



## CDBG Toolkit

June, 2020

# Community Development Block Grant (“CDBG”) Overview

## CDBG Provisions in the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act

- **Amount allocated.** The CARES Act made \$5B in CDBG funding available for grants to prevent, prepare for and respond to coronavirus (CDBG-CV) grants. HUD has announced the allocations of the first \$2B in CARES Act funding for CDBG grantees, as well as \$1B for Emergency Solutions Grants (ESG) and \$53.7M for Housing Opportunities for Persons with AIDS (HOPWA). See all allocations [here](#). HUD has since released a second \$1B CDBG CARES Act tranche. You can see all allocation for the second round [here](#).
- **New waivers and flexibilities.** The CARES Act also provides CDBG grantees with [flexibilities and waivers](#) that make it easier to use CDBG-CV grants and FY 2019 and 2020 CDBG Grants for coronavirus response. It also authorizes HUD to grant waivers and alternative requirements. HUD is receptive to waiver requests that will facilitate use of CDBG-CV funds except for the following statutory areas: fair housing, nondiscrimination, labor standards and environmental. The final [Federal Register Notice](#), which identifies any new waivers and alternative requirements, is expected to be released in early July.
- **Special provisions.**
  - 2019 and 2020 Consolidated Plan and Annual Action Plan submission deadlines extended to August 16, 2021
  - Public service cap of 15% suspended (food banks, needle exchange programs, job programs etc.) for FY 19, FY 20 and CDBG-CV allocations
  - In-person public hearing requirements suspended, allowance for virtual hearings
  - Allows more liberal waiver requests
  - Jurisdictions can expand existing contracts without competitive source (procurement) requirements for goods and services (NOTE: this does not apply to new construction).
- **Examples of eligible activities.**
  - Building improvements, including public facilities and multi-family housing rehab
  - Direct assistance to renters, homeowners, microenterprises and small business, including technical assistance, grant and loan capital
  - Provision of new or quantifiably increased public services, which includes employment services, financial counseling, nutritional assistance, and more
  - Planning, administration, capacity building & technical assistance (20% cap)
  - See additional eligible activities to support coronavirus response [here](#).

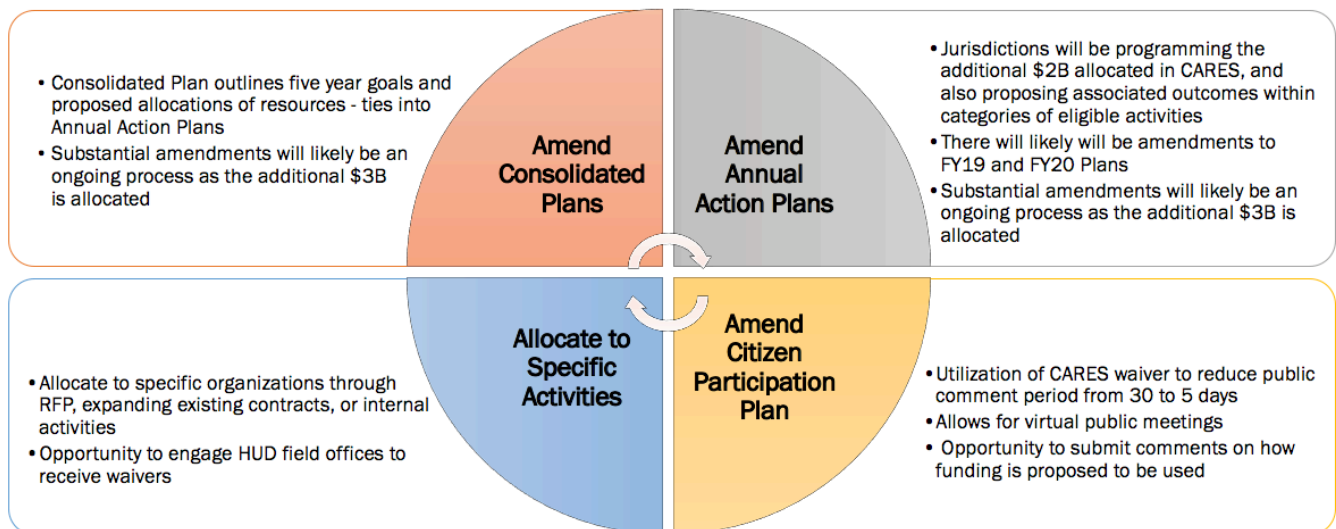
## Key issues and talking points

- **Start the conversation now.** CDBG grantees are making decisions now as to how they will allocate the new CDBG-CV funds. Approaching agencies that are charged with the local administration of HUD entitlement funding is critical to ensure that LISC and partners are a part of the conversation and providing recommendations on how the funding can be best utilized. Similarly, City and County elected officials will have a role in shaping and approving the funding decisions so direct engagement and consensus building through coalitions can have a direct and indirect impact.
- **Familiarize yourself with local Consolidated and Annual Action plans.** Prior to the deployment of funds, CDBG grantees are required to amend their Consolidated (five-year) and Annual Action plans to indicate how they will be using the CDBG-CV funds. As a starting point, it is critical to familiarize yourself with your local jurisdiction's current Consolidated and Annual Action Plan, as this will provide an in-depth understanding of how HUD funds are currently being used in your community.
- **Work from existing funding priorities and allocations.** Given limited capacity and other restrictions, it is likely that many jurisdictions will simply seek to plus up their existing allocations among target categories. As such, identifying goals that already align with COVID-19 response needs and seeking an expansion of funding is a tactic that may gain traction. For example, if a City has goals tied to business assistance, they may be open to expanding this to include technical and financial assistance to support relief efforts. Smaller jurisdictions (less than 40,000 people) that do not receive a direct allocation of CDBG, can apply to whatever use has been determined by the grantee (typically, the State).
- **Be aware of concerns related to duplication of benefits.** Grantees may be hesitant to use funds in areas where a duplication of benefits is perceived, given direction from HUD. This requires administrators to ensure the funding is not directed towards a program that has alternative funding available. This could include small business assistance, as the SBA has offered programs to serve small businesses (e.g. the Paycheck Protection Program). In these cases, it is wise to advocate and document as much as possible how such programs still leave a pervasive gap in serving vulnerable populations, and how CDBG can address this gap. For example, CDBG could be used to fund technical assistance to business owners to assist them in successfully securing SBA assistance or to set up a grant pool for microenterprises. All costs must be necessary and reasonable per Subpart E, Cost Principles of 2 CFR Part 200.
- **Keep LMI individuals and communities front and center.** Cities may use CDBG funding to pay for COVID-related expenses incurred prior to the CARES Act. During this time of budget shortfalls, most grantees are making sure their costs are prioritized for reimbursement. However, it is important to keep the goal of CDBG programs, whether they are administered by the jurisdiction directly or through non-profit partners, all expenses must meet a National Objective of benefit to LMI families and communities, meeting an urgent need or eliminating

slums and blight.” NOTE: pre-award costs can be reimbursed with CDBG-CV funds if they were COVID-19 related and they occurred after the crisis start date of 1/21/20.

- **Do not forget about long term community goals.** It remains to be seen what additional federal support will flow to states and cities for relief and recovery, so it is important that we also advocate for grantees to think about how these funds can be used to achieve longer term community development goals.
- **Bring community-based partners into the conversation.** Grantees will be balancing immediate, short and long-term goals for how best to use their CDBG funding. For example, efforts to provide temporary housing for the homeless during COVID-19 will compete for resources with efforts aimed at building or rehabbing affordable units, supporting small business, and providing public services. As such, it will be helpful to determine spending priorities with community-based partners.
- **Seek additional funds for existing CDBG contracts.** New flexibilities extended to CDBG-CV funds allow grantees to expand existing contracts and, as such, LISC offices or partners with current CDBG funding should seek additional funding and propose new targets to respond to COVID-19. Some jurisdictions may still choose to issue new RFPs to program their funding to serve LMI individuals, areas, and jobs. (An individual is considered to be LMI based on their annualized family income, which income must be 80% of the median income for the county or area where they reside.)
- **Leverage CDBG funds with other resources.** Identifying leverage resources that can be paired with CDBG funds, including CRA financing, philanthropic and private funds, can augment the impact and scale of a CDBG program to meet current increased needs and will appeal to many jurisdictions.

## CDBG Process Flowchart





# In practice

## Using CDBG for COVID-19 Response

### Homelessness prevention and supports

The new CDBG--CV allows jurisdictions to address the needs of people experiencing homelessness through programs to acquire and rehab buildings, such as motels and hotel buildings, to serve as temporary shelter. CDBG can also be used to make interim site improvement changes to housing properties and commercial facilities to accommodate individuals or patients to be quarantined on a temporary basis, thereby expanding capacity of hospitals and care facilities. This is proving to be a critical service for supporting homeless populations.

The CARES Act also provided \$4B of (Emergency Solutions Grant) ESG funding. The first \$1B was allocated through the regular ESG formula. The second \$1B was allocated only to States. Many States have significantly more ESG resources than normal. funds can be used for short to medium term rental assistance, eviction prevention assistance, including rapid rehousing, housing counseling, service provision, and rental deposit assistance to mitigate the adverse impacts of the pandemic. Jurisdictions should consider how ESG, CDBG and HOME dollars can be paired to serve their homeless population, as well as preventing homelessness through emergency rental support and non-new construction improvements to affordable housing.

- **San Antonio, TX** is using CDBG-CV resources to provide emergency rental assistance, discussed below, along with their \$3.9 million Emergency Solutions Grant allocation to provide hotel rooms for up to 400 homeless people at high risk of contracting COVID-19 and overflow shelters for 200 more people. You can learn more about this work [here](#).
- **Virginia Beach, VA.** The City of Virginia Beach is using its ESG funds (\$606,131) for homeless services and rapid rehousing programs. Funds will be awarded to housing service providers through an application process. Where possible, the City will modify existing nonprofit grant contracts to move the money quickly to service providers.

### Rental/Homeowner Assistance Programs

CDBG can be used to stabilize families' housing costs when faced with a COVID hardship. For example, municipalities are using CDBG to create or renew emergency housing assistance programs, including emergency mortgage assistance rental assistance. These funds can be distributed by a housing provider, utilizing an operational plan that allows for third-party operation from a fiscal agent. Programs that offer free legal aid can help tenants and homeowners prevent an eviction filing from even being filed. Think about pairing this with additional rental assistance dollars that give the tenants "power" to negotiate new rent or restructured rents with their LLs, and avoid eviction filings.

Many CDBG grantees already have an emergency rental assistance program that could be built upon or adapted. Given the speed that CDBG-CV money will be used up, we encourage you not to seek to design entirely new programs if there's a proven delivery system locally. If you have an existing rental assistance program with CDBG funds in it, you can contact your administrator and advocate to have the Annual Action Plan and Consolidated plan updated to expand it to include both renters and homeowners. This is critical because, while CARES provide for rental assistance for up to 24 months, mortgage assistance is not currently included. Note that ESG funds can also be used for rental assistance to prevent homelessness.

- **Richmond, VA.** The City of Richmond, which was awarded \$2.6 million of stimulus CDBG and \$1.3 million of stimulus ESG, plans to use these funds for eviction prevention, rental assistance, foreclosure prevention and case management. Richmond will also focus funding priorities around strategies that serve special needs populations, including very low income households, youth aging out of foster care and returning citizens.
- **Cincinnati, OH.** In Cincinnati, CDBG dollars have previously been used for an Eviction Prevention Assistance Program (EPA) to keep renters in their homes. The program received \$50 thousand from a foundation to seed a pilot and the County awarded \$150 thousand of its allocated CDBG dollars for the program. Legal Aid provides free legal representation for pre-eviction help and dismissal, and a local nonprofit (Community Action Agency) administers rental assistance to eligible tenants. Legal Aid defends tenants to get evictions dismissed and removed. While funding for the program has dried up, this would be a CDBG-CV eligible program and administrators have applied for additional CDBG-CV funds to reach more households during this crisis. You can download the CDBG 3-year funding plan on their website [here](#).
- **Virginia Beach, VA.** The City of Virginia Beach is using its CARES Act funds for an eviction prevention program. Eligible applicants must be renters who have lost employment as a result of COVID-19. Virginia Beach has allocated approximately \$1 million of CDBG-CV funding for the program. Previously furloughed city staff have been brought back to help run the program. You can see the proposed program [here](#).
- **San Antonio, TX.** The City of San Antonio is using their CDBG-CV resources for an emergency rental assistance program. The city is currently undergoing a process to amend their Consolidated Plan to appropriate \$12.7 million in CDBG to provide emergency housing assistance up to \$3 thousand for up to 24 consecutive months of rent or mortgage payment to prevent homelessness for households below 80 percent AMI, per CDBG regulations. You can see their proposed amendments [here](#).

## **Small business: Access to Capital**

To provide relief to small businesses and proprietors during this crisis, CDBG and CDBG-CV funds can be used to provide technical assistance, emergency grants, recoverable grants or low-cost/no fee loans to eligible small businesses. CDBG can be an effective tool for fostering inclusive economic development initiatives, as it is well-suited to meet acute needs of LMI and under-banked small businesses and proprietors during this crisis. Such enterprises face numerous obstacles in accessing SBA and other federal relief resources.

Focusing a CDBG small business program on microenterprises with five or fewer employees and disbursing funds to cover payroll, rent, mortgage, utility payments (avoiding equipment and other nonexpendable supplies) can decrease compliance burdens associated with managing this kind of program. Alternatively, CDBG can be used to support businesses that are not microenterprises or whose owner is not LMI if the funds lead to the creation or retention of jobs held by LMI persons or if a business resides within a majority LMI census tract.

- **Charlotte, NC.** LISC Charlotte has partnered with the City of Charlotte to use CDBG to establish the Charlotte Micro Business Relief Fund, which will provide \$1 million in grants to small businesses to assist in meeting urgent needs, including ongoing operational costs such as payroll, utilities, and rent. The fund is open to microenterprises (with five or fewer employees) in priority corridors per the City's redevelopment plan and whose owner is a member of a LMI family. These funds will support approximately 100 small businesses with grants up to \$10,000. You can learn more about the program [here](#).
- **Seattle, WA.** To support small businesses financially impacted by COVID-19, the City of Seattle committed \$2.5 million in federal Community Development Block Grants (CDBG) to the first round of the Small Business Stabilization Fund. 250 eligible small businesses were selected through a lottery and awarded \$10,000. Learn more about the fund [here](#).

## Additional Ideas for CDBG Response

### Health Facilities

- Construct a facility or a room for testing, diagnosis, treatment
- Rehab a community facility to establish an infectious disease treatment clinic (e.g., community rooms, old churches, vacant commercial space)
- Acquire and rehab or construct a group living facility to help centralize patients undergoing treatment
- If there's already an affordable housing development underway, consider adding this type of facility to the scope of development work. CDBG can't be used for new construction of affordable housing, except if a new construction project is done through a CDBO. If interested in pursuing this path, you need to identify designated CDBOs in your market

### Providing health workers to seniors

- While CDBG can't be used to construct new units, consider using the funds to support properties that serve the low-income elderly, including LIHTC, HUD Sec 202, Section 811, housing for the disabled, or AIDS housing. These properties run "lean" in terms of their programming and have limited funds for health-related services.
- Because these properties often don't have a healthcare worker or community nurse on site, consider using CDBG funds to support the space and salary for the pairing of an on-site healthcare worker and a community engagement officer. This could be a particularly powerful pairing in projects slated for redevelopment.

- If you want the LISC Housing team to help with a map of where the elderly designated properties are in your community, they can help map that.

## Employment assistance and counseling

- ‘Public service’ activities eligible to receive CDBG-CV funds include social services such as job training and financial literacy. CDBG funds can therefore be used to support Financial Opportunity Centers (FOCs) to provide counseling to connect residents to public benefits and employment assistance, and provide financial counseling.
- CDBG funds can also be used for the expansion of Bridges to Career Opportunities (BCO) services to train and connect clients to healthcare jobs.

## Small business technical assistance

- CDBG funds can be used to provide business education and assistance to targeted entrepreneurs via CBOs, BIDs, CDFIs and other small business service providers. Support services on topics such as business plan restructuring, bill payment relief and layoff prevention can help businesses navigate through this crisis. With many small proprietors facing irrecoverable financial challenges during this crisis, technical assistance around exit strategies, including closing, selling or liquidating a business, will become increasingly important. These services can ensure that proprietors and entrepreneurs are able to mitigate debt and protect their credit upon closure of their business.

## On-going CDBG work

- [Indianapolis, IN: Storefront Improvement programs](#)
- [San Diego, CA: Financial Opportunity Center](#)
- [Detroit, MI: Home Repair Programs](#)

## Additional resources

- [CDBG Entitlement Funds to LISC Cities](#)
- [NLIHC: COVID-19 Housing and Homelessness](#)
- [Local Housing Solutions COVID-19 Housing Response Briefs](#)
- [HUD’s CDBG COVID FAQ](#)

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