



**APPENDIX A:**  
**Community Development Block Grant (CDBG)**  
**Policies and Procedures Supplement**

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## **ABOUT CDBG**

Beginning in 1974, the Community Development Block Grant (CDBG) program is one of the longest continuously running programs at United States Department of Housing and Urban Development (HUD). The CDBG program provides annual grants on a formula basis to approximately 1180 general units of local government and States. The primary objective of the CDBG Program is the development of viable communities by the provision of decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income.

## **PROGRAM OBJECTIVES**

The CDBG program objectives are to:

- Create suitable living environments through activities that benefit communities, families, or individuals by addressing issues in their living environment.
- Provide decent housing through activities that meet individual family or community housing needs.
- Create economic opportunities with activities related to economic development, commercial revitalization, or job creation.

## **NATIONAL OBJECTIVES**

The CDBG program was developed to give local jurisdictions the flexibility to develop their own funding priorities. However, the authorizing statute of the CDBG program requires that each funded activity meets one of three national objectives. The three national CDBG objectives and subcategories include:

1. Benefit to low- and moderate- income (LMI) persons and/or households. The LMI objective is often referred to as the primary objective because the statute requires that HUD award recipients expend 70 percent of their CDBG funds to meet the LMI objective, using one of the following four subcategories:
  - a. LMI - Area Benefit Activities: Project benefits all residents in an area, where at least 51 percent are low/moderate-income residents.
  - b. LMI - Limited Clientele Activities: Project beneficiaries include at least 51 percent low/moderate income residents.
  - c. LMI - Housing Activities: Project provides housing that will be occupied by LMI households.
  - d. LMI – Job Activities: Project creates or retains jobs for at least 51 percent low/moderate income residents.
2. Activities that aid in the prevention or elimination of slums or blight.

3. Activities designed to meet a need having a particular urgency (referred to as urgent need).

### **CAPS ON PROGRAM FUNDS**

Per HUD regulations, the City may utilize up to 20 percent of its annual CDBG funds for general administration and planning.

Up to a maximum of 15 percent of its annual CDBG funds (plus program income) may be used for public service activities. Public service activities must either offer a new service or increase an existing level of service. Public service activities generally include the following types of activities (this list is not meant to be exhaustive)

- Senior Services
- Disabled Services
- Legal Services
- Youth Services
- Transportation Services
- Substance Abuse Services
- Services for Domestic/Intimate Abuse Victims
- Employment Training
- Crime Awareness/Prevention
- Fair Housing Activities
- Tenant/Landlord Counseling
- Child Care Services
- Health Services
- Services for Abused/Neglected Children
- Mental Health Services
- Food Banks

The remaining 65 percent can be used for other community development activities such as economic development, housing, public facilities and infrastructure improvements, among others.

### **ELIGIBLE ACTIVITIES**

CDBG funds may be used for activities, including, but are not limited to:

- Acquisition of real property;
- Relocation and demolition;
- Rehabilitation of residential and non-residential structures;
- Construction of public facilities and improvements, such as water and sewer facilities, streets, neighborhood centers, and the conversion of school buildings for eligible purposes;
- Public services, within specific criteria;
- Activities relating to energy conservation and renewable energy resources;
- Provision of assistance to profit-motivated businesses to carry out economic development and job creation/retention activities;
- Salaries, wages, and other employee compensation and benefits for new or existing staff;
- Contracting for services, i.e., bookkeeping, organizational development consultants, etc.;
- General operating costs, such as rent, utilities, purchase of equipment, supplies, etc.

### **INELIGIBLE ACTIVITIES**

Generally, the following types of activities are ineligible for CDBG funding ([24 CFR 570.207](#))

- Acquisition, construction, or reconstruction of buildings for the general conduct of government
- Political activities
- Regular operation and maintenance of public facilities
- Purchase of equipment or other personal property
- Construction of new permanent housing by units
- Payment of subsistence income to individuals or families

### **PARTICIPANT INCOME ELIGIBILITY**

CDBG requires that the family income of participants be at or below 80% of the Area Median Income. The [HUD website](#) provides information on how to determine income limits and allows for easy income calculations.

Generally, the documentation collected to determine income includes:

- Copies of the most recent Federal and State income tax returns (including all schedules).

- Most recent W2's (wage and salary) and 1099's (misc. income received).
- Current bank statements for all checking, savings, money markets, stocks, bonds, mutual funds, Treasury bills, certificates of deposits, and any other liquid assets for all household members.
- Last three months of pay-check stubs showing year-to-date amounts for all household members.
  - If any household members are retired, disabled, or unemployed, proof of current income received from all sources should be requested.
    - If self-employed, tax returns for the last two years.
    - Social Security Annual Statement(s) (Form SSA-1099).
    - Pension statement(s).
    - Proof of child support and/or spousal support received.
    - Proof of child support and/or spousal support paid.
    - Current mortgage statement for all mortgages for other liens on property.
    - Current credit report.

Subrecipients engaged to provide **public services** through CDBG may ask their clients to self-certify their income. These self-certifications must be maintained on file by the Subrecipient as required by the Agreement.

Along with the required monthly statistical reporting (see *STATISTICAL REPORTS section*), subrecipients are required to submit a Compliance Certification form which serves as a checklist certifying that the subrecipient has performed its due diligence in ensuring that the participants served or activities carried out were eligible.

## **STATISTICAL REPORTS**

CDBG subrecipients must submit a monthly (quarterly for certain activities) statistical report to report on their program performance. The City will provide subrecipients with a report template to use at the beginning of each fiscal year. The statistical report includes required reportable data on program beneficiaries. In general, subrecipients are asked to report on:

- Number of persons/households who receive services
- Participant Income Levels
- Participant Race and Ethnicity Information
- Overall Budget Expenditures
- Accomplishments and Challenges

Statistical reports are due on the tenth (10<sup>th</sup>) of each month, with information for the previous month. For example, if reporting for the month of April, then the statistical report is due on May 10<sup>th</sup>. Statistical reports are due via email to [grantadmin@moval.org](mailto:grantadmin@moval.org). Failure to provide the monthly statistical report may prevent the City from processing the subrecipient's invoice for reimbursement. Continued failure to provide timely reporting

and documentation may result in the suspension or termination of either current or future funding for the subrecipient.

### **MONTHLY INVOICING**

CDBG awards are reimbursement based. The City will reimburse subrecipients approved costs noted in their approved program budget after review **and approval** of the invoice and supporting source documentation for expenses covering the period requested **and** receipt of the monthly statistical report.

Monthly invoices must be accompanied by full source documentation to substantiate all incurred costs for which reimbursement is requested. Source documentation should show the date of the expenditure, the expenditure amount, and proof of payment.

The City will provide subrecipients with an invoice template to use at the beginning of each fiscal year. Monthly invoices are due on the tenth (10<sup>th</sup>) of each month via email to [grantadmin@moval.org](mailto:grantadmin@moval.org). Once an invoice is submitted, staff will review the invoice to make sure that the reimbursement requests are eligible, part of the approved budget, and all costs are substantiated with proper source documentation. If there are questions or documents missing staff will reach out to the subrecipient to work through the issue to resolve it. Once the issue is resolved, or if there are no issues, the invoice is submitted for internal processing for payment. A sample list of documents typically used for invoice submission is provided to the subrecipient at the beginning of the program year as part of their subrecipient agreement.

Failure to submit the monthly invoice on time will cause delays in processing the subrecipient's reimbursement payment. Continued failure to provide timely monthly invoices and documentation may result in the suspension or termination of either current or future funding for the subrecipient.

### **MONITORING**

Monitoring subrecipients is a critical part for successful grant administration and measuring accomplishments. Monitoring helps identify areas of concern and offers the City an opportunity to provide technical assistance and guidance to subrecipients before those concerns become potential or actual HUD findings.

To mitigate potential compliance issues City will monitor, review, and evaluate the performance of its subrecipient. Monitoring includes on-site monitoring which includes visits to the subrecipients' location where staff will review program files and organizational documents (including financial records), observe program activities, and interview key program and/or organizational staff.

Prior to an on-site monitoring staff will reach out to the subrecipient to find an agreeable meeting date and time. Staff will then send the subrecipient a monitoring letter confirming the monitoring date/time along with a checklist of documents to be made available. The subrecipient is responsible for ensuring that all requested records are available for review at a single prearranged location. If areas of concern or findings are identified, staff will provide technical assistance to help resolve the concerns or findings.

At the end of monitoring, staff will provide subrecipients with a letter summarizing the on-site monitoring, and if applicable, areas of concern to address, findings, and corrective actions. Unresolved findings may require the subrecipient to return funds to the City and may impede further awards in the future.

New subrecipients may be subject to onsite monitoring during their first year. Experienced subrecipients, who typically meet compliance, will be subject to onsite monitoring at random.

## **REAL PROPERTY**

When a Subrecipient uses more than \$25,000 of CDBG funds to acquire or improve real property, the Subrecipient may not change the use or planned use of the property without City approval. This standard shall apply for a minimum of five (5) years from the date CDBG funds are first spent for the property. Specific terms will be outlined in the Agreement and deed as required.

## **LOAN FUNDING TERMS**

The City of Moreno Valley provides a variety of loans for different CDBG funded projects and programs.

1. The loan shall be secured by a Promissory Note and/or Deed of Trust.
2. Loan terms are finalized at the time of project negotiation.
3. Loan amounts are based on project budget and capacity for debt.

## **Loan Servicing and Delinquent Payments**

The City of Moreno Valley 's Financial Department (finance) services all loans. Finance informs CDBG staff of any delinquent payments. City staff will work with property owner(s) regarding rectifying any delinquency. If necessary legal remedies will be pursued.

## **Deferred Payment Loans**

Loans are available to borrowers who are utilizing the Housing Rehabilitation Loan Program and have a household income of less than 80% of area median income. There are no pre-payment penalties. This loan has a 3% simple interest calculation added and is defined as 3% of the total balance. The Deferred Payment Loan is due and payable when one or more of the following occurs:

- a change in property ownership
- refinance
- termination of owner occupancy

**Please note:** If an application for a loan is denied, the applicant must wait one year from the date of denial before submitting another application for the Housing Rehabilitation Program.



**Forgivable Loans** are loans that can be forgiven or deferred for a period of time if the borrower is in compliance with the terms and conditions of the loan. This type of loan is used for projects that serve the whole community but do not generate income.

**Non-Profit Subrecipient Loans** are available to sub-recipients and developers approved for CDBG funding. Loans are negotiated at time of contract with general terms and are generally at 1-3% with a 5-20-year amortization. Repayments are always expected on income producing properties.

**Share Equity/Principal Reduction Loans** were available to first time homebuyers through an approved program and require annual certifications that verify primary residency, current insurance, and property taxes are current. Upon property transfer or refinance the loan payoff is calculated using a method outlined in the homebuyer section which includes payoff of the original amount plus a share of the equity.