

Community Development Block Grants

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2012 CDBG Notice Of Funding Availability *JANUARY 9, 2012*



STATE OF CALIFORNIA

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STATE OF CALIFORNIA
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

2012 NOFA
Notice Date: January 9, 2012

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OVERVIEW

1. NOTICE OF FUNDING AVAILABILITY

The Department of Housing and Community Development (the "Department") is pleased to announce the availability of approximately \$34,500,000 for the Program Year 2011-2012 Community Development Block Grant (CDBG) funds allocated to the State from HUD. Additionally, the Department will make available 50% of the allocation for Program Year 2012-2013, which is estimated to add another \$14,000,000 million to the allocation.

This Notice of Funding Availability (2012 NOFA) applies to the CDBG Community Development, CDBG Economic Development, Colonia and Native American Allocations. Typical activities funded under these allocations include: business assistance projects and programs; Micro-enterprise assistance programs; housing rehabilitation programs and projects; homeownership assistance programs; housing acquisition projects; public infrastructure projects; public facility projects; public services programs; and planning and technical assistance grants.

As noted above, the Department will be awarding 150% of the anticipated annual allocation from HUD through this NOFA. The following are the anticipated and approximate allocations of funds by program area in this NOFA. The final amounts available per allocation and activity will be determined by the aggregate request of all eligible applications for each activity.

A. Economic Development (ED)

California Health and Safety Code 50827 and State CDBG Regulations, Section 7062.1 requires the Department to set aside 30 percent of the annual federal CDBG award for ED activities. The full 30 percent set aside for this, the 2012 NOFA, for ED is expected to be \$14,000,000. The split between the Enterprise Fund (EF) and the Over-The-Counter (OTC) allocations will be initially set at 70% / 30% respectively, but may be adjusted by the Department as circumstances warrant. This amount reflects \$1,000,000 being set aside for ED-PTA activities, as noted below.

B. Community Development (CD)

The CD Allocation amount is the balance of funds remaining after subtracting out all the different allocations (Economic Development, Planning, Native American, Colonia) and state allowed administration costs from HUD's annual allocation to the State. For this NOFA, this is estimated to be \$29,300,000.

C. Colonia

Section 916 of the National Affordable Housing Act of 1990, as amended, established an annual set-aside for activities benefiting the residents of Colonias. In accordance with direction from HUD, the State will set aside 5 percent of the allocation in this NOFA, for an estimated \$2,500,000.

D. Native American

Pursuant to Health & Safety Code Section 50831 and State CDBG Regulations, Section 7062, the State annually sets aside 1.25 percent of its CDBG award for grants to non- federally recognized tribes and Rancherias. This amount for this NOFA is expected to be approximately \$630,000.

E. Planning and Technical Assistance

For this, the 2012 NOFA, the Department anticipates this amount will be \$1,000,000 for Community Development PTA grants, and also approximately \$1,000,000 for Economic Development PTA grants, for a total of \$2,000,000 for all PTA grants.

Notes:

- *The State CDBG Program is presently going through a significant regulation change process that is necessary for the Department to announce and administer this NOFA. Until the regulation process is fully complete, the Department will not be able to issue award letters/and or Grantee Agreements. The Department reserves the right, at its sole discretion, to suspend or amend the provisions of this NOFA. If such an action occurs, the Department will notify interested parties.*
- *It is the applicant's responsibility to ensure that its application is clear, complete and accurate. After the application submittal deadline, CDBG may request clarifying information provided that such information does not affect the competitive ranking of the application. No information will be solicited or accepted if such information results in a competitive advantage to an applicant. No applicant may appeal the Department's evaluation of another applicant's application.*

2. AUTHORIZING LEGISLATION AND REGULATIONS

The CDBG Program is authorized by the Housing and Community Development Act of 1974 (HCDA) as amended¹, and Subpart 1 of the Federal Community Development Block Grant regulations². The requirements of the State CDBG Program are in Health and Safety Code, Section 50825, and Title 25 of the California Code of Regulations, Section 7050, et seq.

¹ Title I of the Housing and Community Development Act of 1974 as amended. 42 U.S.C. 5301 et seq., Federal Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35).

² Title 24 Code of Federal Regulations (CFR), Part 570, Subpart I.

3. APPLICATION TIMELINES

A. Key Dates

NOFA and Application Release:	January 9, 2012
ED Over-the-Counter (OTC) Open Date:	January 9, 2012
Application Workshops & Webinars:	January 12 through February 9, 2012
Applications due to HCD by 5 p.m.:	Friday, April 6, 2012
Awards Announced	July, 2012
ED Over-the-Counter (OTC) Close Date:	April 30, <u>2013</u>

Applications received by the Department after 5 P.M., Friday, April 6, 2012 (except for the ED OTC) will not be accepted.

B. Application Submittal Deadline

- 1) Applications must be received by the Department by 5 p.m. on Friday, April 6, 2012.
- 2) Late applications will not be considered for funding.
- 3) Tele-faxed or e-mail transmitted applications will **not** be accepted.
- 4) The Department will conduct a preliminary review of each application to determine whether the application meets all of the threshold criteria. Applications that meet all of the threshold criteria will be eligible to be rated and ranked.

C. For Further Information

Please contact your CDBG Representative or the CDBG Administrative Assistant at (916) 552-9398. Please refer to **NOFA Appendix A** for the name of the CDBG Representative assigned to each eligible jurisdiction.

Management Contacts:

Community Development: Steven Marshall
(916) 319-8410
smarshall@hcd.ca.gov

Economic Development: Leticia Johnson
(916) 324-1880
lejohanson@hcd.ca.gov

4. WHAT'S NEW IN THE NOFA

This NOFA represents significant changes in the way the Department will operate the CDBG Program. As a means of streamlining the program and consolidating various tasks for the Department and Jurisdictions, the Department will now issue one annual Notice of Funding Availability (NOFA), announcing all CDBG allocations/activities in one document. This means the application and funding cycle will take place once per year for all CDBG allocations and activities, with the exception of the Economic Development (ED) Over-the-Counter (OTC) Allocation. Awards and contracts will be issued once per year for the Community Development Allocation (formerly known as the General Allocation), the ED Enterprise Fund (EF) Program, the Native American Allocation, Colonia Allocation, and the Planning and Technical Assistance (PTA) Grant Allocation.

The most significant changes are detailed in the sections below, and will be discussed at length in a series of application workshops and webinars in January and February.

A. Terminology

Aside from changing the name of the General Allocation, General staff, General Activities, etc. to Community Development or CD, the Department is also moving away from using the State term “Targeted Income Group” or “TIG,” and aligning with the HUD terms “Low- and Moderate-Income” or “Low-Mod” or “Low Income” to refer to income-qualified individuals, families and businesses. As a method of describing beneficiaries or the achieving of the National Objective of any given eligible activity, LMI refers to a Low-Mod Individual, LMA refers to Low-Mod Area, and LMH refers to Low-Mod Household.

B. All Allocations and Activities in One NOFA

As stated above, this NOFA (2012 NOFA) will announce all funding opportunities through the CDBG Program for HUD Program Year 2011-12. All allocations, including the ED OTC, will be described in this NOFA. Due to the programmatic differences, the ED OTC will have a separate application process, funding process, and contract. All the other activities and allocations will share the same timeline for applications, rating and ranking, awards, and contracts.

C. NOFA Amount

As noted above, this NOFA announces the availability of 150% of the annual HUD appropriation level.

D. New Threshold Factors

1) Holdouts:

- a) For this, the 2012 NOFA, there will **not** be holdouts for reasons of Program Income balances, per: [Management Memo 11-04](#).
- b) With the proposed regulation changes, Jurisdictions will no longer be automatically held out. Where appropriate, the Department has moved performance issues to the rating and raking scoring process. For example, noncompliance with Monitoring or Audit Findings could result in a loss of points if the applicant is not working towards clearing these finding to the Department's satisfaction.

- 2) Single Audit Report Submittal Required Prior to Application:** With the proposed regulation changes, compliance with the OMB A-133 requirements for submitting an annual audit will be a threshold requirement. Jurisdictions must provide evidence of submittal and compliance with OMB A-133 prior to date of application. If a jurisdiction is not in compliance with this requirement as of the date of application submittal, their application will be deemed ineligible for that fiscal year.

Note: All threshold requirements are listed in Section 10 of the NOFA.

E. 50% Rule for Application Eligibility

With the proposed regulation changes, beginning with next year's NOFA (2013 NOFA) an applicant with one or more open CDBG grant agreements executed in 2012 or later, for which the expenditure deadline established in the grant agreement(s) has not yet passed, shall be ineligible to apply for any additional CDBG funds unless the applicant has expended at least fifty percent (50%) of all CDBG funds awarded in 2012 and later. The requirements of this proposed regulation do not apply to ED OTC contracts. This is known as "The 50% Rule." Simply put, if a jurisdiction has not yet **expended** 50% of **all** the funds awarded through all of its open contracts (other than ED OTC), the jurisdiction is not eligible to apply for more funds. This includes all activities in a contract, from any and all Allocations. An example of this rule is in the NOTE at the bottom of Section **H** below.

F. Low-Mod Benefit Calculation

The Department is simplifying this policy in that all activities that are 100% income-qualified or Limited Clientele, and therefore eligible, will be scored for Need/Benefit based on jurisdiction-wide Low-Mod percentage (formerly "TIG Percentage"). We will use the HUD Low-Mod Percentage data. (See Appendix A)

If the jurisdiction uses a Target Area for the purpose of proving eligibility (51%+ Low-Mod level) on activities that are not 100% income-qualified or limited clientele, the Department will score them for Need and for Benefit on the same area and will require maps.

The Poverty percentage that makes up the other part of Benefit scores (along with Low-Mod percentage) will be jurisdiction-wide only, and the Department will use the Poverty Percentages we publish in the NOFA.

Some activities have scoring criteria that uses Census data. If the activity uses a Target Area for eligibility, the Department will use HUD Low-Mod data down to the Census Tract and Block Group for determining scoring.

For those activities using Census data for scoring, the Department will use the Census data provided in Appendix P.

G. PTA Cash Match

With the proposed regulation changes, the PTA Cash Match calculation will be named in the NOFA each year. In the past the calculation for PTA Cash Match has been difficult. Beginning with this NOFA, the State will require a simple percentage of the PTA amount requested. This amount will be announced in the NOFA each year. For this funding round the match amount required for PTA applications will be **5%**.

H. New Activity and Allocation Funding Limits

The new application maximum for the 2012 NOFA, as announced herein, is increased to \$2,000,000, with a maximum of 3 eligible activities. For the ED OTC Program the application maximum is \$3,000,000. The ED OTC is not counted as one of the 3 eligible activities of this NOFA.

Per State and Federal statutes, the application maximum (\$2,000,000) does not apply to the Native American (NA) and Colonia allocations; however the activity maximums will be the same as noted below for Community Development. Further, the NA and Colonia activities are also not counted as part of the maximum of 3 eligible activities of this NOFA.

CDBG Activity Funding Maximums by Activity:

1) Enterprise Fund:

- Business Assistance: \$300,000
- Micro-enterprise: \$300,000
- Combo Business Assistance and Micro-enterprise: \$500,000

2) Over-the-Counter: \$3,000,000

- 3) **Housing:**
 - Homeownership Assistance: Acquisition or Rehabilitation: \$600,000
 - Combo Homeownership Assistance: Acquisition and Rehabilitation: \$1 million
 - Multi-Family Residential Rehabilitation with or without Acquisition: \$1 million
 - Property Acquisition for Multi-Family Housing: \$600,000
- 4) **Public Improvements:** \$1,500,000
- 5) **Public Facilities:** \$1,500,000
- 6) **Public Services:** \$500,000
- 7) **Planning and Technical Assistance:** \$100,000
 - Maximum of 2 studies
- 8) **Un-scored Set Aside:** \$100,000

Note: Activity 7 OR Activity 8 above may be applied for, but NOT both.

- **See NOFA Section 6 below for more detail on maximum awards, activity limits and funding limits.**

Note: *The funding limits and the 50% Rule are interrelated. For example, if a jurisdiction received an award for \$1,500,000 for a Public Improvement project, \$500,000 to fund an Enterprise Fund activity, and \$600,000 for a Housing Rehabilitation program under the Native American Allocation (allowably exceeding the \$2,000,000 total activity cap due to the inclusion of the Native American activity), the jurisdiction would be required to expend \$1,300,000 (50% of the total \$2,600,000) to be eligible to apply for any additional CDBG funding except ED-OTC.*

I. Colonia Guidelines

Pursuant to CPD-11-001, the Department is amending its eligible activity policy for Colonia applications to reflect Colonia Specific Activities only. For the purposes of this NOFA, eligible activities under the Colonia allocation will be activities that directly improve residential concerns associated with a lack of potable water, lack of adequate sewage systems, and lack of decent, safe and sanitary housing.

All other eligible activities may be applied for from the Community Development Allocation and may be carried out within Colonia boundaries, provided the Colonia area is also an eligible nonentitlement area and the activities meet the National Objectives of LMI or LMA.

J. Individual Activity Allocations

After federal and/or State limits have been applied, each activity will be allocated a specific amount of funding from the annual HUD allocation to the State. The actual amount available in each individual activity allocation will be based on the actual application demand, expressed as a dollar amount, requested in each activity application. Funding for each activity will continue in rank order until that activity allocation has been exhausted. In the event that a particular activity allocation is under-subscribed, the remaining funds will be re-distributed to the remaining activities.

K. New Activity Limits

Applications may contain a maximum of three (3) activities. Jurisdictions may include any of the eligible activities, except the ED OTC, provided it adheres to the activity funding limits and the total application maximum stated in Section F above.

Of the three (3), one may be either:

- 1) A request for funding PTA activities (up to two studies as discussed in Section 6 below); **or**,
- 2) An un-scored Set-Aside activity with a maximum funding limit of \$100,000 for any other eligible activity (EF, Public Improvements, Public Facilities, or Public Services).

Note: *Applicants may apply for the PTA activity as a stand-alone application or as one of the three maximum activities within the application. The Department will create two PTA application pools: (1) applications for PTA only (PTA stand-alone) and (2) applications that include both PTA and other activities. Both pools will be allocated funding from the amount set aside for PTA, based on demand. Each pool will require the tie breaker process, as described in Section 13 of this NOFA, to be used if the demand is greater than the amount available. Therefore, no assurances can be made that an application including PTA activities will be funded, regardless if it is the sole activity in the application or part of a multi-activity application.*

Un-scored Set Aside activities included in an application will be funded only if one or more of the other activities applied for is/are funded. If none of the scored activities applied for are funded, the un-scored Set Aside activity also will not be funded.

Some of the activities may allow a jurisdiction to implement more than one program or project. Section 11 of this NOFA describes the eligible activities in more detail.

L. New Method for Scoring Applications

In conjunction with the changes to State Regulations pertaining to the CDBG Program, the Department has revised the scoring criteria and process for all activities. Applications are rated according to the criteria in the State CDBG Regulations, Section 7078.

- Each application will be scored using the new individual activity scoring system, which will rate and rank each activity against applications for the same activity. No averages or blending of scores for multiple activities will take place.
- With this new scoring method, a jurisdiction will be awarded or denied funding based on scores for each activity. For example, it is possible to be awarded funds for one activity, but not another, if one activity is competitive and scores well and another does not
- Set-aside activities will be eligible for funding if a jurisdiction scores high enough to be funded on one or more of the other activities (either one or both of the scored activities). If a jurisdiction is not funded for any of the scored activities, it will not be funded for the set-aside activity.
- Points will be awarded in four main categories: Need, Readiness, Jurisdictional Capacity /Past Performance, and State Objective points.
- Each of the four categories will be applied to all activities, although the type and weighting of the criteria within each category may differ for each activity.
- An application can receive a maximum of 900 points per Activity. This includes EF applications.

Please refer to Sections 6, Funding and Activity Limits, and 13, Evaluation Criteria for more details.

M. Definitions of Single Family Residential and Multi-Family Residential

Single Family Residential, as applied to eligible activities such as Housing Rehabilitation (HR) and Homeownership Assistance (HA) programs, is defined as one to four (4) residential units on a single property.

Multi-Family Residential applies to the eligible activities of Multi-Family Housing (MFH) Rehabilitation and MFH Acquisition/Rehabilitation, and is defined as five (5) residential units or more on a single property or within a single development complex.

HR and HA are deemed Programs, whereas MFH Acquisition and/or Rehabilitation is considered a Project. This is a critical difference when applying for any of these activities, as the application requirements and scoring criteria are significantly different. For example, Programs require Program Guidelines to be submitted as part of the application, whereas Projects do not. Please follow the instructions in the Application for these activities and provide the specific documents and information required.

N. One Contract for all Activities

There will be one contract for all awarded activities, whether they are CD, ED EF, PTA, Native American or Colonia activities. Only the ED OTC will have a separate contract in any given fiscal year. All CDBG reporting in regards to a contract will be consolidated, even if the contract includes CD and ED EF activities.

O. New Term of Grant Agreement

The Standard Agreement shall expire no later than 60 months from the date of award; however the expenditure deadline will be no more than 36 months from the date of the award.

FUNDING PARAMETERS

5. 2012 NOFA ALLOCATION

The State of California's CDBG 2012 program year funding allocation from HUD is anticipated to be approximately \$34,500,000. As noted above, the Department will be awarding 150% of the anticipated allocation from HUD. The following are the anticipated allocations of funds by program area in this NOFA. After removing allowable administration costs, the total amount to be available for Local Assistance at the 150% of allocation level is estimated to be \$48,500,000. The final amounts available per allocation and activity will be determined by the aggregate request of all eligible applications for each activity.

A. Economic Development (ED)

California Health and Safety Code 50827 and State CDBG Regulations, Section 7062.1 requires the Department to set aside 30 percent of the annual federal CDBG award for ED activities. The full 30 percent set aside for this, the 2012 NOFA, for ED is expected to be \$14,000,000. The split between the EF and the OTC Allocation will be initially set at 70/30 respectively but may be adjusted by the Department as circumstances warrant. This amount reflects \$1,000,000 being set aside for ED-PTA activities, as noted below.

B. Community Development (CD)

The CD Allocation amount is the balance of funds remaining after subtracting out all the different allocations (Economic Development, Planning, Native American, Colonia) and state allowed administration costs from HUD's annual allocation to the State. For this NOFA, this is estimated to be \$29,300,000.

C. Colonia

Section 916 of the National Affordable Housing Act of 1990, as amended, established an annual set-aside for activities benefiting the residents of Colonias. In accordance with direction from HUD, the State will set aside 5 percent of the allocation, an estimated \$2,500,000, for Colonia activities in this NOFA.

D. Native American

Pursuant to H&S Code Section 50831 and Title 25 CCR 7062, the State annually sets aside 1.25 percent of its CDBG award for grants to non-recognized tribes and Rancherias. This amount is expected to be approximately \$630,000 for this NOFA.

E. Planning and Technical Assistance

Pursuant to Health & Safety Code Section 50833(b), the percentage of the overall CDBG Allocation to be set aside for PTA grants. For Fiscal Year 2011-12, the Department anticipates this amount will be \$1,000,000 for Community Development PTA grants, and also approximately \$1,000,000 for Economic Development PTA grants, for a total of \$2,000,000 for all PTA grants.

6. FUNDING AND ACTIVITY LIMITS

- A.** Jurisdictions may apply for up to three (3) activities in one application. This includes any combination of three activities from the following list: Housing, Public Improvements (i.e.: Infrastructure), Public Facilities, Public Services, EF, and PTA. Note: ED OTC activities, Colonia activities, and Native American activities are separate and not counted in the three activity maximum or under the maximum funding cap of \$2,000,000.
- B.** A "Combo Program" of Housing Rehabilitation and Homeownership Assistance counts as one activity.
- C.** The Multi-Family Residential Rehabilitation activity may include only one project.
- D.** An EF Activity can be comprised of both a Business Assistance program and Micro-enterprise program and counts as one activity.

- E.** Within the application maximum of 3 activities, one PTA or one Un-scored Set-Aside activity, up to a maximum of \$100,000, may be applied for.
- F.** The Un-scored Set-Aside activity will not be rated or ranked. However, the application must include **all** documents related to the type of activity proposed, except for the Need section.
- G.** A public service activity is limited to a total of 3 public service programs per application.
- H.** An application can receive a maximum of 900 points per Activity.
- I.** Each application will be scored using the new scoring method, which will rate and rank each activity against applications for the same activity. No averages or blending of scores for multiple activities will take place.
- J.** With the new scoring method, a jurisdiction will be awarded or denied funding based on scores for each activity. For example, it is possible to be awarded funds for one activity, but not another, if one activity is competitive and scores well and another does not.
- K.** Set-aside activities will be eligible for funding if a jurisdiction scores high enough to be funded on one or more of the other activities (either one or both of the scored activities). If a jurisdiction is not funded for any of the scored activities, it will not be funded for the set-aside activity.

Maximum Award Limits for Each Allocation and Activity

- A.** Maximum total award limit will be \$2,000,000 including all activities except ED OTC, Colonia and Native American.
- B.** **Enterprise Fund Activity:** Business Assistance and Micro-enterprise: a single activity can be funded up to \$300,000 on (business assistance or Micro-enterprise). A combination of Business Assistance and Micro-enterprise activities may be funded up to \$500,000, in any combination of funding under the EF Allocation.
- C.** **Economic Development Over-the-Counter Allocation:** Up to a maximum of \$3,000,000 in funding per NOFA (may submit one or more proposals) per jurisdiction, per project. Two year awards for single projects may be considered for funding up to \$6,000,000 dollars. However, if a two year award is won, then the jurisdiction may not apply for more OTC funding in the next round.
- D.** **Housing Activity:** Maximum of \$1,000,000 encompassing any two categories listed below:

 - 1) Housing Rehabilitation (HR) or Homeownership Assistance (HA) (up to \$600,000); Housing Combo - HA and HR (up to \$1,000,000)

- 2) Multi-Family Rental Rehabilitation with or without Acquisition (up to \$1,000,000)
 - 3) Acquisition of Real Property - for multi-family housing projects (up to \$600,000)
- E. Public Improvements or Public Improvements In Support of Housing New Construction (PIHNC) Activity:** Up to a maximum of \$1,500,000 (maximum of one project).
- F. Public Facility Activity:** Up to a maximum of \$1,500,000 (maximum of one project).
- G. Public Service Activity:** Up to \$500,000 with a maximum of 3 Services (sometimes referred to as public service programs) per application, including Set-Aside activity.
- H. Planning and Technical Assistance (PTA) Activity:** Up to \$100,000 in funding is available for PTA activities.. No more than two studies per application, and may include either two CD studies, two ED studies, or one of each.
- I. Un-scored Set Aside Activity:** Up to \$100,000 in funding is available for an Un-scored Set Aside activity. The Set Aside may be any eligible activity other than a PTA, but it must be designated in the application as the Un-scored Set-Aside or it will be rated and ranked.
- J. Colonia and Native American Allocations:** Applications have the same maximums as noted in all activities above, and are in ADDITION to any Community Development or Economic Development applications. They are not subject to the \$2,000,000 award limit. If a jurisdiction is funded for ED and/or CD activities plus a Native American or Colonia award, the funding may be in excess of \$2,000,000 and the total activities may be more than three; however the entire grant will be contained in one contract.
- K. Use of Program Income (PI) for Activities in an Application:** PI may be added into the application in support of any non-RLA activity proposed. The proposed activity must be funded in order for the program income to be included in the grant contract. It is not necessary to attach PI to an activity that already has an established Revolving Loan Account (Housing Rehabilitation, Homeownership Assistance or Business Assistance).

Limited Number of Awards

All activity applications for funding, **except** for ED OTC and the Un-scored Set-Aside, will be competitively rated and ranked. PTAs will not be scored, but will be ranked via the Tie-Breaker process in the event of oversubscription. Funding will be awarded to applicants that score the highest in each specific activity, until the funding available for each activity is exhausted.

Limited Funding for Public Service Activities

Federal regulations limit the amount of CDBG funds which can be awarded for public service activities to 15 percent.

7. PROGRAM ADMINISTRATIVE AND DELIVERY COSTS

General Administrative Expenses

Grantees are allowed up to seven and a half percent (7.5%) of the total grant amount for reasonable General Administrative (GA) expenses related to administering the CDBG Program. However, the 7.5% is included in the overall application maximum of \$2,000,000. General Administrative costs include staff and related costs required for overall program management, coordination, monitoring, reporting and evaluation.

Jurisdictions may commit additional local, non-CDBG resources to GA beyond the seven and a half percent (7.5%). Applicants may choose to make a commitment of local funds for general administrative costs.

Activity Delivery Expenses

A portion of the grant award may be used to pay for the actual costs associated with the delivery of the proposed activity. Activity Delivery (AD) includes costs associated with staff and overhead directly involved with carrying out the activity.

Activity delivery costs vary, depending on the activity category, maximum amounts noted below:

- ED Over-the-Counter: not to exceed \$40,000
- Enterprise Fund: up to 15 percent
- Housing Rehabilitation: up to 19 percent
- Public facilities or public improvements:
(if *Complex Labor Standards* are justified*): up to 8 percent
- All other activities: up to 12 percent
- All other activities: up to 8 percent

* *Complex Labor Standards mean multiple subcontractors and/or numerous trades.*

Note: *Activity delivery costs are calculated as a percentage of the total activity amount not including general administration.*

Example: For a \$300,000 Homeownership Assistance Program with activity delivery costs of 8 percent, activity delivery would be calculated as follows:

$$\$300,000 - \$22,500 (7.5\% \text{ GA}) = \$277,500 \times 0.08(\text{AD}) = \$22,200 \text{ (activity delivery).}$$

Examples of calculating GA and AD costs for all eligible activities are in the Application.

Note: *In the event Activity Delivery costs are drawn down in the course of implementing the grant, and ultimately the activity does not proceed to its planned conclusion and a national objective or public benefit is not achieved by the date of expiration of the contract, then all activity delivery funds must be returned to the State.*

Activity Delivery Costs for Housing Combination Program

The activity delivery costs for the Housing Combination Program should be calculated based on the activity amounts being applied for and using the guidelines in the previous section. If the applicant gets awarded and decides to transfer funds between the two activities, then the activity delivery allocations will be re-calculated accordingly.

8. APPLICATION WORKSHOPS AND WEBINARS

In January and February 2012, the Department will present one-day application workshops in seven locations around the State, as well as a series of webinars regarding the eligible activities. The workshops are designed to assist eligible applicants in learning how to best assemble and submit a complete application. Presentations will include a brief overview of the State Program, a discussion of the application evaluation criteria for eligible activities, methods for submitting required documentation, and general information regarding the major federal overlay requirements that may affect funded activities.

Eligible applicants attending a workshop are encouraged to review the NOFA and Application prior to attending. Applicants should come to the workshops with their copy of the NOFA and Application, since electronic or hard copies of these documents will NOT be available at the workshops.

The schedule for application workshops and webinars is as follows:

APPLICATION WORKSHOPS

January 12, 2012	West Sacramento
January 17, 2012	Wasco
January 19, 2012	El Centro
January 20, 2012	El Centro - Colonia Roundtable
January 24, 2012	Anderson
January 26, 2012	Arcata
January 31, 2012	Chowchilla
February 2, 2012	Salinas

APPLICATION WEBINARS

January 18, 2012	Housing Activity
January 25, 2012	PTA Activity
February 1, 2012	Public Facilities Activity
February 7, 2012	Public Services Activity
February 8, 2012	Public Improvements Activity
February 9, 2012	Enterprise Fund Activity

Additional information about the workshop dates, times, and locations, as well as an Application Workshop RSVP form, along with webinar registration procedures, are detailed in **Appendix B**.

Note: *Applicants that anticipate attending one of the scheduled workshops are encouraged to send an Application Workshop RSVP form to the CDBG Program. This will help ensure that adequate seating is available for all participants.*

9. ELIGIBLE APPLICANTS AND AREAS

A. CDBG - Non-Entitlement Cities and Counties

In general, incorporated cities under 50,000 in population and counties with an unincorporated area population of under 200,000 persons are eligible to participate in the State CDBG Program. Eligible cities and counties may apply for funds under each Program component. The following exceptions apply:

- *If a city under 50,000 in population has entered into a three-year urban county Cooperation Agreement, that city cannot participate in the State CDBG Program until the expiration of the Agreement.*
- *If a city under 50,000 in population has been declared the central city of a Standard Metropolitan Statistical Area, it cannot participate because it is entitled to receive CDBG funds directly from HUD.*
- *If a jurisdiction is presently debarred, proposed for debarment, suspended, or declared ineligible pursuant to Title 24 CFR, Part 24 and 48 CFR Part 9, Subpart 9.4, the jurisdiction cannot participate in the CDBG Program.*

See **Appendix A** for a listing of the eligible non-entitlement cities and counties for the CDBG Program. This section also provides the poverty index for each jurisdiction and the percentage of low- and moderate-income persons in the jurisdictions.

B. Native American Allocation - Eligible Communities

- 1) Eligible cities/counties may apply for Native American Allocation funds on behalf of non-federally recognized Native American communities.

Pursuant to State CDBG Regulation, Section 7062, grant funds may be awarded to “eligible applicants for identifiable geographic areas within eligible cities and counties comprised of high concentrations of Native Americans not recognized as Indian Tribes, as defined in Section 102(a)(17) of the Act”.

Further, pursuant to State CDBG Regulation, Section 7062 “identifiable geographic areas comprised of high concentrations of Native Americans” means: “identifiable geographic areas comprised of no less than fifty one percent (51%) Native Americans not recognized as an Indian Tribe by the Act. An identifiable geographic area may be defined by locally accepted social, historical, physical, political, or past programmatic boundaries.” Additionally, the identifiable geographic area cannot be located on a Rancheria of a federally-recognized Tribe.

- 2) Pursuant to State CDBG Regulation, Section 7060(c), the applicant city/county does not need to be the same as where the Native American community is located provided the concentration of Native Americans is within an eligible city or county.
- 3) Eligible Activities is limited to housing and infrastructure that support housing. Pursuant to California Health and Safety Code 50831, the department shall utilize these funds *for the same purposes as those specified in Section 50828*. Section 50828 states that *not less than 51 percent of the funds be used for the purpose of providing or improving housing opportunities for person and family of low or moderate income, or for purposes directly related to the provision or improvement of housing opportunities for person and families of low or moderate income, including, but not limited to the construction of infrastructure*.
- 4) In the event that a city/county applies on behalf of a Native American Community that is located within another eligible city/county, a Joint Powers Agreement between the applicant city/county and the local city/county will be required.

Note: *Funding for this allocation, if not fully awarded, will be reallocated to fund additional Community Development activities.*

Per the discussion above regarding maximum funding limits for allocations, funding under the Native American Allocation does not impact the \$2,000,000 application maximum, nor does it impact the maximum number of activities, three, under this NOFA. Eligible jurisdictions may apply for Native American Allocation funds in addition to any other CDBG activity funding within this NOFA without invoking the program funding caps. Jurisdictions are encouraged to include activities benefiting eligible Native American communities in their application for CDBG funds. Requests for funding under the Native American Allocation must be included in the jurisdiction's application, and if awarded, will be included in the same grant contract as all other activities/funding awarded.

C. Colonia Allocations - Eligible Communities

Eligible jurisdictions which contain Colonia communities, as defined by the National Affordable Housing Act of 1990, may apply for these funds. A "Colonia" is:

- 1) Any identifiable community that is located within 150 miles of the border between the United States and Mexico, **except** within any standard metropolitan statistical area that has a population exceeding 1,000,000; and,
- 2) Any identifiable community that is designated by the State or county in which it is located as Colonia; and,
- 3) Any identifiable community that is determined to be a Colonia on the basis of objective criteria, including the lack of potable water supply, lack of adequate sewage systems, and lack of decent, safe, and sanitary housing; and,
- 4) Any identifiable community that was in existence and generally recognized as a Colonia before the enactment of the National Affordable Housing Act of 1990.

In compliance with CDP Notice 11-001, the availability of Colonia Allocation funds pursuant to this NOFA is limited to eligible jurisdictions that propose eligible Colonia-specific activities within designated Colonias. Colonia-specific eligible activities are those that address the needs of the Colonia in regards to the issues stated in Section 9C(3) above.

Per discussion above regarding maximum funding limits and maximum number of activities, funding under the Colonia Allocation does not impact the \$2,000,000 application maximum, nor does it impact the maximum number of activities, three, under this NOFA. Eligible non-entitlement jurisdictions may apply for these funds in addition to any other CDBG activity funding without invoking the program funding caps. Requests for funding under the Colonia Allocation must be included in the jurisdiction's application, and if awarded, will be included in the same grant contract as all other activities/funding awarded.

D. Non-Entitlement Funds Being Used in Entitlement Areas

States may not distribute State CDBG funds for uses that provide more than an “incidental benefit to residents of Entitlement Areas.”

For further information see 24 CFR 570.486 (b) and 106(d)(2)(D) of the Act.

For further information on this please see Management Memo 11-05.

10. THRESHOLD REQUIREMENTS

Pursuant to State CDBG Regulations, Section 7060, in order to be eligible to submit an application for funding, an applicant shall have met the following requirements at the time of application submittal:

- A. City or County must be a Non-Entitlement Jurisdiction (see Appendix A for list of Non-entitlement jurisdictions), or must not currently be party to an Urban County Agreement or participate in or be eligible to participate in the HUD administered CDBG Entitlement Program.***
- B. The applicant shall submit all the application information required in State CDBG Regulations, 7062.1, 7070 as applicable for the activities and funding allocations being applied for.***
- C. The applicant must demonstrate to the satisfaction of the Department that it is in compliance with the submittal requirements of OMB A-133, Single Audit Report.***
- D. Pursuant to State CDBG Regulation, Section 7080, applications must be in compliance with federal CDBG Public Participation regulations to be eligible for funding. Refer to Appendix D and E for requirements and sample governing body resolutions.***
- E. The application must have complied with all the requirements listed in Health and Safety Code Section 50830, regarding Housing Element law.*** Pursuant to the law, CDBG will not reject an application based on either the content of the housing element or the Department's findings on the element, except as may otherwise be provided in Section 50830 of the Health and Safety Code. The determination of compliance will be made by the Department's Housing Policy Development Division.

If you do not know the status of your **Housing Element**, call Paul McDougall, Manager of Department's Housing Policy Development Division, at (916) 322-7995 or pmcdougall@hcd.ca.gov to verify compliance.

Refer to **Appendix C** for Housing Element and Growth Control Requirements.

11. ELIGIBLE ACTIVITIES

OVERVIEW

- A.** Pursuant to the Housing and Community Development Act of 1974 (HCDA Section 105(a)), CDBG funds may be used for activities as discussed below in Section 11B: Economic Development, and Section 11C: Community Development.
- B.** For an activity to be eligible, it must be a HUD eligible activity as outlined and defined in the subsections (B) and (C) below, and must also meet a National Objective, pursuant to 24 CFR 507.483, as discussed further in Section 12 of this NOFA.
- C.** Planning and technical assistance is an eligible activity and may be applied for and funded under either the Economic Development allocation or the Community Development allocation. Details on this activity are discussed in Section 11.C.5 below.

ECONOMIC DEVELOPMENT

A. **Enterprise Fund**

1) **Business Financial Assistance Program**

Funds under this Activity are provided to eligible businesses as loans. Projects funded under this program fall under HUD's Special Economic Development Activities as per 42 USC Sections 5305(a)(14), 5305(a)(15) and, 5305(a)(17). Eligible loans are underwritten with standards and documentation similar to those used by private commercial lenders: credit scores, equity contributions, historic income, projected income, collateral, and debt coverage. In addition, loans must be underwritten using HUD underwriting standards Per 24 CFR 570.482(e). Businesses funded can be existing or startup companies. Loan funds are restricted to certain eligible activity costs as listed below.

a) **Eligible Uses of Funds**

- Financing of working capital to pay for marketing costs, operating expenses and inventory. (Documentation of need for working capital and inventory must be provided.)
- Financing of furniture, fixtures and equipment (FF&E). Also, purchase and installation of manufacturing equipment.

- Financing of interior and exterior repairs and property improvements to owner and renter occupied commercial properties (including permits, engineering and architectural costs). These improvements may include ADA accessibility improvements.
- Financing of demolition and reconstruction or repair of blighted buildings where the business will operate.
- Refinancing existing indebtedness when documentation of need is provided and when refinancing costs do not exceed 50% of loan funds requested.
- Financing of relocation costs of any displaced persons due to project development are also eligible under this program.
- Financing of offsite public improvements required as part of project's development.

b) Ineligible Uses of Funds

- Projects that do not create permanent jobs.
- Projects that assist housing development.
- Projects that are speculative in nature with no firm basis for sales projections and loan repayment.
- Payment of project costs incurred prior to loan approval and NEPA review completion.
- Projects which violate HUD job pirating prohibition (using CDBG funds to encourage a business to move from one labor market to another).
- Loans to Nonprofits - loans are restricted to payment of acquisition of real property or construction costs.

2) Micro-enterprise Assistance Program:

Funds under this Activity may be provided as three different services to eligible Micro-enterprise persons and businesses. Micro-enterprise activities can provide technical assistance services, financial assistance, and support services. Eligible Micro-enterprise businesses and persons, once qualified, are eligible for these three sets of services for up to three years, per 24 CFR 570.483(b)(iv). Micro-enterprises can be funded as existing or startup companies. Financial assistance must be provided only after underwriting and confirmation that the Micro-enterprise participant and their business are financially viable. Costs for the three services are restricted to certain eligible activity costs as listed below.

a) **Eligible Use of Funds**

- **Technical Assistance:**
 - Technical assistance classes which provide business training and capacity.
 - Technical assistance may be provided in the form of one-on-one training done with consultants to help businesses develop financial management tools and inventory controls for their company or developing a specific marketing plan (working with accountants to develop better accounting systems or use of accounting software).
- **Financial Assistance (must income qualify using the Part 5 method):**
 - Financing for working capital to pay for marketing costs, operating expenses and inventory. (Documentation of need for working capital and inventory must be provided.)
 - Financing for furniture, fixtures and equipment (FF&E). Also, purchase and installation of manufacturing equipment.
 - Financing for payment of interior repairs and property improvements to owner and renter occupied commercial properties (including permits, engineering and architectural costs). These improvements may include ADA accessibility improvements.
 - Financing for façade improvements to commercial properties.
 - Funds for relocation of any displaced persons due to project development are also eligible under this program.
- **Support Service Assistance**
 - Funds for payment of transportation costs to allow micro participants to travel to and from classes and technical assistance.
 - Funds for payment of child care services to support the Micro-enterprise program participant in attending technical assistance activities.

b) Ineligible Uses of Funds

- Assistance to non-profit agencies.
- Projects that assist development of housing.
- Payment of project costs incurred prior to loan approval and NEPA review completion.
- Financial Assistance to persons/families above 80% AMI.

B. ED Over-the-Counter (OTC)

OTC projects fall under HUD's Special Economic Development Activities as per 42 USC Sections 5305(a)(14), 5305(a)(15) and, 5305(a)(17).

- 1) An OTC project can consist of financial assistance to single business or a large number of assisted businesses served by common infrastructure. The most common form of OTC project is a single business with a single project where funds are provided as a loan to an eligible borrower.
- 2) Another type of OTC activity is for a multiple business assistance project when OTC funds are used to pay for infrastructure improvements in support of a new commercial development (shopping center or industrial park).
- 3) An OTC project can also pay for construction of a publicly owned business incubator facility, which provides support for growing local businesses in the community.

a) Eligible Uses of Funds

- Financing may be used to cover any offsite public improvements required as part of project development.
- Financing may be used for working capital to pay for marketing costs, operating expenses and inventory. (Documentation of need for working capital and inventory must be provided.)
- Financing may be used for furniture, fixtures and equipment (FF&E). Also, purchase and installation of manufacturing equipment.
- Financing may be used for payment of interior and exterior repairs and property improvements to owner and renter occupied commercial properties (including permits, engineering and architectural costs). These improvements may include ADA accessibility improvements.

- Financing may be used for payment of demolition and reconstruction or repair of blighted buildings where the business will operate.
- Financing may be used for refinancing existing indebtedness when documentation of need is provided and when refinancing costs do not exceed 50% of loan funds requested.
- Financing used for relocation of any displaced persons due to project development is also eligible under this program.

b) Ineligible Uses of Funds

- Projects that do not create permanent jobs.
- Projects that assist housing development.
- Projects that is speculative in nature with no firm basis for sales projections and loan repayment.
- Payment of project costs incurred prior to loan approval and NEPA review completion.
- Projects which violate HUD job pirating prohibition (using CDBG funds to encourage a business to move from one labor market to another).
- Non-profit financing is restricted to payment of acquisition of real property or construction costs.

- 4) Section 108 Loan Guarantees - The Department is reviewing the process and options for funding Section 108 Loan Guarantees for large Economic Development OTC projects. Please contact your Representative for more information.

COMMUNITY DEVELOPMENT (formerly "General")

C. Housing

A. Housing - Property Acquisition for Multi-Family Housing

a) Eligible Uses of Funds

This activity is intended only for the acquisition of property for the purposes of housing projects. If the applicant is interested in non-housing property acquisition, the applicant should apply under the activity that corresponds to the proposed use of the property (i.e. when proposing to acquire a public facility or the land upon which to build one, the applicant should apply under the Public Facility activity).

Eligible uses of funds include the following:

- Acquisition of existing rental housing, the majority of units of which are occupied by low or moderate income residents. This includes acquisition of rental housing projects with at-risk, project-based subsidies by the recipient (jurisdiction) or other public or private nonprofit entity.
 - *References: Title 24 CFR, Part 570.201(a) and Title 24 CFR, Part 570.208(a)(3).*
- Resident purchase of mobile home parks.
 - *Reference: Title 24 CFR, Part 570.201(n).*
- Acquisition of vacant land as part of an affordable housing development project.
 - *Reference: Section 105(a)(1) of the Housing and Community Development Act of 1974.*

Note: *Acquisition for the purpose of rehabilitation and re-use should be applied for under Housing Rehabilitation.*

b) Ineligible Uses of Funds

- The cost of moveable equipment, furnishings or machinery if this is the principal purpose of the activity.
- Acquisition of property that is then expected to be donated or sold for less than the purchase price to the same entity from which the property was originally purchased.
- Acquisition of newly-constructed housing or an interest in the construction of new housing, unless such housing is already constructed and for sale on the open market at the time that a commitment is made to use CDBG funds for such a purchase.

B. Housing - Homeownership Assistance: Single Family Residence Acquisition

a) Eligible Uses of Funds

Homeownership Assistance **Programs** that provide direct assistance to L/M (80% AMI or below) homebuyers for the acquisition of existing or new housing units, by using such assistance to:

- Subsidize interest rates and mortgage principal amounts;
- Finance the acquisition by L/M (80% AMI or below) Income homebuyers of housing that will be occupied by the homebuyers;
- Acquire guarantees for mortgage financing obtained by L/M (80% AMI or below) homebuyers from private lenders;
- Provide up to 50% of any down-payment required from the L/M (80% AMI or below) homebuyer; or,
- Pay reasonable closing costs incurred by L/M (80% AMI or below) homebuyers.

Reference: Title 24 CFR, Part 570.201(n.)

b) Ineligible Uses of Funds

- Homeownership assistance that would benefit a *non-* L/M (80% AMI or below) person or household. Or assistance to a homebuyer that does not occupy the home.

C. Housing Rehabilitation (HR) for Single Family Residential Programs and Multi-Family Rental Rehabilitation Projects - with or without Acquisition

a) Eligible Uses of Funds

- Financing of the costs of repairs and general property improvements to owner- and renter-occupied units, including repair or replacement of principal fixtures and components of existing structures (e.g., the heating system).
- Demolition and reconstruction of dwelling units (under certain circumstances).
- Loans for refinancing existing indebtedness secured by a property being rehabilitated with CDBG funds if such financing is determined by the grantee to be necessary or appropriate to achieve the locality's community development objectives.
- Water or sewer laterals from the main water line to the dwelling, regardless if the main water line or any part of the lateral is located in a public right of way.

- Improvements to increase the efficient use of energy in structures through such means as installation of storm windows and doors, wall and attic insulation, and conversion/modification/replacement of heating and cooling equipment, including the use of solar energy equipment.
- Improvements to increase the efficient use of water through such means as water savings faucets and shower heads and the repair of water leaks.
- Initial homeowner warranty premiums when rehabilitation is carried out with CDBG funds.
- Hazard insurance premiums when rehabilitation is carried out with CDBG funds, except where assistance is provided in the form of a grant.
- Flood insurance premiums for properties covered by the Flood Disaster Protection Act of 1973 and for which the rehabilitation is carried out with CDBG funds.

Note: *The following two items relate only to Multi-Family Housing Rehabilitation activities:*

- Conversion of commercial properties into housing units.
- Conversion of a non-residential structure (closed school building, closed military facility, etc.) to residential (adaptive reuse).

Reference: Title 24 CFR, Part 570.202

b) Ineligible Uses of Funds

- Creation of a secondary housing unit attached to a primary unit.
- Installation of luxury items, such as a swimming pool.
- Costs of equipment, furnishings, or other personal property which are not integral structural fixtures, such as a window air conditioner, washer or dryer, etc.
- Labor costs for owners to rehabilitate their own property.

c) Other Considerations

Single Family Residential Housing Rehabilitation activity is a program involving properties that are 1 to 4 units, whereas Multi-Family Rental Housing Rehabilitation activities are for properties with 5 or more units, and are deemed a project.

Single Family Residential Housing Rehabilitation programs require guidelines adopted by resolution by the governing body of the jurisdiction, while projects do not require guidelines. However MFH projects will be reviewed for feasibility as well as true financial need. As stated in the NOFA and Application, only one Multi-Family Housing Rehab project is allowed per application.

4. **Housing - Combo Homeownership Assistance: Acquisition and Rehabilitation**

a) **Eligible Uses of Funds**

This activity combines the Housing Rehabilitation and Homeownership Assistance Programs. It provides greater flexibility by allowing grantees to transfer CDBG funds between the two programs without having to execute a formal contract amendment. Grantees will need to inform the Department in writing each time funds are moved, and written approval for transfer between the two programs will be required.

For details on eligible and ineligible activities, please refer to the Housing Rehabilitation and Homeownership Assistance sections above.

Note: *In order to be considered for a housing combination program, the application must include the forms and support documentation for both activities.*

b) **Ineligible Uses of Funds**

For ineligible activities, please refer to the Housing Rehabilitation and Homeownership Assistance sections.

5. **Housing - Housing New Construction**

a) **Eligible Uses of Funds**

Pursuant to 24 CFR, Part 570.207, the construction of new permanent housing structures is **ineligible** for CDBG assistance, except under the following limited circumstances:

Construction of **last resort** housing when a jurisdiction is providing a displaced person with a comparable replacement dwelling unit and this can only be accomplished by new construction. Last resort housing provisions are set forth in federal regulations Title 24 CFR, Part 42, Subpart I. Documentation demonstrating the efforts to relocate individuals must be submitted with the application if last resort housing or displacement is part of the application.

Reference: Title 24 CFR, Part 570.207(b)(3)(i).

Note: Generally, activities in support of new housing construction projects are eligible under Public Improvements in Support of Housing New Construction.

b) Other Considerations

- Project Completion: Construction of all housing units must be completed and the housing must be occupied **prior to the expiration of the CDBG Grant Agreement.**
- Conversion of a non-residential structure to residential (adaptive reuse) is not considered to be a housing new construction activity, and is eligible under Housing Rehabilitation.

D. Public Improvements and Public Improvements in Support of Housing New Construction (PIHNC)

a) Eligible Uses of Funds

- The costs of construction, reconstruction, rehabilitation or installation of a public improvements project, including water and sewer facilities, flooding and drainage facilities, street improvements (including sidewalks, curbs, and gutters), and utilities.

For Public Improvements to be eligible under the Community Development Allocation, the project must be located in and serve a predominantly residential area. The applicant must attach a map indicating the use of all properties in the service area of the project.

- CDBG funds can be used for public improvements in support of housing new construction projects. The following are eligible uses of CDBG funds in conjunction with the actual construction of new permanent housing:

Off-site improvements such as utilities, streets, curbs and gutters, sidewalks, flood and drainage improvements, and playgrounds only where specifically required as a condition of the housing project approval and where the improvement is necessary to the development. If the proposed improvements are not a **condition of approval**, then the activity will be deemed a non-specific public improvement project and the application for that activity will be evaluated for eligibility, and scored, on the basis of area benefit.

Reference: Title 24 CFR, Part 570.201(c) and 207(3).

b) Ineligible Uses of Funds

- Costs of operating and maintaining public improvements.
- Costs of purchasing construction equipment.
- For Public Improvements in Support of Housing New Construction - Off-site improvements that are not a condition of approval for the new housing development.

c) Other Considerations

Project Completion: For public improvements in support of housing new construction, the construction of all housing units must be completed and the housing **must be occupied** (regardless of any other funding sources in the project) **prior to the expiration of the CDBG Standard Agreement**.

Note: *Current CDBG policy allows the term of grant agreements to be 60 months from date of award letter for this type of activity in order to allow for Low-Mod benefit; however, all CDBG funds must be expended within the first 36 months of the date of award letter.*

E. Public Facilities

a) Eligible Uses of Funds

- Acquisition, rehabilitation, or new construction of buildings and grounds used for public purposes such as training, health services, education, recreation, nutrition, shelter, day care, temporary housing, and fire protection. For a public facility to be eligible, it must be used for public purposes as described in this item, or provide eligible public services as described in Section 11.F below.
- The acquisition of real property (including air rights, water rights, easements, rights-of-way, and other interests therein) is eligible if the property meets any of the following criteria:
 - Blighted, deteriorated, deteriorating, undeveloped or inappropriately developed from the standpoint of sound community development and growth;

- Appropriate for rehabilitation or conservation activities;
 - To be used for the provisions of public works, facilities, and activities eligible for assistance under this title;
 - To be used for other eligible public purposes; or,
 - The acquisition of land for use as a park serving primarily a residential neighborhood that is predominantly low- to moderate-income.
- **Temporary Housing:** For housing-related activities to be eligible as a public facility, both the facility and the services therein must be designed for use in providing temporary shelter for persons having special needs. Such shelters would include, but not be limited to, nursing homes, convalescent homes, shelters for victims of domestic violence, shelters and transitional facilities for the homeless, halfway houses for runaway children or drug offenders or parolees, group homes for the developmentally disabled, and seasonal housing for migrant farm workers.

Note: *Costs for design features which promote the energy efficiency of the proposed public facility activity may be included.*

- If a public facility contains multiple uses, including eligible and ineligible uses, it could still receive CDBG assistance if:
 - *The portion of the building which will house the eligible uses will occupy a designated and specific area demonstrated by building drawings/plans.*
 - *The applicant can determine the costs attributable to the portion of the facility proposed for assistance as separate and distinct from the overall costs of the multi-use building.*

b) Ineligible Uses of Funds

- Buildings used for the general operation of local government are not eligible as public facilities, except that the removal of architectural barriers from such buildings is an eligible activity. Please see the note below regarding Section 504 compliance.

- The costs of maintaining or operating a public facility are not eligible as a public facility activity, but may be eligible under the public service activity.
- Refinancing loans on existing public facility buildings is not an eligible use of CDBG funds, unless the refinancing takes place in conjunction with the rehabilitation of the building.
- Permanent housing.
- Time-sharing of eligible and non-eligible uses for the same space.

c) Other Considerations

Use Limitation Agreement: For property acquired or improved in whole or in part using CDBG funds in excess of \$25,000, a Use Limitation Agreement will be required to be in effect for at least five years after the close out of the CDBG contract, to ensure that the eligible public services will continue to be provided.

Reference: Title 24 CFR, Part 570.505(a)

Section 504 Compliance: Rehabilitation of buildings used for the general operation of local government must comply with the requirements detailed in Section 504 of the Rehabilitation Act of 1973, including obtaining a certificate of compliance from the architect documenting that the facility meets Section 504 accessibility requirements.

Reference: Section 504 of the Rehabilitation Act of 1973

F. Public Services

a) Eligible Uses of Funds

CDBG funds may be used to provide public services including labor, supplies, materials, and other costs. Funding operating and maintenance costs in the facility providing the service is allowed under this category. Public services include, but are not limited to:

- Child Care
- Health Care
- Crime Prevention
- Job Training

- Recreation Programs
- Education Programs
- Fair Housing Counseling
- Credit Counseling Services
- Public Safety Services
- Services for Senior Citizens
- Services for Homeless Persons
- Drug and Alcohol Abuse Counseling and Testing
- Transportation Services
- Nutrition Services
- Energy Conservation Counseling and Testing
- Emergency Assistance Payments
- Code Enforcement

b) Ineligible Uses of Funds

- Political Activities
- Religious Services
- Governmental Operations
- Ongoing Grants or Non-emergency payments to individuals for the food, clothing, rent, utilities, or other income payments—beyond three months.

c) Other Considerations

Federal regulations restrict the use of CDBG funds for public services by the following:

- The service must be new, in that it has not been provided before, or has been discontinued for more than 12 months prior to the date the final filing date of the application. Public services currently funded with CDBG grant funds are not subject to this rule and are considered eligible activities.
- The proposed service must be a quantifiable increase in the level of service over the past 12 months. However, CDBG funds may not be used to replace (“supplant”) funding previously provided by the local government.
- CDBG funds may not be used to provide on-going grants or non-emergency aid (more than three months) to individuals for their food, clothing, rent, utilities, or other income payments.

Note: *The State CDBG allocation for public services cannot exceed 15 percent of the total award to the state.*

G. Planning and Technical Assistance (PTA)

a) Eligible Uses of Funds

The Community Development (CD) allocation focuses on research, analysis, and planning for community needs in regards to: housing; public improvements; community facilities; public services; and local planning issues.

The ED allocation focuses on business development and job creation through analysis of business development opportunities via business attraction. ED planning grants also help develop analysis of needs and impediments to growth of local businesses (lack of infrastructure or financing). Planning grants for ED can also consist of local economic development plans to guide the jurisdictions growth over the next five years.

Pursuant to HUD regulations, CDBG funds may be used for:

- *Studies;*
- *Analysis;*
- *Data gathering;*
- *Preparation of plans; and,*
- *Identification of actions that will implement plans.*

Under HCDA Section 105(a)(14), planning activities may also be carried out by public or private nonprofit entities.

Call your CDBG representative if you have any questions about eligible activities.

b) Ineligible Uses of Funds

- Planning and capacity building activities do not include:
 - Engineering, architectural, and design costs related to a specific project (for example, detailed engineering specifications and working drawings); or,
 - Other costs of implementing plans.
- In addition, the list below gives examples of activities that are ineligible, with possible exceptions. *CDBG encourages applicants to contact a CD or ED Representative if there are any eligibility questions.*
 - Housing Element preparation for Jurisdictions in which fewer than 51 percent of residents are Low-Mod as documented by the federal census.

Exception: *Costs incurred for the preparation of that portion of the Housing Element in which affordable housing is addressed is eligible. See also below under comprehensive planning.*

- Day-to-day operations of local government or private or public organizations serving the community or region.

No Exception

- Comprehensive, general or long- range planning:
 - Comprehensive means the study was conducted for more than half of the geographic area in the jurisdiction, and includes two or more topics regarding the physical development of the jurisdiction.
 - General means the documents include summaries of broad policies or proposals that are not site-specific.
 - Long-range means the time-frames for the policies and proposals are five years or more.

Exception: Comprehensive planning is allowed if the planning is carried out in a geographic area in which 51 percent or more of the residents are Low-Mod income as documented by the federal census or income survey completed within the last five years, and the applicant can document that the comprehensive plan will primarily benefit Low-Mod income persons.

c) Other Considerations

Cash Match Requirements - *The PTA activity requires local matching funds to be committed to the activity, per Health and Safety Code 50833.* For Fiscal Year 2011-12, all jurisdictions applying for a PTA activity will be required to commit a minimum of five percent (**5%**) of the total funding amount as a required cash match. For more information on this requirement, please see **Appendix K** and the PTA activity section of the Application.

12. NATIONAL OBJECTIVES AND PUBLIC BENEFIT REQUIREMENTS

COMMUNITY DEVELOPMENT (formerly "General")

A. Meeting a National Objective

According to 24 CFR Section 570.483, to be eligible for funding, every CDBG-funded activity must meet one of the following three national objectives of the program. The national objectives are:

- *Benefit to low- and moderate-income persons; or,*
- *Prevention or elimination of slums or blight; or,*
- *Urgent Need, which is meeting other community development needs having a particular urgency because of existing conditions that 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. (Urgent Need is not eligible.)*

CDBG statutes and regulations allow for three national objectives to be met by eligible activities, however, under this NOFA only two of the three national objectives can be used for eligible CDBG activities. The most commonly used is benefit to low and moderate income individuals or households, which is allowable for Community Development activities and Economic Development activities. Elimination and prevention of slums and blight is only allowed for Economic Development activities. See the HUD Guide to National Objectives and Eligible Activities for State CDBG Program at: [HUD Guide to National Objectives and Eligible Activities for State CDBG](#)

If an eligible activity is not documented in the application as meeting one of the allowable CDBG national objectives, then the activity will be deemed ineligible and the jurisdiction will be ineligible for funding. As such, the application must clearly document how the CDBG national objective will be met.

There are a number of different ways to meet the national objective of benefit to low and moderate income persons, based on the proposed activities. Each of these methods is designed to document that households benefiting from CDBG eligible activities are at or below the Department's annual published limits of eighty percent (80%) or less of county median income, adjusted for family size. Below is a description of how documentation for meeting the national objective of benefit to low and moderate income persons is achieved for the different eligible activities.

Economic Development activities documentation for meeting both national objectives and public benefit requirements is also discussed in Section 12 (B) below. Also refer to **Appendix I**.

B. Meeting the Low- and Moderate-Income Benefit National Objective

At least 51 percent of the beneficiaries of an eligible activity shall be Low- and Moderate-Income (LMI) individuals or households. LMI is defined as beneficiaries whose incomes are 80 percent or less of area median household income, adjusted for family size.

LMI must be documented for all CD activities except housing rehabilitation and homeownership assistance programs, which are income-restricted activities, whose beneficiaries must be 100 percent LMI. The most up to date CDBG Income Limits can be found on our website at [Income Limits](#)

For target-area Low-Mod Area (LMA) benefit information by Census Tracts/Block Groups, visit: [HUD Low-Mod Census Tract/Block Groups](#).

Each application must document how the proposed activity will principally benefit Low- and Moderate-Income beneficiaries. Different activities can have LMI or LMA benefit documented in a variety of ways; therefore, refer to the Application for each specific activity regarding how to provide the proper documentation. Failure to adequately document the level of benefit for the proposed activity may result in denial of funds.

C. Beneficiaries

Beneficiaries may be measured by people, housing units, households or jobs. The type of beneficiary associated with an activity is stated within each specific Application Activity Instructions/Forms. When defining who the beneficiaries are, please also include a breakdown by very low-, low-, and moderate-income beneficiaries as requested in the Application. Very-Low-income refers to individuals or households whose incomes are 50 percent or less of area median household income, adjusted for family size.

Beneficiaries of grant funding must have received the benefit prior to expiration of the contract. The funded project or program must be in use by the intended beneficiaries prior to contract expiration to demonstrate that the benefit has been met. Under the Public Improvements in Support of Housing New Construction (PIHNC) activity, completion of the infrastructure construction is not sufficient to meet benefit; the housing units associated with the project must be occupied. Additionally, the completion of a facility in which no services were provided before the expiration of the contract would also be considered to not have met benefit.

>>*Please refer to **the Application** for further instructions on Beneficiaries*<<

ECONOMIC DEVELOPMENT

Business Assistance and Over-the-Counter Project Activities

A. Meeting the CDBG National Objective of Benefit to Low-/Moderate-Income Persons

ED activities receiving funds under an EF Allocation business financial assistance program or from the OTC Allocation OTC are activities that fall under HUD's "Special Economic Development Activities", as per 42 USC Sections 5305(a)(14), 5305(a)(15) and, 5305(a)(17), which address funding of for-profit businesses with CDBG monies. Because public funds are being used to assist a for-profit business, HUD requires that the business create permanent full time jobs (see job creation / public benefit requirement description below). The job creation requirement is called the "Public Benefit" requirement.

Public Benefit is met by requiring the business to provide at least fifty one percent (51%) of the new job positions being created at the business, to Low-Mod income persons. If a business is not able to create the proper number of job positions, based on the amount of CDBG funding received, OR are not able to document that over half of the positions were provided to Low-Mod income persons then the project may be deemed ineligible due to not meeting the low and moderate income national objective. When a CDBG eligible activity does not meet a national objective then the local jurisdiction may be required to repay those funds to the state and the state, may, in turn, be required to repay those funds to HUD.

Further, documentation of Public Benefit requires that the business be profitable. Documenting the profitability of a business over the next two to three years is very challenging and poses greater risks in the complex process of underwriting a business loan/project. If assumptions about future growth of the business are not properly confirmed and documented in the project underwriting process, there is a good chance the business will not grow and thus be unable to support the permanent full time job positions required to meet the Public Benefit National Objective. As a result, the Department oversees CDBG ED projects closely during project development and underwriting.

B. Meeting the CDBG National Objective of Prevention/Elimination of Slums or Blight

These Special ED Activities are allowed to use a second national objective for HUD compliance. This is the prevention or elimination of slums and blight, using either the Area Basis regulations or the Spot Blight regulations.

1) Area Basis - Aid in the Prevention or Elimination of Slums or Blight (24 CFR 570.483(c)(1)):

Business assistance projects may use Area Basis to meet the national objective. However, this is limited to 30% of activity expenditures and each project must be approved by the Department. Projects proposing to meet this objective must be located in an area which the jurisdiction has formally declared as blighted. For example, redevelopment areas are, by state law definition, areas of blight. HUD also has standards for jurisdictions to use in making a local determination of blighted areas. See the Application for detail on how to use HUD standards.

With the project area being defined as an area of blight, the CDBG project must actually result in the elimination of blight. For example, if a project site contained a building which did not meet health and safety building codes or needed earthquake retrofit improvement because of safety concerns AND the project development scope of work addressed and remedied these health and safety concerns, the project could qualify under this national objective. If the project's building is not blighted, the project would not qualify even though it is in a blighted area. In the same way, a vacant parcel of land in a blighted area would not qualify under this national objective just because it was vacant. However a "Brownfield" development site, located in a blighted area, which is being cleared of toxics as part of project development, would be eligible. Department staff should be consulted as part of making a final determination of project compliance with this national objective.

2) Spot Basis - Aid in the Prevention or Elimination of Slums or Blight (24 CFR 570.483(c)(2)):

Another way to meet the HUD national objective of elimination of slums and blight is on a Spot Basis. In this case, the CDBG funded ED project does not need to be in a documented area of blight. However, the project must be formally documented as blighted, i.e. having serious health and safety violations, by the jurisdiction. In addition, the CDBG funds must pay for the correction of the code violations and eliminate the blighted conditions. This is a way to use the elimination of slums and blight on a project by project basis without having to designate an area as blighted. Department staff should be consulted as part of making a final determination of project compliance with this national objective. Refer to the Application for details on how to use HUD standards for meeting this national objective.

Special ED Activities Must Provide Documentation of Public Benefit

The public benefit requirement for these CDBG ED activities is met through documenting the creation or retention of one permanent full time equivalent job position for each \$35,000 in CDBG funds provided directly to an ED project. A permanent full time equivalent (FTE) position is defined by the number of annual hours worked by a staff in that position, specifically defined by the Department as 1,750 hours per year. An FTE may be made of up to four (4) permanent part-time job positions. Seasonal jobs are not eligible. Owners of the company are not eligible to count as jobs created, specifically for startups. Like meeting a CDBG national objective, projects receiving CDBG funds but not documenting public benefit compliance are ineligible activities. **An ineligible activity, not meeting public benefit requirements, may be required to repay those ineligible project expenses to the State and the State in turn may repay those funds to HUD.**

Because of this risk of repayment of CDBG funds with Special ED Projects (business assistance program projects under the EF and OTC projects), the Department subjects these projects to a higher level of review. Applicants using CDBG funds for Special ED Activities to assist local businesses expand or stay in business must clearly document how the proposed loan program or OTC project will ensure compliance with HUD public benefit and national objective regulations. In the application, the Department will require submittal of business assistance program guidelines and loan documents that include language requiring compliance with public benefit and national objectives. The program guidelines will also describe the process to be used by the program administrator to document compliance of each project. Successful applicants under the OTC Allocation for larger ED projects must develop their project application and complete the project underwriting using a partnership of Department staff, jurisdiction / applicant staff, commercial underwriting consultants and the business owners and staff.

C. Meeting a National Objective for Micro-enterprise Assistance Activities

Micro-enterprise activities funded under the EF allocation must meet the National Objective of benefit to low- and moderate-income (LMI) persons. Micro-enterprise activities may NOT use the National Objective of Elimination of Slums and Blight. To meet the National Objective of benefit to LMI persons, each participant receiving CDBG assistance must be documented as Low-Mod income per HUD and State standards. There is no use of "Low-Mod income area benefit" (LMA) for Micro-enterprise. Documentation of income eligibility for each Micro-enterprise program beneficiary must be on file prior to providing any CDBG micro services (technical assistance, support services, financial assistance).

The benefit types for Micro-enterprise program services are divided into indirect benefit and direct benefit, and each have different income eligibility requirements and different income documentation requirements for beneficiaries of the program services.

Indirect Benefit: Micro-enterprise technical assistance services and support services provide indirect benefit, and as such the service beneficiaries must be documented as income eligible using the Department's Income Self-Certification form. This is similar to public service activities funded under the Community Development activities.

Direct Benefit: *Micro-enterprise financial assistance services are considered direct benefit, and as such, each beneficiary must be documented as income eligible using the Part 5 process as detailed in the Department's Income Calculation and Determination Guide for Federal Programs on our website at [Income Manual](#). Micro financial assistance income documentation using Part 5 is the same process as that used for housing rehabilitation activities funded under the Community Development Allocation.*

Applications requesting funds for Micro-enterprise program services must clearly document that the applicant can and will provide proper income eligibility for each of the micro services being proposed. For example, if an applicant wishes to provide financial assistance, then the application must contain proper documentation of including the Part 5 income process into the proposed program prior to commitment of financial assistance. In addition, the application must document staff qualifications for conducting Part 5 income eligibility process. If an applicant is providing technical assistance or support services the application must describe how and when the participants will be completing the self certification forms and document the proper Department income self-certification forms will be used. Micro-enterprise assistance activities use an income certification form (similar to the one used for business assistance) to document Low-Mod benefit to program beneficiaries.

In addition to documenting that a micro beneficiary meets the CDBG national objective of LMI benefit, the micro program must be able to document any businesses assisted have five or fewer employees (including owners). This documentation of micro size must be on file along with income documentation. The income certification form used for Micro-enterprise services documents both the size of the business and the income of the owner of the business.

APPLICATION REVIEW AND EVALUATION

13. EVALUATION CRITERIA AND SCORING POINTS

Applications are rated according to the criteria in the State CDBG Regulations, Section 7078.

- All applications will be evaluated for Threshold/Eligibility based on documentation of meeting National Objective and Beneficiary requirements. Details on documenting these criterion and Poverty, see **Appendix I**
- Points will be awarded for this funding round in three main categories:
 - Need;
 - Readiness; and
 - Jurisdictional Capacity/Past Performance.

Note: *State Objective points will not be applicable in this 2012 funding round, however, starting with the 2013 NOFA funding round, the State may make available additional points for State Objectives,*

- Each category will be applied to all activities, although the type and weighting of the criteria within each category may differ for each activity.
- The maximum possible score for this funding round, 2012 NOFA, is 900 points.

Below is each activity under the Economic Development and Community Development allocations, with the criteria and scoring details.

ECONOMIC DEVELOPMENT - ENTERPRISE FUND

Applications may seek funding for one of the following: Business Assistance Program, Micro-enterprise Assistance Program, or both. A combined application will be scored using 50% of the scores for both Business Assistance and Micro-enterprise added together, regardless of the dollar amounts for each activity. A weighted average calculation based on the amount of funded requested for each activity will not be used.

Each application will be:

- A. *Evaluated and scored;*
- B. *Assigned a numerical score; then,*
- C. *Ranked against all the other applications that have been scored.*

A discussion of point allocation is below. A maximum score of 900 points is assigned according to the criteria chart in **Appendix U**.

Need/Benefit: (Up to 400 Points) –

Need (up to 350 points out of 400) - includes point accumulation for unemployment percentage and market analysis.

Benefit (up to 50 points out of 400) includes point accumulation for poverty percentage.

See **Appendix U** for further details.

Readiness: (Up to 300 Points) –

Readiness includes point accumulation for program description, description of program operators, and program operator status (what their role will be).

Capacity/Performance: (Up to 200 Points) –

Capacity/Performance includes point accumulation for timely clearance of special conditions, jurisdictional capacity, report timeliness and accuracy and cooperation/compliance in clearing audit findings. See **Appendix U** for further details.

ECONOMIC DEVELOPMENT - OVER-THE-COUNTER

A. The Project Pre-Screening

Early communications between the project stakeholders and Department on the project design and underwriting help make a stronger project and ensures all parties (the jurisdiction, business/developer, and consultants) are aware of their responsibilities. Early involvement and communication also helps expedite the application process and ensures the applicant's ability to address issues likely to be raised by the Economic Development Advisory Committee (EDAC), which is the Department's ED Loan Committee.

The pre-screening process starts with the jurisdiction and the business/developer filling out a "Talking Points" form (**see the OTC Application.**) One or more conference calls will take place with representatives of the jurisdiction, the business owner/developer and the Department, to assess and determine if the project is a good match for OTC funding.

The Project Initial Proposal Form will contain basic information about the proposed project:

- 1) The history of the business(s) being underwritten with historic sales, financial and management capacity.

- 2) A description of the structure of each business and ownership of business and any other businesses the owners have an interest in.
- 3) A Sources and Uses form with all sources of financing needed for the project.
- 4) The total Sources and Uses, backed up with documentation of additional funding commitment when possible.
- 5) A job projection chart completed, and a description of federal overlay compliance.

The Project Initial Proposal Form is found within the OTC Application. This form allows the Department to evaluate the viability of the project, identify project issues, and communicate the OTC program parameters and requirements.

B. Project Proposal Meeting

Upon receiving and reviewing the initial proposal, the Department will schedule a site visit or conference call with all parties to review the proposal. Attendees at the site meeting/conference call should include a representative of the applicant jurisdiction (including the underwriter), the developer and/or business owner receiving assistance, and the CDBG Economic Development staff. The private developer or business will be required to bring all pertinent project and financial information to this meeting. If the outcome of the meeting/call is the project is deemed reasonable and eligible for CDBG funding, and project sponsors are willing to provide additional information for a complete application, the Department will invite the jurisdiction to apply.

C. Invitation to Submit an Application

When the Department has determined the project is ready to move forward in the application process, the jurisdiction will be invited to submit a full application to the Department. An invitation to submit a full application is based on readiness factors, such as:

- 1) Market and financial feasibility of the project showing increased cash flow to cover all debt and job creation costs;
- 2) Full funding available for completion of the project activities;
- 3) Approval status of local regulatory agencies for the proposed project;
- 4) Ownership/control status of any real estate needed for the project;
- 5) Applicant staff financial underwriting and grant management capacity;

- 6) Public benefit eligibility via project creation/retention of jobs; and,
- 7) National objective eligibility via low income jobs created / retained or elimination or prevention of slums and blight.

D. Application Submittal

ED OTC applications are accepted on a continuous basis until all funds are awarded for the funding year. Upon receipt of an application, the Department will review the application to consider:

- 1) Completeness: The application will first be reviewed for completeness. Incomplete applications will be returned to the applicant within **thirty (30) days** of receipt, along with a written explanation of deficiencies that must be corrected prior to resubmission.
- 2) Threshold: Upon passing the completeness process, the application will undergo a minimum-threshold test. If the application fails this test, it will be returned to the applicant with a written explanation of deficiencies that must be corrected prior to resubmission. The threshold review is conducted according to criteria specified in State CDBG Regulations, Section 7062.1 (c) (4). The application must attain at least 50 of the 80 threshold points. The factors are listed below:

FACTOR	MAXIMUM NUMBER OF POINTS
<ul style="list-style-type: none"> • Percent of countywide unemployment relative to the statewide average 	25
<ul style="list-style-type: none"> • Ratio of CDBG funds per unit of public benefit: A maximum of \$35,000 per job created or retained; or • \$350 per low-/moderate-income person served 	15
<ul style="list-style-type: none"> • Ratio of private funds to CDBG funds 	15
<ul style="list-style-type: none"> • Quality of applicant's past performance of CDBG ED grants 	15
<ul style="list-style-type: none"> • Percent of funds allocated to applicant's general administrative costs 	10
Total Points Possible:	
80	

- 3) Underwriting Review: Upon passing the threshold test, the application's financial underwriting will be reviewed using HUD underwriting guidelines. The evaluative factors used, specified in the State CDBG regulations, Section 7062.1, assess whether the following conditions or circumstances are present:
 - a) Project costs are reasonable;
 - b) All sources of project financing are committed;
 - c) To the extent practicable, CDBG funds are not substituted for non-federal financial support;

- d) The project is financially feasible;
 - e) To the extent practicable, the return on the owner's equity investment will not be unreasonably high; and,
 - f) To the extent practicable, CDBG funds are disbursed on a pro rata basis with other finances provided to the project.
- 4) EDAC Submission and Recommendation: The final step is submission of the application to the EDAC for the CDBG Loan Committee review and recommendation, at a public meeting held approximately **forty-five (45) days** from the receipt of a complete application.

This submission involves the Department preparing a staff report of the project, recommending approval or denial of the application. In addition to the staff report, the applicant and/or business/developer makes a presentation to the EDAC on the project. The EDAC accepts, rejects or modifies the staff recommendation. The EDAC votes on a funding recommendation to be provided to the Director of the Department who has final approval authority. The Director's funding decision is made **approximately sixty (60) days** from the receipt of a complete application.

COMMUNITY DEVELOPMENT (formerly "General")

Criteria for evaluating applications include: 1) Threshold Review and 2) Review for Activity Eligibility. Threshold Review results in a determination of jurisdictional eligibility. Eligible applicants/applications will then go through Activity Eligibility Review and scoring. Threshold requirements are listed in Section 10 above and documentation supporting compliance with these requirements must be included in all applications, regardless of activities applied for.

Applications proposing eligible activities which meet a national objective will be reviewed based on their proposed activities. The threshold review and evaluation/scoring process will produce a proposed funding eligibility list for each activity, with applicants listed according to their score, from highest to lowest. The Department will fund approved requests based on highest scores in each activity.

The Department will not evaluate or fund applications if all activities in the application are found to be ineligible. However, if only some of the activities in the application are not eligible, the Department may, at its sole discretion, disregard ineligible activities and consider funding eligible activities.

The Department may apply a tie-breaker process (if needed) to the PTA activity to determine PTA funding order, eligibility, and amounts. This process will be followed until all funds in the activity allotment have been exhausted. There is no guarantee that all applications will be funded, either fully or partially.

A. Scoring Criteria and Totals

The process of scoring includes the following:

- Points will be awarded in four main categories: Need, Readiness, Jurisdictional Capacity /Past Performance, and State Objective points.
- Each category will be applied to all activities, although the type and weighting of the criteria within each category may differ for each activity.

Discussion of the point allocations is below. A maximum score of 900 points will be assigned according to the criteria detailed in **Appendix U**. And additional details regarding scoring and the documentation required to substantiate each criteria are explained in the Application.

HOUSING REHAB (HR) and HOMEOWNERSHIP ASSISTANCE (HA)

Need/Benefit: (Up to 400 Points) –

Need (up to 250 out of 400 points) includes point accumulation for overcrowding (for both HR and HA) and home ownership rate for HA or age of housing for HR.

Benefit (up to 150 out of 400 points) includes point accumulation for Low-Mod percentage (service area only) and poverty percentage (jurisdiction-wide only). The applicant pool will set the range of points for Low-Mod & Poverty.

See **Appendix U** for further details.

Readiness: (Up to 300 Points) –

Readiness includes point accumulation for activity specific operator experience, adopted program guidelines, and waiting list of pre-screened applicants.

Capacity/Performance: (Up to 200 Points) –

Capacity/Performance includes point accumulation for timely clearance of special conditions, jurisdictional capacity, report timeliness and accuracy, and cooperation/compliance in clearing monitoring and/or audit findings. See **Appendix U** for further details.

MULTI-FAMILY HOUSING ACQUISITION, REHABILITATION OR ACQUISITION AND REHABILITATION

Note: *Multi-Family Housing projects may not be included in a Housing Combo program. MFH Activities may include no more than one project.*

Need/Benefit: (Up to 400 Points) –

Need (up to 250 out of 400 points) includes point accumulation for overcrowding and rental vacancy rate.

Benefit (up to 150 out of 400 points) includes point accumulation for Low-Mod percentage (Cities: jurisdiction-wide only / Counties: jurisdiction or target area) and poverty percentage.

See **Appendix U** for further details.

Readiness: (Up to 300 Points) –

Readiness includes point accumulation for activity specific operator experience, all funding in place, and site control. See **Appendix U** for further details.

Capacity/Performance: (Up to 200 Points) –

Capacity/Performance includes point accumulation for timely clearance of special conditions, jurisdictional capacity, report timeliness and accuracy, and cooperation/compliance in clearing monitoring and/or audit findings. See **Appendix U** for further details.

PUBLIC IMPROVEMENTS AND PUBLIC IMPROVEMENTS IN SUPPORT OF HOUSING NEW CONSTRUCTION

Note: *Scoring will be on a sliding scale like previous years. C & D or Boil Water Order gets full points. See “Scoring Guidelines for Public Improvements.”*

Need/Benefit: (Up to 400 Points) –

Need (up to 250 out of 400 points):

- **Public Improvements:** includes points for severity of health and safety threat.
- **Public Improvements in Support of Housing New Construction:** includes condition of approval for the project, and renter overpayment, vacancy rate, overcrowding.

Benefit (up to 150 out of 400 points):

Note: *The applicant pool will set the point range for both Low-Mod percentage and poverty percentage.*

- **Public Improvements:** includes point accumulation for Low-Mod percentage for either the jurisdiction-wide or target area, and poverty percentage, jurisdiction-wide.
- **Public Improvements in Support of Housing New Construction:** includes point accumulation for jurisdiction-wide Low-Mod percentage and poverty percentage.

See **Appendix U** for further details.

Readiness: (Up to 300 Points) –

Readiness includes point accumulation for activity specific operator experience/ experienced in-house staff ready to start the procurement process, project approval status, site control, and all funding in place. See **Appendix U** for further details.

Capacity/Performance: (Up to 200 Points) –

Capacity/Performance includes point accumulation for timely clearance of special conditions, jurisdictional capacity, report timeliness and accuracy. Also includes cooperation/compliance in clearing monitoring and/or audit findings. See **Appendix U** for further details.

PUBLIC FACILITIES

Need/Benefit: (Up to 400 Points) –

Need (up to 300 out of 400 points) includes point accumulation for severity of problem, extent of solution and third party documentation supporting both.

Benefit (up to 100 out of 400 points) includes point accumulation for Low-Mod percentage in the service area, and poverty percentage, jurisdiction-wide.

See **Appendix U** for further details.

Readiness: (Up to 300 Points) –

Readiness includes point accumulation for activity specific operator experience / experienced in-house staff ready to start the procurement process, project approval status, site control, and all funding in place. See **Appendix U** for further details.

Capacity/Performance: (Up to 200 Points) –

Capacity/Performance includes point accumulation for timely clearance of special conditions, jurisdictional capacity, report timeliness and accuracy, and cooperation/compliance in clearing audit findings. See **Appendix U** for further details.

PUBLIC SERVICES

Need/Benefit: (Up to 400 Points) –

Need (up to 300 out of 400 points) includes point accumulation for severity of problem, extent of solution and third party documentation supporting both.

Benefit (up to 100 out of 400 points) includes point accumulation for Low-Mod percentage in the service area and poverty percentage, jurisdiction-wide.

See **Appendix U** for further details.

Readiness: (Up to 300 Points) –

Readiness includes point accumulation for operator experience/program readiness, and site control of facility for service OR means to conduct the service. See **Appendix U** for further details.

Capacity/Performance: (Up to 200 Points) –

Capacity/Performance includes point accumulation for timely clearance of special conditions, jurisdictional capacity, report timeliness and accuracy, and cooperation/compliance in clearing monitoring and/or audit findings. See **Appendix U** for further details.

Note: *Maximum score of 900 points will be assigned according to the criteria detailed in **Appendix U**. And additional details regarding scoring and the documentation required to substantiate each criteria are explained in the **Application**.*

In some cases, specific criteria will be scored in an “all or nothing” manner, no partial scoring will be provided.

ECONOMIC AND COMMUNITY DEVELOPMENT

The following information applies to both ED and CD activities.

Within the application maximum of 3 activities, one PTA **or** one Un-scored Set-Aside activity, up to a maximum of \$100,000, may be applied for.

PLANNING AND TECHNICAL ASSISTANCE

Up to \$100,000 for project specific and up to \$50,000 for non-project specific. Maximum PTA award limit will be \$100,000. No more than two studies per application, and may include either two CD studies, two ED studies, or one of each.

No more than two planning studies may be funded under this grant agreement, not to exceed a total of \$100,000.

Applicants may apply for the PTA activity as a stand-alone application or as one of the three maximum activities within the application. The Department will create two PTA application pools: (1) applications for PTA only (PTA stand-alone) and (2) applications that include both PTA and other activities. Both pools will be allocated funding from the amount set aside for PTA, based on demand. Each pool will require the tie breaker process, as described below, to be used if the demand is greater than the amount available. Therefore, no assurances can be made that an application including PTA activities will be funded, regardless if it is the sole activity in the application or part of a multi-activity application.

The minimum amount of required cash match for all applicants under the 2012 NOFA is 5% of the Total Amount Requested. See **Appendix K** for more information on the Cash Match requirement.

PTA TIE-BREAKER PROCESS

In the event of over-subscription for the PTA activity, a tie breaker process will be used, and PTA applications will be ranked according to jurisdiction-wide poverty levels. This may occur for PTA applications that are the sole activity being applied for, or for PTA applications for one activity in a multi-activity application.

In the case of over-subscription of grant applications that seek only PTA funding, all applications within each of the Economic Development and Community Development allocations will be ranked by jurisdiction-wide poverty levels (per Appendix A), from highest to lowest, and will be funded in order of ranking. In the case of grant applications that include the PTA activity as one of two or three activities, the PTA activity may still be put into a tie breaker process in the event of over-subscription, and will be funded in accordance with the process described above.

In the event PTAs are not over-subscribed, any funds remaining in each of the Community Development and ED PTA allocations will be rolled over to the respective allocation. The funds will thereafter be prorated into the activities in the same percentages as the overall demand for activity funding.

SET-ASIDE (UN-SCORED)

Up to \$100,000 in funding is available for an Un-scored Set Aside activity. The Un-scored Set-Aside activity will not be rated or ranked. However, the application must include **all** documents related to the type of activity proposed, except for the Need section. **The Set Aside may be any eligible activity other than a PTA, but it must be designated in the application as the Un-scored Set-Aside or it will be rated and ranked.**

Un-scored Set Aside activities included in an application will be funded only if one or more of the other activities applied for is/are funded. If none of the scored activities applied for are funded, the un-scored Set Aside activity also will not be funded.

AWARD ANNOUNCEMENTS AND GRANT IMPLEMENTATION

14. AWARD ANNOUNCEMENTS

The Department anticipates Awards will be announced beginning in late July through August, 2012. Until awards are announced the CDBG staff will be unable to discuss the status of a jurisdiction's application. It is anticipated that all applications will be reviewed within 90 days of successful receipt and Applicants will be notified by mail as to the outcome of their application.

Unsuccessful applicants will have the opportunity to request, within 60 days from the award announcement date, an exit interview to discuss their application score.

15. GRANT CONTRACT PROCESSING

All funded applications will be processed through a Standard Agreement (“Agreement”). The Agreement will contain information about the terms and General Special Conditions and Activity-Specific Special Conditions of the award. General Special Conditions have to be met within 90 days of the Agreement's execution. If the conditions are not met, the Department may terminate the Agreement. Applicants may be permitted to incur general administration (GA) costs upon receiving their award letter only if they have requested and obtained written approval from Department. **Grantees MUST obtain clearance or approval for any special conditions and environmental requirements prior to beginning a CDBG-funded activity. This requirement also applies to activities which may include non-CDBG funding. Beginning any program or project activity prior to obtaining written clearance from the Department may cause the activity to become ineligible.**

Term of Agreement: The Agreement shall expire no later than 60 months from the date of award, however the expenditure deadline will be no more than 36 months from the date of the award.

PROGRAM REQUIREMENTS

16. FEDERAL OVERLAYS

The CDBG Program is administered under the rules and regulations promulgated primarily in Title 24 of the Code of Federal Regulations (CFR), Part 570. These primary regulations are known as the Federal Overlays, and form the basis of the programmatic requirements. The Department incorporates all Federal Overlays into the State CDBG Program, and the regulations in Part 570 are translated into required actions on the part of all Grantees of the state program.

The link to 24 CFR Part 570 is:

[24 CFR Part 570](#)

The list below gives a summarized explanation of the Federal Overlays:

- Environmental Standards (based on National Environmental Policy Act of 1969 (NEPA))
- Labor Standards (Davis-Bacon and Related Laws)
- Achieving a HUD National Objective
- Public Participation Requirements
- Fair Housing and Affirmatively Furthering Fair Housing
- Equal Opportunity and Non-Discrimination in Federal Grant Programs

- Federal Procurement Guidelines
- National Flood Insurance Program Compliance
- Relocation and Displacement Requirements
- Employment and Contracting Opportunities
- Lead-Based Paint Requirements
- No Use of Debarred, Ineligible or Suspended Contractors or Subrecipients
- Uniform Administrative Requirements and Cost Principles
- Conflict of Interest Prohibitions
- Compliance with the Architectural Barriers Act and the Americans with Disabilities Act
- Compliance with Eligibility Restrictions for Certain Resident Aliens
- Federal Reporting Requirements
- Grant and Subrecipient Monitoring Requirements

17. PUBLIC RECORDS ACT

Applications and grant agreements are public information and are available for review upon request. Applicants are advised that information submitted to the Department may be made available to the public under the Public Records Act.

18. RELOCATION PLAN REQUIREMENT

Applicants engaging in project-specific activities that may or will cause the relocation and displacement of persons must provide a project-specific relocation plan. This plan must outline how they will manage the relocation and displacement activities for the project and estimate what relocation benefits will be required. When operating a single-family rehabilitation or acquisition program, which could cause temporary relocation of persons, the applicant must also provide a locally adopted temporary relocation plan that outlines relocation benefits for owner occupants and tenants.

19. PROCUREMENT

Pursuant to 24 CFR Section 570.489(g), all grantees must comply with federal procurement requirements. The Department will monitor the procurement processes for goods and services to ensure compliance with these federal requirements including equal opportunity provisions. Additional information is available in the Grant Management Manual, Chapter 8, accessible at: [CDBG Grant Management Manual](#). Also refer to **Appendix F** for federal procurement requirements.

20. FEDERAL DEBARMENT AND SUSPENSION

Pursuant to 24 CFR, Part 5, all CDBG grantees are required to verify they and their principals, or any/all persons, contractors, consultants, businesses, sub-recipients, etc., that are conducting business with the grantee are not presently debarred, proposed for debarment, suspended, declared ineligible, or voluntarily excluded from participation in the covered transaction or in any proposal submitted in connection with the covered transaction. Applicants must check the Excluded Parties Listing System at [Excluded Parties Listing System](#), print and maintain evidence of the search results. In the event that the search results indicate a prior or current debarment or suspension of the applicant, include the printout in the application.

The Department will not award any CDBG funds to applicants are debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation from federally assisted programs.

21. GRANT CONTRACT MONITORING

Grantees should be aware that various federal and state overlay requirements apply to CDBG grant funds. All grantees may be monitored for compliance with these requirements. For current information see Chapter 12 of the current State CDBG Grant Management Manual on the CDBG web site. Contact your State CDBG field representative for guidance and compliance questions.

On-site monitoring by Department CDBG Representatives will be to review all grant-related documentation as well as viewing the funded activities. Beneficiaries receiving individual assistance may also be interviewed.

22. PROGRAM INCOME

All program income (PI) generated by CDBG funds shall remain at the local jurisdiction, pursuant to 25 CCR Section 7104. PI funds repaid from activities funded under this NOFA are considered CDBG PI and must be tracked and reported as such by the grantee's fiscal staff. For further information on Program Income see Chapter 14 of the current State CDBG Grant Management Manual.