

# CDBG Office Hours

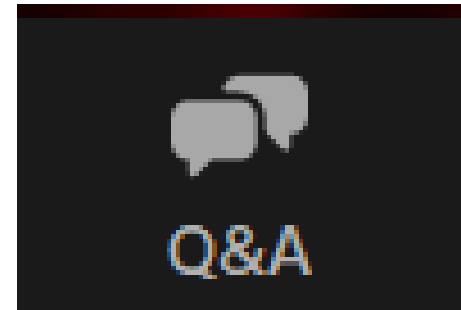
Team HCD CDBG





# How to ask a question

- Webinar questions:
  - Click “Q & A” chat bubble to submit a question to the team
  - You may ask questions anonymously, but if you want your name, organization, or region associated with your question, you will need to type it in the “Your Name” box
  - The team will read questions out loud throughout the presentation and will provide answers if possible
  - All questions will be saved and recorded as part of the public record





# Mandatory Financial Report Training(s) for CDBG-CV Grantees

To support CDBG-CV Grantees in compiling complete and efficient Financial Reports, HCD has prepared an updated coversheet, expenditure log, and cost eligibility checklist. Each training will cover:

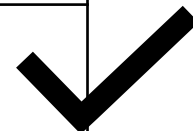
- How to use the updated forms
- How to submit Financial Reports comprised of the coversheet, expenditure log and supporting documentation
- Strategies to demonstrate cost eligibility to ensure efficient processing of reimbursement requests



# Mandatory Financial Report Training(s) for CDBG-CV Grantees – Dates and registration

The trainings are organized by activity-type. Please register for the appropriate training session(s) based on the type of CDBG-CV award you are administering using the links below:

Webinar	Date and Time
<a href="#">Public Service Financial Report Training: Eventbrite Registration</a>	October 12, 2021 1:30- 3:30 PM PDT
<a href="#">Economic Development Financial Reporting Training: Eventbrite Registration</a>	October 14, 2021 2:00 - 3:30 PM PDT
<a href="#">Public Facilities and Housing Financial Reporting Training: Eventbrite Registration</a>	October 15, 2021 10:00 - 11:30 AM PDT





# Upcoming HUD Training

HUD is offering CDBG-CV best practices training

## CDBG-CV Best Practices Webinar Series: HUD Exchange

<b>Webinar</b>	<b>Date and Time</b>	<b>Registration</b>
<a href="#"><u>Economic Development and Assistance to Businesses</u></a>	October 13, 2021 2:00 - 3:30 PM EDT	<a href="#"><u>Register Now</u></a>
<a href="#"><u>Public Services</u></a>	October 14, 2021 2:00 - 3:30 PM EDT	<a href="#"><u>Register Now</u></a>
<a href="#"><u>Public Facilities and Building Improvements</u></a>	October 26, 2021 2:00 - 3:30 PM EDT	<a href="#"><u>Register Now</u></a>
<a href="#"><u>Interim and Affordable Housing</u></a>	October 27, 2021 2:00 - 3:30 PM EDT	<a href="#"><u>Register Now</u></a>



# CDBG Program Updates

- **2020 CDBG NOFA**

- ❖ 109 Approved
- ❖ 105 Standard Agreements finalized
- ❖ 3 Pending Acceptance or returned for changes
- ❖ 1 Internal Routing

## **2021 CDBG NOFA**

- 65- applications submitted and currently under review
  - ❖ **15 – Non-Housing**
  - ❖ **21 - Housing**
  - ❖ **20 - Planning**
  - ❖ **9- ED application**

Reminder:

- **MANDATORY USE OF HCD RESOLUTION TEMPLATE. The Word Version is available**



# CDBG CV1

- CDBG-CV1
  - ❖ 82 Approved and Executed



# CDBG CV2 – CV3

- CDBG-CV2 and 3
  - 164 Submitted Applications:
    - 18 Rescinded
    - 29 Awaiting Corrections
    - 12 Routing
    - 54 Pending Signatures
    - 56 Executed



# Recap of Prior Questions and Answers





# GMM Appendix M

## Question:

- When will HCD update GMM Appendix M to reflect the updates in Appendix H of the CDBG-CV NOFA?

## Answer:

- HCD will take this task on now, but Appendix H can also be used for those within the CDBG 2019-2020 program with a coronavirus nexus.



# NEPA timeline

## Question:

- Our client is still working on NEPA for CV2/3, will they still be able to submit?

## Answer:

- If this is a client that submitted their application already, but NEPA is still underway, please coordinate with your Grant Administrator or HCD Representative to ensure that your application is in the queue and that the grantee has a plan to provide the follow up documentation.



# Reconciling funds available

## Question:

- Regarding the OTC funding list, what does “reconciling the funds” mean?

## Answer:

- There are a number of 2016-2017 awards that were made and are now being closed out. In some cases grantees spent local program income rather than CDBG funds, so as HCD closes those out, HCD must disencumber unused funds and then they will be available for use in the OTC process (but this happens in a piecemeal way).
- As CV1 applications close out and we identify how much of CDBG-CV2/3 was ultimately encumbered, there may also be unused funds, so HCD will have to do a similar process to potentially use those funds for the OTC projects with a COVID nexus.



# ED Documentation of Costs

## Question:

- Appendix H Version 2.0: What level of detail is needed in documentation of operating costs and expenses?

## Answer:

- Grantees need proof of use of funds in their files.
- There are a lot of activities that the small business program could pay for, so while office supplies are eligible, a strategic approach would be to look at payroll and higher value eligible costs so that the paperwork and receipt burden is not so high on the grantee and the business.



# Activity Delivery Tasks

## Question:

- How to charge activity delivery for ED – must it be charged to a specific project file and what happens if the business isn't funded?

## Answer:

- Activity delivery can cover the processing of eligible and ineligible (or unawarded) applications – example: receive 10 applications but only 7 are eligible for assistance, the effort to process all 10 applications is activity delivery to deliver the program.
- Within your program guidelines and/or your financial management guidelines, grantees should have a clear description of the grantee or subrecipient tasks that fall within activity delivery, administration, and planning.



# AGI Determination without a 2020 Tax Return

## **Question:**

- Can you use AGI to qualify an owner for microenterprise if they have an extension on filing their taxes and don't have a 2020 return? They only have a 2019 return.

## **Answer:**

- If using AGI method for validating current income, then you can use the most recent tax return.
- If their tax return is older than 2020, then the business owner must provide documentation of the request for extension.
- If the applicant does not file taxes, then they can provide alternative income and deductibles documentation, such as current benefits letters, pay slips, receipts for qualifying deductibles, etc.
- When self-certifying their income, they are also agreeing that their income has not changed since their latest tax return. If it has changed, the applicant may provide other source documentation (pay slip, unemployment benefits letter, etc.) that supports family income and the self-certification.
- HCD will also provide a best practice training on this.



# Carried Losses and AGI

## **Question:**

- On the Tax Form 1040, some business owners carry over negative losses from many prior years, and sometimes it is substantial amounts, thus their AGI may be \$0. Can you provide guidance on how to handle that?

## **Answer:**

- This is likely a type of question that requires individual technical assistance as a part of underwriting; grantees can work with applicants to understand and provide TA that gets to the root causes/reasons for the losses in previous years to ensure the project is feasible. For example,
  - Make sure that all business licenses are current and active.
  - Review their liabilities and assets.
  - Provide TA to the applicant to make sure everyone understands the tax consequences of those carryovers and that IRS will only allow a business to show new losses for a limited time.
- If the grantee is using AGI method (which is one of the three methods HUD allows for determining income), then the grantee can rely on the field within the Tax Form 1040 that reflects AGI, as defined by the IRS (the field# changed between 2019 and 2020). There is no regulatory requirement to look further than how the IRS defines AGI, unless the applicant says their AGI has changed since their latest tax return.





# DOB – Use of funds

## **Question:**

- For the DOB process, is there any advice/guidance on how to properly confirm what past federal assistance has been used on? For instance, an EIDL loan is repaid, so it isn't counted as income, so we don't see it show up on their P n L statement. Does a letter suffice stating what it was used for and signed by the owner?

## **Answer:**

- SBA has put up a spreadsheet of all their loans made through the PPP ([Link to SBA data sets on PPP](#))
  - The excel file includes a full list of applicants, with loan status, the date of the award, and the amount for Utilities, Payroll Proceeds, Mortgage, Rent, Refinance EIDL, Health, and/or Debt Interest (columns AK-AQ).
- For other sources, grantees should ask for third party letters, awards, etc. from the funding entity to verify the uses and time period of the funds.
- Once the grantee has the details of the uses and time period of the other funds, the grantee will determine and document whether those funds are or are not duplicative with the CDBG-CV award. For example, if the other assistance was for a different period of time, the grantee can use that information to eliminate a potential DOB.
- HCD will be issuing additional guidance on DOB and the verification process.



# Eligible costs for business assistance

## Question:

- Appendix H v2.0 stipulates that the guidelines must define operational expense and working capital expenses - this can be a very long list and varies by type of business so I'm seeking guidance on what level of detail is required.

## Answer:

- HCD has given grantees the flexibility to determine what they will pay for in terms of operational expenses and working capital. As a grantee, consider how you will reduce the administrative burden while maintaining flexibility, so tailor your program policies to fit your community's businesses' needs while balancing that with documentation efforts.
- When defining eligible uses of funds in grantee guidelines, those categories can be broad. For example:
  - **Non-construction activities:** Inventory, Payroll and Employer Provided Benefits, Supplies, Movable Equipment, Marketing, Furniture, Rent/Mortgage, Utility Payments, Business-Related Subscriptions
  - **Construction-related activities:** Rehabilitation or real estate modifications, Fixtures Installation
- Note: if the grantee allows for construction-related activities as part of their program, that should be clearly identified by the grantee in the guidelines, as that will trigger additional compliance requirements



# 2022 NOFA Requirements

## Question:

- Will the 50% spend down requirement be in effect for the 2022 NOFA applications? If so, is that by category or activity (Economic Development vs Microenterprise Loan Assistance, Housing vs OOR)?

## Answer:

- HCD is currently underway drafting the 2022 NOFA and, as of now, that rule will remain in the program for 2022 by activity.



# Training for Grantees

## **Question:**

- HCD CDBG-CV best practice training is great. However training in January is late for CV1 contracts especially for those contracts who end at the beginning half of 2022.

## **Answer:**

- HCD appreciates this feedback and is taking that into consideration.
- There will be more training available even before January, and HCD will coordinate further with grantees to make sure the training meets their specific program needs.



# Loan certification form / framework

## Question:

- As Loans will be self-certified by grantee and underwriter (Appendix H v2.0 p.8) will HCD be providing a certification form or framework so that grantee and underwriter indicate they have complied with federal overlays, national objective/public benefits, CDBG underwriting criteria etc. so there is some form of standardization.

## Answer:

- ICF can coordinate with HCD to create a form for grantee use that meets this purpose.
- Due to different project types, there may be a limited extent of standardization that can apply, but HCD is aiming to do this where possible.



# Guidance for ED programs

## Question:

- As a number of jurisdictions now have approved Standard Agreements is there any idea of when the following items might be finalized as they impact the ability to approve guidelines or affect the jurisdiction's ability to launch and fund loans in a timely manner: 1) AGI guidance, 2) ability to secure an advance, 3) ability to document individual loans in eCivis.

## Answer:

- #1: AGI is as defined by the IRS, can be self-certified, but should include documentation to support the self-certification. For ED microenterprise activities it is based on the owner's family. ICF is finalizing form templates for grantees who want to use the AGI process for subsistence and microenterprise programs.
- #2: HCD to follow up on this.
- #3: There is not a functionality currently in eCivis to do this, however HCD is continuing to look into this.
  - Would this be in place of local loan servicing interface?



# COVID nexus for subsistence payments

## Question:

- What info should a grantee collect to support the claim that a beneficiary of subsistence payments and on a fixed income has experienced economic hardship as a result of COVID?

## Answer:

- There are a few possible data sources to use here:
  - To show fixed income:
    - Tax return to compare benefits in 2021 vs. 2020
    - Social security benefit award
  - To show economic impact due to COVID
    - Signed statement from the applicant or the family that supported them (who cannot anymore) stating the reason that they cannot make their utility/mortgage payment was due to the financial impacts of COVID.

# Questions and Answers

