




# CDBG Redesign

## Method of Distribution and other Program Changes

Department of Housing and  
Community Development

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## Background

- Two-year effort to re-tool the CDBG program to address critical issues
  - Poor expenditure rate
  - Overly complicated program procedures
  - State regulations that conflict with federal regulations
  - Burdensome regulations
  - Inconsistent program administration
- Redesign Working Group
  - key stakeholders across the state participating in regular meetings and document design.



## Redesign Focus

- **Economic Development**
  - How to increase program utilization and improve overall performance
- **Program Income and Revolving Loan Funds**
  - How to eliminate overly restrictive requirements and help move funds more quickly
- **Expenditure Rate**
  - How to increase our expenditure rate while maintaining compliance with federal regulations



## Redesign Outcomes...so far

- **New CDBG Program Guidelines pending final adoption**
  - The guidelines will replace the state regulations and are aligned with federal regulations
- **New Program Income Policy**
  - To be discussed in the next class
- **New Proposed Method of Distribution**
  - Included in the Consolidated Plan as the means by which CDBG funds will be awarded to successful program applicants



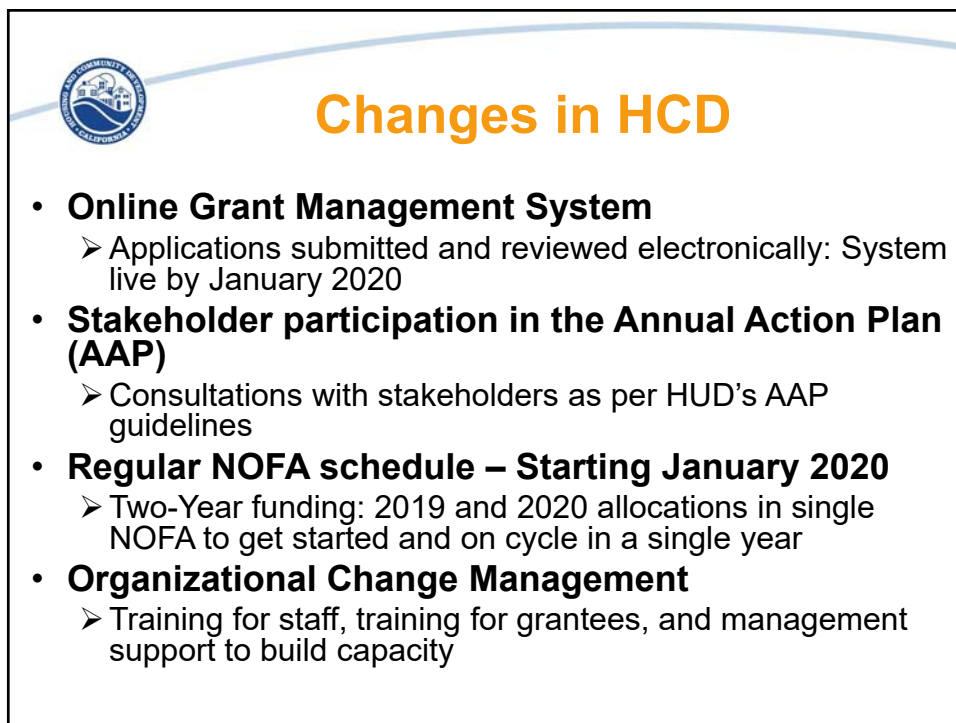
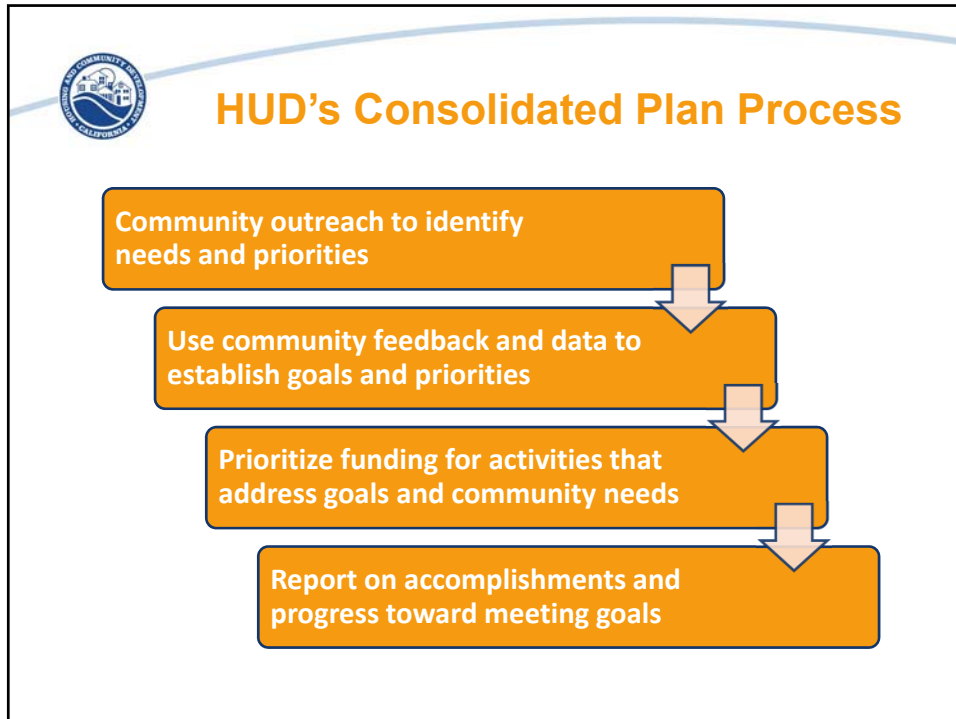
## Guideline Highlights

- Program changes include:
  - Over-the-Counter (OTC) options for Community Development (CD) and Economic Development (ED) projects
  - Project and program differentiation – capital projects are OTC, programs, public services, and planning are competitive in the NOFA and application process
  - 50% rule – projects are exempt and in programs the rule only applies to like activities (ED programs to ED programs and CD programs to CD programs)



## Redesign Changes

- HUD's Consolidated Plan Process
- Changes in HCD
- Federal Cross-Cutting Thresholds
- State Overlay Thresholds
- Competitive Readiness, Rate, and Rank
- Capital Projects, OTC, and Readiness
- Performance Expectations





## Federal Cross-Cutting Thresholds

### Federal Cross-Cutting Thresholds for All HUD Funded Programs

**Debarment Check** – Federal Excluded Parties List through System for Award Management (SAM.gov)

**Statement of Assurances** – Signed by Chief Executive Officer

**2 CFR Part 200 Compliance** – Signed Certification

**Citizen Participation** – Public Hearings, meetings, and noticing per Citizen Participation Plan

**Single Audit and/or Monitoring Compliance** – All open findings resolved (Federal and State)



## State Overlay Thresholds

### State Overlay Thresholds for All HCD Funded Programs

**Growth Control** – Residential construction limitations in compliance

**Resolution of the Governing Body** – Application, Certifying Officer, Signing Authority

**50% Rule** – Expend 50% of open grants to apply for same type of activity (only applies to competitive programs)

**Non-Compliance** – Repayment or repayment agreement for ineligible expenditures

**Reporting** – All reports submitted and on time

**Program Income** – Compliance with Program Income Policy



The slide, titled "Competitive Readiness Examples", features a bulleted list of requirements. The logo for the University of California, San Diego is in the top left corner.

- Currently program – must be active
- Market conditions assessment: supply and feasibility
- Economic market study: supply and demand
- Housing market study: supply and demand
- Unmet infrastructure or facility need analysis
- Public services needs assessment
- Internal capacity evaluation: staffing, contractors, consultants
- Program guideline development and adoption
- Marketing plan specific to activity and area
- Environmental Review is complete
- Procurement is complete
- State Objectives – Fair Housing and Disaster Resiliency

Q! Does consultant/contractor experience count as readiness?  
 A! Do you have a procured and signed contract at application? Yes = Yes

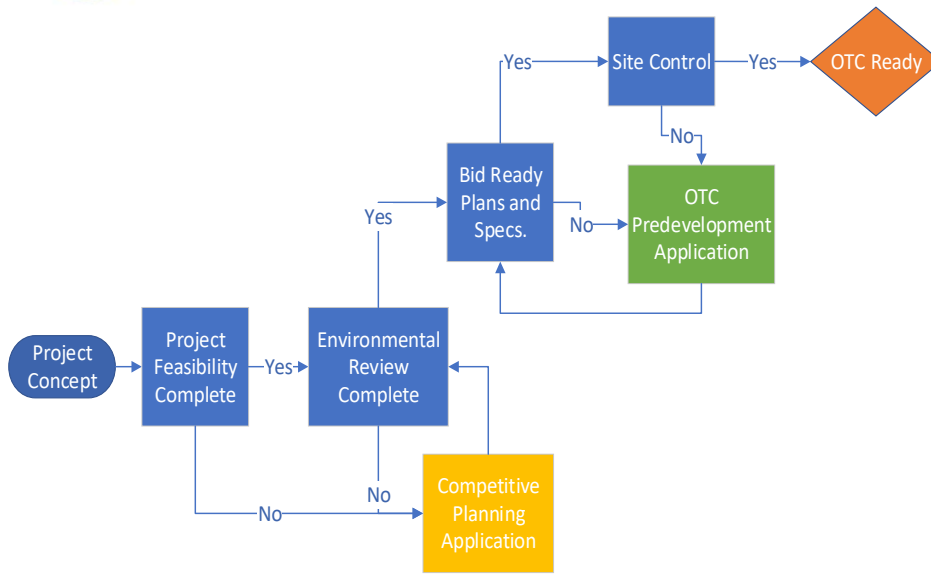


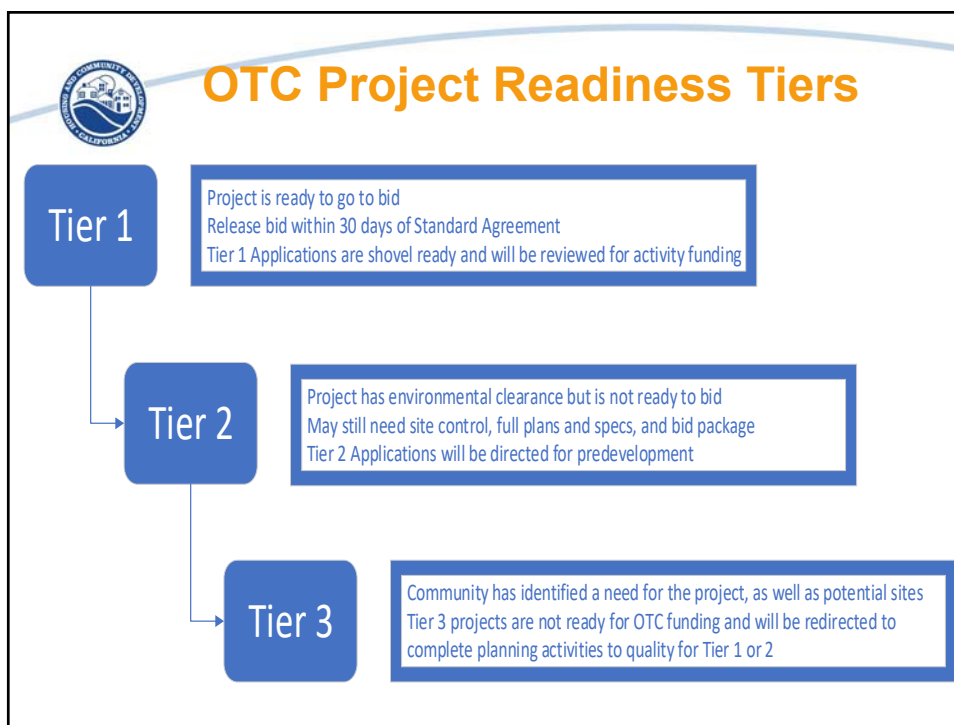
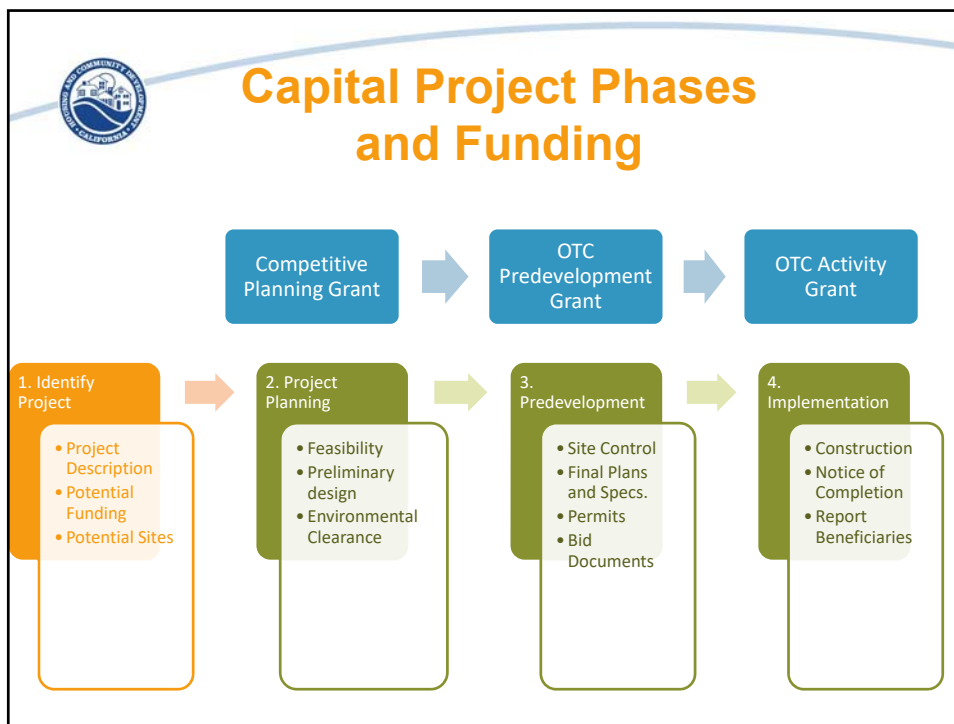
## Competitive Rate and Rank

- Eliminate as much subjectivity as possible
- Readiness as activity application threshold
- Align need points with standardized data
- Use data that reduces need for surveys
- Align benefits with HUD required data
- Prior program performance (soft roll-out)
  - Reports submitted on time
  - Milestones met
  - Budget management



## Capital Projects









## OTC Application Processing

- Only project that meet project readiness requirements will be able to apply OTC
- Applications reviewed first-come first-served during the open OTC period
- Unfunded OTC applications will be waitlisted during the open OTC period
- OTC Predevelopment projects will jump to the front of the line for OTC activity funds
- At the end of the open OTC period applications on the waitlist can be updated and re-submitted as soon as the next NOFA is released in January



## Performance Expectations

- Milestones will be required in the application
  - Applicants set their own milestones
  - Missed milestones will result in lost points
  - OTC applicants with missed milestones will lose readiness eligibility
  - Milestones can be adjusted, but must be changed BEFORE they are missed
  - HCD commits to set turn-around times for standard documentation to prevent missed milestones
- Application documents feed directly into the Standard Agreement



## Budget Expectations

- Budgets will be required in the application
  - Additive and subtractive budgeting to include current and future program income
  - Line-Item budgets must identify all funding
  - Budget adjustments must be approved BEFORE they are completed
  - Budgets will directly relate to requests for funds
  - All project funding will be included in the project application budget
  - Projects that come in way over budget will negatively impact future applications
- Application documents feed directly into the Standard Agreement



## Next Steps

- MOD will be part of the Consolidated Plan with opportunities for public comment
- Grant Management System designed to simplify application process
- Grant Management System training
- HUD Cross-cutting requirement training
- Readiness criteria training



## Questions and Conclusions

Thank You!