



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-7000

ASSISTANT SECRETARY FOR
COMMUNITY PLANNING AND DEVELOPMENT

JUL 29 2004

MEMORANDUM FOR: All Formula Program Grantees
All CPD Field Directors

FROM: Nelson R. Bregón, General Deputy Secretary for Community
Planning and Development, D

SUBJECT: Guidance on Preparing Consolidated Plans for Fiscal
Year (FY) 2005 Funding Cycles

FY 2005 marks the eleventh year of the Consolidated Plan and submission concept for Community Planning and Development's (CPD) formula grant programs and the publication of regulations at 24 CFR Part 91. The formula programs included in the Consolidated Plan are Community Development Block Grant (CDBG), HOME Investment Partnerships (HOME) including the American Dream Downpayment Initiative (ADDI), Emergency Shelter Grant (ESG), and the formula portion of Housing Opportunities for Persons with AIDS (HOPWA). Since the origin of this planning requirement in 1994, most formula grantees have submitted at least two Consolidated Plans covering three to five years.

This memorandum transmits updated Consolidated Plan guidance, instructions on completing a Consolidated Plan, and optional tools and techniques for use by units of local government and states in preparing the plan for 2005-2010. Grantees applying for program funds under one or more of the formula programs should follow the guidance in this transmittal and applicable regulations in preparing their plans. This memorandum along with the guidelines, questions and answers, reference material and optional tools are available on the Consolidated Plan website at <http://www.hud.gov/offices/cpd/about/conplan/index.cfm>. Grantees should check the website periodically for updates and additional information.

Attached is the guidance divided into three parts. Part One outlines the current requirements and instructions. Part Two provides guidance on HUD goals, current program emphases, and performance measurement. Part Three contains lessons learned from the eight pilots conducted as part of the Consolidated Plan Improvement Initiative. This guidance does not address specific Consolidated Annual Performance and Evaluation Report (CAPER) reporting requirements, but does contain links and general references to CAPER submission information.

As part of the President's Management Agenda, HUD has undertaken the Consolidated Plan Improvement Initiative to streamline and make the planning and submission process more results oriented. HUD has gathered models and recommendations from grantees on ways to streamline and enhance the process and product. HUD is grateful for the participation of many cities, counties, states, and organizations in focus group sessions who contributed their time and experience to improving the way the Consolidated Plan is developed and used. HUD wants to thank those grantees that graciously consented to participate in a series of pilots to test different methods of developing, submitting, and reporting on the Consolidated Plan.

We are including in this guidance some of the most promising results of the pilots and other initiatives. These are available for use by grantees in developing their FY 2005 Consolidated Plans. We are particularly excited about a new tool that automates the Consolidated Plan/Action Plan process. The tool, called the Consolidated Plan Management Process (CPMP), was developed as a result of the Consolidated Plan pilots and is now available for your optional use. The CPMP is described in Part Three of this document and is located on the Consolidated Plan website along with detailed instructions for its use.

The most significant change in the HUD formula programs has been the passage of ADDI. For those grantees receiving ADDI funds and developing a Consolidated Plan in FY 2005, there have been changes in the Consolidated Plan requirements. The ADDI interim rule published March 30, 2004 (effective April 29, 2004) includes three new Annual Action Plan narratives. A description of these narratives is included in Part Two of this transmittal.

There have been no other changes to the statutes or regulations on the required contents of the Consolidated Plan submission for FY 2005. Grantees, particularly those not receiving ADDI funds, can be assured that this guidance will not mandate any substantive changes or new required formats. However, in developing the FY 2005 plans, grantees should be aware of certain clarifications or shifts in emphases that should be considered and incorporated into strategic narratives or local goals and objectives. In particular, grantees are strongly encouraged to include performance measures as part of their Consolidated Plans. Part Two of this memorandum discusses them in greater detail, but grantees should be aware of their role in helping to achieve two national goals – that of ending chronic homelessness by 2012 and expanding minority homeownership.

The local CPD field office retains authority to advise on and accept any local modifications to the submissions within the regulatory framework. It is advisable that the grantees consult with the field office early in the planning process to discuss which option will be used in the development of the plan. New grantees, in particular, should contact their local HUD office prior to submitting their first Consolidated Plan to avoid potential delays in approval due to an incomplete or inadequate submission. All grantees should seek field office advice with regard to changes in program years, pre-agreement cost issues, or eligibility and implementation concerns.

Attachments

PART ONE: CONSOLIDATED PLAN SUBMISSION REQUIREMENTS

Grantees will be able to submit a complete Consolidated Plan pursuant to current regulations and policy by using the information located at:

<http://www.hud.gov/offices/cpd/about/conplan/index.cfm>. This website contains the regulations, the current approved guidelines for submitting a Consolidated Plan, updated Questions and Answers first published in November 2002, associated required forms and certifications, and a completeness checklist. These instructions have been updated and include the new requirements for ADDI. In addition, grantees' submission should reflect HUD's national goals and policy direction discussed in more detail in Part Two.

HUD will continue to accept Consolidated Plans prepared using Community 2020 software. Grantees that want to continue using C2020 software will need to keep the Windows 95 or Windows 98 operating system activated on the computer(s) to be used for preparing Consolidated Plan tables and charts. If a grantee uses Community 2020, they need to use data from the 2000 Census. The current grantee version of C2020 is not compatible with Windows 2000 and Windows XP. HUD does not have plans to update the software. The Consolidated Plan Management Process (CPMP) tool described in Part Three is available on the HUD website and provides a convenient electronic format for developing the Consolidated Plan.

PART TWO: SPECIFIC PROGRAM EMPHASES AND PERFORMANCE MEASUREMENT

This Part provides main program office (Office of Block Grant Assistance, the Office of Affordable Housing Programs, the Office of Special Needs Assistance, and the Office of HIV/AIDS Housing) guidance on priorities and directions for the next year. This guidance includes important aspects of HUD's programs that will enable grantees to consider national priorities in the development of their Consolidated Plans. There is also some technical information about the programs reflecting administrative changes that grantees need to know.

In developing the FY 2005 Consolidated Plan, grantees should be aware of national goals that affect their programs. The President has established two important goals – to end chronic homelessness by 2012 and to increase minority homeownership. HUD requests the cooperation and participation of all grantees in achieving these goals. To the extent feasible, each grantee is encouraged to include ways in which it intends to address these goals as part of its Consolidated Plan. HUD's ability to report its progress in reaching these goals depends on information provided by our grantees. These goals are not additional Consolidated Plan requirements; rather they provide a sharper focus to existing elements.

Performance Measurement

In September 2003, CPD issued Notice 03-09, "Development of State and Local Performance Measurement Systems for Community Planning and Development Formula Grant Programs" to strongly encourage each CPD formula grantee to develop such a system. The Notice can be found at: <http://www.hud.gov/offices/cpd/lawsregs/notices/2003/03-09.pdf>.

The Notice requested each grantee to provide a description of their status in developing a system to measure performance in the self-evaluation section of their next CAPER submitted to HUD, and if a performance measurement system were being used, to briefly describe that system. These reports are being counted and reviewed by HUD, in an attempt to identify some outcomes that can be aggregated nationally. Field offices are following up with each grantee to determine whether the grantee has, or is developing, a local performance system and reporting the results to headquarters. The accuracy of performance measurement is heavily dependent on the quality of data entered into the Integrated Disbursement and Information System (IDIS). Therefore, it is extremely important that activities be precisely reported in IDIS.

To effectively report results/outcomes at the end of the program year, grantees must consider how the activities they fund are presented in the Consolidated Plan or Annual Action Plan. This dictates a determination of data collection methods and needs during the planning process so activities can be structured to facilitate the measurement of results.

The Council of State Community Development Agencies (COSCDA) is working in conjunction with other national public interest groups, including National Community Development Association (NCDA) and National Association of County, Community and Economic Development

(NACCED), to develop a standardized approach to outcome measurement that could aggregate some outcomes at a national level. This will be a voluntary approach that formula grantees could use as a performance measurement system. HUD is very interested and committed to working with these organizations on this initiative, but HUD also recognizes the benefits of local outcomes to reflect the local flexibility of the formula programs. If there is consensus on a new approach to performance measurement, grantees will be able to use it to build on their previous work. Therefore, HUD encourages grantees to continue their efforts to develop and use local performance measurement systems and to report the status of their progress in the self-evaluation section of the next CAPER they submit. HUD is trying to establish a baseline of the number of grantees that use or are developing performance measurement systems. If a grantee is choosing to develop a system in conjunction with the development of their Consolidated Plan or waiting for another system to be developed, HUD will accept that answer.

Office of Block Grant Assistance

CDBG

Locally generated data created by school districts, police or fire departments, labor statistics, local government offices or agencies, or social service agencies can also be used to show before and after numbers to help demonstrate the effectiveness of activities. Individual surveys of program participants can also be done to verify that specific activities produced desired results. In addition, HUD believes that in the future geographically coded data is likely to become extremely important. Grantees should be encouraged to be particularly diligent in entering such information.

CDBG activities mainly focus on neighborhood revitalization, suitable living environments, economic revitalization, and housing opportunities. Performance indicators that could be used to measure activities in these areas include, but are not limited to: property values, home sales prices, number of derelict properties or other blighting influences, supply of potable water, adequate wastewater management systems, improved emergency services, number of “living wage” jobs, employment or job training opportunities, business sales volume, and numbers of loans to businesses.

CDBG State Program

The Consolidated Plan rule at 24 CFR Part 91.320(g)(1)(i) requires states to describe their method for distributing CDBG funds to units of general local government. The method of distribution must contain a description of all criteria used to select funded units of general local government. The method of distribution must include the relative importance of the selection criteria, if the relative importance has been developed. The method of distribution must provide sufficient information so that units of general local government will be able to understand and comment on it and be able to prepare responsive applications. Since the last Consolidated Plan guidance was published, HUD has become aware of instances in which states’ methods of distribution were found to lack complete descriptions of all selection criteria. In some cases, states’ plans described their factors as “including but not limited to” those listed. Such language clearly

does not meet the requirement of the rule, and gives HUD reason to not approve the plan as submitted.

In other cases, states have identified very general criteria of relative importance (e.g. “need for project”, “maximum 20 points for public benefit considerations”) without any further definition of what the state considers those terms to mean or what documentation the state expects from applicants. States are reminded that they should ensure that their method of distribution fully describes all selection criteria in sufficient detail so that potential applicants will be able to understand the basis on which their application will be judged. However, in keeping with the concept of Consolidated Plan streamlining, this does not mean that a state’s method of distribution must describe terms or criteria to the level of detail that would typically be contained in states’ application manuals, notices of funding availability or similar state publications.

Office of Affordable Housing Programs

Resale and Recapture

A participating jurisdiction (PJ) that will use the HOME and/or ADDI funds to assist homebuyers must state in the Annual Action Plan the guidelines for resale and/or recapture, as required in 24 CFR Part 92.254(a)(5) and set forth the requirements in its consolidated plan. Field offices must review these requirements to ensure that they meet the HOME requirements. PJs may not use any funds for homebuyer assistance until the field office makes the determination and approves the provisions.

Specifically, the PJ’s resale requirements must describe how it will ensure that assisted housing, if it does not continue to be the principal residence of the assisted family for the duration of the period of affordability, will be made available for subsequent purchase only to a buyer whose family is low-income and who will use the property as the principal residence. In addition, the PJ must ensure that the resale gives the original HOME-assisted owner a fair return on investment (including the homeowner's investment and any capital improvement) and that the housing will remain affordable to a reasonable range of low-income homebuyers. Further, the PJ’s resale requirements must state that deed restrictions, covenants running with the land, or other similar mechanisms will be used as the mechanism to impose the resale requirements. Under resale requirements, the period of affordability is based on the total amount of HOME funds invested in the housing.

If the PJ uses a “presumption of affordability” in any neighborhood, it must submit the analysis upon which the presumption is based. The local CPD field office must determine that the analysis includes all elements required by 24 CFR Part 92.254(a)(5)(i)(B) and supports the PJ’s contention that the housing in the area will remain affordable for a period equal to the affordability period that would otherwise have been imposed on properties assisted.

For PJs using recapture requirements, the Consolidated Plan must state that the PJ recoups all or a portion of the HOME assistance to the homebuyers, if the housing does not continue to be the principal residence of the family for the duration of the period of affordability. Under recapture

requirements the affordability period is based on the total amount of HOME funds subject to recapture, which is determined by the amount of HOME assistance that enabled the homebuyer to buy the dwelling unit. Policy clarification highlighted by HUD in its June 2003 HOMEfires policy guidance newsletter (Vol. 5, No. 2), resulted in a number of PJs changing their recapture requirements to base the recapture amount on the net proceeds available from the sale rather than the entire amount of the HOME investment. We recommend this approach to limit repayment liability particularly if a property goes into foreclosure. Future rulemaking will reflect this policy change for single family homebuyer properties.

American Dream Downpayment Initiative (ADDI):

Consolidated Plan

The ADDI interim rule at 24 CFR Part 92.608 requires that a PJ, in order to receive an ADDI formula allocation, address the use of ADDI funds in its Consolidated Plan submitted in accordance with 24 CFR Part 91.

New Action Plan Narratives

In addition to addressing the use of ADDI funds in its Consolidated Plan, a state or local PJ that will receive ADDI funding must include three new narratives in its Annual Action Plan. These new narratives are described in the revised 24 CFR Part 91.220 and 24 CFR Part 91.320 included in the ADDI interim rule published March 30, 2004 (effective April 29, 2004). The narratives must include the following:

- A description of the planned use of the ADDI funds;
- A plan for conducting targeted outreach to residents and tenants of public and manufactured housing and to other families assisted by public housing agencies, for the purposes of ensuring that the ADDI funds are used to provide downpayment assistance for such residents, tenants, and families; and
- A description of the actions to be taken to ensure the suitability of families receiving ADDI funds to undertake and maintain homeownership, such as housing counseling to homebuyers.

Performance Measures

HUD has established a national goal to increase the number of minority homeowners by 5.5 million by 2010 (the results of which are reported to Congress). Since HOME and ADDI are important components of this effort, grantees are now required to include in their FY 2005 Consolidated Plan submissions, an estimate of the total number of minority households expected to be assisted in becoming homeowners during the period covered by the Consolidated Plans. It will not be necessary to establish separate Consolidated Plan goals for HOME and ADDI for homebuyer assistance. A single set of goals may be provided for the combined funds since, by regulation and for Consolidated Plan purposes, ADDI is considered as part of the HOME Program.

The previously mentioned CPD Notice 03-09 encourages each HOME PJ to develop or use a performance measurement system to capture outcome information on affordable housing activities and to include this information in its Consolidated Plan. Outcomes include, but are not limited to:

- Percent increase in the overall homeownership rate in targeted neighborhoods or in the community overall;
- Dollar increase in property values as a result of housing rehabilitation;
- Number of unit years of affordability in rental projects, based on the investment of HOME dollars; and
- Number and/or percent of housing units assisted that have eliminated at least one significant health and safety deficiency as a result of housing rehabilitation, as defined by local codes.

Office of Special Needs Assistance Programs (SNAPS):

One of HUD's most important goals is to end chronic homelessness by 2012. In developing Consolidated Plans, grantees should include information on their activities to end chronic homelessness. It is strongly encouraged that Continuum of Care planning elements related to chronic homelessness are integrated into the Consolidated Plan, in the sections focusing on special homeless subpopulations. If a grantee has already developed a 10-year plan with action steps to end chronic homelessness for the Continuum of Care, this step will help serve to integrate the two documents. It also reemphasizes the grantee's stated efforts to reach this goal. The Office of Special Needs Assistance Programs also strongly encourages grantees to standardize and integrate other McKinney-Vento Homeless Assistance Act's Continuum of Care planning components and similar homeless planning requirements in the Consolidated Plan. Grantees can incorporate elements of the Continuum of Care homelessness plan into the Consolidated Plan.

Office of HIV/AIDS Housing:

Housing Opportunities for Persons with AIDS (HOPWA)

The activities of the HOPWA program help to ensure that eligible persons maintain housing stability, avoid homelessness, and improve access to HIV treatment and other health care. The activities found at 24 CFR Part 574.300(b) are undertaken by grantees and project sponsors. These activities support HUD's strategic goals to promote decent affordable housing and strengthen communities, under the specific objectives to (1) expand access to affordable rental housing, and (2) end chronic homelessness and move homeless families and individuals to permanent housing.

In 2004 HOPWA began implementing the new long-term performance measure outcome. Grantees are asked to report on the percentage of HOPWA clients who maintain housing stability, avoid homelessness, and improve access to HIV treatment and other health care. The data will help track the effectiveness of these housing efforts. The end result should be an increase in the

percentage of persons in stable housing. The goal is that 80 percent of all clients will achieve stable housing through HOPWA assistance by 2008.

Performance Measures

Grant recipients must conduct activities consistent with their planned annual housing assistance output goals, objectively measure actual achievements against anticipated achievements and report on their actual outputs. The required measures are:

- **Required Housing Output.** The projected number of households to be assisted in each year, by type of housing (i.e. the number of households/units of housing under (a) short-term rent, mortgage and utility payments (b) rental assistance, and (c) facility-based housing).
- **Required Client Outcome.** The housing assistance provided helps eligible persons to establish or maintain housing stability, reduces their risk of homelessness, and improves their access health care and other support.

PART THREE: STREAMLINING AND OPTIONAL TOOLS

The Consolidated Plan Improvement Initiative, a part of the President's Management Agenda, is an effort to streamline the plan and make it more results oriented. A key element of the initiative is the eight pilots designed to test various techniques for streamlining the process. Each pilot produced interesting and replicable results, particularly in the areas of cross-referencing other plans and materials and the use of templates and alternative formats to streamline the process. Grantees are urged to read the reports entitled "Consolidated Plan Improvement Initiative Report – Lessons Learned." and "Consolidated Plan Management Process Tool." They can be found on the Consolidated Plan website. These reports provide valuable background and context for the Consolidated Plan Improvement Initiative. They also give the reader insight into the steps HUD has taken, working with grantees and others, to meet the charge of the President's Management Agenda.

We encourage grantees to use and adapt the techniques developed in the pilots for their own plans. We would also like to encourage grantees to use the CPMP tool. This tool helps to automate the Consolidated Plan process through use of linked Excel and Word files. We are particularly interested in feedback on the tool, its usefulness, and suggested changes. The Consolidated Plan Improvement Initiative does not end with the improved processing tools included with this transmittal. HUD remains interested in feedback and additional suggestions on how to further improve the Consolidated Plan process.

To assist grantees in selecting among the various strategies and tools, HUD has identified four options:

- Option 1: Grantees may submit their Consolidated Plans in the same format as in previous submissions, including using Community 2020 software if they still have a compatible computer operating system.
- Option 2: Grantees may use a combination of the techniques and streamlining methods identified in the pilots. The lessons learned from the pilots are described in "Consolidated Plan Improvement Initiative Report—Lessons Learned" available on the website.
- Option 3: Grantees may use the CPMP tool to automate the Consolidated Plan/Action Plan/CAPER process. The tool is located on the Consolidated Plan website along with detailed instructions for its use. A webcast demonstrating how to use the tool is available on the website also.
- Option 4: Grantees may create additional local formats to show needs, goals, and accomplishments for the three to five year period. In developing new formats, it is advisable to discuss them with the local CPD field staff to make sure that the submission is complete.

In the future we expect to improve the collection of such information through IDIS, which will in turn streamline the consolidated submission and reporting processes into a single, seamless system. We hope that some of these tools and recommendations will enable us to collectively

demonstrate the substantial successes achieved in many communities with the use of these formula grant programs.