




# CDBG Redesign

## Method of Distribution and other Program Changes

Department of Housing and  
Community Development

Jessica Hayes, CDBG Specialist  
[Jessica.Hayes@hcd.ca.gov](mailto:Jessica.Hayes@hcd.ca.gov)



## 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



## HUD's Consolidated Plan Process

Community outreach to identify needs and priorities

Use community feedback and data to establish goals and priorities

Prioritize funding for activities that address goals and community needs

Report on accomplishments and progress toward meeting goals



## Changes in HCD

- **Online Grant Management System**
  - Applications submitted and reviewed electronically: System live by January 2020
- **Stakeholder participation in the Annual Action Plan (AAP)**
  - Consultations with stakeholders as per HUD's AAP guidelines
- **Regular NOFA schedule – Starting January 2020**
  - Two-Year funding: 2019 and 2020 allocations in single NOFA to get started and on cycle in a single year
- **Organizational Change Management**
  - Training for staff, training for grantees, and management support to build capacity



## 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 diagram, titled "Competitive Readiness Examples", lists various criteria for program readiness:

- 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

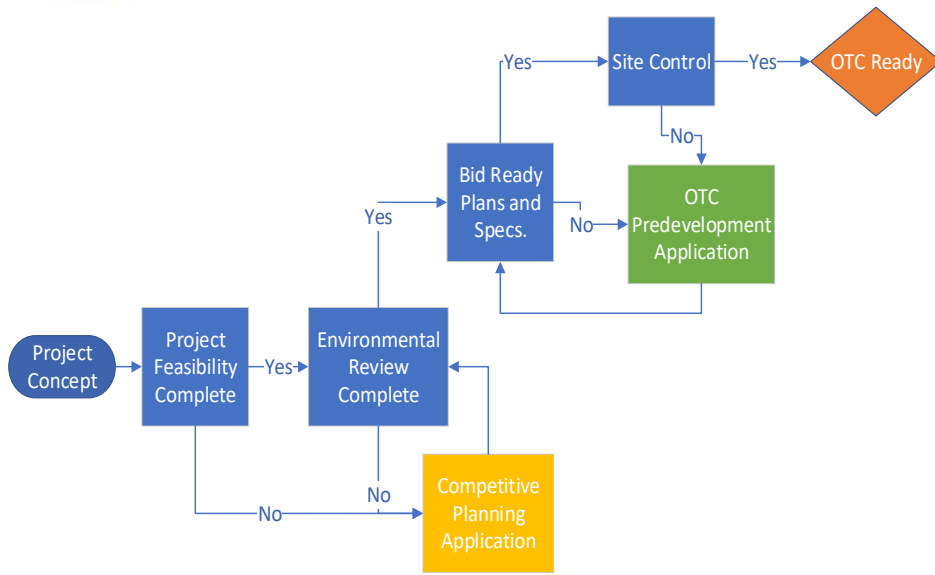


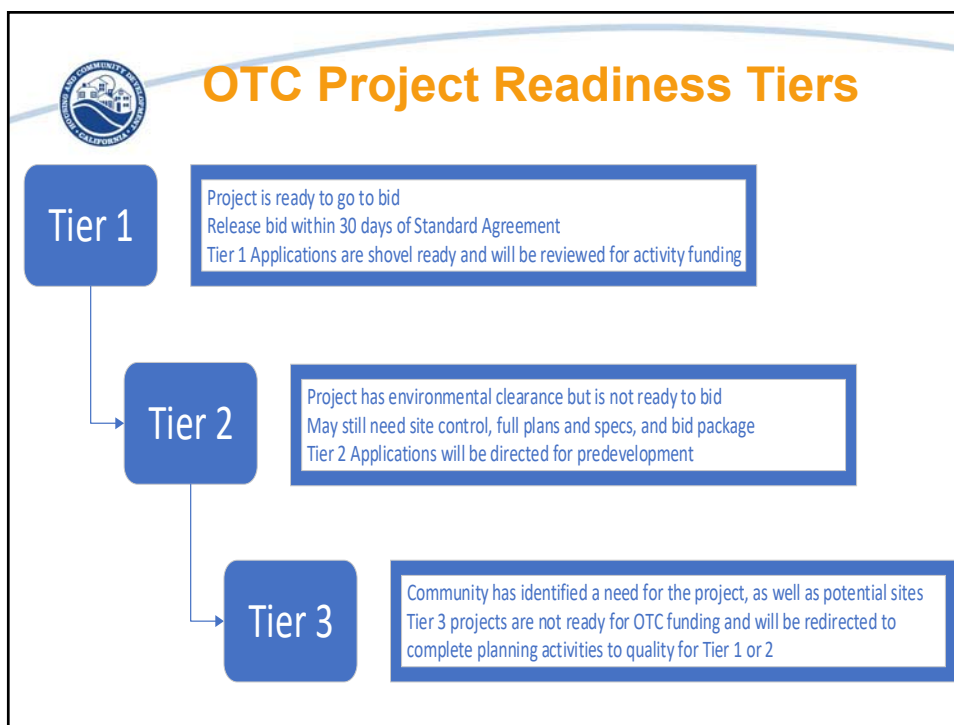
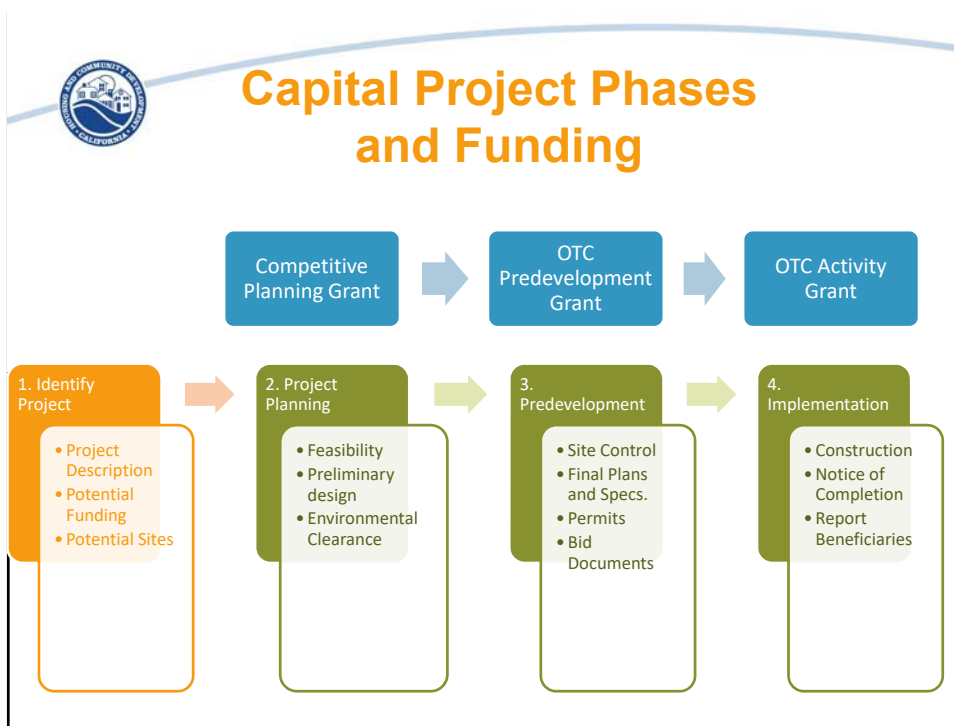
## Competitive Rate and Rank

- 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!