Summary of Meeting
May 11, 2018
9:30 am – 2:30 pm

Participants: Lorie Adams (phone), Amy Bergstrand, Esperanza Colio, Chris Westlake, Gurbax Sahota, C.J. Freeland, Terry Cox, Susan Long, David Loya, Heather MacDonald, Robert Mansfield, Tom Last, Meagan Tokunaga, Kathleen Weissenberger

HCD: Jeri Amendola, Jim Miwa, Diane Moroni, Karen Patterson, Ginny Puddefoot, Patrick Talbott


Agenda Items
Welcome, Introductions, and General Updates

Ginny Puddefoot confirmed agenda with the group and reviewed meeting expectations. She explained that there is a new agenda item, Parking Lot, which is meant for items that require additional discussion or further action that cannot be concluded in the meeting.

Ginny advised that Kathleen Weissenberger will continue her work on redesign through a contract HCD executed with CPS HR Consulting.

As part of opening comments, the lack of HCD communication and transparency was immediately brought to the forefront of the discussion. Stakeholders expressed disappointment and concerns about the lack of communication, sighting the 2017 NOFA awards, especially since awards were expected to be announced in March and it is now May. They likened the lack of communication to “radio silence.” It was stated that this information is critical at this time of year because local governments are preparing next Fiscal Year budgets and need to know the funding outcomes. Karen explained that the award announcements will go out as soon as HCD receives final word from HUD. She indicated that HUD held up award notifications due to monitoring outcomes. Ginny acknowledged that communications with stakeholders is an ongoing issue that needs to be addressed and it was placed on the Parking Lot List.

Questions were also raised about the planned release date for the 2018 NOFA. It was placed on the Parking Lot list. Agreement was that a CDBG Advisory Committee meeting needed to be scheduled to discuss both the 2017 NOFA awards and the 2018 NOFA. Ginny committed to scheduling this meeting in June, and participants later agreed that having the first part of the June 8th Redesign Working Group be an Advisory Committee meeting would be the best. Separate notice will go out to Advisory Committee members to invite them to the June 8th meeting.
Discussion Items

HUD Monitoring Update

Karen Patterson provided an overview of HCD’s Corrective Action Plan submitted to HUD in response to the monitoring findings in the HUD letter dated March 12, 2018. The Action Plan was distributed at the meeting and sent by e-mail for those who did not attend the meeting. She advised that HUD approved the use of a technical assistance provider to work with HCD to implement the Corrective Action Plan.

Ginny advised the group that CDBG redesign efforts will continue beyond June 30th, 2018 especially since there is a 15-month period in which HCD must implement the Action Plan, bringing the program into compliance. The steps HCD will be implementing as part of compliance will inform, and be informed by, the ongoing redesign activities.

Stakeholders strongly recommended that as HCD begins the monitoring process, it should be as transparent as possible. HCD should send out communications to all jurisdictions to let them know in general terms what is happening and alert them they may be contacted by HCD staff to schedule a monitoring visit. Monitoring and other updates should be on the webpage.

There was a request that HCD share the current CDBG program staff contact list and post it on the webpage.

Draft SB106 Report Section on Program Income

Kathleen has not reviewed the PI report but will do so and provide feedback to HCD shortly.

Concerns were raised that some of the PI recommendations don’t match previous discussion and recommendations as presented by RWG subgroups. Stakeholders stated that spending down PI in 12 months can be problematic and will result in PI being remitted to HCD. This could penalize jurisdictions that are successfully generating—and using—larger amounts of PI. For example, the City of Arcata receives $300,000-$400,000 annually and spends it. Staff responded that it is not HCD’s intent to pull back PI that is successfully being used to support CDBG activities. PI Policy needs to clarify first-in, first-out rule and specify that the intent is not to pull PI from jurisdictions that are generating and using amounts higher than the $250,000 threshold.

There was also concern that the PI cap of $250,000 is too low, especially for Economic Development. To address the current cap, if additional PI funds are needed for a project, then “future” PI will have to be committed to fund the gap. Stakeholders recommended that policy be revised to allow for “exceptions” to use PI for larger projects if necessary.

The draft will be reviewed to consider alternatives, if possible.

It was agreed that eliminating supplementals and moving them into PI Reuse Agreements (PIRAs) to separate them from open contracts is a good thing. Concerns were raised over how the transition from supplementals to PIRAs would be accomplished. Staff stated that there would be a transition period allowing time for this to occur.

Stakeholders asked if there is an available legal opinion on HUD’s policy disallowing the use of general administration (GA) within a Revolving Loan Fund (RLF). Kathleen confirmed that it is very clear GA is not acceptable for RLFs, per HUD rules.

Stakeholders also requested that the approval process for use of PI funds be clarified and streamlined. Currently it takes a long time to receive approval from HCD. If there is a policy stating a 12 month limit to expend or remit, jurisdictions should not be penalized if it is not their fault or HCD takes too long.
Draft SB106 Report Section on Increasing Expenditures

The discussion of milestones on page 6 indicates that project funding will be required to be returned if milestones are missed. It was suggested that milestones should be made a part of general conditions, rather than part of the contract. However, it cannot be done that way because they need to be contractually enforceable. Milestones need to be clearly identified and defined, i.e. expenditures, tasks completed. Milestones should include HCD work / tasks timeline and anticipated project tasks, i.e. tax credit approval. If expenditure dates are used as milestones they must be achievable and start from execution of the standard agreement (SA), not the award date. Generally, it was recommended that the milestone clock start at clearance of general conditions.

Stakeholders stated that HCD needs a process to review, amend, or allow for exceptions. Kathleen suggested HCD allow for exceptions or waivers from milestones. There was a suggestion that there needs to be clear concise criteria for exception approval. It was recommended that milestones be waived if HCD makes a mistake and that “mistake” be defined. A suggestion was made to consider the IIG model for amendments, exceptions or waivers. It is a simple - streamlined process linked to milestones.

For awarded applications, it was recommended that the award letters specify the general conditions for the approved activity. This allows jurisdictions to start clearing them right away, instead of having to wait for the SA, which can take several months from award. In that time, some or all of the conditions could be completed. When the SA is executed, a grantee should submit an updated project schedule, milestones, and certification/verification of cleared general conditions provided at the time of award. The threshold and readiness components of the application should also reduce general condition requirements.

Susan acknowledged that the expenditure section of the report is a good reflection of the input from the expenditure sub-group.

Draft SB106 Report Section on Economic Development

Concerns were raised that SB106 language eliminates Economic development (ED) Over-the-Counter (OTC) applications. Ginny advised that HCD Legal Affairs Division (LAD) has been requested to provide a legal opinion regarding SB106 ED OTC language. It was suggested that eliminating the OTC process was not the legislative author’s intent. Ginny indicated that HCD supports OTC and is reviewing how to staff the process given limited resources. Gurbax indicated that if LAD determines that the OTC process is eliminated by SB 106, CALED will seek legislation to correct this. Meagan stated her belief that SB106 gives HCD the option to continue to operate the ED OTC program.

Changes to the ED chapter of the Grant management Manual are premature since the new guidelines have not yet been developed. Since SB 106 requires a revision of Chapter 21, Ginny indicated that the revised chapter will be considered draft format until the new program guidelines are approved, at which time any changes will be incorporated into the ED chapters. HCD acknowledged that a transition time for jurisdictions to develop and adopt new guidelines will be needed.

There was discussion about a separate NOFA for ED activities, as well as the need for streamlined reporting, web-based forms, and underwriting to assist in increasing the ED subscription rate. It was suggested that it is undersubscribed because the current ED requirements are more complex and cumbersome than federal requirements. Capacity building is critical to success of the program.

It was confirmed that Agency approval of new CDBG program guidelines will have the same force and effect of law as current regulations.
Members of the ED sub-group commented that it seemed as though the February sub-group comments were not included in the ED SB106 Draft. Sub-group will forward them for review. HCD staff indicated the last comments received were included in the issues log, but referenced December as the date. Staff committed to follow-up.

**Post—June 30 Redesign**

There was discussion regarding the plans for moving forward with post—June 30th redesign efforts. It was agreed that the RWG should continue meeting through December 2018 as needed, possibly with meetings linked to specific milestones for redesign. Dates for monthly meetings will be established by the next RWG meeting so people can get them on their calendars.

After December 2018, HCD recommends the CDBG program discussions transition to a newly configured Advisory Committee. Ginny indicated that writing the Advisory Committee charter, defining roles, responsibilities and expectations, doing outreach to invite members, will be part of the RWG and HCD work post-June 30th. Transparency and engaged outreach efforts will be critical to future program success.

Ginny affirmed HCD’s commitment to transparency in post-June 30th redesign efforts, which will include implementing a communication plan to expand outreach and engage more jurisdictions. Suggested ways to reach a broader audience included regional outreach, advisory committee membership, and partnering with associations. It was suggested that HCD develop the capacity to host webinars with a greater maximum number of participants allowed so more jurisdictions can join in the conversation.

Other Topics and Recommendations for post-June 30th included:

- Plan future combined webinars and in-person trainings. Record sessions for later refresh. Post recordings on CDBG website.
- Develop a culture of “YES” where HCD staff are engaged and committed to assist local jurisdictions in succeeding.
- Engage jurisdictions not at these meetings by requesting active jurisdictions to act as ambassadors to other jurisdictions. HCD could provide talking points to make this easier.

**Next Steps**

- Advisory Committee Meeting will scheduled for June 8th, same day as next RWG meeting.
- June 8th RWG meeting will provide “Next Steps” mapping and timeline.
- HCD should send communication to jurisdictions explaining the delay in the 2017 award announcement and explaining HUD response process and next steps.
- HCD will review notes from ED Sub-group once they are sent.
- Kathleen and Karen will clarify the issue of unused and/or retained PI and changes will be made to the report section as appropriate.
- HCD should do an E-blast to the CDBG list serve,
- HCD should provide an org chart showing current CDBG program representatives and managers.
- RWG members will forward contacts at other state agencies to Kathleen, for her to use in developing the Promising Practices report section.