COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM
BEST PRACTICES REPORT

THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SPRING 2021

Acknowledgements

The U.S. Department of Housing and Urban Development, (HUD) would like to thank the following grantees for sharing their best practices during the CDBG 2020 Webinar Series, which have been highlighted in this report.

Prioritizing Greatest Need Activities:

- **Louisville-Jefferson County, KY** – Marilyn Harris, Director of the Office of Housing for Louisville Metro Government
- **Bellingham, WA** – Kate Bartholomew, Development Specialist for the Department of Planning & Community Development
- **Wenatchee, WA** – Brooklyn Holton, Neighborhood and Community Services Coordinator
- **La Crosse, WI** – Caroline Gregerson, Community Development Administrator

Grant Oversight Strategies:

- **Collier County, Florida** - Cynthia Kemner, Grants Compliance Manager Community and Human Services Division
- **Salt Lake City, Utah** - Jennifer Schumann, Deputy Director and Tony Milner, Housing Project & Policy Manager
- **San Diego County, California** -Kelly Salmons, Program Coordinator and Marco De La Toba, Housing Program Analyst
- **Leavenworth, Kansas -** Mary Dwyer, Community Development Coordinator
- **State of Ohio** - Mary Oakley, Community Investments Manager

Reducing CDBG Administrative Costs

- **Long Beach, CA -** Alem S. Hagos, Operations Officer and Elizabeth Weithers, Administrative Analyst
- **Virginia Beach, VA** - Andrew M. Friedman, Director of Housing and Neighborhood Preservation
- **Salt Lake City, UT** - Jennifer Schumann, Deputy Director
- **Collier County, Florida** - Cynthia Kemner, Grants Compliance Manager Community and Human Services Division

Leveraging CDBG Funds

- **Bowling Green, KY -** Brent Childers, Director and Nick Cook, Grants Coordinator
- **Greenville, SC -** Rebecca Edwards, Community Development Financial Coordinator
- **Medford, OR -** Angela Durant, Principal Planner

Office of Community Planning and Development

HUD would also like to thank the following organizations for contributing to this effort.

Interest Groups –
- National Community Development Association (NCDA)
- National Association of County Community and Economic Development (NACCED)
- Council of State Community Development Agencies (COSCDA)
- Council of Development Finance Agencies (CDFA)
- Rockefeller Foundation
- Local Initiatives Support Corporation (LISC)
- Enterprise Community Partners Inc. (Enterprise)

Table of Contents

Office of Community Planning and Development

Office of Community Planning and Development

Executive Summary

The Department of Housing and Urban Development's Office of Block Grant Assistance is issuing this report to share best practices of the Community Development Block (CDBG) program identified by grantees and stakeholders. The goal is to share program models from peers to assist CDBG grantees in administering their programs. Grantees and stakeholders across the country have identified best practices and creative strategies to provide technical expertise to grantees seeking program improvements, and to new grantee and subrecipient staff unfamiliar with the CDBG program. (Note that HUD served as a convenor, but all comments and recommendations in this report are those of the CDBG grantees or stakeholders and should not be considered HUD requirements or official grant program compliance recommendations.)

In response to the FY2020 House Report 116-106, accompanying the Further Consolidated Appropriations Act, 2020, (P.L. 116-94), HUD has identified CDBG Best Practices in four specific areas:

- Prioritizing greatest needs, to ensure a jurisdiction's community challenges are met;
- Grant oversight and transparency, to prevent fraud;
- Reducing administrative costs, to ensure that the CDBG program is managed efficiently; and
- Leveraging CDBG funds, to maximize the CDBG investment for projects and activities

The CDBG program has a long history of recognizing and sharing best practices. HUD has issued brochures of CDBG success stories, posted CDBG project profiles, an interactive CDBG Scrapbook highlighting unique projects, and a series of *Explore CDBG* videos on its website, provided a *CDBG Partnerships* report to the Senate in September of 2019, and in November of 2020, the Department hosted a series of four webinars to highlight unique strategies to ensure CDBG programs are managed efficiently. This report outlines the grantee recommendations for CDBG best practices regarding how to target greatest needs, ensure transparency and prevent fraud, lower administrative and management costs of the program and leverage CDBG funds, in both urban and rural settings. This report has been posted on the HUD.gov website and the recorded webinars on the four topics have been posted on the HUD Exchange. This web-based resource provides peer-to-peer training, allowing CDBG grantees across the portfolio to view the webinars online and implement grantee best practices that were shared.

Overview of the Community Development Block Program (CDBG)

CDBG is a flexible community and economic development program administered by the Department of Housing and Urban Development (HUD) that provides formula-based block grant funding to "entitlement communities"—broadly, cities with populations of 50,000 or greater, or urban counties of 200,000—which makes up approximately 70% of the CDBG allocation, and to the states and insular areas, which subgrant funds to smaller, non-entitlement communities. The

Office of Community Planning and Development

primary goal of the CDBG program is "the development of viable urban communities, by providing decent housing, a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income." The Community Development Block Grant Program was initiated by the Housing and Community Development Act of 1974 to bring local knowledge and creativity to bear on pressing socioeconomic problems. It reflected a national focus on reducing segregation, poverty, and disadvantage.

Effective CDBG programs depend on cooperative, problem-solving relationships between CDBG grantees and their subrecipients. These subrecipients assist CDBG grantees in implementing and administering programs by undertaking one or more activities such as acquisition, clearance and disposition of property; homeownership assistance; rehabilitation of residential housing; public facilities and improvements; public services, such as job training, health care and substance abuse services, and childcare; and economic development, resulting in job creation.

This report provides the best practices of sixteen high performing CDBG grantees who were panelists on the four webinars in November 2020, sharing their best practice strategies in the aforementioned four areas.

I. Prioritizing Greatest Needs for Your Jurisdiction – CDBG Best Practices

With so many competing needs in every community, CDBG grantees are challenged to ensure that the greatest needs of their residents are addressed. The CDBG Program has several tools to determine and focus on the community's most pressing needs. The first is a three to five-year planning tool called the Consolidated Plan. As a component of this long-term plan, CDBG grantees must then develop a one-year Action Plan for each of the years represented in the Consolidated Plan. The Consolidated Plan identifies several components of the grantee's long term strategic plan for multiple HUD formula grant programs, through conducting housing and homeless needs assessments, housing market analysis, and a review of barriers to affordable housing, for example. Each Action Plan then identifies the specific activities the grantee plans to carry out over one program year, through input from its local citizens and leadership.

A. Outreach and Community Engagement

Many grantees rely heavily on data analysis to determine their jurisdiction's needs, but data does not tell the whole story. Retired residents with ample free time tend to respond to traditional online surveys in larger numbers, so the grantee may not receive input from the diverse populations within its jurisdiction. To ensure that the most pressing needs of a community are met, solicit input directly from your residents where they are most active,

Office of Community Planning and Development

rather than limit your data input from online surveys. Hosting an outreach event at an unfamiliar location, with no public transportation, will not attract many low-income residents. Instead consider conducting outreach through many channels to capture the priorities of those who tend to not voice their concerns.

Best Practices for Effective Outreach:

- Meet citizens at existing events - Seek input from parents at back-to-school nights with families that are lower income. To identify these schools, use data from your jurisdiction's school district, based on the number of students who receive subsidized lunches. Once the schools are identified, meet with social workers assigned to these schools to gather parents to have in-depth conversations about the community changes they would like to see.

- Meet citizens where they are - Solicit input from other venues by making visits to church congregations, hang posters in public housing complexes to gain input from tenants, collect surveys from residents who frequent Good Will Industry or Salvation Army job training programs, and host open houses in local public libraries. Be sure to provide activity tables for children, with games and small prizes, so that parents have uninterrupted time to complete surveys and provide valuable input.

- Accommodate diversity - translate documents into Spanish or languages that are spoken in your jurisdiction. CDBG grantees that target single parents, people of color, and those with disabilities tend to be more successful in prioritizing the greatest needs of the most vulnerable residents in their jurisdictions.

B. Data Collection - Partner with Local Colleges and Volunteer Organizations

Attend local university community service days and invite students to assist you with using the latest Geographical Information Systems (GIS) to collect valuable data that will inform how you prioritize your CDBG funding. These volunteers can ensure that the data matches the public experience in your community. By partnering with local universities, colleges and organizations such as AmeriCorps, you can mobilize student interns to canvass door-to-door, to collect and analyze information, in preparation for your Consolidated and Action plans. In addition, recruiting young talent is a positive way to engage young adults in learning more about the challenges of their communities and about the value of the CDBG program. Engaging students may also plant the seed for them to one day work with CDBG or other community programs.

Office of Community Planning and Development

C. Focus Resources on a Specific Community to Promote Community Ownership of CDBG Projects and Processes

Consider focusing on one neighborhood in your jurisdiction that is among the most distressed. Such an area of your jurisdiction is often identified by the highest number of first responder calls, the greatest number of renters versus homeowners and an area with constant turnover of residents. Select a project that the neighbors have expressed as their greatest need and mobilize the residents to take ownership of the CDBG funded project.

Case Study: South Wenatchee, Washington

Population of Wenatchee: 34,329
2020 CDBG Grant Allocation: $237,296

In 2015, South Wenatchee, WA conducted a GIS multi-layer assessment of pedestrian needs, bike safety, public transportation access, the number of public bus stops, public facilities, and parks.

The local citizens of South Wenatchee, who are fifty-percent Spanish speaking, agreed that there was a strong need for pedestrian infrastructure and multi-modal access between residential buildings and a commercial area. The neighborhood lacked lighting, the area had not been developed for a long time, homeownership was less than fifty percent, with most residents living in rental properties. As a result, there was less interaction among neighbors and constant turnover of residents. The community voted to fund a local park with a basketball court that would be accessible to everyone, and to renovate a nearby building for a farmer's market. The grantee was intent on empowering the community members to take a leading role in the project. They did this in the following ways:

First, the CDBG grantee staff of Wenatchee encouraged residents to participate in a "door knocking campaign", to share information about the park and sidewalk project and to collect ideas from their neighbors. Some residents agreed to lose part of their driveways to ensure sidewalks would be wider, so they shared photos of the plan through Facebook, word of mouth and at community events.

Second, they recognized "community champions", who showed success in leading initiatives and formed action groups for each stage of the project. For example, action groups were formed for the construction of the new sidewalks with new storm water gutters and sewer installations. The neighborhood leaders of each action group then requested feedback on the pedestrian lighting and artistic designs that would be stamped into the new sidewalk concrete. The grantee hosted numerous events to promote the project and got residents excited about the effort, such as art festivals to select designs of metal banners for their lamp posts, which represented the diversity of their neighborhood. Then, the grantee and the committees held walking audits, to ensure that at every stage, there was buy-in from the residents, thus building trust.

Third, the CDBG grantee maximized its CDBG investment by establishing partnerships to achieve project goals. The city of Wenatchee partnered with a local public hospital to conduct a health equity audit to secure additional funding. As a result, they were able to secure funding from Managed Care Opportunities (MCO) because they were able to prove that the installation of the park increased community health. In addition, the city leveraged its CDBG investment and received grants for the art component of the project. The city of Wenatchee was able to leverage approximately one million dollars for the planning, outreach and construction of sidewalks, the stamped art, pedestrian lighting and the rechanneling of a one-way street to two way.

Finally, the project was completed ahead of schedule by creatively using CDBG pre-award costs to pay for the pedestrian lighting. The city completed this project in three years, instead of the original plan of four years. This early completion increased greater trust between the residents and the city leaders. The neighborhood residents went to city council to thank them for their support of the project. For the past five years, there has been no vandalism or graffiti because the community took ownership of the project from the start. An additional outcome of this project is that the neighborhood formed a committee to be more involved with the planning of the CDBG Annual Action Plan. Due to the success of the South Wenatchee neighborhood projects, momentum and enthusiasm mobilized the next large CDBG project.

D. Goals and Performance Benchmarks for CDBG Projects – Keep Partners Informed

The more informed your citizens and project partners are regarding the goals of your CDBG funded projects, the more support you will receive. From the initial outreach to the community and stakeholders, to the funding, planning and completion of each project, residents and partners should be kept informed. In one community, affordable housing advocates led a voter initiative for an affordable housing levy, which resulted in increased funding support, and ongoing mechanisms in the community for seeking input and reporting out progress toward goals. Any misperceptions of the residents were quickly countered, backed by data such as the American Community Survey. For example, in one city, residents believed that local university students were causing the rise in local housing rental rates, which after some data analysis, was proven wrong. This information was made public so that the local community could engage with the data.

Case Study: Bellingham, WA

Population of Bellingham: 90,665
2020 CDBG Grant Allocation: $842,553

Simplify the planning process so it is clearer for the general public.

Office of Community Planning and Development

The city of Bellingham, Washington, distills its Consolidated Plan into five broad goals and color-codes priorities within them. For the yellow list of priorities, the city takes the lead; with the blue list, the partners take the lead. Requests for Proposals (RFP's) are based on priority needs taken from the information received from outreach and input from residents. Be proactive and work with community partners as early as possible to ensure responses come in when funding is available.

Case Study: Louisville-Jefferson County, KY

Population of Louisville-Jefferson County: 617,638
2020 CDBG Grant Allocation: $ $11,465,789

The county of Louisville-Jefferson, Kentucky assessed their housing needs across the spectrum by doing an analysis of three spheres; a) the health of housing stock based on the number of evictions and financial stability of homeowners; b) the diversity of housing stock based on availability of needs of housing types such as duplexes and location preferences among an increasingly diverse population; and c) equity of housing based on accessibility of opportunities for economic mobility and building wealth.

This grantee is eager to know how to do community development differently. They sought input from their jurisdiction on the needs of affordable housing by posting an announcement and surveys on Facebook and Instagram and they advertised at multiple neighborhood meetings through their council members. The county received a lot of community feedback and hired a consultant who led twelve stakeholder meetings. The grantee received valuable data on affordable housing from non-profit and for profits, grassroot organizations, advocacy groups, the urban league, and had a broad spectrum of over one hundred groups participate, who were broken into teams of eight. The grantee developed new partnerships from these gatherings and the data was broken down into twenty-two market areas, summarizing the affordable housing needs in each area and then one broader profile for the entire county. This snapshot demonstrated the areas where the county needs to fund affordable housing, such as areas with high displacement.

The county then broke the challenges into local solutions. First, they assessed all local policies and processes and made necessary revisions to support affordable housing. Second, they are supporting the creation of a community land trust to preserve affordable housing. Third, the county is assessing and revising their land development code and working towards an established inclusionary zoning policy. Fourth, they extended periods of affordability for projects and finally developed an anti-displacement strategy.

The County was short of 31,000 units for affordable housing, but now with this new plan it will be able to accomplish the goal of providing far more affordable housing units by establishing clear goals in its five-year Consolidated plan.

Office of Community Planning and Development

E. Show how CDBG Activities Met Your Jurisdiction's Priority Needs – CAPER Slideshow

Share how you targeted CDBG funds to the residents with the greatest needs in your jurisdiction and your five-year outcomes with your local leadership. In addition to preparing an Executive Summary of your Action Plan and an Executive Summary for your Consolidated Annual Performance Evaluation Report (CAPER), consider preparing a CAPER slide show that engages your leadership. By showing the projects you funded through "before" and "after" photos of your projects, your mayor and council will witness the direct impact of your CDBG investments. This provides a personal connection to the success of meeting your jurisdiction's greatest needs, displayed in a human context, in addition to the data. Mayors and local leaders do not always have time to read one hundred pages of a CAPER, generated from the Integrated Disbursement Information System (IDIS). They may prefer that you share CDBG accomplishments through personal stories, and they may remember these far more than reviewing data.

II.   Grant Oversight and Transparency to Ensure Transparency

Managing the CDBG program requires efficient implementation of activities while balancing the requirements of federal regulations, federal interpretations, local political will, and community needs. The program is comprised of three distinct cycles: a funding cycle, a delivery cycle of activities, and a period of oversight. After funds get disbursed for a variety of projects and activities, there must be follow-up to ensure those funds were spent on eligible activities. Monitoring CDBG-funded projects requires collaborative and mandatory training, strong administrative capacity, a monitoring team that includes both fiscal and program staff, risk assessment tools to flag high risk projects, grant administrative software that can be used across programs, consistent feedback, dialogue with subrecipients, and methods to prevent fraud, waste, and abuse.

Develop Collaborative and Mandatory Subrecipient Training

Ideally, CDBG grantee managers will train their subrecipients on a quarterly basis to prevent fraudulent misuse of CDBG funds and ensure transparency. Mandate quarterly subrecipient training requirements to be written into your subrecipient agreements. Call them *Quarterly Partnership Meetings*, which demonstrates that you are working with them rather than managing them and that their success dovetails with your success. Ensure that your program and fiscal team, their managers, grants compliance staff, and the director participate in these meetings. This gives you the opportunity to show your subrecipients how you value this time together. If you have a specific challenge that needs to be addressed, you have the most experienced CDBG staff at the meeting to contribute to the solution.

Strategies for Subrecipient Training:

- Use the same agenda and day of the month to meet each quarter so subrecipients know what to expect.

- In addition to Fair Housing, include the most needed topics; ask your subrecipients for topics that are of concern and then provide them with training and resources on that topic. To ensure transparency of how CDBG funds are obligated and spent, the Quarterly Partnership Meetings can include the following topics:

  - Review of follow-up items
  - Fiscal and CDBG Timeliness Requirement Review
  - Project Update by CDBG jurisdiction program staff
  - Program Changes
  - Subrecipient Comments/Issues/Questions
  - Deliverables Update - status of activities and completed projects
  - Status of reporting
  - Monitoring

- Invite state housing organizations or national community development organizations to address the topics that your subrecipients want to learn more about.

- Maintain a library of policies and procedures on your CDBG website to ensure that new information is easily accessible for your subrecipients and new staff. This will ensure increased compliance with CDBG regulations.

A. Ensure Administrative Capacity to Comply with CDBG Program Requirements

Administrative capacity is the single most significant challenge to transparent and compliant CDBG program implementation. Larger CDBG grantees are administered by government staff, regional planning organizations, community action agencies, and consulting firms. Budget cuts, retirements, downsizing of departments, turnover, and a dwindling interest in public sector employment have impacted the quantity and quality of local partners. Those with experience are retiring and states and cities are seeing similar budget and staffing challenges, while regulatory requirements and oversight expectations continue to increase. It is for these reasons that is crucial to build administrative capacity to ensure that CDBG funds are managed and spent in a transparent way in accordance with the following methods.

Methods to Ensure Strong Grant Oversight and Transparency:

- Reduce the number of communities or subrecipients eligible to receive direct funding; States, villages and small cities should apply through the county of jurisdiction.

Office of Community Planning and Development

- Change your program structure by allocating larger grants, implementing fewer projects per grant, and allowing longer timelines for completion, which often leads to more catalytic projects and more effective and efficient program administration.

- Consider moving from non-competitive programs where every eligible community or subrecipient receives funding, to competitive programs that require a project that meets a jurisdiction's priority needs and demonstrates administrative capacity.

- Add compliance checks to your application review process. For example, to streamline the completion of projects, determine the level of the environmental review required, ensure the project is not in a floodway, and flag projects that are in the one-hundred-year flood plain or where Uniform Acquisition and Relocation requirements apply. Consider implementing special conditions on grant agreements with compliance requirements and follow up with those grantees to provide technical assistance during implementation. Put milestones in your grant agreements and annual action plan for environmental review, bidding, and contract execution.

- Work closely with your fiscal staff, putting all grants on hold so no funds are drawn until the environmental review release of funds is issued.

B. Create a Monitoring Team with a Mix of Fiscal and Program staff

Insufficient or inadequate subrecipient monitoring often results in grantor findings that lead to single audit findings, which can be costly and time consuming to resolve. The result is that a CDBG staff person must explain the reason for the finding to your governing board. It is vital to take compliance seriously and ensure CDBG requirements are met.

Strategies for Improving Monitoring:

- Team up CDBG program staff with a grant accountant or if possible, your in-house accounting staff, who is responsible for internal audits. This way, you can ensure collaboration and build on the expertise of both the program and fiscal team, bringing the strength from each into program oversight.

- Set up a three-tiered review of your subrecipient pay requests. First, have your Grant Coordinator and second, your Grant Accountant review the pay request. Third, have your program and fiscal managers split the workload, sharing the next level of review. And finally, pay requests over a certain threshold amount should be reviewed by the director. Three levels of review provide consistency in the processing of your pay requests and allows you to catch both small and large mistakes before they go on to your Clerk of Courts or your office that receives payments.

- Regularly scheduled one-on-one meetings with subrecipient managers give the team an opportunity to review the progress of the project and any challenges that the subrecipient is experiencing, long before these challenges become a bigger issue.

Office of Community Planning and Development

- Maintain regular contact with your subrecipients. Include the project timeline as a project deliverable in the subrecipient agreement. This way, it gets reviewed and updated frequently.

  Ensure Transparency and Avoid Findings:

- Focus your monitoring on your most vulnerable activities by identifying your highest risk projects. Concentrate on environmental reviews, procurement, and meeting both an eligible activity and a national objective. Avoid having to repay CDBG funds by being proactive. Document everything so that you comply with CDBG recordkeeping requirements and have a robust administrative record or "paper trail" should you be audited.

- Use HUD resources to develop your monitoring tools:
    - HUD CPD Monitoring Handbook 6509.2 REV-7 is used by HUD to monitor your programs. The Handbook's Exhibits are compliance checklists. Consider tailoring this handbook for your program oversight. https://www.hud.gov/program_offices/administration/hudclips/handbooks/cpd/6509.2/

    - Subrecipient Oversight and Monitoring Resource https://www.hudexchange.info/resource/407/managing-cdbg-guidebook-for-cdbg-grantees-on-subrecipient-oversight/
    - Review 2 CFR 200, Subpart F - It guides your auditor on how to audit you. https://www.law.cornell.edu/cfr/text/2/part-200/subpart-F

    - Modify tools shared online by CDBG jurisdictions that were once where you are now.

- Prepare a letter at the end of each monitoring visit with your subrecipient. List the missing documents and give them a one-week grace period to provide them.

- Focus on eight to ten areas for review. Make recommendations to improve the subrecipient's compliance with federal and local requirements.

- Draft a close-out letter and request a response from your subrecipient within 60 days. Hold a ten percent retainage from every subrecipient pay request until missing documents are submitted. This provides a strong incentive for subrecipients to provide the documents.

- Tailor your public service monitoring tool differently from your infrastructure monitoring tool.

Office of Community Planning and Development

C. Develop Risk Assessment Tools to Identify High Risk Projects/Subrecipients

- Conduct a two-tiered risk assessment when applications come in for CDBG projects in the spring and for site visits in the fall, before grant agreements are signed.

- Develop a risk assessment on financial transactions.

- Provide a review committee with the CDBG program cash flow and unresolved findings. Do a risk assessment on each project which includes staffing changes, performance benchmarks, and completed activities.

- For higher risk, do an interim and close-out monitoring, especially for procurement, environmental, relocation and special grant provisions. Ensure that policies and procedures are being met. Then, during the close out, do income certification.

- Grant coordinators should schedule regular meetings with managers to review the check list of the entire monitoring process, starting with the application and following through to close-out.

D. Invest in Grant Administration Software That Can Be Used Across Programs

Managing numerous grant programs with paper and hard bound documents leads to inefficient processes, increased human error, difficulty in sharing data and assessing program performance. Invest in grant administration software and deploy an end-to-end, web-based grant management system. By getting your CDBG program aligned with the same software applications as your other community development programs, you will save your staff, citizen advisory boards, community partners, and decision makers enormous amounts of time. More importantly, your data will be far more transparent and consistent. For example, you will be able to view and share your subgrantee history, performance measurements, spending reports, contracts, and customizable data features with your decision makers. This allows for an end-to-end streamlined process, all contained in one place, enabling CDBG Program staff to spend less time completing administrative tasks. In turn, they will spend more time partnering with subgrantees, regional partners, and discovering ways to improve the impact of the CDBG program and leveraging other community grants.

E. Ask for Feedback and Dialogue Regularly with Subrecipients

Treat monitoring as a collaborative learning effort between the grantee and its subrecipients. As the CDBG Grantee Director, ask your subrecipients what do your subgrantees need to succeed and then discuss what you need. Ask questions such as: Is your written agreement difficult to read? How was your monitoring experience? How can we improve it? Seek feedback on what is working and not working with procedures, procurement, managing contractors or reporting. Provide technical assistance, especially for smaller agencies. Go out of the box and challenge your current operations. Ask your HUD

Office of Community Planning and Development

representative if you must require certain procedures of your subrecipients; you may discover that they are not required.

F. Methods to Prevent Fraud, Waste and Abuse

- Be vigilant of conflicts of interest during your pre-award risk assessment by reviewing your subrecipient's and contractor's employee roster and organizational charts. Look for possibly related parties.

- Watch for financial difficulties within a subrecipient's organizational structure by doing a financial analysis on every subrecipient during the risk assessment. A history of problems such as management instability or the control of the organization by one person should raise red flags.

- Review your subrecipients' procurement processes to uncover potential fraud. For example, request a list of vendor names and addresses and compare the addresses against a list of the subrecipient employees' names and addresses, for a possible procurement irregularity.

III. Reduce CDBG Administrative Costs to Ensure That the CDBG Program Is Managed Efficiently

In the CDBG program there is a twenty percent cap on the amount of grant expenditures attributable to general program administration. This twenty percent cap has been included in annual appropriations acts for the CDBG program since 1978. Examples of program administration costs allocable to the CDBG program include:

- Salaries of executive officers and staff with general program oversight responsibilities
- Leased office space for staff employed in carrying out the CDBG program
- Staff time spent for the development of general CDBG program policies and procedures such as the monitoring of overall program performance
- Staff time spent for the development of the Consolidated Plan/Action Plan and Consolidated Annual Performance and Evaluation Report (CAPER)
- Administrative services performed under third-party contracts, such as legal, accounting, and auditing services or the development of the Consolidated Plan

Because CDBG funds may be used to pay for general CDBG program administration, grantees often struggle with containing program administrative costs within the twenty percent cap. Through the CDBG Best Practices webinar series, grantees have identified valuable strategies to apportion costs more effectively to the program activity delivery category, which allows for more flexibility and increased funds for planning and capacity building efforts. The strategies identified here improve a grantee's allocation of resources and promote local and

Office of Community Planning and Development

regional partnerships to increase capacity and share costs. These strategies can enhance overall program management.

A. Allocate Staff Time and Track Data

Develop a time tracking system to monitor CDBG Program staff time spent on activities and then match that time with allocated funding. This promotes a more efficient use of CDBG administrative funds and enables grantees to discover how time is spent on individual activities and justify cost allocations. It is important for grantees to track how many hours are spent working on CDBG administrative tasks to determine the true costs of each task. This information will help grantees understand the costs of each program on a quarterly and annual basis, allowing for a better allocation of funds. Once grantees can document the costs for each program, they are able to communicate the time associated to complete each task to help decision makers understand the amount of time and energy that goes into administering successful programs.

Setting up and managing staff time tracking systems can be time intensive and complex, but the payoff is worth it, as it promotes a more efficient use of the grantee's CDBG allocation. An added benefit to using a time tracking and data system is that these systems help grantees identify costs that may fall under different programs and funding sources. Time management systems should be flexible so that they can be adjusted, when needed, if there are staff assignment changes or turnover.

B. Allocate Allowable Costs Strategically

The CDBG program allows for costs allocable to the implementation of a program or activity to be categorized as activity *delivery* costs rather than general program *administrative* costs. The costs of carrying out an activity include not only goods and services provided by third parties, such as construction contractors, but also include the costs incurred by the grantee or subrecipient in connection with the use of its own staff and other resources to carry out the activity. For example, if a grantee's employees underwrite economic development loans that are to be made with CDBG funds, the prorated time and portion of their salaries spent on this function can be treated as CDBG activity delivery costs. That would mean that these costs are not subject to the twenty percent limit on the use of CDBG funds to pay planning and administrative costs.

It is also important for grantees to know that some costs can be allocated to multiple grants, such as costs associated with monitoring subrecipients and thus, this in turn, increases the administrative budget for any single grant. Distinguishing which activities qualify as activity delivery costs versus administrative costs, and which may be distributed across multiple grants, increases the amount of funds that can be directed to programs and projects that benefit the community.

Office of Community Planning and Development

Case Study – Long Beach California

Population: 468,900
2020 CDBG Grant Allocation: $6,151,677

    The City of Long Beach, California used to constantly receive questions during public outreach and commission hearings about the reason the program used twenty percent of its allocation toward administration. As a result, the city underwent a thorough reporting analysis to explain in detail the nature of its administrative expenses. The city also made sure to highlight its efforts to reduce costs as much as possible.

    During the initial analysis of administrative costs, Long Beach negotiated internally with financial departments regarding indirect costs and costs with more than one cost objective. This analysis helped the city to identify costs that were shared with other programs and that could start to share administrative costs. The process of spreading the administrative costs across multiple programs now saves the city's CDBG program approximately eighty thousand dollars annually.

        Another strategy Long Beach employed to reduce its CDBG administrative costs was to ensure transparency between activities that qualify as activity delivery costs versus program administrative costs. The city made every effort to charge as many costs to activity delivery costs as possible. The city reviewed all of its administrative costs and collected all the proper documentation for any costs that could be assigned to activity delivery costs, such as selecting bids, and requesting proposals. These costs were then re-allocated to activity delivery costs. Long Beach realized the need to clearly document the final cost objective and followed the CPD Notice 13-07 Activity Delivery vs. Program Administrative costs very closely.

        The final strategy employed by Long Beach to reduce its CDBG administrative costs was to save on expenses through economies of scale by combining the management team of other community development grants with the CDBG management team. Long Beach Community Development staff were adept at negotiating with other City departments to share costs since Long Beach does not receive general funds for its program. When other city departments are involved in a CDBG funded project, like the Department of Public Works, the Community Development department negotiates with them to absorb common costs, such as the engineering and design costs.

        Over the past five years of employing these strategies, Long Beach has been able to save its CDBG program $2.5 million.

C. Share Common Staff Responsibilities

    A key strategy to reduce CDBG administrative costs is to share common staff responsibilities and shift away from single-task employees, such as one employee with the responsibility solely for environmental reviews or Davis Bacon compliance. Intentional use of staff skills and time is vital to effectively use the CDBG administration budget. General compliance activities should be shared by all program staff to diversify responsibilities and

Office of Community Planning and Development

reduce costs. Some grantees have found that sharing compliance roles among multiple staff has resulted in more efficient use of staff time by eliminating idleness and keeping projects moving forward.

Similar benefits have been realized by grantees who strategically use consultants to fill staff responsibility gaps. Using consultants for specific activities rather than program staff eliminates salary, benefits, and training costs of a position. Consultants can also contribute to staff confidence, by sharing their expertise and training the CDBG program staff. Consultants are not needed for every CDBG activity, but consulting services, when used appropriately, can conserve staff time and CDBG administrative costs.

D. Partner and Share Resources with Regional Grantees

Taking a collaborative approach to the administration of the CDBG program saves time and money. Partnering with fellow neighboring grantees in the same geographic region increases capacity and reduces administrative burden, especially regarding managing subgrantees. Some grantees have noted that they use the same subgrantees and contractors as other grantees in the region. When this is the case, sharing monitoring responsibilities and data can help divide up costs and increase capacity. Grantees can also share resources and information regarding subgrantees. With better information, grantees can provide the resources necessary to make subgrantees more self-sufficient and able to answer their own questions. This type of collaboration can be extended to other aspects of CDBG program management like staff training. Working together can help neighboring grantees improve tools, develop deeper program knowledge, and innovate new program management solutions.

Case Study – Salt Lake City, Utah

Population: 200,591
2020 CDBG Allocation: $3,509,164

Salt Lake City makes a point of informing their decision makers of the vital importance of its CDBG program administrative dollars. The city believes in the value of helping political leaders understand the amount of time and energy that goes into administering successful programs. Salt Lake City knows there is a need to focus on quality administration, not just output and outcomes. The city ensures that costs are transparent and that elected officials and the community are kept informed on ways that the city is reducing those costs.

One of the unique ways that Salt Lake City reduces its CDBG administrative costs while also increasing capacity and performance of program staff is through partnering with neighboring CDBG grantees in the region. Because all the regional CDBG grantees share many of the same subgrantees, they work together to implement consistency in their management, monitoring, and training practices while still providing each grantee with the ability to be flexible to meet local needs. This collaborative partnership reduces the amount of time each grantee must spend devoted to subgrantee compliance. For example, the regional partners have implemented the same online software platform for applications, reimbursement processing, and performance reporting. Each grantee does its own risk analysis and monitoring of subgrantees but then it shares its results among the group so that each grantee

Office of Community Planning and Development

is working from the same information and can prioritize specific focus areas rather than repeat similar monitoring efforts. All this collaboration means that subgrantees receive a more supportive and consistent program delivery experience, communicate with grantees regularly throughout the year, and receive ongoing training where needed.

In addition to collaborating with monitoring and risk analysis, Salt Lake City and regional partners share administrative tasks related to more technical areas such as environmental reviews, Davis Bacon compliance, and procurement. They have designated subject matter experts who work among the regional grantees to share knowledge and capacity. This partnership has led to the development of cost saving resources like monitoring handbooks, the publication of Frequently Asked Questions (FAQs) and trainings that allow individual grantees to focus on program and activity delivery. Salt Lake City has also leveraged the capacity of other city departments, like the finance department, to complete the necessary financial reporting in the Integrated Disbursement Information System (IDIS). Additionally, the city has implemented an online grant administrative software that has reduced the time and costs of grant administration for its staff. The city has realized many benefits shifting to an online grant administrative software solution. One important detail is that the city can provide training materials, recordings, HUD guidance, and other grant specific documents in a singular space for subgrantees to access at any time. This allows subgrantees the ability to quickly research and self-resolve questions and reach out to staff for more complicated or nuanced challenges. This focus of increasing subgrantee capacity and training has resulted in a fifty percent decline in calls and emails, allowing staff to build efficiencies in other areas.

Salt Lake City's partnership work has been impactful for managing CDBG-CV funds as well. The COVID-19 response landscape has changed quickly as communities are met with different challenges especially related to health, housing, access to services, and delivery of system services challenges. The city participates in weekly meetings with state and local partners to discuss the many moving parts to prepare, prevent or respond to COVID challenges. These meetings are critical to discuss priorities and decisions of funding agencies, identify community partners and financial supports, and any data analysis to help guide decision makers. Their collaboration is streamlining strategy development around program guidelines for large service providers regarding documentation and identification of the proper data to be collected to verify COVID-19 impacts.

IV.   Strategies for Leveraging CDBG Funds

CDBG is a powerful financing tool for cities and counties across the nation. CDBG funding pays for many important programs and activities that serve the community such as *Meals on Wheels* and public facilities that serve senior citizens. However, CDBG is only a small portion of financing for many local governments and it cannot be the only financing source if communities want to take on larger development projects. Learning how to effectively leverage the CDBG allocation with other sources of public and private financing allows grantees to undertake more substantial projects that can contribute to large-scale revitalization efforts.

Office of Community Planning and Development

Grantees have identified various methods of using small amounts of their CDBG allocation to leverage financing from other public and private sources to contribute to influential projects and activities in their jurisdictions. Capitalizing on tax credits and special taxing strategies and strategic partnerships has resulted in many grantees' ability to generate investment for changemaking projects that have the power to promote sustainable development. The strategies detailed below will help grantees to leverage their CDBG allocations and think of their CDBG funds as one source in a capital stack rather than the sole source.

A. Take Advantage of Regulatory Flexibilities Through the NRSA Designation

HUD offers regulatory flexibilities through the Neighborhood Revitalization Strategy Area (NRSA) designation. Designating an area as an NRSA streamlines compliance with CDBG program regulations, making it easier to attract additional investment to the designated area. Through the NRSA planning process, grantees develop targeted plans for specific development intervention for a small geographic area that is particularly under resourced or traditionally hard to develop. The reduced regulatory burden and small geographic focus for the area's pipeline of projects make it easier to leverage CDBG funds to generate additional financing.

Case Study – Bowling Green, Kentucky

Population: 70,000
CDBG Allocation: $600,000

The city of Bowling Green is a relatively new CDBG Entitlement grantee and received its first allocation in 2003. The city had trouble working with CDBG management and in 2014 went through a major overhaul of the program. Bowling Green decided to focus on one specific area of need rather than attempt to spread the allocation over a broader range of CDBG funded activities. The need that was identified as the greatest was neighborhood redevelopment. Taking this more targeted approach allowed the City to concentrate all its efforts in one area and led to the creation of special designations like the Bowling Green (BG) Reinvestment Area, which included six neighborhoods with the city's highest minority population and oldest housing stock. Using the BG Investment Area as its objective, Bowling Green created the Neighborhood Improvements Program as a tool to leverage CDBG funding with other financing sources. Focusing on one program type made it easier to build a vision and get elected official buy-in, which enabled leveraging of other funding, including $200,000 in local funds annually.

As part of the Neighborhood Improvements Program, Bowling Green established a HUD NRSA for the BG Reinvestment Area. The HUD NRSA designation provided regulatory flexibilities that enabled the city to secure extra funding for the area, including $300,000 from the Environmental Protection Agency, $1,137,441 from Federal Highway Administration and $750,000 from National Park Service. The city's NRSA planning process contributed to the additional funding because it was data driven and built on community

input for the highest need projects. The city spends two years in each of the NRSA neighborhoods, using the first year for planning and the second year for construction work, a phased approach that is conducive to layering multiple funding sources. Since establishing the NRSA, Bowling Green has leveraged $3,414,093 in CDBG funds with $3,184,360 in city funds and $6,189,186 in other funding sources.

B. Create Program Matching Requirements

Some grantees have found it useful to attach matching requirements to CDBG funded projects to increase financing from other sources. Establishing matching requirements for specific CDBG projects enables grantees to stretch their CDBG allocation while also ensuring project partners have a financial stake in the project. Matching requirements could be set up at varying levels depending on the type of project and the availability of other sources of financing. Instituting lower match requirements (such as eighty percent grant to twenty percent other funding or ninety to ten percent) for projects that may have difficulty attracting outside investment will still allow grantees to conserve CDBG dollars for additional projects. Matching requirements demonstrate that CDBG is a valuable resource that can be used as gap financing for projects rather than a sole financing source.

C. Create a CDBG Loan Pool for Multi-family Housing

Use CDBG funds to cover demolition, acquisition and then use Low-income Housing Tax Credits (LHTC) to cover construction costs. Invite tax credit developers to your community meetings. Initiate a strategy of pledging future allocations for affordable housing for many years into the future.

D. Partner with Public and Private Organizations

One of the most effective ways to leverage CDBG program dollars is to partner with other public or private organizations. Collaborating with organizations will not only increase capacity but it can secure funding for a variety of projects and programs. Nonprofit organizations, philanthropies, and Community Development Finance Institutions (CDFI's) have similar goals to the CDBG program, and each bring with them funding that can be leveraged with CDBG to multiply its impact and catalyze development.

E. Utilize Special Taxing

Innovative tax structures like tax increment financing and special purpose taxing are nontraditional methods that can be employed as sources of leverage for CDBG projects. Grantees have found that tax increment financing tends to be popular among elected officials and has been successful in facilitating larger projects. Large scale catalytic projects such as new mixed-use development neighborhoods, and downtown revitalization efforts are examples of the types of projects that may be a good fit for financing through special taxing schemes. Leveraging a portion of CDBG with financing from a tax increment finance district

Office of Community Planning and Development

expands the use of CDBG funds and its potential for supporting large scale development projects.

Additionally, grantees that are able to effectively use New Market Tax Credits (NMTCs), Low-Income Housing Tax Credits (LIHTCs), and Historic Tax Credits (HTCs), improve their ability to undertake influential projects with the capacity to impact significant change in their community. Grantees that are strategic about priorities and enable incentives to facilitate community investment will see the highest returns on the CDBG spending.

F. Employ HUD's Section 108 Loan Guarantee Program

The Section 108 Loan Guarantee Program offers grantees the ability to leverage their annual grant allocation to access low-cost, flexible financing for economic development, housing, public facility, and infrastructure projects. Grantees can use Section 108 guaranteed loans to either finance specific projects or to launch loan funds to finance multiple projects over several years.

Section 108's unique flexibility and range of applications makes it one of the most potent and important public investment tools that HUD offers to state and local governments. It is often used to catalyze private economic activity in underserved areas in communities across the nation or to fill a financing gap. The program's flexible repayment terms also make it ideal for layering with other sources of community and economic development financing including, but not limited to, New Market Tax Credits (NMTCs), Low Income Housing Tax Credits (LIHTCs), and Opportunity Zone (OZ) equity investments.

CONCLUSION

This report outlines some CDBG best practices regarding targeting a community's greatest needs, ensuring transparency and preventing fraud, decreasing administrative and management costs of the program, and strategically leveraging CDBG funds, in both urban and rural settings. To ensure the success of your CDBG Program, you must be knowledgeable about local data in your jurisdiction to identify assets and areas for improvement. Be proactive about getting to know your community, then ensure that your residents have an equal voice in the planning process. Invest in partnerships to creatively solve problems, upgrade your grant administrative software, and encourage your subrecipients to do the same, to ensure easier access to vital data. Learn from community partners and help guide them through regulatory compliance. Make yourself accessible as a resource and share your knowledge with regional planning partners.

Community partners want to learn from CDBG grantees, so have an open-door policy. Hold collaborative and mandatory trainings, offer to brainstorm and problem solve, develop risk assessment tools to identify high risk projects or subrecipients, conduct more training for those with recent staff turnover or new agencies, enforce transparency and check in regularly to assess

Office of Community Planning and Development

progress. Be strategic in how you use your program administrative costs and see if some of those costs can be allocated to program delivery costs; be collaborative and share resources among regional grantees. Get creative and stretch your CDBG allocation using leveraging tools like the NRSA designation, creating matching requirements, partnering with public and private organizations, using tax incentive programs, and employing the Section 108 Loan Guarantee Program.

Finally, be willing to work with and learn from everyone and realize regardless of how much you know, there is always room to learn more and try different approaches.

Office of Community Planning and Development

Appendix

Resources - On-Line Tools for Trainings to Encourage CDBG Best Practices:

- CDBG HUD Exchange
  https://www.hudexchange.info/programs/cdbg/

- Explore CDBG Training Videos
  https://www.hudexchange.info/programs/cdbg/cdbg-ta-products/#all-products

- Frequently Asked Question Documents by CDBG Topic (FAQ's) -
  https://www.hudexchange.info/faqs/programs/cdbg-entitlement-program/

- CDBG State Guides, Tools, and Webinars:
  https://www.hudexchange.info/programs/cdbg-state/guides/#guides-and-training-manuals

- CDBG Scrapbook
  https://www.hudexchange.info/community-development/lmi-benefit-scrapbook/#book5/page1

- CDBG Project Profiles
  https://www.hudexchange.info/programs/cdbg/project-profiles/submit/

- CDBG Best Practices Webinar Series
  https://files.hudexchange.info/resources/documents/CDBG-Partnerships-Report.pdf

- CDBG Partnership Report
  https://www.hudexchange.info/trainings/courses/cdbg-best-practices-webinar-series-reducing-cdbg-administrative-costs/3837/

Office of Community Planning and Development

Community Development Block Grant Program Best Practices Report

CDBG Best Practice/Strategy Template

Please keep descriptions concise and illustrate how the project showcases a best practice model for implementing your CDBG program. For samples of project profiles visit the CDBG Project Profile website here. If you need assistance with the CDBG Best Practice template, email joseph.a.baietti@hud.gov or julia.m.neideckergonzales@hud.gov.

> **Grantee Name:**
> **Contact Person:**
> **City and State:**
> **Email:**
> **Telephone Number:**

1. **Name of your CDBG Best Practice from the List Below: _____.**

   - o Prioritizing greatest need activities/projects
   - o Grant oversight strategies
   - o Reducing administration costs
   - o Leveraging CDBG funds

2. **Description of the Project(s) using a CDBG best practice.**
   Provide a brief summary of the activity that has improved efficiency of your CDBG program administration and list relevant program partners. The description should include specific implementation and/or management strategies used. Explanation of program structure and operations may be described, including but not limited to program office organizational structure, financing, communication practices, outreach and engagement techniques, etc.

   Leveraging Example: "The project's aim was the redevelopment of a troubled brownfield site into mixed-income rental housing (40 units, 32 affordable); the program leveraged over $12 million in financing for brownfields development from private and state funding sources. The project led to a city leveraging budget that receives an annual appropriation and is used for additional leverage of funds for a debt service reserve for affordable housing projects in the community."

3. **Project Beneficiaries/ Key Staff**
   - • List key staff and roles for implementing the CDBG Best Practice.

     Examples: loan fund management specialist, project oversight manager, compliance officer, HUD grant subrecipient liaison, etc.

4. **Provide a chart of CDBG funds and Leveraged Funds if related to reducing administrative costs or leveraging best practices.**

5. **Key Result/Outcome of CDBG Best Practice/Strategy –**
   - • Provide a few sentences describing the key outcome of the CDBG best practice, including any key success metrics, and how it made a difference in your community/program.

     Grant Oversight Example: "Having a dedicated compliance officer has led to increased subrecipient collaboration and resolution of 4 previous audit findings."

6. **Words of Advice and Recommendation for Replication**
   - • Provide one to two sentences of advice that you would like to share with other CDBG grantees based on your experience from this strategy.

Office of Community Planning and Development

- Enter any comments regarding how your CDBG Best Practice can be replicated for other CDBG Grantees. Provide any tips or recommendations to other grantees who may wish to implement it.

  Example: "Be creative. After failing to get interest from private developers twice, the City partnered with City Land Trust to make the development happen." The best way to replicate our strategy is to dedicate a staff member to identifying leverage sources and understanding program requirements. This staff member help to break down silos between City offices and identified unique sources of funding that was pivotal for project implementation.

7. **Website**
   - Provide a link to a website where people can get more information about the project.
   - Provide contact information for staff members who can be contacted to learn more about program model implementation.

8. **Image and Media**
   - Please include with your profile submission photos or videos associated with the best practice. All images should include a caption. Before and after photos that illustrate success of the best practice strategy encouraged.
       i. Photos must be at least 1000x750 pixels and 72 pixels per inch, in an image file format (.jpg). Captions must include a description of the image, including the location and names, titles and organizations of any people pictured.
   - If the content is not posted online, you can upload it to the HUD Exchange Dropbox. You do not need to have a Dropbox account to upload files.
   - For CDBG best practice, upload any documentation such as charts or checklists that may be relevant to showcase the model and its outcomes.

9. **Media Release**
   - You must provide a signed media release for use of any photograph(s) or video(s) that will be included in the project profile.
   - Download, sign, and scan the HUD Media Release Form.

10. **Save and Submit Media Release Form and Program Profile**

    - Save the Media Release form with the file name:
      CDBG-Your-Organization-Name-Media-Form
      File Name Example: CDBG-Washington-DC-Media-Form

    - Email the Media Release form and your files/documents/images to the link below:
      File upload link: https://goo.gl/cISRGK

    - **CDBG Best Practice Template – {CDBG Grantee Name}**
      Example: CDBG Best Practice Template – ABC City, State

Office of Community Planning and Development