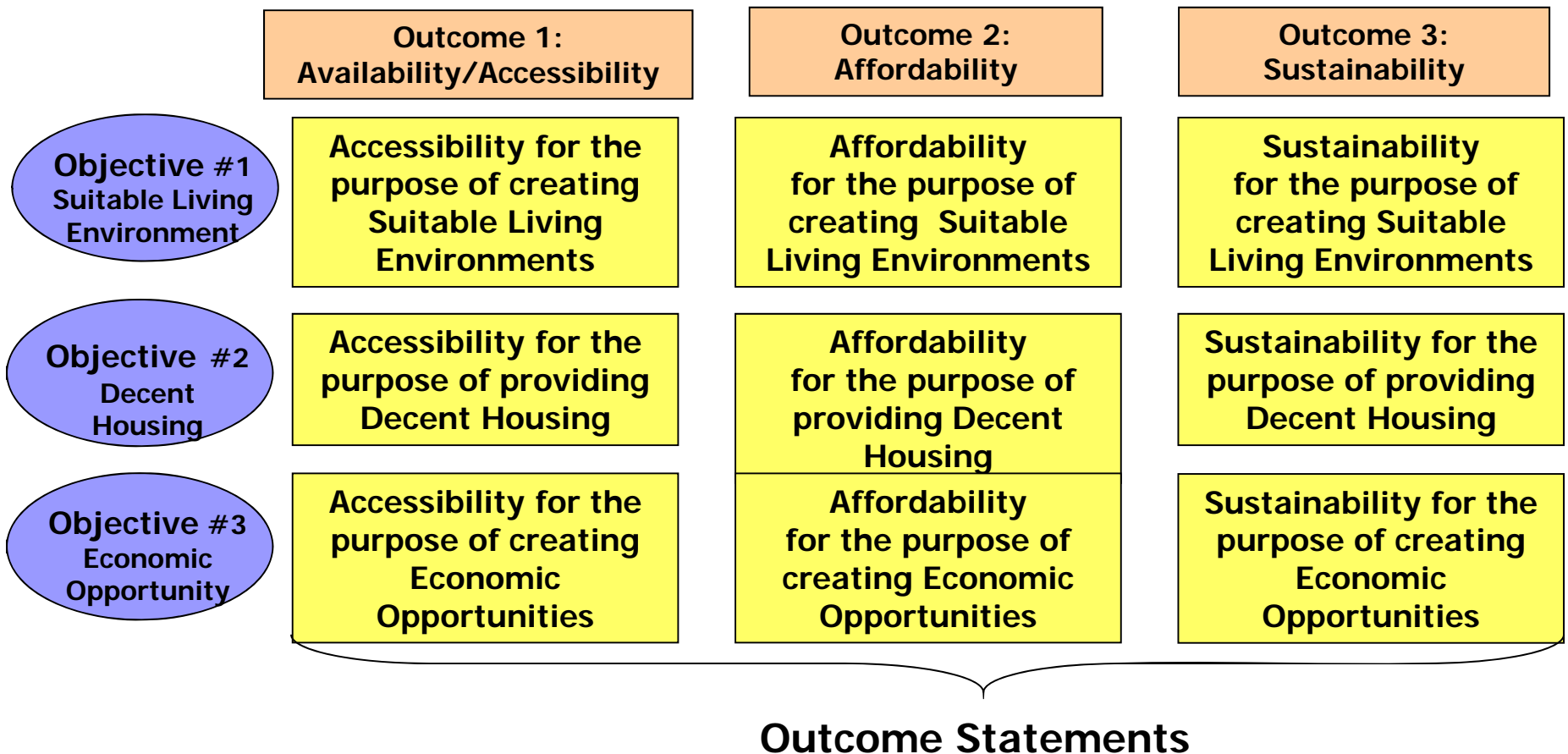
CPD PERFORMANCE MEASUREMENT SYSTEM (cont)

- 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



CPD PERFORMANCE MEASUREMENT SYSTEM (cont)

- There are common & specific indicators
- Common Indicators (4)
 - Generally apply to all activities
 - Only report individual beneficiary data if you are required to report these data under current program requirements (e.g., activities done under Area Benefit national objective don't have to report individual beneficiary data)
 - Only report on the income levels that you are currently required to report (60% only applies to HOME not CDBG)

COMMON INDICATORS

- Amount of money leveraged
- Number of persons, households, businesses, units or beds assisted
- Income levels of persons or households
 - 30, 50, 60, or 80 percent of AMI
(only levels currently required)
- Race, ethnicity, and disability data for activities that currently report these data



CPD PERFORMANCE MEASUREMENT SYSTEM (cont)

- 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



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)

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

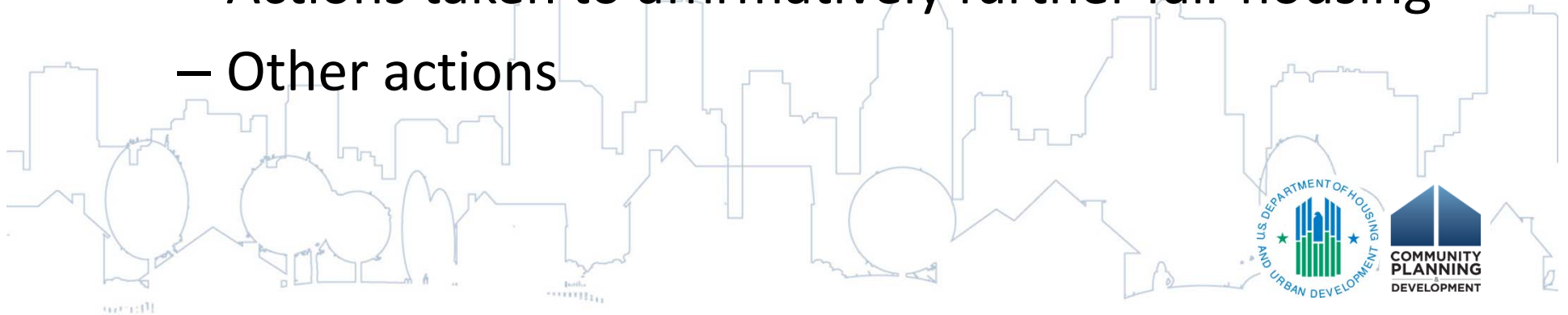
PM & IDIS REPORTING

- Need to determine who/how/when IDIS data entered
 - Some activities at set-up
 - Some activities at completion
 - Some activities incrementally until completion
- Develop IDIS data entry approach to ensure accuracy of data entry
 - Develop record keeping system to track & document project status
- State still required to submit CAPER/PER
 - Will need to report on accomplishments as well as all other required information



REPORTING REQUIREMENTS

- General topics to be reported:
 - Progress in carrying out plans
 - Description of resources and investment
 - Geographic distribution
 - Families and persons assisted
 - Actions taken to affirmatively further fair housing
 - Other actions

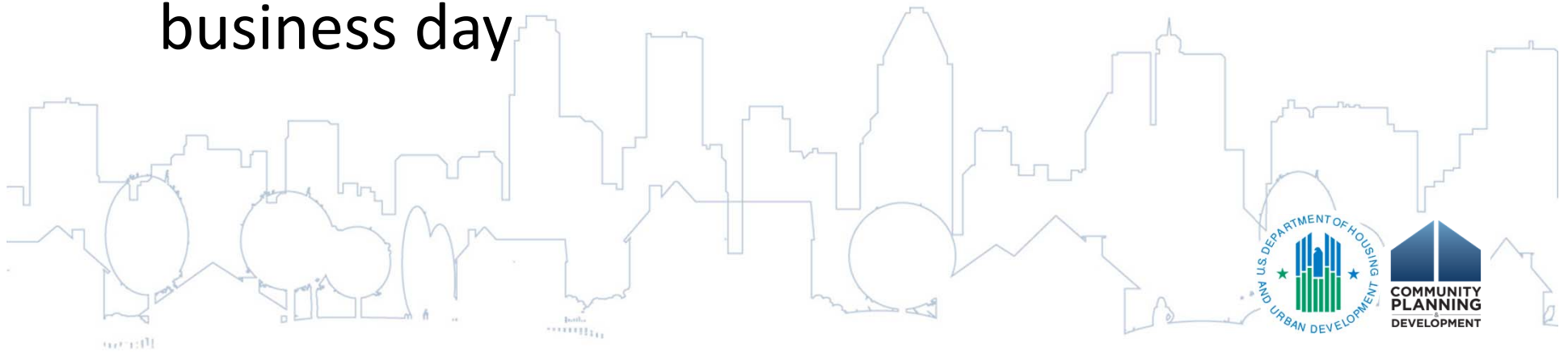


REPORTING REQUIREMENTS (cont)

- CDBG topics:
 - CDBG fund use during program year
 - Assessment of usage versus plan objectives
 - Nature of/reasons for changes and planned changes
 - Number of extremely low, low, and moderate-income persons served to support eligibility and national objective

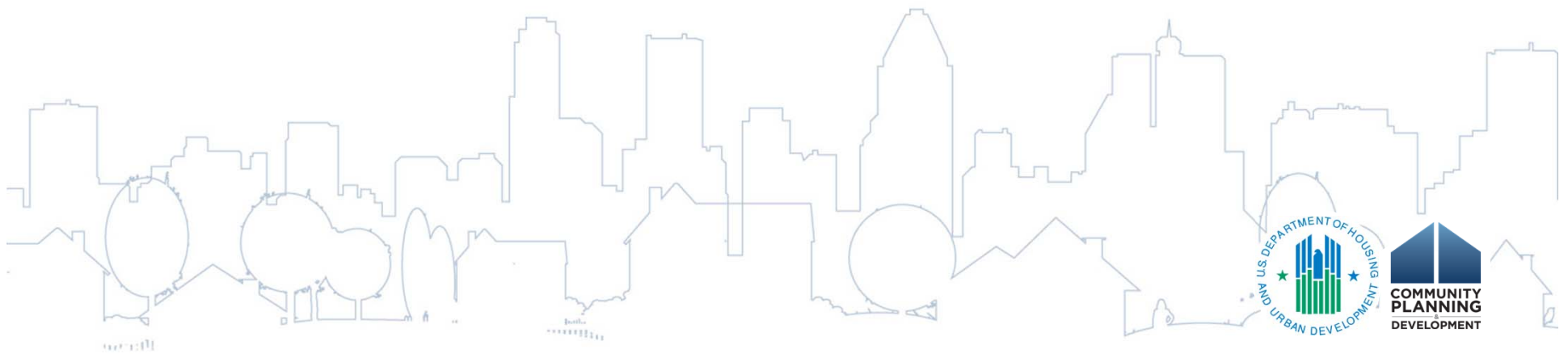
PERFORMANCE REPORT DUE DATES

- Based on program year
- Due after 15 day comment period, <90 days after covered year ends/subsequent year begins
- If 90 days on weekend/holiday, due preceding business day



CITIZEN PARTICIPATION AND PUBLIC COMMENT

- Required by HCDA and Con Plan regulations
- Consolidated Plan - 30 Day comment period
- CAPER-15 day comment period



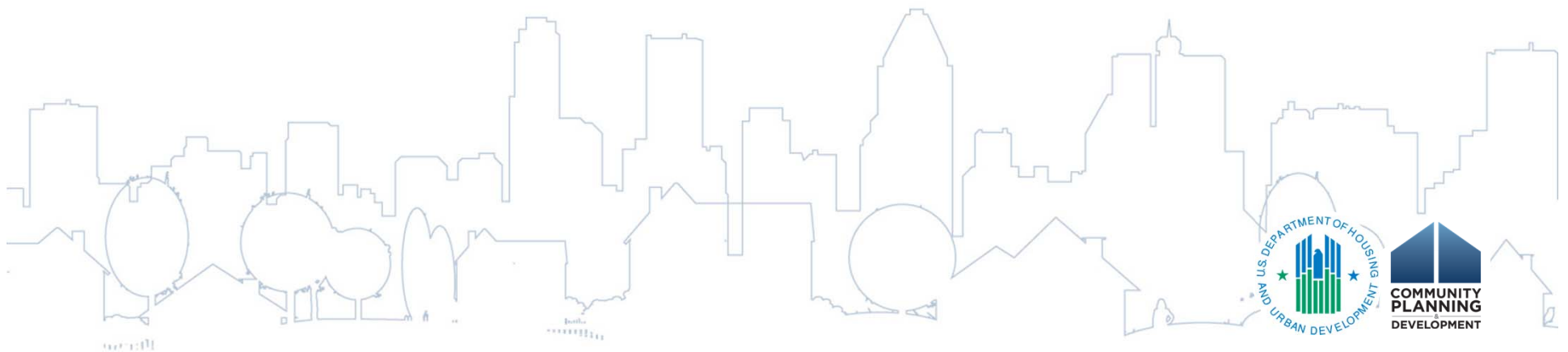
REPORTS AND DATA SOURCES

- CAPER:
 - Detailed financial, accomplishments, civil rights (PER)
 - Summary resources and accomplishments
 - Status of actions taken during year
 - Self-evaluation of progress



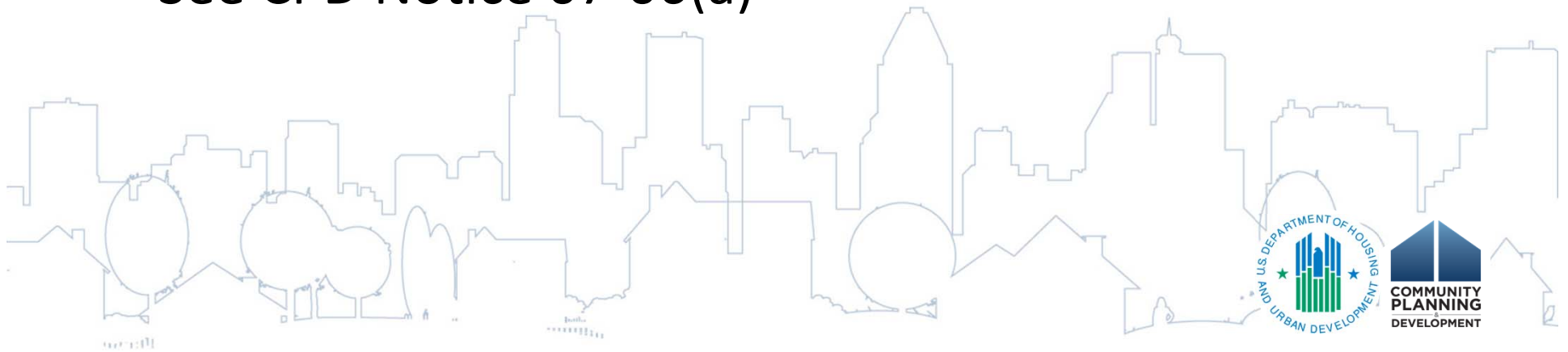
REPORTS AND DATA SOURCES (cont)

- PER (Performance and Evaluation Report)
 - CPD–94-23 or similar format
 - Submitted as part of CAPER
 - Details activities, funding, and accomplishments by program year
 - Includes civil rights information
 - 2012 rule requires data on program income expended by local governments



REPORTS AND DATA SOURCES (cont)

- Reporting on projects/activities that are still open for a given fiscal year's allocation (FY grant)
- Two Parts:
 - Financial status summary & NO compliance for each open grant
 - Narrative on Strategic plan & Action Plan for program year.
- See CPD Notice 07-06(a)



RECORDKEEPING REQUIREMENTS

- State records
 - States and HUD will jointly agree on required records
 - States will establish and maintain records
- UGLG records
 - States will establish recordkeeping requirements for UGLGs
- Both state and UGLG records
 - Will include racial, ethnic, and gender data on applicants, participants, beneficiaries, and cross cutting requirements



RECORDKEEPING REQUIREMENTS

- 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
- Guidance in Guide to Eligible Activities & National Objectives (current) and new guidance forthcoming



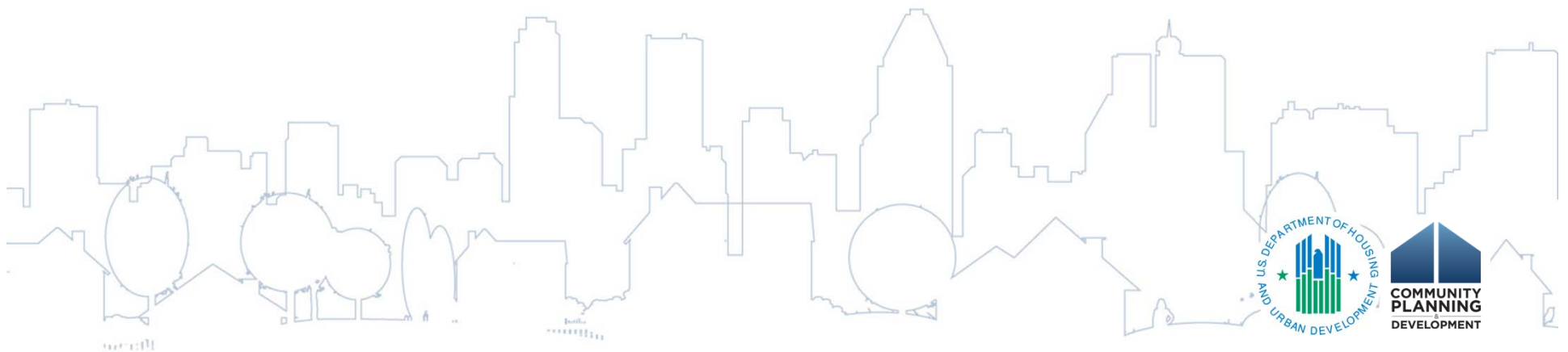
RECORD RETENTION

- Longer of:
 - Records of state and UGLG retained for three years from closeout of HUD's grant with state; OR
 - Keep records relating to state's Con Plan & use of program funds during preceding five years; OR
 - Other specified periods:
 - 24 CFR 570.487, other applicable laws
 - 24 CFR 570.488, displacement, relocation, etc.
 - Records related to any open audits, reviews, or investigations should be retained



ACCESS TO RECORDS

- HUD, IG, and GAO have access rights to all records
- State and UGLG provide citizens with reasonable information about past use of CDBG funds



CLOSE OUT OF UGLG GRANTS

- State comes up with process on how to close out UGLG grants
- States must set and follow policies to ensure timely close out of grants
- Maintain contractual relationship for as long as there is PI to be tracked
- Require advance state approval to spend
- Require notification when new PI is received



HUD CLOSE-OUT OF STATE CDBG GRANTS

- State grant may be closed when all of following have been met:
 - State has disbursed all funds in Action Plan for FY grant to be closed out (except for funds remaining for State Administration and audit)
 - Recipients have completed all activities & expended funds received
 - Audit covers all funds in allocation to be closed and there are no open outstanding monitoring and audit findings



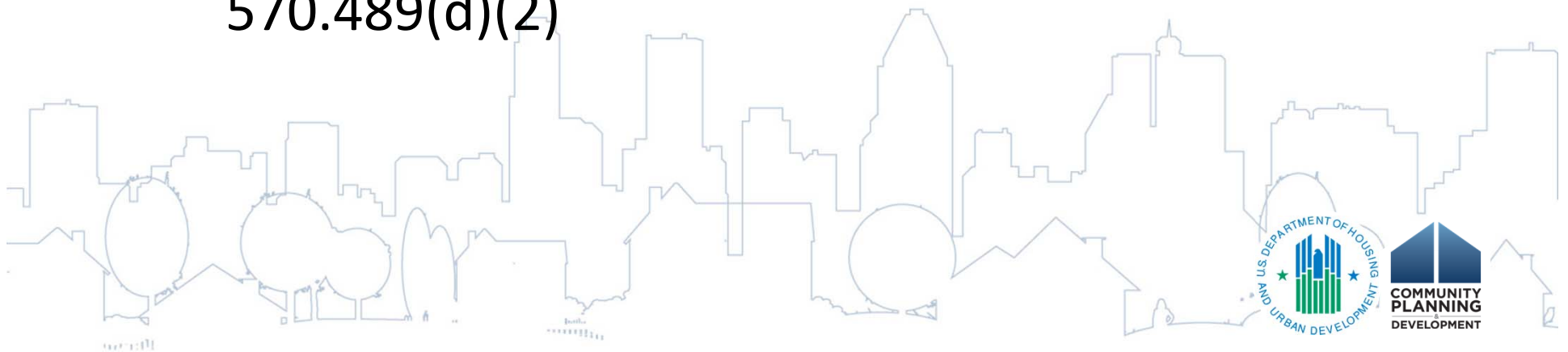
HUD CLOSE-OUT REVIEW TO ENSURE STATE COMPLIANCE

- Various documents and costs are reviewed:
 - Consolidated plan
 - PER
 - Grants management system
 - Audits
 - IDIS
 - State spending on admin/TA
 - Program income



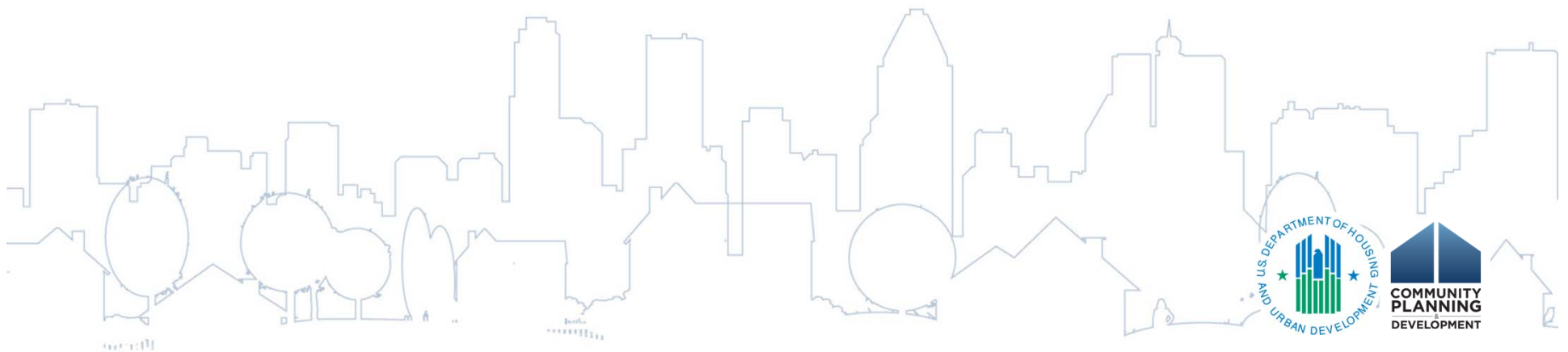
PREPARATION OF FINANCIAL STATUS REPORT

- State completes Financial Status Report and it is sent to HUD within 30 days after State has satisfied criteria for closeout of grant
- State chooses the format
 - Must contain certain items pursuant to 24 CFR 570.489(d)(2)



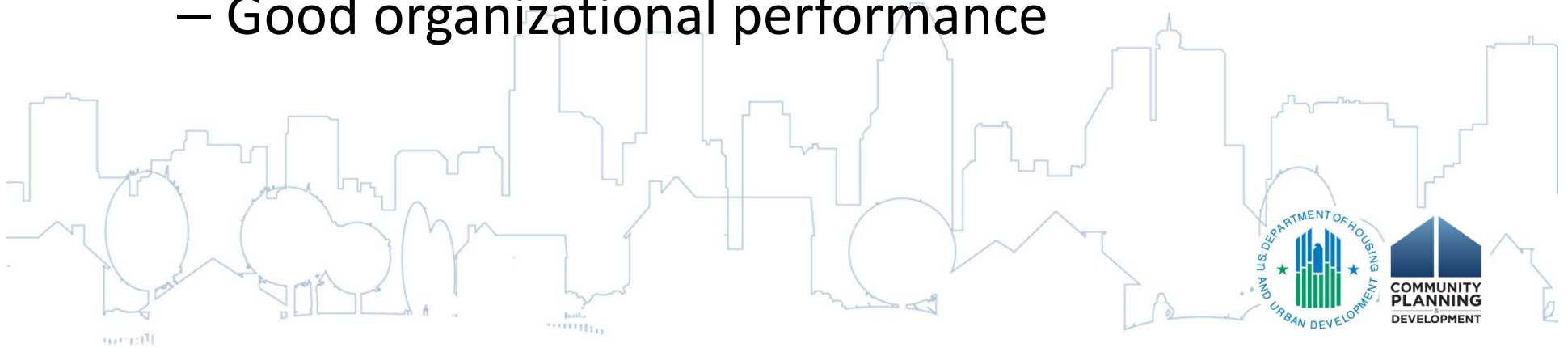
HUD REVIEW OF FINANCIAL REPORT

- HUD reviews financial report
- Prepares a letter or certification signed by Director of CPD or designee for Fort Worth Accounting Center
- Grant is closed once processed by Ft Worth



PROGRAM MONITORING

- Monitoring fosters:
 - Production/accountability
 - Compliance with requirements
 - Responsiveness to community needs
 - Effective use of resources
 - Good organizational performance



MONITORING BASICS

- Everyone in the process gets monitored:
 - HUD monitoring of grantee
 - State monitoring of:
 - State's own files
 - UGLG
 - Subgrantees
 - For profit contractors and beneficiaries
 - Nonprofit development organizations under 105(a)(15)
- Monitoring includes:
 - Desk reviews (reports, documentation)
 - On-site visits (review of files, staff interviews, etc.)



MONITORING PROCESS

- Risk analysis
 - Identify UGLGs for desk v. onsite reviews
 - CPD Notice 07-07
- Pre-visit coordination and preparation
 - Review correspondence, application, written agreements, reports, etc.
- Conduct monitoring
- Send follow up report/letter
- Follow up and ensure issues are corrected in a timely fashion



HUD MONITORING OF GRANTEE PROGRAMS

- HUD and in-house state monitors should have access to all records on CDBG programs and projects
 - Files should be accessible and in order
 - If another entity is administering the project, grantee must have records to demonstrate compliance
- HUD's monitoring checklists are good way to prepare for visit
 - Make sure all questions can be answered, documents can be found for each area
 - <http://www.hud.gov/offices/cpd/library/monitoring/handbook.cfm#3>



WHAT SHOULD BE MONITORED?

- Program benefit, including eligible activities and national objective
- Environmental
- Financial
- Procurement
- Labor
- Relocation & acquisition
- FHEO/504/section 3
- Citizen participation/certifications
- Program management
- Program progress & reporting



MORE INFORMATION ON CDBG

- For more information on CDBG, go to:
 - HUD Field Offices
 - <http://www.hud.gov/local/>
 - HUD CDBG website
 - <http://www.hud.gov/offices/cpd/communitydevelopment/programs/index.cfm>
 - CDBG laws and regulations
 - <http://www.hud.gov/offices/cpd/communitydevelopment/programs/index.cfm>
 - Guide to Eligible Activities and National Objectives for States
 - <http://www.hud.gov/offices/cpd/communitydevelopment/library/stateguide/>



THE NEIGHBORHOOD STABILIZATION PROGRAM

NSP OVERVIEW AND HISTORY

- Three rounds of NSP funding appropriated by Congress
 - \$3.92 billion appropriated for NSP1 under the Housing and Economic Recovery Act of 2008 (HERA) in 2008
 - \$2 billion appropriated for NSP2 under the American Recovery and Reinvestment Act (ARRA) in 2009
 - \$1 billion appropriated for NSP3 under the Dodd-Frank Economic Reform and Consumer Protection Act in 2010
- Each funding round provided as supplemental CDBG appropriation
- NSP1 and NSP3 appropriated on formula basis to local governments and states hardest hit by the foreclosure crisis
- NSP2 allocated to nonprofits and governments through competitive application process



PROGRAM OBJECTIVES

- Help cities, counties and states deal with community problems resulting from the mortgage foreclosure crisis
- NSP program goals:
 - Assist in redevelopment of abandoned & foreclosed homes
 - Revitalize areas of greatest need & neighborhoods
 - Develop affordable housing for low income households



DEADLINES

- NSP1 included an 18 month obligation deadline requiring grantees to “use” 100 percent of their funds within 18 months
 - HUD defined “use” to mean that a contract was signed for a project.
- NSP1 grantees must expend 100% of allocation within 4 years
- Under NSP2 and NSP3, grantees must expend 50 percent within two years and 100 percent in three years
- HUD recovers funds if not committed or expended within these timeframes
- Program income expenditures count towards the overall expenditure goals



TARGETING AREAS OF GREATEST NEED

- NSP requires investment in areas of greatest need
- Target areas based on:
 - Percentage of home foreclosures
 - Number of homes with sub-prime loans
 - Areas likely to see rise in rate of foreclosures
 - May also include other local factors
- Defined by grantee in NSP Action Plan



TARGETING AREAS OF GREATEST NEED (cont)

- Target areas can be changed through a Substantial Amendment to the Action Plan
- Target areas should be defined in agreements with subrecipients/state recipients/developers
 - Document selected projects located in target area
 - If doing NSP1-assisted, non-housing activity in target area, should document how activity supports NSP efforts in that area
 - Example: Public facility under eligible use E

KEY DEFINITIONS: ELIGIBLE PROPERTY TYPES

- Only three possible property types can be acquired or rehabbed under NSP:
 - *Foreclosed*
 - 60 days delinquent under Mortgage Bankers of America delinquency calculations and owner notified
 - Property owner 90 days or more delinquent on tax payments
 - Foreclosure proceedings initiated or completed
 - Foreclosure proceedings complete, title transferred to intermediary that is NOT NSP grantee, sub, contractor, developer, or end user



KEY DEFINITIONS: ELIGIBLE PROPERTY TYPES (CONT)

– *Abandoned*

- Mortgage/tax/tribal leasehold no payments 90 days
- Code inspection determines not habitable and no corrective action within 90 days
- Subject to court-ordered receivership/nuisance abatement or state definition of abandoned

– *Vacant or demolished*

- Unoccupied structures or vacant land that was once developed

- When property meets both foreclosed & either abandoned or vacant definitions, grantee must treat as foreclosed



OTHER KEY DEFINITIONS

- *Blighted*: Objectively determinable deterioration that is threat to human health, public safety, public welfare.
 - Defined in grantee's Action Plan
- *Home*: A permanent residential unit
- *Land Bank*: Public or non-profit entity created to acquire, manage, and repurpose foreclosed properties
- *Low, Moderate and Middle Income (LMMI)*: Household/family with an annual income less than 120 percent of AMI
- *Residential Property*: Homes and any vacant residential land and multifamily properties located on the property



ELIGIBLE ACTIVITIES OR USES

- Five general categories of eligible uses:
 - A. Financing mechanisms
 - B. Purchase & rehabilitation of homes and residential properties
 - C. Establish and operate land banks
 - D. Demolish blighted structures
 - E. Redevelop demolished or vacant properties
- Except where otherwise stated, CDBG rules and regulations apply under NSP
- All uses can include direct and related activity delivery costs



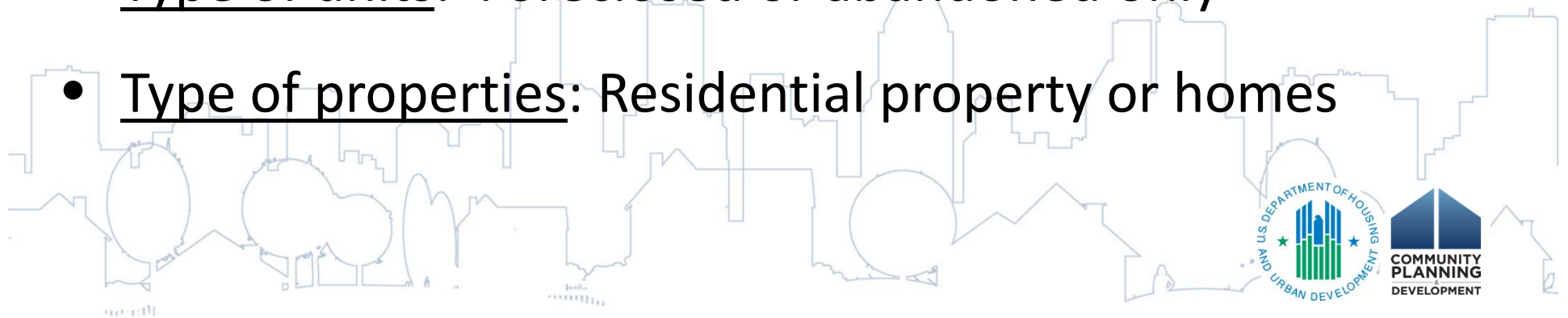
USE A – FINANCING MECHANISMS

- Description: Provide assistance to buy or redevelop
 - Could be owner or rental
 - Could be individual or developer
 - Use for financing such as soft second loan, loan loss reserve, equity sharing etc.
 - Must be some form of debt (not grants)
 - Can include housing counseling for participants
- Type of units: Foreclosed only
- Type of properties: Residential property or homes



USE B – PURCHASE AND REHAB

- Description: Purchase and rehabilitate units
 - Could be owner or rental
 - Could be individual or developer
 - Use for: acquisition; disposition; relocation; direct homeownership assistance; rehabilitation; housing counseling for participants
- Type of units: Foreclosed or abandoned only
- Type of properties: Residential property or homes



USE C – LAND BANKING

- Description: Purchase, manage and dispose of properties
 - Must operate in defined area
 - Conducted by nonprofit or public agency
 - Must have plan for disposition within 10 years
 - Use for: acquisition; disposition; counseling for program participants
- Type of units: Foreclosed only
- Type of properties: Homes & residential properties



USE D – DEMOLITION

- Description: Clearance of blighted structures
 - Must be blighted
 - Must meet national objective based on demolition activity
- Type of units: Any
- Type of properties: Any
 - Prior to demolition, can be residential, commercial, industrial, other
- Demolition activities are capped at 10% of total allocation under NSP2 and NSP3



DEMOLITION: MEETING ELIGIBILITY REQUIREMENTS AND NATIONAL

		Eligibility	N.O.
Demolition as End Use	Blighted property	D - Demolish <i>blighted</i> properties	LMMA
	Concentrated neighborhood demolition strategy or plan	D - Demolish <i>blighted</i> properties	LMMA
Demolition as Preliminary Use	Land banked Properties	D - Demolish <i>blighted</i> properties	LMMA
	Reconstruction (Rehabilitate housing)	B - Purchase and rehabilitate homes and residential properties that have been <i>abandoned or foreclosed upon</i> in order to sell, rent, or redevelop such homes and properties	LMMH
	Redevelopment (New construction of housing)	E - Redevelop <i>demolished or vacant</i> properties as housing	LMMH
Demolition for Subsequent Uses	Public Facilities (community gardens, parks, etc...)	NSP1 Eligible under E - Redevelop <i>demolished or vacant</i> properties D – Demolish <i>blighted</i> properties	LMMA
	Side Lots (Give to LMMI neighbor or an easement if not LMMI)	D – Demolish <i>blighted</i> properties	LMMA

USE E – REDEVELOPMENT

- Description: Redevelop demolished or vacant properties
 - Use for: acquisition; disposition; public facilities; public services for housing counseling; relocation; direct homeownership; CBDO, new housing construction; rehab
 - MUST be vacant and located in/tied to area of greatest need
 - Can be combined with other eligible activities IF meets criteria for those activities
 - Can only be redeveloped for housing in NSP2 and 3
- Type of units: Any vacant – does not need to be foreclosed/abandoned
- Type of properties: Any
 - Initial property use prior to redevelopment can be residential, commercial, industrial, other

KEY POINTS ON ELIGIBLE NSP ACTIVITIES

- Categories A – C = only units that are foreclosed or abandoned under NSP definition
 - Categories A and C are only foreclosed units
- Categories D & E = unit need not be foreclosed/abandoned
 - These structures can be non-residential prior to demo or redevelopment
- Eligible uses can be combined, if property eligible
- For example: Acquire blighted foreclosed property under use B, demolish under use D, redevelop under use E
- Can charge project delivery costs for sites that do not proceed, including counseling costs



KEY POINTS ON ELIGIBLE NSP ACTIVITIES (cont)

- Eligible activities can be combined
 - Activities are not mutually exclusive
 - Individual costs must be eligible under category where charged
 - Example: if charge acquisition to Use B, unit must be foreclosed or abandoned
 - Example – can:
 - (1) Acquire occupied, blighted foreclosed home under Use B
 - (2) Relocate the household under use B
 - (3) Demolish the blighted unit under use D
 - (4) Construct a new unit under use E

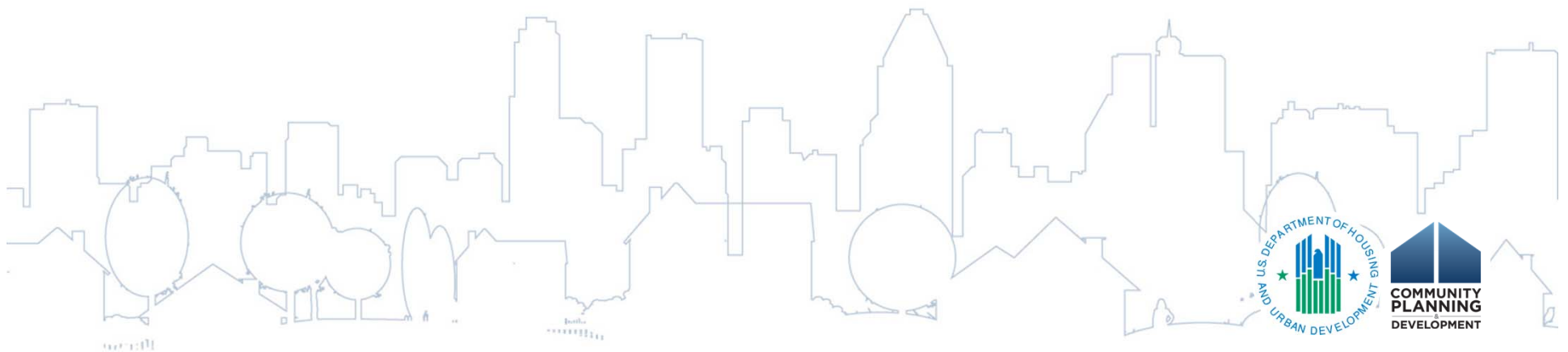


ELIGIBLE USES BY PROPERTY TYPE

Eligible Uses		Foreclosed Homes and Residential Properties	Abandoned Homes and Residential Properties	Blighted Structures	Demolished Properties	Other Vacant Properties
A	Financing Mechanisms	Yes	No	Only if Foreclosed	N/A	Only if Foreclosed
B	Acquisition and Rehabilitation	Yes	Yes	If Foreclosed or Abandoned	N/A	No
C	Land banks	Yes (Homes only)	No (Foreclosed only)	Foreclosed home or residential property	No	No
D	Demolition	Only if Blighted	Only if Blighted	Yes	N/A	Only if Blighted
E	Redevelopment	Only if Vacant	Only if Vacant	Only if Vacant	Yes	Yes

PLANNING AND ADMINISTRATION ACTIVITIES

- NSP funds may be used for administration and planning activities covered under § 570.205 and § 570.206
- Planning and administration activities capped at 10 percent of total funding allocation



INELIGIBLE ACTIVITIES

- Generally, if activity ineligible under CDBG, it is ineligible under NSP
 - Some exceptions = new construction of housing
- Not eligible under HERA:
 - Foreclosure prevention
 - Demolition of non-blighted structures
 - Acquisition of property or structures that are not abandoned, foreclosed or vacant
 - NSP funds to finance acquisition of grantee's tax-foreclosed properties
 - Can pay reasonable/necessary costs for appraisal title transfer



LMMI NATIONAL OBJECTIVE

- 100% of funds must meet Low Moderate Middle Income (LMMI) National Objective
- “Low/mod job creation”, “slum/blight” and “urgent need” National Objectives not applicable
- 3 categories that can be used to meet the LMMI national objective:
 - Housing activities
 - Area benefit activities; or
 - Limited clientele activities

LMMI NATIONAL OBJECTIVE: LMMH

- Housing (LMMH): households \leq 120% of area median income
 - most common NSP national objective
 - All housing activities under LMMH
 - If single unit = occupant must be LMMI
 - If duplex = one unit LMMI household
 - If 3+ units = proportional share must be LMMI
 - Can also use CDBG (51%)
 - Example: if 10 unit total development cost = \$1,000,000 and NSP funds are \$400,000, must have 40% (4 units) occupied by LMMI, rest can be upper income. Or 6 of 10 and 100% of costs count

LMMI NATIONAL OBJECTIVE: LMMA AND LMMC

- Area benefit (LMMA): $\geq 51\%$ of residents $\leq 120\%$ of median
 - Must serve all residents of area
 - Must be primarily residential area
 - Use for land banks IF not just acquisition but also maintenance, demolition, redevelopment
- Limited clientele (LMMC): incomes $\leq 120\%$ of median
 - Use for special needs projects or shelters
 - Does NOT count toward 25% very low income targeting (more on this shortly)
 - Can only be used under NSP1
 - NSP2 and NSP3 requires 100% of funding used for housing activities

TIMING OF LMMI NATIONAL OBJECTIVE

- Must choose and document national objective when project funded
 - For LMMH, will need to document income of each assisted household
 - For LMMA, use Census/American Community Survey data
 - LMMC, most will likely be presumed – document presumption
- Do not forget CDBG change of use provisions for property owned by State/UGLG/subrecipient & improved by NSP investment \geq \$25,000
 - If change use, new use must meet national objective or grantee repays current market value

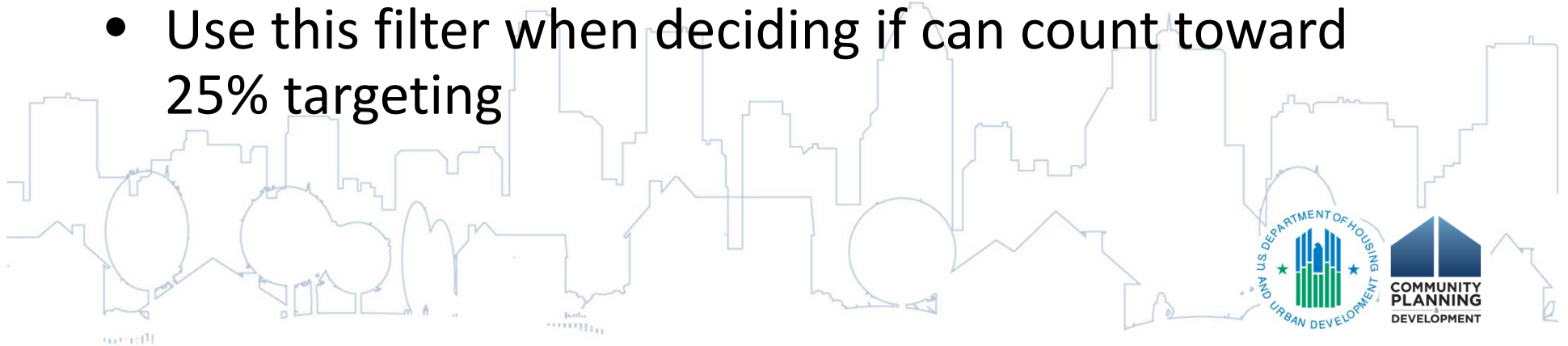


25 PERCENT LOW INCOME SET ASIDE

- At least 25% of funds must provide housing for households with incomes <50% of area median income (known as LH25)
 - For NSP1 and NSP3 25% set aside applies to both grant and program income
 - Notice is pending regarding 25% set aside and NSP2 program income but likely to also apply
- Must be for purchase and redevelopment of abandoned, foreclosed, or vacant homes or residential properties
 - Can be rental or owner units
 - Tied to counting NSP expenditures not number housing units

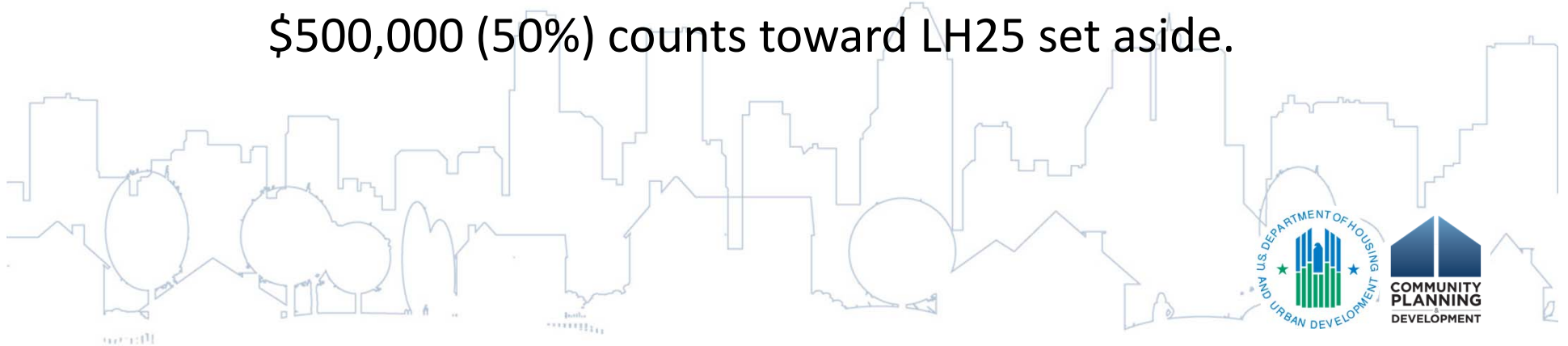
FACTORS IN ASSESSING NSP LOW INCOME TARGETING

- ALL of the conditions must be met to qualify:
 1. Must be housing, as defined by CDBG
 2. Occupants \leq 50% median for affordability/compliance period
 3. Any eligible use except demolition (use D) is now possible
- Use this filter when deciding if can count toward 25% targeting



LOW INCOME SET ASIDE CALCULATION

- Calculating NSP targeting when project contains LH25 and other units
 - Only count expenditures on low income units
 - Example: 10 unit rental project. 5 units are low income. Total development cost is \$1,000,000 and NSP funds spent to acquire and rehab all units (\$1,000,000). Only \$500,000 (50%) counts toward LH25 set aside.



USING NSP ELIGIBLE ACTIVITIES TO MEET 25% RULE

	Count Toward 25%?
A -- Financing Mechanisms	Yes if "housing" & occupant beneficiary = low income
B -- Purchase and Rehab	Yes if "housing" & occupant beneficiary = low income
C -- Land Banks	No unless land bank is operated as permanent rental housing for low income
D -- Demolition	Not as a stand alone activity; Yes if combined with acquisition & redevelopment of foreclosed/abandoned/vacant units for LI housing
E -- Redevelopment	Yes if "housing" & occupant beneficiary = low income

APPRAISALS

- Required for purchases of foreclosed homes & properties to establish basis for discount
- Appraisal must be conducted within 60 days prior to final offer. If no closing in that time, can update for another 60 days, then need new appraisal.
- Not required for:
 - Other types of acquisitions – for example vacant property under Eligible Use E OR
 - If anticipated value of acquisition is \leq \$25,000
 - Must still do valuation based on available data but may be done by qualified person (non-appraiser)



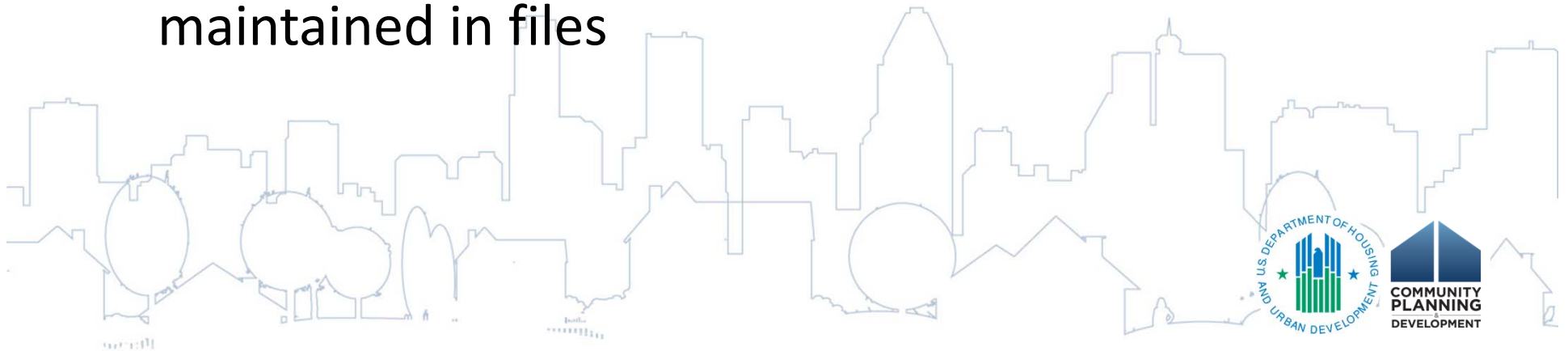
REHABILITATION STANDARDS

- Rehab must comply with:
 - Applicable codes, laws, requirements for habitability, quality, safety
- Applies to both homebuyer and rental programs
- Grantee's Action Plan must describe rehab standards
- Green building and energy efficiency improvements allowed under NSP1 and required under NSP2 and NSP3



HOMEBUYER COUNSELING

- NSP-assisted homebuyers must complete at least 8 hours from HUD-approved counseling agency
- HUD may count previously completed counseling
- Grantee can ask for exception from HUD with good cause
- Copies of counseling certificates should be maintained in files



SALE PRICE TO HOMEBUYERS

- Sale price of abandoned/foreclosed homes and properties must be “affordable”
 - Defined in Action Plan
- Sale to assisted household cannot exceed cost to acquire, redevelop, rehabilitate
 - May consider direct and activity delivery costs but ...
 - Cannot include maintenance costs (These are eligible disposition expenses)
- Cap does not cover rental properties



SALE PRICE TO HOMEBUYERS (CONT)

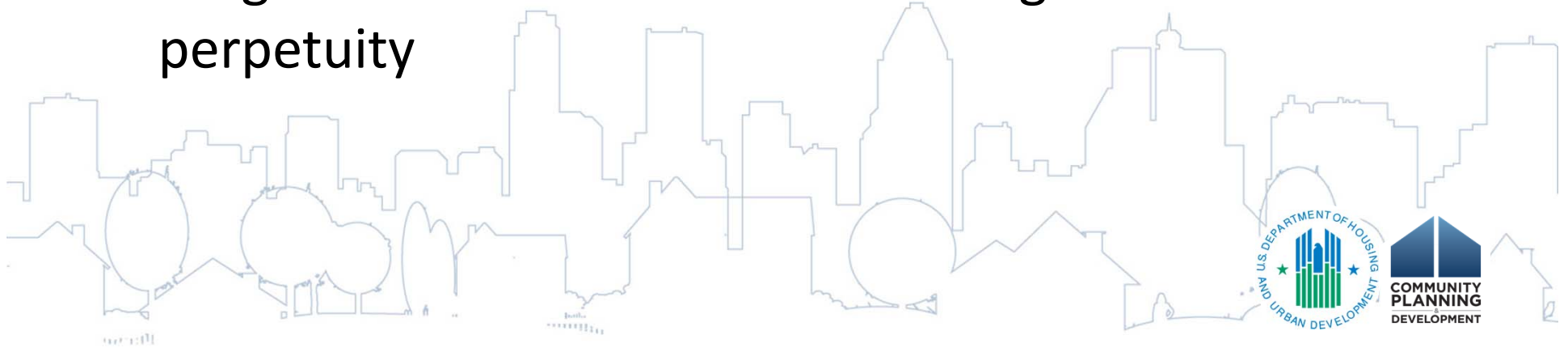
- Example:

- Acquisition cost: \$100,000
- Rehabilitation cost: \$20,000
- Closing costs for sale: \$1,000
- Maintenance costs pending sale: \$2,000

Maximum sale price: \$121,000
(maintenance does not count; charge to disposition)

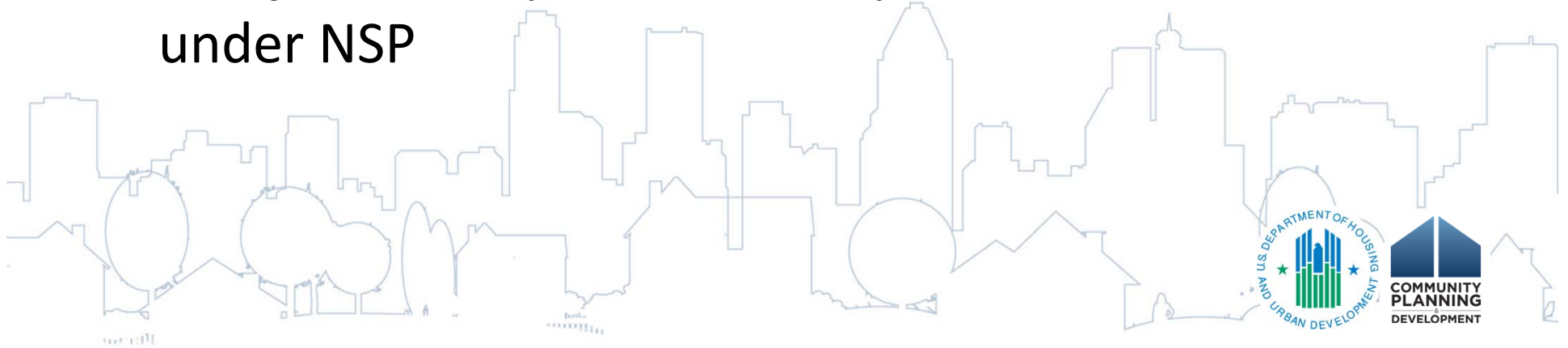
PROGRAM INCOME

- Follow same program income rules as under CDBG
- Program income expenditures count toward overall NSP expenditure requirements
- Can only be spent on NSP-eligible activities
- Program income remains with NSP grantee in perpetuity



OTHER FEDERAL REQUIREMENTS: DIFFERENCES

- *Tenant Protection Requirements:* All NSP grantees must ensure that “bona fide” tenants in occupancy when property acquired by initial successor in interest through foreclosure (usually lender) receive 90 day notice to vacate
- *One-for-one Replacement Requirements:* Waived under NSP



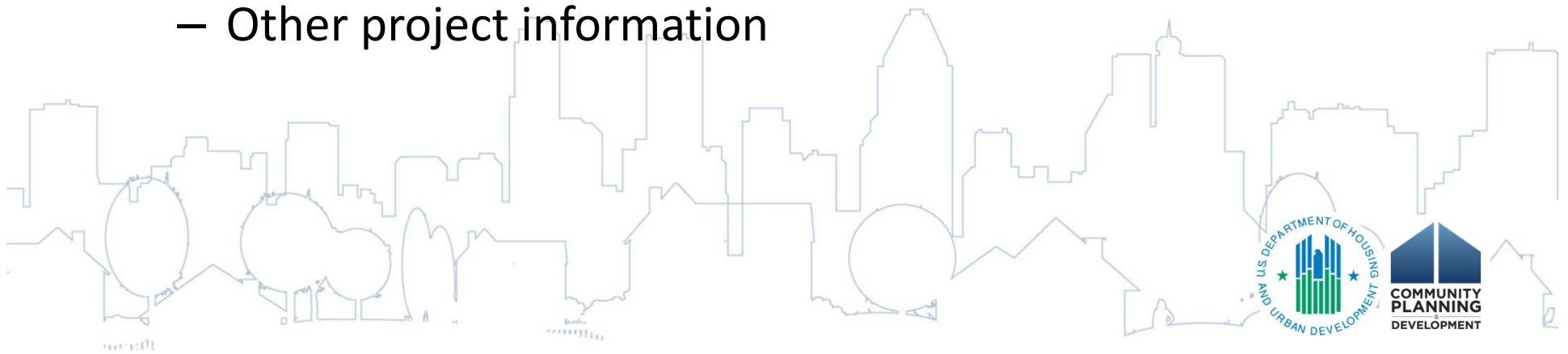
DISASTER RECOVERY GRANT REPORTING SYSTEM (DRGR)

- DRGR used to report activity accomplishments, obligations and draw downs
- Grantees required to submit Quarterly Performance Report (QPR) via DRGR
- <http://www.hud.gov/offices/cpd/communitydevelopment/programs/drsi/drgrs.cfm>



ARRA REPORTING FOR NSP2 GRANTEES

- Central, government wide data collection system for ARRA awardees requires quarterly data submission including
 - ARRA expenditures
 - Awards and sub-awards provided
 - Jobs created or retained
 - Other project information



LONG TERM AFFORDABILITY

- All NSP funded housing projects must ensure long term affordability for all projects
- Most grantees adopted HOME program long term affordability rules as safe harbor
- If NSP grantee adopts HOME rules for long term affordability, length of affordability period dictated by amount of NSP investment per unit
- Remainder of slides assume grantee adopted HOME rule to ensure long term affordability



LONG TERM AFFORDABILITY PERIOD

NSP Investment per Unit	Length of the Affordability Period
Less than \$15,000	5 years
\$15,000 to \$40,000	10 years
More than \$40,000	15 years
New construction of rental housing	20 years
Refinancing of rental housing	15 years

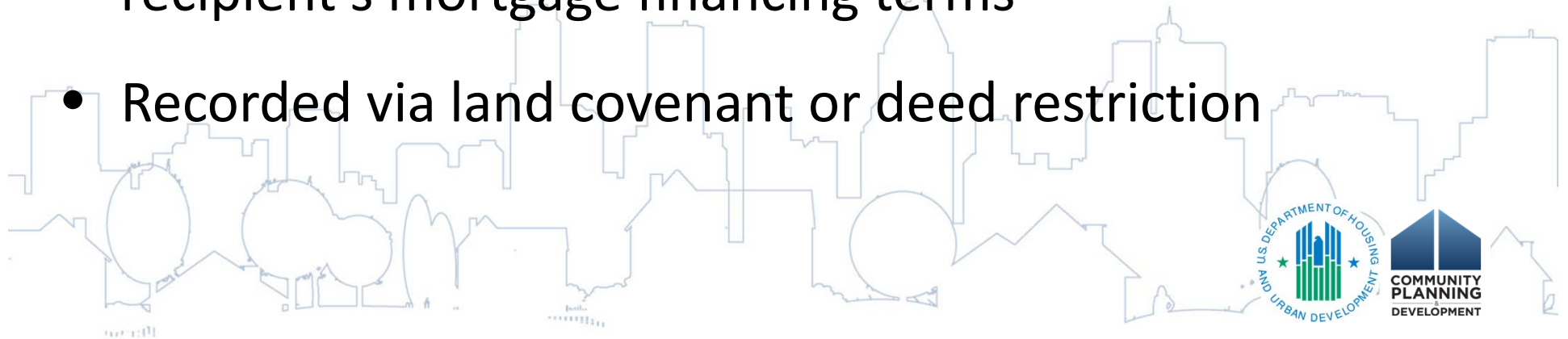
HOMEBUYER AFFORDABILITY PERIOD

- Written agreement with homebuyer specifies length of affordability period
 - Agreement must enable grantee to enforce affordability restrictions
- Can use resale or recapture approach
 - Grantee can use alternate approach if approved by HUD



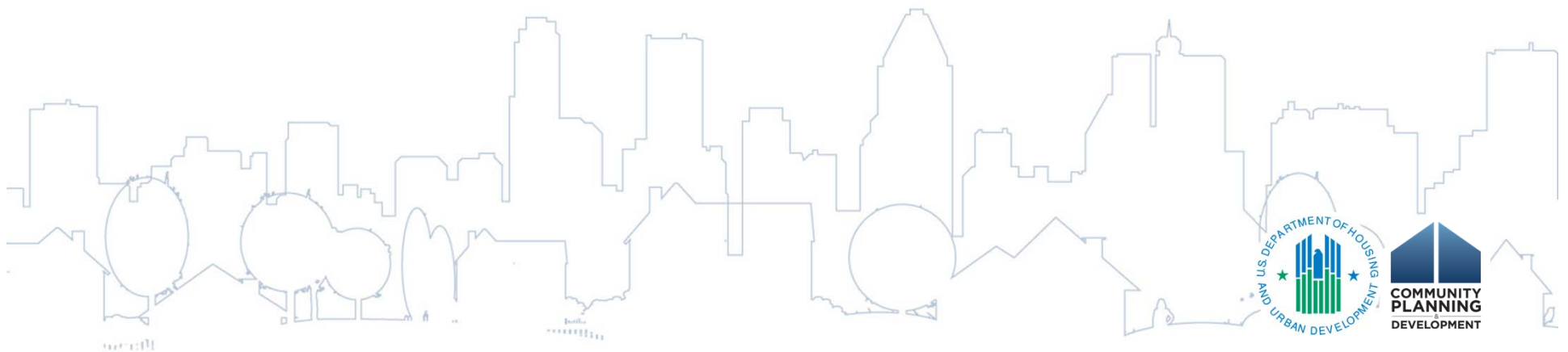
WHAT IS RESALE?

- Restricts homebuyer's ability to resell to NSP-eligible buyer
- Can be used for any NSP eligible project for any type of assistance
- Repayment of NSP funds dependent on recipient's mortgage financing terms
- Recorded via land covenant or deed restriction



AFFORDABILITY PERIOD UNDER RESALE

- Affordability period based on **total NSP investment** in the property
 - Must include \$\$\$ of NSP assistance to buyer
 - PLUS total amount of NSP funds provided to developer



RESALE AFFORDABILITY PERIOD EXAMPLE

- NSP mortgage loan to buyer: \$35,000
- NSP down payment assist: \$5,000
- NSP developer assist: \$10,000
- Market value of home: \$160,000
- Sale price of home: \$155,000

– Note: assumes total development cost \geq \$155k

- Total amount of subsidy:
 - $\$35,000 + \$5,000 + \$10,000 = \$50,000$
- Affordability period 15 years



RESALE: PROCESS WHEN HOME IS RE-SOLD

- Must be affordable to a reasonable range of low and moderate income (LMMI) buyers
- New buyer must be LMMI
 - Up to 120% of median or 50% if unit originally counted toward LI targeting
- Seller must receive a “fair return” on original investment + improvements
- Can use a presumption approach for certain neighborhoods
 - Determined up-front based on specific data

WHAT IS RECAPTURE?

- Homebuyer may sell home:
 - To any willing buyer
 - At any price
 - At any time
- Recipient must collect part or all of NSP assistance from the net sale proceeds (if sufficient)
 - Cannot use recapture with grant – there is no amount subject to recapture
- Several options for recordation
 - Land covenant or deed restriction recommended



AFFORDABILITY PERIOD UNDER RECAPTURE (cont)

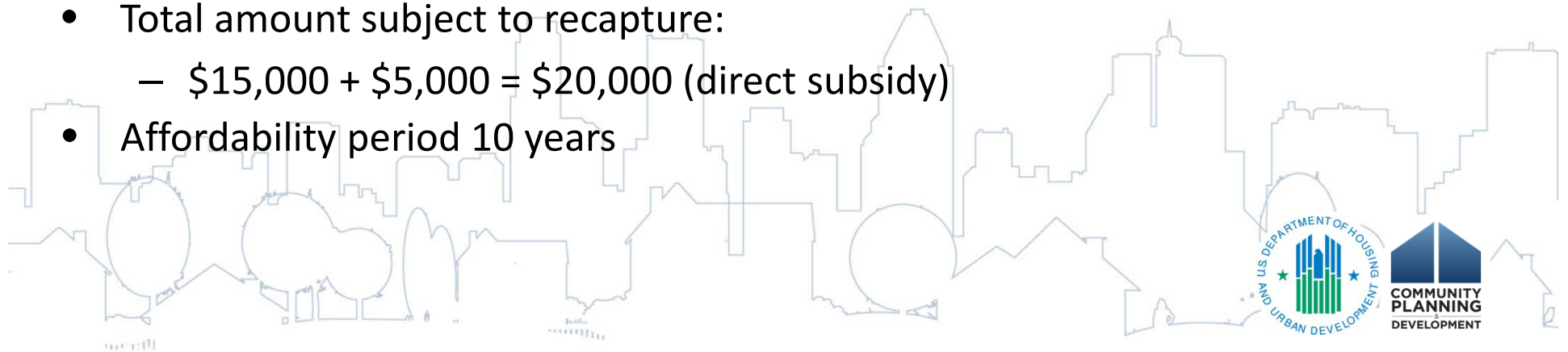
- Affordability period based on direct NSP subsidy to homebuyer:
 - Amount subject to recapture :
 - Downpayment / closing cost assistance
 - Direct mortgage loan
 - PLUS
 - NSP assistance that lowers cost of home below market price
- Does not include development subsidy to developer
 - Development subsidy is construction assistance above and beyond market value of home

– Example: Total development cost:	\$150,000
NSP developer assistance:	\$50,000
Post rehab value:	\$120,000
Development subsidy:	\$30,000 (150-120)



RECAPTURE AFFORDABILITY PERIOD EXAMPLE

- NSP soft second loan to buyer (remains in deal from construction): \$15,000
- NSP downpayment assist loan (remains in deal from construction): \$5,000
- NSP developer assist: \$50,000
- Total development cost: \$180,000
- Market value of home: \$160,000
- Sale price of home: \$160,000
 - Assumes private mortgage for balance of needed buyer financing
- Total amount subject to recapture:
 - \$15,000 + \$5,000 = \$20,000 (direct subsidy)
- Affordability period 10 years



AMOUNT TO RECAPTURE AT TIME OF SALE

Sale Price

- ***Superior Debt***
- ***Closing Costs***

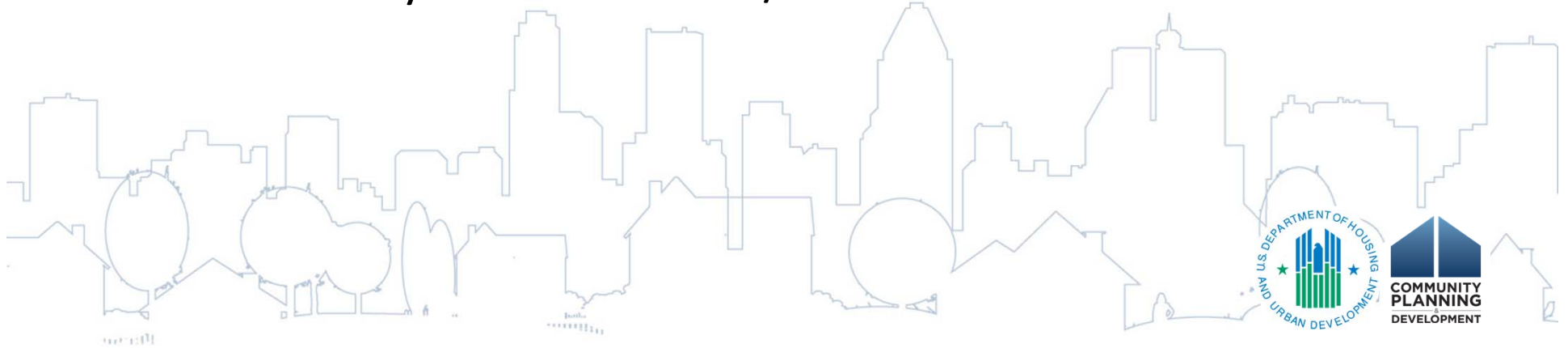
= Net proceeds

- NSP grantee cannot collect more than net proceeds



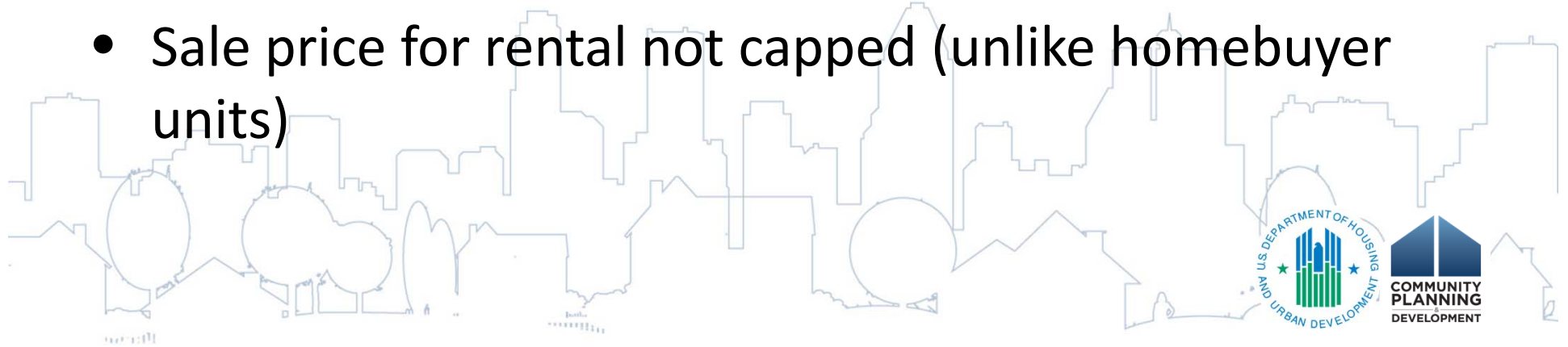
ACTUAL RECAPTURE AMOUNT

- Depends on grantee's approach to net proceeds
 - Recapture amount of direct NSP subsidy to the homebuyer;
 - Forgive direct NSP subsidy pro-rata over the affordability period;
 - Proportionately share net proceeds; or
 - Allow buyer to recover his/her initial investment first



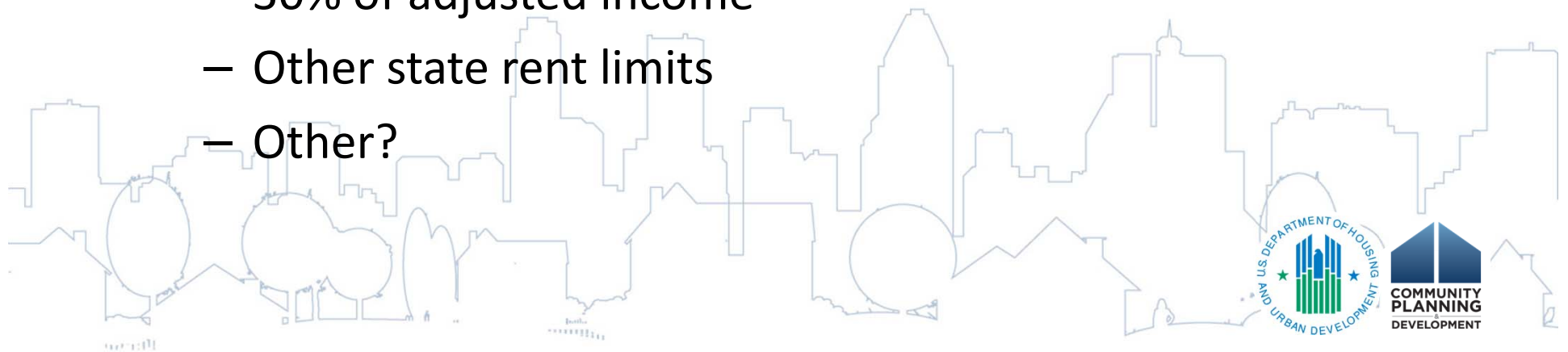
RENTAL PROGRAM APPROACHES

- Wide range of rental unit approaches:
 - Acquisition/rehabilitation of foreclosed or abandoned multi-family properties
 - Acquisition/rehabilitation/conversion of foreclosed or abandoned single family properties into scattered site rental
 - Acquisition/demolition of foreclosed and blighted properties, new construction of rental properties
- Sale price for rental not capped (unlike homebuyer units)



RENTS

- NSP unit rents must be affordable
- Defined by grantee in Action Plan
- Could use:
 - HOME rents
 - LIHTC rents
 - 30% of adjusted income
 - Other state rent limits
 - Other?



TENANT INCOMES

- Need to ensure occupants are LMMI
- For multiple unit projects, percent NSP assisted units must at least equal percent of TDC paid (if less than 50%)
 - Example: 100 units in project; Total development cost \$1,000,000; NSP assistance \$400,000 = Minimum NSP units 40 (40%)
- Some projects may have deeper subsidy if counted toward 25% requirement



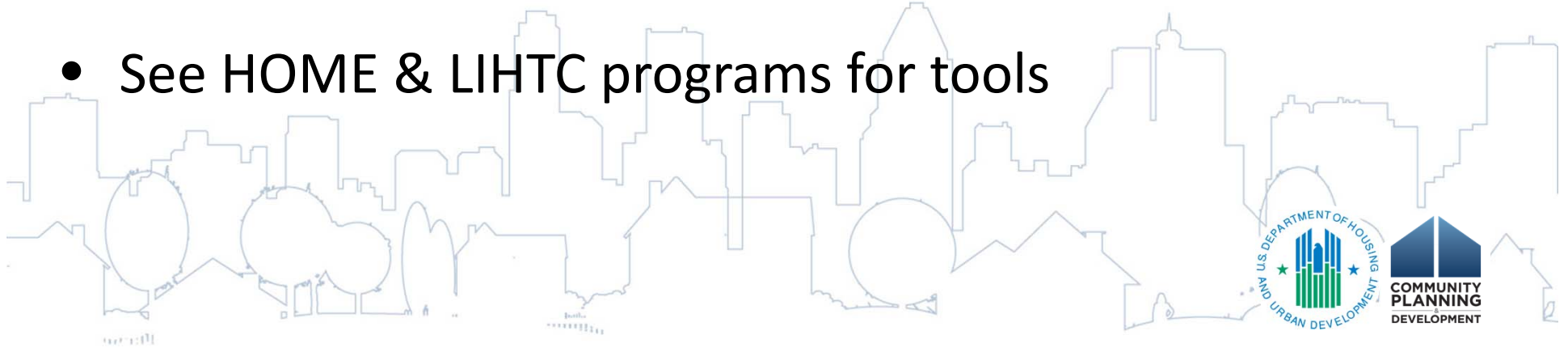
AFFORDABILITY PERIOD FOR RENTAL

- Must remain affordable to persons at 120% median
 - Some units must remain affordable to persons at 50% median
- Defined in Action Plan
 - Rents
 - Affordability standards
 - Enforcement mechanisms
- Follow HOME rules as safe harbor



COMPLIANCE DURING AFFORDABILITY PERIOD

- Will need to track over time:
 - Rents
 - Tenant incomes
 - Unit mix
 - Subsequent sales
- Not required to do on-going unit quality inspections
- See HOME & LIHTC programs for tools



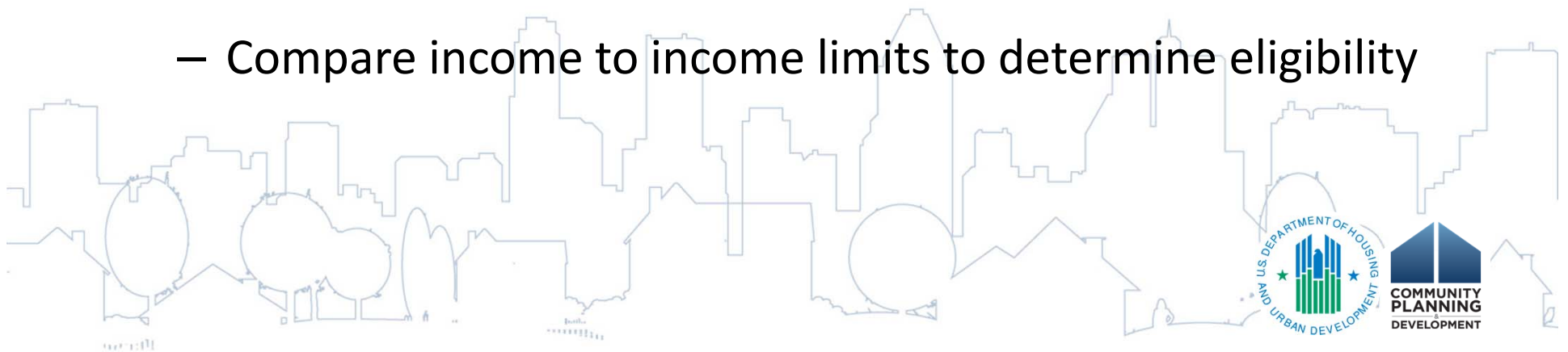
ON-GOING RENT LIMITS

- HOME safe harbor: Uses high HOME and low HOME rent limit (subject to adjustment for 81-120%)
 - Published annually by HUD
 - Tenants given notice of increases
 - Actual unit rents can be less but not more than limits
 - Rents not usually set as a percentage of individual household income
 - Rents are inclusive of utilities -- rents for tenant-paid utilities
 - Subtract utilities to determine rent paid by tenant
 - Use actual utility costs or use utility allowance schedule
 - Can use PHA schedule if it is up to date



ON-GOING RENT LIMITS (cont)

- Unlike HOME, only required to check incomes of new tenant at unit turn over
 - Use one of three definitions provided earlier
 - Anticipate income for next 12 months
 - Verify -- 3rd party or review of documents
 - Compare income to income limits to determine eligibility



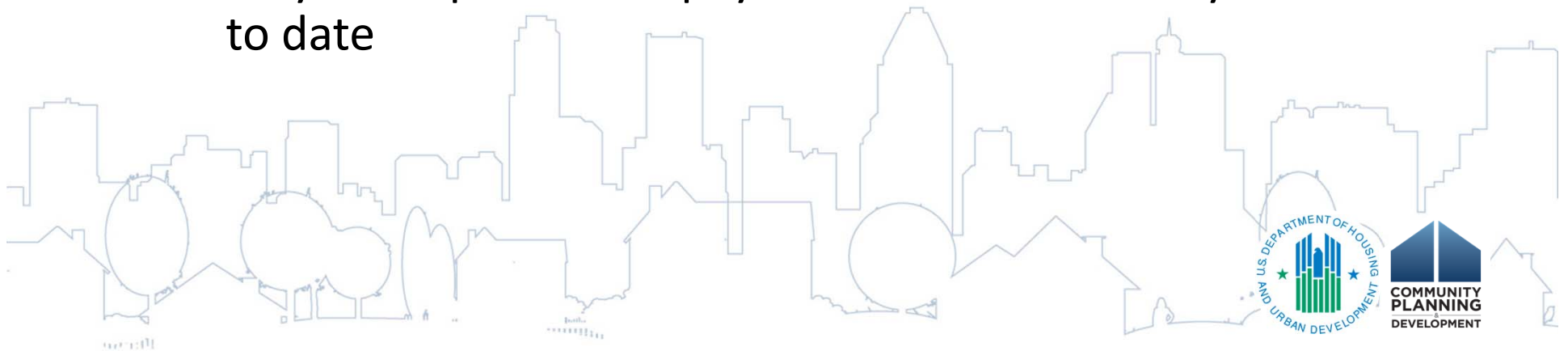
ON-GOING UNIT MIX

- Caps 100% of initial occupants at or below 120% median
 - Some units may be counted toward 25% LI targeting
 - Only applied to households in assisted units
- NSP units must meet income targeting for entire affordability period
 - Unit originally occupied by household at 120% of median, new tenant at \leq 120% of median
 - Unit originally occupied by household at 50% of median, new tenant at 50% of median
 - Units could be fixed or float so long as maintain proportion



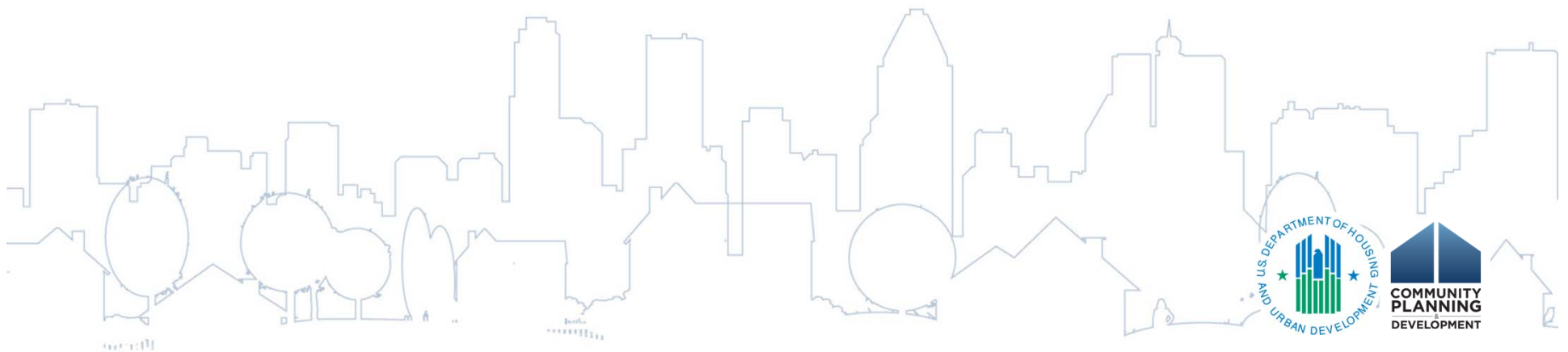
RENTAL PROPERTY SALES DURING AFFORDABILITY PERIOD

- If assisted project sold, must continue compliance for balance of affordability period
 - Record requirements as land covenant or deed restriction
 - Include within written agreement with rental owner
 - If project is foreclosed or sold without restrictions, grantee may be required to repay investment minus any PI earned to date



DURATION OF LOW INCOME TARGETING

- Targeting applies for entire affordability period
- Need to track very low income occupancy throughout affordability period OR use recapture approach (homebuyer units)



NSP RESOURCES

- The NSPTA Resource Exchange website at www.hudnsphelp.info includes:
 - Laws and Notices
 - Policy Alerts and Guidance from HUD
 - Frequently Asked Questions
 - Toolkits including templates, sample forms and procedures, and guidebooks on designing NSP programs
 - Webinars including presentation, transcript, and recording
 - Problem Solving Clinic presentations and handouts



CDBG DISASTER RECOVERY

OVERVIEW

- Helps cities, counties, and States recover from 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

- Total of 45 active CDBG-DR grantees including 31 states and 14 local governments
- Total funding allocated: \$30.2 billion
- HUD HQ oversees larger awards
- Smaller grants overseen by HUD CPD Field Office
- CDBG-DR funding is based on damage estimates and unmet disaster recovery needs



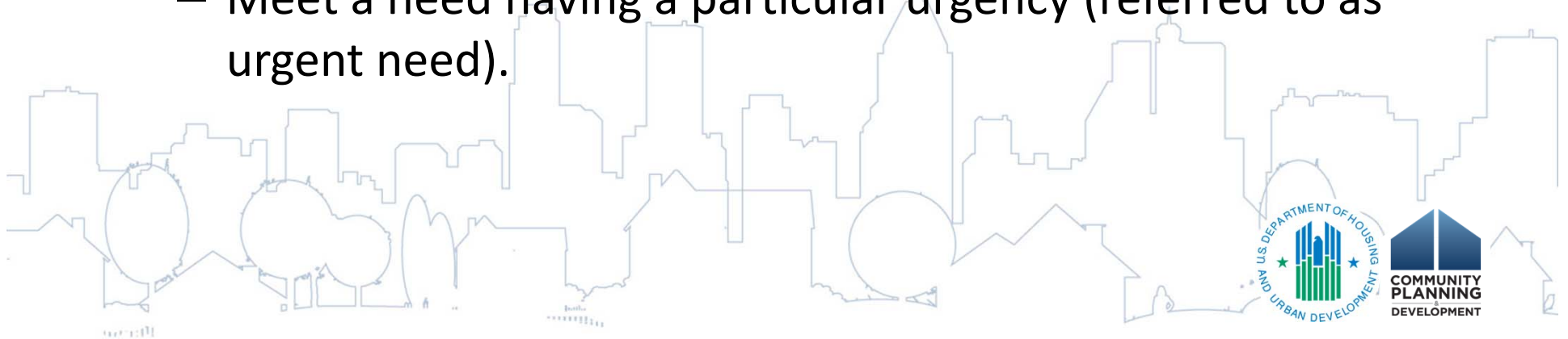
IMPLEMENTATION

- Grantee must submit an Action Plan for Disaster Recovery funding to HUD
- 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



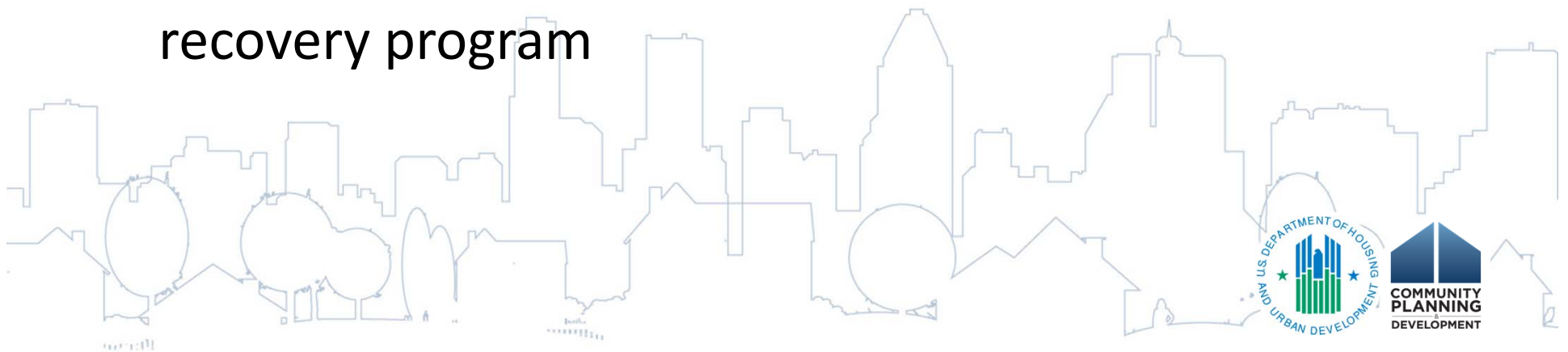
NATIONAL OBJECTIVE

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



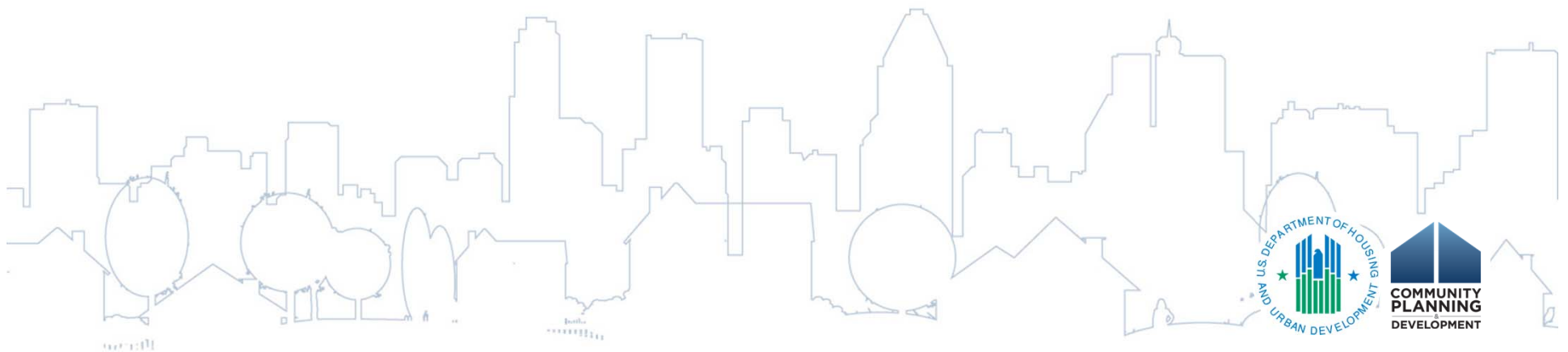
ELIGIBLE GRANTEES

- 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% 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



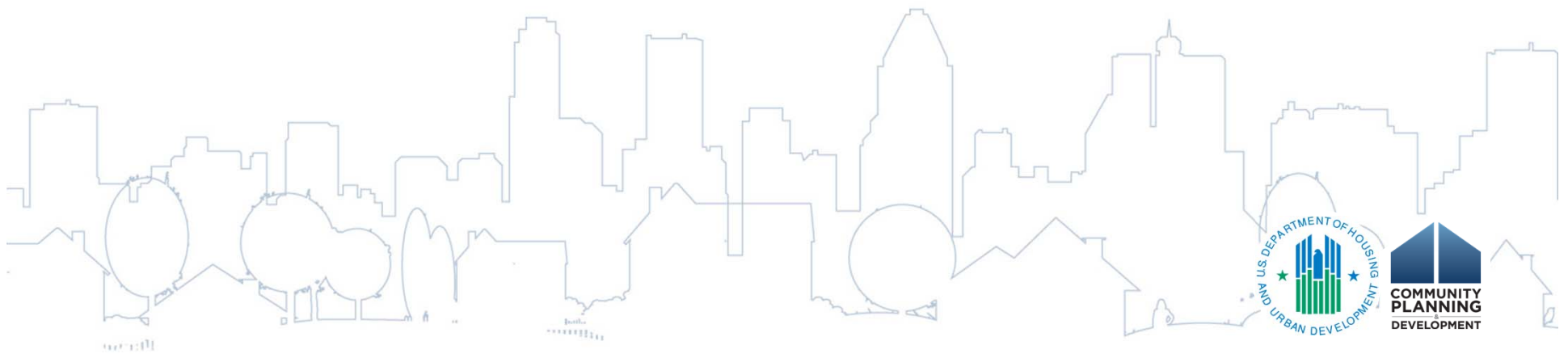
DUPLICATION OF BENEFITS

- Stafford Act 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
-

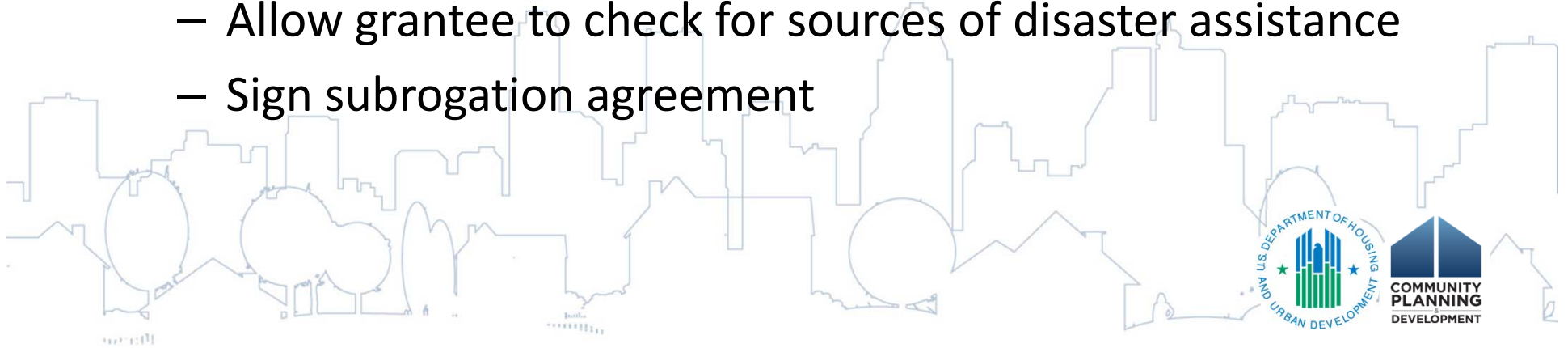
EXAMPLE 4:

- 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

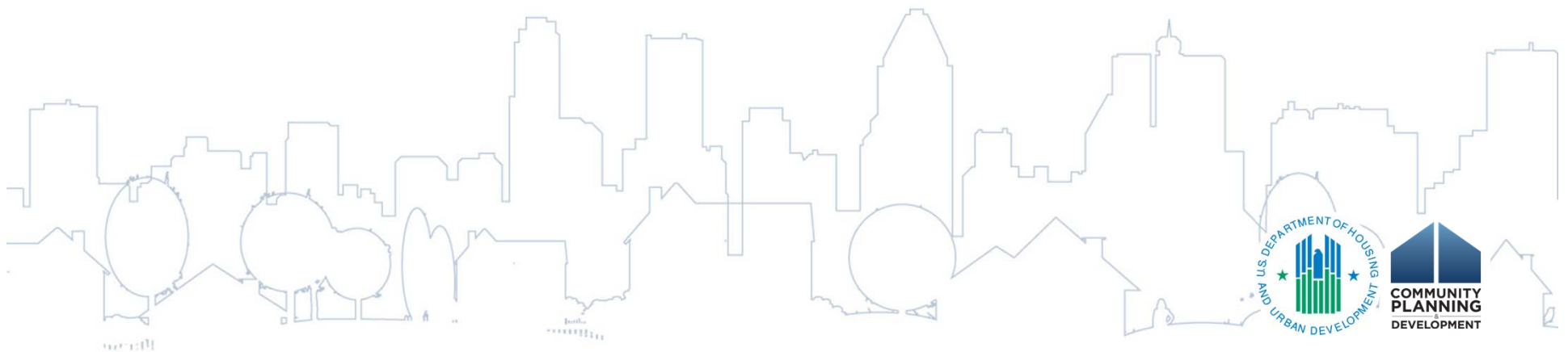
WAIVERS

- Statutory waiver requests are encouraged to the extent that they will assist the community with speedy disaster recovery
- 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



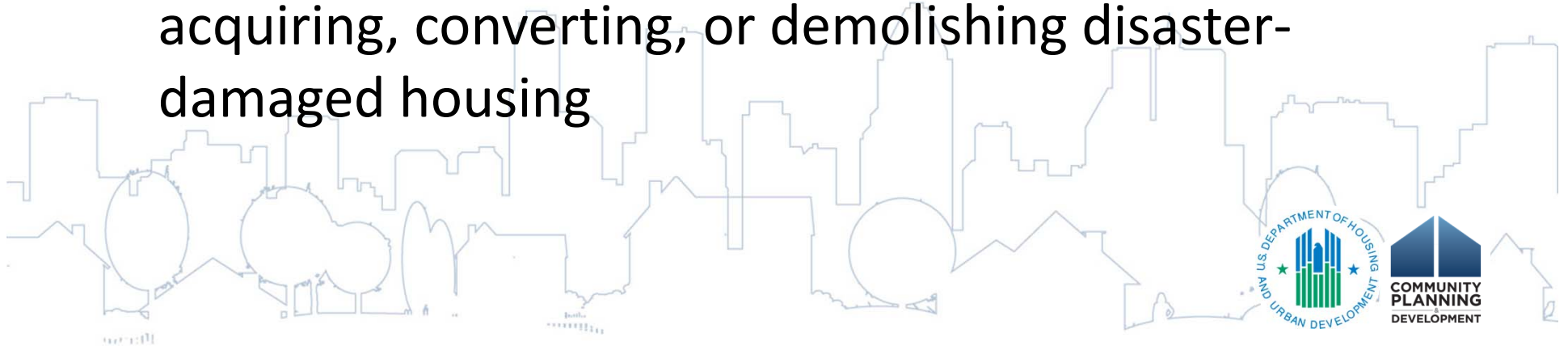
OTHER REQUIREMENTS: BUYOUTS & VALUATION

- 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



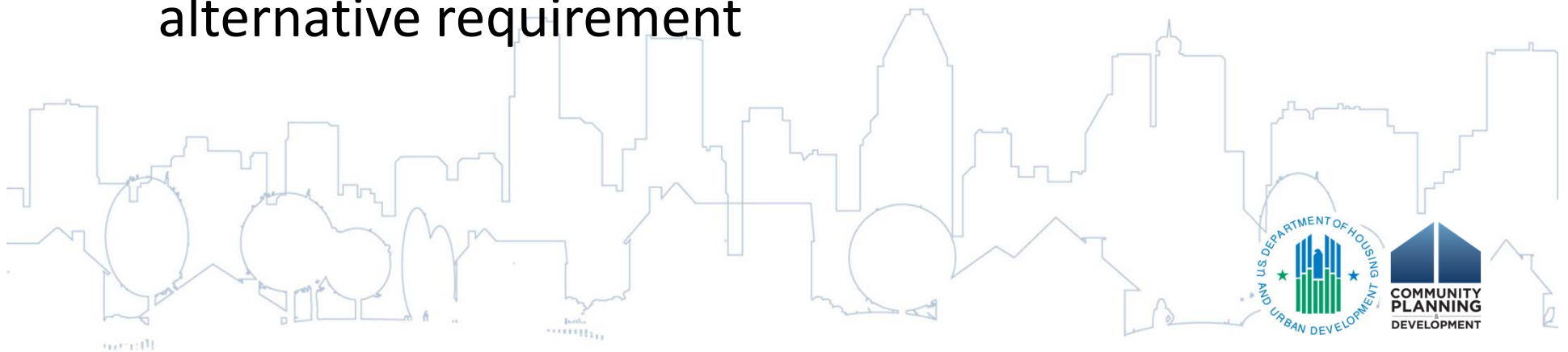
OTHER FEDERAL REQUIREMENTS: ONE FOR ONE REPLACEMENT

- 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



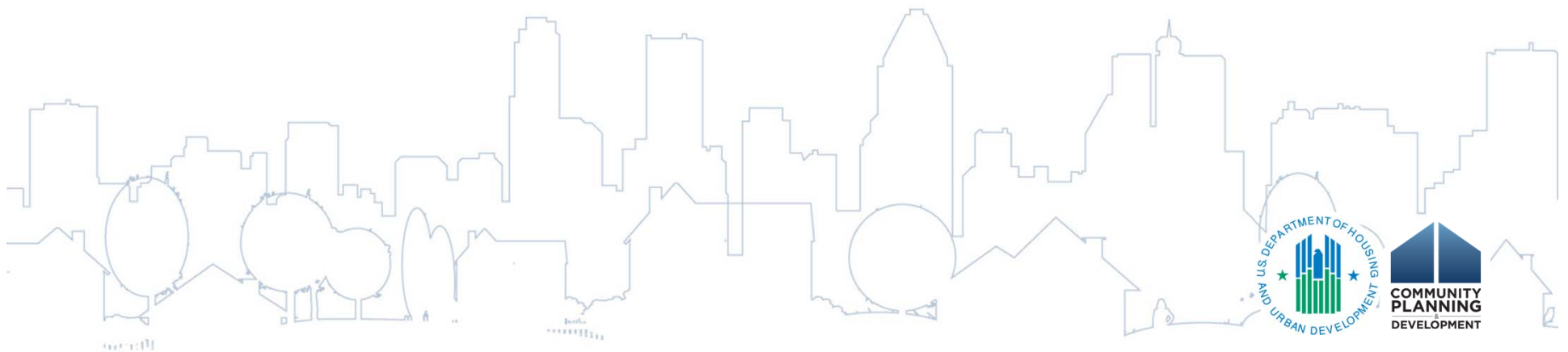
OTHER FEDERAL REQUIREMENTS: SECTION 104(d)

- 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 waived 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

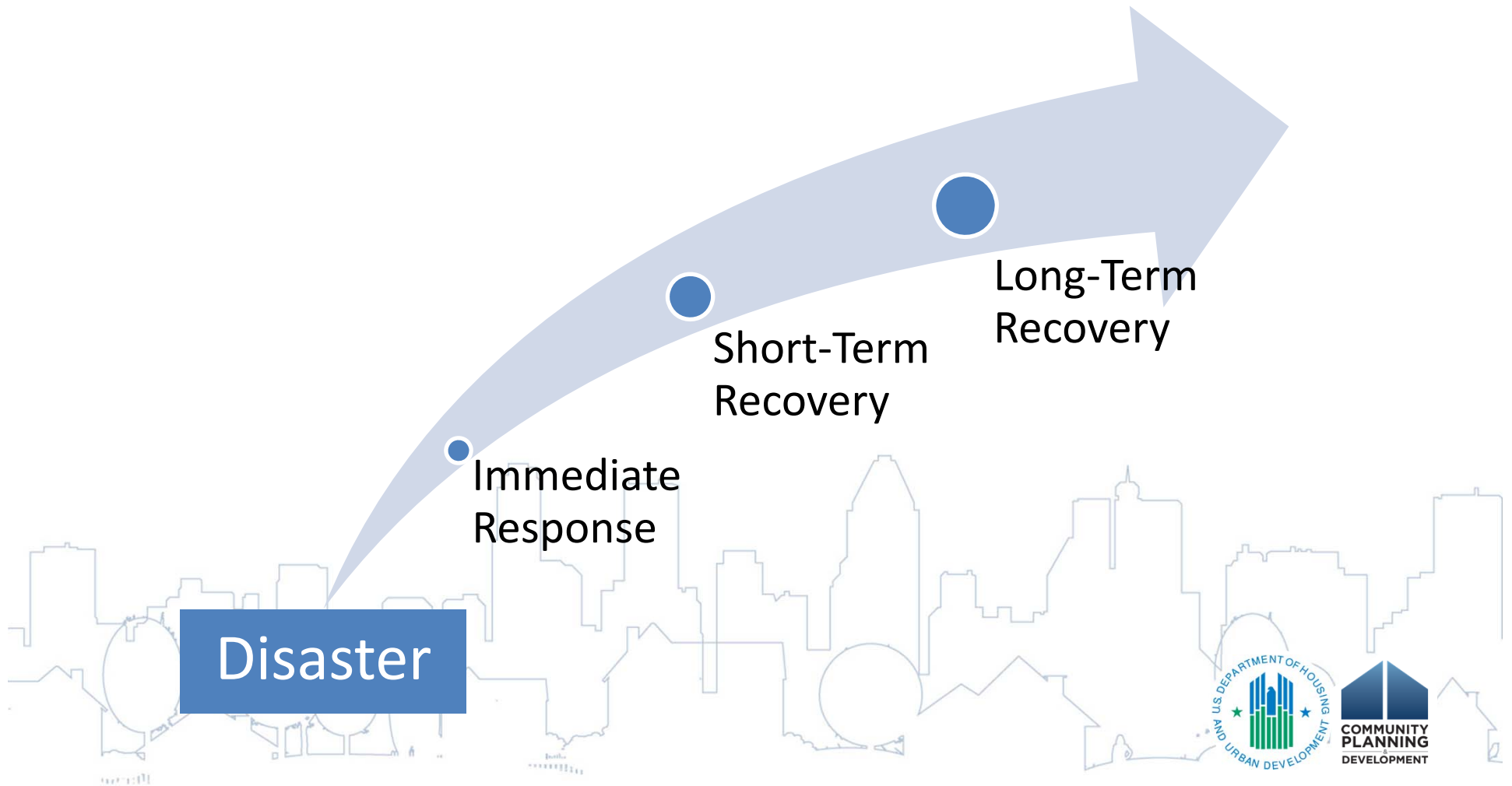


DISASTER RECOVERY ENHANCEMENT FUND (DREF)

- Eligible activities include:
 - Development and adoption of a forward-thinking land-use plan
 - Buyout programs for floodplain, critical fire, or seismic areas
 - Individual mitigation measures to improve residential properties and make them less prone to damage
 - Implementation of modern disaster resistant building codes



POST-DISASTER CONTINUUM



PHASES OF LONG-TERM DISASTER RECOVERY

Phase 1: Disaster Impact and Unmet Needs Assessment

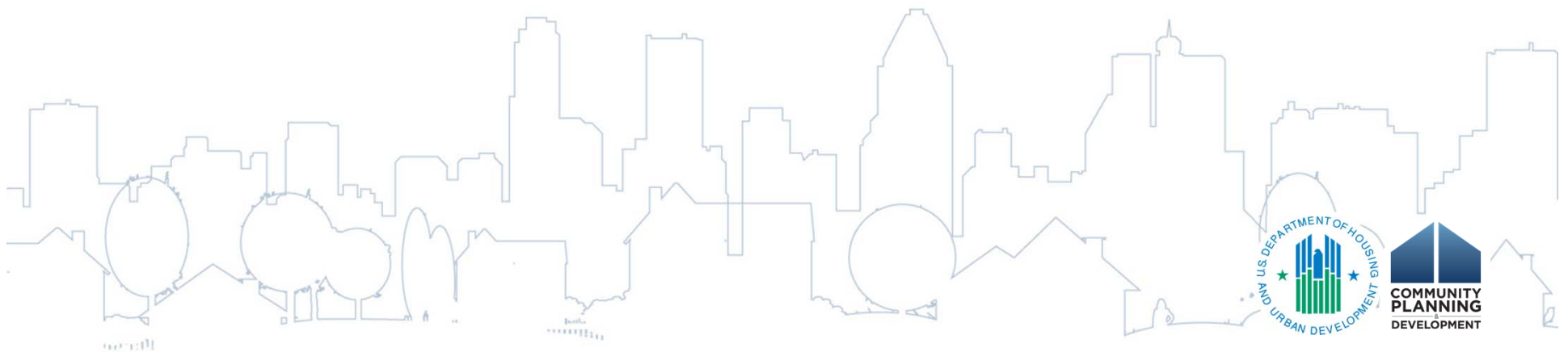
Phase 2: Structuring the Disaster Recovery Program and Preparing the Action Plan

Phase 3: Implementation and Strategies



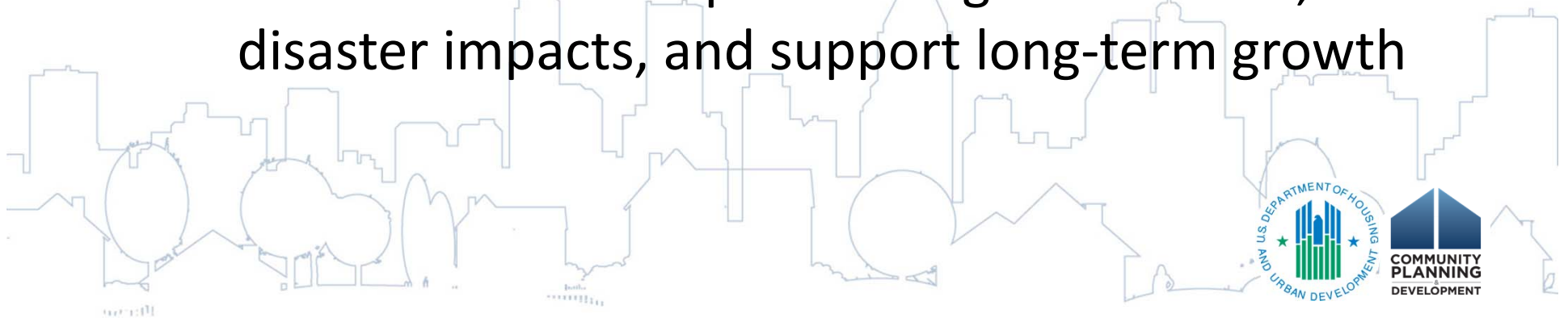
PART 1: ASSESSING THE CURRENT SITUATION

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

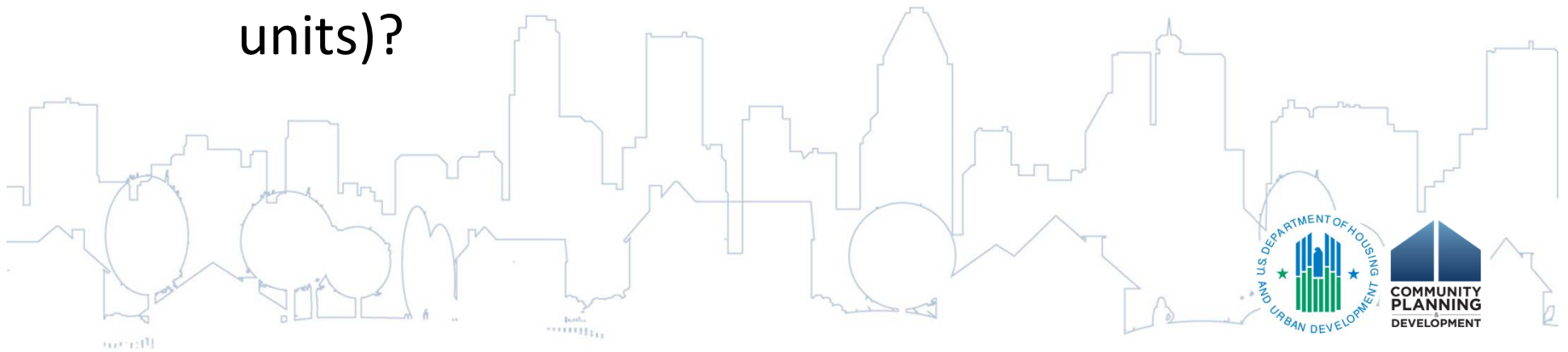
2. Analyze Data Collected in light of the Impact of Short-Term Recovery Efforts

- 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 their 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
- 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 (Mississippi Housing Recovery Data Project)

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)?
 - Will the project trigger further reinvestment in the surrounding neighborhood? In the community at large?
 - Does the project/program exacerbate pre-disaster market vulnerabilities?

DISASTER RECOVERY RESOURCES

- CDBG Disaster Recovery website:
<http://www.hud.gov/offices/cpd/communitydevelopment/programs/drsi/index.cfm>
 - 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!**