

# CDBG-CV: The Basics

International Economic Development Council  
COVID-19 Webinar Series

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# — Agenda

- ◆ CDBG – A Reliable Funding Conduit
- ◆ CARES Act Funding
- ◆ HUD Actions to Date and What's to Come?
- ◆ Deployment Considerations

# CDBG– A Reliable Funding Conduit

- ◆ In existence since 1974, CDBG annually funds to more than 1,200 jurisdictions.
- ◆ Local officials are familiar with CDBG's operational framework and basic program requirements.
- ◆ Eligible activities encompass infrastructure, housing, economic development, and public services, enabling CDBG to address many needs.
- ◆ There has been extensive use of CDBG by Congress to deliver emergency and recovery funding, including:
  - ◆ More than \$90 billion in CDBG-Disaster Recovery funding since 2001;
  - ◆ \$7 billion for Neighborhood Stabilization Program funding between 2008 and 2010; and
  - ◆ The \$1 billion for CDBG-Recovery Act in 2009.

# CARES Act Funding for CDBG



**The CARES Act directs HUD to allocate in three tranches:**

- ◆ \$2 billion to all grantees within 30 days of enactment (NLT 4-26-20).
- ◆ \$1 billion to states & territories NLT 5-11-20 based on factors in CARES Act and HUD input.
- ◆ \$2 billion on rolling basis “to the State or ... local government, at the discretion of the Secretary, according to a formula based on factors to be determined by the Secretary”.

The CARES Act provides a range of relief on statutory points. Most importantly, it removes the cap on public service expenditures and extends flexibilities to regular FY 2019 and 2020 funding.

# HUD Actions to Date / What's to Come

## To Date

- ◆ Initial \$2 billion allocation announced April 2
  - ◇ [https://www.hud.gov/program\\_offices/comm\\_planning/budget/fy20/](https://www.hud.gov/program_offices/comm_planning/budget/fy20/)
- ◆ Guidance issued April 9
  - ◇ <https://www.hudexchange.info/programs/cdbg/disease/>

## To Come

- ◆ Tranche 2 announcement by May 11
- ◆ Federal Register Notice with additional waivers and alternative requirements
- ◆ Tranche 3 allocation

# CDBG-CV – Deployment Considerations

- ◆ Take action only with a clear direction and plan.
  - ◇ Ask: What are community needs and how can CDBG-CV address them?
  - ◇ Action: Be knowledgeable of other CARES Act funding sources. Some programs have narrow uses versus CDBG, so make informed choices that balance funding flexibility.
  - ◇ Action: Be aware of “duplication of benefit” issues if you are seeking FEMA funding.
- ◆ Consider your organization’s strengths and weaknesses.
  - ◇ Ask: What can you accomplish with the staff you have?
  - ◇ Ask: Where do you have the appropriate controls, policies and procedures?
  - ◇ Action: Advocate to add additional staff as appropriate. There is additional administrative funding to support additional staffing needs.

# CDBG-CV – Deployment Considerations

- ◆ Be mindful of applicable CDBG requirements and public optics.
  - ◇ Ask: Do funding uses provide relief in alignment with low-mod benefit requirements?
  - ◇ Action: Think about how actions appear to taxpaying public and those suffering economic hardship.
- ◆ Talk to HUD reps if you have questions and seek further relief if needed.
  - ◇ Action: Present your position and ask why not?

# Questions?

Thank you for listening

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# Getting the Money on the Street **A 45-Day Plan**



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# Operationalizing a CDBG-CV Program in 45 Days



**1** Identify Key Stakeholders



**2** Identify Opportunities To Leverage Resources



**3** Identify Unmet Needs & Service Gaps That Could Be Filled With CDBG-CV Funding



**4** Design A Program



**5** Provide Opportunity For Public Input



**6** Implement The Program

# Identify Key Stakeholders

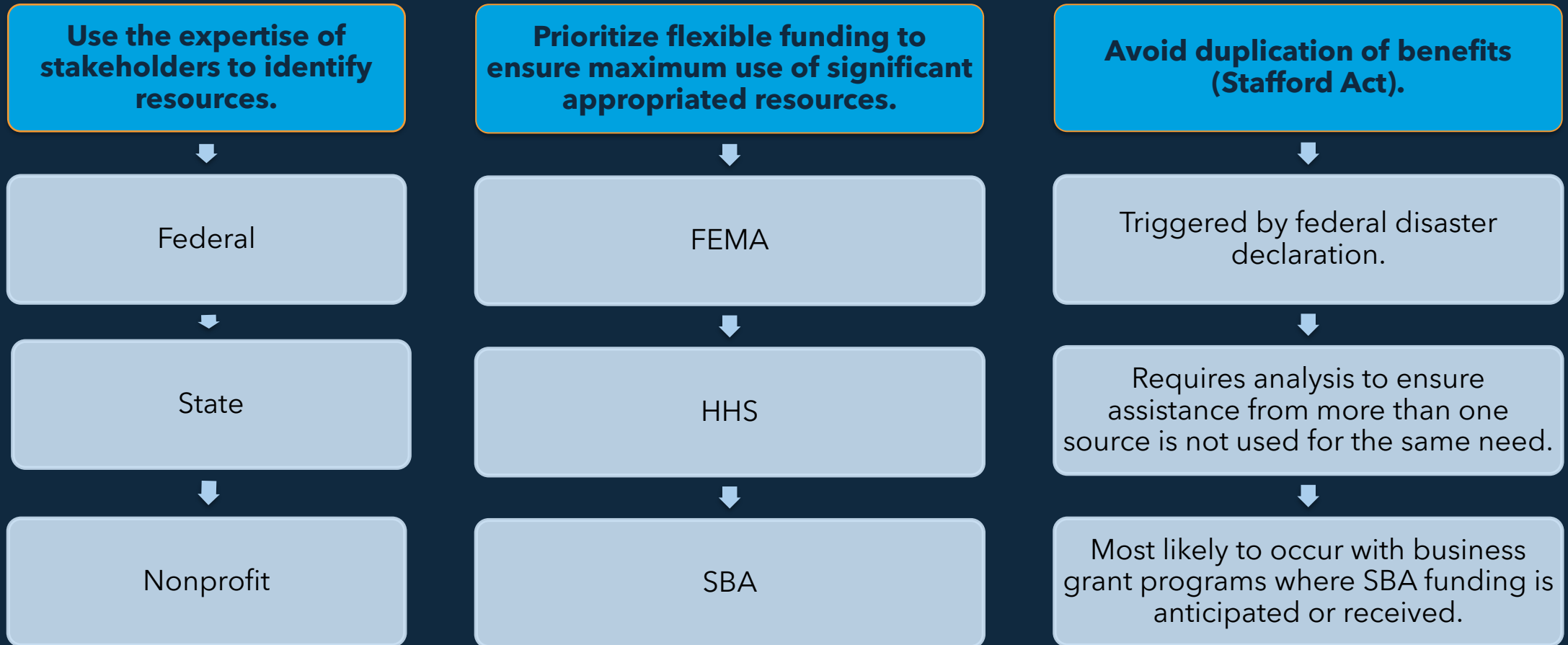


- Convene, if not already meeting.
- Local and state government, and regional representatives of federal agencies.
  - FEMA; HUD; SBA; EDA; HHS
- Stakeholders should have knowledge and the ability to act.

## REPRESENTATIVES CAN INCLUDE

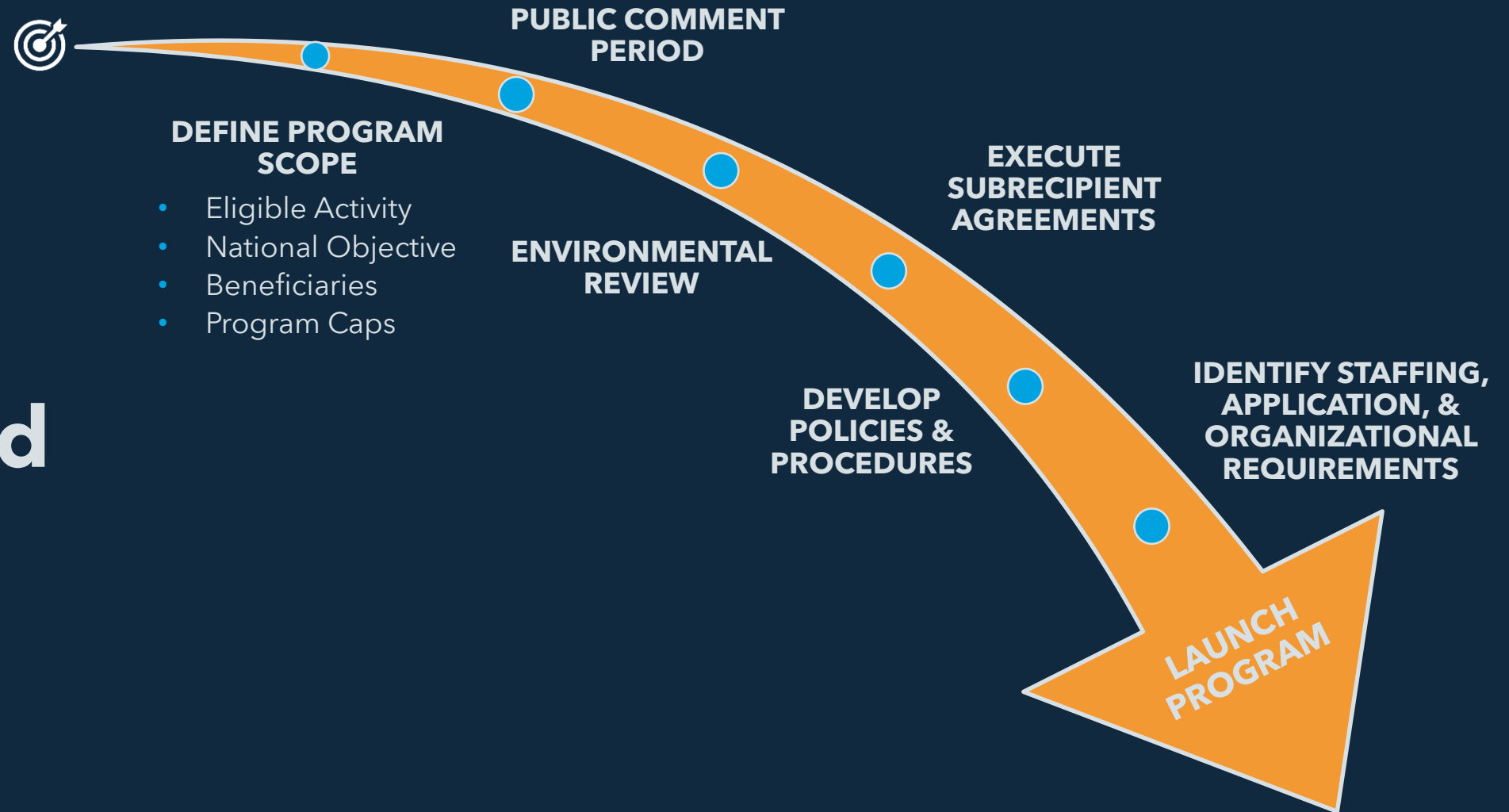
- Emergency Management
- Public Health
  - Health Department
  - Hospital Association
- Economic Development Organizations
- Local Banks:
  - Bankers Associations
  - Local Branch of Federal Reserve
- Nonprofit & Foundation Leadership

# Identify Opportunities to Leverage Resources





# Design Program to Meet Identified Need



# Program Examples

- Payment of Nonfederal Cost Share – FEMA Match
  - Activity must be CDBG eligible.
  - Adoption of FEMA environmental review possible.
- Food Bank
- Interim Mortgage Assistance
  - Currently capped at 3 months for CDBG-CV.
- Business Support Program
  - Assistance with SBA loan applications.
- Business Grant
  - Target program to address need SBA may not meet (under-banked or unbanked businesses).
  - Target program to address specific local need.
    - Mainstreet/BID
    - Hospitality
    - Nonprofits
    - Critical supply chain businesses
    - Essential services
  - Must get SBA data for duplication of benefits analysis (direct feed).

# Waivers

- Secretary has discretion.
  - Exceptions:
    - Fair Housing
    - Nondiscrimination
    - Davis Bacon
    - Environmental review.
- Consider waiver request if it can be justified based on DATA.
- HUD publishes all waivers granted each quarter in Federal Register.

## WAIVERS UNDER CARES ACT

- 15% public benefit cap lifted – also applies to FY 2019 and 2020 allocations.
- Public notice period for substantial amendments is 5 days, and virtual public hearings are acceptable.
- FY 2019 and 2020 allocations can be used to respond to COVID-19 if costs comply with CDBG requirements.
  - Pre-agreement and pre-award cost authority available for eligible activities.
- 24-month extension of interim mortgage assistance and tenant based rental assistance (HOPWA).

# Prior Waivers Granted: CDBG-DR



## EXAMPLES INCLUDE:

- Removal of public benefit cap for business grant & loan programs.  
*DR - General*
- Permission for states to fund programs directly or subgrant to other subrecipients, including, but not limited to local governments.  
*DR - General*
- Emergency support for essential public services.  
*DR - Specific*



# Documentation! Documentation! Documentation!

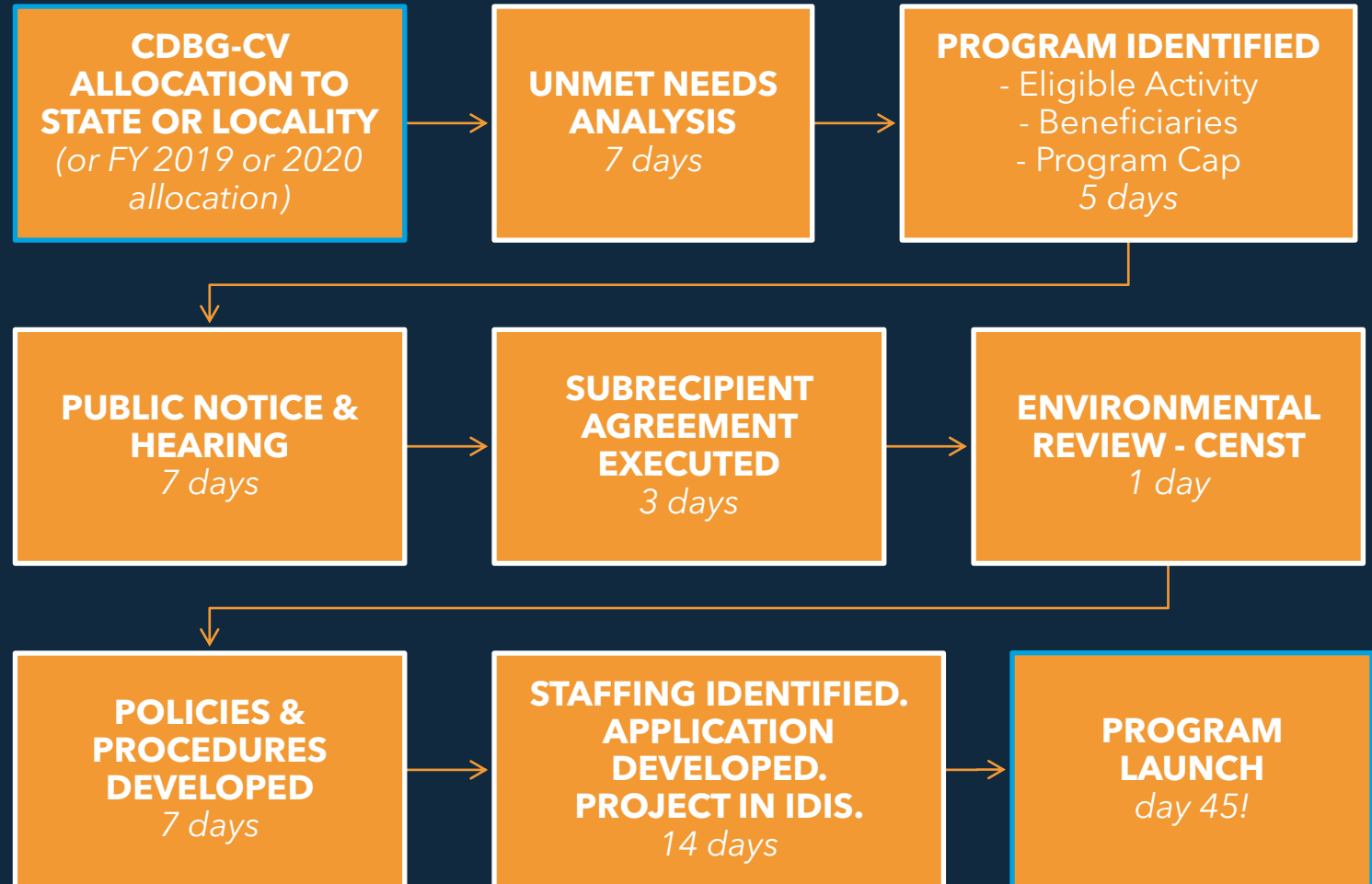
- CARES Act permits reimbursement of eligible expenses even if they occurred prior to the passage of the Act.
- Establish cost center and charge codes for ALL COVID-19-related activities.
- FEMA Public Assistance - Category B - Emergency Protective Measures:
  - Requires 25% local match as of today.
  - Broadly defined as activities to prevent and respond to COVID-19.
  - Local match can be cash or in-kind.



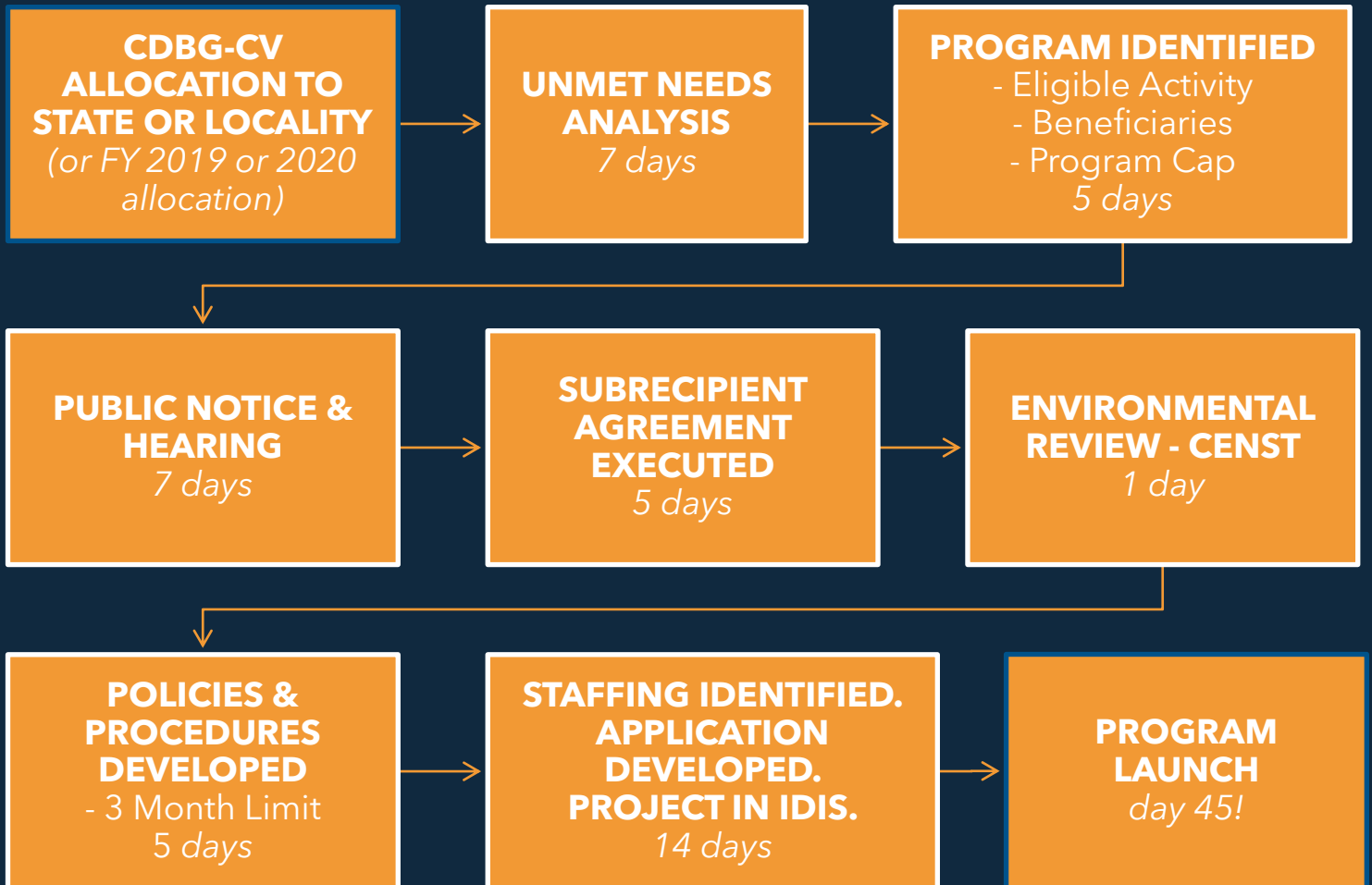
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# Business Grant Program

## WORKING CAPITAL ONLY



# Interim Mortgage Assistance



# HUD Resources

- HUD COVID-19 Webpage: <https://www.hud.gov/coronavirus>
- HUD Exchange COVID-19 Site:  
<https://www.hudexchange.info/programs/covid-19/>
- HUD Exchange (HUDx) - Program-Specific Webpages:
  - CDBG: <https://www.hudexchange.info/programs/cdbg/disease/>
  - Environmental Review: <https://www.hudexchange.info/news/office-of-environment-and-energy-guidance-in-response-to-covid-19/>
  - HOME Program: <https://www.hudexchange.info/programs/home/covid-19/>
  - SNAPS (Homelessness Programs): <https://www.hudexchange.info/homelessness-assistance/diseases/#covid-19-key-resources>

# CDBG for Small Business Recovery Efforts

**Raquel Favela, Senior Director**



# CDBG for Disaster Small Business Loan Funds

## ... Tips & Best Practices

Source	Design	Use	Terms	Requirements	Leverage
<p>Use CDBG Program Income to set up your SBLF – CDBG cannot be drawn in lump sum</p> <p>Identify other capital that can be used when CDBG isn't the right match</p>	<p>Create specific program design that meets national objectives: i.e. presumed benefit job retention, minority and women owned businesses</p>	<p>Decide what the loan funds will cover: working capital, equipment, inventory, etc.</p> <p>Environmental Review is a consideration</p>	<p>Determine Loan Terms: interest rates, term of loan</p> <p>Grants only for business disruption funds</p>	<p>Require training for larger loans</p> <p>Have policies and procedures for each funding source</p>	<p>Leverage regional resources by pooling funds with adjacent cities and counties</p>

# Leverage Resources

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## Economic Development Administration, SBA & CDFI



U.S. Small Business  
Administration

- Identify other loan funds operating through EDA, SBA, & CDFI's in the greater market
- Evaluate capacity of their underwriting staff and use them instead of creating your own
- Use their loan servicing infrastructure if they have capacity
- Identify Philanthropy that is aligned with mission
- Identify a Centralized Fund Administrator for your City and if possible, for your Region

# Advantages of Centralized Fund Administrator

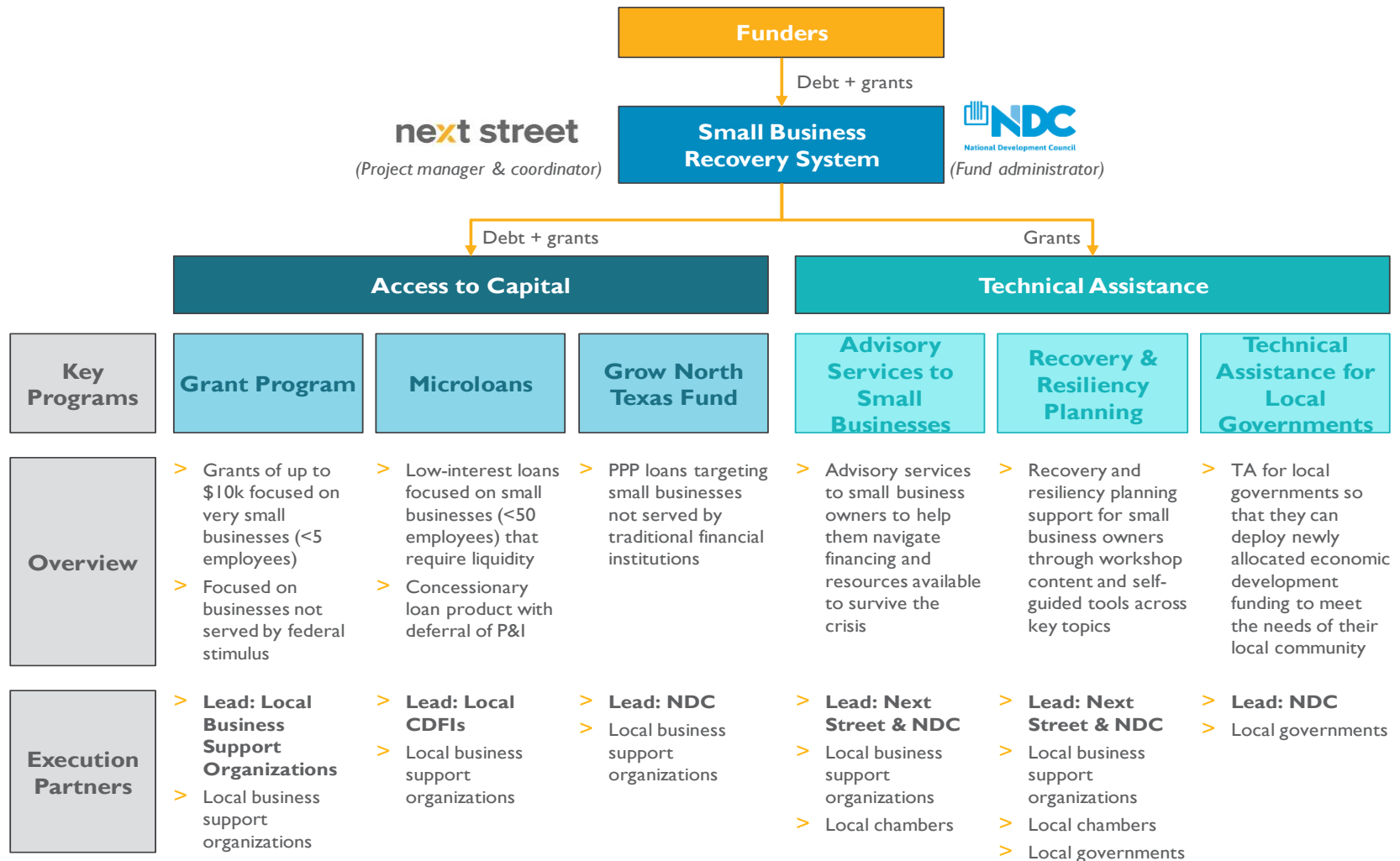
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## Compliance, Credibility and Capacity

- *Helps with regulatory compliance reporting i.e. certification of no Duplication of Benefits*
- Attracts more capital from the Philanthropic and Investor community
- Focuses local energy on reaching minority and women owned businesses who are largely unbanked
- Creates capacity among trusted organizations and creates flow of assistance through a coordinated channel: business disruption funding, business assessment, technical assistance and training, resiliency planning, and long-term financing



# North Texas Case Study



## Contact Information

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