CDBG-CV: The Basics
International Economic Development Council
COVID-19 Webinar Series

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Senior Advisor for Community Recovery
April 20, 2020
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/](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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April 20, 2020   ICF.com
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 CBBG-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.
  o FEMA; HUD; SBA; EDA; HHS
• Stakeholders should have knowledge and the ability to act.

REPRESENTATIVES CAN INCLUDE
• Emergency Management
• Public Health
  o Health Department
  o Hospital Association
• Economic Development Organizations
• Local Banks:
  o Bankers Associations
  o Local Branch of Federal Reserve
• Nonprofit & Foundation Leadership
## Identify Opportunities to Leverage Resources

<table>
<thead>
<tr>
<th>Use the expertise of stakeholders to identify resources.</th>
<th>Prioritize flexible funding to ensure maximum use of significant appropriated resources.</th>
<th>Avoid duplication of benefits (Stafford Act).</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Federal</strong></td>
<td><strong>FEMA</strong></td>
<td><strong>Triggered by federal disaster declaration.</strong></td>
</tr>
<tr>
<td><strong>State</strong></td>
<td><strong>HHS</strong></td>
<td><strong>Requires analysis to ensure assistance from more than one source is not used for the same need.</strong></td>
</tr>
<tr>
<td><strong>Nonprofit</strong></td>
<td><strong>SBA</strong></td>
<td><strong>Most likely to occur with business grant programs where SBA funding is anticipated or received.</strong></td>
</tr>
</tbody>
</table>
Design Program to Meet Identified Need

DEFINE PROGRAM SCOPE
- Eligible Activity
- National Objective
- Beneficiaries
- Program Caps

PUBLIC COMMENT PERIOD

ENVIRONMENTAL REVIEW

EXECUTE SUBRECIPIENT AGREEMENTS

DEVELOP POLICIES & PROCEDURES

IDENTIFY STAFFING, APPLICATION, & ORGANIZATIONAL REQUIREMENTS

LAUNCH PROGRAM
Program Examples

• Payment of Nonfederal Cost Share - FEMA Match
  o Activity must be CDBG eligible.
  o Adoption of FEMA environmental review possible.

• Food Bank

• Interim Mortgage Assistance
  o Currently capped at 3 months for CDBG-CV.

• Business Support Program
  o Assistance with SBA loan applications.

• Business Grant
  o Target program to address need SBA may not meet (under-banked or unbanked businesses).
  o Target program to address specific local need.
    - Mainstreet/BID
    - Hospitality
    - Nonprofits
    - Critical supply chain businesses
    - Essential services
  o 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*
• 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:
  o Requires 25% local match as of today.
  o Broadly defined as activities to prevent and respond to COVID-19.
  o Local match can be cash or in-kind.
Business Grant Program

WORKING CAPITAL ONLY

CDBG-CV ALLOCATION TO STATE OR LOCALITY (or FY 2019 or 2020 allocation)

UNMET NEEDS ANALYSIS
7 days

PROGRAM IDENTIFIED
- Eligible Activity
- Beneficiaries
- Program Cap
5 days

PUBLIC NOTICE & HEARING
7 days

SUBRECIPIENT AGREEMENT EXECUTED
3 days

ENVIRONMENTAL REVIEW - CENST
1 day

POLICIES & PROCEDURES DEVELOPED
7 days

STAFFING IDENTIFIED. APPLICATION DEVELOPED. PROJECT IN IDIS.
14 days

PROGRAM LAUNCH
day 45!
Interim Mortgage Assistance

- **CDBG-CV ALLOCATION TO STATE OR LOCALITY** (or FY 2019 or 2020 allocation)
- **UNMET NEEDS ANALYSIS** 7 days
- **PROGRAM IDENTIFIED**
  - Eligible Activity
  - Beneficiaries
  - Program Cap
  - 5 days
- **PUBLIC NOTICE & HEARING** 7 days
- **SUBRECIPIENT AGREEMENT EXECUTED** 5 days
- **ENVIRONMENTAL REVIEW - CENST** 1 day
- **POLICIES & PROCEDURES DEVELOPED**
  - 3 Month Limit
  - 5 days
- **STAFFING IDENTIFIED. APPLICATION DEVELOPED. PROJECT IN IDIS.** 14 days
- **PROGRAM LAUNCH**
  - day 45!
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:
  o CDBG: https://www.hudexchange.info/programs/cdbg/disease/
  o HOME Program: https://www.hudexchange.info/programs/home/covid-19/
  o 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

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

Economic Development Administration, SBA & CDFI

- 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

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

Key Programs

- **Grant Program**
  - Grants of up to $10k focused on very small businesses (<5 employees)
  - Focused on businesses not served by federal stimulus

- **Microloans**
  - Low-interest loans focused on small businesses (<50 employees) that require liquidity
  - Concessionary loan product with deferral of P&I

- **Grow North Texas Fund**
  - PPP loans targeting small businesses not served by traditional financial institutions

- **Advisory Services to Small Businesses**
  - Advisory services to small business owners to help them navigate financing and resources available to survive the crisis

- **Recovery & Resiliency Planning**
  - Recovery and resiliency planning support for small business owners through workshop content and self-guided tools across key topics

- **Technical Assistance for Local Governments**
  - TA for local governments so that they can deploy newly allocated economic development funding to meet the needs of their local community

Overview

- **Execution Partners**
  - Lead: Local Business Support Organizations
  - Local business support organizations

  - Lead: Local CDFIs
  - Local business support organizations

  - Lead: NDC
  - Local business support organizations

  - Lead: Next Street & NDC
  - Local business support organizations
  - Local chambers

  - Lead: Next Street & NDC
  - Local business support organizations
  - Local chambers
  - Local governments

Funders

- Debt + grants

- Debt + grants

- Grants

Technical Assistance

Next Street (Project manager & coordinator)

Grow North Texas Fund (Fund administrator)
Contact Information

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