

CDBG-DR Mitigation

Grants Administration Manual Addendum

I. Introduction

This addendum only addresses requirements specific to CDBG Mitigation (CDBG-MIT). For all other procedures and grant management requirements, the CDBG-DR Grants Administration Manual applies to the programs, projects and administration of CDBG-MIT.

A. CDBG Mitigation

CDBG Mitigation (CDBG-MIT) is a new source of funding managed by HUD that was created in part with the 2017 CDBG-DR funds and allocated by Congress under Public Law 115-123.

HUD provided Federal Register Notice [84 FR 45838](#) as an outline for specific framework in the development of CDBG-MIT programming. The notice provides definitions of mitigation activities, expenditure requirements, and funding timelines separate from the CDBG-DR allocation provided for the same disaster events. Additionally, the notice clarifies the close relationship between CDBG-MIT funds and FEMA funds (i.e. the Hazard Mitigation Grant Program [HMGP]).

Mitigation funds allow for planning and implementing preventative measures, instead of focusing only on recovery after a disaster, and coordinate with FEMA and the FEMA Hazard Mitigation Grant Program through eligible mitigation activities. HUD has defined mitigation activities as those that increase resilience to disasters and reduce or eliminate the long-term risk of loss of life, injury, damage to and loss of property, and suffering and hardship, by lessening the impact of future disasters.

B. Summary of CDBG-MIT Awarded Projects

A summary of programs and allocation budget will be included once the Action Plan is approved by HUD.

- Resilient Infrastructure
- Resilience planning and public services

II. Definitions

A. Acronyms

Acronym	Meaning
BCA	Benefit Cost Analysis
CAC	Citizen Advisory Committees
CDBG-MIT	CDBG Mitigation grant allocation
FEMA HMGP	FEMA Hazard Mitigation Grant Program
HMP	Hazard Mitigation Plan
MNA	Mitigation Needs Assessment
UNM	Urgent Need Mitigation

B. Terms and Definitions

Covered Project: An infrastructure project having a total project cost of \$100 million or greater with at least \$50 million of CDBG, CDBG-DR, CDBG-NDR, or CDBG-MIT funds.

FEMA Hazard Mitigation Grant Program: The purpose of HMGP is to help communities implement hazard mitigation measures following a Presidential Major Disaster Declaration in the areas of the state, tribe, or territory requested by the Governor or Tribal Executive. The key purpose of this grant program is to enact mitigation measures that reduce the risk of loss of life and property from future disasters.

Hazard Mitigation Plan: State and local plans designed to identify risks to the community and ways to reduce impacts and damages from disasters.

HUD-Identified MID Area: Cities, counties, zip codes or other jurisdiction or geography identified by HUD as most impacted and distressed based on analysis of FEMA and state data.

Mitigation: Those activities that increase resilience to disasters and reduce or eliminate the long-term risk of loss of life, injury, damage to and loss of property, and suffering and hardship, by lessening the impact of future disasters.

Mitigation Needs Assessment: Analysis of historical data and institutional knowledge provided in state and local hazard mitigation plans and from prior disasters to determine risks of impacts for disasters to housing and infrastructure.

III. Program Allocation and Administration

A. Funding Appropriation

The State of California has been allocated \$88 million from HUD for mitigation programs, which will be managed by the Department of Housing and Community Development (HCD).

B. CDBG-MIT Grant Requirements

1. Use of Funds

LMI National Objective

Fifty percent of total mitigation funds must be used to benefit low-to-moderate income (LMI) persons, unless a waiver request demonstrates compelling need to lower this requirement. HCD must prioritize activities under CDBG-MIT that benefit LMI households.

Disaster Tie Back

CDBG-MIT activities are not required to demonstrate a tie-back to a qualifying disaster, however activities must benefit areas impacted by the 2017 fires that had the greatest need (most impacted and distressed).

2. Most Impacted and Distressed Areas

In Federal Register Notice [84 FR 45838](#) for CDBG-MIT, HUD identified Sonoma and Ventura Counties as the most impacted and distressed (MID) areas. Fifty percent of all CDBG-MIT funds must be used to address risks to major hazards (fire, flood, earthquake) within these HUD-identified MID areas.

Investments made in activities or programs in areas outside of the MID are allowable, as long as it can be shown the investment also impacts the MID.

The State of California may submit a request to HUD to add a MID area. In the request, HCD must provide a data-driven analysis that illustrates the basis for designating the additional area

as most impacted and distressed as a result of the qualifying disaster (DR-4344 and DR-4353). HCD must include the analysis in the CDBG-MIT Action Plan and amend their corresponding CDBG-DR Action Plan.

Administration

Fifty percent of HCD's administrative expenditures will count towards the HUD-identified MID after the first six years of the grant award if it is documented how they will benefit the MID.

Planning Activities

Planning activities may also be counted towards the MID according to how the Action Plan describes how planning activities benefit the MID area.

3. Timeline for Expenditure of Funds

CDBG-MIT funding has a timeline for expenditures separate from CDBG-DR. At least fifty percent of CDBG-MIT grant funds must be spent within six years from the grant agreement execution. The remainder of the grant allocation must be spent within 12 years from the execution of the grant agreement, unless a waiver is approved by HUD.

4. CDBG-MIT Waivers

Public Benefit

Public benefit standards at 42 U.S.C. 5305(e)(3), 24 CFR 570.482(f), 24 CFR 570.209(b) and (d), and 24 CFR 1003.302(c) are waived for only those economic development activities designed to create or retain jobs or businesses (including, but not limited to, long-term, short term, and infrastructure projects). However, HCD will collect and maintain documentation in the project file on the creation and retention of total jobs; the number of jobs within certain salary ranges; the average amount of assistance provided per job, by activity or program; and the types of jobs. Additionally, grantees shall report the total number of jobs created and retained and the applicable national objective in the DRGR system. Paragraph (g) of 24 CFR 570.482 also waived to the extent these provisions are related to public benefit.

Program Income

- Program income may be retained for CDBG-MIT activities after the grant close out or returned to the regular CDBG program.
- Local governments may use program income for operations and maintenance in the following circumstances:
 - It is specified in the Standard Agreement between the agency who owns and operates the project and HCD that the agency will provide at least 50 percent of the funds necessary for annual operation and maintenance costs.
 - HCD has policies for regular inspection of the project.

Housing

- One-for-one replacement is waived for units that are non-suitable for rehabilitation, a term which must be defined in the Action Plan.
- Section 104(d) is waived, but HCD must assess the housing needs to determine the number of lower-income dwellings.
 - Where disparities exist between the URA and 104(d), HCD will follow the URA.
- Arm's length voluntary purchase requirements are waived.
- Optional relocation policies are not required, instead HCD may establish optional relocation policies or permit subrecipients to establish separate optional relocation policies to have maximum flexibility.

- Homeownership assistance is available to households up to 120% AMI and up to 100% of the down payment assistance.

Waivers under Section III, Part B of the CDBG-DR GAM (pages 14-15) do not apply to CDBG-MIT. The CDBG-MIT GAM Addendum will be updated with any additional guidance or waivers from HUD as appropriate.

C. General Administration Cost Limitations

Under CDBG-MIT, up to five percent of earned program income may be allocated to administrative costs.

For further specifics on general administration and eligible costs, refer to Section III, Part C of the CDBG-DR GAM (pages 15-16).

D. Public Services

Public services are eligible to be funded under CDBG-MIT when they provide resilience or risk mitigation outcomes. The use of CDBG-MIT for public services is limited to programs that expand and support services that reduce an individual or community's identified risk, as defined by the jurisdiction's hazard mitigation plan, and aim to address or lessen those risks through insurance programs, best practices or other documented efforts. HCD will provide guidelines and eligible activities to the program design or policy and procedures development to identify the types of eligible public services for funding under CDBG-MIT.

IV. Grant Administration

A. Grant Management

1. Action Plan, Amendments, and Benefit Cost Analysis

For amendments (substantial and non-substantial) to the CDBG-MIT Action Plan that do not include Covered Projects, refer to the process outlined in Section IV, Part A of the CDBG-DR GAM (pages 16-18).

All new or amended projects under CDBG-MIT must be consistent with other mitigation activities and not increase the risks to life or property in a way that undermines the benefits from other uses of CDBG-MIT funds in the MID.

Amendment for Covered Projects

If HCD undertakes a covered project, an amendment is required which must include the following:

- *Project Description and Eligibility*: Include how the project meets the definition of a mitigation activity; describe total project costs (CDBG-MIT and other federal sources of funding) and indicate which CDBG eligible activity the project falls under.
- *Mitigation Needs Assessment (MNA)*: Describe how project is consistent with the MNA.
- *National Objective and Additional Criteria*: In addition to describing how the Covered Project meets a National Objective, the Action Plan and/or a substantial amendment must indicate how HCD will monitor the project's long term efficacy and sustainability, including:
 - Paying operation and maintenance costs;
 - Maintaining documentation of the measurable outcomes or reduction in risk,

- How it will reflect changing environmental conditions with risk management tools, and /or alter funding sources if necessary.
- *BCA*: All Covered Projects must have a BCA greater than 1.0

Completing a Benefit Cost Analysis

A BCA is conducted on a project to determine if the value of the outcomes outweigh the costs and potential risks of the project. The BCA establishes values for different factors that would influence or impact the project and future benefits. Using the analysis, a Benefit-Cost Ratio is calculated by dividing a project’s total benefits by its total costs to represent the overall benefit of the project. A ratio of 1.0 or greater means the project is a good investment.

FEMA has developed a BCA toolkit that considers hazard mitigation elements in the analysis. HCD may use the FEMA-approved methodologies and tools to demonstrate the cost-effectiveness of their projects. The FEMA BCA toolkit is an Excel-based application and includes a User Guide for support. The most recent versions of the BCA Toolkit and User Guide can be found at <https://www.fema.gov/media-library/assets/documents/179903>.

If the FEMA BCA toolkit is not available, a non-FEMA BCA is acceptable when:

- A BCA has already been completed, or is in process by another federal agency, and addresses economic development, community development, and other social community benefits or costs substantially similar to the CDBG-MIT project;
- It addresses a flaw in the FEMA-approved BCA methodology that cannot be corrected; and/or
- It proposes a new approach that is unavailable using the FEMA BCA toolkit.

HCD must also indicate if the BCA was previously rejected by another Federal agency and include that version of the BCA when applicable.

Alternative Demonstration of Benefits

For Covered Projects that benefit LMI individuals or persons that are less able to mitigate risks, and which has a BCA less than 1.0, HCD may add in a qualitative description of how the Covered Project will provide benefits to those individuals, such as enhancing a community’s economic development potential, improving public health, and or expanding recreational opportunities.

B. Implementation

1. Subrecipient Implemented Programs

HCD will provide allocations to eligible jurisdictions for projects to address emergency infrastructure, forest and watershed infrastructure, and public services related to mitigation and resilience.

CDBG-MIT Infrastructure – Covered Project

If HCD undertakes a covered project, prior to the execution of a construction contract for a Covered Project, HCD must complete the following:

- Engage an independent third-party entity to verify the planned project costs.
- Secure the certification of a licensed design professional who states that the project design (or redesign) meet nationally recognized design and performance standards, that are recognized by FEMA for a project of its type, pursuant to FEMA HMA and addendum guidance.

- Establish a plan for financing the operations and maintenance over the useful life of the project.

V. Financial Management

HCD and its staff are committed to ensuring all CDBG-MIT funds will be used in compliance with all applicable statutory and regulatory provisions, specific terms of the award, and are not used for any general expenses to carry out other responsibilities of the state and local governments. The DR Section and all HCD staff are required to follow processes to ensure all invoices are reviewed for compliance and meet requirements for allowable and reasonable costs. For complete Financial Management details refer to the process outlined in Section V of the CDBG-DR GAM (pages 18-43). HCD has staff roles and responsibilities specific to CDBG-MIT. Those positions are outlined below.

A. Internal Controls

For the CDBG-MIT grant, the DR section will manage CDBG-MIT funding. The DR Section has two branches: program implementation (DR and MIT) and finance and compliance (DR and MIT). This split provides the internal controls for the all HUD grants overseen by the DR section. For any invoice or request for payment submitted to HCD, both the MIT program implementation and finance and compliance staff will review transactions for programmatic and fiscal compliance.

1. Staffing

The DR Section Chief (Manager II) has oversight of the two Manager I positions with mitigation roles, Program Implementation and Finance/Compliance.

The Program Implementation group consists of program delivery staff members, including two Representative II positions (Mitigation) who report to the Manager I (Program Implementation) and serve as program analysts to oversee Standard Agreements across the core Mitigation program areas.

The Finance/Compliance group is responsible for environmental compliance, contract and procurement oversight, data management and reporting, cross-cutting compliance, and financial compliance. All Finance/Compliance staff report to the Manager I (finance/compliance) including one Representative II (finance/data management) for compliance and monitoring and quality assurance for CDBG-MIT.

The Specialist II under the Manager II provides subject-matter expertise on mitigation best practices and measures for success.

B. Standard Agreement

The Representative II (mitigation) serves as the contract manager and works closely with subrecipients so that HCD has a clear understanding of the progress of each funded project. This work includes reviewing projects submitted by the subrecipient and providing written approvals or denials, as well as reviewing required deliverables, milestones, and reports for each project.

VI. Eligible Activities

For the complete list of Eligible Activities refer to Section IX of the CDBG-DR GAM (pages 61-66). HUD has included additional requirements for CDBG-MIT projects and programs. These requirements are outlined below.

A. Infrastructure

1. Covered Project

A HUD “Covered Project” is defined as an infrastructure project having a total project cost of \$100M with at least \$50M of CDBG, CDBG-DR, CDBG-NDR, or CDBG-MIT funds.

This threshold is met if HCD groups together and evaluates all activities which are related to each other, either on a geographical or functional basis or are logical parts of a composite of contemplated infrastructure-related actions, as a single infrastructure project. To determine whether bundled projects should be aggregated, HCD looks to environmental reviews; if the ERR is aggregated, then likely the projects should be combined as well.

HCD does not intend to fund any Covered Projects however should a mitigation projects be expected to cost more than \$100M HCD will consult with HUD early in the process.

Prior to the execution of a construction contract for a Covered Project, HCD will complete the following:

- Engage an independent third-party entity to verify the planned project costs.
- Secure the certification of a licensed design professional who states that the project design (or redesign) meet nationally recognized design and performance standards, that are recognized by FEMA for a project of its type, pursuant to FEMA HMA and addendum guidance.
- Establish a plan for financing the operations and maintenance over the useful life of the project.

B. Planning and Capacity Building

In accordance with HUD regulations, HCD may use up to 15 percent of the total mitigation grant amount or \$750 million, whichever is less, on planning costs. Planning funds may be used to update Hazard Mitigation Plans (HMPs) or for other local or regional plans.

C. General Grant Administration

HCD may use up to 5 percent of the CDBG-MIT award for administrative costs. HCD may use grant administration funds for its CDBG-MIT grants and the CDBG-DR grant associated with the mitigation notice interchangeably, provided that the proper financial controls to track the source of funds are in place. HCD is required to modify financial management policies and procedures and update their certifications to reflect this.

HUD will apply 50 percent of a HCD’s expenditures for grant administration if HUD determines HCD has spent adequate funds (50 percent) in the MID areas.

VII. National Objectives

For complete National Objective Compliance refer to the process outlined in Section X of the CDBG-DR GAM (pages 66-71). HUD has included additional National Objective requirements for CDBG-MIT projects and programs. These requirements are outlined below.

A. Urgent Need Mitigation

HUD has created a new National Objective - Urgent Need Mitigation (UNM) - for CDBG-MIT programs. This National Objective will provide a better fit for CDBG-MIT activities that aim to address risks that does not tie back to the disaster events of the 2017 CDBG-DR funding, or subsequent disasters.

B. Other National Objectives

Slum and Blight: Unless HCD receives prior approval from HUD, the slum and blight national objective designation may not be used for CDBG-MIT activities.

C. National Objective Compliance

Under CDBG-MIT, a tie back to a prior disaster is not required. HCD must demonstrate compliance with LMI or UNM national objectives for its CDBG-MIT activities.

1. Urgent Need Mitigation

Programs or activities using the UNM national objective must provide documentation that demonstrates a measurable and verifiable impact on reducing risks at the completion of the activity.

- Address the current and future risks as identified in the Mitigation Needs Assessment; and
- Result in a measurable and verifiable reduction in the risk of loss of life and property.

VIII. Other Federal Requirements

A. Citizen Participation Plan

For the complete HCD Citizen Participation Plan refer to the process outlined in Section XII, Part P of the CDBG-DR GAM (pages 92-93). HUD requires additional steps be taken for CDBG-MIT projects and programs. These requirements are outlined below.

1. Citizen Advisory Committee

Under CDBG-MIT, HCD is required to form a Citizen Advisory Committee (CAC) after the approval of the action plan but may form one prior to completing the Action Plan.

CACs are required to meet in an open forum not less than two times a year.

CACs will solicit and respond to public comment and input regarding activities and to serve as an on-going public forum to continuously inform the CDBG-MIT projects and programs.

2. Stakeholder Consultations

HCD must consult with state agencies, Indian tribes, local governments, Federal partners, nongovernmental organizations, the private sector, and other stakeholders and affected parties in the surrounding geographic area to ensure consistency of the action plan with applicable regional redevelopment plans and to determine the use of CDBG-MIT funds.

HCD is required to consult with the jurisdiction or agency that is responsible for development of the FEMA HMP including the State Hazard Mitigation Officer (SHMO).

To demonstrate compliance, HCD maintains documentation of all consultations with stakeholders.

A. Public Website

For all Federal Requirements refer to Section XII of the CDBG-DR GAM (pages 75-96). For website management refer to Section XII, Part R(1) of the CDBG-DR GAM (pages 94-96). HUD requires additional steps be taken for the CDBG-MIT Public Website. These requirements are outlined below.

HCD maintains a public website to provide information accounting for how all CDBG-MIT funds are used, managed and administered, including:

- Links to the action plan and all action plan amendments (numbered sequentially);
- Quarterly performance reports, as created using the DRGR system;
- Procurement policies and procedures;
- All executed contracts that will be paid with CDBG-MIT funds; and
- The status of goods currently being procured (e.g., phase of procurement, requirements for proposals, etc.).

HCD posts the QPR on the website within three days of submission to HUD. If the QPR is rejected by HUD, HCD posts the revised HUD approved version within three days of HUD approval.