



State of California
Department of Housing and Community Development
Community Development Block Grant - Disaster Recovery

Grant Administration Manual

Version 13

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Chapter 1: Introduction

1.1: HUD CDBG-DR Program

The U.S. Housing and Urban Development's (HUD) Community Development Block Grant Disaster Recovery (CDBG-DR) Program provides flexible federal funding to help cities, counties, and states recover from presidentially declared disasters. Managed by HUD, CDBG-DR funds focus primarily on long-term recovery and rebuilding efforts, especially targeting low- and moderate-income communities disproportionately affected by disasters.

After a major disaster, HUD allocates CDBG-DR funds directly to a grantee, typically a state, territory, or local government with significant unmet recovery needs. The grantee is responsible for developing an Action Plan, managing the funds, and ensuring compliance with federal requirements.

Grantees often partner with subrecipients, such as local governments, tribes, or nonprofit organizations, to implement recovery and mitigation programs. Subrecipients carry out activities like rebuilding homes, restoring infrastructure, or delivering public services, while the grantee retains responsibility for oversight, reporting, and ensuring that all program activities comply with HUD requirements.

Key aspects of the CDBG-DR program include:

Flexible Funding: Allows grantees to address unmet disaster recovery needs related to housing, infrastructure, economic revitalization, and resilience measures.

Needs-Based Allocation: Funds are allocated based on damage assessments and unmet recovery needs, ensuring resources target the most severely impacted communities.

Low- and Moderate-Income Focus: At least 70 percent of allocated funds must benefit low- and moderate-income persons.

Action Plan Requirement: Grantees must develop and submit comprehensive Action Plans detailing how they intend to use allocated funds, subject to public comment and HUD approval.

Oversight and Compliance: Grantees must adhere to federal requirements, including monitoring and reporting obligations, financial accountability, environmental review compliance, and prevention of fraud, waste, and abuse.

Overall, CDBG-DR funds support sustainable, resilient recovery by investing in communities hardest hit by disasters, facilitating long-term recovery, and reducing vulnerabilities to future events.

1.2: California CDBG-DR Funded Disasters

California has faced numerous disasters over the years, each causing significant damage across various regions. California, through the Department of Housing and Community Development (HCD), has received recovery funding under the Community Development Block Grant – Disaster Recovery to support recovery efforts. Each disaster listed below led to a federal CDBG-DR or CDBG-MIT allocation to California, informing the development of distinct recovery programs described in subsequent sections:

2017 Disasters

- **October Wildfires (DR-4344):** Severe wildfires affected approximately 152,539 acres across Butte, Lake, Mendocino, Napa, Nevada, Orange, Sonoma, and Yuba counties.
- **December Wildfires and Subsequent Mudslides (DR-4353):** Wildfires impacted Los Angeles, San Diego, Santa Barbara, and Ventura counties, burning around 365,199 acres. The fires were followed by mudslides, and debris flows in January 2018, causing further damage.

2018 Disasters

- **Wildfires (DR-4382 and DR-4407):** The Carr Fire and Mendocino Complex Fire in August, followed by the Camp, Hill, and Woolsey Fires in November, collectively burned over 1.6 million acres. The Camp Fire, notably, resulted in 85 fatalities, making it California's deadliest wildfire on record. Affected counties included Butte, Los Angeles, Ventura, Shasta, and Lake.

2020 Disasters

- **August Complex Fire (DR-4558):** Starting in August, this fire became California's first "giga-fire," burning over a million acres across counties such as Butte, Lake, Lassen, Mendocino, Monterey, Napa, San Mateo, Santa Clara, Santa Cruz, Solano, Sonoma, Stanislaus, Trinity, Tulare, and Yolo.
- **September Wildfires (DR-4569):** Fires during this period affected Fresno, Los Angeles, Madera, Mendocino, Napa, San Bernardino, San Diego, Shasta, Siskiyou, and Sonoma counties.

2021 Disasters

- **Dixie Fire (DR-4610):** Beginning in July, the Dixie Fire burned 963,309 acres across Butte, Plumas, Shasta, Lassen, and Tehama counties, ranking as California's second-largest wildfire.

- **River Fire (DR-4610):** In August, this fire affected 2,619 acres in Nevada and Placer counties.
- **Monument Fire (DR-4610):** Occurring between July and October, it burned 223,124 acres west of Big Bar in Shasta-Trinity National Forest.

2023 Disasters

- **Severe Storms and Flooding (DR-4683):** From December 27, 2022, through March 25, 2023, significant rainfall led to flooding, landslides, and mudslides across multiple counties.
- **Severe Winter Storms and Mudslides (DR-4707):** From February 14 to March 5, 2023, significant rainfall led to flooding and mudslides in Hoopa Valley Tribe.
- **Severe Winter Storms, Straight-line Winds, Flooding, Landslides and Mudslides (DR-4699):** From February 21, through July 10, 2023, significant rainfall led to flooding, landslides, mudslides, and debris flows across multiple counties.

2024 Disasters

- **January Storms and Flooding (DR-4758):** Between January 21-23, severe storms caused flooding in San Diego County, leading to a major disaster declaration.
- **January-February Winter Storms (DR-4769):** From January 31 to February 9, severe winter storms, tornadoes, flooding, landslides, and mudslides impacted counties including Butte, Glenn, Los Angeles, Monterey, San Luis Obispo, Santa Barbara, Santa Cruz, Sutter, and Ventura.

Detailed descriptions of these disasters, their impact, and the resulting recovery and mitigation needs can be found on HCD's Disaster Recovery webpage: [Action Plans and Federal Register Notices \(FRNs\) | California Department of Housing and Community Development](#).

Chapter 2: CDBG-DR Grants

2.1: How CDBG-DR Funding is Initiated

When a disaster occurs in California, the Governor may request a Major Disaster Declaration from the President through the Federal Emergency Management Agency (FEMA). Once this is approved, if significant unmet needs among individuals and households are identified, the President may authorize an Individual Assistance (IA) designation. When this happens, FEMA assigns a unique disaster number, commonly referred to as the DR number.

Following this declaration, HUD evaluates the scale of unmet housing and infrastructure needs arising from the declared disaster. If those needs meet federal thresholds, Congress may appropriate CDBG-DR funds using Public Laws to authorize emergency supplemental funding. Once a Public Law is passed, HUD allocates funds based on the law’s provisions and issues a Federal Register Notice (FRN) outlining how the funds may be used. FRN’s including HCD’s CDBG-DR awards are available on HCD’s Disaster Recovery webpage: [Action Plans and Federal Register Notices \(FRNs\) | California Department of Housing and Community Development](#)

CDBG-DR/MIT Allocations to California by Disaster Year

Disaster Year	Disaster Numbers	Funding Source	Federal Register Notice	Amount Allocated	Purpose
2017	DR-4344, DR-4353	Pub. L. 115-123 (Feb 2018)	83 FR 40314 (Aug 14, 2018); 83 FR 5844 (Feb 9, 2018)	\$124,155,000	Unmet Needs
Same	Same	Same	Same	\$88,219,000	Mitigation
2018	Statewide events	Pub. L. 115-254 (Oct 2018); Pub. L. 116-20 (Jun 2019)	85 FR 4681 (Jan 27, 2020)	\$1,020,000,000	Unmet Needs
Same	Same	Same	86 FR 561	\$64,907,000	Mitigation
2020	DR-4558, DR-4569	Pub. L. 117-43 (Sep 2021)	86 FR 6364 (Feb 3, 2022)	\$231,203,000	Unmet Needs
2021	DR-4610	Same	87 FR 31636 (May 24, 2022)	\$14,761,000	Unmet Needs

Disaster Year	Disaster Numbers	Funding Source	Federal Register Notice	Amount Allocated	Purpose
	DR-4610	Pub. L. 117-180 (Sep 2022)	88 FR 3198 (Jan 18, 2023)	\$9,647,000	Unmet Needs (Supplemental)
2023	DR-4683	Pub. L. 117-328 (Dec 2022)	88 FR 82982 (Nov 27, 2023)	\$115,022,000	Unmet Needs
	DR-4683	Pub. L. 118-158 (Dec 2024)	90 FR 21328 (May 27, 2025)	\$85,349,000	Unmet Needs (Supplemental Plus-up)
2023/ 2024	DR-4699, DR-4707, DR-4758	Pub. L. 118-158 (Dec 2024)	90 FR 4759 (Jan 16, 2025)	\$416,887,000	Unmet Needs

2.2: CDBG-DR Grant Lifecycle: From Allocation to First Draw

This section outlines the key steps in the lifecycle of a CDBG-DR grant, beginning with the federal disaster declaration and continuing through HUD's allocation of funds, Action Plan development, grant agreement execution, and initial fund disbursement. It provides a high-level overview of the procedural, administrative, and planning milestones that must be completed before recovery programs can be implemented.

2.2.1: Federal Guidance and Allocation

Federal Register Notice Issued

HUD publishes the allocation and requirements for the CDBG-DR grant in the Federal Register, including eligible activities, waivers, and submission deadlines.

Review of Federal Requirements

HCD reviews the applicable Federal Register Notice issued by HUD, which outlines specific rules, eligible activities, and program priorities for the grant.

2.2.2: Needs Assessment and Public Engagement

Needs Assessment

HCD conducts a Disaster Impact and Unmet Needs Assessment, analyzing data on housing, infrastructure, and economic recovery to determine where funding is most needed.

Stakeholder and Public Engagement

HCD engages with local governments, tribes, nonprofits, and the public through outreach, consultation meetings, and public comment periods to ensure community needs are reflected.

2.2.3: Action Plan Development

Drafting the Action Plan

The plan outlines program objectives, proposed activities, allocations of funding, performance metrics, and how HCD will ensure compliance with federal and state requirements. Action Plans will be discussed in more detail in Section 6.

Public Comment Period

The draft Action Plan is published for no less than 30 days to collect public feedback, as required under HCD's Citizen Participation Plan.

Finalization and Submission to HUD

After reviewing and incorporating public comments, HCD finalizes the plan and submits it to HUD for approval within the required timeframe (typically within 120-135 days of the FRN notice).

2.2.4: Federal Approval and Grant Execution

HUD Review and Approval

HUD reviews the Action Plan to ensure compliance with federal requirements. Once approved, HCD may begin implementation.

Award Start Notification (ASN) or Assignment of Award Number

The ASN is a key step in the process where HUD assigns an official grant number to an allocation, marking the formal setup of the grant within HUD systems and enabling subsequent administrative and financial actions.

Issuance of Signed Grant Agreement

Once HUD approves the Action Plan, a signed grant agreement will be issued that serves as a legally binding contract between HUD and HCD. Once both parties sign the agreement, HCD is officially authorized to begin

drawing down funds and implementing recovery programs in accordance with the grant terms. The Grant Agreement includes:

- The amount of funding that is being awarded.
- The programmatic and financial responsibilities of both HUD and HCD.
- References to applicable laws, regulations, and the approved Action Plan.
- Conditions for accessing and using funds via HUD's Line of Credit Control System (LOCCS).
- Expenditure deadlines.

2.2.5: Post-Award Readiness and Implementation

Implementation Plan Submitted

Following grant execution, HCD must submit an Implementation Plan to HUD to support HUD's review of HCD's readiness to manage the funds. The Implementation Plan includes:

- Organizational structure and staffing capacity.
- Roles and responsibilities for program functions (e.g., finance, compliance, monitoring).
- Interagency coordination.
- Internal controls and systems of record.

2.2.6: First Draw of Funds

Within 180 days of the signed Grant Agreement, HCD must initiate the drawdown via HUD's Disaster Recovery Grant Reporting (DRGR) system.

Chapter 3: HCD CDBG-DR/MIT Programs

HCD structures its CDBG-DR funding into targeted programs to address the specific unmet recovery needs of each federally declared disaster. Program design reflects the type, scale, and location of impacts, as well as local population and housing characteristics. The CDBG-DR/Mitigation (CDBG-DR/MIT) program provides additional funding to help communities build resilience and reduce the impacts of future disasters.

CDBG-DR/MIT funds are governed by CDBG regulations 24 C.F.R. part 570, but additional requirements can be established through Federal Register Notices. The programs must also comply with 2 C.F.R. § 200, the federal government's administrative guidance on administrative requirements and cost principles. The following is a high-level summary of HCD's CDBG-DR/MIT programs. For more detailed information regarding these programs, please refer to the applicable Action Plan, located on HCD's website: [Action Plans and Federal Register Notices \(FRNs\) | California Department of Housing and Community Development](#)

3.1: 2017 CDBG-DR Recovery Programs

Owner-Occupied Rehabilitation and Reconstruction (OOR)

Purpose: Provides up to \$500,000 per eligible homeowner for the repair or reconstruction of primary residences impacted by the 2017 wildfires.

Administration: Managed by HCD.

Funding Source: Grant #B18DP060001

Point of Contact: Division of Federal Financial Assistance (DFFA) - Single Family Housing Branch.

Multifamily Housing Program (MHP)

Purpose: Addresses unmet rental housing needs through the replacement of lost affordable rental units for displaced renters and households made homeless by the 2017 disasters, including those for Housing Choice Voucher holders.

Administration: Managed by subrecipients under HCD oversight.

Funding Source: Grant #B18DP060001

Point of Contact: DFFA Multifamily Branch

Homebuyer Assistance Program (HBA)

Purpose: Assists low- to moderate-income disaster survivors in relocating outside high fire-risk areas through assistance with down payment and related housing costs.

Administration: Managed by a subrecipient under HCD oversight.

Funding Source: Grant #B18DP060001

Point of Contact: DFFA Single Family Housing Branch

Infrastructure Program

Purpose: Funds the nonfederal match for eligible FEMA Public Assistance (PA) projects that support housing recovery.

Administration: Managed by local government subrecipients.

Funding Source: Grant #B19DP060001

Point of Contact: DFFA Non-Housing Branch.

3.2: 2018 CDBG-DR Recovery Programs

Owner-Occupied Rehabilitation and Reconstruction

Purpose: Provides up to \$500,000 per eligible homeowner for repair or reconstruction of primary residences impacted by the 2018 wildfires.

Administration: Managed by HCD.

Funding Source: Grants #B19DV060001 and #B19DV060002

Point of Contact: DFFA Single Family Housing Branch.

Multifamily Housing Program (MHP)

Purpose: Supports the development of affordable rental housing for displaced households and those made homeless by the 2018 disasters, including for Housing Choice Voucher holders.

Administration: Managed by subrecipients with HCD oversight.

Funding Source: Grants #B19DV060001 and #B19DV060002

Point of Contact: DFFA Multifamily Housing Branch.

Homebuyer Assistance Program (HBA)

Purpose: Assists low- to moderate-income disaster survivors in relocating outside high fire-risk areas through assistance with down payment and related housing costs.

Administration: Managed by HCD.

Funding Source: Grants #B19DV060001 and #B19DV060002

Point of Contact: DFFA Single Family Housing Branch.

Infrastructure Program

Purpose: Supports three infrastructure project types:

- Fully CDBG-DR funded (non-match).
- Match for FEMA Public Assistance (PA).
- Match for FEMA Hazard Mitigation Grant Program (HMGP).

Administration: Managed by local government subrecipients with HCD oversight.

Funding Source: Grants #B19DV060001 and #B19DV060002

Point of Contact: DFFA Non-Housing Branch.

Workforce Development

Purpose: Creates job training opportunities in construction and recovery-related fields for low- to moderate-income (LMI) participants in impacted areas to enhance local workforce capacity and contribute to long-term recovery.

Administration: HCD partners with established workforce development programs.

Funding Source: Grants #B19DV060001 and #B19DV060002

Point of Contact: DFFA Non-Housing Branch.

Planning

Purpose: Supports long-term recovery and resilience planning that incorporates mitigation strategies in wildfire-impacted areas.

Administration: Managed by HCD.

Funding Source: Projects funded under the 2018 CDBG-MIT allocation but planning costs also funded under grants #B19DV060001 and #B19DV060002.

Point of Contact: DFFA Non-Housing Branch.

3.3: 2017 and 2018 CDBG-MIT Programs

Mitigation Planning and Public Services (MIT-PPS) Programs

Purpose: Assists local jurisdictions with mitigation-related planning and public services needs to support risk reduction from wildfire, flooding, and earthquake hazards.

Administration: Managed by HCD.

Funding Source: Grants #B18DP060002 and #B19DT060001

Point of Contact: DFFA Non-Housing Branch.

Infrastructure and Resilient Infrastructure Program (DR-INF/MIT-RIP)

Purpose: Helps local government subrecipients in impacted areas rebuild their communities' infrastructure in a more resilient manner to withstand future natural disasters.

Administration: Managed by HCD.

Funding Source: Grant #B18DP060002

Point of Contact: DFFA Non-Housing Branch.

3.4: 2020 CDBG-DR Recovery Programs

Owner-Occupied Rehabilitation and Reconstruction (OOR)

Purpose: Provides up to \$500,000 for rehabilitation or reconstruction of primary residences, including wildfire mitigation upgrades to meet Wildfire Prepared Home standards.

Administration: Managed by HCD.

Funding Source: Grant #B21DZ060001

Point of Contact: DFFA Single Family Housing Branch.

OOR Mitigation – Home Hardening and Retrofits

Purpose: Provides up to \$75,000 of home hardening funds per household for homes in 2020 Most Impacted and Distressed (MID) areas to reduce wildfire risk and bring homes into compliance with Wildland-Urban Interface Code standards.

Administration: Integrated under ReCoverCA; managed by HCD.

Funding Source: Grant #B21DZ060001

Point of Contact: DFFA Single Family Housing Branch.

Homebuyer Assistance Program (HBA)

Purpose: Assists low- to moderate-income disaster survivors in relocating outside high fire-risk areas through assistance with down payment and related housing costs.

Administration: Managed by a subrecipient with HCD oversight.

Funding Source: Grant # B21DZ060001

Point of Contact: DFFA Single Family Housing Branch.

Multifamily Housing Program (MHP)

Purpose: Supports the development of affordable rental housing for displaced households and those made homeless by the 2020 disasters.

Administration: Managed by HCD, competitively awarded to qualified developers.

Funding Source: Grant # B21DZ060001

Point of Contact: DFFA Multifamily Housing Branch.

Multifamily Mitigation Program

Purpose: Retrofits and hardens existing affordable multifamily units to enhance wildfire resilience and reduce long-term risk to life and property.

Administration: Managed by HCD.

Funding Source: Grant # B21DZ060001

Point of Contact: DFFA Multifamily Housing Branch.

Infrastructure

Purpose: Supports local cost share for approved FEMA Public Assistance (PA) projects in eligible jurisdictions affected by DR-4558 and DR-4569.

Administration: Managed by HCD.

Funding Source: Grant # B21DZ060001

Point of Contact: DFFA Non-Housing Branch.

3.5: 2021 CDBG-DR Recovery Programs

Single-Family Housing Reconstruction

Purpose: Up to \$500,000 of funding for the reconstruction of single-family homes destroyed in the 2021 disaster event (DR-4610).

Administration: Integrated under ReCoverCA Housing programs, managed by HCD.

Funding Source: Grants # B21DF060001 and B22DF060001.

Point of Contact: DFFA Single Family Housing Branch.

Single-Family Reconstruction Mitigation

Purpose: Provides up to \$50,000 of home hardening funds per household to assist homeowners and landlords in MID areas who do not need full reconstruction but require wildfire hardening and vegetation management.

Administration: Integrated under ReCoverCA; managed by HCD.

Funding Source: Grants # B21DF060001 and B22DF060001

Point of Contact: DFFA Single Family Housing Branch.

Infrastructure

Purpose: Assists local government subrecipients in impacted areas to rebuild their communities' infrastructure.

Administration: Managed by HCD.

Funding Source: Grant #B22DF060001

Point of Contact: DFFA Non-Housing Branch.

Multifamily Housing Program (MHP):

Purpose: Consists of new development of rental housing through implementation of one scattered-site project designed to address the unmet rental housing need.

Administration: Managed by HCD.

Funding Source: Grant #B21DF060001

Point of Contact: DFFA Multifamily Housing Branch.

3.6: 2023 CDBG-DR Recovery Programs

Manufactured Housing Repair and Elevation (MHRE)

Purpose: Provides up to \$500,000 for the repair, replacement, and/or elevation of manufactured housing units affected to cover the cost of purchase, installation, and elevation of MHUs at 2-foot to 3-foot above 100-year flood levels to address disaster-related damages and mitigate potential future damage.

Administration: Managed by HCD.

Funding Source: Grant # B23DG060001

Point of Contact: DFFA Single Family Housing Branch.

DR-ACCEL (Disaster Recovery Multifamily Housing Accelerator Program)

Purpose: Provides targeted funding to fill gaps in existing multifamily housing projects that have already received CDBG-DR funds but require additional support to reach completion. The program accelerates delivery and enhances the impact of recovery housing projects that are at risk of stalling due to financing shortfalls.

Administration: Managed by HCD.

Funding Source: Grant # B23DG060001 and B25DG060001

Point of Contact: DFFA Multifamily Housing Branch.

Mitigation Resilient Infrastructure Program (MIT-RIP)

Purpose: Assist local jurisdictions in addressing mitigation-related infrastructure needs to support risk reduction from the three primary hazards (wildfire, flooding, and earthquake) as established within the Mitigation Needs Assessment.

Administration: Managed by HCD.

Funding Source: Grant # B23DG060001 and B25DG060001

Point of Contact: DFFA Non-Housing Branch.

Owner-Occupied Mitigation (OOM)

Purpose: Aids eligible homeowners of owner-occupied residential structures in Ventura County to incorporate wildfire and flood Mitigation measures, including the use of ignition resistant building materials and the creation of Defensible Space, to increase the level of protection against future disasters.

Administration: Managed by HCD.

Funding Source: Grant # B25DG060001

Point of Contact: DFFA Single Family Housing Branch.

3.7: 2023/2024 CDBG-DR Recovery Programs

Infrastructure and Resilient Infrastructure and Planning Program (DR-INF/MIT-RIPP)

Purpose: Helps local government subrecipients in impacted areas rebuild their communities' infrastructure and planning projects in a more resilient manner to withstand future natural disasters.

Administration: Managed by HCD.

Funding Source: Grant #B25DU060001

Point of Contact: DFFA Non-Housing Branch.

Insurance Resilience Planning Program (IRPP)

Purpose: HCD will partner with a nonprofit subrecipient subject matter expert to design and complete a planning project which focuses on the insurance gaps of the MID communities.

Administration: Managed by HCD.

Funding Source: Grant #B25DU060001

Point of Contact: DFFA Disaster Response & Operations Branch.

Single Family Rehabilitation and Reconstruction (SFRR)

Purpose: Provide rehabilitation or reconstruction assistance to eligible applicants based on the extent of damage to their primary residences or single-family rental properties. This assistance may be in the form of program provided construction management of rehabilitation and reconstruction activities.

Administration: Integrated under ReCoverCA; managed by HCD.

Funding Source: Grants #B25DU060001

Point of Contact: DFFA Single Family Housing Branch.

Disaster Recovery Multifamily Housing Program (DR-MHP)

Purpose: Supports the development of affordable rental housing for displaced households and those made homeless as a result of the disaster.

Administration: Managed by HCD, competitively awarded to qualified developers.

Funding Source: Grant #B25DU060001

Point of Contact: DFFA Multifamily Housing Branch.

Homebuyer Assistance Program (HBA)

Purpose: Assists low- to moderate-income disaster survivors in relocating outside high fire-risk areas through assistance with down payment and related housing costs.

Administration: Managed by a subrecipient with HCD oversight.
Funding Source: Grant #B25DU060001
Point of Contact: DFFA Single Family Housing Branch.

Tribal Set-Aside for Hoopa Valley and Tule River Tribes

Purpose: Conduct study to determine tribe specific disaster impacts and unmet recovery needs. This study will identify tribe specific recovery programs.

Administration: Managed by HCD.

Funding Source: Grant #B25DU060001

Point of Contact: DFFA Non-Housing Branch.

Chapter 4: Program Structure

4.1: HCD Organizational Structure

4.1.1: Department Level

HCD is the responsible entity for the administration of CDBG-DR and CDBG-MIT funds for the State of California. Currently, HCD has the nine divisions shown below. This structure supports strong fraud-risk management by providing a clear division of duties and well-defined organizational responsibilities across HCD's divisions.

- Administration and Management
- Codes and Standards
- Executive
- **Federal Financial Assistance**
- Housing Policy Development
- Legal Affairs
- Legislation
- Organizational Development
- State Financial Assistance

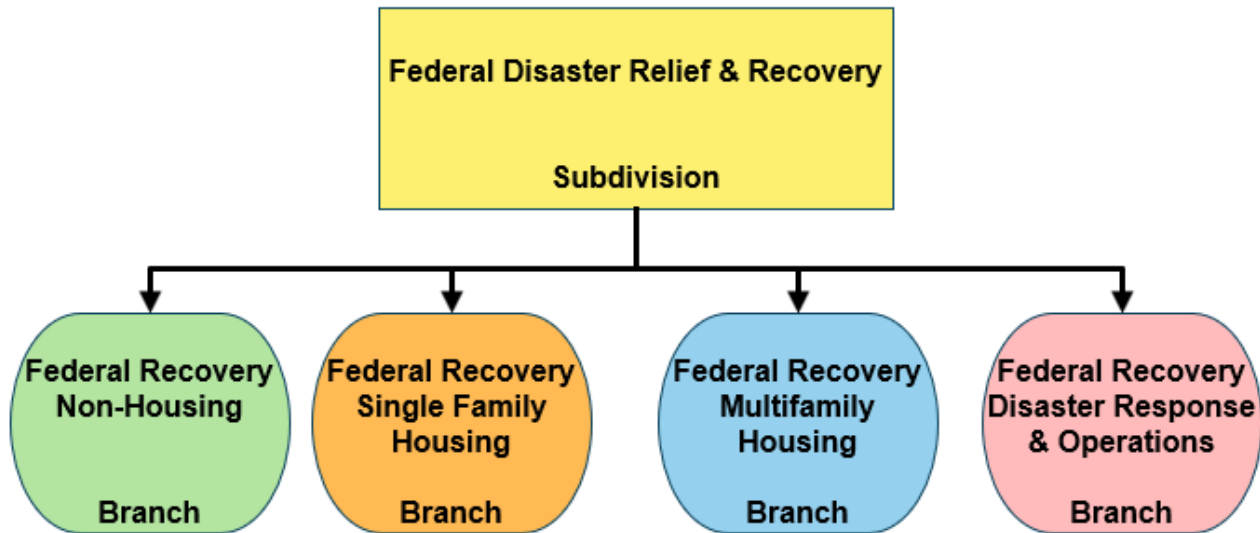
4.1.2: Division of Federal Financial Assistance Level

The Division of Federal Financial Assistance (DFFA) manages federal programs for HCD.

4.1.3: Federal Disaster Relief and Recovery Sub-Division Level

The Federal Disaster Relief and Recovery Sub-Division was established within DFFA to ensure effective administration of CDBG-DR and CDBG-MIT appropriations. The Sub-Division includes four branches reporting to the Assistant Deputy Director, each with defined roles that collectively strengthen accountability, support compliance, and reduce risks of fraud, waste, and abuse.

While each branch has specialized responsibilities, major cross-cutting program functions, including Action Plan development, DRGR reporting, contract execution, program implementation, and monitoring, are carried out through coordinated cross-branch workflows. The DRO branch manages core compliance, reporting, and financial systems, while the Non-Housing, Single-Family Housing, and Multifamily Housing branches provide program-specific expertise, subrecipient oversight, and technical assistance. A shared tracking and approval framework ensures consistency and alignment with federal requirements.



Federal Recovery Non-Housing Branch (ComDev)

Responsible for CDBG-DR and CDBG-MIT Community Development programs, including:

- Infrastructure
- Mitigation – Planning
- Mitigation – Public Services
- Mitigation - Resiliency Infrastructure Program
- Workforce Development
- Tribal allocations

Federal Recovery Single Family Housing Branch

Responsible for CDBG-DR housing and housing-oriented mitigation programs, including:

- Homebuyer Assistance
- Homebuyer Assistance
- Manufactured Home Replacement and Elevation
- Single Family Mitigation
- Single Family Reconstruction

Federal Recovery Multifamily Housing Branch (MHP)

Responsible for CDBG-DR housing and housing-oriented mitigation programs, including:

- Multifamily Housing
- Multifamily Housing Accelerator

Disaster Response and Operations Branch (DRO)

Coordinates essential administrative functions, including:

- Financial management
- Data management
- Reporting
- Grant administration, including Action Plan development
- Monitoring
- Cross-cutting compliance

4.1.4: Federal Administrative and Support

Various HCD divisions directly support the Federal Disaster Relief & Recovery Sub-Division:

Administrative Policy: HCD's Administration Division and DFFA leadership coordinate on grant-level policy, fiscal oversight, and administrative decisions.

Dedicated Federal Support Units: Some functions within HCD are performed by units that solely support HCD's Federally funded programs. The direct wages incurred by these units are proportionally distributed between the Federal programs that they support, in accordance with 2 C.F.R. § 200.430. These include:

- Accounting Branch:
 - Federal Accounts Payable/Office of the Revolving Fund Unit
 - Federal Trust Unit
- Federal & Special Population Programs
- Financial Planning & Analysis – Federal Unit
- Federal Community Development
- Federal Operations and Support Services

4.2: Method of Distribution

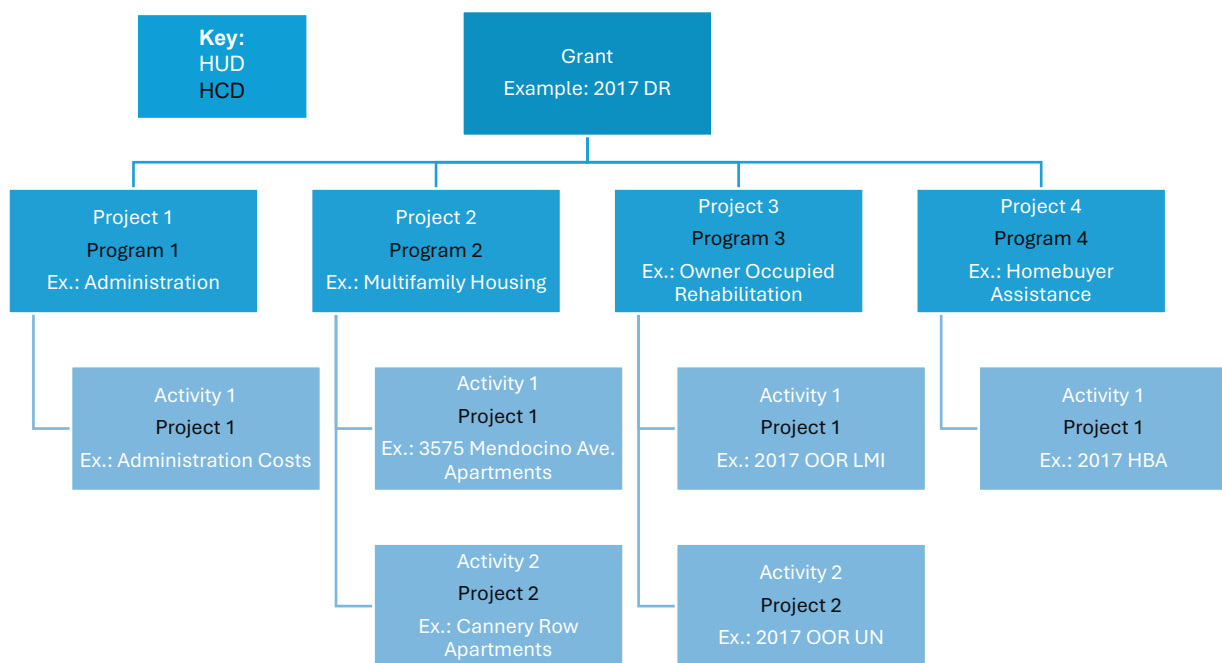
In accordance with HUD requirements, HCD submits an Implementation Plan to HUD for all CDBG-DR grants. The plan outlines staffing structure, roles and responsibilities, and intra/interagency coordination necessary to effectively manage the grant. HCD is responsible for maintaining and updating the Implementation Plan to reflect changes in staffing, operations, or coordination throughout the lifecycle of the grant.

Direct Administration: Managed directly by HCD. Further information can be found in the respective program manuals.

Subrecipient Model: HCD allocates funds to impacted local jurisdictions, community-based organizations, or for-profit organizations. These allocations include program and activity delivery costs. The subrecipient submits projects for HCD’s approval. Once HCD has approved the project, the subrecipient is responsible for implementation of the project. HCD staff provides oversight, technical assistance, and compliance monitoring of the projects.

4.3: Grant Structure

HUD organizes CDBG-DR grant implementation in the Disaster Recovery Grant Reporting (DRGR) system based on projects and activities:



HCD organizes CDBG-DR grant funding using a similar structure, but with different naming conventions that are consistent with the rest of HCD. Because of name similarities between the two, it is important to note the differences:

HCD	HUD	Description
Program	Project	High-level groupings used to organize related activities (e.g., Multifamily Housing, Homebuyer Assistance, Owner Occupied Reconstruction). No funds may be drawn or expended at this level in DRGR.
Award	N/A	For some CDBG-DR programs a Master Standard Agreement is executed with a subrecipient authorizing them to develop projects, as defined by HCD. Because DRGR does not contain a separate category for this level, it will be categorized as an Activity in DRGR but does not meet a national objective.
Project	Activity	The core unit of reporting, where funding is assigned and can be drawn against, performance is measured, and data is reported. An activity may be a specific project, such as the Multifamily <i>Linda Tunis Senior Apartments</i> , or it may be all of the projects within a program that share the same responsible organization , national objective , and activity type . Activities are discussed in greater detail in the Financial Management and Reporting Sections of this document.

Chapter 5: Action Plans and Amendments

5.1: Types of Action Plans

There are two main types of action plans: (1) the Published Action Plan and (2) the Disaster Recovery Grant Reporting (DRGR) Action Plan. While both plans outline how funds will be used, each serves distinct purposes and targets different audiences. The DRGR Action Plan creates projects and activities, processes vouchers, and enables reporting, allowing HUD to monitor grantee activities for program and fiscal compliance. The Published Action Plan, on the other hand, presents the grantee’s funding strategy in a publicly accessible narrative format intended for transparency and stakeholder communication.

Comparison of Published Action Plan vs. DRGR Action Plan

Aspect	Published Action Plan	DRGR Action Plan
Purpose	Communicates disaster recovery priorities, unmet needs, funding allocations, and provides context for chosen strategies.	Official system of record for funded projects, demonstrating compliance with HUD requirements, and monitoring program data.
Audience	General public, affected communities, stakeholders, and HUD; posted on the HCD website.	Used internally by HCD and HUD; also posted on the HCD website each time it is updated.
Accessibility	Narrative-driven and written to be transparent and understandable to a wide audience. Utilizes visual aids such as maps and photos.	Technical, structured, and data heavy. Publicly accessible, though not written with a general audience in mind.
Detail Level	Provides comprehensive, high-level information on disasters, impacted communities, local vulnerabilities, and recovery strategies.	Provides detailed information, including specific budgets, projected outcomes, federal compliance, and alignment with HUD national objectives.
Approval Process	Requires public participation, comments, and feedback. Requires formal HUD approval.	Requires HUD approval only.
Functionality	Establishes overall recovery priorities and funding allocations and enables HUD approval of the grant agreement.	Enables ongoing financial and performance tracking, voucher creation, compliance monitoring, and Quarterly Performance Reporting (QPR) to HUD.
Update Mechanism	Updated via well-vetted public amendments classified as either substantial or non-substantial.	Continuously updated directly in DRGR at a granular level. Changes periodically consolidated into the latest published version of the Published Action Plan.

Federal guidance on CDBG-DR Action Plans can be found in HUD's CDBG-DR [Universal Notice](#) (90 F.R. 1754). Specific requirements and additional guidance for CDBG-DR Action Plans are published through Federal Register Notices, as necessary. Unless otherwise specified, references to the "Action Plan" refer to the Action Plan required by the Universal Notice and not the consolidated plan or action plan required by 24 C.F.R. part 91.

5.1.1: Published Action Plan

The Published Action Plan outlines how CDBG-DR funds will be used to address unmet recovery needs but may cover other programs or comprehensive strategies. It is structured as a narrative report and posted publicly to provide transparency and accountability. It broadly outlines proposed activities, allocations, and objectives. Its intended audience is the public, stakeholders, and HUD reviewers.

5.1.2: DRGR Action Plan

The DRGR Action Plan clearly shows how a grantee will use CDBG-DR funds to address unmet needs resulting from a disaster, including housing, infrastructure, and economic development. Recipients, such as the HCD, must follow a predefined, system-based format when entering their Action Plan information into the DRGR system.

The database functions as a HUD grant management and reporting tool. It helps to monitor grantee activities, fiscal management, and performance reporting. The DRGR Action Plan contains technical data input for:

- Projects and activities
- Budgets
- Performance targets
- National objectives
- Responsible organizations

It should be noted that for disaster years 2017 and 2018, the Published Action Plan was created and maintained outside of the DRGR system, and the DRGR Action Plan was a stand-alone document that mirrored the Published Action Plan. The Plan contained more granular information such as monitoring, drawdowns, and reporting. Under the Consolidated Notice, the Published Action Plan became an integrated part of the DRGR Action Plan and is maintained directly within the DRGR system. Under the Universal Notice, the Published Action Plan and DRGR Action Plan are separate.

5.2: Published Action Plan Structure

Action Plans serve as comprehensive guides for allocating federal funds to address unmet needs following federally declared disasters. While each Action Plan is tailored to specific disaster events, it includes several core sections. The required content is outlined in the applicable Federal Register Notices. While the format of each action plan may differ slightly from year to year, the following are common sections:

- **Executive Summary:** Provides a concise overview of the disaster event, the total CDBG-DR funds allocated, and the primary objectives for their utilization.
- **Needs Assessment:** Evaluates the impact of the disaster on housing, infrastructure, and the economy with significant unmet needs.
 - **Mitigation programs:** Evaluates hazards and determines capacity to reduce identified hazards.
- **Method of Distribution:** Outlines the criteria and processes for allocating funds across various programs and geographic areas, ensuring transparency and fairness.
- **Programs and Activities:** Details the specific programs and activities that will be funded, including objectives, eligible applicants, expected outcomes, and how the programs and activities tie to the unmet or mitigation needs.
- **Citizen Participation Plan:** Describes strategies for engaging the public and stakeholders in the planning and implementation processes, ensuring community involvement and feedback.
- **Leveraging of Funds:** Explains how CDBG-DR funds will be combined with other federal, state, local, and private resources to maximize the impact of recovery efforts.
- **Monitoring Standards and Procedures:** Establishes protocols for overseeing the implementation of funded activities, ensuring compliance with federal and state regulations, and assessing performance.
- **Certifications and Assurances:** Includes official affirmations by HCD to comply with applicable laws, regulations, and guidelines governing the use of CDBG-DR funds.

5.3: Published Action Plan Amendments

Changes to the Action Plan are made through either substantial or non-substantial amendments, in accordance with HUD requirements outlined in the applicable Federal Register Notices and 24 C.F.R. § 91.505.

The Federal Recovery Non-Housing, Single-Family Housing, and Multifamily Housing, and Disaster Response and Operations Branches oversee grant modifications. Section Managers are responsible for discussing changes that could require a substantial amendment. HCD communicates proposed changes with HUD and seeks guidance where needed. Potential triggers for HUD involvement or prior approval include:

- Changes to project/program scope or objectives.
- Changes in key personnel listed in the original application.
- Extended absence (over 3 months) or 25 percent time reduction of key staff.
- Inclusion of costs requiring prior HUD approval (per 2 C.F.R. part 200, Subpart E).
- Reallocation of participant support costs (per 2 C.F.R. § 200.75).
- The subaward, contracting, or transferring of work that was not described in the approved application.
- Revisions to cost sharing or matching commitments.
- Requests for additional federal funds to complete a project.
- Budget revisions requiring prior written approval under 2 C.F.R. § 200.308(g).

If the proposed changes trigger a substantial amendment, HCD must submit a revised Action Plan to HUD for approval. If the changes are non-substantial, HCD follows the streamlined notification process outlined in the section above.

5.3.1: Required Content for All Amendments

In accordance with guidance from HUD's Federal Register Notices and 24 C.F.R. § 91.505, all Action Plan amendments must include:

- Clear identification and highlighting of proposed changes.
- Description of what content is being added, deleted, or revised.
- Indication of whether the change affects HCD's capacity or soundness of approach.
- A chart showing the movement of funds between activities.
- A revised, full budget allocation table.
- A complete, updated version of the Action Plan made publicly accessible on HCD's website.

- A sequential amendment number, posted on the HCD CDBG-DR webpage.

5.3.2: Substantial Amendments

A substantial amendment is required when any of the following occurs:

- A change in program beneficiaries or eligibility criteria.
- The addition or deletion of a program or activity.
- A proposed reduction in the overall benefit to low- and moderate-income persons (per 42 U.S.C. § 5304(b)(3)).
- An update to the submitted initial Action Plan if the original submission is incomplete (sections I.C.1.d.7 and I.C.1.e. of the Universal Notice).
- An allocation or reallocation of funding that meets or exceeds the thresholds listed below.

Disaster Year	Threshold for "Substantial" Designation
2017 DR	\$30,000,000
2017 MIT	\$10,000,000
2018 DR	\$50,000,000
2018 MIT	\$10,000,000
2020	\$30,000,000
2021	\$30,000,000
2023	\$30,000,000
2024	\$30,000,000

HCD must follow the Citizen Participation Plan as required under 24 C.F.R. § 91.105(c) and applicable Federal Register Notices prior to submitting a substantial amendment to HUD for approval. Each local government receiving assistance from HCD must follow its citizen participation requirements at 24 C.F.R. § 570.486 (except as provided for in notices providing waivers and alternative requirements).

HCD is required to publish a substantial amendment for public comment for a minimum of 30 calendar days. Publication must include posting on the HCD official disaster recovery website and must provide residents, affected local governments, and other interested parties with a reasonable

opportunity to review the substantial amendment. (Section I.C.2.b of the Universal Notice).

5.3.3: Non-Substantial Amendments

Amendments that do not meet the criteria for a substantial amendment are considered non-substantial. In accordance with HUD guidance and the applicable Federal Register Notices, available at [Action Plans and Federal Register Notices \(FRNs\) | California Department of Housing and Community Development](#), HCD must notify HUD at least five business days before a non-substantial amendment becomes effective. These amendments do not require a public comment period but must still be documented and posted publicly on the HCD website.

5.4: DRGR Action Plan Amendments

Any changes made to a project or activity within DRGR are considered DRGR Action Plan amendments and require HUD approval. It should be noted that some DRGR Action Plan amendments are adjusting information at a more granular level than what is contained in the Published Action Plan. Therefore, not all DRGR Action Plan amendments will trigger a Published Action Plan amendment.

Chapter 6: CDBG-DR Grant Requirements

To ensure compliance with federal regulations and effective program administration, all CDBG-DR grants administered by HCD must meet specific requirements and standards established by HUD. These requirements encompass both the eligibility and alignment of individual activities, as well as broader administrative and compliance obligations at the grant level.

6.1: Eligibility and Alignment Requirements

6.1.1: Activity Is Eligible

CDBG-DR funds support a range of activities that address disaster-related impacts and promote community resilience. These activities must align with eligible uses defined in federal regulations, particularly 24 C.F.R. part 570, and as programs are outlined in the approved Action Plans. Eligible activities include:

Acquisition

CDBG-DR funds may be utilized to acquire real property (e.g., land and buildings) through purchase, long-term lease (15 years or more), donation, or other means. Such acquisitions must serve a public purpose and comply with the limitations outlined in 24 C.F.R. § 570.207(a), which restricts certain uses such as buildings for governmental conduct or political activities. Additionally, any change in the use of acquired property must adhere to public notice and comment requirements, ensuring continued alignment with national objectives.

Relocation

Funding can provide relocation assistance to individuals, families, businesses, nonprofits, and farm operations displaced by CDBG-DR activities. This includes both mandatory assistance under 24 C.F.R. § 570.606(b) or (c) and optional assistance deemed appropriate under 24 C.F.R. § 570.606(d). Optional assistance requires a written policy ensuring equal treatment within each class of displaced persons.

Rehabilitation

Assistance may be provided to repair, rehabilitate, or reconstruct housing units damaged by disasters. Eligible activities include improvements to privately owned residential units, public housing, and manufactured housing considered part of the community's permanent stock as authorized under 24 C.F.R. § 570.202 or applicable FRNs. Multifamily rental projects with eight or more units receiving

rehabilitation funds are subject to a minimum 15-year affordability period. Cost-effectiveness must be documented in accordance with 2 C.F.R. § 200.404, comparing rehabilitation costs to alternatives like acquisition or buyout.

New Construction

CDBG-DR funds may be used for the new construction of housing to replace disaster-damaged stock for low- and moderate-income (LMI) households. New single-family homes require a minimum five-year affordability period, while multifamily rental projects with five or more units have a 20-year minimum affordability period. Resale or recapture provisions must be established to ensure ongoing affordability. New construction will often meet the Green and Resilient Building Standard along with minimum building code standards. Per the Universal Notice, new construction from 2023 forward requires grantees must meet at least one Green and Resilient Building Standard and at least one minimum energy efficiency standard.

Economic Development

Activities aimed at economic revitalization include job creation or retention efforts benefiting LMI persons (24 C.F.R. § 570.203). Eligible uses involve financial assistance to for-profit businesses, public facilities improvements, and support services that promote economic recovery.

- At least 51 percent of jobs created or retained must be held by LMI individuals, with compliance documented through income verification or geographic data.
- The jobs do not require specialized skills requiring more than one year of training or work experience, or education beyond high school, unless the business agrees to hire and train unqualified persons.
- The business must implement hiring practices that ensure LMI persons receive first consideration.
- Job locations must be within a reasonable commuting distance for LMI applicants.
- The number of jobs must be set based on full-time equivalency (FTE) counts.
- Jobs created as a result of CDBG-DR-funded assistance must be directly tied to the funded activity; indirect jobs do not count toward the LMI benefit requirement.

- A waiver of the public benefit standard was provided for CDBG-DR funds under the Federal Register Notice 83 F.R. 5844 and 84 F.R. 45838 for CDBG-MIT.

Public Facilities and Improvements

Funds can be allocated for the acquisition, construction, reconstruction, rehabilitation, or installation of public facilities and improvements. This includes infrastructure such as streets, sidewalks, parks, water and sewer lines, and facilities like fire stations and libraries.

Activities may be directed to the removal of material and architectural barriers that restrict the mobility and accessibility of elderly or severely disabled persons to public facilities and improvements, including those provided for in 24 C.F.R. § 570.207(a)(1).

Clearance

Eligible clearance activities involve the demolition and removal of buildings, improvements, or environmental contaminants. This includes moving structures to other sites and remediating known or suspected environmental hazards (24 C.F.R. § 570.201(d)) as required in applicable Federal Register Notices. Demolition of HUD-assisted or HUD-owned housing units requires prior HUD approval.

Mitigation

Mitigation activities are defined as those activities that increase resilience and reduce or eliminate long-term risk of loss of life, injury, damage to and loss of property, suffering and hardship, by lessening the impact of future disasters. CDBG-DR funds may incorporate preparedness and mitigation measures into assisted activities to rebuild communities more resiliently against future disasters. This includes projects that reduce risk and enhance the durability of infrastructure and housing.

Planning and Capacity Building

HCD is authorized to use CDBG-DR funds to conduct studies, gather data, prepare plans, and identify actions to implement plans. Funds can be used under this category for activities designed to improve HCD's capacity to plan and manage programs and activities for HCD's CDBG-DR program (24 C.F.R. § 570.205).

Planning and capacity building activities **do not** include:

- Engineering, architectural, and design costs related to a specific project.

- Other costs of implementing plans.

The amount of funds that can be used under this category is subject to the statutory limitation on planning and administrative costs of 5 percent of the CDBG-DR grant award. Documentation of a national objective compliance is not necessary for this activity because planning and capacity building is considered to address the national objectives of the CDBG-DR program as a whole (24 C.F.R. § 570.208(d)(4).)

General Administration Costs

General administration costs cover staff and related expenses necessary for overall grant and program management, coordination, monitoring, reporting, and evaluation of CDBG-DR grants. This includes citizen participation efforts and fair housing activities. Administrative costs are subject to the statutory limitation on planning and administrative expenses.

Ineligible Activities

Activities not authorized under 24 C.F.R. § 570.201-570.206 are generally ineligible for CDBG-DR funding.

Term	Definition	Flexibility?
Categorically Ineligible	Explicitly prohibited by HUD regulations (e.g., city hall renovations)	✗ Never eligible
Generally Ineligible	Typically disallowed, but may be eligible if conditions are met	✓ Sometimes eligible

Categorically Ineligible Activities

The term “categorically ineligible” refers to activities that are explicitly prohibited by regulation, meaning they cannot be funded under any circumstance with CDBG-DR funds, regardless of justification, benefit, or need. Examples include:

- Buildings, or portions thereof, used for the general conduct of government (24 C.F.R. § 570.207(a)(1).)
- General government expenses (24 C.F.R. 570.207(a)(2).)
- Political activities (24 C.F.R. § 570.207(a)(3).)

Generally Ineligible Activities

Activities that are typically disallowed under CDBG regulations, as defined by 24 C.F.R. § 570.207(b), but may be deemed eligible if they are clearly necessary for, and directly tied to, an eligible activity, or if they meet specific exceptions outlined by HUD. Examples include:

- Purchase of equipment, except in certain cases like fire protection equipment integral to a public facility (24 C.F.R. § 570.207(b)(1).)
- Operating and maintenance expenses, with exceptions for public service activities and interim assistance (24 C.F.R. § 570.207(b)(2).)
- Income payments, defined as direct payments to individuals or families for subsistence-type expenses, unless addressing emergency situations (24 C.F.R. § 570.207(b)(4).)
- Penalties, late fees, or other settlements (2 C.F.R. § 200.441).

6.1.2: Meets a National Objective

According to CDBG-DR regulations, a project is considered to have met a national objective only upon its completion. This necessitates diligent tracking by the California Department of Housing and Community Development (HCD) throughout each project's lifecycle, from initiation to closeout.

All CDBG-DR activities must meet at least one of the three national objectives established under federal regulations:

- Benefit to low- and moderate-income (LMI) persons
- Elimination of slums or blight
- Urgent need

Benefit to Low-to-Moderate Income (LMI) Persons

The national objective for Benefit to low- and moderate-income persons, or LMI, is to be used for activities that address needs of families, households, or individuals who meet the HUD income thresholds for Low to Low-Moderate Income.

These benefits can be on an individual level or an area benefit, based on how the population will be served and the activities included in the project. Projects that use the LMI national objective must meet a participation of LMIs of 51 percent.

All CDBG-DR grants have an overall benefit requirement that 70 percent of the grant must meet the LMI national objective unless a waiver is obtained by HUD.

Urgent Need

The Urgent Need national objective is used when community development needs have a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community and other financial resources are not available to meet such needs.

For CDBG-DR activities to use Urgent Need, HCD has to document the need created by the disaster within the initial Action Plan submission or through a substantial amendment submitted by HCD within 36 months of the applicability date of the grant's Allocation Announcement Notice.

Elimination of Slums or Blight

This national objective is to remedy slum or blight that hinders redevelopment or the health and safety of the local community/service area (24 C.F.R. § 570.208(b)(1), (2), or (3); California law defining Slum, Blighted, Deteriorating or deterioration area is defined in Article 3 Declaration of State Policy – Blighted Areas (Health and Safety Code section 33030–33039).

HCD does not currently have CDBG-DR programs that meet the slum and blight national objective.

Program National Objectives

HCD disaster recovery activities aim to address conditions brought on by the qualifying disaster or mitigate future impacts, and addressing deterioration of an area caused by the disaster may be qualified under the Urgent Need or LMI national objectives.

HCD's CDBG-DR programs are structured to meet these national objectives as follows:

- **Housing Rehabilitation and Reconstruction:** Primarily addresses the LMI Housing national objective by providing decent housing to low- and moderate-income individuals. In certain cases, projects may also qualify under the Urgent Need category, especially when responding to disaster-impacted housing needs.
- **Workforce Development:** Meets the LMI Limited Clientele (LMC) national objective by offering job training and employment services to individuals who meet LMI criteria.
- **Infrastructure:** Satisfies the LMI Area Benefit by improving public facilities and services in areas predominantly inhabited by LMI persons. Infrastructure can also satisfy the Urgent Need national objective by addressing existing conditions that pose a serious and

immediate threat to health or welfare of the community when other financial resources are not available to meet such needs.

- **Multifamily Housing:** Supports the LMI Housing national objective by developing or rehabilitating multifamily units designated for LMI occupancy.
- **Public Services:** Delivers services that directly benefit LMI individuals, aligning with the LMI Limited Clientele national objective.
- **Planning:** Planning activities are not required to meet a national objective.
- **Homebuyer Assistance:** Supports the LMI Housing national objective by providing forgivable loans to LMI borrowers.

For comprehensive details on CDBG-MIT national objectives, please refer to the CDBG-Mitigation Addendum (Chapter 14) of this CDBG-DR Grants Administration Manual.

6.1.3: Is Not a Duplication of Benefits

A duplication of benefits occurs when the total financial assistance received from more than one source for the same purpose as the CDBG-DR assistance is greater than the total need. CDBG-DR funds are supplemental and cannot be used in place of other disaster assistance.

A duplication of benefits occurs when:

1. An individual, household, business, or entity receives assistance from multiple sources for the same purpose; **and**
2. The total assistance exceeds the total need.

This is prohibited under Section 312 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. § 155(a)).

HUD Guidance on DOB

In 2011 and 2019, HUD published notices in the Federal Register (FR-5582-N-01 and 84 F.R. 28836, respectively) that clarified the requirements for DOB assessments and established a basic DOB calculation framework. In the 2019 notice, HUD updated its guidance, in part, to incorporate the treatment of subsidized loans in accordance with the Disaster Recovery and Reform Act (DRRA) of 2018.

HCD incorporated the guidance provided in the [Universal Notice, Appendix C published January 8, 2025](#). The steps and actions described in all published guidance relevant to the 2011, 2013, and 2019, and 2023 programs are mandatory requirements applicable to the use of CDBG-DR funds.

Applicability

As stated in Federal Register Notice 85 F.R. 60821, the 2019 Notice and subsequent updates set the requirements for any new programs or activities identified within an Action Plan or Action Plan Amendment. Programs established prior to September 2020 must apply the 2019 Notice requirements, as applicable, when updating or revising policies and procedures and amend the related Action Plan to correct any DOB policy inconsistencies.

Steps to Prevent DOB

Uniform procedures for addressing potential DOB are incorporated into the design and administration of projects and programs. At a minimum, these procedures include the following steps:

1. **Assess Unmet Needs:** Evaluate the disaster-specific needs of the beneficiary to determine the total assistance required.
2. **Identify All Sources of Assistance:** Document all disaster-related funding received or anticipated, including but not limited to:
 - FEMA grants
 - SBA loans
 - Private insurance proceeds
 - Other federal, state, or local grants and loans
3. **Calculate the DOB:** Subtract the total assistance received from the total need to identify any potential duplication. Any excess amount is considered a DOB.
4. **Implement Agreements:** All contractual agreements between HCD or its subrecipients and a beneficiary must include:
 - **DOB Clause:** Requires the beneficiary to disclose all sources of possible duplicative assistance.
 - **Subrogation Clause:** Requires the beneficiary to repay any assistance later determined to be duplicative.
 - **HUD-required Warning Language:** “Warning: Any person who knowingly makes a false claim or statement to HUD or causes another to do so may be subject to civil or criminal penalties under 18 U.S.C. §§ 2, 287, 1001 and 31 U.S.C. § 3729.”
5. **Monitor and Recapture Funds:** Establish procedures to monitor compliance and recapture funds if a DOB is identified after assistance has been provided.

Each CDBG-DR program policies and procedures contain provisions identifying the documents to be provided by applicants for assistance, as

well as the procedures for how these documents will be verified and monitored.

Special Considerations:

- **Subsidized Loans:** For disasters between January 1, 2016, and December 31, 2021, certain subsidized loans (e.g., SBA) may not be considered duplicative under the Disaster Recovery Reform Act (DRRA). This exception expired October 5, 2023.
- **Reimbursement of Costs:** CDBG-DR funds cannot reimburse costs paid with subsidized loans for disasters not covered by the DRRA or after its expiration.
- **Declined and Canceled Loans:** Per Public Law 115-123, which applies to 2017 and 2018 grants, and Appendix C in the Universal Notice and Consolidated Notice, which applies to 2023 and 2023/2024 grants, certain SBA loans that are declined or canceled are excluded from duplication of benefits calculations. To qualify, the loan must meet HUD's definitions for either:
 - **Declined Loans:** Loans offered but never accepted are not a DOB; no documentation required.
 - **Canceled Loans:** Loans accepted but not fully disbursed and no longer available are not a DOB; documentation must state the reason for cancellation and amounts involved.

Documentation and Compliance

Grantees must maintain comprehensive documentation to demonstrate compliance with DOB requirements. This includes:

- Records of all assistance received by beneficiaries.
- Award letters from federal agencies.
- Funding commitment letters from philanthropic sources or subrecipients.
- SBA loan documents
- Calculations of unmet needs
- Signed agreements
- Monitoring records

As required by the Stafford Act, prior to providing or awarding CDBG-DR funds, HCD conducts a DOB verification for each project or program to be funded by CDBG-DR funds.

Documenting Self-Certification

When documenting DOB analysis, HCD cannot rely on self-certification from the applicant for proof of other sources of funds for the same

purpose (unless authorized by the Universal Notice (paragraph 10 published January 8, 2025). If self-certification is used, it must be supported by at least one additional source of information, such as:

- Physical inspections
- Credit card statements
- Work estimates
- Contractor invoices
- Flood inundation records
- Receipts

Documenting Declined Loans

To exclude declined loans amounts from the DOB calculation, HCD documents that all or a portion of the loan has been cancelled or declined unless the loan qualifies under an exclusion.

- If sufficient data confirms the loan was declined, no further documentation is needed.
- If HCD is aware that the applicant received a loan offer but cannot confirm from available data that the loan was declined, HCD must obtain a written self-certification from the applicant stating that loan documents were not signed and no funds were received.

Documenting Cancelled Loans

To document that a loan has been cancelled, HCD must obtain either:

1. A written communication from the lender confirming that the loan has been cancelled and undisbursed amounts are no longer available to the applicant.
2. A legally binding agreement between HCD, subrecipient, and the applicant indicating the loan is no longer available, and the applicant agrees not to reinstate the loan or draw undisbursed loan amounts.

Additional Reporting Requirements

For grants where disasters were declared between January 1, 2016, and December 31, 2021 (84 F.R. 28836), within one year of approving an Action Plan amendment addressing subsidized loans, HCD must report to HUD:

1. Total amount of funds used for reimbursement of SBA and other subsidized loans.
2. Total number of households and LMI households reimbursed.
3. SBA loan number and FEMA ID for each individual household that was reimbursed for its SBA loan costs.

Record Retention

DOB source documentation is added to the program or project file and retained for a minimum of five years after HCD notifies the subrecipient that the HUD/HCD contract has been closed. This retention period can be extended if there are ongoing litigation, claims, or audits related to the records.

For a detailed overview and guidance on DOB requirements, refer to HUD's notice: [Federal Register: Updates to Duplication of Benefits Requirements Under the Stafford Act for Community Development Block Grant \(CDBG\) Disaster Recovery Grantees](#)

6.1.4: Meets Environmental Review Requirements

The term “environmental review” refers to the overall process required under 24 C.F.R. part 58 to evaluate potential impacts of proposed projects on both the natural and human environment. It is mandatory for all HUD-assisted projects, including those funded through CDBG-Disaster Recovery (CDBG-DR). No project funds, regardless of source, may be committed or expended until the environmental review is executed. The remainder of this section provides an overview of the rules, responsibilities, and steps involved in conducting an environmental review.

Governing Regulations

Environmental reviews for CDBG-DR projects are governed by several regulatory frameworks, primarily:

- HUD Environmental Review Procedures (24 C.F.R. part 58)
- National Environmental Policy Act (NEPA; 40 C.F.R. § 1500-1508)
- California Environmental Quality Act (CEQA; CCR Title 14, Division 6, Chapter 3, Sections 15000-15387)

Roles and Responsibilities

The California Department of Housing and Community Development (HCD) serves as the Responsible Entity (RE) for NEPA reviews and as the Lead Agency (LA) for CEQA reviews. To effectively carry out these responsibilities, HCD designates two key roles: the Certifying Officer, who holds legal responsibility for environmental compliance, and the Environmental Officer, who manages the day-to-day review process.

Maintaining the Environmental Review Record (ERR)

For each project, HCD maintains an Environmental Review Record (ERR) that documents the project's scope, its potential environmental impacts, public notices, statutory compliance, and any required findings.

The ERR must be publicly accessible and serves as the primary source of information throughout the review process.

Timing and Constraints

The environmental review process should begin promptly once project eligibility and national objective requirements have been confirmed. Under federal regulations, no funds can be obligated or spent on a project until environmental clearance is achieved. Choice-limiting actions (e.g. acquisition, construction, or demolition) are prohibited until completion of the environmental review.

Aggregation of Activities

Activities that are functionally or geographically related should be reviewed together as a single project. This approach ensures a comprehensive understanding of potential cumulative impacts, reduces redundancy, and streamlines the environmental review process.

Levels of Environmental Review

Depending on the potential for environmental impact, projects fall under several review categories:

Exempt Activities: Primarily administrative tasks or studies with no anticipated environmental impacts. These require minimal documentation and no further review.

Categorically Excluded Activities: These are further divided into those subject to and not subject to federal statutory compliance (24 C.F.R. § 58.5). While these activities generally have limited impacts, additional statutory checks may be required.

Environmental Assessment (EA): For activities not covered under exemptions or categorical exclusions, an EA is prepared. The outcome determines whether further review is necessary:

- **Finding of No Significant Impact (FONSI):** Allows project advancement after public review.
- **Finding of Significant Impact:** Triggers preparation of an Environmental Impact Statement (EIS).

Environmental Impact Statement (EIS): Required for projects with potentially significant environmental impacts or when mandated by regulatory standards due to scale or complexity.

Review Procedures and Public Participation

The environmental review includes a statutory checklist and detailed assessment of potential impacts. Public involvement is critical, requiring various notices and comment periods:

Notice of Intent to Request Release of Funds (NOI/RROF): Public notification of upcoming fund release, with an objection period for HUD.

Public Comment Periods: Timeframes vary depending on the review type, typically ranging from 7 to 45 days.

Authority to Use Grant Funds (AUGF): Issued by HUD upon successful completion of the review and public engagement.

Parallel CEQA Requirements

In California, CEQA requirements must be addressed concurrently with NEPA. CEQA similarly categorizes activities into exempt and non-exempt. Non-exempt activities require an Initial Study, which results either in a Negative Declaration (if impacts are minor or mitigable) or an Environmental Impact Report (EIR) for significant impacts. CEQA documents must be submitted to the State Clearinghouse and county clerks.

Compliance and Record-Keeping

HCD ensures that the ERR is comprehensive and accessible. Failure to adequately complete the environmental review prior to commitment of funds can result in compliance actions or repayment requirements to HUD. The Environmental Review Record (ERR) must contain a complete and well-organized record of all activities related to the environmental review process, including descriptions of the project, evaluations of environmental impacts, and any mitigation measures and must be retained for a period of 5 years.

HCD must retain the copies of the following documents:

- 1. For all projects:**
 - a. Scope of Work for Project/Activity.
 - b. Any environmental studies (e.g. archaeological surveys, etc.)
 - c. All maps and drawings, if any.
 - d. A signed Request for Release of Funds (RROF), if any.
 - e. Authority to Use Grant Funds - release of funds from HCD, if any.
- 2. Exempt and Categorically Excluded Not Subject To (CENST) Activity Projects**

- a. The signed Environmental Review for Exempt or CENST Activity.

3. Categorically Excluded Subject To (CEST) Projects

- a. Environmental Review for CEST Activity and supporting documentation (including written determinations from relevant agencies such as SHPO).
- b. All consultation letters and responses.
- c. Floodplain Process documentation (if applicable).

If CEST activity is converted to Exempt, skip the following items

- d. Notice of Intent to Request Release of Funds (NOI/RROF) advertisement (and Floodplain if applicable).
- e. A Publishers Affidavit for Floodplain NOI/RROF.
- f. Any letters received and responses following the NOI/RROF.

4. Environmental Assessment Projects

- a. Determination of Environmental Assessment Form and supporting documentation (including written determinations from relevant agencies such as SHPO).
- b. All consultation letters and responses.
- c. Floodplain Process documentation (if applicable).
- d. Combined Notice of Intent with “Finding of No Significant Impact” (FONSI) advertisement (and Floodplain if applicable).
- e. Publishers Affidavit for Floodplain / NOI/RROF / FONSI.
- f. Any letters received and responses following the NOI/RROF/FONSI.

Adoption of Other Federal Environmental Reviews

Grantees and subrecipients who assume Responsible Entity status may adopt another federal agency’s environmental review without further review or public comment under 24 C.F.R. 58.52. Grantees and subrecipients who assume Responsible Entity status must notify HUD in writing of the adoption and must retain documentation in the project file.

Resources and Further Guidance

Key documentation and additional guidance are available through HUD and state CEQA resources. Federal regulations (24 C.F.R. § 58) prohibit the commitment or expenditure of CDBG-DR funds until the environmental review process has been completed, and HCD receives a HUD-issued Authority to Release Grant Funds, which serves as HUD’s official release of funds. The required *Request for Release of Funds* (RROF) form is available on the [HUD website](#).

6.1.5: Meets Mitigation Set-Aside Requirement

Beginning with the 2020 CDBG-DR allocations, HUD introduced a requirement that at least 15 percent of total grant funds awarded be used for mitigation activities. This "mitigation set-aside" is defined in the Consolidated Notice (87 F.R. 36869) and further in the Universal Notice (90 F.R. 1754) and is intended to ensure that a portion of funding supports efforts to reduce future disaster risks. This requirement mandates that at least 15 percent of each grantee's total CDBG-DR grant be spent on activities that increase resilience and reduce long-term risk in Most Impacted and Distressed (MID) areas.

To meet this requirement, grantees must adhere to the following conditions and documentation standards:

- **Disaster Tie-Back Not Required:** Mitigation activities do not need to be linked to the specific disaster that triggered the funding.
- **Definition Compliance:** Activities must meet HUD's definition of mitigation.
- **Needs Assessment Required:** Grantees must complete a Mitigation Needs Assessment to identify risks and inform eligible mitigation strategies within the Action Plan.
- **Reporting:** HCD is responsible for tracking and reporting all mitigation activities that count toward the set-aside.

For additional guidance, refer to the CDBG-Mitigation Addendum (Chapter 14) of this CDBG-DR Grants Administration Manual.

6.1.6: Acquisition Minimizes Relocation

In adherence with California's Residential Anti-Displacement and Relocation Assistance Plan (RARAP), HCD and its subrecipients must minimize the displacement of families from homes and neighborhoods as a result of CDBG-DR funded activities. This includes planning activities in ways that avoid or reduce displacement, implementing reasonable measures to lessen impacts on vulnerable populations, and incorporating accessibility accommodations when needed. When displacement is unavoidable as a result of CDBG-DR funded activities, compliance with federal acquisition and relocation laws is mandatory, including applicable Section 104(d) requirements for lower-income households. Even minimal use of CDBG-DR funds in projects involving property acquisition, rehabilitation, demolition, or code enforcement triggers federal requirements for acquisition and relocation, including all applicable waivers and alternative requirements specified in relevant Federal Register Notices. Additional displacement-minimization expectations, including procedures for phased

construction, temporary relocation, manufactured housing considerations, and tenant protections, are detailed in the State's RARAP.

Applicable Federal Acquisition and Relocation Requirements

Uniform Relocation Act

Compliance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA), as amended (49 C.F.R. part 24), is required for projects involving HUD funds. The URA outlines procedures to ensure fair treatment, consistent standards, equitable payment of fair market value, and appropriate relocation assistance for impacted persons. These rules apply regardless of an impacted individual's income level. The RARAP provides additional State-required implementation procedures, including accessibility accommodations and relocation planning steps that must be considered for CDBG-DR projects.

Section 104(d)

Under Section 104(d) of the Housing and Community Development Act (24 C.F.R. part 42), recipients must adopt a Residential Anti-Displacement and Relocation Assistance Plan and ensure relocation benefits for low-income individuals displaced due to the demolition or conversion of low-income housing units. Section 104(d) also requires one-for-one replacement of demolished or converted low-income units, public notice requirements, and tracking/monitoring of replacement units. CDBG-DR recipients must follow these requirements, which are further detailed in the RARAP.

Additional HUD Guidance

HUD Handbook 1378 consolidates regulatory requirements and provides comprehensive implementation guidance for URA and Section 104(d), including required notices, advisory services, payment calculations, eligibility criteria, and documentation procedures. Additional HUD and FHWA resources supplement these requirements. CDBG-DR recipients must adhere to this guidance along with State-specific implementation expectations found in the RARAP.

Understanding Acquisition Regulations

Acquisition activities conducted with federal assistance must adhere to specific federal standards. HCD and subrecipients must clearly differentiate between voluntary and involuntary acquisition, as each carries different obligations under federal law and may trigger additional relocation obligations under the RARAP.

Voluntary Acquisition

Voluntary acquisitions, where property owners willingly sell without threat or use of eminent domain, have simpler compliance requirements and do not trigger the URA's formal acquisition process. Such transactions require minimal procedural adherence but must still meet applicable CDBG-DR and RARAP disclosure requirements.

Involuntary Acquisition

Acquisitions involving eminent domain are classified as involuntary and trigger rigorous URA compliance requirements, including applicable accessibility and vulnerable-population protections. Due to their complexity, involuntary acquisitions typically require assistance from professional consultants or attorneys experienced in URA regulations. Federal acquisition standards apply whenever:

- Property titles or permanent easements are purchased.
- Life estates or long-term leases (50+ years) are acquired.
- Property is acquired directly by HCD, by subrecipients, or via a funded agent/consultant.
- Assistance is provided to individuals to acquire their own homes.

Grantees must also comply with related Section 104(d) requirements when involuntary acquisitions result in the demolition or conversion of low-income units. Additional details are provided in the RARAP.

Activities Requiring URA Compliance

The URA and related laws are triggered by the following HUD-funded activities:

- Acquisition or demolition of residential or commercial properties.
- Rehabilitation of housing (including lead-based paint/hazard mitigation).
- New construction tied to property acquisition or demolition.
- Rehabilitation of public facilities and improvements.
- Economic development involving land acquisition or commercial rehabilitation.
- Acquisition of permanent easements for public utility projects.

CDBG-DR recipients must also determine when Section 104(d) requirements, temporary relocation, displacement-minimization measures, or Optional Relocation Assistance (ORA) apply, consistent with the State's RARAP.

Defining the Project for Acquisition and Relocation

Early in the planning process, HCD identifies projects involving real property acquisition and clearly delineates the project boundaries. Initial contact with property owners for general information is permissible, but formal intent to purchase or appraisals should not be indicated or completed at this stage.

HCD maintains detailed project documentation, including maps and lists of affected parcels, owners, and tenants. HCD staff also reviews activities within one year prior to funding applications to verify URA or Section 104(d) applicability. CDBG-DR recipients must also consider displacement-minimization strategies, temporary relocation needs, and accessibility accommodations as required by the RARAP. When uncertainties arise, consultation with HUD Field Office Relocation Specialists is advised.

Acquisition Record Keeping and Documentation

Accurate recordkeeping is essential for compliance. Each acquisition must have its own file, containing all correspondence, notices, appraisal documents, and acquisition agreements to demonstrate full adherence to federal and HUD requirements.

For CDBG-DR projects, documentation must also include Section 104(d) replacement-housing notices (when applicable), evidence of displacement-minimization actions, relocation planning records, appeals notifications, and accessibility accommodations, as required by the State's RARAP.

6.2: Compliance and Administrative Requirements

6.2.1: Grant Is Expended Within Grant Expenditure Deadline

HUD has waived the standard timeliness requirements under 24 C.F.R. § 570.494 and 24 C.F.R. § 570.902 for CDBG-DR and CDBG-MIT grants. Instead, grantees must expend 100 percent of each grant within 6 years from the date the grant agreement is executed, unless an extension is formally approved by HUD.

Current Expenditure Deadlines

Disaster Year	Grant Number	Execution Date	Expenditure Deadline
2017	B18DP060001*	Aug. 21, 2019	Aug. 20, 2027
	B19DP060001*	Aug. 21, 2019	Aug. 18, 2028
	B18DP060002*	Aug. 14, 2020	Aug. 14, 2032
2018	B19DV060001*	Dec. 1, 2020	Dec. 1, 2030
	B19DV060002*	Dec. 1, 2020	Dec. 1, 2030
	B19DT060001	Sept. 23, 2021	Sept. 23, 2033
2020	B21DZ060001	Sept. 16, 2022	Sept. 15, 2028
2021	B21DF060001	Dec. 1, 2023	Jan. 9, 2030
	B22DF060001	Dec. 1, 2023	Jan. 16, 2030
2023	B23DG060001	July 15, 2024	July 15, 2030
	B25DG060001	June 20, 2025	July 15, 2030
2024	B25DU060001	June 20, 2025	June 20, 2031

**Extension Approved by HUD*

6.2.2: Adheres to General Administration Cap

The State of California may use up to 5 percent of total CDBG-DR grant funds for general administration, as authorized by 24 C.F.R. § 570.206. These funds may cover reasonable administrative costs related to the general planning and execution of CDBG-DR-funded activities and are distinct from activity delivery costs, which are tied to the direct implementation of specific projects. This 5 percent allowance provides HCD with flexibility and resources to efficiently manage disaster recovery programs while ensuring compliance and accountability.

Key Provisions:

No National Objective Required: Administrative costs are exempt from the requirement to meet a national objective as outlined in Section 105(a)(8) of the Housing and Community Development Act of 1974 (42 U.S.C. § 5305(a)(8)) and relevant Federal Register Notices.

Documentation: HCD tracks administrative costs using time and attendance records, invoices, and receipts maintained by the Administration and Management Division.

Flexible Use of Admin Funds: As outlined in Section 105(a)(8) of the Housing and Community Development Act of 1974 (42 U.S.C. § 5305(a)(8)) and relevant Federal Register Notices, administrative funds from any CDBG-DR or CDBG-MIT appropriation may be used to support the administration of any CDBG-DR/MIT grant, regardless of the original disaster source.

Administration Budgets by Grant

Grant	Budget
CDBG-DR 2017	\$8,110,626
CDBG-MIT 2017	\$4,410,950
CDBG-DR 2018	\$50,869,950
CDBG-MIT 2018	\$3,245,350
CDBG-DR 2020	\$11,560,150
CDBG-DR 2021	\$1,220,400
CDBG-DR 2023	\$10,018,550
CDBG-DR 2024	\$20,829,850
Total:	\$110,265,825

6.2.3: Adheres to Public Services Eligibility and Cap

CDBG-DR funds may be used to support eligible public service activities, including costs related to labor, supplies, materials, and the operation or maintenance of public facilities that house such services. To qualify, the public service must be either new, or a quantifiable increase in the level of an existing service previously provided by the state or another entity using state or local government funds.

HUD Exception: This requirement may be waived by HUD if it determines that the reduction in service levels was due to circumstances beyond the control of the local government.

Public Services Cap: As outlined in Section 105(a)(8) of the Housing and Community Development Act of 1974 (42 U.S.C. § 5305(a)(8)) and relevant

Federal Register Notices, the use of CDBG-DR funds for public services is subject to a statutory cap:

- No more than 15 percent of HCD's total CDBG-DR grant allocation may be used for eligible public service activities.
- The 15 percent cap also applies to program income received under HCD's method of distribution.
- This cap is applied statewide and includes public services that are carried out by subrecipients.

6.2.4: Applicable HUD Waivers and Alternative Requirements

Waivers, along with alternative requirements, provide additional flexibility in program design and implementation to support full, swift, and resilient disaster recovery, while meeting the unique requirements of the Appropriations Act. The following waivers are provided through the Stafford Act and are applicable to HCD.

One-for-One Housing Replacement

Waived: Section 104(d)(2)(A)(i), (ii), 104(d)(3), and 24 C.F.R. § 42.375 under applicable Federal Register Notices

Summary: At the request of the grantee, HUD may waive replacement requirements for lower-income housing units that are not suitable for rehabilitation, acknowledging the constraints of post-disaster conditions.

Requirement: Grantees must request a waiver of section 104(d) and define "not suitable for rehabilitation" in their Action Plan or policies and consider overall housing needs.

Relocation and Rental Assistance

Waived: 24 C.F.R. § 42.350, Sections 204 and 205 of the URA, and 49 C.F.R. § 24.2(a)(6)(vii), (ix), and under applicable Federal Register Notices

Summary: Extends relocation and rental assistance to 42 months. Waives standard timeframes in 24 C.F.R. § 42.350 for relocation assistance, and sections 204 and 205 of the URA, and 49 C.F.R. § 24.2(a)(6)(vii), 24.2(a)(6)(ix), and 24.402(b) for rental assistance. Rental assistance can be considered as a replacement housing payment to a displaced tenant by offering rental housing through a tenant-based rental assistance (TBRA) subsidy.

Requirement: Assistance period extended to 42 months; TBRA may be used as a form of replacement housing assistance.

Mortgage Assistance

Modified: 42 U.S.C. § 5305(a)(8), 24 C.F.R. § 570.207(b)(4), 24 C.F.R. § 1003.207(b)(4) under applicable Federal Register Notices

Summary: CDBG-DR funds may be used to provide interim mortgage assistance for up to 20 months. This modifies 42 U.S.C. § 5305(a)(8), 24 C.F.R. § 570.207(b)(4), and 24 C.F.R. § 1003.207(b)(4) for mortgage assistance.

Requirement: Mortgage assistance must be used in conjunction with the rehabilitation or reconstruction of a single-family dwelling. Grantee must set performance milestones for rehabilitation/reconstruction and document necessity and reasonableness of assistance.

Stafford Act Section 414 Waiver

Waived: Section 414 of the Stafford Act is waived to the extent that it would apply to real property acquisition, rehabilitation or demolition of real property for a CDBG–DR funded project commencing more than one year after the date of the declared disaster. Section 414 of the Stafford Act is waived under applicable Federal Register Notices.

Summary: Households or individuals displaced by the disaster and who would have otherwise been displaced as a direct result of any acquisition, rehabilitation, or demolition of real property for a federally funded program or project may become eligible for a replacement housing payment notwithstanding the inability to meet occupancy requirements prescribed in the Uniform Relocation Assistance Act.

Requirement: CDBG–DR funded projects shall be determined to have commenced on the earliest of:

1. The date of an approved Request for Release of Funds and certification
2. The date of completion of the site-specific review when a program utilizes tiering
3. The date of sign-off by the approving official when a project converts to exempt under 24 C.F.R. § 58.34(a)(12).

Arm's Length Voluntary Purchase

Waived: 49 C.F.R. § 24.101(b)(2)(i) and (ii) under applicable Federal Register Notices

Summary: Applies to purchases by individuals using CDBG-DR funds without eminent domain authority, for the purchase and occupancy of their principal residence.

Requirement: The purchasing agency must inform the property owner that they have the right to refuse to sell. Additionally, purchasing must have a process for establishing fair market value that meets Appendix A of 49 C.F.R. § 24.

Homeownership Assistance

Waived: 42 U.S.C. § 5305(a)(24)(A) and (D) are waived under applicable Federal Register Notices. .

Summary: Allows for (1) Homeownership assistance for households earning up to 120 percent of the area median income (AMI); and (2) down payment assistance for up to 100 percent of the down payment and reasonable closing costs.

Requirement: Funds for homeowners up to 80 percent AMI qualify under the LMI benefit. Funds used for homeowners from 81-120 percent AMI must be counted as urgent need.

Adoption of Other Federal Environmental Reviews

Waived/Modified: HUD environmental review requirements are waived under applicable Federal Register Notices.

Summary: Grantees may adopt, without review or public comment, any environmental review, approval, or permit performed by a federal agency.

Requirements: The adoption shall satisfy the responsibilities of the recipient with respect to such environmental review, approval, or permit that is required by HCD. The grant recipient must notify HUD in writing of its decision to adopt another agency's environmental review and retain a copy in its files.

FEMA-Approved Elevation Standards (Nonresidential)

Waived: Flood elevation requirements for nonresidential structures under prior Federal Register Notices, waived through applicable Federal Register Notices.

Summary: HCD may use FEMA-approved flood elevation standards when:

- CDBG-DR/MIT funds are used as nonfederal match for FEMA.
- The FEMA-assisted activity began prior to HUD's obligation of funds.
- HCD determines and documents that the additional elevation cost is not reasonable under 2 C.F.R. § 200.404.

Requirements: HUD and FEMA will issue guidance to assist grantees with implementation of this provision.

Interchangeability of Funds Across Disaster Years

Under 87 F.R. 36869 and 90 F.R. 1776, CDBG-DR funds may be used interchangeably across disaster grants when Most Impacted and Distressed (MID) areas overlap. This flexibility applies to all CDBG-DR allocations from 2020 forward.

Eligible Use Across Disasters: Funds from one grant (e.g., 2020) may be used to address unmet needs from a different disaster year (e.g., 2017) if the MID areas align.

Compliance with Supported Year: When funds are used to support another disaster's unmet needs, the rules, requirements, and Federal Register Notices of the disaster being supported apply.

- *Example:* If 2020 funds are used for 2017 unmet needs, the 2017 FRNs govern compliance.

This provision supports strategic coordination of resources while maintaining alignment with applicable federal requirements.

6.2.5: HCD Website Is Maintained

HCD's website is designed to have a clean and uniform appearance that supports efficient navigation and maintenance. A uniform look from page to page enhances useability and accessibility for all visitors. The website must conform to style and navigation standards set forth by the California Department of Technology. The HCD website serves as a comprehensive disaster recovery resource. HCD manages separate web pages dedicated to its disaster recovery activities assisted with CDBG-DR funds that include accessible documents pertinent to the public.

HCD Website Content

The website must include the following compliance and reporting information:

- The current approved DRGR Action Plan, and activity/program information for activities described in the Action Plan.
- All Action Plans and Action Plan Amendments.
- Procurement policies and procedures.
- A description of services and goods currently being procured by HCD.
- A copy of contracts HCD has procured directly that will be paid with CDBG-DR funds.
- A summary of all procured contracts, including those procured by HCD or subrecipients (e.g., a summary list of procurements, the phase of the procurement, recipients for proposals, and any liquidation of damages associated with a contractor's failure or inability to implement the contract, etc.).
- Information about projects funded by CDBG-DR and CDBG-MIT to help public and interested stakeholders access information on HCD's progress in implementing these federal grants in two formats (1)

program specific website tabs providing overview content (2) HUD's mandated Quarterly Performance Reports.

- Quarterly Performance Reports:
 - All QPRs will be uploaded to the website within three days of submission to HUD.
 - All HUD approved QPRs will be uploaded within three days of HUD approval.
- Citizen participation requirements.
- Program-specific policies and procedures including a projection of expenditures and outcomes.
- Any other information necessary to account for the use of funds.

HCD will also maintain ReCoverCA as a program portal for the owner-occupied housing projects. It will primarily be used for:

- Links to program application portals.
- Program outreach (i.e., monthly newsletters, recorded webinars, community partner toolkits, and mailing list signups).
- Program materials (i.e., policies and procedures, Frequently Asked Questions and program minimum design standards).
- Case management contact information.

ReCoverCA can be found at [ReCoverCA | California Department of Housing and Community Development](#) . The ReCoverCA website will allow HCD to provide information to homeowners seeking program funding, and for HCD to track interest and stay informed on homeowner needs. HCD's CDBG-DR website will also be linked on ReCoverCA as another path for citizens to access the CDBG-DR grant information.

Procedure for Placing Content on the Website

All requests to have content placed on the website should be provided by the appropriate CDBG-DR program staff to the DFFA Operations and Support Section. This Section is responsible for coordinating submission of the final content to the Information Technology (IT) staff. The Content Creator should prepare a package including:

- The information, data, pictures, and/or graphics to be posted.
- A routing document.
- For revisions, a copy of the existing page marked to show requested modifications.
- Any related cross-linking instructions to other pages.
- The deadline for posting.
- The date for review or removal of the content.

Roles and Responsibilities

HCD Staff ensure the website (1) complies with Governor's Office guidelines and HCD's security and privacy policies, (2) follows procedures for placing content and applications on the site, and (3) maintains overall website security and privacy.

Content Provider

The Content Providers are the Federal Disaster Relief and Recovery sub-Division staff in their respective program areas who have been trained by the Information Technology (IT) staff in the technical aspects and procedures of how to prepare and transmit content to IT staff through the DFFA Admin staff for posting to the website. The Content Providers are responsible for:

- Providing content to IT staff that is in a technically accurate format.
- Providing content in a timely manner (48 hours before content needs to be posted).
- Ensuring content is reviewed and approved by a program manager.
- Reviewing the website to ensure that content is up to date.

Content for CDBG-DR will be reviewed regularly and updated as necessary.

CDBG-DR documents are posted to the website located at: [Disaster Recovery & Mitigation | California Department of Housing and Community Development](#)

Approving Content

The Federal Disaster Relief and Recovery staff are responsible for (1) requesting approved content to be placed on the site and (2) approving test content before changes are pushed on to the live site for their respective areas. Content must be appropriate for public distribution, free of copyright or trademark violations, and must not contain sensitive or personal information. Information on HCD's Privacy and Security Policy is available at: [Privacy Policy | California Department of Housing and Community Development](#); or contact staff in the LAD.

Information Technology Staff

HCD's IT staff are responsible for ensuring that the format and design of pages added to the site follow the best practices of page design, are consistent with the standard site design, and are placed on the site by the date requested by the Content Provider. They are also responsible

for ensuring that content is deleted on or before the date specified by the content provider.

Language Access

Documents available for review on HCD's website are accessible to persons with disabilities and persons with limited English proficiency. Upon request, HCD will take reasonable steps to ensure meaningful access to their programs and activities by limited English proficiency persons, including members of protected classes, vulnerable populations, and individuals from underserved communities. HCD's website will provide meaningful access in compliance with Section 504, Title II of the ADA, and Title VI in a form accessible to persons with disabilities. Similar to measures previously written above, HCD will take necessary measures to satisfy review of documentation available on the HCD website for all.

HCD should update the website regularly as needed to ensure the most up to date information related to disaster recovery is available and accessible to the public.

Chapter 7: Subawards and Procurements

In administering federal and state funds, HCD recognizes two distinct pathways for disbursing resources: subawards and procurement contracts. When HCD awards funding to another entity to carry out a defined portion of a federal award, where performance is measured against program objectives, the recipient makes programmatic decisions, and the entity implements a public purpose, such agreements are classified as subawards under 2 CFR § 200.331. These are subject to subrecipient requirements, including program monitoring and federal compliance. In contrast, when HCD or a subrecipient acquires goods or services for its own use under a procurement contract, competitive procedures must be followed in accordance with 2 CFR § 200.317–200.327. Procurement must comply with federal, state, and local requirements. To that end, HCD follows California’s procurement standards, certified to meet or exceed federal guidelines and to provide a strong anti-fraud, waste, and abuse framework. In cases of conflict among federal, state, or local requirements, HCD follows the strictest standard.

7.1: Ethics and Integrity Standards

Each CDBG-DR contract is assigned a Contract Manager from the branch that is responsible for the program being served by the contract. The Contract Manager works with the Fiscal Compliance section of DRO and with HCD’s Business and Contract Services Office (BSO) to execute the contract. BSO coordinates with California’s Department of General Services (DGS), Procurement Division for any non-IT procurements over \$50,000 or IT contract procurement over \$100,000. DGS assists in ensuring compliance with the State Administrative Manual (SAM §3500) and California Public Contract Code (PCC).

7.1.1: Code of Conduct

HCD enforces procurement standards in compliance with federal regulations (2 C.F.R. § 200.318(c)) and California’s PCC (§10410–10412), which prohibit conflicts of interest. Employees and officials must avoid real or perceived conflicts and may not solicit or accept gifts that could influence procurement decisions.

7.1.2: Organizational Conflict of Interest

Subrecipients must maintain standards of conduct covering relationships with parent, affiliate, or subsidiary organizations to ensure impartial procurement actions.

7.1.3: Contractor Eligibility

Contractors involved in drafting procurement documents (RFPs, specifications) are prohibited from bidding on those procurements to maintain fairness and minimize undue competitive advantage.

7.1.4: Contractor Responsibility

Contracts are awarded only to vendors demonstrating capability and integrity (2 C.F.R. § 200.318(h)).

7.2: Full and Open Competition

One of the primary purposes of a procurement process is to ensure full and open competition. Specifically, 2 C.F.R. § 200.319 requires that, “all procurement transactions must be conducted in a manner providing full and open competition.” To fulfill this obligation, the State of California has committed to a program of active competition in the procurement of goods and services.

California Public Contract Code Section 10318 has historically been broadly applied to make it illegal for any agency or employee to draft or cause to be drafted any specifications in such a manner as to limit the bidding directly or indirectly to any one specific concern, or any specific brand, product, thing, or service. It is the aim and desire of the Procurement Division, Department of General Services, to ensure that competition always occurs among responsible suppliers and the materials that are procured are properly suited to the intended use, both in terms of price and quality (SAM § 3503).

7.2.1: Pre-Solicitation Activities

HCD actively encourages participation from businesses that meet the requirements of 2 C.F.R. § 200.321. Pre-qualified vendor lists, if developed, must remain open to additional firms during solicitation.

7.2.2: Solicitation Requirements

Procurements require clear and accurate descriptions and must foster full and open competition per 2 C.F.R. § 200.319 and California PCC §10318. Specifications cannot unfairly limit competition or specify unnecessary requirements. Examples of prohibited restrictions to competition include:

- Unreasonable vendor qualifications
- Noncompetitive pricing practices
- Organizational conflicts of interest
- Unjustified brand-specific specifications

7.3: Value and Efficiency

7.3.1: Clear and Accurate Descriptions

Procurement documents must clearly and accurately define goods or services. Brand names may be used but only when showing that equivalent products are also acceptable.

7.3.2: Economical Approach

To avoid unnecessary or duplicative purchases, HCD evaluates lease versus purchase options and explores intergovernmental agreements or shared services (2 C.F.R. § 200.318(d-e)).

7.3.3: Use of Surplus Property

HCD prioritizes federal surplus property acquisitions to minimize cost, consistent with California PCC §§10385–10389.

7.3.4: Value Engineering

HCD reviews program or project effectiveness and, where appropriate, uses value engineering clauses in contracts for large construction projects, per 2 C.F.R. § 200.318(g). Large construction projects are defined as those with a total cost exceeding \$250,000, having a significant scope, or having an extended timeframe requiring special coordination and resources.

7.3.5: Cost and Price Analysis

HCD requires an Independent Cost Estimate (ICE) before soliciting bids and conducts a cost or price analysis for procurements above the Simplified Acquisition Threshold as defined by 2 C.F.R. § 200.88.

Cost Analysis: Required for professional or sole-source procurements.

Price Analysis: Used when cost analysis is not required.

7.3.6: Methods of Procurement

The federal procurement standards outlined in 2 C.F.R. § 200.320 reflect the current uniform guidance applicable to all federal entities, effective as of 10/1/2024. Although, as of 09/01/2025, HUD has not issued formal guidance regarding nonfederal implementation of the updates to 2 C.F.R. § 200, HCD has received written approval from HUD to begin implementation of the changes. Therefore, the section below reflects the updated standards.

Federal procurement regulations at 2 C.F.R. § 200.320 identify five procurement methods allowable to HCD and its subrecipients. These

methods are distinguished by cost thresholds, level of formality, and specific use conditions as summarized in the table below:

Procurement Methods Summary

Procurement Method	Threshold	Process Type	Key Traits	CFR Reference
Micro-Purchase	≤ \$10,000 w/ exceptions	Informal	No quotes required; price must be reasonable	2 C.F.R. §200.320(a)
Small Purchases	> \$10,000 and ≤ Simplified Acquisition Threshold	Informal	Requires quotes from multiple vendors	2 C.F.R. §200.320(a)(2)
Sealed Bids	Typically > \$10,000	Formal	Award to lowest responsive, responsible bidder	2 C.F.R. §200.320(b)(1)
Competitive Proposals	> \$10,000	Formal	In cases where Sealed Bids are Inappropriate	2 C.F.R. §200.320(b)(2)
Noncompetitive Proposals	Amount Dependent on Circumstance	Exception-based	No competition; requires formal justification	2 C.F.R. §200.320(c)

Micro-purchases

Micro-purchases are the informal procurement of supplies or services in which the aggregate dollar amount does not exceed \$10,000 (or \$2,000 in the case of construction acquisitions subject to the Davis-Bacon Act). This is an informal procurement without quotes required, but prices must be reasonable (2 C.F.R. § 200.320(a)).

Small Purchases

Small purchases follow an informal process requiring quotes from multiple vendors for purchases that are between \$10,000 and \$250,000, as per 2 C.F.R. § 200.320(a). These procurements are conducted in accordance with the State Contracting Manual (SCM), Volume II, Purchasing Authority, Chapter 1, and Section A requirements for informal competitive non-IT goods procurements. HCD maintains written documentation on the names of the businesses contacted and how they were contacted, the prices that were quoted, and the basis for selecting one firm or supplier over the other(s).

Sealed Bids

Sealed bids are the preferred method for construction contracts consistent with conditions in 2 C.F.R. § 200.320(b)(1). HCD follows the requirements of California PCC Article 3: Competitive Bidding and Other Acquisition Procedures §10300-10334. Contracts and purchases in amounts exceeding \$10,000 are normally made by a sealed bid procedure. Sealed bids are opened and read at a specified time and are maintained on file (California PCC §10301).

HCD makes a diligent effort to secure at least three competitive bids. If it cannot obtain three competitive bids, the employee who solicited the bids prepares and signs a list of the firms or individuals contacted. The agency attaches the bid solicitation list, and the bids received.

Competitive Proposals (RFPs)

Competitive Proposals are typically used for complex or professional services; evaluates multiple proposals on price and other factors. Competitive proposals are used for purchases over \$10,000. Per 2 C.F.R. § 200.320(b)(2), the technique of competitive proposals is normally conducted with multiple proposals, and either a fixed price or cost reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids.

HCD follows the requirements of California PCC Article 3: Competitive Bidding and Other Acquisition Procedures §10300-10334. For services contracts, HCD follows PCC Article 4: Contracts for Services §10335-10381. The contract should be awarded to the vendor whose proposal is most advantageous to the program, with price being one of the deciding factors.

Noncompetitive Proposals (Sole Source)

Noncompetitive proposals are allowed in exceptional cases (single source, emergency, inadequate competition). It requires a formal justification letter outlining the rationale for noncompetitive procurement. HCD must approve the method. (2 C.F.R. § 200.320(c))

7.3.7: Pre-Award Requirements

Debarment Checks: All contractors must be verified through SAM.gov to ensure eligibility.

Negotiation of Profit: For noncompetitive procurements, profits must be negotiated separately to ensure fairness.

7.3.8: Prohibited Contracts

Cost-Plus Contracts: Contracts that define profit as a calculated percentage of labor and materials are strictly prohibited.

7.4: Types of Contracts

HCD uses several types of contracts to implement CDBG-DR and CDBG-MIT programs, each serving a distinct role in the grant lifecycle. The primary contract structures are:

- **Service Contracts:** Used for procuring non-IT and IT services (e.g., technical assistance, training, consulting).
- **Time and Materials Contracts:** Allowed only when justified with oversight.
- **Firm Fixed Price Contracts:** Allowed for stipulated cost contracts in construction projects.
- **Non-Procurement Agreements:** Used to fund eligible recovery or mitigation activities at the local level. These take two forms:
 - **Master Standard Agreements (MSAs):** Establish legal and administrative terms under which a subrecipient may develop projects.
 - **Standard Agreements (SAs):** Define project-specific scopes, budgets, and deliverables.
 - **Notice to Proceed (NTP):** A required formal approval issued by HCD before a subrecipient may begin work on any project activity under an MSA or SA.

7.4.1: Service Contracts

These are contracts for non-IT and IT services that provide a defined scope of work for implementation of an activity or delivery of a service. Examples of service contracts include consulting services, collection and delivery services, memberships, and training contracts. Non-IT service contracts that exceed \$50,000 and IT service contracts that exceed \$100,000 require routing to and approval from the Department of General Services (DGS). While HCD CDBG-DR does execute some service contracts, they are the exception.

7.4.2: Time and Materials Contracts

Time and materials contracts are used when it is not possible at the time of awarding the contract to estimate accurately the extent or duration of the work or to anticipate costs with any reasonable degree of confidence. The awarding entity pays fixed rates, and materials are reimbursed at cost. This type of contract is generally considered high risk for the contractor, as there is no positive profit incentive to manage costs or labor efficiency. Typically,

time and materials contracts include a ceiling price that a contractor may exceed but only at their own risk. This type of contract may only be used when no other contract type is suitable and requires diligent oversight to ensure efficient performance.

7.4.3: Stipulated or Fixed-Price Contracts

A stipulated or fixed-price contract provides a price that is not subject to any adjustment on the basis of the contractor's cost experience in performing the contract. This contract type places upon the contractor maximum risk and full responsibility for all costs and resulting profit or loss. It provides maximum incentive for the contractor to control costs and perform effectively and imposes a minimum administrative burden upon the contracting parties. The contracting officer may use a fixed-price contract in conjunction with an award-fee incentive (see Federal Acquisition Regulation Subpart [16.404](#)) and performance or delivery incentives (see Federal Acquisition Regulation Subpart [16.402-2](#) and [16.402-3](#)) when the award fee or incentive is based solely on factors other than cost. The contract type remains fixed-price when used with these incentives. Additional guidance is provided in the *Stipulated Cost Contract Guidance* memo.

7.4.4: Non-Procurement Agreements

The vast majority of HCD CDBG-DR awards are either Grants and Subventions Agreements or Loan and Grant agreements. Local assistance agreements are created to fund the development of affordable housing and associated infrastructure by cities, counties, and non-profits. Regardless of the award amount, these agreements are exempt from DGS review and are not considered procurements. Instead, they are subject to subawards requirements 2 CFR 200.331 and 24 CFR 570.503. HCD's CDBG-DR program executes two types of these agreements:

Master Standard Agreements (MSAs)

An MSA is a high-level, overarching agreement executed between HCD and a subrecipient (often a local jurisdiction or implementing agency) that sets forth terms, conditions, requirements, and expectations applicable to the administration of one or more CDBG-DR program over an extended period or across multiple activities. It establishes a legal and administrative foundation for the subrecipient to develop projects and their corresponding budgets. The MSA authorizes the subrecipient to submit requests for reimbursement to HCD for the Activity Delivery Costs that they incur while developing projects but does not authorize Activity Costs to be reimbursed until a Notice to Proceed (NTP) for a specific project under the MSA is authorized by HCD.

Standard Agreements (SA)

An SA, by contrast, is an activity-specific or project-specific agreement that explicitly obligates a defined amount of funding for a clearly articulated scope of work or specific project. The SA outlines detailed project timelines, budgets, deliverables, compliance requirements, and reporting expectations, making it the operational instrument used to implement particular funded activities. Both Activity Delivery Costs and Activity Costs can be charged directly to the SA, as appropriate.

Notice to Proceed (NTP)

A NTP is a formal notification or authorization issued by HCD to a subrecipient, contractor, or project partner, explicitly granting approval to commence work or activities associated with a specific project. The issuance of an NTP indicates that all prerequisites, such as contract execution, completion of environmental reviews, and meeting funding conditions, have been satisfied. No CDBG-DR funded project activities can begin prior to the issuance of the Notice to Proceed.

The approval of a notice to proceed triggers the creation of an activity in DRGR and a Task ID in PeopleSoft/FI\$Cal but **does not** require any additional budgetary actions in FI\$Cal as the FI\$Cal system does not track contract expenditures at the NTP level, only at the MSA level.

7.5: Boilerplate Process

Boilerplate templates are specifically designed for each program's MSAs and SAs to integrate program-specific guidelines, statutes, and regulations to ensure legal compliance and consistency.

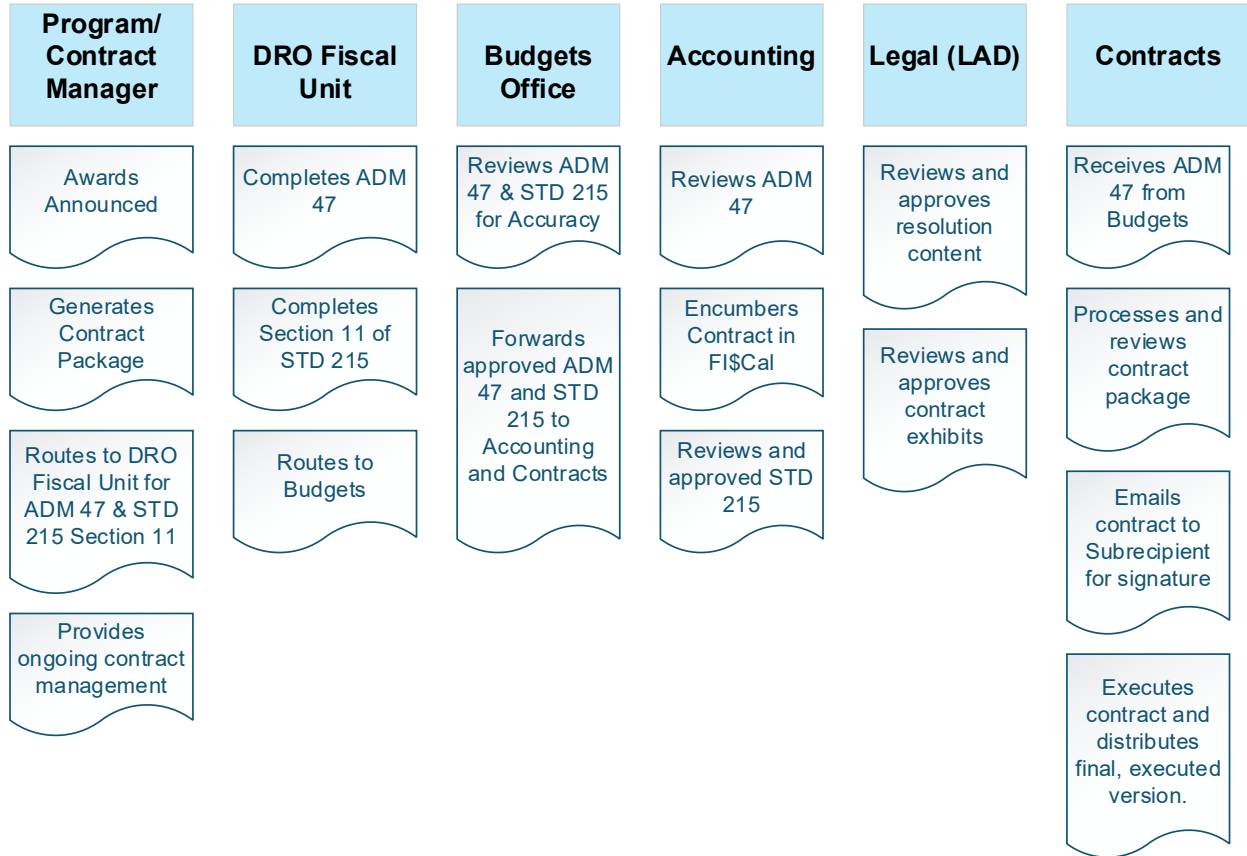
Initiated by CDBG-DR Program staff, the boilerplate development involves coordination among various stakeholders, including the Program team, Legal Affairs Division (LAD), Contract Services Section (CSS), and subject matter experts (SMEs) such as Accounting and Budget departments. Additional information is available on the HCD Intranet in the [Boilerplate Process](#) document.

7.6: Agreement Routing

The routing process for MSAs and SAs is a collaborative process between the CDBG-DR program managing the contract, the DRO Fiscal Unit, the Budgets Office, Accounting, Legal, and Contract. Below is a high-level mapping of the routing process.

Note: At any step in the contract routing process, the ADM 47, STD 215, or contract package may be returned for correction or clarification. DRO Fiscal,

Budgets, Legal, or Contracts may initiate these returns if required documentation is missing, inconsistent, or requires revision to meet state or federal requirements. These iterations are a normal part of the internal review process and help ensure the contract is fully compliant before execution.



7.6.1: MSA/SA Components

STD 213 – Standard Agreement Form (External)

The STD 213 is the formal contract cover sheet for agreements between state agencies and external parties (e.g., local governments, contractors, nonprofits). It legally binds both parties to the terms of the agreement. The STD 213 is essentially the face of the contract. It incorporates all referenced exhibits (A, B, C, etc.) and attachments, making them enforceable. No work or payment can begin until this form is fully executed.

- Agency and contractor information (names, addresses)
- Agreement number
- Effective date and expiration date
- Total dollar amount of the agreement
- Legal authority under which the contract is executed

- Signatures of authorized representatives from both the state agency and the contractor

Exhibit A – Scope of Work (External)

Outlines the specific services, activities, or deliverables the contractor will perform or provide. The Exhibit A should contain clearly defined goals, objectives, timelines, performance standards, and deliverable descriptions.

Exhibit B – Budget Detail and Payment Provisions (External)

Provides a detailed budget for the services and establishes payment terms.

- Line-item budget
- Billing procedures
- Invoicing frequency
- Allowable costs
- Match requirements (if applicable)

Exhibit C – General Terms and Conditions:

Contains standard legal and contractual terms applicable to all HCD contracts.

- Indemnification
- Termination clauses
- Audit and record retention
- Conflict of interest
- Dispute resolution

Exhibit D – Special Terms and Conditions (External)

Addresses additional or program-specific requirements that go beyond the general terms. Examples include:

- Federal grant provisions (e.g., 2 C.F.R. § 200 compliance)
- Civil rights and nondiscrimination clauses
- Labor standards (e.g., Davis-Bacon)
- Environmental Review Requirements

Exhibit E – Additional Provisions (External)

Optional exhibit used when the agreement has additional customized requirements or clarifications. Varies based on project or funding source. May include specific deliverables, milestones, or performance metrics not covered elsewhere.

Exhibit F – Deliverables

A detailed listing of all deliverables to be produced and submitted by the contractors

- Due dates
- Formats (e.g., reports, data files)
- Submission instructions

Exhibit G – Definitions

Defines key terms used throughout the agreement. Includes program-specific or regulatory definitions for clarity and compliance.

Exhibit H – Reporting Requirements

Outlines the reports the contractor is required to submit and their frequency.

- Progress reports
- Financial reports
- Closeout reports

STD 215 – Payee Data Record

The STD 215 is used to collect taxpayer identification information and certify the entity's federal tax status. It allows the State of California to report payments to the IRS and issue 1099 forms as required. This form is similar to the federal W-9 but specific to California. Contractors, vendors, and subrecipients must submit the STD 215 before receiving any payments under a state agreement.

- Business or individual name
- Federal Employer Identification Number (FEIN) or Social Security Number (SSN)
- Business type (corporation, partnership, individual, etc.)
- Mailing address
- Certification signature confirming the information is correct

ADM 47

The ADM 47 is an HCD form populated by the DRO Fiscal Unit and reviewed by Budgets. The ADM 47 provides Accounting with fiscal data that is required for the contract to be encumbered in FI\$Cal, such as the Enactment Year, Service Location, Fund, and Appropriation Reference.

STD 204 Payee Data Record

The STD 204 is a Department of Finance form that is filled out by the contractee and provides their payee information, entity type, Tax Identification Number (TIN), and self-certification.

7.6.2: Mandatory Contract Provisions

When applicable contracts must include clauses for:

Equal Employment Opportunity (EO 11246)

Except as otherwise provided under 41 C.F.R. § 60, **all contracts that meet the definition of “federally assisted construction contract”** in 41 C.F.R. § 60-1.3 must:

- Incorporate the equal opportunity clause set out at (41 C.F.R. § 60-1.4(b)).
- Ensure compliance with Executive Order 11246, as amended by Executive Order 11375.
- Follow implementing regulations issued by the Department of Labor at 41 C.F.R. § 60.

Davis-Bacon Act, as amended (40 U.S.C. § 3141-3148)

When required by Federal program legislation, all prime construction contracts over \$2,000 awarded by non-Federal entities must include a provision for compliance with the Davis-Bacon Act (40 U.S.C. §§ 3141-3144, 3146-3148), as supplemented by Department of Labor regulations at 29 C.F.R. § 5 (“Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction”).

Under the statute and regulations, contracts must:

- **Require contractors to pay** wages to laborers and mechanics at rates not less than the prevailing wages specified in the Department of Labor wage determination.
- **Require contractors to pay** workers at least once per week.
- **Include the current prevailing wage determination** in each solicitation issued by the non-Federal entity unless otherwise superseded by State wage determination.
- **Condition the award of any contract or subcontract** on acceptance of the applicable wage determination.
- **Require compliance with the Copeland “Anti-Kickback” Act** (40 U.S.C. § 3145; 29 C.F.R. §3), which prohibits any contractor or subrecipient from inducing, by any means, any person employed in

the construction, completion, or repair of public work to give up any part of the compensation to which they are entitled.

- **Report suspected or confirmed violations** to the Federal awarding agency.

Contract Work Hours and Safety Standards Act (40 U.S.C. § 3701-3708)

All contracts awarded by a non-Federal entity in excess of \$100,000 that involve the employment of mechanics or laborers must include a provision for compliance with 40 U.S.C. §§ 3702 and 3704, as supplemented by Department of Labor regulations (29 C.F.R. § 5).

Under the Act, each contractor must:

- **Compute the wages** of every mechanic and laborer on a standard 40-hour work week (40 U.S.C. § 3702).
- **Pay at least 1.5 times the basic rate** for all hours worked beyond 40 in a week (40 U.S.C. § 3702).
- **Not require laborers or mechanics to work** in unsanitary, hazardous, or dangerous conditions on construction jobs (40 U.S.C. § 3704).
- Note that these requirements do not apply to purchases of supplies or materials ordinarily available on the open market, or to contracts for transportation or transmission of intelligence.

Rights to inventions under federal grants

If a federal award meets the definition of a “funding agreement” under 37 C.F.R. § 401.2(a), and HCD or its subrecipient enters into a contract with a small business or nonprofit for experimental, developmental, or research work, the contract must comply with:

- **The requirements of 37 C.F.R. § 401**, “Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements”
- **Any implementing regulations** issued by the awarding agency.

Clean Air Act and the Federal Water Pollution Control Act, as amended

Contracts and subgrants of amounts in excess of \$150,000 must contain a provision that requires the non-Federal awardee to agree to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act (42 U.S.C. § 7401-7671q) and the Federal Water Pollution Control Act as amended (33 U.S.C. § 1251-1387). Violations must be reported to the federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA).

Energy efficiency (Energy Policy and Conservation Act)

Contracts must include provisions requiring compliance with the mandatory energy efficiency standards and policies contained in the State energy conservation plan issued in compliance with the Energy Policy and Conservation Act (42 U.S.C. § 6201).

Debarment and Suspension (Executive Orders 12549 and 12689)

Contractors and subcontractors awarded (see 2 C.F.R. § 180.220) as part of a federally funded project must be registered under the System for Award Management (SAM) database and cannot be listed on the government-wide Excluded Parties List System in SAM, in accordance with the OMB guidelines at 2 C.F.R. § 180 implementing Executive Orders 12549 and 12689. No award can be made to a contractor or subcontractor that is presently or proposed to be debarred, suspended, or otherwise excluded from transactions with any Federal department or agency.

SAM contains the names of parties debarred, suspended, or otherwise excluded by agencies, as well as parties declared ineligible under statutory or regulatory authority. This provision verifies and affirms entities have not been suspended or debarred from participating in or receiving federal government contracts, subcontracts, loans, grants, or other assistance programs. Entities further agree to verify that its subcontractors have not been suspended or debarred from participating in receiving federal government contracts, subcontracts, loans, grants or other assistance programs.

Byrd Anti-Lobbying Amendment (31 U.S.C. § 1352)

For contracts of \$100,000 or more, contractors must comply with the requirements of the Byrd Anti-Lobbying Amendment.

Contracts must include provisions that require:

- The contractor to file the required certification.
- Filing by the contractor of the certification regarding lobbying and make disclosures as required under 31 U.S.C. § 1352.
- Disclosure of any lobbying with nonfederal funds in connection with obtaining a federal award.
- Forwarding of such disclosures through each tier up to the nonfederal award.

Solid Waste Disposal Act compliance

A nonfederal entity that is a state agency or agency of a political subdivision of a state and its contractors must comply with Section 6002

of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act. The requirements of Section 6002 include procuring only items designated in guidelines of the Environmental Protection Agency (EPA) at 40 C.F.R. §247 that contain the highest percentage of recovered materials practicable, consistent with maintaining a satisfactory level of competition, where the purchase price of the item exceeds \$10,000 or the value of the quantity acquired by the preceding fiscal year exceeded \$10,000; procuring solid waste management services in a manner that maximizes energy and resource recovery; and establishing an affirmative procurement program for procurement of recovered materials identified in the EPA guidelines.”

Domestic preferences for procurements (2 C.F.R. § 200.322)

All contracts and subawards under a federal award must include provisions requiring, to the greatest extent practicable and consistent with law, a preference for goods, products, and materials produced in the United States.

For purposes of this section:

- Produced in the “United States” means, for iron and steel products, that all manufacturing processes, from the initial melting stage through the application of coatings, occurred in the United States.
- “Manufactured products” means items and construction materials composed in whole or in part of nonferrous metals such as aluminum, plastics and polymer-based products such as polyvinyl chloride pipe; aggregates such as concrete; glass, including optical fiber; and lumber.

Additionally, HCD ensures adequate insurance and bonding are required per federal (2 C.F.R. § 200.326) and state requirements.

7.6.3: Contract Administration

Per 2 C.F.R. § 200.318(i), HCD “must maintain records sufficient to detail the history of procurement. These records will include but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.”

In addition, 2 C.F.R. § 200.318(b) requires HCD to “maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.”

Awarding Agency or Pass-Through Entity Review

Per 2 C.F.R. § 200.325, HCD must make available, upon request by HUD or the State of California, technical specifications on procurements. HCD and its subrecipients must ensure that the procurement policies and procedures are comprehensive regarding the level of documentation to be maintained for the purchase of any goods or services. Whenever outside parties (contractors) or subrecipients conduct the procurement process, HCD must be able to obtain records of contracts, amendments and evidence of procurement review (contractors or subrecipients may keep originals for their records and provide copies) and make them available and readily accessible for audit, monitoring or other reviews.

7.6.4: Contract Disputes

Subrecipients must establish protest procedures to handle and resolve disputes relating to their procurements and shall in all instances disclose information regarding the protest to HCD. A protestor must exhaust all administrative remedies with the subrecipient before pursuing a protest with HCD, and with HUD.

HCD's role in disputes is limited to oversight of adherence to federal and state procurement standards. Reviews of protests by HCD are limited to:

- Violations of state or federal law or regulations and the standards of procurement.
- Violations of the subrecipient's protest procedures for failure to review a complaint or protest. Protests received by HCD other than those specified above will be referred to the subrecipient.

Rejecting Bids

When the range of bids received is such that purchase is not in the best interest of the state, all bids will be rejected. When all bids are rejected, all bidders will be advised. Also, all bids may be rejected when considering the surrounding circumstances, and it is determined that it would be in the state's best interest to do so.

7.6.5: Contract Award

All contracts must incorporate mandatory compliance provisions and performance standards and penalties clearly defining deliverables, monitoring requirements, and consequences for noncompliance (83 F.R. 5844).

7.6.6: Additional Contract Standards

Performance Requirements

All contracts must clearly outline expectations, deliverables, schedules, and penalties for non-performance, per all applicable Federal Register Notices.

Green Building and Infrastructure Standards

HCD complies with HUD-mandated green building standards, emphasizing energy efficiency, resilience, sustainability, and mitigation of future disasters. Projects must also consider EPA's recommended green infrastructure practices. Under the Universal Notice, grantees must ensure that applicable projects comply with at least one Green and Resilient Building Standard and at least one minimum energy efficiency standard. HCD will comply with each Federal Register Notice, as applicable. Additionally, California's stringent state building codes promoting sustainability, disaster resilience, and reduced hazard risks must be adhered to for all construction projects funded through CDBG-DR.

Contract Modifications

Contract amendments and change orders must undergo HCD review, cost analysis, and approval, ensuring alignment with program objectives and procurement integrity.

Chapter 8: Software Systems

HCD uses a range of software systems to manage, track and report on CDBG-DR and CDBG-MIT grants. Each system plays a distinct role in the grant lifecycle, from applicant intake and subrecipient invoicing to financial reconciliation and federal reporting. While some systems are internal to HCD, others are used by subrecipients or applicants. The table below provides a high-level summary of each system’s purpose, primary users, and where it fits within the overall program workflow.

Key Software Systems and Their Roles in the Grant Lifecycle

System	Primary Purpose	Primary Users	Role in Workflow
DRGR	Reporting, performance tracking, and drawdowns.	HCD fiscal and reporting staff, HUD reviewers	Performance reporting, QPRs, and drawdown requests to HUD.
FI\$Cal	State financial system for budgeting, payments, and reconciliation.	HCD Accounting and Fiscal teams, State Controller’s Office	Payment processing and encumbering funds.
Grants Network	Internal system for subrecipient reporting, invoicing, and documentation.	Subrecipients, HCD program and compliance staff	Invoice submission, monthly reports, and performance tracking.
HCD Connect (will replace Grants Network)	Same as above	Same as above	Same as above with some increased functionality.
Zengine	Applicant intake and data collection for certain programs.	Applicants, HCD program staff, HCD monitoring staff	Intake and eligibility in targeted or pilot programs and annual subrecipient risk assessment.
Neighborhoodly / eGrants	Intake portals for homeowner-focused programs (e.g., SFRR).	Applicants, case managers, HCD housing staff	Collection of homeowner applications and tracking of eligibility status.

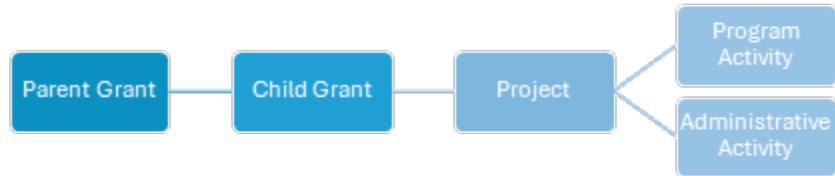
8.1: DRGR

Disaster Recovery Grant Reporting (DRGR) is a web-based platform developed and maintained by HUD. Grantees, like HCD, use DRGR to report on the use of CDBG-DR funds, including detailing projects, activities, performance outcomes, and financial expenditures. It is also used for HCD to request the transfer of awarded funds from the Federal Treasury to the State of California Treasury via the LOCCS system. HCD is responsible for setting up projects (programs) and activities in DRGR, processing draw requests,

providing quarterly progress reports, providing updates on monitoring actions, and reporting data on approved outcome metrics.

The Federal Recovery Data and Reporting Unit in the Disaster Response and Operations Branch is responsible for managing and updating each grant in DRGR, including Public Action Plans and any amendments.

8.1.1: DRGR Budget Structure



Parent Grant

In HUD’s CDBG-DR program, a parent grant refers to the primary federal grant awarded to a grantee for disaster recovery. This parent grant contains the full allocation of funds awarded by HUD.

Child Grant

A child grant is created under the parent grant to organize and manage specific subsets of funded activities.

In practical terms:

- The parent grant is the umbrella agreement with HUD, reflecting the entire disaster recovery allocation.
- Child grants are subcategories or subawards within the parent grant, allowing funds to be separately tracked, managed, and reported on, providing Clarity for oversight, compliance and performance.

Projects

Projects are high-level groupings used to organize related activities (e.g., Multifamily Housing, Homebuyer Assistance, Owner Occupied Reconstruction). Funds may not be drawn or expended at this level in DRGR.

Activities

Activities are the core unit of reporting, where performance is measured, data is reported, and where funding is assigned that can be drawn against. For example, a specific 2017 MHP Activity, such as *Linda Tunis Apartments*.

There are two types of activities:

Administrative:

General administration costs cover staff and related expenses necessary for overall program management, coordination, monitoring, reporting, and evaluation of CDBG-DR grants. Administrative funds are capped at 5 percent of the grant award.

Program:

Both Activity Costs and Activity Delivery Costs (ADCs) are charged to this type of activity.

Activity Costs: Direct costs incurred for implementing eligible program activities. Activity Costs include payments for actual construction, rehabilitation, acquisition of property, infrastructure improvements, economic development projects, housing assistance payments, and other expenses directly related to completing eligible activities.

Activity Delivery Costs (ADCs): Specific, allowable expenses directly associated with managing and implementing a particular CDBG-DR program or activity. ADCs typically include costs for staff or contractors performing site inspections, eligibility determinations, environmental reviews, program-specific application processing, labor standards compliance, or any service necessary to deliver or complete the activity effectively. ADCs are distinct from general administrative expenses and must be directly tied to the completion of specific project activities.

DRGR does not contain a mechanism to distinguish between the two. Therefore, the Activity budgets and expenditures and ADC budgets and expenditures are tracked outside of DRGR.

DRGR Grant Budgets

HUD Grant Number	Parent Grant Number	Administrative Budget	Program Budget
B18DP060001	P-17-CA-06-HIM1	\$6,207,750	\$117,947,250
B19DP060001	P-17-CA-06-HIM1	\$4,410,950	\$83,808,050
B18DP060002	P-18-CA-06-MIT1	\$1,902,876	\$36,154,650
B19DT060001	P-18-CA-06-MIT1	\$3,245,350	\$61,661,650
B19DV060001	P-19-CA-06-0DD2	\$24,590,800	\$467,225,200
B19DV060002	P-19-CA-06-0DD2	\$26,279,150	\$499,303,850
B21DF060001	P-21-CA-06-LDZ1	\$738,050	\$14,022,950
B21DZ060001	P-21-CA-06-LDZ1	\$11,560,150	\$ 219,642,850
B22DF060001	P-21-CA-06-LDZ1	\$482,350	\$9,164,650
B23DG060001	B-23-DG-06-0001	\$5,751,100	\$109,270,900
B25DG060001	B-25-DG-06-0001	\$4,492,052	\$80,856,947
B25DU060001	B-25-DU-06-0001	\$21,926,158	\$394,670,842

8.1.2: Quarterly Progress Reports (QPRs)

HCD reports grant progress and expenditures as well as any challenges or obstacles through Quarterly Progress Reports (QPRs) in DRGR. The Federal Recovery Data and Reporting Unit is responsible for preparing and submitting all QPRs in DRGR. HUD uses DRGR data to:

- Monitor for anomalies or performance problems that suggest fraud, abuse of funds, and duplication of benefits.
- Reconcile budgets, obligations, fund draws, and applicable administrative and public service limitations, and the overall percent of benefit to low- and moderate-income persons.
- As a basis for risk analysis in determining a monitoring plan.

QPRs are submitted through the DRGR system on a set schedule. Refer to the table below for the standard QPR reporting dates.

Reporting Period End Date	Grantee QPR Submission Deadlines
31-March	30-Apr
30-Jun	30-Jul
30-Sep	30-Oct
31-Dec	30-Jan

Each QPR must align with the activities and outcomes described in the approved CDBG-DR application. When applicable, the QPR should include the following:

- Update race, ethnicity, and income data.
- Report baseline values (one time only) and update ongoing values according to the frequency specified in the Action Plan (for Outcome Value Activities only).
- Update performance measures as accomplishments occur.
- Report all CDBG-DR expenditures.
- Provide a narrative describing activity progress.
- Enter the actual completion date once the activity is fully completed.
- Include any additional information required by HUD.

8.2: FI\$Cal

The Financial Information System for California (FI\$Cal) is the State of California’s integrated financial management system and is the **Financial System of Record** for the State of California, HCD, and HCD’s CDBG-DR program. FI\$Cal standardizes and streamlines financial processes across state agencies, including budgeting, accounting, procurement, and cash management. HCD uses FI\$Cal to ensure accurate financial tracking and reporting of CDBG-DR funds.

The Financial Planning and Analysis Section of HCD’s Accounting Branch and the Fiscal Compliance Section of Disaster Response and Operations Branch coordinate to reconcile systems regularly. Accounting Branch staff process payment requests through FI\$Cal and prepare a claim schedule package for each financial report. Claim schedules are bundled and given to the Federal Drawdown staff in the General Ledger Unit. Each DRGR voucher, once the claim is reviewed, is approved by the designated drawdown approvers within the Accounting Branch, which triggers the U.S. Treasury to release funds to California.

The state’s policy on miscellaneous accounting procedures, including minimum reporting requirements, is documented in the State Administrative Manual

(SAM), Section 8760, and is available at <http://sam.dgs.ca.gov/> . At a minimum, quarterly financial and performance reporting is required.

Claim schedule instructions and guidance are located on the SCO website at:

http://www.sco.ca.gov/ard_state_claim_sched.html.

8.2.1: FI\$Cal Budget Structure

In California state accounting, federal appropriations are subdivided into two categories: State Operations and Local Assistance.

State Operations: Expenditures for the direct functioning of state government agencies. This typically includes costs such as employee salaries and benefits, administration, overhead, some consultant fees, and other expenses directly related to the operation and internal activities of state departments or agencies.

Local Assistance: Funds that the state distributes externally to local governments, nonprofit organizations, or other entities. These funds are provided for specific programs, services, or activities at the local level, such as grants, subawards, or reimbursements to support community projects, public infrastructure, housing programs, health services, education, and disaster recovery activities managed by HCD.

8.2.2: DRGR and FI\$Cal Crosswalk

All DRGR Administrative funds are coded in FI\$Cal as State Operations. However, not all FI\$Cal State Operations are administrative: some reflect program costs (e.g., Activity Delivery). The only exceptions are B18DP060002 and B19DP060001, where State Operations equals Administrative.

The following crosswalk indicates how various costs may be coded in DRGR and FI\$Cal.

Type of Cost	DRGR		FI\$Cal	
	Administrative Activity	Program Activity	State Operations	Local Assistance
HCD Administrative Costs	Yes	Never	Yes	Never
HCD Activity Delivery Costs	Yes*	Yes	Yes	Never
Consultant Administrative Costs	Yes	Never	Yes	Never
Consultant Activity Delivery Costs	Yes*	Yes	Yes	Yes
Subrecipient Activity Delivery Costs	No	Yes	No	Yes
Subrecipient Activity Costs	No	Yes	No	Yes
<i>*While allowable, this would not be an efficient use of the very limited 5 percent Administrative allowance.</i>				

8.3: Grants Network and HCD Connect

Grants Network is HCD’s internal grants management system and facilitates the tracking of project progress, compliance monitoring, and document management. Subrecipients submit monthly financial reports (invoices) and activity reports via Grants Network. HCD is in the process of transitioning from Grants Network to HCD Connect, an online portal designed to streamline interactions between HCD and its stakeholders, including local jurisdictions, organizations, and tribal entities. HCD Connect will facilitate various processes such as grant applications, invoicing, monthly activity reports, and monitoring tracking. This manual will be updated with further details when HCD Connect is online.

8.3.1: Grants Network Reporting Requirements

HCD requires subrecipients to submit monthly activity reports for all CDBG-DR/MIT programs via Grants Network. HUD’s recordkeeping requirements for CDBG-DR/MIT funds administered by the Department are contained in 24 C.F.R. part 570. Specifically, 24 C.F.R. § 570.490(a)(3) states that “The State shall make entries...to accurately capture the state’s accomplishment and funding data.” Performance accomplishments are based on progress made by subrecipients toward project outcomes.

The state is required by HUD to report performance accomplishments for grant-funded activities on a quarterly basis through the DRGR. The monthly reports submitted via Grants Network serve as the foundation for this quarterly reporting. Reporting in Grants Network is based on activity types and accompanying performances measures associated with each CDBG-DR/MIT program.

Activity reports submitted in Grants Network include performance reporting on key metrics and narrative style project updates. Narrative status updates may include, but are not limited to:

- A description of status of each activity, including number of units leased and households assisted, if applicable.
- A description of the project activities planned for the next reporting period.
- A description of the challenges encountered during project implementation and strategies taken to address these challenges.
- A recent success of the project.

HCD Program Representatives, at their discretion, may require additional performance accomplishments or project status narrative information.

8.4: Supporting Systems

8.4.1: eGrants and Neighborly

eGrants and Neighborly are electronic grants management systems used to support the implementation of the Single-Family Housing program. eGrants serves as the system of record for OOR 2017 and 2018. Neighborly serves as the system of record for 2020 SFR, OOM, and 2023-24 SFRR

8.4.2: Zengine

Zengine is a grants management platform used to manage applications and data collection. Because Grants Network does not have the capabilities (to date) for creating applications, Grants Network partners with Zengine for application materials. HCD uses Zengine to draft the application and application-related forms. HCD reviews applications in the review portal (a space outside of Zengine and Grants Network). When an application is approved, HCD changes the status to “Recommend Award,” and the project will appear in Grants Network for award and agreement routing. The HCD Monitoring and Compliance team also uses Zengine for risk assessments conducted annually with subrecipients to determine monitoring priorities.

Zengine holds the application data and Grants Network provides links to the Zengine workspace. The data transferred between the systems is minimal

(project name, subrecipient name, budget). Once an application is awarded, HCD manages the project and reporting in Grants Network.

Chapter 9: Financial Management

HCD maintains comprehensive financial management systems designed to ensure effective control and accountability for all CDBG-DR and CDBG-MIT funds, assets, and property (2 C.F.R. § 200.302 (2020)). These systems maintain rigorous budgetary controls in order to:

- Identify sources and uses of funds.
- Maintain records to verify that costs are necessary, reasonable, and allowable.
- Prevent improper use of funds through established accounting practices.
- Prevent, or quickly identify, risks that can result in fraud, waste, or abuse.

9.1: Financial Records and Reconciliation

All financial records and accounting practices align with Generally Accepted Accounting Principles (GAAP) and State Administrative Manual (SAM) section 8760. Records are retained for a minimum of 5 years after grant closeout, in alignment with HUD requirements.

9.2: Financial Management Software

As described in Section VIII – Software Systems, when processing subrecipient reimbursement requests or other expenditures, HCD utilizes both DRGR and FI\$Cal. Each of these systems has unique budget structures. It is important to understand the similarities and differences between how these two systems track funds.

9.3: Grant Funds Availability

Once HUD has awarded HCD a new grant, there are multiple steps that must occur before the funds become available to disburse through DRGR and FI\$Cal.

9.3.1: HUD and HCD Grant Agreement

HUD and HCD execute a formal CDBG-DR grant agreement. HUD then establishes the grant and makes funding available in HUD's Line of Credit Control System (LOCCS).

9.3.2: Action Plan Approval and DRGR Setup

HCD creates a DRGR Action Plan that distributes the budget to projects (programs) and activities (individual projects).

9.3.3: FI\$Cal Budget Authority

HCD requests expenditure authority from California's Department of Finance (DOF) via a Section 28 or Budget Change Proposal process. Once approved, HCD's budget authority is established in FI\$Cal and budgets are assigned to project IDs that indicate what grant the funds are associated with and service locations that indicate whether the funds are for use by the State of California to implement the grant or expended directly to benefit local jurisdictions.

9.3.4: Execution of Standard Agreements

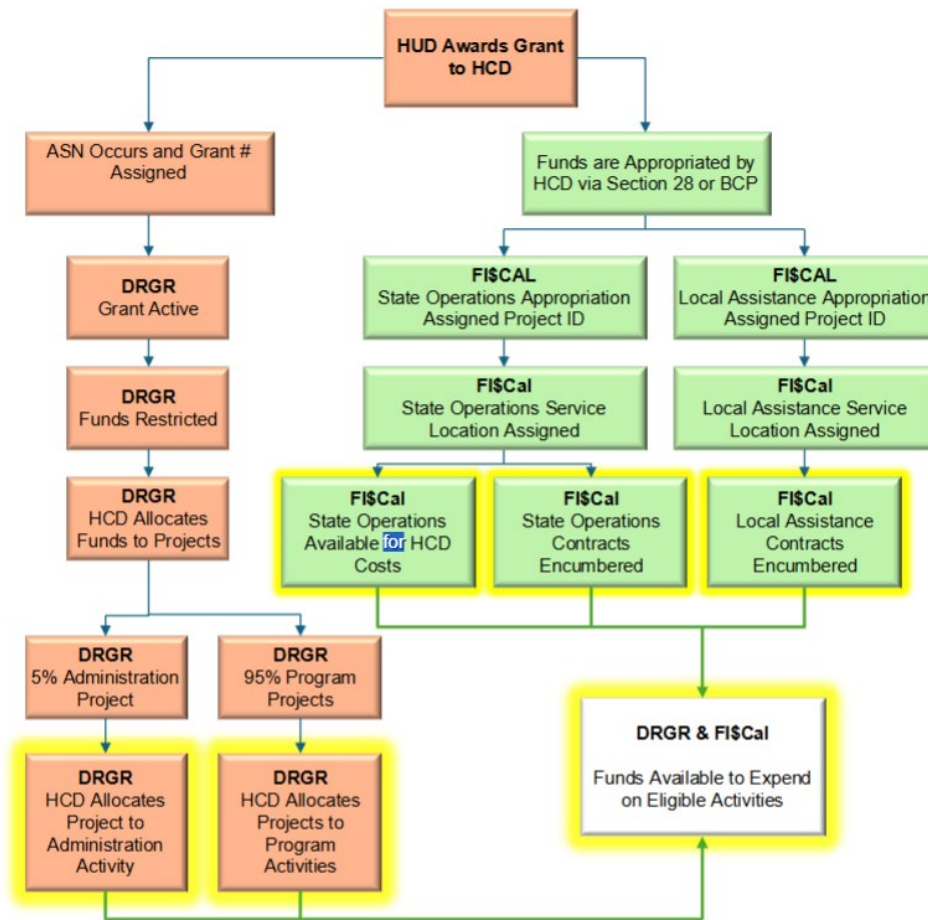
Once funds are available in FI\$Cal, HCD can enter into either Standard Agreements or Service Contracts. A Standard Agreement is a standardized contract with a subrecipient, local jurisdictions, nonprofits, or sponsors. For example, an agreement between HCD and a developer to construct a multifamily housing complex with 15 low-income housing units.

A Service Contract is a procurement tool used for acquiring professional services, such as consulting, technical assistance, maintenance, or specialized expertise. These contracts are typically established through a procurement process. An example would be a contract for program implementation consulting services.

Both types of contracts would have defined specific scopes of work, budgets, timelines, and requirements for reimbursement or advance payments.

Awarding and encumbering funds in a contract is the final step before HCD can receive, review, and issue reimbursements for financial reports.

HUD Grant Funding Flow: From Award to HCD Fund Availability



9.4: Payment Processes

Payments for eligible costs typically operate on a reimbursement basis, in compliance with HUD and federal standards (2 C.F.R. § 200.305(b)(3)). Reimbursement payments to subrecipients are made for costs that have been incurred and approved by the subrecipient. Subrecipients are required to submit detailed payment requests and supporting documentation electronically.

Requests undergo a multistep review process before submission to the State Controller's Office (SCO) for issuance of payment. Payment warrants are issued upon verification and after funds are drawn from HUD's LOCCS system.

9.4.1: Internal Payments

Internal payments cover salaries, wages, and indirect costs for HCD staff working on the CDBG-DR program. These payments flow through multiple systems, PeopleSoft, FISCAL, DRGR, and LOCCS, before federal funds are drawn to reimburse the State Revolving Fund. The table below outlines the

sequence of steps in the internal payment process, from initial time entry to final federal drawdown.

Step	Action	System and Documentation
1	Staff record hours worked on programs and projects.	PeopleSoft (timesheets)
2	Timesheets are processed and reviewed.	PeopleSoft
3	Revolving Fund temporarily used to pay salaries/benefits from the General Fund.	Revolving Fund account
4	Accounting allocates labor to grants.	FI\$Cal Labor Reports
5	Indirect Costs rate proportionally applied.	Indirect Cost Rate Proposal (ICRP)/FI\$Cal
6	Program Funds Adjustment (PFA) package prepared to move expenditures from General Fund to appropriate federal grants.	PFA Request Memo/FI\$Cal Reports
7	FCS reviews and creates DRGR draw to align with approved activities.	DRGR
8	Accounting Federal Trust Unit reviews and approves the draw.	DRGR and PFA package
9	SCO draws federal funds from LOCCS to reimburse Revolving Fund.	LOCCS

Salaries, Wages, and Indirect Costs:

DRGR Voucher Creation

DR fiscal staff review the PFA and then create a DRGR voucher, aligning the expenditure request with the appropriate HUD-approved activities and budgets.

DRO Fiscal Compliance Section Memo

Fiscal staff complete a memo outlining the amounts, methodologies, and authorizing regulations for the PFA draw. Both the memo and DRGR voucher are then sent to the Accounting Federal Trust Unit for approval.

Federal Drawdown and Payment Issuance

The SCO draws federal funds from LOCCS and replenishes HCD's Revolving Fund.

9.4.2: External Payments

Subrecipients or contractors submit payment requests and supporting documentation electronically, primarily through Grants Network. These requests are reviewed by HCD program and fiscal staff for eligibility and compliance.

Step	Action	System and Documentation
1	Subrecipient submits financial report and support documentation electronically.	Grants Network or Email
2	HCD program and fiscal staff review for eligibility, allowability, if allocable, and approve.	Grants Network/SharePoint
3	DR fiscal staff create DRGR voucher and Request for Funds (RFF).	DRGR and FI\$Cal input form
4	Accounting creates AP Voucher and claim schedule.	FI\$Cal
5	FI\$Cal batches claim schedules to SCO.	FI\$Cal
6	Accounting approves DRGR voucher for drawdown.	DRGR
7	SCO draws funds from LOCCS.	LOCCS
8	SCO issues warrant to subrecipient/contractor.	FI\$Cal and SCO

DRGR Voucher Creation

Once HCD approves a payment request, DR fiscal staff create a DRGR voucher, aligning the expenditure request with HUD-approved activities and budgets.

Request for Funds Creation

When DR fiscal staff create a DRGR voucher they also create a Request for Funds (RFF) which authorizes the payment and provides the information that Accounting needs to create the payment, such as the payee, purchase order, the project ID, and the service location.

FI\$Cal Payment Processing

HCD Accounting processes the RFF and creates an AP Voucher in FI\$Cal and a claim schedule for payment. FI\$Cal batches claims schedules to the State Controller's Office (SCO) biweekly. Concurrently, Accounting approves the DRGR voucher for drawdown from the Federal Line of Credit Control System (LOCCS).

Federal Drawdown and Payment Issuance

The SCO draws federal funds from LOCCS and SCO issues payment warrants to subrecipients or contractors.

9.5: Payment Review and Approval Processes

9.5.1: Reimbursement Payments

External Reimbursements

Most payments for CDBG-DR projects are made on a reimbursement basis, in compliance with HUD and federal standards (2 C.F.R. § 200.305(b)(3)). Reimbursement payments to subrecipients are made for costs that have been incurred and approved by the subrecipient.

Each subrecipient's schedule for submitting financial reports to HCD is documented within the Standard Agreement and detailed in program-specific policies and procedures. Prior to reimbursement, HCD reviews payment requests to ensure that they are reasonable, accurate, and compliant with all applicable program requirements.

Unless the nature of the invoice precludes it, fund requests should be submitted through Grants Network system and be accompanied by evidence demonstrating that all expenses have been approved, invoices reconciled, and project work inspected (when applicable) and accepted by the subrecipient.

Once the review confirms accuracy, compliance, and completeness of supporting documentation, HCD submits invoices to the State Controller via the FI\$Cal system to generate a warrant for payment.

Documentation and Oversight

HCD requires that each expenditure be supported by proper source documentation clearly demonstrating eligibility and compliance. Cost-type specific guidance regarding what supporting documentation should be submitted with financial reports and what must be maintained and available upon request can be found in the #24-01 *CDBG-DR/MIT Management Memo – Grants Network Financial Reports* and the *CDBG-*

DR/MIT Subrecipient Financial Report Checklist that are published on the HCD website.

Subrecipients are responsible for maintaining comprehensive, accurate records of all expenditures related to HUD funding. Subrecipient-maintained supporting documentation must be made available to HCD upon request within a reasonable time period and maintained for a minimum of 5 years after the closeout of the grant.

Additionally, subrecipients must designate staff responsible for expenditure oversight, obtaining approvals as required by the Standard Agreement, and maintaining thorough financial records. If staff costs are billed to the grant, subrecipients must provide detailed timesheets and documentation of compensation rates for each individual whose time is charged to the program.

9.5.2: Indirect Costs

Use of an Approved Indirect Cost Rate

If a subrecipient has a current, federally negotiated indirect cost rate agreement (NICRA) from any Federal agency, that approved rate must be applied to all Federal funding sources, including CDBG-DR. Subrecipients are responsible for ensuring the rate is valid for the grant period and for maintaining documentation supporting the approved rate.

Use of the De Minimis Rate

If a subrecipient does not have a federally approved indirect cost rate, it may elect to charge a de minimis indirect cost rate of up to 15 percent of Modified Total Direct Costs (MTDC), as permitted under 2 C.F.R. § 200.414(f).

- The de minimis rate may be used indefinitely and does not require a formal rate proposal or additional supporting documentation.
- Once selected, the de minimis methodology must be used consistently for all Federal awards until the subrecipient chooses to negotiate a rate with the Federal government.
- Subrecipients must maintain adequate documentation to support the calculation of MTDC.

Definition of Modified Total Direct Costs (MTDC)

MTDC includes all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and the first \$25,000 of each subaward. It also includes other direct costs such as consultant expenses. MTDC excludes equipment, capital expenditures,

patient care, rental costs, scholarship and fellowship payments, participant support costs, and the portion of each subaward in excess of \$25,000. Additional exclusions may apply as outlined in 2 C.F.R. section 200.68.

Prompt Payment Act (PPA)

The California Prompt Payment Act (Government Code sections 927-927.13) requires approvable financial reports to be paid within 45 calendar days of receipt. If a submitted financial report does not contain proper supporting documentation, has errors, or includes ineligible expenses, then this 45-day clock is paused through the return of the financial report to the submitter, along with a STD 209 Invoice Dispute Notification that instructs the submitter of next steps. The Federal Disaster Relief and Recovery Subdivision coordinates with the Accounting Branch to review, approve, and submit funds requests to SCO for timely payment.

9.5.3: Internal Reimbursements

Effective March 2021, HCD Human Resources implemented the PeopleSoft electronic timekeeping system for staff within the Division of Federal Financial Assistance. Reimbursements made directly to HCD for State Operations, including indirect and direct costs, typically rely on internal documentation such as timesheets and memoranda from HCD's Administration and Management Division.

All HCD staff utilize PeopleSoft to track and report time for direct billing purposes. Individual timesheets are submitted to Human Resources, which reviews and processes them for submission to the Accounting Branch. The Accounting Branch allocates labor costs from these timesheets to the appropriate grant, service location, and task ID on Labor Reports. Accounting then calculates the indirect cost allocation percentages using data from Labor Reports provided by the Accounting Branch and Human Resources.

Documentation and Oversight

Monthly labor data is transferred from PeopleSoft into FI\$Cal and is reviewed by the Financial Planning and Analysis Federal Unit for accuracy. The Accounting Federal Trust Unit then uses this data to create a Program Funds Adjustment request that is submitted to the DRO Fiscal Compliance Section (FCS) to approve and create a DRGR draw.

Program Funds Adjustment (PFA) Package

The Federal Trust Unit provides a PFA package to FCS that contains the following supporting documentation:

- PFA Request Memo
- PFA Summary
- FI\$Cal Labor Report (DFQ_LD_03_ACCT_Entries)

Once FCS has reviewed the PFA package and determined that the request meets programmatic requirements, they will create a DRGR voucher for the PFA and a memo documenting the amounts and methodology used. These are emailed to the Federal Trust Unit, and both the Federal Trust Unit and FCS will maintain their respective supporting documentation packages in accordance with records maintenance regulations.

9.6: Advance Funding

Advance funding refers to funds that HCD provides to a subrecipient before the subrecipient disburses those funds for program purposes (2 C.F.R. § 200.1). Advance funding is treated as an exception to HCD's standard financial reimbursement process and approvals are **on a case-by-case basis, rare, and require robust documentation of need**. Requests for advance funding:

- Will only be considered when a subrecipient demonstrates that the project's anticipated cash needs, combined with the limitations of HCD's standard reimbursement method, would prevent the project from being carried out on time, within scope, and in compliance.
- Require that anticipated cash needs must be supported by verifiable estimated project costs directly related to the administration or delivery of an HCD CDBG-DR/MIT project.
- Must be for costs that are clearly and directly attributable to the project, such as costs for construction, land acquisition, applicant intake systems, and other eligible activity delivery expenses. Subrecipient salaries and wages will not be used as a justification for advance funding.
- Payment mechanisms must comply with [31 C.F.R. part 208](#) and include, but are not limited to, treasury checks and electronic funds transfers (2 C.F.R. § 200.305(b)).
- Must be deposited and maintained in insured accounts whenever possible as described in 2 C.F.R. § 200.305(b)(10).
- Must be deposited and maintained in interest-bearing accounts, except for the exceptions in 2 C.F.R. § 200.305(b)(11) apply.

- Deposits may earn interest that the Federal Department of Housing and Urban Development (HUD) has directed HCD to treat as Program Income.

9.6.1: Allowability

Advance funding requests will be considered for projected activity and activity delivery costs. Activity delivery costs are eligible for advance funding at the discretion of HCD Leadership. HCD will not consider advance funding requests solely for staff salary costs.

Projected Costs Advances:

- May be one-time (specific expenses) or recurring (program-level).
- Require documentation of financial hardship, such as cash flow analysis showing negative cash flow, low liquidity showing an asset/liability ratio less than 1.0 or days cash-on-hand is fewer than 30, projected budgetary shortfalls, or a single large nonrecurring expense of a size that would disrupt ongoing operations.
- Require a clear structure for managing and disbursing funds in a timely manner.
- HCD will consider advancing funding to subrecipients for projected costs on a project-by-project basis. All projected costs advance payments are based on the subrecipient submitting a request detailing anticipated cash needs based on verifiable estimated project costs relevant to the administration of a HCD CDBG-DR/MIT project.
- A one-time advance is for a specific anticipated cost in a project that will not be recurring. Typically used for an acquisition or one-time large expense. One-time projected advances must detail what the advance funds will be used for, specifics about the invoice(s) or quote for the advance request (invoice date, date received by the subrecipient, vendor name, project name, location, total amount due, and other documents certifying the projected cost. Subrecipients who request full program advances must provide documentation that justifies the financial need for the advance, i.e. financial hardship and the financial structure that will support the management of the advance funds.

Documents to demonstrate projected costs may include, but are not limited to:

- Projected project budget(s) and schedules which outline the estimated expenditure timeline for the project(s). Budgets are submitted in the format provided by HCD.

- Financial statements, e.g., Income Statement, Balance Sheet, and Statement of Cash Flows which demonstrate that the cash flow cannot support the projected project budgets.
- An advance payment policy reflecting the requirements detailed in the federal regulations.
- Unpaid invoices, property acquisition purchase agreements, vendor contract construction cost line items.

9.6.2: Approval

Advance payment requests will be considered by HCD only when (1) an anticipated cash need for the project or eligible activity delivery costs is demonstrated, (2) the subrecipient's financial management practices and systems are verified as adequate and compliant, and (3) HCD determines that the justification submitted by the subrecipient is sufficient.

After review by HCD Leadership, a decision will be made in a timely manner via email and will include either next steps or a reason for denial.

9.6.3: Reconciliation and Reporting

Once a request is approved, the Subrecipient Advance Payment Standard Operating Procedures will provide additional direction regarding the process for reconciling advances, reporting expenditures, and requesting subsequent advances.

The following is a summary of requirements that subrecipients receiving advance funding are subject to:

Account Requirements: Subrecipients must deposit all advance funds into an interest-bearing account. Funds must remain in this account until expended, unless the subrecipient qualifies for an exception under 2 C.F.R. § 200.305(b)(11).

Reconciling Financial Reports: Subrecipients **must** complete and submit a reconciling financial report within 30 days of the date the warrant for the advance funds is received, and monthly thereafter until all advance funds have been fully expended. Any exceptions must be approved by HCD.

The Financial Report Narrative section of each reconciling invoice must clearly state:

- The total advance funds received for the project that is being documented as expended in the invoice.
- The amount of advance funds remaining on hand.

Note: the amount of advance funds used for this reporting should exclude any interest earned and only account for funds directly advanced from HCD. Requirements for interest earned will be discussed separately.

Reconciling financial reports will not be considered complete until reviewed and approved by HCD. As with standard financial reports, approval occurs within Grants Network and is indicated when the reconciling financial report's status is marked as "Approved."

Supporting Documentation: In accordance with the Standards for Financial Management Systems, accounting records, including reconciling financial reports, must be supported by source documentation such as cancelled checks, invoices and demands, payroll records, time and attendance records, contracts, and subgrant award documents.

The supporting documentation submitted with a reconciling invoice must mirror the documentation required for a standard invoice and must clearly support the amounts reported in the Expenditure tab of the Financial Workbook.

Subrecipients are required to maintain financial records and submit financial reports that are sufficient to demonstrate compliance with all applicable federal, state, and programmatic recordkeeping and reporting requirements.

Interest Earned and Excess Cash: A bank statement showing interest earned on advance funds should be included as a supporting document in the monthly reconciling financial report. Any interest earned, as well as any excess cash, must be reported to HCD no later than 30 days from the date the warrant was received.

Retention Requirements for Construction Advances: Advance payments for construction work shall be capped at 90–95 percent of the total project budget, requiring a minimum retention of 5–10 percent, as specified in the applicable construction contract. The advance request must reflect the net payable amount (e.g., 95 percent), calculated as the invoiced amount less the required retention.

Retention may only be released with the final payment if the subrecipient provides satisfactory documentation demonstrating that no mechanics' liens or other encumbrances have been filed against the property or project.

Escrow Accounts for Housing Rehabilitation: Shall **not** be used unless the contract between the property owner and the selected rehabilitation contractor specifically requires that payment to the contractor shall be made through an escrow account. No advance funds may be deposited into the escrow account until after the contract between the property owner and

rehabilitation contractor has been fully executed. [24 C.F.R. §570.511 (a)(2)].

The following requirements apply to escrow accounts funded with advance funds:

- Escrow accounts funded with advance funds are eligible only for housing rehabilitation projects (24 C.F.R. §570.511(a)).
- Escrowed funds may be used solely to pay actual rehabilitation (hard) costs. Soft costs or administrative costs are not allowable uses of escrowed funds.
- Payments made from escrow accounts to contractors must withhold a 10 percent retention, unless the payment represents the final payment and release of retention.
- The amount of funds deposited into an escrow account must be limited to the amount expected to be disbursed within 10 working days from the date of deposit (24 C.F.R. §570.511(a)(4)).
- If, at any time and for any reason, the escrow account balance exceeds 10 working days of cash needs, the subrecipient must immediately return the excess funds to HCD (24 C.F.R. §570.511(a)(4)).
- Funds deposited into an escrow account may only be used to pay actual rehabilitation costs incurred by the owner under the contract with a private contractor. Other eligible costs related to the rehabilitation loan or grant, including subrecipient administrative costs or rehabilitation activity delivery costs, are not permissible uses of advance escrowed funds and may only be paid through HCD's reimbursement process (24 C.F.R. §570.511(a)(5)).

Noncompliance: If HCD determines that a subrecipient has failed to establish or use an escrow account in accordance with applicable regulations, HCD may require the subrecipient to discontinue the use of escrow accounts, pursuant to 24 CFR §570.511(c).

9.6.4: Subsequent Advance Funding

Recurring advance funding may be issued to subrecipients who:

- Complied with all requirements outlined in the Reconciliation and Reporting section for previous advance funding.
- Demonstrate a documented ongoing need for additional advance funding.
- Have expended prior advances in a timely manner consistent with projected timelines and are not retaining unexpended advance funds for an extended period.

9.6.5: Monitoring

Subrecipients receiving advances are considered high-risk and undergo annual monitoring by HCD's Monitoring and Compliance team, which includes reviews of financial reconciliations and related documentation.

This structured process ensures accountability, timely financial management, and compliance with federal and state regulations.

9.7: Ineligible Costs and Improper Payments

9.7.1: Ineligible Costs

An ineligible cost is an expense for goods or services that HUD defines as not reimbursable. If a submitted payment request (reimbursement, advance, or lump sum drawdown) includes an ineligible expense, HCD will notify the subrecipient, who must then either revise the request to remove the ineligible amount or provide additional documentation that is sufficient to establish the eligibility of the cost.

9.7.2: Improper Payments

An improper payment is any payment that should not have been made or was made in an incorrect amount, including overpayments and underpayments. Improper payments include:

- Payments to ineligible recipients
- Payments for ineligible costs
- Duplicate payments
- Payments for goods or services not received (unless legally authorized)
- Payments that lack sufficient documentation
- Payments that were initially correct but subsequently became incorrect due to changing circumstances

If it is determined that CDBG-DR funds have been improperly used for ineligible costs or activities, the entire amount must be repaid or offset with eligible costs (covering activity costs, activity delivery, and administrative costs). If the subrecipient's Standard Agreement is active and sufficient funds remain, the correction should be offset in the next applicable Financial Report. If the repayment amount exceeds the amount of the next Financial Report, repayments continue in subsequent reports until the owed amount is fully resolved.

If the Standard Agreement has expired or insufficient contract funds remain, HCD will recapture the improper payments. For active grants, recaptured funds are returned to the same grant; for closed grants, funds are returned

to the U.S. Treasury. In cases of substantial risk due to improper payments, HCD may consult HUD to determine appropriate actions.

Additional details regarding improper payment procedures are available in the CDBG-DR Management Memo #24-01 (dated May 15, 2024).

9.8: Program Income

In certain cases, CDBG-DR activities may generate program income, which must be used for eligible project or administrative expenses before drawing additional funds from the U.S. Treasury. Subrecipients may retain generated income but should report it monthly to HCD, as specified in the Standard Agreement (Exhibit B, pages 3-4; Exhibit D, page 16). HCD reports all program income quarterly to HUD through the DRGR system.

Any program income remaining at the conclusion of a Standard Agreement must be remitted to HCD during closeout. The Accounting Branch tracks and reports these funds as revenue until re-obligated via a new Standard Agreement. Program Income managed and awarded by HCD is also tracked through the Grants Network system in the same manner as HUD grant funds. Program Income will be generated as a result of advanced payments. If a program generates program income, it will coordinate with HCD to expend these funds on a first in, first out basis. As HCD finalizes program design and determines potential for generating program income, it will further refine this section to accurately describe program income management practices.

9.9: Escrow Accounts for Housing Rehabilitation

Escrow accounts are where funds are deposited, held, and expended prior to program funds, for applicants who have a homeowner responsibility to complete their rehabilitation or reconstruction project. If there is a gap in funding caused by DOB, homeowners must provide funding to cover gaps prior to moving forward in the program. Additional funds will be escrowed to be used during the construction of the home. Homeowners may escrow funds for construction activities such as upgrades, additions, or any other activities outlined in the scope of work. These funds must be available and provided on the date the grant agreement is executed and placed into an escrow account by the Program Management Contractor.

Escrow accounts may be used in housing rehabilitation programs only under limited circumstances and in compliance with (24 C.F.R. § 570.511). Key requirements include:

- Used only when stipulated in rehabilitation contracts.

- Deposits are limited to funds disbursable within 10 days; excess funds must be returned immediately
- Only actual rehabilitation costs are eligible; administrative or soft costs are excluded
- Noncompliance may result in discontinuation of escrow use

9.10: Lump Sum Drawdowns

A lump-sum drawdown is a funding method where a grantee or subrecipient draws the entire approved amount for a specific project or activity at one time rather than through incremental reimbursements or partial advances. This method is subject to the following conditions:

- Governed by 24 C.F.R. § 570.513 and CPD-17-014.
- Allowed for specific rehabilitation projects under certain conditions
- Require agreements with financial institutions meeting regulatory standards
- Limited to eligible rehabilitation activities; administration and activity delivery excluded
- Must comply with all advance payment policy requirements
- Currently, HCD does not anticipate lump sum drawdowns for state-level housing programs under CDBG-DR.

Chapter 10: Fraud, Waste, and Abuse Prevention

HCD is committed to a systematic and comprehensive approach to managing fraud risks as part of its strategy development and implementation. The management of fraud, waste, and abuse risks is incorporated into HCD and the CDBG-DR/MIT Program's planning and operations through layered internal controls, which support consistent prevention, early detection, and timely response to potential risks across all program levels.

10.1: Defining Fraud, Waste, and Abuse (AFWA)

Fraud in the CDBG-DR/MIT program is any intentional act or omission designed to deceive, mislead, or conceal facts to obtain a financial or other benefit, or to cause HCD, the State of California, HUD, or the federal government to incur a loss.

Abuse is the improper, unreasonable, or excessive use of CDBG-DR/MIT authority, processes, or resources, even when the behavior does not involve intentional deception. Abuse occurs when actions violate the spirit of federal requirements, sound grant management practices, or HCD standards, even when they technically comply with the letter of the rules. Abuse may also indicate weaknesses in oversight or training, even when no malicious intent is present.

Waste is the careless, excessive, or inefficient use of CDBG-DR/MIT resources that results in avoidable costs, lost time, or diminished value to disaster impacted and MID communities. Waste does not require intent, misconduct, or rule violations. It often results from poor management, weak controls, or inefficient practices. Strong internal controls and effective monitoring can significantly reduce occurrences of waste.

10.2: Systemic AFWA Internal Controls

HCD and the CDBG-DR/MIT program use a comprehensive and layered system of internal controls to maintain a strong framework for preventing fraud, waste and abuse.

- Enterprise-wide Controls
- Subdivision-level Controls
- Program-level Controls
- Subrecipient Controls
- Transaction-level Controls
- Monitoring, Audit, and Corrective Action
- Transparent Fraud Reporting Process

Each tier of control contributes to a layered defense model that aligns with federal expectations and best practices for fraud risk management.

10.2.1: Enterprise-Wide Controls

At the enterprise level, HCD maintains a comprehensive and systematic internal control framework for preventing and detecting fraud, waste, and abuse. This framework is outlined in *HCD Fraud Risk Management Policy No. 2400* and is consistent with the *Green Book's* five components of internal control published by the federal General Accountability Office (GAO). These enterprise-level controls established consistent expectations that guide all program-and subdivision-level practices.

Enterprise Governance Structure for Fraud Risk Management

The following bodies and leadership roles form the backbone of the enterprise-wide internal control system:

Executive Leadership Team (ELT)

The ELT is the highest governing body responsible for establishing and maintaining an ethical control environment. The ELT's leadership sets the tone for promoting proactive fraud risk awareness throughout the Department.

Responsibilities include:

- Defining expectations for integrity, ethical values, and transparency.
- Providing oversight for the Fraud Risk Management (FRM) Program.
- Ensuring accountability in fraud risk response, monitoring, and reporting activities.

Executive Risk Oversight Committee (EROC)

EROC serves as HCD's central governance body for fraud risk oversight and is comprised of the ELT and supported by the Enterprise Risk Management (ERM) Office within the Organizational Development Division.

EROC ensures that emerging risks are addressed promptly and consistently by:

- Reviewing the HCD Potential Error-Loss Tracker.
- Acknowledging fraud risks for inclusion in the biennial State Leadership Accountability Act report.
- Making resource allocation decisions that address high-risk areas.

- Ensuring that fraud prevention and mitigation strategies are implemented and monitored.
- Promoting HCD's fraud-risk culture and Fraud Risk Management principles.

Fraud Risk Subcommittee

The Fraud Risk Subcommittee supports EROC and provides program-area insight. The subcommittee ensures that operational-level perspectives are incorporated into enterprise-level risk mitigation efforts. Its roles include:

- Reviewing the HCD Potential Error-Loss Tracker.
- Identifying opportunities and challenges in high-risk fraud areas.
- Recommending mitigation strategies to EROC.

Enterprise Risk Management (ERM) Unit

The ERM Unit is the operational backbone of the Fraud Risk Management Program and acts as the liaison between program operations and executive oversight to ensure continuity in fraud risk management. The ERM Unit is responsible for:

- Developing, coordinating, and overseeing the implementation of the FRM framework.
- Providing fraud-risk management tools, trainings, and technical assistance.
- Facilitating EROC and Fraud Risk Subcommittee meetings.
- Monitoring internal control systems and documenting new or emerging fraud risks.
- Preparing and submitting the State Leadership Accountability Act report and fraud-incident reporting on a biennial basis.

Policy and Internal Control Framework

HCD integrates fraud-risk management into all enterprise-level planning and operations through Policy No. 2400, which establishes:

- A department-wide fraud-risk management program.
- A structured approach to identifying, preventing, detecting, and responding to fraud.
- Common terminology, expectations, and processes across all divisions and programs.
- A mandate for fraud mitigation as an integral component of strategic decision-making and reporting.

The policy applies to all HCD divisions, branches, units, and employees. This universal applicability ensures consistency in internal controls and reinforces shared responsibility for fraud risk management across the organization.

Culture, Ethical Expectations, and Training

HCD's enterprise-level control environment emphasizes integrity, ethical values, and a culture that is aware of fraud risks. Strengthening staff understanding of fraud indicators supports earlier detection and reduces vulnerabilities in program operations. This includes:

- Embedding fraud risk awareness into organizational culture and decision-making
- Requiring the application of fraud risk management principles at all levels of the organization
- Providing mandatory fraud risk management policies and training for all new hires and refresher training every 2 years for all staff.
- Encouraging accountability, transparency, and early identification of fraud risk indicators

Fraud-Risk Assessment Infrastructure

HCD maintains a comprehensive department-wide process to identify, assess, monitor, and report fraud risks. The report enhances cross-departmental visibility into evolving risk trends and informs prioritization for mitigation activities.

HCD Potential Error-Loss Tracker

The HCD Potential Error-Loss Tracker is the primary internal enterprise-level tool used to document, assess, and score fraud risks across all HCD operations. The HCD Potential Error-Loss Tracker is:

- Compiled by the Fraud Risk Subcommittee.
- Reviewed by EROC and executive risk sponsors.
- Used to support State Leadership Accountability Act reporting.

10.2.2: Subdivision-Level Controls

Subdivision-level internal controls translate HCD's enterprise governance, fraud-risk culture, and internal-control expectations into operational, program-specific mechanisms that prevent, identify, and mitigate fraud, waste, and abuse within the CDBG-DR/MIT program. These controls ensure that every program operates with consistency, compliance, and transparency, and that fraud-risk management is embedded in daily program administration.

Subdivision-level governance is carried out by the Assistant Deputy Director, Branch Chiefs, Section Chiefs, and Program Managers who serve as the first line of defense for internal control implementation and ensure that:

- The Fraud Risk Management framework is incorporated into program planning, policy development, and operational decisions.
- Staffing levels, staff expertise, and the segregation of duties support the effective prevention and detection of fraud, waste, and abuse.
- Expectations for ethical conduct and internal control adherence are clearly communicated to all staff, supervisors, and consultants.
- Internal-control policies are fully operationalized within program procedures, workflows, and eligibility determinations to support consistent application and compliance.
- Staff receive and complete the required Fraud Risk Management training and program-specific compliance training to reinforce their understanding of risk indicators and internal-control procedures.
- Monitoring findings, risks, and red flags are addressed promptly through corrective action to prevent recurrence and strengthen overall control effectiveness.

10.2.3: Program-Level Controls

Program-level controls integrate Federal requirements, HCD's enterprise governance, fraud-risk culture, and internal-control expectations into program-specific mechanisms that prevent, identify, and mitigate fraud, waste and abuse within each CDBG-DR/MIT program. These controls ensure that program activities align with HUD requirements and HCD's internal risk-management standards.

Program Design Controls

Action plans, policies and procedures, standard operating procedures, and policy memos provide clear objectives and eligibility structures for each program. These may include program eligibility requirements, application-review procedures, documentation standards, prohibited activities, and national objective mapping to reduce the likelihood of inconsistent decision-making, manipulation of program criteria, and potential favoritism.

Risk Assessment and Mitigation Framework

Risk-assessment and mitigation strategies are integrated into policies and procedures, standard operating procedures, and policy memos that enable staff to identify vulnerabilities and implement preventative measures to address:

- The risk of fraudulent activities

- Prevention of duplicative benefits
- Inappropriate procurement
- Environmental review risks
- Subrecipient staff capacity risks

Program-Specific Training

Program-specific training reinforces staff understanding of unique operational risks and ensures they can identify and escalate potential fraud, waste, and abuse concerns. Training may include program-specific invoice review and activity-report review strategies, common monitoring findings, examples of red flags, common compliance failures, and program-specific control requirements.

10.2.4: Subrecipient-Level Controls

Pre-Award Subrecipient Due Diligence

Before receiving CDBG-DR funds, subrecipients are evaluated based on factors such as past performance, procurement capacity, staffing capacity, and financial-control practices. This due diligence process ensures that only organizations with sufficient administrative and financial capacity receive program funds and allows HCD to provide targeted technical assistance to address identified areas of weakness.

Grant Agreement Controls

Standard Agreements and Master Standard Agreements include federal, state, and grant requirements that establish minimum standards of accountability and ensure subrecipients comply with applicable rules.

Examples include:

- Required subrecipient internal controls
- Duplication of benefits responsibilities
- Conflict of interest requirements
- HUD and HCD access to records
- Procurement requirements
- Fraud, waste and abuse clauses requiring compliance with the federal False Claims Act, 31 U.S.C. 3729-3733

Technical Assistance and Capacity Building

Throughout their engagement with the HCD CDBG-DR/MIT program, subrecipients receive program-specific training, ongoing guidance materials, periodic training to strengthen staff capacity, and focused technical assistance to address identified weaknesses.

Project-Level Controls

These are controls applied to individual CDBG-DR/MIT projects and, depending on project type, may include:

Contracting and Procurement Controls

- Competitive procurement requirements
- Cost-reasonableness reviews
- Conflict-of-interest certifications
- Price and cost analysis.
- Prohibited sole-source procurement without justification
- Independent Cost Estimates

Financial Controls

- DRGR financial-control hierarchy
- FISCAL approval chains
- Voucher support documentation
- Segregation of duties for:
 - Invoice verification
 - Draw requests
 - Payment approvals

Documentation and Recordkeeping Controls

- Required retention of:
 - Eligibility documents
 - Environmental review records
 - Procurement files
 - Invoices, supporting documentation, and proof of payment

Verification of Inspection Controls

- Housing inspections
- Environmental review verification
- Duplication-of-benefits check
- Interim and final project inspections
- Cross-checks with FEMA, SBA, NFIP data

Project Closeout Controls

Project closeout is a key-project-level internal control that prevents and detects fraud, waste, and abuse by ensuring that all CDBG-DR/MIT activities are fully verified before final payment or completion. Closeout acts as both a preventative measure, requiring complete and compliant records before a project is closed, and a detective measure by identifying irregularities, unsupported costs, or discrepancies that may indicate potential

fraud, waste, or abuse. For detailed procedures and requirements, refer to the Closeout Section (Chapter 13) of this *CDBG-DR GAM*.

Key project-level fraud, waste, and abuse controls embedded in closeout include:

- Verification that costs were allowable, reasonable, and supported.
- Confirmation that the project met a national objective.
- Reconciliation of payments, invoices, and project deliverables.
- Review of inspection reports, environmental documentation, and program compliance.
- Identification of anomalies requiring corrective action or repayment before closure.

10.2.5: Transaction-Level Controls

Transaction-level controls are direct controls that detect and prevent fraud, waste, and abuse within individual transactions. These controls include:

Preventative Controls

- Access to financial-and-reporting software systems is limited to authorized personnel and requires password protection in DRGR, FI\$Cal, and Grants Network.
- Subrecipients receive clear instructions regarding the supporting documentation required with reimbursement requests, including the [Supporting Documentation Reference Guide](#).
- Financial reports follow a linear workflow and approval process that enforces strict separation of duties among the program reviewer, program manager, fiscal staff who create the DRGR draw voucher, accounting staff who create the FI\$Cal payment voucher, and accounting staff who approve the DRGR voucher.
- Monthly activity reports documenting project progress are required and must be consistent with expenditures included in reimbursement requests for the same period.

Detection Controls

- Program and managerial review of financial reports occur prior to payment to ensure that:
 - Supporting documentation demonstrates that costs are eligible, allowable, and reasonable.
 - Payroll supporting documentation for payroll and fringe benefit costs being attributed to the CDBG-DR/MIT program met federal requirements (2 C.F.R. 200.430-43)

- Construction-cost documentation includes independent verification of progress that aligns with the reimbursement request.
- Financial reports and activity reports align, ensuring consistency between accomplishments reported and costs reimbursed.
- Routine reconciliation between DRGR and FI\$Cal is performed to detect expenditures that were not properly reviewed or approved.
- A documented process is followed for addressing improper or ineligible payments when such payments are identified (see Section IX)

Physical and IT Controls

HCD follows State Administrative Manual Section 5300 (SAM 5300) requirements to ensure safeguards that support fraud, waste, and abuse prevention. These controls include:

- Personally Identifiable Information (PII) is stored using security safeguards consistent with NIST information security standards (SAM 5300.6), supporting AFWA by preventing improper handling or concealment of data.
- Access to PII is limited to authorized personnel only, following least privilege and identity-management practices (SAM 5360), reducing opportunities for fraud or inappropriate use.
- Systems require strong authentication including password policies and multifactor authentication, in alignment with state security requirements (SAM 5360), helping to prevent unauthorized system entry that could facilitate fraudulent activity.
- Audit trails of system activity (SAM 5335) ensure transparency, detect unusual behavior, and support AFWA investigations when misuse is suspected.

10.2.6: Monitoring, Audit, and Corrective Action

Monitoring and auditing the HCD CDBG-DR/MIT program and its subrecipients are critical components of HCD's fraud, waste, and abuse framework.

Annual Subrecipient Risk Assessments and Subrecipient Monitoring

Within the CDBG-DR/MIT program, the Monitoring and Compliance Unit (MAC) strengthens and complements the Fraud Risk Management framework. For details, refer to the Monitoring section (Chapter 12) of this *CDBG-DR GAM* and to the [CDBG-DR Monitoring Plan](#).

The Monitoring and Compliance Unit:

- Conducts annual Subrecipient Risk Assessments to determine the current risk profile of program subrecipients.

- Performs onsite or remote monitorings of high-risk subrecipients which may include:
 - Review of subrecipient financial-management practices and internal controls
 - Procurement review
 - In-depth independent review of a sampling of previously submitted financial reports for eligibility, allowability, reasonableness, and proper supporting documentation
 - Review for compliance with state and federal environmental, fair housing, and labor requirements
- Initiates corrective actions when deficiencies are found, including:
 - Subrecipient submission of a Corrective Action Plan (CAP) with a timeline for correcting the deficiency
 - Recoupment of improper payments
 - Coordination with Program to impose additional sanctions as appropriate

Internal Audit Controls

The Internal Audit Unit conducts quarterly audits of CDBG-DR/MIT operations, internal-control structures, and service contracts to ensure compliance with state and federal requirements and to detect fraud, waste, and abuse. Each audit requires a response from the DFFA Deputy Director, including a corrective-action plan for any findings.

HCD Single Audits

- HCD complies with the Single Audit Act and 2 CFR 200 Single Audit requirements, submitting results to the Federal Audit Clearinghouse and State Controller's Office (SCO).
- When follow-up is required, HCD develops a corrective-action plan and addresses all findings.
- HCD prepares annual financial statements consistent with Uniform Administrative Requirements under 2 CFR 200.500-521.
- Contracts involving the expenditure of public funds greater than \$10,000 are subject to an audit by the California State Auditor's Office (State Auditor) for a period of 3 years after final contract payment per California Government Code, Section 8546.7.

The California Office of State Audits and Evaluation (OSAE)

The California Office of State Audits and Evaluation (OSAE) provides independent, objective evaluations of government programs to promote accountability and transparency.

Subrecipient Single Audits

Subrecipients that expend at least \$1,000,000 in federal funds during a fiscal year must undergo an audit conducted under 2 CFR 200.501. When a subrecipient fails to submit a timely audit or receives findings, the DFFA Single Audit Coordination Team assists in developing a Corrective Action Plan, provides technical assistance and monitors progress toward resolution.

HUD Chief Financial Officer (CFO) Grant Accrual Samplings

HCD also incorporates the HUD CFO's grant accrual voucher sampling process as part of its fraud-risk framework. The HUD CFO's Office performs a statistical sampling of DRGR draws and requires HCD to submit supporting documentation packages for each draw for their review. This independent, methodical sampling reinforces HCD's internal controls by ensuring that reported accruals are supported by documentation that verifies that the transactions meet federal and grant requirements.

HUD Monitorings

HCD leverages HUD's monitoring of the CDBG-DR/MIT program as a critical independent oversight mechanism that strengthens the Department's ability to prevent, identify, and respond to fraud, waste, and abuse across all CDBG-DR and CDBG-MIT programs. HUD monitoring provides an external layer of review that complements HCD's internal control environment and supports continuous improvement of HCD's Fraud Risk Management framework.

Office of the Inspector General Audits

HCD uses audit reports issued by the U.S. Department of Housing and Urban Development's Office of Inspector General (HUD OIG), both those focused directly on HCD's CDBG-DR/MIT programs and those published nationally on disaster recovery trends, as an essential component of its fraud, waste, and abuse prevention strategy. These reports serve as an external, independent source of oversight that reinforces HCD's internal control framework and strengthens HCD's ability to identify vulnerabilities, improve controls, and enhance program integrity.

10.2.7: Transparent Fraud Reporting Process

A transparent reporting process is essential to effective anti-fraud, waste, and abuse efforts because it enables concerns to be raised early, ensures allegations are handled consistently, and promotes accountability throughout the organization. Clear reporting channels and strong whistleblower protections create an environment where employees and

stakeholders can safely report concerns, helping HCD detect, address, and prevent fraud, waste, or abuse before program integrity or public trust is compromised.

HCD Reporting Process

If an incident of fraud, waste, error, loss, or abuse is suspected, HCD employees should follow the steps below:

- Notify your management of the potential incident immediately
- Notify HCD's Enterprise Risk Management (ERM) Unit by sending an email to ERM@hcd.ca.gov
- ERM will conduct a risk consultation with appropriate parties
- ERM will provide management with findings and recommendations.
- If deemed necessary, ERM will conduct a formal risk assessment with appropriate parties
- If appropriate, the incident will be added to the HCD Potential Error and Loss Tracker and will continue to be monitored by the designated risk owner(s) in coordination with ERM in compliance with Government Code Section 13401(a)(1).

HCD Whistleblower Protections

HCD protects employees, contractors, and subrecipients who report suspected fraud, waste, or abuse. Retaliation against any individual making a good-faith report is strictly prohibited. Whistleblower protections extend to all individuals who report concerns through the Audit and Evaluation Branch, the HCD Whistleblower Hotline or the California State Auditor's Whistleblower Program. These protections help maintain a safe and transparent reporting environment.

HCD Monitoring and Tracking

HCD maintains dynamic, objective, and ongoing monitoring systems as part of its internal control framework (Gov. Code § 13401). These processes are designed to facilitate early detection and correction of fraud, waste, abuse, and errors.

HCD tracks all incidents of loss, error, fraud, waste, or abuse, regardless of amount, documenting date, description, and monetary impact. Governed by Gov. Code § 13401 and *California State Administration Manual* policy, this includes detailed tracking of incidents above \$950. Centralized tracking supports trend analysis and informs continuous improvement of internal controls.

Subrecipient Reporting Requirements

Reporting Suspected Fraud

Subrecipients must promptly notify HCD in writing when they become aware of any suspicion of fraud, waste, or abuse or of criminal conduct involving CDBG-DR funds, regardless of whether the matter is fully corroborated. This includes irregularities in documentation, anomalous transactions, or credible third-party allegations.

Preliminary Investigation and Communication

Upon making such a report, the Subrecipient shall:

- Conduct a preliminary review to assess the situation and determine whether further investigation is warranted.
- Provide HCD with updates regarding developments or additional findings.
- Cooperate fully with inquiries from HCD or HUD OIG, including providing requested documents and access to personnel.

When an HCD employee receives notification from their subrecipient of suspected fraud, they should:

- Notify their management of the potential incident immediately.

Management will determine if there is credible evidence of the suspected fraud, and if so:

- Notify HCD's Enterprise Risk Management (ERM) Unit by sending an email to ERM@hcd.ca.gov
- ERM will conduct a risk consultation with appropriate parties
- ERM will provide management with findings and recommendations
- If deemed necessary, ERM will conduct a formal risk assessment with appropriate parties
- If appropriate, the incident will be added to the HCD Potential Error and Loss Tracker and will continue to be monitored by the designated risk owner(s) in coordination with ERM in compliance with Government Code Section 13401(a)(1).

Formal Reporting Triggered by Credible Evidence

If, during their internal review, the Subrecipient uncovers credible evidence of violations covered under 2 CFR 200.113, such as fraud, bribery, gratuity violations, or False Claims Act issues, the Subrecipient must:

- Disclose such evidence promptly and in writing to HUD OIG, and HCD, in accordance with 2 CFR 200.113

- Continue cooperation with any official investigations or audits

Preservation of Evidence

The Subrecipient must preserve all related records, communications, and evidence concerning suspected or confirmed fraud until HCD, HUD, or HUD OIG determines further retention is no longer required.

Mandatory Federal Reporting

HUD relies on HCD, subrecipients, sponsors, applicants, individuals receiving HUD benefits, and community members served by HUD-Funded programs to help maintain program integrity by reporting mismanagement or violations of law.

Any applicant, recipient, or subrecipient of CDBG-DR/MIT funds must promptly inform HUD, the HUD Office of Inspector General, and for subrecipients, HCD in writing where there is credible evidence of violations of federal criminal law involving fraud, bribery, or gratuities or a violation of the civil False Claims Act that could potentially affect the federal award (2 CFR 200.113).

Additional instructions regarding what information should be reported can be found in the [Contractor Disclosure Form | Office of Inspector General, Department of Housing and Urban Development](#).

Fraud, Waste and Abuse in the CDBG-DR/MIT program and its operation may be reported federally in one of the following five (5) ways:

- 1) Online, using the [Contractor Disclosure Form | Office of Inspector General, Department of Housing and Urban Development](#)
- 2) By Phone: Call toll free: 1-800-347-3735
- 3) By e-mail to: hotline@hudoig.gov
- 4) By fax: 202-708-4829
- 5) By mail to:
HUD OIG, Office of Investigation
Room 1200
Field Office
One Sansome Street
San Francisco, CA 94104
(213) 534-2518
or
HUD OIG, Office of Investigation
Suite 4070
Regional Office
300 North Los Angeles Street
Los Angeles, CA 90012

(213) 534-2518

The Whistleblower Protections described previously extend to employees of federal grantees, contractors, and their subgrantees or subcontractors who disclose waste, fraud, abuse, or other violations to the Office of Inspector General.

Chapter 11: Records Management

11.1: Overview

Records are maintained to document compliance with federal and state CDBG-DR program requirements under 24 C.F.R. § 570.490, or applicable laws and regulations under 24 C.F.R. §§ 570.487, 570.488, and 570.502(a)(7).

11.2: Grant File Requirements

A detailed list of programmatic documentation needed for the successful monitoring of each CDBG-DR project is provided in the Monitoring and Compliance (Chapter 12) of this Manual. For each CDBG-DR funded activity, grant file records must contain reliable and up-to-date information. At a minimum, the records must include:

- A copy of the executed grant agreement
- Full description of activities undertaken
- Documentation that all activities undertaken meet at least one of the CDBG national objectives
- Documentation of the determination of eligibility of all activities
- Documentation of acquisition, improvement, use or disposition of real property acquired or improved with CDBG-DR assistance
- Documentation of compliance with all applicable HUD cross-cutting requirements (such as Davis-Bacon and Section 3)
- Financial records as required by 2 C.F.R. § 200, 24 C.F.R. § 570.502, and state requirements, which include:
 - Current authorizations and obligations of CDBG-DR funds
 - Unobligated balances (funds remaining available for distribution)
 - Assets and liabilities
 - Program Income, if any
 - Actual outlays or expenditures, with a breakdown of the grant program the funds were derived from
 - Clear evidence indicating the use of program funds is limited to the eligible activity
 - Evidence that each expenditure is necessary, reasonable, and directly related to the project

11.3: Protection of Personally Identifiable Information (PII)

HCD and its subrecipients must take steps to protect any information received that can be used to distinguish or trace an individual's identity. This data is known as personally identifiable information (PII). Examples of PII include names, addresses, income verification documents, disability status,

employment status, etc., which can be linked to a specific applicant and/or beneficiary of CDBG-DR programs.

HCD, its subrecipients, and its contractors take the following steps to protect personally identifiable information:

- Limit collection of PII
- If hard copies are required, maintain copies of PII records in locked filing cabinets
- Password-protect access to electronic files containing PII
- Share filing cabinet keys with program staff only

HCD releases records containing PII upon request, after verification, to federal and state auditors and other federal or state agencies for DOB analyses. If records containing PII are subject to Freedom of Information Act (FOIA) or California Access to Public Records requests, such records shall only be released in accordance with state and federal law. PII records will be stored according to record retention requirements at 2 C.F.R. § 200.333 and 24 C.F.R. § 570.502(a)(7).

11.3.1: File Security

Active HCD records are maintained in limited access areas. Employee keycard access is required for entry into office areas containing paper records. Electronic records are stored on restricted access shared drives, servers, or web portals.

11.3.2: Access to Records

Representatives of HUD, the Inspectors General, the Comptroller General of the United States, or any of their authorized representatives have the right of access to any documents, papers, or other records pertinent to CDBG-DR awards. This right also includes timely and reasonable access to HCD's personnel for interview and discussion related to such documents.

Subrecipients are also required to make information on programs funded by CDBG-DR available to citizens and to respond to public requests. (5 U.S.C. § 552)

11.4: Retention Policy

HCD adheres to State of California record retention requirements which require all records to be maintained for a period of 5 years after the CDBG-DR grant closeout. This requirement is consistent with 24 C.F.R. § 570.490, or as required by applicable laws and regulations under 24 C.F.R. §§ 570.487, 570.488 and 570.502(a)(7). Exemptions to the five-year period are provided in the referenced applicable laws and regulations.

11.5: Accessibility

HCD websites are developed in compliance with Government Code 11135, which requires that all electronic and information technology developed or purchased by the State of California Government is accessible to people with disabilities.

Chapter 12: Monitoring and Compliance

12.1: Overview

Monitoring is a critical tool for HCD to review subrecipients' program effectiveness and management efficiency, as well as a key element of the CDBG-DR/MIT program's risk management framework. HUD requires all entities receiving grant funding to monitor and evaluate program performance and ensure that:

- Subrecipients comply with all administrative, financial, and programmatic regulations.
- Performance objectives are achieved on time and within budget (24 C.F.R. § 570.501(b)).

Full policies and procedures for HCD's oversight, monitoring, and risk assessment for CDBG-DR programs are detailed in the *CDBG-DR Monitoring Plan* at [Disaster Grant Administration | California Department of Housing and Community Development](#).

12.2: Roles and Responsibilities

Monitoring is a crucial aspect of ongoing programmatic oversight. HCD, its subrecipients, and contractors are responsible for ensuring compliance with the requirements of executed agreements, applicable state and federal laws and regulations, and project/program performance criteria.

HCD's responsibilities and procedures for the day-to-day oversight of the CDBG-DR program are outlined in CDBG-DR Standard Agreements, federal CDBG-DR regulations, Federal Register Notices, Title 25 of the California Code of Regulations, Department Management Memos, and HCD's Grant Administration Manual.

Subrecipients are responsible for ensuring that their programs meet compliance requirements, including monitoring their project administrators, contractors, and subcontractors.

In addition to these ongoing efforts, the HCD CDBG-DR program also has a dedicated Monitoring and Compliance (MAC) Unit responsible for monitoring subrecipients periodically. Monitoring may include on-site visits or be conducted remotely.

12.3: Risk Assessment

HCD leverages risk-based methodology and assessment to determine monitoring frequency. HCD employs a combined effort of ongoing desk-monitoring and on-site monitoring throughout the implementation process, based on a subrecipient's level of risk (high-, medium-, low-). The monitoring

schedule and type of monitoring are based on the status of project expenditures and progress narratives. A review of monitoring needs for each subrecipient is done annually.

12.4: Monitoring Strategy

The Monitoring and Compliance Unit will develop an annual monitoring schedule that identifies appropriate subrecipients, activities, and compliance areas for review based on the subrecipient risk assessment and other relevant factors. The scope of each monitoring varies based on multiple factors, including:

- Areas that the subrecipients have been monitored for in the past
- Past monitoring findings, concerns, and observations
- Single Audit results
- Programmatic topics raised by HCD or the subrecipient
- The status of open projects
- Information gleaned from the Subrecipient Risk Assessment

HCD staff may also perform a remote monitoring or conduct an on-site monitoring visit of a subrecipient or a contractor at any time.

At minimum, the subrecipient will always be provided with at least 30 days' notice prior to monitoring, be it remote or on-site, to provide sufficient time for the subrecipient to organize monitoring documentation, review their policies and procedures, and initiate internal controls they determine to be appropriate in advance of the formal monitoring. Subrecipients will be provided with monitoring checklists and/or document-request checklist to be used to compile the necessary documentation for HCD's review.

Monitoring and Compliance staff coordinate with the subrecipient prior to, during and after a monitoring to ensure all requirements are met and the subrecipient understands their role, expectations, outcomes, and the monitoring report.

12.4.1: Remote Monitoring

HCD uses formal, structured remote monitoring for discrete focused monitoring of subrecipients. Remote monitorings are performed in HCD offices regardless of the subrecipient's location and provide HCD with the ability to monitor subrecipients on specific topics regularly, helping achieve the goal of monitoring all subrecipients.

12.4.2: On-Site Monitoring

On-site monitoring activities are conducted with the subrecipient where administration and activity recordkeeping systems are in place.

On-site monitoring is an effective way to engage with the subrecipient and validate remote monitoring results, identify and/or research discrepancies, provide in-depth technical assistance, and more closely monitor compliance.

12.5: Monitoring Areas

HCD’s monitoring approach can be divided into three areas: grant administration and overall program performance, cross-cutting federal requirements, and independent auditing. These monitoring areas are reviewed by HCD monitoring staff when applicable. For more information, review the [CDBG-DR MAC Monitoring Plan](#).

The following sections provide additional information regarding the monitoring areas that HCD Monitoring and Compliance staff may assess during subrecipient monitorings:

12.5.1: Grant Administration and Overall Program Performance

Monitoring Area	Description
Program Management	Assesses subrecipient policies and procedures to verify that they meet federal requirements, to ensure the subrecipient has sufficient processes and capacity to compliantly implement grant programs, and to identify areas where technical assistance would be beneficial.
Program Benefit	Reviews program files to ensure the appropriate CDBG-DR national objective has been met and the method of determining eligibility was performed in compliance with the State’s Income Calculation and Determination Guide.
Eligible Activities	Evaluates applicable project costs paid with HUD grant funding to ensure that the expenditures were eligible and allowable under the CDBG-DR funded activity, as well as confirming that certain performance measures and project functionality requirements were documented and verified to meet an eligible activity.
Program Compliance	Reviews a wide range of topics that relate to how the program not only performs but complies with such topics as “cross-cutting” Federal requirements which apply to disaster recovery programs. See next section for additional information about cross-cutting requirements.

12.5.2: Cross-Cutting Federal Requirements

Monitoring Area	Description
Financial Management	Confirms that records are maintained in compliance with 2 C.F.R. § 200 and applicable state requirements. Expenses are reviewed to ensure that they were, allowable, reasonable, and necessary. Subrecipient financial management systems are also evaluated for compliance with applicable 2 C.F.R. § 200 and 24 C.F.R. § 570 regulations.
Program Income	Reviews reporting on program income by subrecipients and verifies that required records are maintained, expenditures comply with federal requirements, and there is an approved Program Income Reuse Plan.
Environmental Review	Determines the level of review that applies to the project and verifies the completion of the required procedures for the Environmental Review Record and National Environmental Protection Act requirements.
Procurement	Reviews subrecipient procurement controls and policies. Focuses on conflict of interest, procurement type, contract type, and federally required contract provisions. May require review and sampling of procurement and contract activity to ensure processes follow systematic compliance.
Labor Standards and Section 3	Conducts a review of projects that trigger DBRA requirements and of activities conducted during the Construction Services Bid process and contract. Verifies that subrecipients have complied with Section 3 requirements and are actively complying with Federal and DR program requirements and the contractor’s Section 3 policy and plan.
Section 504	Determine compliance based on disability and accessibility to program benefits, facilities and services based on the Section 504 plan in place for all HUD programs.
URA Requirements	Reviews projects that include acquisition and relocation to verify compliance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act regulations.
Record Keeping	Review subrecipient recordkeeping, timeliness of reporting, program files, and effectiveness of the subrecipient’s management system.

12.5.3: Independent Auditing

Monitoring Area	Description
Single Audit Requirement	HCD staff review subrecipients' single audit reports to determine if there are any findings related to HUD funding.

12.6: Monitoring Outcomes

12.6.1: Monitoring Report

When remote or on-site monitoring events are completed, the monitoring team documents the results in a monitoring report, including any corrective actions to be addressed by the subrecipient. The report is reviewed internally by HCD and then is provided to the subrecipient.

The report may identify areas for improvement or deficiency called Findings, Concerns, or Observations.

12.6.2: Corrective Action – Finding

Findings are deficiencies where a subrecipient fails to meet a statutory, regulatory, or program requirement and require a corrective action to be taken to address the deficiencies. These are considered to be higher-risk issues that could potentially result in questioned costs and/or impact the integrity of program operations. Findings require a corrective action plan be made, which requires the subrecipient provide a written response to the monitoring report, and may include specific actions be taken.

12.6.3: Concern

A Concern is an inconsistency that warrants further review, and if left unchecked, has the potential to result in a Finding. Concerns do not always require a response from the subrecipient; however, the subrecipient may elect to provide a response and/or supporting information to address or resolve the issue.

12.6.4: Observation

An Observation is an area of note where performance could be improved for better results. It requires attention and further analysis to ensure it does not elevate to a Concern or Finding. Observations do not require a response from the subrecipient.

12.6.5: Technical Assistance

During a monitoring, the monitor may discover an action or document that shows the subrecipient may have a weak understanding of an area of CDBG-DR or MIT program management that could potentially lead to a future concern or finding. This technical assistance may be conducted at the time the issue is identified during the review, during the exit conference, or coordinating future technical assistance with HCD subject matter expertise, as appropriate.

12.6.6: Letter Response Review

The subrecipient has 30 days from the date the monitoring report letter is issued to respond to any findings and/or concerns identified in the report.

HCD reviews the subrecipient's response to determine if the response satisfies the required corrective actions as stated in the monitoring report letter. If the response meets the requirements, then the monitoring may be considered complete and HCD will notify the subrecipient when the monitoring is closed. If the official response is insufficient, HCD determines the appropriate next steps, which could include HCD taking more severe actions against the subrecipient such as sanctions.

For more information on monitoring outcomes, review the [CDBG-DR MAC Monitoring Plan](#), Section 5: *Monitoring Report and Letter Response Review*.

Chapter 13: Closeout Procedures

The closeout of a grant is a process where HUD determines that all applicable administrative and program requirements of the grant have been completed. In general, a grant is ready for closeout when the following conditions are met:

- All activities are eligible, have been completed, and met a national objective.
- All grant funds have been expended in full or all remaining funds are planned to be returned to HUD.
- All reporting requirements have been completed and submitted (except for the final report that is submitted during the closeout process, if applicable).
- Any special conditions of the grant have been met.
- All audit and monitoring issues affecting the grant have been resolved.

At this time, CDBG-DR specific guidance on closeout has not yet been produced. Final grant closeout may be adjusted to meet the closeout criteria set forth by HUD in a future federal register notice or other official guidance.

13.1: Closeout of an Individual Project

Individual projects that are components of the CDBG-DR grant may be closed out as they are completed. Closeout of individual projects will be coordinated between HCD and CDBG-DR subrecipients.

Prior to project completion, subrecipients are required to submit a final activity report and financial report via Grants Network that includes all relevant supporting documents and certifications. HCD's Program and Fiscal Compliance Section teams ensure all requirements of the subrecipient's agreement with HCD have been met before the activity closeout and that any project-specific fiscal monitoring findings have been resolved.

Upon completion of the project, HCD reviews and updates DRGR with the following details on the project and status:

- The total amount of funds drawn down for the activity
- The activity type
- The national objective
- The grant activity accomplishments

Individual activity completion should also be reflected in the QPR.

13.2: Closeout of a Contract

Once all activities under an MSA or SA have been completed, or the period of performance has ended, the contract with a subrecipient may be closed out.

For each contract, CDBG-DR subrecipients are required to submit the following to complete closeout:

- A closeout financial report.
- Evidence of a public hearing reporting the grant accomplishments and expenditures of each project to the residents of the jurisdiction, if applicable.
- The final products of the grant funding (planning studies, environmental review records, etc.), if applicable.

HCD reviews the documentation and processes the final funds requests if all provided documentation and the circumstances of the project warrant contract closeout. HCD disencumbers any remaining funds, if applicable, and once all subrecipient and HCD incurring of costs related to the project are complete, updates DRGR to mark the activities and projects as “completed.”

Note that generally contracts should not be closed out if there are open monitoring findings associated with the contract agreement. All monitoring findings either be resolved or, on a case-by-case basis, may be determined by management to not preclude contract closeout.

Once closeout documentation is processed and approved, HCD sends a letter to the subrecipient outlining all closeout requirements. HCD subrecipients are required to retain CDBG-DR records for at least 5 years after the closeout of the **grant** that they received funding from, in accordance with CDBG-DR record retention requirements. When the HUD grant has been closed, HCD will notify subrecipients that this five-year clock has begun.

13.3: Closeout of a Grant

After all programs and projects have been closed and all incurred expenditures reimbursed, HCD will complete the grant-level closeout requirements.

Within 90 days of the execution date of the Closeout Certification, HCD submits to HUD:

- The final performance and evaluation report required under 24 C.F.R. part 91
- Federal Financial Report SF425, or a financial report that meets 24 C.F.R. part 570.489(d)

These reports must:

1. Ensure that funds received under this subpart are used in compliance with all applicable statutory and regulatory provisions and the terms and conditions of the award.

2. Ensure that expenditures of all funds received under this subpart were for the reasonable and necessary costs of operating programs.
3. Ensure that funds received under this subpart were not used for general expenses required to carry out other responsibilities of state and local governments.

HCD must also submit a final QPR and ensure that all transactional data in DRGR is fully updated. If an acceptable report is not submitted, HUD may conduct an audit of the grant.

Once HUD completes its review, the HUD field office will prepare a closeout agreement. The grant is officially closed on the date that the appropriate HUD official executes the closeout agreement. Any unused grant funds are recaptured by HUD during the closeout process.

Chapter 14: CDBG-Mitigation Addendum

14.1: Introduction

This addendum only addresses requirements specific to CDBG-Mitigation (CDBG-MIT). For all other procedures and grant management requirements, the *CDBG-DR Grants Administration Manual* applies to the programs, projects, and administration of CDBG-MIT.

14.1.1: CDBG-Mitigation

CDBG-Mitigation (CDBG-MIT) is a source of funding managed by HUD that was created in part with the 2017 CDBG-DR funds and allocated by Congress under Public Law 115-123. HCD received \$83,819,000 in CDBG-MIT for mitigation efforts related to 2017 disasters.

HUD provided Federal Register Notice [84 F.R.45838](#) as an outline for specific framework in the development of CDBG-MIT programming. The notice provides definitions of mitigation activities, expenditure requirements, and funding timelines separate from the CDBG-DR allocation provided for the same disaster events. Additionally, the notice clarifies the close relationship between CDBG-MIT funds and FEMA funds (i.e. the Hazard Mitigation Grant Program [HMGP]).

Additionally, Congress allocated \$64,907,000 of CDBG-MIT funds for 2018 disasters under Public Law 116-20, with requirements provided in the January 6, 2021 Federal Register Notice ([86 F.R. 561](#)).

Mitigation funds allow for planning and implementing preventative measures, instead of focusing only on recovery after a disaster, and coordinate with FEMA and the FEMA Hazard Mitigation Grant Program through eligible mitigation activities. HUD has defined mitigation activities as those that increase resilience to disasters and reduce or eliminate the long-term risk of loss of life, injury, damage to, and loss of property, and suffering and hardship, by lessening the impact of future disasters.

14.1.2: Mitigation Program Acronyms

Acronym	Meaning
BCA	Benefit Cost Analysis
CDBG-MIT	CDBG-Mitigation grant allocation
FEMA HMGP	FEMA Hazard Mitigation Grant Program
HMP	Hazard Mitigation Plan

MNA	Mitigation Needs Assessment
UNM	Urgent Need Mitigation

14.1.3: Mitigation Program Terms and Definitions

Covered Project: An infrastructure project having a total project cost of \$100 million or greater with at least \$50 million CDBG, CDBG-DR, CDBG-NDR, or CDBG-MIT funds.

FEMA Hazard Mitigation Grant Program: The purpose of HMGP is to help communities implement hazard mitigation measures following a Presidential Major Disaster Declaration in the areas of the state, tribe, or territory requested by the Governor or Tribal Executive. The key purpose of this grant program is to enact mitigation measures that reduce the risk of loss of life and property from future disasters.

Hazard Mitigation Plan: State and local plans designed to identify risks to the community and ways to reduce impacts and damages from disasters.

Mitigation: Those activities that increase resilience to disasters and reduce or eliminate the long-term risk of loss of life, injury, damage to and loss of property, and suffering and hardship, by lessening the impact of future disasters.

Mitigation Needs Assessment: Analysis of historical data and institutional knowledge provided in state and local hazard mitigation plans and from prior disasters to determine risks of impacts for disasters to housing and infrastructure.

14.2: Program Allocation and Administration

14.2.1: Funding Appropriation

The State of California was allocated \$88,219,000 from HUD for mitigation programs related to the DR-4344 wildfires in October 2017 and the DR-4353 wildfires in December 2017. HUD allocated \$64,907,000 in mitigation efforts in the MID areas impacted by DR-4407 and DR-4382 that occurred in 2018. CDBG-MIT allocations will be managed by the Department of Housing and Community Development (HCD).

14.3: CDBG-MIT Grant Requirements

14.3.1: Use of Funds

LMI National Objective

50 percent of total mitigation funds must be used to benefit low-to-moderate income (LMI) persons, unless a waiver request demonstrates compelling need to lower this requirement. HCD must prioritize activities under CDBG-MIT that benefit LMI households.

Disaster Tie Back

CDBG-MIT activities are not required to demonstrate a tie-back to a qualifying disaster, however activities must benefit areas impacted by the 2017 and 2018 fires that had the greatest need (most impacted and distressed).

14.3.2: Most Impacted and Distressed Areas

In Federal Register Notice [84 F.R. 45838](#) for 2017 CDBG-MIT, HUD identified Sonoma and Ventura Counties as the most impacted and distressed (MID) areas.

In Federal Register Notice [86 F.R. 561](#) for 2018 CDBG-MIT, HUD identified Butte Lake, Los Angeles, and Shasta Counties as the most impacted and distressed (MID) areas.

50 percent of all CDBG-MIT funds must be used to address risks to major hazards (fire, flood, earthquake) within these HUD-identified MID areas. Investments made in activities or programs in areas outside of the MID are allowable, as long as it can be shown the investment also impacts the MID.

The State of California may submit a request to HUD to add a MID area. In the request, HCD must provide a data-driven analysis that illustrates the basis for designating the additional area as most impacted and distressed as a result of the qualifying disaster (DR-4344 and DR-4353 for 2017; DR-4407 and DR-4382 for 2018). HCD must include the analysis in the CDBG-MIT Action Plan and amend their corresponding CDBG-DR Action Plan.

Administration

50 percent of HCD's administrative expenditures will count towards the HUD-identified MID if it is documented how they will benefit the MID.

Planning Activities

Planning activities may also be counted towards the MID according to how the Action Plan describes how planning activities benefit the MID area.

14.3.3: Timeline for Expenditure of Funds

CDBG-MIT funding has a timeline for expenditures separate from CDBG-DR. At least 50 percent of CDBG-MIT grant funds must be spent within 6 years from the grant agreement execution, unless an extension is approved by HUD (84

Fed. Reg. 45779 (Aug. 30, 2019)). The remainder of the grant allocation must be spent within 12 years from the execution of the grant agreement, unless a waiver is approved by HUD.

14.3.4: CDBG-MIT Waivers

Public Benefit

Public benefit standards at 42 U.S.C. § 5305(e)(3), 24 C.F.R. § 570.482(f), 24 C.F.R. § 570.209(b) and (d), and 24 C.F.R. § 1003.302(c) are waived for only those economic development activities designed to create or retain jobs or businesses (including, but not limited to, long-term, short term, and infrastructure projects). However, HCD will collect and maintain documentation in the project file on the creation and retention of total jobs; the number of jobs within certain salary ranges; the average amount of assistance provided per job, by activity or program; and the types of jobs. Additionally, grantees shall report the total number of jobs created and retained and the applicable national objective in the DRGR system. Paragraph (g) of 24 C.F.R. § 570.482 is also waived to the extent these provisions are related to public benefit.

Housing

- One-for-one replacement is waived for units that are non-suitable for rehabilitation, a term which must be defined in the Action Plan.
- Section 104(d) is waived, but HCD must assess the housing needs to determine the number of lower-income dwellings.
 - Where disparities exist between the URA and 104(d), HCD will follow the URA.
- Arm's-length voluntary purchase requirements are waived.
- Optional relocation policies are not required, instead HCD may establish optional relocation policies or permit subrecipients to establish separate optional relocation policies to have maximum flexibility.
- Homeownership assistance is available to households up to 120 percent AMI and up to 100 percent of the down payment assistance.

Nonresidential Elevation Standards

As published in Federal Register Notice 85 F.R. 60821, the flood elevation requirements for nonresidential structures under prior Federal Register Notices is waived and HCD may use the FEMA-approved flood-standard when the following conditions are met:

- CDBG-DR or CDBG-MIT funds are used as the nonfederal match for FEMA assistance,
- The FEMA-assisted activity, for which CDBG-DR or CDBG-MIT funds will be used as match, commenced prior to HUD's obligation of CDBG-MIT or CDBG-DR funds to the grantee, and
- The grantee has determined, and demonstrated with records in the activity file, that implementation costs of the required CDBG-DR elevation up to two feet is not reasonable as defined in the applicable cost principles at 2 C.F.R. § 200.404.

HUD and FEMA will issue joint guidance to assist grantees with implementation of this provision.

Unless noted above, waivers listed Section 6.2.4 of this *CDBG-DR GAM* do not apply to CDBG-MIT.

14.3.5: Public Services

Public services are eligible to be funded under CDBG-MIT when they provide resilience or risk mitigation outcomes. The use of CDBG-MIT for public services is limited to programs that expand and support services that reduce an individual or community's identified risk, as defined by the jurisdiction's hazard mitigation plan, and aim to address or lessen those risks through insurance programs, best practices or other documented efforts. HCD will provide guidelines and eligible activities to the program design or policy and procedures development to identify the types of eligible public services for funding under CDBG-MIT.

14.4: Grant Administration

14.4.1: Grant Management

Action Plan, Amendments, and Benefit Cost Analysis

Substantial amendments are characterized by either an addition or deletion of any CDBG-MIT funded program, any funding change greater than \$10 million of the CDBG-MIT allocation, or any change in the designated beneficiaries of the program.

For amendments (substantial and non-substantial) to the CDBG-MIT Action Plan that do not include Covered Projects, refer to the process outlined in the Action Plans and Amendments section (Chapter 5) of this *CDBG-DR GAM*.

All new or amended projects under CDBG-MIT must be consistent with other mitigation activities and not increase the risks to life or property in a way that undermines the benefits from other uses of CDBG-MIT funds in the MID.

Substantial Amendment Public Comment Period

Per Federal Register Notice 85 F.R. 60821 (September 28, 2020), a substantial action plan amendment for CDBG-MIT grants requires a 30-day public-comment period and reasonable method(s) (including electronic submission) for receiving comments. A public hearing is not required for CDBG-MIT substantial amendments.

Amendment for Covered Projects

If HCD undertakes a covered project, an amendment is required which must include the following:

- **Project Description and Eligibility:** Include how the project meets the definition of a mitigation activity; describe total project costs (CDBG-MIT and other federal sources of funding) and indicate which CDBG eligible activity the project falls under.
- **Mitigation Needs Assessment (MNA):** Describe how project is consistent with the MNA.
- **National Objective and Additional Criteria:** In addition to describing how the Covered Project meets a national objective, the Action Plan and/or a substantial amendment must indicate how HCD will monitor the project's long-term efficacy and sustainability, including:
 - Paying operation and maintenance costs.
 - Maintaining documentation of the measurable outcomes or reduction in risk.
 - How it will reflect changing environmental conditions with risk management tools, and /or alter funding sources if necessary.
- **BCA:** All Covered Projects must have a BCA greater than 1.0.

Completing a Benefit Cost Analysis

A BCA is conducted on a project to determine if the value of the outcomes outweighs the costs and potential risks of the project. The BCA establishes values for different factors that would influence or impact the project and future benefits. Using the analysis, a Benefit-Cost Ratio is calculated by dividing a project's total benefits by its total costs to represent the overall benefit of the project. A ratio of 1.0 or greater means the project is a good investment.

FEMA has developed a BCA toolkit that considers hazard mitigation elements in the analysis. HCD may use the FEMA-approved methodologies and tools

to demonstrate the cost-effectiveness of their projects. The FEMA BCA toolkit is an Excel-based application and includes a User Guide for support. The most recent versions of the BCA Toolkit and User Guide can be found at <https://www.fema.gov/media-library/assets/documents/179903>.

If the FEMA BCA toolkit is not available, a non-FEMA BCA is acceptable when:

- A BCA has already been completed, or is in process by another federal agency, and addresses economic development, community development, and other social community benefits or costs substantially similar to the CDBG-MIT project;
- It addresses a flaw in the FEMA-approved BCA methodology that cannot be corrected; and/or
- It proposes a new approach that is unavailable using the FEMA BCA toolkit.

HCD must also indicate if the BCA was previously rejected by another federal agency and include that version of the BCA when applicable.

Alternative Demonstration of Benefits

For Covered Projects that benefit LMI individuals or persons that are less able to mitigate risks, and which has a BCA less than 1.0, HCD may add in a qualitative description of how the Covered Project will provide benefits to those individuals, such as enhancing a community's economic development potential, improving public health, and or expanding recreational opportunities.

14.4.2: Implementation

Subrecipient Implemented Programs

HCD will provide allocations to eligible jurisdictions for projects to address emergency infrastructure, forest and watershed infrastructure, and public services related to mitigation and resilience.

CDBG-MIT Infrastructure – Covered Project

If HCD undertakes a covered project, prior to the execution of a construction contract for a Covered Project, HCD must complete the following:

- Engage an independent third-party entity to verify the planned project costs.
- Secure the certification of a licensed design professional who states that the project design (or redesign) meets nationally recognized design and performance standards, recognized by FEMA for a project of its type, pursuant to FEMA HMA and addendum guidance.

- Establish a plan for financing the operations and maintenance over the useful life of the project.

14.5: Eligible Activities

For a list of eligible activities refer to the Eligibility and Alignment Requirements section (6.1.1) of this *CDBG-DR GAM*. HUD has included additional requirements for CDBG-MIT projects and programs. These requirements are outlined below.

14.5.1: Infrastructure

Covered Project

A HUD “Covered Project” is defined as an infrastructure project having a total project cost of \$100 million with at least \$50 million of CDBG, CDBG-DR, CDBG-NDR, or CDBG-MIT funds.

This threshold is met if HCD groups together and evaluates all activities which are related to each other, either on a geographical or functional basis or are logical parts of a composite of contemplated infrastructure-related actions, as a single infrastructure project. To determine whether bundled projects should be aggregated, HCD looks to environmental reviews; if the ERR is aggregated, then likely the projects should be combined as well.

HCD does not intend to fund any Covered Projects, however, should a mitigation project be expected to cost more than \$100 million, HCD will consult with HUD early in the process.

Prior to the execution of a construction contract for a Covered Project, HCD will complete the following:

- Engage an independent third-party entity to verify the planned project costs.
- Secure the certification of a licensed design professional who states that the project design (or redesign) meets nationally recognized design and performance standards, that are recognized by FEMA for a project of its type, pursuant to FEMA HMA and addendum guidance.
- Establish a plan for financing the operations and maintenance over the useful life of the project.

14.5.2: Planning and Capacity Building

In accordance with HUD regulations, HCD may use up to 15 percent of the total mitigation grant amount or \$750 million, whichever is less, on planning costs. Planning funds may be used to update Hazard Mitigation Plans (HMPs) or for other local or regional plans.

14.5.3: General Grant Administration

HCD may use up to 5 percent of the CDBG-MIT award for administrative costs. HCD may use grant administration funds for its CDBG-MIT grants and CDBG-DR grants interchangeably, provided that the proper financial controls to track the source of funds are in place.

14.6: National Objectives

In addition to the national objective compliance requirements outlined in Section 6.1.2 of this *CDBG-DR GAM*. HUD has included additional national objective requirements for CDBG-MIT projects and programs. These requirements are outlined below.

14.6.1: Urgent Need Mitigation

HUD has created a new national objective, Urgent Need Mitigation (UNM), for CDBG-MIT programs. This national objective will provide a better fit for CDBG-MIT activities that aim to address risks that do not tie back to the disaster events of the 2017 CDBG-DR funding, or subsequent disasters.

14.6.2: Other National Objectives

Slum-and-Blight: Unless HCD receives prior approval from HUD, the slum-and-blight national objective designation may not be used for CDBG-MIT activities.

14.6.3: National Objective Compliance

Under CDBG-MIT, a tie back to a prior disaster is not required. HCD must demonstrate compliance with LMI or UNM national objectives for its CDBG-MIT activities.

Urgent Need Mitigation

Programs or activities using the UNM national objective must provide documentation that demonstrates a measurable and verifiable impact on reducing risks at the completion of the activity, namely:

- Address the current and future risks as identified in the Mitigation Needs Assessment
- Result in a measurable and verifiable reduction in the risk of loss of life and property

14.7: Other Federal Requirements

14.7.1: Citizen Participation Plan

HCD must follow the *Citizen Participation Plan* as required under 24 C.F.R. § 91.105(c). HUD requires additional steps be taken for CDBG-MIT projects and programs. These requirements are outlined below.

Citizen Advisory Committee

Under CDBG-MIT, HCD is required to form a Citizen Advisory Committee (CAC) after the approval of the action plan but may form one prior to completing the Action Plan.

CACs are required to meet in an open forum not less than two times a year.

CACs will solicit and respond to public comment and input regarding activities and serve as an on-going public forum to continuously inform the CDBG-MIT projects and programs.

Stakeholder Consultations

HCD must consult with state agencies, Indian tribes, local governments, federal partners, nongovernmental organizations, the private sector, and other stakeholders and affected parties in the surrounding geographic area to ensure consistency of the action plan with applicable regional redevelopment plans and to determine the use of CDBG-MIT funds.

HCD is required to consult with the jurisdiction or agency that is responsible for development of the FEMA HMP including the State Hazard Mitigation Officer (SHMO).

To demonstrate compliance, HCD maintains documentation of all consultations with stakeholders.

Chapter 15: CDBG-DR/MIT Acronyms and Definitions

15.1: Acronyms

Acronym	Meaning
ADC	Activity Delivery Cost
AFWA	Anti-Fraud, Waste, and Abuse
AMI	Area Median Income
ASN	Award Start Notification
CDBG-DR	Community Development Block Grant - Disaster Recovery
CDBG	Community Development Block Grant
CENST	Categorically Excluded Not Subject To
CEQA	California Environmental Quality Act
DFFA	Division of Federal Finance Assistance
DGS	Department of General Services
DOB	Duplication of Benefits
DR-ACCEL	Disaster Recovery Accelerated Completion and Enhancement for Local Living
DRGR	Disaster Recovery Grant Reporting system
DRO	Disaster Response and Operations Branch
DRRA	Disaster Recovery Reform Act
FCS	Fiscal & Compliance Section
FEMA	Federal Emergency Management Agency
FI\$Cal	Financial Information System for California

FRN	Federal Register Notice
GAAS	Generally Accepted Auditing Standards
HBA	Homebuyer Assistance Program
ICE	Independent Cost Estimate
INF	Infrastructure
LMI	Low-to-Moderate Income
LOCCS	HUD's Line of Credit Control System
MAC	Monitoring and Compliance
MHP	Multifamily Housing Program
MHRE	Manufactured Housing Repair and Elevation
MID	Most Impacted and Distressed areas
MIT	Mitigation Programs
MSA	Master Standard Agreement
NEPA	National Environmental Policy Act
NOFA	Notice of Funding Availability
NOI	Notice of Intent
NTP	Notice to Proceed
OOR	Owner-Occupied Rehabilitation and Reconstruction
OSAE	Office of State Audits and Evaluations
PCC	California Public Contract Code
PFA	Program Funds Adjustment Package

PII	Personal Identifiable Information
PPS	Planning and Public Services
QPR	Quarterly Progress Report
RFF	Request for Funds
RFP	Request for Proposal
RIP	Resilient Infrastructure Program
RIPP	Resilient Infrastructure Program and Planning
RROF	Request Release of Funds
SA	Standard Agreements
SAM	State Administrative Manual
SBA	Small Business Administration
SCO	California State Controller's Office
SFRR	Single Family Rehabilitation and Reconstruction Program
SME	Subject Matter Experts
SOW	Scope of Work
TIN	Tax Identification Number
URA	Uniform Relocation Act

15.2: Definitions and Terms

Action Plan: A mandatory document submitted by state or local governments to HUD that details the need, proposed programs, budget and timeline, national objective, and tie-back to the disaster.

Activity: Defined by HCD as the core unit of reporting, where funding is assigned and can be drawn against, performance is measured, and data is reported.

Activity Delivery Costs (ACDs): Costs directly associated with managing and implementing the awarded program or activity.

Award Start Notification (ASN): Formal notice from HUD to a grantee that funding is approved and available to be utilized.

Closeout: The process by which the federal agency or pass-through entity determines that all applicable administrative actions and all required work of the federal award have been completed.

Contractor: A for-profit entity that is awarded a state contract as a result of a competitive procurement to support the implementation of the CDBG-DR or CDBG-MIT grant.

Davis-Bacon Wage Requirements: Davis-Bacon and Related Acts (DBRA; 40 U.S.C. §§ 3141–3148) require all contractors and subcontractors working on federally funded or assisted construction projects over \$2,000 to pay laborers and mechanics no less than the locally prevailing wages and fringe benefits, as determined by the U.S. Department of Labor.

Disaster Recovery Grant Reporting System (DRGR): HUD's reporting system developed for the CDBG-DR program and other special appropriations to review activities funded under these programs and for required quarterly reports to Congress.

Duplication of Benefits (DOB): Occurs when an individual, business, or entity receives financial assistance from multiple sources for the same purpose or activity, and the total assistance exceeds the total need. Essentially, it means getting paid twice for the same thing, which is prohibited in disaster recovery.

Environmental Review Record (ERR): A permanent set of files containing all documentation pertaining to the environmental compliance procedures conducted and environmental clearance documents.

Fair Market Value: The hypothetical price that a willing buyer and seller agree upon when they are acting freely, carefully, and with complete knowledge of the situation.

Grantee: State, local governments and Indian tribes that receive CDBG-DR funds directly from HUD.

Implementation Plan: A plan submitted to HUD by grantees or awarded entities to explain organizational readiness to manage awarded funds.

Low-to Moderate-Income (LMI): People having incomes not more than the 'moderate-income' level (80 percent Area Median Family Income) set by the federal government for HUD-assisted Housing Programs. This income standard changes from year to year and varies by household size, county, and the metropolitan statistical area.

Master Standard Agreement (MSA): An overarching contract executed between HCD and a subrecipient for an overall allocation, terms and conditions, and timeline for one or more CDBG-DR programs over an extended period of time or across multiple activities.

Mitigation (MIT): Activities that increase resilience to disasters and reduce or eliminate the long-term risk of loss of life, injury, damage to and loss of property, and suffering and hardship by lessening the impact of future disasters.

Most Impacted and Distressed (MID): Defined by HUD as a county or ZIP code that meets specific thresholds for serious unmet housing needs; areas with concentrated damage, specifically, counties with over \$10 million, or ZIP codes with over \$2 million, in serious unmet housing needs; and the 2017 disasters that include at least one qualifying county or an aggregate of ZIP codes exceeding \$10 million in unmet housing needs and were declared major disasters under the Stafford Act.

National Environmental Policy Act (NEPA): Establishes a broad national framework for protecting the environment. NEPA's basic policy is to assure that all branches of government consider the environment prior to undertaking any major federal action that could significantly affect the environment.

National Flood Insurance Program (NFIP): Established by Congress in 1968 (National Flood Insurance Act of 1968; 42 U.S.C. § 4001 et seq.), the NFIP aims to reduce future flood damage through sound floodplain management and to provide access to affordable flood insurance. The program is administered by FEMA in partnership with private insurance providers.

Notice to Proceed (NTP): Formal notification letter issued by HCD to a subrecipient, contractor or project partner, explicitly granting approval to commence work or activities associated with a specific project.

Program: Defined by HCD as high-level groupings used to organize related activities.

Project: Defined by HCD as individual awards provided under program funding.

Property Owner: Person who holds a fee simple title as evidenced by a warranty deed, bargain for sale deed, or a quitclaim deed to the Property. The deed must be recorded with the county, city, or appropriate local municipality.

Reconstruction: The labor, materials, tools and other costs of rebuilding.

Rehabilitation: The labor, materials, tools, and other costs of improving a building or

residential structure to decent, safe and sanitary conditions, including the repair or replacement of major building systems.

Repair: The labor, materials, tools, and other costs of improving buildings, other than minor or routine repairs.

Request for Proposal (RFP): A procurement document designed to solicit proposals for services where cost is considered a factor.

Request for Qualifications (RFQ): A procurement document designed to solicit an entity's qualifications for delivering a defined scope of services.

Responsible Entity (RE): As defined under 24 C.F.R. part 58, a Responsible Entity is the agency receiving CDBG, CDBG-DR, or CDBG-MIT assistance and is responsible for conducting the environmental review process. The RE ensures compliance with the National Environmental Policy Act (NEPA) and related federal laws and authorities, issues required public notices, submits the Request for Release of Funds and certification (when applicable), and maintains a complete Environmental Review Record (ERR).

Small Business Administration (SBA): SBA's Office of Disaster Assistance (ODA) provides affordable, timely and accessible financial assistance to applicants, renters, and businesses. The SBA low-interest, long-term loans are the primary form of federal assistance for the repair and rebuilding of non-farm, private sector disaster losses.

Standard Agreement (SA): An agreement focused on singular projects and their deliverables, timelines, budgets and tasks.

Subrecipient: An entity that receives a subaward from a pass-through entity to carry out part of a federal award. The term subrecipient does not include beneficiary or participant. A subrecipient may also be a recipient of other federal awards directly from a federal agency.

U.S. Department of Housing and Urban Development (HUD): Federal department through which CDBG-DR funds are provided to HCD.

Uniform Relocation Act (URA): Established under 42 U.S.C. § 4601 et seq., the URA sets minimum federal requirements for programs and projects that involve the acquisition of real property or result in the displacement of persons from homes, businesses, or farms due to federally funded activities. The URA ensures fair and equitable treatment of those affected by such projects.

For additional terms and definitions related to 2017 and 2018 CDBG-MIT grants, see the CDBG-MIT Grants Administration Manual Addendum Section XIV.