CDBG Disaster Recovery Eligible Activities and National Objectives

U.S. Department of Housing and Urban Development
Goal for today:

To gain a broad understanding of the CDBG-DR eligible activities that grantees may undertake under the Disaster Relief Appropriation Act, 2013 (Public Law 113-2) and other supplemental CDBG-DR appropriations.
Overview

- “Tie Back to the Disaster” Requirement
- Planning and Admin
- Housing Activities
- Preparedness and Mitigation
- Infrastructure Activities
- Economic Revitalization Activities
- Review of each National Objective
All CDBG-DR activities must clearly address an impact of the disaster. This means a CDBG-DR eligible activity must:

• Meet a national objective;
  – Activities Benefitting Low/Moderate Income Persons
  – Prevention/Elimination of Slums or Blight
  – Urgent Need

• Address a direct or indirect impact from the disaster in a county covered by a Presidential disaster declaration, and

• Be located in a most impacted and distressed county as identified in the applicable Federal Register Notice.
Tie Back to the Disaster Requirement

How This Requirement Can Be Shown

• For physical losses
  – Damage or insurance estimates (the most effective tool)

• For economic or other non-physical losses
  – Post-disaster analyses or assessments (documenting relationship between loss and disaster)
Unmet Need Arising from a Previous Disaster

• Funds may be used to address an unmet need that arose from a previous disaster, which was exacerbated by a disaster cited in the applicable Federal Register Notice.

• If an impact or need originating from a disaster identified in the Federal Register Notice is subsequently exacerbated by a future disaster, funds may also be used to address the resulting exacerbated unmet need.
General management, oversight & coordination
Must maintain supporting documentation by timesheets or indirect cost allocation plan
Other eligible admin/planning functions include:
  – Public information
  – Fair Housing
  – Preparation of Consolidated Plan
  – Submission of applications for Federal programs
  – Planning, policy work, and studies
PL 113-2 Admin Cap = 5%; Total available for admin and planning combined is 20%
Housing Activities

Typical Housing Activities

• New construction and rehabilitation
  – Single family or multifamily units (including garden apartments, condominiums, and housing cooperative units).

• Most often, grantees use CDBG-DR funds to rehabilitate damaged homeowner and rental units.
Housing Activities Not Damaged By the Disaster

- Grantees may fund new construction or rehabilitate units *not* damaged by the disaster if the activity clearly addresses a disaster-related impact and is located in a disaster-affected area.

- Disaster-related impact effects
  - Quality,
  - Quantity, and
  - Affordability of the housing stock

- Disaster-related impact results in the inability of the existing stock to meet post-disaster needs and population demands.
Reimbursement of Pre-award Costs to homeowners

Grantees may charge eligible pre-award and pre-application costs of individuals and private entities related to single- and multi-family residential structures and nonresidential structures, only if the incurred expenses were within one year after the date of the disaster and before the date on which they applied for CDBG-DR assistance.

For example, a person who incurred eligible expenses for rehabilitation in the wake of Hurricane Sandy (October 29, 2012), may be eligible to receive CDBG-DR assistance for costs incurred up until October 29, 2013. However, if that person or private entity applied to a grantee’s CDBG-DR program on July 4, 2013, then only expenses incurred before July 4, 2013, would be eligible for reimbursement.
Advantages of Preparedness and Mitigation
(as a component of an eligible activity)

- Preparedness and mitigation measures for rebuilding activities help to ensure that communities recover to be safer, stronger, and more resilient.
- Preparedness and mitigation measures also reduce costs in recovering from future disasters.
- Mitigation measures must be a necessary expense related to the disaster relief, long-term recovery, and restoration of infrastructure, housing, or economic revitalization.
Infrastructure Activities

• Repairing, replacing, or relocating damaged public facilities

• Typical activities include the rehabilitation of schools, health care centers, water or wastewater facilities, drainage improvements, etc.
Infrastructure Activities

- Usually the FEMA Match program falls under Infrastructure activities
- FEMA Match in and of itself is NOT an eligible activity
- Grantees using CDBG-DR funds for FEMA Match must still demonstrate that those funds are being used for an eligible activity that meets a national objective
Wide Range of Economic Revitalization Activities

• Activities not limited to “special economic development” activities under the HCD Act or to activities that create or retain jobs.

• Economic revitalization can include any activity that demonstrably restores and improves the local or regional economy, such as addressing job losses.
Examples of Economic Revitalization Activities

- Providing loans and grants to businesses,
- Funding job training,
- Building education facilities to teach technical skills,
- Making improvements to commercial/retail districts, and
- Financing other efforts that attract/retain workers in devastated communities.
Grantee Requirements

• For direct assistance to a business, funds may only be provided to a small business, as defined at 15 U.S.C. 632(a) OR a business that the grantee can demonstrate that funding is both reasonable and critical to long-term recovery.

• Must address an economic impact caused by the disaster (e.g., loss of jobs).

• As part of its needs assessment and Action Plan, the grantee must clearly identify economic loss or need resulting from the disaster, and how proposed activities will address the expressed loss/need.
What eligible activity types do these projects fall under?

- Constructing new housing for residents located in a floodplain;
- Buying severely damaged structures and relocating the affected household or business out of harm’s way;
- Debris removal (not covered by another source, such as FEMA);
- Rehabilitation of homes or buildings damaged by the disaster;
- Constructing or rehabilitating public facilities or improvements (e.g., streets, neighborhood centers, and water/sewer/drainage systems);
- Code enforcement;
- Homeownership assistance (e.g., down payment assistance, interest rate subsidies, and loan guarantees);
- Public services;
- Helping businesses retain or create jobs; and
- Planning and administration activities.
National Objectives

Each activity (except those for administration or planning) must:

- Benefit low and moderate-income persons,
- Aid in the prevention or elimination of slums or blight, or
- Meet a need having a particular urgency

Reg cite §570.208, 570.480
LMI National Objectives

- **LOW/MOD**
  - Area Benefit
  - Limited Clientele
- **SLUM/BLIGHT**
  - Area Basis
  - Spot Basis
- **URGENT NEED**
  - Urban Renewal

**Housing**
**Jobs**
LMI Area Benefit

- Activities that benefit all residents of an area
- Must determine service area of activity
  - Based on reasonable assumptions as to who would access the facility, service, etc.
- Area must be primarily residential
LMI Limited Clientele

- Activities that benefit specific populations
- Options for meeting limited clientele:
  - 51% of participants are documented as LMI
  - Participation limited to LMI only
  - Presumed benefit clientele
    - Activity must exclusively serve: elderly, severely disabled adults, homeless persons, illiterate adults, migrant farm workers, abused children, persons with AIDS or battered spouses
  - Nature and location indicate low/mod benefit
LMI Housing

- This is the **only** L/M national objective for housing activities
- To meet the housing national objective, structures must be occupied by low/mod **households**
- Documented based on unit occupancy:
  - One unit structures occupied by LMI
  - One unit of duplex occupied by LMI
  - 51% of 3+ units LMI occupied by LMI
LMI Jobs Creation/Retention

• Activities related to economic opportunity

• In order to meet this criteria, activities must create or retain permanent jobs

  AND

• 51% of the jobs created/retained must be available to or held by LMI persons

  – Jobs counted on full time equivalent (FTE) basis
LMI Overall Benefit

• Statute requires that 70% of all CDBG expenditures benefit low/mod persons
  – Cumulative actual expenditures, not budgeted

• Federal Register notice governing 113-2 funds waived this requirement and reduced the overall benefit to 50%
  – Grantees may request to decrease this percentage even further
Slum & Blight National Objectives

- **LOW/MOD**
  - Area Benefit
  - Limited Clientele
  - Housing
  - Jobs

- **SLUM/BLIGHT**
  - Area Basis
  - Spot Basis
  - Urban Renewal

- **URGENT NEED**
Slum and Blight Area

• Activities designed to address dilapidated physical environment
  – Not based on income of residents
• Typical activities: code enforcement, infrastructure, commercial rehabilitation
• Must be defined area & meet definition of slum/blighted area under state/local law AND
Slum and Blight Area

• Meet either (A) or (B) below:
  – (A) The public improvements in the area are in a general state of deterioration, OR
  – (B) At least 25% of properties throughout the area experience 1 or more of the following conditions:
    • Physical deterioration of buildings or improvements
    • Abandonment of properties;
    • Chronic high occupancy turnover rates or chronic high vacancy rates in commercial/industrial buildings;
    • Significant declines in property values or abnormally low property values relative to other areas in community; or
    • Known or suspected environmental contamination.
• Activities that address specific conditions of blight, physical decay or environmental contamination not in slum/blight area

• Activities limited: acquisition, clearance, relocation, historic preservation, remediation of environmentally contaminated properties, or building rehab
  – Acquisition & relocation must be precursor to another eligible activity that addresses slum/blighted conditions
  – Rehab limited to elimination of conditions detrimental to public health & safety
Urgent Need

• Used to address emergency situations
• To meet the urgent need test:
  – Existing conditions pose serious & immediate threat to health/welfare of community
  – Existing conditions are recent or recently became urgent
    • Generally 18 months
  – Recipient cannot finance on its own
  – Other funding sources not available
Urgent Need

• The certification requirements for the documentation of urgent need, located at 24 CFR 570.208(c) and 24 CFR 570.483(d), are waived for 113-2 grantees until two years after the date HUD obligates funds to a grantee for the activity.

• Instead, each grantee receiving a direct award under 113-2 must document how all programs and/or activities funded under the urgent need national objective respond to a disaster-related impact identified by the grantee.

  – Grantees must reference in their Action Plan the type, scale, and location of the disaster-related impacts that each program and/or activity is addressing.