

Community Development Block Grant

Proposed Program Redesign Framing Paper

July 2017



**State of California
Governor Edmund G. Brown Jr.**

**Alexis Podesta, Secretary
Business, Consumer Services, and Housing Agency**

**Ben Metcalf, Director
Department of Housing and Community Development**

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SUMMARY

To address concerns raised by the United States (US) Department of Housing and Urban Development (HUD) and the California State Legislature regarding California's Community Development Block Grant (CDBG) Program, the State Department of Housing and Community Development (HCD) is initiating a process to redesign the CDBG Program. The purpose of the Redesign is to streamline HCD's workload to reflect budgetary shortages, address low expenditure rates and high levels of unspent Program Income (PI),¹ and meet federal requirements while ensuring the program is effectively serving the needs of California's rural and non-entitlement communities in line with national best practices and State priorities.

The 2017 CDBG Redesign will be undertaken in partnership with the CDBG Advisory Committee and a broad array of other stakeholders over the next 12 months and will coincide with technical assistance (TA) provided by HUD to assess California's CDBG program and make recommendations to improve the program and ensure compliance with federal requirements. Additionally, the CDBG Redesign will address the issues raised in the Budget Trailer Bill, SB 106,² which expressed legislative intent for improving the CDBG program and directed HCD to engage in specific activities to address stakeholder concerns. The result of this Program Redesign process will be the development of new CDBG Program Guidelines. Upon completion of the new guidelines, they will be submitted to the Department of Finance (DOF) for approval and the Joint Legislative Budget Committee of the California Legislature (JLBC) will be notified before adoption.

This Framing Paper briefly describes the current CDBG Program, provides background for the 2017 Redesign, identifies the goals and challenges of the Redesign, and describes the Redesign process and timeline. This paper fulfills the commitment made by the Director of HCD to provide JLBC with a high-level framework describing how HCD intends to approach the CDBG Redesign so the program can better serve local jurisdictions while streamlining the Department's workload and meeting federal requirements.

The CDBG Redesign Timeline³ provides a summary of the key milestones in the Redesign process and development of the new CDBG Program Guidelines.

CALIFORNIA'S CURRENT CDBG PROGRAM

The federal CDBG program consists of two components: an entitlement program, in which larger jurisdictions receive a direct allocation of CDBG funds from HUD, and a non-entitlement program, in which small and rural jurisdictions can apply for CDBG funds allocated to states for purposes of the CDBG Program. The federal allocation is made each year using states' poverty rates in combination with the number of jurisdictions (state and local) competing for the funds. Nationwide, as the federal budget decreases and additional jurisdictions shift from non-entitlement to entitlement status and become eligible for their own grants from HUD, resources for the non-entitlement CDBG Program have been reduced.

¹ See Appendix I for definitions of key terms used in the Framing Paper.

² See Appendix II for the text and brief analysis of SB 106.

³ See Appendix III for the CDBG Redesign Timeline.

In California, HCD is the designated State department that receives the CDBG grant funds for award to the non-entitlement smaller cities and counties throughout California. In 2016, HCD received approximately \$27 million in federal funds for the purpose of administering the CDBG Program. HCD's announcement of available funding to local non-entitlement jurisdictions is made through a Notice of Funding Availability (NOFA), which includes the following broad categories of eligible activities (with examples for use of funds):

- Housing Assistance (rental rehabilitation, first-time home buyer assistance, infrastructure in support of housing)
- Economic Development (programs and projects in support of job creation)
- Public Infrastructure (roads, sidewalks, water/sewer)
- Public Facilities (fire stations, community centers)
- Public Services (food bank, senior centers, youth centers)
- Planning (feasibility for general community development and economic development)

Within these broad categories,⁴ there is a range of individual activities for which applicants can apply.

Grants must address one of three National Objectives as follows:

1. Benefit to low- and moderate-income persons,
2. Aid in the prevention or elimination of slums and blight, and/or
3. To meet an urgent need.

Federal program requirements direct that a minimum of 70 percent of the CDBG grant funds must be expended to benefit low- and moderate-income families/individuals. Low-income families are defined as families whose incomes are at or below 50 percent of local area median income (AMI). Moderate-income families are defined as families whose incomes are 50 to 80 percent of AMI. General Administration (GA) and Planning and Technical Assistance, which are essentially the administrative components of the Program, cannot exceed a combined 20 percent of the total federal grant. A maximum of 15 percent of the total funds available (both grant and PI funds) may be expended for Public Services activities. Grantees are eligible for any combination of activities in an application period as long as the activities are eligible under the NOFA.

States must comply with federal program requirements in implementing the CDBG non-entitlement program and may also enact additional state-specific programmatic requirements. California law requires that a minimum of 51 percent of available CDBG funds be made available for housing or housing-related activities, with another 30 percent earmarked for economic development activities. Under current guidelines, if the full 30 percent earmarked for Economic Development is not awarded through the general NOFA process, the funds roll into an Over-the-Counter (OTC) process and remain available until the next general NOFA is issued.

California has also adopted regulations that allow eligible jurisdictions to submit one application that includes any combination of up to seven activities in response to the general CDBG NOFA, and they may submit a separate application for Over-the-Counter (OTC) Economic Development set-aside funds. Eligible applicants may apply for the 1.25 percent State-required Native

⁴ See Appendix IV for a complete listing of these activities.

American and federally required Colonia set-asides, which is currently 5 percent, in addition to these funding categories. The Department may publish a separate CDBG NOFA to address such things as damage from wildfires, droughts, or floods.

For the five-year period from 2012 through 2016, the three broad categories of activities with the greatest demand for funds were Public Facilities and Infrastructure (53 percent, \$53.6 million), Housing Assistance (18 percent, \$39.8 million), and Economic Development (13 percent, \$34.3 million).⁵ During this period, the most awarded single category was Water/Sewer Improvements in Public Facilities and Infrastructure.

Between 2010 and 2016, California received a total of almost \$224.2 million in federal funds from HUD for CDBG activities. Between 2011 and 2017, HCD awarded almost \$281.0 million for CDBG activities (difference between amount from HUD and amount to grantees is primarily funds disencumbered by HCD). Grantees have expended just under \$115.0 million of these awards, leaving a total remaining balance of \$120.4 million unspent in the line of credit at the U.S. Treasury.

For more historical information about California's CDBG Program and funds awarded, the [Consolidated Annual Performance Evaluation Reports](#) (CAPERS) and [HCD's Annual Reports](#) are both available on the HCD website to review. For California's current CDBG Funding Limits and Eligible Activities, see the chart in Appendix IV.⁶

2017 REDESIGN CONSIDERATIONS

The 2017 CDBG Redesign is occurring amidst several significant challenges to the Program. Over the past 10 years, the United States Congress has cut the overall appropriation for CDBG, resulting in a 34 percent grant reduction for HCD to award to eligible local jurisdictions in California. Without an increased ability to demonstrate success, the Program may experience much deeper cuts in the future. Additionally, nine limited-term positions provided from 2014 to 2017 to address a workload backlog expired on July 1, 2017. Including these nine positions, and as a result of the reduction in both federal funding and State match, HCD staff dedicated to the Program has been reduced by 61 percent since 2010 (from 28 to 11). The 2017 CDBG Redesign must take these staff reductions into account.

In addition to the budgetary challenges, there are significant programmatic challenges that must also be addressed through the 2017 CDBG Redesign. California has the worst expenditure rate in the nation,⁷ and HUD has issued clear direction that California must redesign CDBG Program implementation to do all of the following: 1) improve the expenditure rates, 2) expend available Program Income (PI), 3) conduct grantee monitoring, and 4) achieve other operating efficiencies. HUD is providing a TA consultant, who will assess the State's current CDBG program and make recommendations on changes to achieve these objectives. The 2017 CDBG Redesign must include these recommendations.

⁵ Internal HCD report: "CDBG 2012 2016 Demand per Activity."

⁶ See current CDBG funding chart in Appendix V.

⁷ HUD's May 2017 Expenditure Report.

Most recently, budget trailer bill language was adopted (SB 106) that, among other things, requires HCD to “analyze and report on its award process, contract management processes and policies, and fiscal processes...identifying efficiencies that can be implemented to improve the processing of applications, contract management and fiscal processes, and communications with local agencies. The Department shall identify requirements previously adopted by the state that are in excess of the minimum requirements applicable to eligible activities...that, if eliminated, facilitate greater subscription of federal funds and reduce state administrative workload.”⁸ The results of this analysis, which will be incorporated into the CDBG Redesign and subsequent CDBG Program Guidelines, must be submitted to DOF and JLBC by June 30, 2018.

Why Change the Current CDBG Program?

As discussed above, both the California State Legislature and HUD have serious concerns with California’s CDBG Program performance, as measured by the poor rate of funds expenditure and the amount of PI on hand, among other things. Using HUD’s 2017 “State Allocation of Expenditure Report for CPD Block Grant Programs” data, California’s rating is 51 out of the list of 50 states plus the Commonwealth of Puerto Rico. Said another way, California is the worst performer in the country in expenditure of CDBG grant funds.

From a fiscal perspective, California has the equivalent of 5.3 years of federal CDBG grant funds (over \$139 million as of May 2017) sitting in the U.S. Treasury, not including the \$20 million in PI on hand at the local level. The unspent federal grant funds have been awarded to local jurisdictions (with the exception of the current year’s Economic Development set-aside balance and the anticipated 2017 NOFA), but have not been expended by grantees. This situation poses a serious problem because these funds are not benefiting the communities they are intended to support and such large amounts of unspent funds contribute to California’s low CDBG expenditure rate. HUD’s current guidance is that grantees should have no more than 1.5 years of unspent federal grant funds on hand.

HUD is updating its reports to reflect all states’ compliance or non-compliance with this timeliness requirement. California’s data will reflect badly on the CDBG Program’s success at expending funds and the State could be at risk of having funds recaptured. Excessive unspent funds could be used by Congress to justify a drastic cut or full elimination of the Program. CDBG Program redesign must address both California’s low expenditure rates and amount of PI on hand in local jurisdictions.

More importantly, these unexpended funds represent programs and projects that could be providing important benefits to residents and communities in local jurisdictions throughout the State. California’s CDBG Program must be redesigned so that the use of grant funds addresses the unmet needs of low- and moderate-income individuals and households in the predominately rural, eligible jurisdictions. In addition, the CDBG Program needs to better reflect key State priorities and more effectively facilitate national best practices in areas like climate adaptation and community revitalization.

⁸ See Appendix II for a summary of SB 106.

In redesigning the CDBG Program, HCD is seeking a balance between offering the maximum degree of flexibility to local jurisdictions to use CDBG funds for appropriate and needed activities, while at the same time ensuring programmatic compliance with federal requirements and a State administrative structure that is aligned with current staffing available to implement the program. It is a priority of the Administration to create a program with administrative workload that can be sustained within the resources available under reduced federal funding levels. Refocusing the scope of the program will enable HCD to more effectively implement the program and respond to State priorities and the needs of program end users. A redesign process that aligns program goals with available resources will allow HCD to offer a better product for these jurisdictions.

In addition to enlisting the active engagement of a broad array of stakeholders and grantees, HCD has submitted a formal request to HUD for TA to support the State in its efforts to both improve existing performance and redesign the Program. While that assistance has not yet begun, HUD has approved the initial step, which is an assessment of California's TA needs for the CDBG Program.

Prior Program Redesign Efforts and Challenges

The 2017 CDBG Redesign follows earlier actions by HCD to improve the CDBG Program. In 2011, in response to findings by HUD of federal rule or statute violation, HCD implemented changes to improve CDBG program delivery and administrative processes. The most significant changes were the development of a NOFA in 2012 announcing the availability of funds in one "Super-NOFA" instead of four separate NOFAs as had been done in prior years, and the creation of the "50 Percent Rule." The 50 Percent Rule requires jurisdictions with grants made in 2012 and thereafter to have expended at least 50 percent of the combined total of all open CDBG grants in order to be eligible to apply for additional CDBG funds in response to a new NOFA. While the 50 Percent Rule is intended to improve the expenditure rate by better ensuring that applicants are ready to spend new grant funds if awarded, a subsequent requirement for jurisdictions to expend all PI on hand before using grant funds (see below) made it so difficult for grantees to meet the 50 Percent Rule that the 2015 NOFA was undersubscribed because too few grantees were eligible to apply.

In addition to the requirement that jurisdictions expend all PI on hand before using grant funds, in 2013 a new federal rule required HCD to report all CDBG PI activity in the HUD Integrated Data and Information System (IDIS). HUD provided TA to HCD in developing the reporting process and strongly encouraged HCD to collect all unspent local PI and include it in subsequent NOFAs. Instead, after consulting with grantees, HCD developed a process that allows local jurisdictions to identify "Supplemental Activities" and use their PI to fund another CDBG-eligible activity that benefits their communities. However, even with this provision, the amount of PI local jurisdictions have on hand remains problematic. CDBG grantees have a combined outstanding balance of more than \$20 million in unspent PI, funds that are held by the local jurisdictions in which they were generated and could be benefitting those communities.

Why has California been such a poor performer?

The following – list in no particular order – summarizes some of the problems identified by HUD, HCD staff, and CDBG stakeholders as contributing to underperformance:

- There are too many open grants, which increases the administrative burden for local jurisdictions and for HCD. The process of publishing a NOFA, rating applications, and executing contracts is a workload driver for HCD, just as planning, developing and submitting an application and supporting documents is challenging for local jurisdictions. When grant funds remain unexpended, there is no positive conclusion to these administrative burdens. Currently, there are approximately 180 open grants going back to 2012 (five years).
- HCD faces administrative constraints, as program scope and expectations have not adjusted following the reduction in federal funding available.
- Funding constraints and other challenges has led to insufficient staffing capacity at the local levels. The administrative burdens of the program are especially difficult for smaller local jurisdictions, since they often do not have access to the level of resources larger jurisdictions may have.
- Unlike some other states, the California program offers nearly every activity to non-entitlement jurisdictions. HUD has found that offering too many activities is a red flag, as it is associated with states that are performing poorly.
- PI remains unspent in local jurisdiction accounts. Despite efforts to facilitate its expenditure through the implementation of Supplemental Activities, more than \$20 million in unspent PI still remains. Since 25 percent of the grantees with PI have not submitted required reports, the amount of PI on hand may be significantly higher than \$20 million.
- Monitoring and on-site technical assistance as well as overall oversight by HCD has not been consistently robust. By not holding grantees accountable and providing TA where needed, program performance has suffered.
- Both local grantees and HCD staff are unevenly trained and need continuing education. Staff turnover at the State and local levels in past years make ongoing training even more critical to the Program's success.
- HCD has frequently awarded funds to local grantees for projects that are not sufficiently close to execution, including projects without established feasibility, without site control, and arguably most important, without adequate planning. When projects that are not "shovel ready" are funded, it increases the likelihood the project will be delayed significantly or even fall through, leaving grant funds unexpended. In fact, HCD disencumbered \$28.6 million or 14 percent of the amount awarded from 2012 to 2016.

- HCD has identified the Economic Development OTC process as labor intensive because staff must provide intensive TA to potential applicants, and often the funds that were set aside for OTC distribution are released to the following year's NOFA. For example, in 2015, over \$5 million in Economic Development OTC funds were not committed and were returned to the pool to be included in the 2016 general NOFA.
- Federal requirements have increased over the past 10 years, adding additional administrative burdens that both local jurisdictions and HCD must meet.
- California is the largest state with a population of 39.8 million and is both geographically and socio-economically diverse. With HCD in one central location hundreds of miles from many grantees, communications and opportunities for joint training and TA are limited and make administering the Program more challenging than in other States.

REDESIGN GOALS

The overall goal of the 2017 CDBG Redesign is to respond to HUD's concerns and the State Legislature's directives to make programmatic changes that will result in higher expenditure rates, lower PI levels, administrative efficiencies, and improved overall effectiveness to ensure CDBG funding can deliver on its promise of supporting affordable housing and community development in small and rural jurisdictions. Specifically, the 2017 Redesign will focus on achieving the following goals:

1. Respond to HUD's findings and bring the State's expenditure rate of CDBG funds to two times the most recent grant,
2. Design a program that can be adequately managed within existing resources to improve program administration and customer service,
3. Reduce administrative complexity for the State and grantees, and
4. Better encourage use of CDBG in line with national best practices, State priorities (including climate adaptation, poverty alleviation, and economic mobility), and achieving the highest impact.

Milestones to both guide the 2017 CDBG Redesign and demonstrate its effectiveness include:

- Increased number of local jurisdictions that apply for CDBG funds from previous years;
- Decreased level of unspent CDBG grant funding to within the parameters set by HUD;
- Higher utilization rate of PI than in previous years;
- Reduction in disencumbrances and extension requests from past years; and
- Administrative costs for both HCD and local jurisdictions match the resources available and reflect programmatic efficiencies.

Assumptions, requirements, and perceived risks and obstacles to the 2017 CDBG Redesign include:

- A 2017 NOFA will be issued prior to the completion of CDBG Redesign so that grant funds can be awarded to local jurisdictions during the redesign process. This NOFA will reflect changes discussed by HCD, the CDBG Advisory Committee and other stakeholders to accommodate staffing reductions;
- New CDBG Program Guidelines must be written to replace current Program regulations and must encompass the redesign and provide greater flexibility in Program operation. These Guidelines will be completed prior to the 2018 NOFA being issued;
- The 2018 NOFA will reflect the CDBG Redesign and must comply with federal HUD requirements and State Legislature directives while being manageable within existing HCD and local staff resources;
- Local jurisdictions want maximum continued flexibility, which poses challenges to Program implementation within limited resources at both State and local levels;
- Over the past five years, there has been a significant loss of expertise/knowledge at the local level due to 1) loss of staff due to retirements and better employment opportunities in less rural areas, and 2) insufficient funds to employ and retain dedicated staff;
- There has been similar turn-over in State CDBG staff within HCD, which compounds the challenges to effective implementation; and
- Concurrent operation of the current CDBG Program and adaptation to the new Program requirements after CDBG Redesign may be challenging for both HCD staff and local jurisdictions that often rely on CDBG to fill very specific budget gaps.

REDESIGN PROCESS

The CDBG Redesign Timeline⁹ provides a summary of the key milestones in the Redesign process and development of the new CDBG Program Guidelines. The discussion below provides more detail on the specific steps proposed for the CDBG redesign process. One overall consideration is that the CDBG redesign will be a somewhat emergent process, in that additional issues may be uncovered as the work begins that may require course corrections or adjustments by the HCD team and CDBG Redesign Working Group. HCD will know more once the initial steps described below have been completed and the Working Group has begun to map out its priorities and specific tasks required to successfully complete the redesign and develop new program guidelines.

Framing Paper and Initial Stakeholder Survey

The first step in the process of redesigning California's CDBG Program is this Framing Paper, which documents the factors HCD believes to be core issues in redesign and describes the goals, milestones, and process HCD proposes to engage in to achieve effective CDBG Program redesign. This Framing paper was shared with the CDBG Advisory Committee before it was finalized as the roadmap for the redesign process.

⁹ See Appendix III for CDBG Redesign Timeline.

A CDBG stakeholder survey was distributed to subscribers of the CDBG and HOME listservs to provide additional feedback on aspects of the CDBG Program that are currently working well and those that are not, and to invite suggestions as to fiscal and programmatic improvements that could address survey respondents' concerns. The deadline for response to the survey was Friday, July 14, and results from the survey will be compiled and posted to the CDBG Redesign webpage.

The survey also included an invitation for interested stakeholders to contact HCD if they are interested in participating in the CDBG Redesign Working Group. The Working Group is discussed below.

CDBG Redesign Working Group

The CDBG Redesign Working Group is being initiated to ensure the redesign process includes the active and consistent participation of key stakeholders, including Legislative staff, staff from DOF and BCSH, members of the Advisory Committee, and other local jurisdictions interested in and able to commit time and resources to this process. Together with HCD staff, the Working Group will be tasked with:

1. Identifying any additional issues not included in this paper;
2. Articulating additional questions for the group to consider; and
3. Doing the actual work of developing strategies to address HUD's concerns, budgetary constraints, and the Legislature's directives, and to achieve the goals outlined above.

This is a major undertaking and will require Working Group members to consistently participate and actively engage in the discussions, volunteer their expertise and experience on specific topics, and work as active partners on all aspects of the redesign. To complete the redesign and issue new Program guidelines by June 30, 2018, while at the same time issuing a 2017 NOFA and making grant awards to ensure funding continues to reach local jurisdictions, is a huge undertaking. HCD cannot succeed in these joint efforts without the active partnership of the Working Group members.

As required by SB 106, HCD will convene the first meeting of the Working Group by September 1, 2017, and hold regular sessions thereafter.

Stakeholder Listening Sessions

In March 2017, HCD staff convened four listening sessions in the cities of Sacramento, Ukiah, Visalia, and Redding to hear from stakeholders and invite input on CDBG Program redesign. The results of these listening sessions were used initially to inform the redesign and begin with an inclusive redesign process.

To ensure all interested stakeholders have had the opportunity to engage in the redesign discussion, HCD will embark on a second series of listening sessions throughout the State in the cities of Ukiah, Visalia, Sacramento, Marina, Anderson, and will host a webinar. These listening sessions will provide an additional opportunity for HCD to hear directly from stakeholders about

their experience with the CDBG Program and what should be considered in the redesign process. The listening sessions are being scheduled in August and September 2017, and the results will be used by the Working Group.

HUD Technical Assistance

As discussed earlier in this Paper, concurrent with the work of HCD and Working Group, HCD will be receiving technical assistance (TA) from a HUD-authorized provider tasked with assisting it in identifying fiscal and programmatic changes that will improve the expenditure rate, reduce the amount of PI on hand, and improve the overall efficiency and effectiveness of the CDBG Program. One specific task HCD has requested the TA provider to assist with is identifying places in which the federal program requirements and State program requirements differ, and where there is room for improvement in aligning these requirements.

The scope of work for this TA and details of how the Working Group and work of the TA provider will unfold has yet to be determined. HCD and HUD are in the process of reviewing and signing a Memorandum of Understanding that will provide more detail as to the scope and proposed outcomes of this TA.

HCD will share this Framing Paper and key documents with the TA provider as the redesign process moves forward so that the TA provided can inform the Working Group and the Working Group can also inform the work of the TA provider.

Revision of the CDBG Program Guidelines

Once the listening sessions have been completed and the results compiled, HCD and the Working Group will develop a comprehensive list of tasks and activities that must be completed as prerequisites to the development of new program guidelines. This work will be the focus of many months of intense activity, and progress will be shared with the Advisory Committee and interested stakeholders on a regular basis. As the CDBG Redesign Timeline suggests, the Working Group and HCD plan to complete a draft of the Program Guidelines by June 30, 2018.

Following development and publication of new draft CDBG Program Guidelines, the public will be invited to provide comments on the draft. HCD will conduct several stakeholder outreach meetings throughout the State and a webinar to present the revised Guidelines and invite input. Once the public comment period has concluded and the draft Guidelines are revised as needed, the Guidelines will be submitted to DOF for approval and the JLBC will be notified as the final steps of the Redesign process. Once finalized, the CDBG Program will operate using the new CDBG Program Guidelines for the 2018 NOFA and going forward.

TO PROVIDE COMMENTS ON THE CDBG PROGRAM REDESIGN:

Please send any comments on the CDBG Program Redesign process presented in this Framing Paper by e-mail to cdbgredesign@hcd.ca.gov. Or send comments by U.S. mail to:

Community Development Block Grant Program
CDBG Redesign
Department of Housing and Community Development
P.O. Box 952054
Sacramento, CA 94252-2054

APPENDIX I

DEFINITIONS

For purposes of this CDBG Framing Paper, the terms below have the following definitions:

Colonia Allocation: Distressed jurisdictions within 150 miles of the California-Mexico border that contain Colonia as defined by the National Affordable Housing Act of 1990. Five (5) percent of the available funds in a NOFA are made available for Colonia awards.

Fifty (50) Percent Rule: Except for Economic Development contracts, grantees with open contracts executed in 2012 or later for which the expenditure deadline has not yet passed cannot apply for additional CDBG funds unless at least 50 percent of the total amount of funds they have been awarded has been expended. The Director of HCD may approve a waiver of the 50 Percent Expenditure Rule in limited circumstances.

Low and Moderate Income: Low income in CDBG is at or below 50 percent of area median income (AMI) as determined by HUD and adjusted for California. Moderate income is above 50 percent and at or below 80 percent of AMI.

National Objective: The use of CDBG funds must meet one of three national objectives: 1) benefit to low- and moderate-income persons, 2) aid in the prevention or elimination of slums and/or blight, or 3) address an urgent need.

Native American Allocation: Allocation set-aside for high concentration of Native American (not recognized as Native American Tribes by Public Law 93-638) communities located within eligible non-entitlement cities and counties.

Non-Entitlement Jurisdiction: Any California city or county that does not participate in and is not eligible to participate in the HUD CDBG Entitlement Program.

Notice of Funding Availability (NOFA): Notice issued by HCD to announce the amount of CDBG funds available in a grant cycle, the allowable purpose(s) for use of the funds, the parameters for funding, and the instructions for qualifying and applying for funds.

Planning Grant: CDBG grant of up to \$100,000 for completing a community development or economic development planning study.

Program Income (PI) is the gross income received by a CDBG grantee or its subgrantee(s) that is directly generated from the use of CDBG Program funds. PI is typically the result of repayment of loans made by the local jurisdiction.

Supplemental Activities: Supplemental Activities (SA) allow grantees to identify additional eligible projects or programs and fund these projects or programs using PI funds. Supplemental Activities do not receive an award of grant funds; grant funds “waterfall” and become available for use on SAs after PI is depleted, allowing the grantee to fully utilize both grant and PI funds. Supplemental Activities also allow grantees to undertake activities that would not be competitive in the NOFA process but are important to the jurisdictions’ overall community and/or economic development plans.

APPENDIX II

Chapter 96, Statutes of 2017

Budget Trailer Bill Language Related to the CDBG Program (Changes to Health and Safety Code Sections 50825 to 50834)

*Note: existing law being deleted is in ~~red~~ and new language is in *blue* italics.*

Sect. #	Language in Trailer Bill (TB)	TB Summary and What This Means
50825	<p>It is the intent of the Legislature in enacting this chapter to ensure that funds allocated to the state pursuant to the federal State Community Development Block Grant Program (42 U.S.C. <i>Sec.</i> 5306(d)), and administered by the department, be of <i>prioritized for the most effective activities in order to provide</i> maximum benefit in meeting the housing and economic development needs of persons and families of low or moderate income. The Legislature intends that these funds be provided to eligible cities and counties that encourage new housing developments and economic development and which need the funds to support those developments. <i>develop and preserve decent affordable housing and suitable living environments and expand economic development opportunities.</i> It is the intent of the Legislature to reaffirm established state policy that each eligible city or county contribute to meeting the statewide housing goals, or contribute to meeting the state’s urgent need to halt the flow of jobs out of California by working to retain and expand existing businesses and attract new businesses that provide jobs to low- and moderate-income persons and families, or do both, and that funds allocated pursuant to this chapter be distributed accordingly. <i>It is the intent of the Legislature that program funding be prioritized for the most effective activities in order to provide that taxpayer contributions are efficiently deployed to foster housing and economic development. All funded eligible activities shall be consistent with the state’s consolidated plan and any annual update to the consolidated plan that is provided to the United States Department of Housing and Urban Development, which details how the State of California intends to use federal program funds.</i></p>	<p>Clarifies intent for Community Development Block Grant (CDBG) funds to be prioritized at their highest and best use to meet economic development needs of low- and moderate-income Californians living and working in eligible jurisdictions.</p> <p>Also clarifies State intent to follow HUD’s broader program objectives to use CDBG for community and economic development in addition to housing activities as identified in the annual Consolidated Plan updates submitted to the U.S. Department of Housing and Urban Development (HUD).</p> <p>What this means for non-entitlement jurisdictions:</p> <p>Acknowledges that CDBG funds can be used to aid communities more broadly than just for housing activities.</p> <p>What this means for HCD:</p> <p>No significant changes to the current CDBG Program; however, in the development of guidelines, HCD and its working group will attempt to clarify the meaning of “prioritized for the most effective activities.”</p>
50826	<p>(a) <i>“Consolidated plan” means the five-year action plan that results from the process set by the United States Department of Housing and Urban Development (HUD) that assesses affordable housing and community development needs and market conditions, allows the prioritization of development needs, and makes data-driven, place-based investment decisions for federal funding provided by HUD.</i></p>	<p>Clarifies the meaning and process to develop and publish the “Consolidated Plan,” a document that is required by HUD and is completed by the Department of Housing and Community Development (HCD).</p> <p>What this means for non-entitlement jurisdictions:</p>

Sect. #	Language in Trailer Bill (TB)	TB Summary and What This Means
	<p>(b) “Eligible city or county” means an area which is not a metropolitan city or part of an urban county, as defined by Section 5302(a)(4) and (6), respectively, of Title 42 of the United States Code.</p> <p>(c) “NOFA” means notice of funding availability, a public announcement that an estimated amount of funding will be awarded by a department program according to specific criteria and schedules.</p> <p>(d) “Persons and families of low or moderate income” means persons and families whose income does not exceed 80 percent of the area median income, adjusted for family size, as determined pursuant to regulations or subsequent guidelines adopted by the department.</p> <p>(e) “Program” means the State Community Development Block Grant Program created pursuant to federal law (42 U.S.C. 5301, et seq.).</p>	<p>Codifies existing HCD process to make the Consolidated Plan available to the public in advance of submittal to HUD so that non-entitlement jurisdictions are able to review and comment on any provisions related to CDBG.</p> <p>What this means for HCD:</p> <p>No significant change to current process</p>
50826.1	<p><i>(a) Notwithstanding any other law, the department may adopt guidelines to implement this chapter. Any guideline, rule, policy, or standard of general application employed by the department in implementing this chapter shall not be subject to the requirements of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code). The department shall convene a stakeholder process to inform the development of guidelines for the implementation of the program pursuant to this chapter no later than September 1, 2017. Until guidelines are adopted, the department shall administer the program pursuant to adopted regulations. Upon adoption of guidelines, previously adopted regulations are repealed. The repeal of previously adopted regulations pursuant to this section shall not be subject to the requirements of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).</i></p> <p><i>(b) On or before June 30, 2018, and notwithstanding Section 10231.5 of the Government Code, as part of the guidelines adoption process, the department shall analyze and report on its award process, contract management processes and policies, and fiscal processes for the federal State Community Development Block Grant Program, identifying efficiencies that can be implemented to</i></p>	<p>(a) Allows HCD to develop and adopt guidelines to operate the CDBG Program in place of Administrative Procedures Act regulation process. Guidelines will be developed collaboratively with stakeholders with whom HCD will begin meeting for this purpose no later than September 1, 2017. Regulations will remain in effect and expire upon adoption of guidelines. Subsequent amendments to the guidelines must be reported to Department of Finance (DOF) and the Joint Legislative Budget Committee (JLBC).</p> <p>(b) Requires HCD to analyze and recommend improvements to the current CDBG grant award, contract management, and fiscal processes. Includes an analysis by HCD to compare State operational rules to HUD’s requirements and determine where State requirements may be unnecessarily onerous and, if eliminated, could ease applicant use while maintaining HUD compliance and create more efficient program administration.</p> <p>Requires that an analysis report be delivered to the Department of Finance and the JLBC by June 30, 2018.</p> <p>What this means for non-entitlement jurisdictions:</p> <p>Improves operational flexibility of the CDBG Program to make necessary program updates and successful deploy funding to eligible</p>

Sect. #	Language in Trailer Bill (TB)	TB Summary and What This Means
	<p><i>improve the processing of applications, contract management and fiscal processes, and communications with local agencies. The department shall identify requirements previously adopted by the state that are in excess of the minimum requirements applicable to eligible activities under the federal Community Development Block Grant Program that, if eliminated, facilitate greater subscription of program funds and reduce state administrative workload. The department shall provide the results of that report to the Department of Finance and budget committees of both houses of the Legislature. Any subsequent amendments to the guidelines shall be reported to the Department of Finance and the Joint Legislative Budget Committee.</i></p>	<p>and needy jurisdictions. Updates will be done in collaboration with stakeholders ensuring continued input into that process.</p> <p>Analysis of State CDBG Program rules against the HUD rules will inform non-entitlement jurisdictions about how HCD operates and whether and/or how the State's rules are more stringent than HUD's and identify areas for potential improvement.</p> <p>What this means for HCD:</p> <p>HCD will work on guideline development in collaboration with the working group of stakeholders after any redesign of the Program has been completed. Once adopted, if the guidelines are changed, HCD must report the changes to DOF and JLBC.</p> <p>Analysis of HCD's current operation must be complete by June 30, 2018. This may be somewhat facilitated through the work of the HUD-assigned technical assistance providers whose work will start in late summer 2017; however, determining if HCD's requirements exceed those of HUD's represents a significant workload for which HCD must identify resources.</p>
50827	<p><i>(a) Thirty percent of the annual allocation of federal Small Cities Community Development Block Grant funds-funds, less department administrative funds, shall be set aside for economic development projects and programs specified in Sections 50832, 50832.1, 50833, and 50834- programs. All funds made available pursuant to the program shall, consistent with the requirements of subsection (c) of Section 5301 of Title 42 of the United States Code, be utilized to provide decent housing, a suitable living environment, and expanding economic opportunities, principally for persons and families of low or moderate income. <i>Following the adoption of guidelines pursuant to Section 50826.1, with approval by the Department of Finance and notification to the Joint Legislative Budget Committee, or June 30, 2018, whichever is sooner, if there are insufficient qualified applications for economic development project and program set aside provided by this section, as</i></i></p>	<p>(a) Clarified that the total funds available to be granted to eligible jurisdictions' applications would be the total allocated minus HCD's administrative costs. This provision also continues the 30 percent set-aside for economic development purposes; however, after approval of the guidelines, if there are not enough applications for economic development funds in response to a Notice of Funding Availability (NOFA), those funds can be awarded to other qualifying applications submitted.</p> <p>The deletion of the references to Sections 50832, 50832.1, 50833, and 50834 are clean-up to existing sections addressing the economic development set-aside.</p> <p>(b) Further instructs HCD to work with stakeholders to update Chapter 21 of the Grant Management Manual on the use of CDBG funds for economic development projects and programs by June 30, 2018.</p>

Sect. #	Language in Trailer Bill (TB)	TB Summary and What This Means
	<p><i>determined by the department's review of all economic development applications received by the application deadline specified in the NOFA, these funds shall be available to make awards to other qualifying projects and programs submitted by the application deadline specified in the NOFA.</i></p> <p><i>(b) On or before June 30, 2018, with the consultation of stakeholders, the department shall update Chapter 21 of its Grant Management Manual to facilitate the subscription of and reflect all federal requirements for economic development business assistance loans.</i></p> <p><i>(c) It is the intent of the Legislature to remove impediments and streamline access for local agencies to the funds set aside by this section to assist with local economic development efforts. On or before January 1, 2018, the department shall do all of the following:</i></p> <p><i>(1) Provide electronic links on the department's Internet Web site to any applicable federal regulations or guidelines published by the United States Department of Housing and Urban Development applicable to eligible economic development activities.</i></p> <p><i>(2) Ensure that program staff are trained on the applicable federal law, regulations, or guidelines published by the United States Department of Housing and Urban Development applicable to eligible economic development activities.</i></p> <p><i>(3) Prepare a schedule for the release of a NOFA to expedite the allocation of all unencumbered available funds, as of May 22, 2017, allocated pursuant to the requirements of this section.</i></p>	<p>(c) Requires HCD by January 1, 2018, to assist local agencies in accessing economic development funds by 1) providing internet links to applicable federal rule or guidelines from HUD, 2) making sure HCD staff are trained in this area, and 3) preparing a schedule to release a NOFA to expedite allocation of all available unencumbered funds as of May 22, 2017.</p> <p>What this means for non-entitlement jurisdictions:</p> <p>(a) Local jurisdictions will continue to have access to the economic development set-aside; however, when that set-aside is not fully subscribed, the funds can then more easily be used to award funds to other non-economic development activities for applications that were received in response to the NOFA.</p> <p>(b) HCD will work with non-entitlement jurisdictions and their representatives to continue the process of improving the economic development chapter of the Grant Management Manual. Stakeholders' contributions will better ensure that the final document will work for both HCD and non-entitlement jurisdictions in the use of economic development set-aside funds.</p> <p>(c) Any enhancement of information on the HCD website will make it easier for non-entitlement jurisdictions to access information about how to use CDBG funds for economic development activities. Economic development training of staff would allow HCD to spread the workload associated with economic development projects and ultimately result in more robust technical assistance to eligible applicants and grantees. A schedule for the 2017 CDBG NOFA has been released and a webinar held to inform eligible jurisdictions of the new features in that NOFA when published.</p> <p>What this means for HCD:</p> <p>(a) CDBG currently interprets the term "total funds available" to exclude administrative costs, making this provision negligible from the work perspective. The change eliminates any confusion over the</p>

Sect. #	Language in Trailer Bill (TB)	TB Summary and What This Means
		<p>possibility that HCD would otherwise award a disproportionate amount for economic development to the detriment of community development and housing activities.</p> <p>(b) The change codifying that unawarded economic development funds can be awarded to the general program may make that process smoother and increase the expenditure rate to the State's and grantees' advantage. Without this change, HCD would continue to make the economic development funding available for awards until the next federal contract period. The ongoing processing of applications is resource intensive. This change allows HCD to process only those applications received by the applications deadline.</p> <p>(c) Some work has already occurred on the update to Chapter 21 of the Grant Management Manual. The work will continue; however, staff will have to be identified for this work, which may mean that other work unrelated to the update would be delayed.</p> <p>(d)(1) There are already links on the HCD website; but HCD will identify others and make sure they are posted.</p> <p>(d)(2) Training creates workload for program staff for which HCD must identify resources. Thoroughness of the training requirement will be subject to current funding challenges.</p> <p>(d)(3) The NOFA is scheduled to be released in September 2017.</p>
50828	<p>Not less than 51 percent of the funds made available to the department pursuant to the program <i>annual allocation of federal Small Cities Community Development Block Grant funds, less department administrative funds</i>, shall be utilized by the department to make grants to eligible cities or counties for the purpose of providing or improving housing opportunities for persons and families of low or moderate income or for purposes directly related to the provision or improvement of housing opportunities for persons and families of low or moderate income, including, but not limited to, the construction of infrastructure. <i>Following the adoption of guidelines pursuant to</i></p>	<p>Clarifies that total funds available for award would be the total allocated minus HCD's administrative costs. No change to the requirement that a minimum of 51 percent of the granted funds be available for housing and housing-related activities.</p> <p>Continues the 51 percent set-aside for housing and housing-related activities; however, after approval of the guidelines, if there are not enough applications for housing activities in response to a NOFA, those funds shall be available for other non-housing qualifying applications.</p> <p>What this means for non-entitlement jurisdictions:</p>

Sect. #	Language in Trailer Bill (TB)	TB Summary and What This Means
	<p><i>Section 50826.1, with approval by the Department of Finance and notification to the Joint Legislative Budget Committee, or June 30, 2018, whichever is sooner, if there are insufficient qualified applications for providing or improving housing opportunities for the set aside provided by this section as determined by the department’s review of all applications for providing or improving housing opportunities received by the application deadline specified in the NOFA, these funds shall be available to make awards to other qualifying projects and programs submitted by the application deadline specified in the NOFA.</i></p>	<p>Local jurisdictions will continue to have access to the housing and housing-related set-aside; however, when that set-aside is not fully subscribed, the funds can be used to award funds to other non-housing activities for applications that were received in response to the NOFA.</p> <p>What this means for HCD:</p> <p>CDBG currently interprets the term “total funds available” to exclude administrative costs, making this provision negligible from the work perspective.</p> <p>HCD will be able to move funds to other activities if there are inadequate applications to fulfill the 51 percent set-aside for housing and housing-related activities. This may move funds more expeditiously and increase the State’s expenditure rate.</p>
50832	<p>(a) In order to ensure that a city or county may apply for both economic development and general program grants pursuant to this chapter in the same year, each applicant shall have a maximum grant request limitation as determined by the department and announced in the applicable NOFA, excluding general allocation planning and technical assistance grants and economic development allocation planning and technical assistance grants made available under Section 50833, of which a maximum amount as determined by the department and announced in the applicable NOFA, per year may be used for either general program or economic development applications. These limitations may be waived for the economic development allocation based upon available economic development funds after September 1 of each year. The department shall aggressively inform eligible cities and counties of the eligibility criteria and requirements under this section and in Section 50833.</p> <p>(b) Except for applications specified in Section 50832.1, applications for all activities or set asides under this section and Section 50833 shall be evaluated on a first in, first served basis.</p>	<p>The following provisions are removed:</p> <ol style="list-style-type: none"> 1. maximum amounts that can be requested in an application; 2. for both general and economic development planning and technical assistance grants, the limits may be in addition to the program and project application limits as laid out in a NOFA; 3. the waiver for economic development applications and the requirement that HCD inform eligible jurisdictions of the eligibility requirements for an application for and receipt of an award; and 4. any clarification about the different consideration of economic development applications. <p>This removes mandated application requirements (defaulting to the federal requirements as minimums), including a distinction between community (general) and economic development activities. This allows flexibility in how HCD moves forward with stakeholder involvement in the redesign of the CDBG program.</p> <p>Finally, removes clarification that a jurisdiction can submit an application containing an activity or activities for which funds would be used over a three-year period.</p> <p>What this means for non-entitlement jurisdictions:</p>

Sect. #	Language in Trailer Bill (TB)	TB Summary and What This Means
	<p>(e) -For all economic development applications under this section or Section 50833, including economic development assistance grants, program applications, the department shall develop project standards and rating factors which meet the minimum requirements of federal statutes for eligible projects and that meet National Objectives.</p> <p>(d) A jurisdiction may submit multiyear proposals for a period not exceeding three years in duration.</p>	<p>Any improvement to the way in which the CDBG Program operates will benefit non-entitlement jurisdictions and allows the CDBG Program redesign to move forward without any additional and unnecessary statutory requirements.</p> <p>Removing the specificity of the period over which an activity could use CDBG funds allows greater flexibility in Program design and operation by both HCD and eligible jurisdictions.</p> <p>What this means for HCD:</p> <p>HCD is better able to redesign the CDBG Program in collaboration with stakeholders to work most effectively.</p>
50832.1	<p>(a) The department is authorized to utilize specified amounts of the economic development set aside for a reservation of funds program to establish or enhance local revolving loan fund programs.</p> <p>(b) (a) To the extent that the department determines that some local communities lack capacity to apply for and administer projects under this section and Section 50832, the department may utilize federal training dollars to provide training services to those communities. In providing training, the department may contract with training entities, provide the training directly, or make stipends available for that training.</p> <p>(e) (b) Utilizing only existing Community Development Block Grant administrative funds, the department shall make every effort to assist communities unable to demonstrate compliance with federal regulations to come into compliance, which may include providing communities training in revolving loan fund administration through outside contractors. <i>compliance.</i></p>	<p>Removes the authorization for economic development funds to be used to establish a local revolving loan fund, which is prohibited by HUD.</p> <p>Also removes the specific suggestion that one way HCD could help grantees come into compliance with federal requirements is by training them in the use of revolving loan funds to be operated by a separate entity.</p> <p>What this means for non-entitlement jurisdictions:</p> <p>By removing this section that is not in compliance with HUD rules, grantees do not run the risk of misusing economic development funds to establish a revolving loan fund.</p> <p>What this means for HCD:</p> <p>Removes any confusion about future use of economic development funds for revolving loan funds.</p>

<p>50833</p>	<p>(a) The department shall determine and announce in the applicable NOFA the percentage of the total amount of the State Block Grant Program funds set aside for economic development that shall be allocated to make economic development planning and technical assistance grants to eligible small cities or counties for business attraction, retention, and expansion programs for the development of local economic development strategies, predevelopment grant feasibility studies, and downtown revitalization programs. Eligible small cities or counties may contract with public agencies or nonprofit economic development corporations and other eligible subgrantees or for-profit corporations or entities to provide these services. Each applicant shall be required to provide a cash match of up to 25 percent of the total amount requested. A technical assistance grant received under this set-aside is in addition to the city or county ceiling, under Section 50832, or its ability to apply under the economic development or general program set-asides. The department shall determine and announce in the applicable NOFA the maximum per year grant amount. Each applicant shall not receive more than two grants per year and shall be eligible to apply each year, although no applicant shall receive grants in excess of the maximum amount determined by the department and announced in the applicable NOFA in any one year. Funds not applied for or allocated under this section may be used for other economic development purposes under Sections 50832 and 50832.1.</p> <p>(b) The department shall determine and announce in the applicable NOFA the percentage of the total amount of the State Block Grant Program funds not used for economic development that shall be set aside to make technical assistance grants to eligible small cities or counties for purposes including, but not limited to: inventory of housing needing rehabilitation in the district, income surveys of area residents, and any general studies of housing needs in the district. Each applicant shall be required to provide a cash match of up to 25 percent of the total amount requested. A technical assistance grant received under this set-aside is in addition to the city or county ceiling or its ability to apply under the economic</p>	<p>Removes the restriction that an applicant can receive only two grants per year and may apply each year. Also, removes the requirement that an applicant cannot receive more than the limit allowed per jurisdiction in a single year. Does not change the provision for HCD to specify in the NOFA a maximum grant amount per year.</p> <p>Changes “an applicant” to “any applicant” to indicate that the Director of HCD can waive the restriction on applying for CDBG funds more broadly than one applicant at a time when applicants have not yet used at least 50 percent of funds awarded through grants made on or after 2012. Further, adds language to clarify that the same rating criteria rules apply in future guidelines as currently apply in regulations.</p> <p>What this means for non-entitlement jurisdictions:</p> <p>Eligible jurisdictions are no longer impeded by the limit on the number of economic development applications it can submit in response to a NOFA if the applications reflect a ready project.</p> <p>The use of the words “any” in place of “an” applicant means that the Director of HCD can invoke a broad waiver to the current rule prohibiting grantees that have not expended at least 50 percent of grants received in previous years back to 2012.</p> <p>What this means for HCD:</p> <p>HCD can now fund projects when a jurisdiction has received a grant for a general or housing-related project or program and is ready with more than one economic development project. This would in theory improve the State’s expenditure rate while stimulating communities through the use of CDBG funds.</p> <p>Allowing the Director to waive the 50 percent rule broadly means fewer specific waivers would have to be considered; however, this also means that there may be less impetus for complying with the 50 percent rule, potentially reversing any progress previously made to increase the expenditure rate.</p>
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development or general program set-asides. Unexpended funds allocated under this section shall revert to the general program, but not to the economic development set-aside. The department shall determine and announce in the applicable NOFA the maximum grant amount per application. ~~Each applicant shall not receive more than two grants per year and shall be eligible to apply each year, although no applicant shall receive grants in excess of the maximum amount determined by the department and announced in the applicable NOFA in any one year.~~

(c) If, under federal law, the economic development planning and technical assistance grants and the general allocation planning and assistance grants are considered to be administrative expenditures, the department may reduce the percentages of the set-asides by up to the amount necessary to remain within the allowable limits for administrative expenditures.

(d) Two or more jurisdictions may pool their funds and make a joint application for the same project.

(e) General administrative activity planning studies shall not be counted against allocations under this section.

(f) The department may issue a NOFA under which the director may determine that ~~an~~ *any* applicant with one or more current Community Development Block Grant agreements signed in 2012 or later, for which the expenditure deadline established in the grant agreement or agreements has not yet passed, is eligible to apply for and receive an award of, funds pursuant to this chapter, without regard to whether the applicant has expended at least 50 percent of Community Development Block Grant Funds awarded in 2012 or thereafter. For any applicant that is so determined, the director shall include in the application file a written confirmation of eligibility and any award of funds. An application made pursuant to the director's determination under this section may be evaluated solely on the basis of eligibility, need, benefit, or readiness, without regard to any specific rating criteria provided by Section 7078 of the California Code of ~~Regulations.~~ *Regulations or subsequent*

	<p><i>guidelines adopted pursuant to Section 50826.1.</i> The awarding of funds to an applicant pursuant to the director’s determination under this section does not exempt those funds from consideration under any expenditure requirement under law.</p>	
50833.1	<p>(a) In the event that the department is allocated supplemental funds in excess of the state’s annual program allocation pursuant to subdivision (d) of Section 5306 of Title 42 of the United States Code to meet an extraordinary need, including funds provided to serve as an economic stimulus to the economy of California, or in the event that federal funds are required to be set aside from the department’s annual allocation pursuant to federal law or regulation, the department may distribute these supplemental or federally mandated set-aside funds pursuant to guidelines to be set forth in a special Notice of Funding Availability.</p> <p>(b) The distribution of supplemental or federally mandated set-aside funds under this section shall not be subject to the requirements of Sections 50831, 50832, and 50833, and shall be made notwithstanding any special allocations specified in Subchapter 2 (commencing with Section 7050) of Chapter 7 of Division 1 of Title 25 of the California Code of Regulations. <i>Regulations or guidelines adopted pursuant to Section 50826.1.</i></p> <p>(c) The guidelines for the distribution of supplemental allocations and federally mandated set-aside funds shall not be subject to any provision of Subchapter 2 (commencing with Section 7050) of Chapter 7 of Division 1 of Title 25 of the California Code of Regulations that the department determines to be in conflict with the purpose of, or impair the achievement of the goals of, the supplemental allocation or the federally mandated set-aside funds.</p> <p>(d) The department may adopt emergency regulations to implement this section. The adoption of any emergency regulations to implement this section that are filed with the Office of Administrative Law within one year of the effective date of the federal act that allocates these supplemental funds shall be deemed to be an emergency and necessary for the immediate preservation of the public peace, health and safety, or general welfare.</p>	<p>Clarifies that guidelines can be used in lieu of regulations to grant federal supplemental or other federally mandated set-asides.</p> <p>What this means for non-entitlement jurisdictions:</p> <p>The adoption of guidelines for supplemental or federally mandated set-asides means that any changes to how local jurisdictions can access funds for these purposes can more easily occur.</p> <p>What this means for HCD:</p> <p>HCD will be able to address the issue of supplemental or federally mandated set-asides in the development of guidelines rather than in regulations.</p>

<p>50834</p>	<p>(a) The department shall prepare a separate and discrete training manual and request for proposal for <i>ensure potential applicants have access to instructions that allow them to successfully qualify for</i> the economic development set-aside. <i>set aside.</i> The department shall ensure that it can respond to requests for grants as rapidly as possible. Once an economic development project award is approved by the director, a contract shall be executed and funds made available as soon as possible.</p> <p>(b) Any program income received by a city or county grantee, or grantee or its subrecipients, or any loan repayments made by a beneficiary to a grantee, may shall be utilized by the city or county grantee for any an activity currently eligible under federal law and regulations, provided that the department determines that the beneficiary or grantee has complied reasonably with the terms and conditions described in the contract between the grantee and the department.</p> <p>(c) Any economic development set-aside of funds not encumbered for funding of a project by the end of the federal contract period shall revert to the general program and be set aside for use if approved projects for which no funds are available are pending.</p> <p>(d) The department shall conditionally commit economic development allocations to projects that meet the requirements of this chapter up front, contingent upon the applicant receiving those other funding commitments necessary to complete the project.</p>	<p>Requires the Department to make sure that all eligible jurisdictions have access to the application instructions for economic development set-aside funds.</p> <p>Also requires, rather than allows, CDBG loan repayments to be used for an eligible activity, if a grantee or their subrecipient is to use these funds.</p> <p>This provision removes the requirement that at the end of the contract period with HUD, unencumbered economic development set-aside funds be awarded to any approved projects that were not funded in the most recent NOFA period.</p> <p>Also removes the ability of HCD to conditionally commit funds to economic development projects that do not yet have the required funding commitments to achieve the project.</p> <p>What this means for non-entitlement jurisdictions:</p> <p>Applicants can now access information on the website about how economic development applicants are assessed for funding. The information will be enhanced as information is available; however, interested jurisdictions will still have to go to the website for the information.</p> <p>Grantees will be required to use Program Income (PI) to fund CDBG-eligible activities rather than either 1) accumulate the PI without regard to the need to spend it, or 2) return the PI to the State to award in the next NOFA.</p> <p>Non-entitlement jurisdictions will no longer be allowed to submit applications for economic development activities that do not have other funding commitments necessary to complete the activity.</p> <p>What this means for HCD:</p> <p>Access to application instructions for economic development set-aside funds are already made available on the website; however, the success of applicants to receive an economic development award can only reflect the ability of the applicant to comply with all aspects of the application</p>
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		<p>process and present an application reflecting a ready project. The workload associated with this provision is difficult to determine but may be negligible.</p> <p>Because of the change in Section 50827(a) clarifying that unencumbered economic development set-aside funds can be awarded to other unfunded applications for the general program, section (c) is no longer necessary.</p> <p>HCD will no longer be expected to fund economic development projects that are not yet ready with other funding commitments.</p>
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APPENDIX III

CDBG REDESIGN TIMELINE

Updated: July 28, 2017

	Key Milestones	Deadline	Status/Notes
CDBG REDESIGN			
1	Send follow up materials to Advisory Committee	6/30/17	See <i>CDBG Advisory Committee Follow-Up—Commitments Made</i>
2	Issue Stakeholder Survey and Working Group invitation	6/30/17	
3	Sign MOU with HUD for Technical Assistance on Redesign	7/15/17	HUD Consultant will participate in Working Group meetings
4	Release draft CDBG Redesign Framing Paper	7/21/17	Advisory Committee discussed at 7/21/17 meeting
5	Issue schedule for 5 Listening Sessions	7/21/17	Ukiah, Anderson, Marina, Sacramento, Visalia
6	Form Working Group (WG) and Convene Initial Meeting	By 9/1/17	Includes BCSH, DOF and Leg Consultants
7	Convene 5 Listening Sessions and summarize stakeholder feedback for use by the Working Group	8/17 – 9/30	Advisory Committee requested Aug. and Sept. for maximum stakeholder participation
8	Provide Comparison of Federal Requirements and State Program requirements to Working Group	1/1/18	HUD Consultant may prepare comparison and make recommendations to HCD on program redesign

	Key Milestones	Deadline	Status/Notes
9	Post links on HUD ED Regulations on Website, Provide CDBG Training to Staff, Release NOFA Schedule of Unencumbered Available Funds	1/1/18	Required in Enrolled CDBG Trailer Bill
10	Publish Draft CDBG Program Redesign Paper and provide 30-day comment period	1/30/18	Comment period from 1/31/18 to 2/29/18
11	Finalize CDBG Program Redesign Paper	3/31/18	
12	Publish Draft CDBG Program Guidelines and provide 30-day public comment period	5/1/18	Public comment period from 5/2/18 to 6/1/18
13	Update Chapter 21 of Grant Management Manual	6/30/18	Required in Enrolled CDBG Trailer Bill
14	Finalize CDBG Program Guidelines and Submit to DOF for approval and notify JLBC	6/30/18	Working Group finishes its work
15	Publish 2018 NOFA	TBD	

APPENDIX IV

CDBG List of Eligible Activities	
Projects	Programs
<ul style="list-style-type: none"> ▪ Senior Center ▪ Homeless Facilities (not operating cost) ▪ Parks, Recreational Facilities ▪ Flood Drainage Improvements ▪ Water/Sewer Improvements ▪ Street Improvements ▪ Sidewalks ▪ Neighborhood Facilities ▪ Child Care Center ▪ Fire Station/Equipment ▪ Health Facilities ▪ Rehab; Single-Unit Residence ▪ Rehab; Multi-Unit Residential 	<ul style="list-style-type: none"> ▪ Operating Cost Homeless/AIDS Patients ▪ Senior Services ▪ Youth Services ▪ Battered and Abused Spouses ▪ Employment Training ▪ Fair Housing Activities ▪ Child Care Services ▪ Abused and Neglected Children ▪ Subsistence Payments ▪ Security Deposits ▪ Neighborhood Cleanups ▪ Food Banks ▪ Homeownership Direct Assistance ▪ Rehabilitation Administration

APPENDIX V

**2017 CDBG APPLICATION
Funding Limits and Eligible Activities Chart**

Application Maximum \$5,000,000 (excluding Colonia, Native American and OTC Activities)

Only two activities per application, except for combination programs, public services, or planning activity

