



Basically CDBG Training Summary City of Flint June 20, 2024

U.S. Department of Housing and Urban
Development – Detroit Field Office

YOUR TRAINER

Carrie L. Fortune, Esq.

Interim Program Manager

Senior CPD Representative

Program Environmental Specialist

Former

CoC Coordinator

CDBG Subrecipient

HUD CoC Recipient

CDBG/HOME/ESG Grantee (Urban County)



TRAINING LOGISTICS

- Ask questions anytime
- Keep side conversations to minimum
- Parking lot messages
- Please turn cell phones, etc. to silent mode
- Training - amnesty for all
- Break around 10:45am
- End/Lunch at 12:30pm



DISCLAIMER

This is a summary of the three day Basically CDBG training that is normally conducted by consultants. Slides have been removed and Updated by Detroit CPD staff.

The entire Basically CDBG manual and training videos can be found on HUDExchange.



OVERVIEW



CDBG HISTORY

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



CDBG PRIMARY OBJECTIVES

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



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FEDERAL REGULATIONS

- CDBG Regulations found at 24 CFR Part 570
- Financial Regulations (including procurement) found at 2 CFR Part 200
- Environmental Regulations found at 24 CFR Part 58
- Davis-Bacon, BABA, Section 3, etc.



CITY OF FLINT REQUIREMENTS

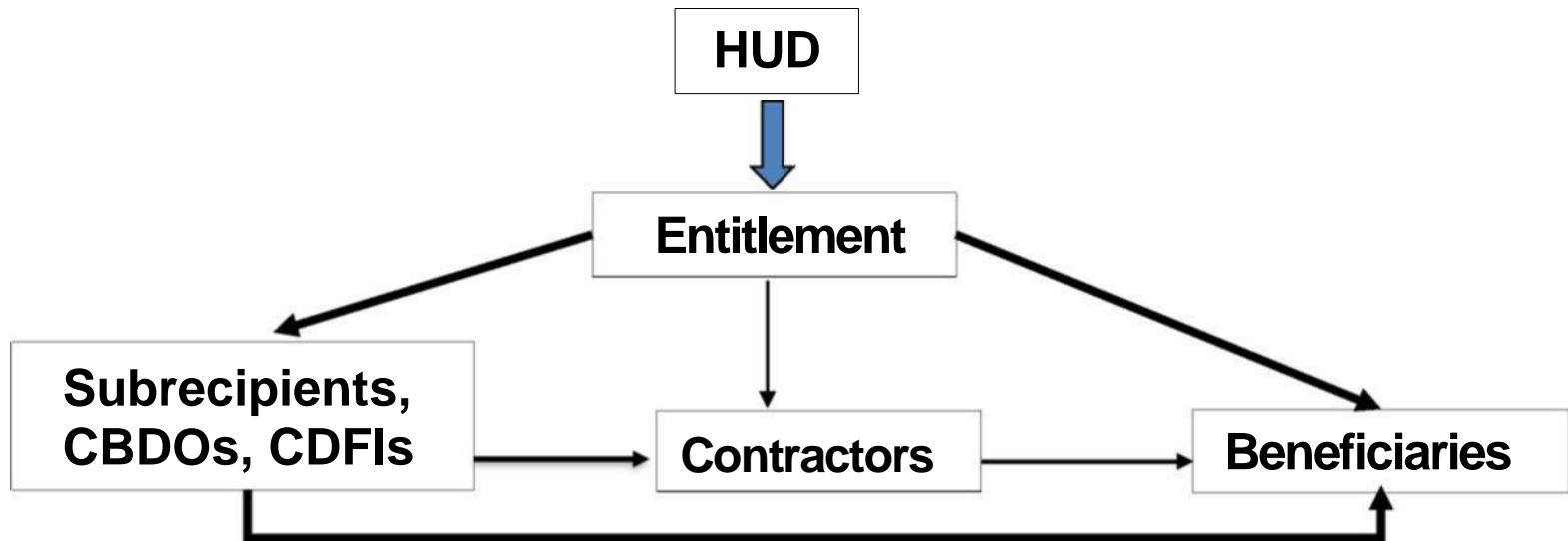
- CDBG Policies & Procedures Manual
- Subrecipient Agreement
- Public Service Program Self-Certification (income affidavit)
- Performance & Evaluation Report
- Financial Reports (Monthly Expenditure Report, Agency Accounting Certification, Expenditure Detail, etc.)

KEY DEFINITIONS

- Entitlement Program
- State Program
- CDBG Grantee
- CDBG Subrecipient
- Consolidated Plan (ConPlan) / Annual Plan
- Low and Moderate-Income Person (LMI)
- Low and Moderate-Income Area (LMA)

CDBG MONEY FLOW

- Entitlement community partners



- States must award funds to UGLGs

CDBG IMPLEMENTATION STEPS

SUBMIT Consolidated Plan & Determine Program Delivery Method

SELECT Eligible Activities that Meet a National Objective

COMPLY with Other Federal Requirements

ADDRESS Administrative & Financial Requirements

IDIS – Set Up & Fund Activity

REPORTS – MONITOR & Report Progress

IDIS – ENTER Accomplishments into IDIS

ACTIVITY SELECTION, CONSOLIDATED PLAN, AND PROGRAM IMPLEMENTATION



THE CONSOLIDATED PLAN

- Needs determine activities and organizations to fund
- Components:
 - Lead agency description
 - Housing and homeless needs assessment
 - Housing market analysis
 - Strategic plan
 - One-year action plan
- AFFH - Program participants must comply with ongoing obligations to affirmatively further fair housing. (generally based on ConPlan cycle)

THE CONSOLIDATED PLAN (cont'd)

- Requires citizen participation
- HUD reviews and approves Con Plan
 - Submitted to local field office at least 45 days prior to start of program year (May 17th for Flint)
- Amendments can be made
- Annual performance reporting measured against Con Plan goals and activities

REPORTING REQUIREMENTS

- Consolidated Annual Performance and Evaluation Report (CAPER) - Narrative and Financial Reporting on progress
- Grantee must submit annual report to HUD within 90 days of close of program year (September 30th for Flint)
- Prior to submission, grantee must make report available to public for at least 15 days
- Grantee must summarize comments and make final report available to public

RECORDKEEPING REQUIREMENTS

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

RECORDKEEPING REQUIREMENTS (cont'd)

- Subrecipients provide accomplishments and benefit data to the City of Flint with payment requests
- Flint enters data into IDIS when funds are drawn
- Accomplishments and benefit data is drawn into CAPER
- Accomplishments and benefit data from CAPERs are aggregated and provided to Congress
- Congress (and HUD) use data to determine success of CDBG program, needed changes and funding levels
- When subrecipients do not provide benefit data, Flint receives flags in IDIS
- When subrecipients do not provide benefit data, there is no data to be pulled into CAPER so HUD can't tell if activity is successful
- Flags and missing data increase risk analysis scores and monitoring

RECORD RETENTION

- Record retention
 - Refer to Subrecipient Agreement and Flint's CDBG Policies & Procedures Manual
- Public access to records
 - Citizens must have reasonable access and provided timely information
 - HUD, IG, Comptroller General must have access

KEY QUESTIONS TO CONSIDER FOR CDBG IMPLEMENTATION

- What are Flint's community development needs, especially for LMI persons (Look at RFP)? How can my organization use CDBG to address these needs?
- Is our proposed activity eligible and meet a national objective? How will we document this?
- Do we have effective procedures for CDBG grant administration & oversight?
- Do we have a process for timely collection and reporting of outcome and eligibility data? Billing?

NATIONAL OBJECTIVES



NATIONAL OBJECTIVES

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

- Benefit low/mod income persons



-



Prevent or eliminate slums and blight OR

- Meet an urgent need



Reg cites: §570.208, 570.480

LOW/MOD BENEFIT AREA BENEFIT

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



LOW/MOD BENEFIT AREA BENEFIT (cont'd)

- Area must be at least 51% LMI persons (See CPD Notice 14-11)
- Use HUD special tabulation of American Community Survey (ACS) data, 2016 LMISD
- Can conduct survey using HUD approved methodology (See guidance at Notice CPD-14-13)

LOW/MOD BENEFIT LIMITED CLIENTELE

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

LOW/MOD BENEFIT HOUSING

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

JOB CREATION & RETENTION/PUBLIC BENEFIT STANDARD

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

AND

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

JOB CREATION & RETENTION (cont'd)

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

JOBS HELD BY

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



JOBS AVAILABLE TO

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

LMI INCOME DOCUMENTATION

- Annual income definitions, two options:
 - Section 8 Annual Income (24 CFR Part 5)
 - IRS 1040 Series (Long Form)
- Income is that of all family or household members for upcoming 12-month period

LMI INCOME DOCUMENTATION

(cont'd)

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

LMI INCOME DOCUMENTATION

(cont'd)

- Full income determinations with supporting documents (paystubs, W2s, tax returns, Social Security award letters, etc.) and HUD Income Calculator needed for:
 - Housing Rehabilitation
 - Homeownership Assistance
 - Activities using the national objective of LMI - job creation & retention
- Most public services can use income affidavits IF it is on Flint's most recent form, program participant fills it out completely and signs, and documentation can be provided if requested

SLUM_AND BLIGHT AREA BASIS

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



SLUM AND BLIGHT AREA BASIS (cont'd)

- Meet either (A) or (B) below:
 - A. The public improvements in the area are in a general state of deterioration (must be at least two types of improvements in state of deterioration)
 - 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

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

URGENT NEED NATIONAL OBJECTIVE

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

LOW/MOD OVERALL BENEFIT REQUIREMENT

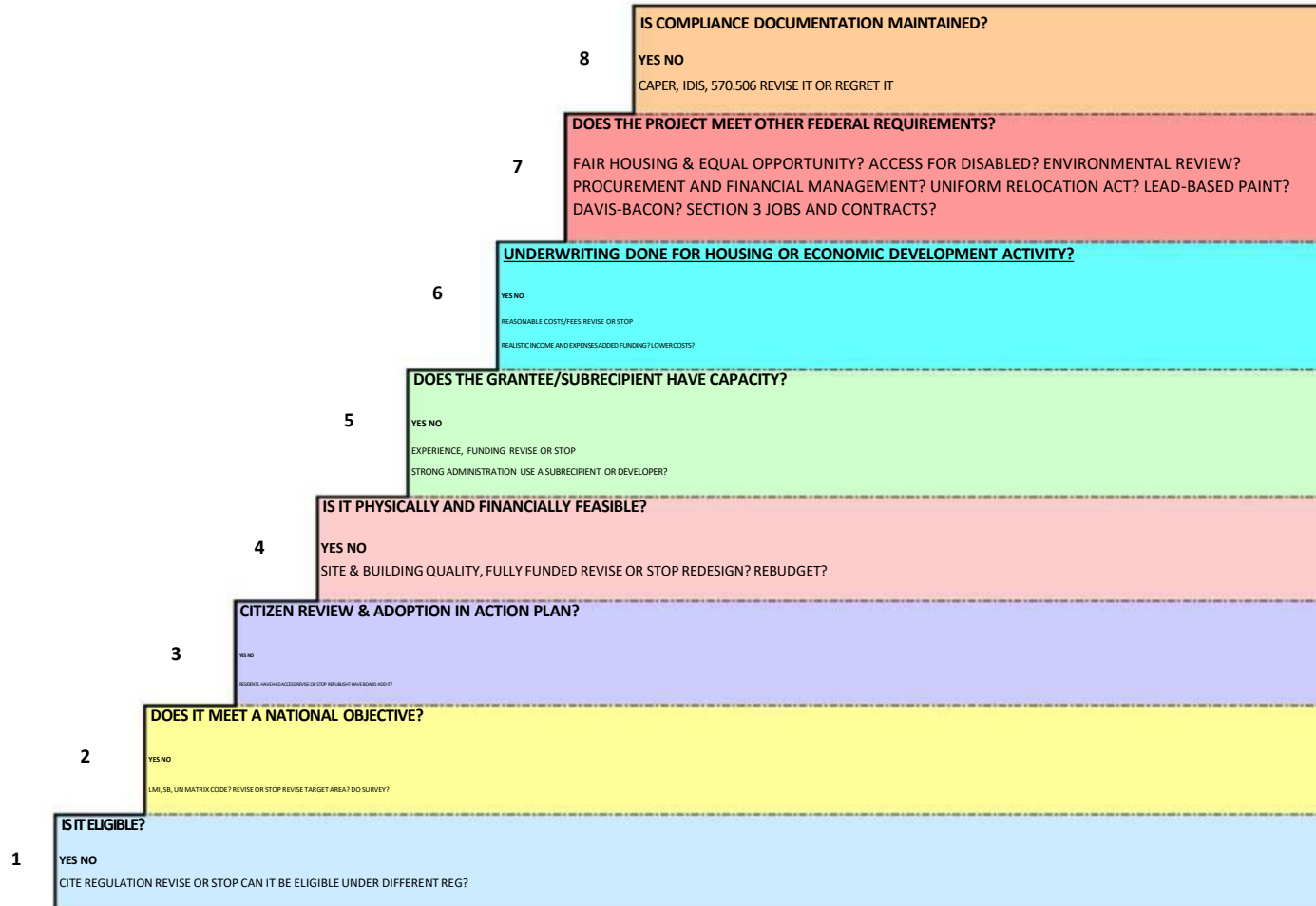
- Overall Benefit is not the same as Area Benefit
- Statute requires that 70% of all CDBG expenditures benefit low/mod persons
 - Cumulative actual expenditures, not budgeted
 - Certification period of 1-3 years
- If LMI targeting not met, HUD will require grant repayment
- Reported to HUD at least annually

CHOOSING THE RIGHT NATIONAL OBJECTIVE

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

PUTTING IT ALL TOGETHER

THE CDBG STAIRWAY TO ACTIVITY COMPLIANCE



Eligible Activities



ELIGIBLE ACTIVITIES



- Wide variety possible
 - Housing & other Real Property Activities
 - Public facilities & Public services
 - Economic Development Activities
 - Subrecipient, CBDO & CDFI Activities
 - Other Activities
 - Planning and Administration Costs
- Regulation cites: §570.201 - §570.206, §570.482
- [CDBG Matrix Code Definitions \(hudexchange.info\)](http://hudexchange.info)

INELIGIBLE ACTIVITIES

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



INELIGIBLE ACTIVITIES (cont'd)

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

- New housing construction
- Income payments
- Purchase of equipment
- Operating and maintenance expenses



HOUSING & OTHER REAL PROPERTY ACTIVITIES



APPROACHES TO HOMEOWNER REHABILITATION

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

APPROACHES TO HOMEOWNER REHAB (cont)

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

HOMEOWNER REHAB

ELIGIBLE COSTS

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



HOME PURCHASE ELIGIBLE ACTIVITIES

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



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

HOME PURCHASE

ELIGIBLE ACTIVITIES (cont)

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

HOME PURCHASE

ELIGIBLE ACTIVITIES (cont)

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

HOUSING SERVICES

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



INELIGIBLE HOUSING ACTIVITIES

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

ELIGIBLE LEAD-BASED PAINT ACTIVITIES

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

PUBLIC FACILITIES AND IMPROVEMENTS



ELIGIBLE PUBLIC FACILITIES ACTIVITIES

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



INELIGIBLE PUBLIC FACILITIES ACTIVITIES

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

PUBLIC FACILITIES NATIONAL OBJECTIVES

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



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

PUBLIC SERVICES



ELIGIBLE PUBLIC SERVICE ACTIVITIES

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

ELIGIBLE PUBLIC SERVICE ACTIVITIES (cont'd)

- Also includes services related to:

- Housing

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- Housing counseling
- Fair Housing counseling
- Energy conservation
- Downpayment assistance
- Services for homeless persons

- Education

- Welfare services

- Services for seniors

- Recreational services



PUBLIC SERVICE COSTS

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

PUBLIC SERVICES RESTRICTIONS

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

INELIGIBLE PUBLIC SERVICE ACTIVITIES

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

PUBLIC SERVICES & RELIGIOUS ENTITIES

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

PUBLIC SERVICES CAP

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

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
- Slum/Blight Area Basis is allowed
 - Rarely used for Public Services
 - Must meet all Slum/Blight Area Basis requirements
- Slum/Blight Spot Basis NOT allowed
- Urgent Need possible, but rare

ECONOMIC DEVELOPMENT



ELIGIBLE ECONOMIC DEVELOPMENT ACTIVITIES

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

SPECIAL ECONOMIC DEVELOPMENT ACTIVITIES

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

SPECIAL ECONOMIC DEVELOPMENT (cont)

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

TECHNICAL ASSISTANCE TO BUSINESSES

- Helps reduce risk of business failure
- Often focused on business plan development or legal and accounting issues
- Often offered in conjunction with financial assistance
- Critical to programs directed to start-ups

TECHNICAL ASSISTANCE TO BUSINESSES (cont)

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

MICROENTERPRISE ASSISTANCE

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

MICROENTERPRISE ASSISTANCE (cont)

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

COMMERCIAL REHABILITATION

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

JOB TRAINING

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

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

EVALUATING ECONOMIC DEVELOPMENT PROJECTS

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

VOLUNTARY UNDERWRITING GUIDELINES

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

PUBLIC BENEFIT STANDARDS

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

CALCULATING PUBLIC BENEFIT

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

FINANCIAL MANAGEMENT



CDBG ROLES – More Guidance

BEWARE: If a third-party's role is misclassified it will lead to a cascade of compliance problems!! Properly categorize relationships 2 [CFR Part 200.1](#) and [200.331](#) and [24 CFR Part 570.500\(c\)](#)



Subrecipient

- [Playing by the Rules: A Handbook for CDBG Subrecipients on Administrative Systems](#)



Contractor

- [Buying Right CDBG-DR and Procurement: A Guide to Recovery \(Part 200 guidance applies to CDBG\)](#)



Developer

- [HUD NSP Policy Alert: Guidance on Developers, Subrecipients, and Contractors \(Based on CDBG Regs\)](#)

Time and Effort Requirements Pitfalls – What to Avoid

Avoid drawing grant funds based on budgeted hours. Instead, base it on actual hours.

Avoid using the percentage of grant funding to determine an employee's percentage of time worked.

Avoid applying the requirements inconsistently across funding sources.

Avoid charging time to federal awards when no work on the federal award occurred to make up for funding shortfalls.

Avoid charging for time across funding sources that adds up to more than the number of hours worked.

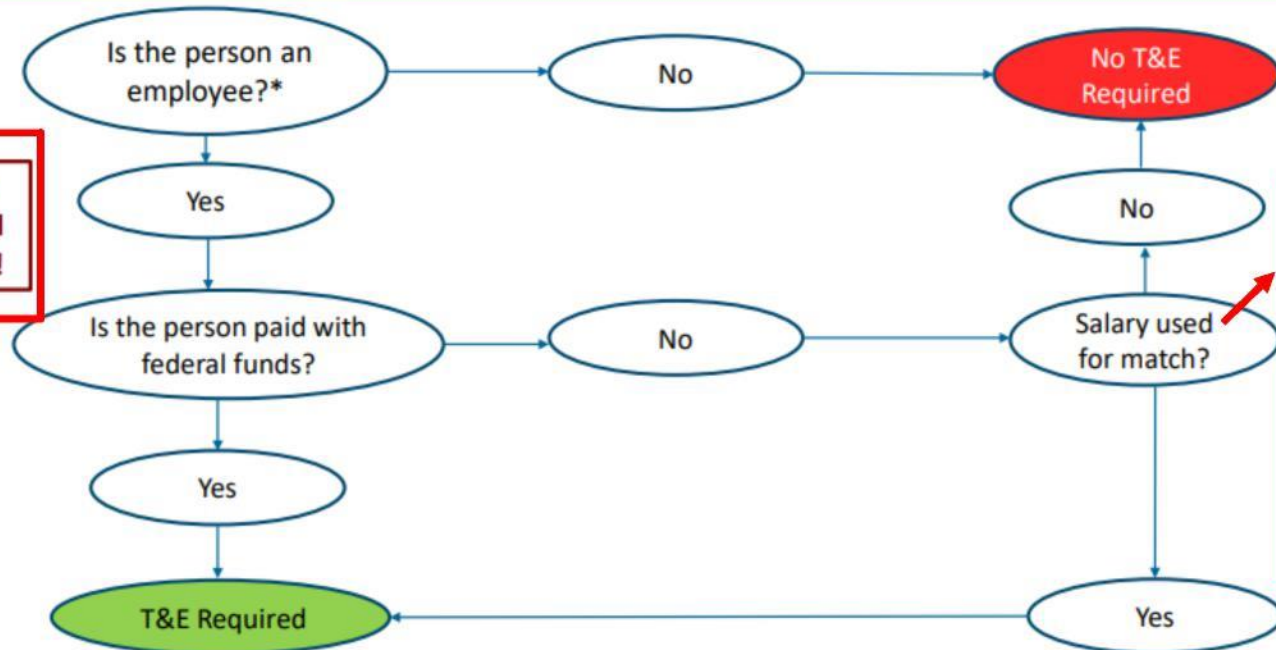
Avoid distributing staff costs without developing standard time and effort operating procedures for allocating and certifying staff costs based on the actual percentage of hours spent working on each of the grant funded activities.

[Resource: *Best Practices for Effectively Managing Your Grants*, May 4, 2022, Health Resources and Services Administration \(HRSA\)](#)



Time and Effort Requirements

Who Must Keep Time and Effort Records?



Applicable to recipients and subrecipients!

Match:
(States Only)
States must match CDBG admin expenses dollar for dollar after the first \$100,000



* If you don't know if a person is an employee – ask HR



[Resource: Best Practices for Effectively Managing Your Grants, May 4, 2022, Health Resources and Services Administration \(HRSA\)](#)



TIMELINESS

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

UNIFORM ADMINISTRATIVE REQUIREMENTS

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

Cost Principles

All costs must be:

- Reasonable,
- Allowable, and
- Allocable

COST REASONABLENESS

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

ALLOWABLE COSTS

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

ALLOWABLE COSTS (cont'd)

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

SOURCE DOCUMENTS

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

COST ALLOCABILITY

- Determine where to charge costs
- Process known as cost allocation methods
- Develop a cost allocation plan (re: direct & indirect costs [see beginning of FM])
- GAAP provides guidance

PROCUREMENT

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



[eCFR :: 2 CFR Part 200 Subpart D - Procurement Standards](#)



OTHERS COVERED BY PROCUREMENT

- Grantee not required to competitively procure public subrecipients
- Once under subrecipient agreement, if these entities buy goods/services for CDBG program, they must procure it in accordance with 2 CFR 200
- Developers and beneficiaries not subject to procurement
 - Example: A developer can simply hire a contractor
 - However, grantee may elect to impose these rules via contract

METHODS OF PROCUREMENT

Must follow one of four procurement methods (micro/small considered one):

- Micro purchase procedures (2 CFR 200.320(a)(1))
 - Goods & services < \$50,000*
 - Solicitation not required IF price can be DOCUMENTED as reasonable with research or purchase history
- Small purchase procedures (2 CFR 200.320(a)(2))
 - Goods & services >\$50,00 but < \$250,000*
 - Quotes must be OBTAINED by an adequate number of sources

*Many States and localities have lower limits



METHODS OF PROCUREMENT

- Competitive sealed bids (2 CFR 200.320(b)(1))
 - Construction contracts
 - Goods & services > \$250,000
 - Lowest in price of those conforming with the terms & conditions of RFP
- Competitive proposals (2 CFR 200.320(b)(2))
 - Professional services > \$250,000
 - Most “responsible” bidder whose proposal is most advantageous
- Non-competitive negotiation (2 CFR 200.320(c))
 - Very limited usage in specific situations

NOTE: These formal procurement methods all require:

- Following documents procedures
- Public advertising



OTHER PROCUREMENT REQUIREMENTS

- Solicitation of small, minority and women-owned businesses (2 CFR 200.321)
- Domestic Preferences (2 CFR 200.322)
- Procurement of recovered materials when >\$10,000 (2 CFR 200.323)
- Conflicts of Interest (2 CFR 200.318(c))
- Geographical preferences prohibited (2 CFR 200.319(c))
- Davis-Bacon language documents must be included in RFPs, where required
- Section 3 language must be included in RFPs, where required

Single Audit Requirements

- If expending \$750,000 (increases to \$1 million on October 1, 2024) or more in federal awards in one year, must get single audit
- If less than \$750,000, exempt from audit requirements for that year
- Requirements now found in 2 CFR Part 200

AUDIT REQUIREMENTS

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

CHANGE IN USE

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

CHANGE IN USE

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

* HUD currently not closing out CDBG grants

OTHER FEDERAL CONSIDERATIONS



OTHER FEDERAL REQUIREMENTS

- Wide range are triggered by expenditure of CDBG funds:
 - Environmental review
 - Uniform Relocation Act and 104(d)
 - Davis Bacon and Other Labor Standards
 - Lead Based Paint
 - Fair Housing and Equal Opportunity
 - 2 CFR 200

ENVIRONMENTAL REVIEW



- CDBG projects require an environmental review before any funds can be obligated.
- The environmental review process looks at projects for impacts on environment, impacts from the environment and notifies the public of findings.
- Resources: 24 CFR Part 58

LIMITS ON ACTIVITIES PRIOR TO CLEARANCE

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

LABOR STANDARDS – DAVIS-BACON

- Davis-Bacon applies to all construction contracts over \$2,000 involving CDBG funds

Requires workers be paid prevailing wage provided by Dept. of Labor



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

OTHER LABOR LAWS

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

FEDERAL LEAD REQUIREMENTS

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



- Disclosure Rule

- Applies to all residential properties

- Renovation, Repair and Paint (RRP) Rule

- Applies to all residential properties and non-residential child occupied facilities

LEAD SAFE HOUSING RULE

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

WHEN IS THE URA TRIGGERED?

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

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



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
 - [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

Build America, Buy America Act. (BABA)

All iron, steel, manufactured products, and construction materials used in covered infrastructure projects must be produced in the United States.

BABA applies to **CDBG infrastructure and housing projects** starting in **FY2023** that contain **iron or steel** and have a total project cost of **\$250,000** or more.

Construction materials and manufactured products paid for with CDBG will be covered in FY2024 and FY2025.



PERFORMANCE MEASUREMENT RECORDKEEPING REPORTING MONITORING



PERFORMANCE MEASUREMENT?

The bottom line:

To determine your success towards achieving the intended goal, there needs to be regular measurement of outcomes and results, which generates reliable data on the effectiveness and efficiency of programs.



PERFORMANCE MEASUREMENT

1. Objectives: (equivalent to CDBG primary objectives)
2. Outcomes: (driven by local intent)
3. Indicators: (something that determines if a program is achieving its outcomes)



PERFORMANCE MEASUREMENT OBJECTIVES & OUTCOMES

OBJECTIVES

- Creating Suitable Living Environments
- Providing Decent Affordable Housing
- Creating Economic Opportunities

OUTCOMES

- Availability/Accessibility
- Affordability
- Sustainability

SPECIFIC INDICATORS

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

SPECIFIC INDICATORS (cont'd)

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

RECORDKEEPING

Accurate recordkeeping is crucial to the successful management of CDBG-funded activities.

General administrative

Financial

Project/activity

National objectives

Records on subrecipient/program participants

Record retention

Access to records

Determining and Documenting Income



Financial Records

Chart of accounts;
Written accounting procedures;
Accounting journals and ledgers;
Source documentation (purchase orders, invoices, canceled checks, etc.); – Procurement files (including bids, contracts, etc.);
Real property inventory;
Bank account records (including revolving loan fund records, if applicable);
Draw down requests;
Program Income records and reports;
Payroll records and reports;
Financial reports;
Audit files; and
Relevant financial correspondence.

Program Participant Records

- Application
- Public Service Program Self-Certification (COMPLETED & SIGNED)
- Income determination documents (Paystubs, W2, taxes, etc.) AND printed copy of HUD Income Calculator
- Documentation of services received

RECORDKEEPING BEST PRACTICES

- Clearly defined process
- Identify job title of responsible person
- Checklists
- Second set of eyes on important forms
- Clear understanding of record retention requirements

MONITORING



Monitoring of program performance is a key element of CDBG grantee management and oversight responsibilities.

MONITORING PURPOSE

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:

- OIG monitors HUD
- HUD monitors grantee
- Grantee monitoring of:
 - Grantee's own files
 - Public agency partners
 - Subrecipients
 - For profit contractors and beneficiaries

MONITORING INCLUDES

- > Desk reviews (reports, documentation)
- > On-site visits (review of files, staff interviews, etc.)
- > 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

The End

