

# CDBG, HOME, 108 AND RURAL DEVELOPMENT UPDATE:

BEST PRACTICES AND STRATEGIES  
FOR USE OF FUNDS IN AFFORDABLE HOUSING

# COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)

THE FLORIDA HOUSING COALITION



# LEVERAGING CDBG FOR AFFORDABLE HOUSING

- CDBG has limitations on eligible housing activities making it difficult to leverage funds for large affordable housing projects.
- Eligible activities for affordable housing development can include:
  - Acquisition
    - Provides land to develop affordable housing projects.
    - Ensures long-term affordability as local government owns the land.
  - Demolition and Clearance
    - Demolish vacant or abandoned buildings.
    - Mitigate sites with environmental hazards.

# UTILIZING CDBG FOR AFFORDABLE HOUSING

- High Impact Activities:
  - Housing Rehabilitation.
  - Homeownership.
- Supportive Activities:
  - Public Services
  - Public Facilities



# HOUSING REHABILITATION

- Supports affordable housing by:
  - Maintaining existing affordable housing stock.
  - Often decreases utility costs through energy efficiency.
  - Decreases costs associated with code violations.
  - Allows families to stay in their home, avoiding high moving expenses.

# HOUSING REHABILITATION

Impact	Measure
<b>Supports Affordable Housing</b>	<b>High (Direct Benefit)</b>
<b>Timely Expenditures</b>	<b>High (Within One Program Year)</b>
<b>Number of Beneficiaries</b>	<b>Medium</b>

## Strategy:

- Design owner-occupied programs as full rehabilitation versus emergency rehabilitation. Emergency rehabilitation may serve more beneficiaries, but often is a band aid approach. Full rehabilitation programs allow the grantee to expend funds in a timely manner while supporting affordable housing efforts.
- For multi-family rental rehabilitation projects utilizing multiple funding sources, CDBG funds may be best used for lateral connections.

# HOMEOWNERSHIP



- Supports affordable housing by:
  - Decreasing housing costs through a termed mortgage.
  - Creates permanency, ultimately decreasing costs associated with moving.
  - Stabilizes housing costs from rising rental rates.

# HOMEOWNERSHIP

Impact	Measure
Supports Affordable Housing	High (Direct Benefit)
Timely Expenditures	High (Within One Program Year)
Number of Beneficiaries	Medium

## Strategy:

Design a purchase assistance program that provides down-payment and closing costs assistance for maximum benefit. Include homebuyer counseling as a pre-requisite for purchase.



# PUBLIC SERVICES

- Housing remains affordable only when supportive services are integrated including:
  - Daycare.
  - Youth after-school programs.
  - Employment training.
  - Financial literacy programs.
  - Senior programs.

# PUBLIC SERVICES

Impact	Measure
Supports Affordable Housing	Medium (Indirect Benefit)
Timely Expenditures	High (Within One Program Year)
Number of Beneficiaries	High

Strategy:

Target public service funds towards non-profit organizations providing supportive services essential to affordable housing.

# PUBLIC FACILITIES

- Sustainable communities are a combination of affordable housing and healthy neighborhoods that include:
  - Parks.
  - Playgrounds.
  - Recreation facilities.
  - Walking trails.
  - Biking paths.



# PUBLIC FACILITIES

Impact	Measure
Supports Affordable Housing	Medium (Indirect Benefit)
Timely Expenditures	Medium (Within One – Two Program Years)
Number of Beneficiaries	High

## Strategy:

Coordinate with local parks and recreation departments or public works departments to identify public facility needs and design a revitalization plan.

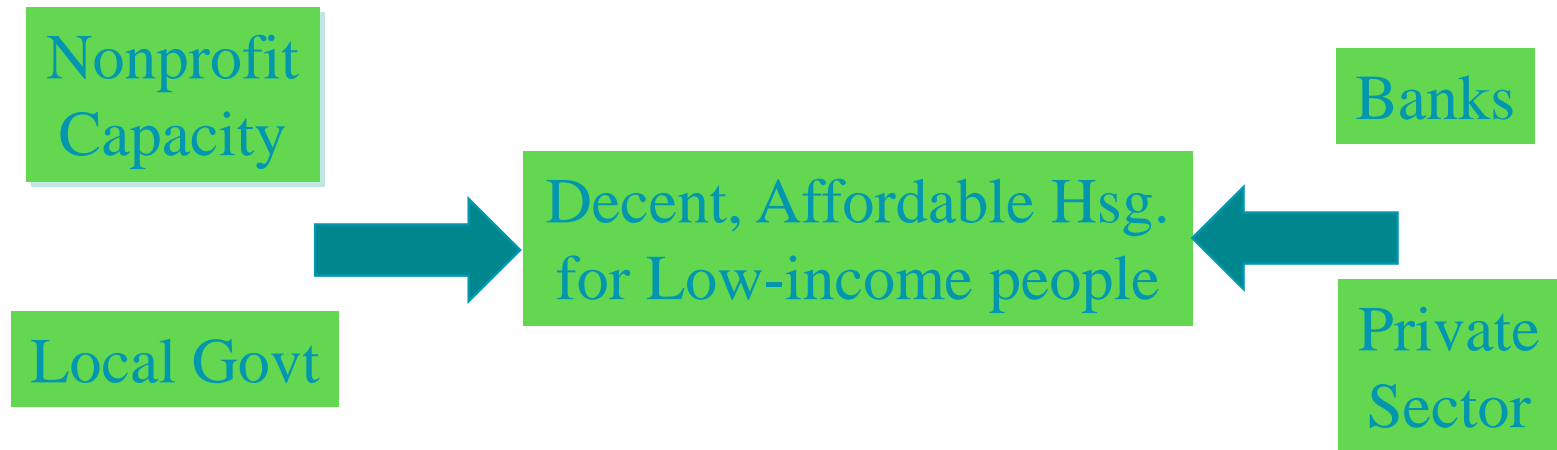
# HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)

THE FLORIDA HOUSING COALITION

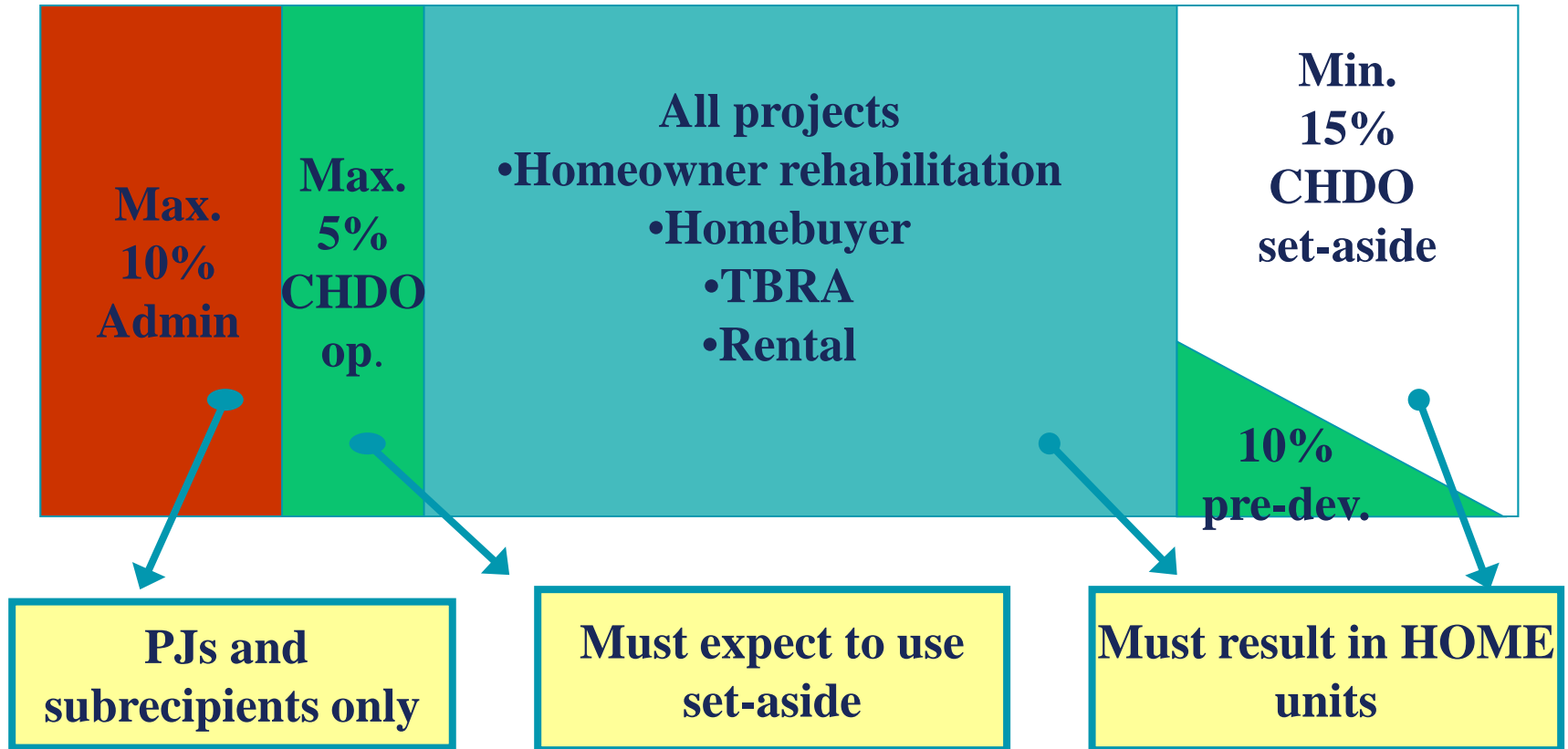


# WHAT IS HOME?

- HOME Investment Partnerships Program
- National Affordable Housing Act of 1990
- Federal entitlement program- HUD
- Objective:



# HOME ALLOCATION



# 2013 HOME FINAL RULE COMMITMENT AND EXPENDITURE DEADLINES

- Commit funds within 2 years, including CHDO projects
- 4- year project completion deadline
- 9-month homebuyer sales deadline
- 18-month lease up for rental housing
- Expend funds within 5 years (eliminated for FY 2015 and later allocations)



# COMMITMENT INTERIM RULE

- Effective January 3, 2017.
- No longer cumulative method for compliance with commitment deadline.
  - Grant specific beginning with FY 2015 HOME allocations
  - Also applies to CHDO set-aside
- HOME funds committed to State recipients or subrecipients must be committed to a specific project within 36 months of HUD's obligation of the HOME allocation.

# COMMITMENT INTERIM RULE



- For FY 2015 and subsequent years, the 5 –year expenditure deadline for HOME funds and separate 5-year expenditure deadline for CHDO set-aside funds has been eliminated.

# COMMITMENT INTERIM RULE

- Accumulate program income, repaid funds, and recaptured funds it receives during the program year, rather than expend them for the next eligible draw.
- Include any uncommitted program income, repaid funds, or recaptured funds received during the program years in the resources in the next action plan.
- Funds in the AP will have the same commitment deadline applicable to the HOME allocation the PJ receives for that fiscal year.

# COMMITMENT DEADLINE SUSPENSION

- June 2017.
- Suspension of 24-month HOME commitment requirement
- Applies to deadlines occurring in 2016-2019.
- Commitment not enforced for HOME EN funds.
  - Suspension does not apply to CHDOs:
    - PJs must still commit the CHDO set-aside funds within 2 years of grant award.
- HUD plans to issue additional guidance.

# COMPLIANCE ISSUE: NOT MEETING COMMITMENT DEADLINES

- Committing grant funds in IDIS without properly executed agreements.
- Missing or incomplete environmental reviews.
- Environmental review completed after commitment date.
- Contract signed after commitment date or no date on contract.
- Using unacceptable documentation to support commitment:
  - Award letters.
  - Board resolutions.

# COMPLIANCE ISSUE: UNSUPPORTED EXPENDITURE OF FUNDS

- HOME funds can only be used for certain eligible activities and costs.
- PJs either spend HOME funds on ineligible costs or do not have adequate documentation to support expenditures.
- Examples of supporting documentation:
  - Detailed invoices – includes property address, date, contract number/other identifier.
  - Canceled checks.
  - Timesheets/Payroll.
  - Contracts.

# COMPLIANCE ISSUE: ERRORS IN WRITTEN/LOAN AGREEMENTS



- Missing required elements
- Increase commitment amount without an amendment to the contract
- Common errors:
  - Not recording mortgages or deed restrictions
  - Wrong address/parcel number
  - Including requirements that are not applicable
  - No signature or date
  - Not managing HOME agreements

# CORRECTIVE ACTIONS

- Adopt and follow policies and procedures to ensure better oversight
  - Revise internal controls and practices
  - Use standard forms and checklists
- Update Agreement templates to incorporate all required provisions
- Ensure that drawdown of HOME funds are supported and allowable
  - Require specific documentation to be submitted with invoices and add to agreement provisions
- Monitor projects



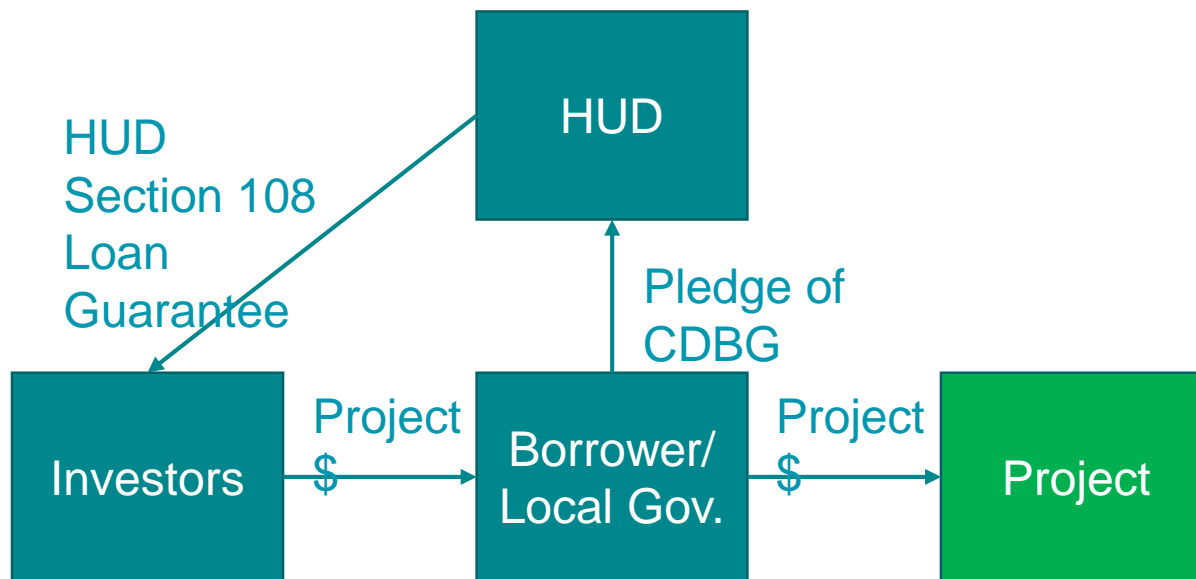
# SECTION 108 LOAN GUARANTEE PROGRAM

THE FLORIDA HOUSING COALITION



# SECTION 108 LOAN GUARANTEE PROGRAM

## 24 CFR 570, SUBPART M, LOAN GUARANTEES.



# SECTION 108 LOAN GUARANTEE PROGRAM

- Borrowers are local or state governments.
- The borrower can:
  - Loan the funds to a third party developer.
  - OR, directly expend the funds on the project.
- Must meet CDBG program requirements.
- Eligible activities:
  - Acquisition;
  - Rehab;
  - Construction, installation of public facilities;
  - Clearance, site improvements, relocation;
  - Interest payments;
  - Long-term disaster recovery.

# SECTION 108 LOAN GUARANTEE PROGRAM

- Amount:
  - Up to 5 times annual CDBG award.
- Typical developments:
  - Commercial development (retail, offices, restaurants).
  - Industrial development (manufacturing, warehouses, bio-medical facilities).
  - Working capital.
- Max term – up to 20 years.

# SECTION 108 LOAN GUARANTEE PROGRAM

- 19 of 81 entitlement communities in Florida have active Section 108 loans.
- Total borrowing capacity for all jurisdictions in Florida: \$218,042,805.
- State of Florida borrowing capacity: \$116,793,220.
- Total borrowing capacity: \$334,836,025.



# HUD IMPORTANT NOTICE

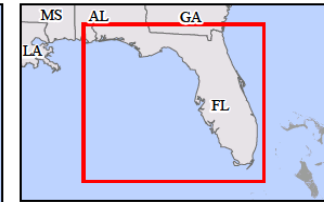
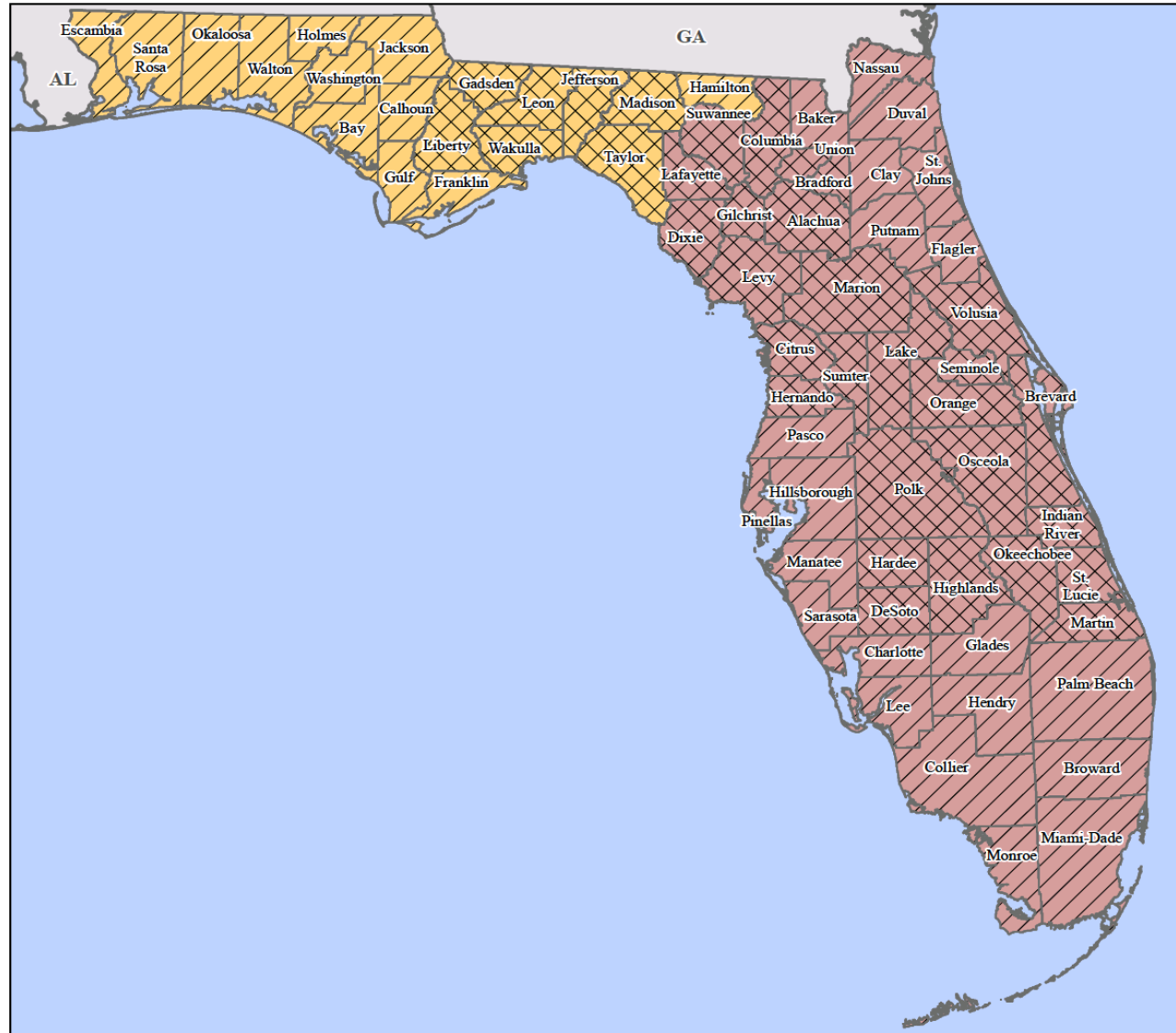


# HUD MEMO OCTOBER 13, 2017

## Availability of Waivers of Community Planning and Development Grant Program and Consolidated Plan Requirements to Facilitate Recovery from Hurricanes Harvey, Irma, and Maria

- CPD Program Waivers- see handout
- The public comment period for substantial amendments to the Annual Action Plan of the Consolidated Plan is reduced from 30 days to seven days.
- Impacts CDBG, HOME, HOPWA, ESG program statewide-
- PJ must notify CPD office prior to implementation of specific waivers





# FEMA-4337-DR, Florida Disaster Declaration as of 10/12/2017

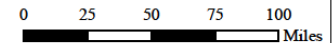


**Data Layer/Map Description:**  
The types of assistance that have been designated for selected areas in the State of Florida.

All designated areas in the State of Florida are eligible to apply for assistance under the Hazard Mitigation Grant Program.

**Designated Counties**

-  Public Assistance (Categories A and B)
-  Individual Assistance and Public Assistance (Categories A and B)
-  Individual Assistance and Public Assistance (Categories A - G)
-  Public Assistance (Categories A - G)



**Data Sources:**

FEMA, ESRI;  
Initial Declaration: 09/10/2017  
Disaster Federal Registry Notice:  
Amendment #12 - 10/11/2017  
Datum: North American 1983  
Projection: Lambert Conformal Conic

MapID 4e0ac32414c1012171254hqprod



# CDBG- WAIVER ITEMS

- The obligation to provide “reasonable” notice to the public and an opportunity to comment when there is a substantial amendment to the Annual Action Plan is waived for Puerto Rico and the Virgin Islands due to destruction of the communications infrastructure. Grantees are permitted to determine “reasonable.”
- CDBG may be used to construct new housing. (Generally, CDBG can only be used to construct new housing if done by CBDOs.) thru end of 2018.
- The 15% limit on the use of CDBG for public services is suspended. Thru end of 2018 program year.
- Grantees may provide Emergency Assistance Payments for up to six months (instead of three months). Emergency Assistance Payments could include assistance to pay rent, utilities, food, clothing, etc. through end of 2018 program year.

# HOME- WAIVER ITEMS

- Jurisdictions- state and local- may use up to 20% (up from 10%) of their HOME allocation to cover administration and planning costs due to the disaster. FY 2016 and FY 2017 allocation & PI.
- Various suspension of Tenant Based Rental Assistance waivers FY 2017 and FY 2018 Consolidate Plan/Action Plans.
- The 25% jurisdiction match requirement is waived- October 1, 2018-Sept. 30, 2018.
- The requirement that 15% of a jurisdiction's HOME allocation be used by Community Housing Development Organizations (CHDOs) is waived. This could significantly disadvantage mission-driven community development organizations.
- Suspension and waiver of maximum per unit subsidy.
- Suspension and waiver of owner occupied housing maximum value/sales price limitation- damaged homes or persons affected by storm.

# QUESTIONS & THANK YOU!