

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF FINANCIAL ASSISTANCE
FEDERAL PROGRAMS BRANCH****Community Development Block Grant Program (CDBG)**

1800 Third Street, Suite 330
P. O. Box 952054, MS 330
Sacramento, CA 94252-2054
(916) 552-9398
FAX (916) 319-8488

**CDBG MANAGEMENT MEMORANDUM****Community Development Block Grant Program - Memorandum Number 10-06**

DATE: June 7, 2010

TO: Eligible Community Development Block Grant (CDBG) Jurisdictions

FROM: Thomas Brandeberry, CDBG Section Chief

SUBJECT: CDBG 2010-2011 GENERAL/NATIVE AMERICAN NOTICE OF FUNDING AVAILABILITY (NOFA) AND APPLICATION WORKSHOP - QUESTIONS AND ANSWERS

GENERAL**1. *How do you determine and document the service area for a proposed activity?***

Please refer to Appendix C of the Application for details on how to determine a service area. An applicant's determination of the service area must be documented with a description of the boundaries. For target areas, a readable map must be provided showing the service area boundaries and a description of how those boundaries were determined.

PERFORMANCE**2. *What are the specifics of the performance reviews and scoring?***

On page 12 of the NOFA, applicants are rated on their performance in administering their 2006, 2007, 2008, and 2009 CDBG General Allocation grants.

Pursuant to Title 25 CCR Section 7078.4, performance factors include:

- Timeliness of grant expenditures based on actual percentages (meeting the December 31, 2009 expenditure milestone) – up to 130 points.
- Up to 20 bonus points will be awarded to applicants whose expenditures exceeded the milestones stated in their contract (1 point for each 10 percent in excess of the required expenditure milestone up to a maximum of 5 points for 50 percent or more); and demonstrated timeliness in clearing special conditions (met within 90 days, without extensions).

Factors that may result in a deduction of up to 10 points for each year to which they apply, include:

- Timeliness of resolving any outstanding monitoring or audit findings.
- Expending committed leverage on previous grants.
- Hold out issues, such as timeliness of reporting, including Single Audit Reports, closeout submittals, and program income on hand in excess of \$250,000.

New Applicants: Applicants who have not had a grant during any of the program years 2006, 2007, 2008, and 2009 will receive 130 standard points under “Performance”, but will not receive bonus points.

Note: Ten points will be deducted for each year (up to four years) for which the applicant has received a performance deficiency/holdout letter, even if the holdout status was subsequently cleared.

CAPACITY/READINESS

3. *Why do executed contracts/subrecipient agreements receive full points and draft documents only receive half points? (NOFA pg 13; Capacity).*

Executed contracts are evidence of a greater readiness level to begin program or activity implementation upon being funded, therefore garner a greater number of points than drafted documents.

4. *OMB A133: Clarification: If the Single Audit report has not been submitted by March 31st to the State Controller’s Office, are we required to provide a date when such submittal will occur to meet this threshold?*

If the audit has not been completed, the anticipated date of completion and submission to the State Controller’s Office (SCO) must be provided. While this meets CDBG threshold requirements, please note that in order to be eligible to access CDBG funds, if awarded, proof of submittal to State Controller’s Office must be submitted to CDBG.

5. *How long are NEPA documents valid for?*

Generally, assuming there has been no change in the scope of the project, a Statutory Worksheet or an Environmental Assessment would be acceptable by CDBG for up to 5 years from the date of execution. For Housing Rehabilitation, CDBG is encouraging applicants to complete the first tier (RER) of the tiered review process also for a 5-year period by specifying in the public notice the maximum number of units to be assisted and the maximum dollar amount of assistance during those 5 years.

6. *How do you qualify to receive capacity points?*

As stated in the California Code of Regulations, Title 25, CCR Section 7078.5, and described in the 2010/2011 CDBG General Allocation NOFA (page 13), applicants who received general allocation grants for funding years 2006, 2007, 2008 or 2009

will be deemed to have some capacity to administer the activity and can receive up to 75 points for having a prior grant. Twenty-five additional points may be received for providing documentation of capacity (see examples below). Maximum possible capacity points = 100.

Note: Applicants who did not receive grants in 2006, 2007, 2008 and 2009 may still qualify for maximum points through evaluation of capacity information and documentation to include:

- Adequate in-house staff capability and experience (resumes and clear description of duties for each staff involved) – full points; or
- Executed copy of a contract between the applicant and a program operator with the capacity and experience to administer the CDBG activity (executed contract – full points; draft contract – half points); or
- A letter of interest to enter into a contract from a program operator with the knowledge and experience to administer the CDBG activity – half points.
- For a combination of in-house and outside program operator, equal weight will be given to both and capacity will be calculated as an average.

NEED DATA/CALCULATIONS OF BENEFIT

7. *Can an applicant submit alternative statistical data to show need where the application indicates 2000 U.S. Census data be submitted?*

Only 2000 U.S. Census data may be submitted where indicated in the application for need calculations for specific activities. (See Application page H-1)

Supplemental information (less than 5 years old) may also be submitted to rebut 2000 Census data and support worsened conditions.

8. *Are the income limits on the web?*

U.S. Department of Housing and Urban Development (HUD) on May 14, 2010 released the HUD Program Income Limits (Section 8, Section 221(d) (3) BMIR, Section 235 and Section 236). The annual update of the State Income Limits pursuant to California Health and Safety Code Section 50079.5, 50105 and 50106 follows the HUD issuance of a portion of the figures used to update the annual State Income Limits.

HCD will post the 2010 State Income Limits on this Website as soon as they have been filed with the State Office of Administrative Law.

Please continue to check the State Income Limits web page for updates:

<http://www.hcd.ca.gov/hpd/hrc/rep/state/incNote.html>

9. ***If we apply using a target area to document the Low/Mod (TIG) benefit, do we use the link on page B-3 of the application?***

The link in Appendix B, Page 3 is incorrect. The correct link to the HUD Low/Mod data defined by census tract/block group is <http://www.hud.gov/offices/cpd/systems/census/ca>. On that page there is a link under All Block Groups for FY10 to take you to the excel spreadsheet. However, the file is very large and some computers may have difficulty downloading the file.

10. ***What is the formula for the benefit points awarded from 51% TIG to be eligible and 100% TIG for a maximum of up to 300 points?***

California Code of Regulations, Title 25, Division 1, Chapter 7, Subchapter 2, Article 2, Section 7078.2 (b) (3) states:

To compute the actual number of points to be awarded to the applicant, the number fifty-one (51) is subtracted from the overall percentage of households in the targeted-income groups benefiting from the activity, and the result is multiplied by seven and sixty-nine hundredths (7.69). This product is the number of points, rounded to the nearest whole integer, assigned the application for the extent of benefit to the target income group. If the product is 301 or more points, the amount of points awarded shall be 300 points.

11. ***If a jurisdiction has forty-year old water lines and wants to collect GIS data to determine the need for replacement of the pipes, must the data be collected prior to the application submittal or can it be funded as part of the project costs?***

The application may request funding for GIS data collection and mapping. However, if the data is collected prior to submitting an application, it could be included as part of the support documentation for the need for the project. GIS data collection and mapping is typically funded under a Planning and Technical Assistance grant.

LEVERAGE

12. ***Can you give examples of acceptable private leverage since commitments of conventional loans are no longer considered leverage?***

The following are acceptable forms of private leverage common to specific activities. *(These documents must be less than six months old and on company letterhead when applicable.)*

Homeownership Assistance and Housing Rehabilitation:

- Title Company discounts
- Appraisal Discounts
- Pest control Discounts
- Sweat Equity

Public Improvements and Public Improvements in Support of Housing New Construction:

- Fee waivers
- Fee deferrals
- Infrastructure improvements

Public Services:

- Contributions of supportive services from non-profit agencies

Public Facilities:

- In-kind contributions from architects or consultants
- Contributions of equipment

Sources of Leverage common to most activities include:

- Fee Waivers and deferrals
- In-Kind contributions of staff time or other administrative services of value.
- Funds from private organizations (Including non-profits)
- Donated materials and foundation grants.

Please refer to Appendix G for more information on leverage, or contact your representative for questions about eligibility of specific types of leverage not mentioned in the sources above.

13. *How do I calculate and document sweat equity?*

Sweat equity is based on hours worked and will be valued at \$10 per hour.

Formula: ___ Hours x \$10 per hour = \$ _____ = Total Sweat Equity

In order to receive leverage credit for sweat equity, applicants must comply with all lead-based paint regulations.

For housing rehabilitation and homebuyer acquisition activities, property owners must fulfill one of the following:

- Take a one-day, HUD-approved work safe class; or
- Perform activities that do not trigger lead-based paint regulations; or
- Work on a home completed after January 1, 1978.

Documentation, such as the contractor's bid or rehabilitation inspector's in-house cost estimate that clearly shows how the value of the labor and materials was calculated, must be submitted with the application. Statements such as "based on past experience" for labor calculations will not be considered. All participants conducting self-help labor must fill out a time sheet to track the labor that they contribute.

14. *Is Gas Tax still an eligible local leverage for Rehabilitation?*

Yes, local gas tax funds may be considered local leverage, providing:

- A. The gas tax is used as a direct benefit to the housing unit being rehabilitated (e.g. street in front of the unit).
- B. The commitment must be in writing; specify the dollar amount and be accompanied by an authorizing resolution.

15. *Can the Gas Tax be used as leverage only for projects or for programs as well?*

If the funds are used to improve the street, sidewalk, or approach adjacent to a house being rehabilitated, then it should be eligible as leverage.

They would have to document that it primarily benefitted that unit and had only an incidental benefit to other units on the street. The leverage would have to be committed on a per unit basis. For example, for the three housing rehabilitation projects proposed, the City will commit up to \$5,000 per unit from Gas Tax funds to improve the street, sidewalk and the driveway approach at the time of rehabilitation.

Applicants should be cautioned that records must be kept on how the leverage used meets this criteria.

16. *Is the applicant pool for leverage determined for each activity or for the application as a whole?*

In regards to local leverage, the applicant pool is evaluated by looking at the amount of leverage committed to the applications in their entirety. However, for private leverage, there is a separate applicant pool for each activity to which each application is compared against.

HOUSING PROGRAMS

17. *What are the State CDBG guidelines on affordability restrictions, debt-to-income ratios, loan-to-value ratios and other ratios for Homeownership Assistance (HA) and Housing Rehabilitation (HR) Programs?*

With some exceptions, the Department allows local jurisdictions to determine the ratios for their HA and HR programs via their approved program guidelines. Restrictions and guidance can be found within Department reference materials, such as:

- HCD-CDBG Grant Management Manual, Chapter 16 Housing Rehabilitation <http://www.hcd.ca.gov/fa/cdbg/manual/Chapter16HousingRehabilitation.doc>
 - Pg 16-17: Total indebtedness against property will not exceed 100 percent of after rehabilitation value.
 - Pg 16-19: Rental Rehabilitation: Base Rents; Loan Terms

- HCD-CDBG Grant Management Manual, Chapter 17 Homebuyer Assistance <http://www.hcd.ca.gov/fa/cdbg/manual/Chapter17HomebuyerAssistance.doc>
 - Pg 17-2: As part of designing your program, the grantee must determine the subsidy amount needed to assist local homebuyers. As such, an analysis of local real estate prices must be done to find out the cost for a modest home. That cost is then compared to the typical mortgage a family of 3 or 4 can afford that earn from 60 to 80 percent of county median income and pay 30 to 37 percent of their gross monthly income for a mortgage payment (principal, interest, taxes, and insurance). The difference between the typical mortgage families can pay subtracted from the cost of a modest home is the “gap” financing which will be required as subsidy.
- HCD's consolidated Homebuyer Guidelines <http://www.hcd.ca.gov/fa/Intro2SmplHmByr.doc>
Then click the link [The Sample Homebuyer Program Guidelines](#). Once in the Homebuyer Program Guidelines document, see the following references:
 - Pg 8: [Homebuyer Costs](#)
 - Pg 16: [Qualifying Ratios](#)

18. *How do we apply for the acquisition of foreclosed properties and rehabilitation for the purpose of re-sale or reuse?*

While generally this type of activity is eligible under Housing Rehabilitation, for the purposes of rating and ranking, the jurisdiction must apply under the same criteria as a Housing Combo program, as follows:

- Under the Homeownership Assistance activity, apply for the acquisition portion of the activity. Estimate the amount needed to acquire the vacant properties, including up to 8 percent for activity delivery. Include all the information and documentation required under this activity.
- Under the Housing Rehabilitation activity, apply for the estimated amount needed for rehabilitation of the acquired properties, including up to 19 percent for activity delivery. Under the Activity information, check the box for Housing Real Property Acquisition for Rehabilitation (14G), even though you are applying for a program, not a project. Include all the information and documentation required for a housing rehabilitation program.

If successful, the contract will reflect only one amount for activity delivery, derived from the sum of the activity delivery amounts for the two activities, and one for the activity itself, similarly calculated and assigned the matrix code 14G.

19. *Can CDBG and NSP funds be combined?*

CDBG funds can be used in combination with NSP1 funds, as long as funds are not co-mingled, are accounted and reported for separately, and the most restrictive requirements of the two programs are applied. For example, while the beneficiaries for the NSP can go up to 120 percent of the Area Median Income, CDBG

beneficiaries are persons/households with income of up to 80 percent of the Area Median Income. If both funding sources are used on the same property, the property can only be resold to a beneficiary with an income of up to 80 percent of the Area Median Income.

20. *If the application states that the average down payment for each homebuyer/family will be \$XXXX, is that considered to be private leverage?*

Down payment from the homebuyer and/or family is not considered leverage. Leverage can not be from the beneficiary.

21. *How would a jurisdiction properly document any additional contribution by the conventional lenders, such as designated staff person to work with TIG beneficiaries, training commitment, etc.? Also, how will it be tracked if the grant is funded?*

A letter from the lender documenting the amount of hours and salaries of staff committed on a per-unit basis will need to be submitted. Records must be kept on how the leverage used meets program requirements.

22. *How is a loan structured for payback?*

Depending on the type of loan and jurisdiction's Program Guidelines, you can have a soft or silent loan where the principal and interest payments would be due in the event the property is sold or forgiven after a certain amount of time has elapsed. You can also have a fully amortized loan with principal and interest payments due monthly. An Excel spreadsheet or similar software could be used to set up a simple interest loan repayment plan based on the principal, interest rate and term of the loan.

23. *Can rehabilitation of rental units be single family homes?*

Yes. Use HUD Matrix Code 14A- Rehabilitation - Single Unit Residential.

24. *What is eligible under Homeowner Assistance?*

Examples of eligible uses of grant funding include:

- Subsidized interest rates.
- Reduction of mortgage principal amounts (funds granted would have to be applied towards the purchase price). Grant recipient/subrecipient could make a grant to the homebuyer, or, a subordinate loan for part of the purchase price, at little or no interest, for an amount of funds the payments on which, together with that required under the first mortgage, would be affordable to the purchaser.
- Finance the cost of acquiring property already occupied by the TIG-eligible household at the terms needed to make the purchase affordable.
- Pay all or part of the premium (on behalf of the purchaser) for mortgage insurance required up front by a private mortgagee. (This would include the cost for private mortgage insurance.)

- Pay any or all part of reasonable closing costs associated with the home purchase on behalf of the purchaser.
- Pay up to 50% of the down payment required by the mortgagee for the purchase on behalf of the purchaser.
- For more information, see the Grant Management Manual, Chapter 17.

25. *If you have a combo for \$600,000 can you put it towards one activity?*

No, you cannot put all of the grant funds requested towards one program. Need to follow NOFA guidelines as they pertain to Housing Rehabilitation and Homeownership Assistance Combination grant.

COMMUNITY DEVELOPMENT ACTIVITIES/PROJECTS

26. *What on-site and off-site improvements are eligible under the Public Improvements in support of Housing New Construction activity?*

On-site and off-site infrastructure such as water, sewer, utilities, streets, gutters, sidewalks are eligible under this activity. Off-site improvements within the public right-of-way are eligible only if they are a condition of approval of the proposed housing units. On-site improvements are eligible if they are a condition of approval for the proposed housing units and they are constructed on publicly-owned land.

27. *One of the conditions of approval for construction of a new multi-family housing project is to purchase an adjacent parcel and develop it as a park. The housing units will be 100% affordable to low-income households. Since the park is a condition of approval for the housing units, would the purchase of the land and development of a park be eligible under Public Improvements in Support of New Housing New Construction or the Public Facility activity?*

Per NOFA page 39, the acquisition of land and development of a park is eligible under the Public Facility activity.

28. *A Public Improvement project consists of work in both sewer and drainage in the same project. Is this considered one project or two?*

It depends on the location of the proposed improvements. For example, if they are both located along the same street then they could be applied for under one activity – public improvements. It is up to the applicant, however, to make that determination.

29. *Under Public Improvements in Support of Housing New Construction, must the housing project be completed before the expiration date of the standard agreement with the State (contract)?*

Yes, the housing project must be completed as well as occupied by the low- and moderate-income beneficiaries prior to the expiration date of the contract.

30. What is the definition of “severely” disabled?

Persons are considered severely disabled if they:

- Use a wheelchair or special aid for 6 months or longer;
- Are unable to perform one or more functional activities;
- Are prevented from working or doing housework;
- Have a condition such as autism, cerebral palsy, Alzheimer’s disease, senility, dementia, or mental retardation; or,
- Are less than 65 years of age and are covered by Medicare or receive Supplemental Security Income.

Note: For purposes of this definition, the term “functional activities” includes seeing, hearing, having one’s speech understood, lifting and carrying, walking up a flight of stairs, and walking.

Presumed TIG benefit relates only to Severely Disabled Adults.

Persons with a drug addiction are not considered to be severely disabled.

31. Are payments of assessment fees allowed for TIG persons only?

Payments of assessment fees are an indirect way of financing a public improvement activity. As such, all federal overlays for public improvements apply. Payments of assessment fees can only be made for Low TIG and TIG persons who are owner-occupants and the payments need to be in the form of grants.

32. Is Transitional Housing considered a Public Facility activity?

CDBG funds may not be used for construction of permanent housing. Transitional housing is eligible under the Public Facility activity.

33. What is the correct activity for demolition of existing structures?

It depends on what the land is to be used for after the demolition to meet a National Objective. If the land were to be used for a park or community center, demolition would be an eligible expense under public facility activity.

SET-ASIDE

34. What documentation must be submitted for the ten percent (10%) set-aside activity?

All the documentation demonstrating the activity eligibility and meeting a National Objective is required including, but not limited to, evidence of service area, beneficiaries, timelines, financing, and other documentation as deemed necessary by the applicant. Please follow the application instructions.

NATIVE AMERICAN

1. Do applicants applying for the Native American Allocation apply through the City/County?

Only cities or counties that are eligible for the state's CDBG Program may apply for Native American allocation funds on behalf of non-federally recognized Native American communities.

The Native American community must have some concentration of Native Americans within an eligible city/county.

The applicant city/county does not need to be the same as where the Native American community is located.

NOTE: In the event that a city/county applies on behalf of a Native American Community that is located within another eligible city/county, a Joint Powers Agreement between the applicant city/county and the local city/county will be required. (See NOFA Page 5)

2. Are Native American Allocation applicants also required to submit need documentation to meet the need criteria?

Yes. Applicants with a jurisdiction-wide housing rehabilitation program, or a target area program where current survey data are not available, submit copies of the Housing Element page showing this information.

For Applicants proposing a target area rehabilitation program, use the survey form and instructions contained in the CDBG Grant Management Manual.

FINAL NOTE:

The Application has a typographical error on Appendix H, Page H4: The last chart on the page indicates Calculations Using Census Data (2000 DP-3 Summary File 3). It should read 2000 DP-4 Summary File 3.