

# Community Development



# CDBG Policies and Procedures Manual

2015



West Virginia Development Office



# CDBG Policies and Procedures Manual

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## Table of Contents

	<b>Page</b>
Introduction .....	1
Chapter One – Project Administration.....	1-1
Chapter Two – Environmental Review.....	2-1
Chapter Three – Financial Management .....	3-1
Chapter Four – Program Income.....	4-1
Chapter Five – Professional Services .....	5-1
Chapter Six – Construction Management .....	6-1
Chapter Seven – Labor Compliance .....	7-1
Chapter Eight – Civil Rights .....	8-1
Chapter Nine – Monitoring, Reporting & Closeout.....	9-1
Chapter Ten – Acquisition of Real Property .....	10-1

***This CDBG Policies and Procedures Manual is intended as a guide, not as a substitute for a thorough knowledge of state and federal laws and regulations referenced in this manual. In the event of any discrepancy, federal regulations will prevail. The Grantee is responsible for compliance with the most current and stringent of any applicable local, state or federal law or regulation(s).***

***The West Virginia Development Office does not discriminate on the basis of age, race, color, religion, sex, national origin, familial status or disability in the admission, access to, treatment of, or employment in, its federally assisted programs or activities.***



# Introduction





## Introduction

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The Community Development Block Grant Program (CDBG) is administered by the U.S. Department of Housing and Urban Development (HUD), and is authorized under Title 1 of the Housing and Community Development Act of 1974 (HCDA), as amended.

Prior to the HCDA, there were numerous Federal programs which addressed community development issues. The CDBG program was developed through the consolidation of various programs under which communities previously competed for funds. These programs included: Open Space, Urban Renewal, Neighborhood Development Program grants, Historic Preservation grants, Model Cities supplemental grants, Public Facilities loans, Neighborhood Facilities grants; and Water and Sewer grants.

The primary objective of Title 1 of the HCDA is the development of viable urban communities. These viable communities are achieved by providing the following, principally for persons of low and moderate income:

- 1. Decent housing;**
- 2. A suitable living environment;**
- 3. Expanded economic opportunities.**

To achieve these goals, the CDBG statutory and regulatory requirements set forth eligible activities and National Objectives that each activity must meet. The U.S. Department of Housing and Urban Development has established the following three National Objectives for the CDBG program. Each CDBG-funded activity must meet one of HUD's three National Objectives. Therefore, each project must:

- 1. Benefit low and moderate income individuals;**
- 2. Aid in the prevention or elimination of slum and blight; or**
- 3. Meet other community development needs having a particular urgency due to existing conditions that pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available.**

From 1975 to 1981, states did not participate in the CDBG program. Instead, HUD conducted an annual competition to fund small cities. Amendments to the HCDA in 1981 permitted states to administer the CDBG program for small cities, beginning in 1982. In West Virginia, the program is commonly known as CDBG-Small Cities.

The State program is designed to provide assistance to units of local government to improve economic opportunities and meet community revitalization needs, primarily for individuals of low and moderate income.

Under Title I of the HCDA, all units of general local government are eligible to apply for CDBG financial assistance, except for the West Virginia cities that participate in the CDBG Entitlement Program and receive CDBG funds directly from HUD. These include: Beckley, Charleston, Huntington, Martinsburg, Morgantown, Parkersburg, Vienna, Weirton and Wheeling.

## Introduction

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After CDBG funds are allocated to Indian Tribes (one percent of the Congressional allocation); funds are then split among entitlement communities and states, with 70 percent of funds dedicated to entitlement communities and 30 percent of funds dedicated to states.

Funds are allocated based upon a formula which factors total population, percent of population in poverty and housing. Therefore, funding allocations vary from year to year.

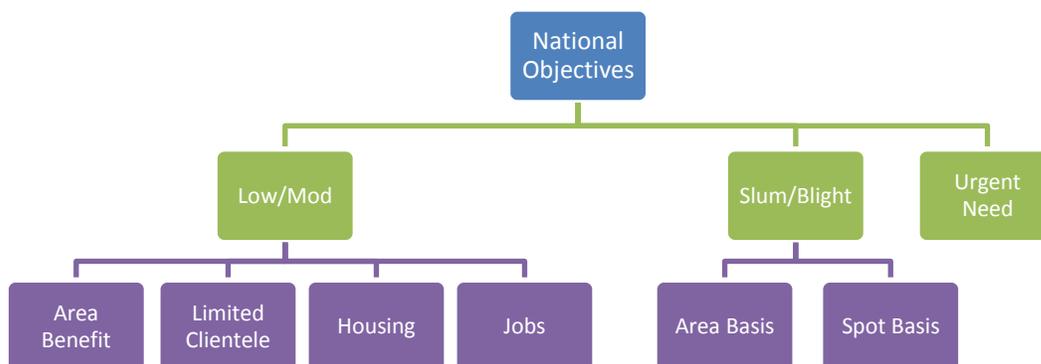
The West Virginia Development Office (WVDO), Project Development Section, is given the primary responsibility for the administration of the CDBG program at the State level. The WVDO is responsible for developing the consolidated plan; designing the program; reviewing applications; distributing funds; establishing financial management, reporting, monitoring, audit, and closeout procedures; and ensuring the compliance of CDBG grant recipients.

HUD is responsible for monitoring the states to ensure compliance with CDBG program requirements. The regulations implementing the CDBG Program are found in the Code of Federal Regulations: 24 CFR Part 570.

### Meeting a National Objective

Every CDBG-funded activity must meet one of HUD's three National Objectives. The National Objective category must be identified in the grant application prior to the award of funding, however, the National Objective is not met until the grant recipient carries out the activity, and the closeout reports document how the National Objective was met, and accepted. This requires that each activity meet specific tests for either:

- **Benefit low and moderate income individuals;**
- **Aid in the prevention or elimination of slum and blight; and**
- **Meet other community development needs having a particular urgency due to existing conditions that pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available.**



Each of the three National Objectives, and the subcategories of criteria for how that objective may be met, is described on the following pages.

### **Benefit to Low and Moderate Income Individuals**

The Benefit to Low and Moderate Income Individuals (also known as Low/Mod or LMI Benefit) is referred to as the “primary” National Objective because Federal regulations require that 70 percent of CDBG funds meet this National Objective. Within this National Objective, there are four subcategories:

1. Low Mod Area (LMA)
2. Limited Clientele (LMC)
3. Low Mod Housing (LMH)
4. Low Mod Job Creation and Retention (LMJ)

Public facilities activities, such as water, sewer and storm water projects, generally qualify under this National Objective; providing area wide benefit to LMI persons. The ‘benefit to LMI persons’ test is met by documenting - through census data or an income survey – that 51 percent or more of the persons who live in the project area may be defined as being low-to-moderate income.

For this purpose, LMI determination is based upon the income of a family, household, or individual living in the CDBG-Small Cities project area whose household income does not exceed 80 percent of the median income for the area. As defined, this means the activity benefits all residents in a particular area or neighborhood, where at least 51 percent of the residents are LMI persons. Note, the LMI determination for all subcategories under this National Objective, is based upon low to moderate income persons, with only one exception. The Low Mod Housing (LMH) is the only National Objective based upon households, rather than individuals.

In some limited circumstances, the project may qualify under the Limited Clientele criteria. These projects typically serve a specific group of individuals in a community but not necessarily the entire community. HUD has designated eight limited clientele groups that automatically qualify as meeting the benefit of low-to-moderate income persons test. These groups are: abused children; battered spouses; senior citizens (62 and over); illiterate adults; severely disabled adults; the homeless; persons with HIV-AIDS; and migrant farm workers.

### **Elimination of Slums and Blighted Conditions**

Public and/or private facilities requiring improvements that aid in the prevention or elimination of slums or blighted conditions in a designated slum/blight area may qualify for funding under the National Objective of Elimination of Slum and Blight Area Basis. Such projects would include demolition of multiple downtown buildings. Improvements could also be for a single building not located in a blighted area, and in such case, the project would qualify under the Spot Basis.

### **Urgent Need Projects**

If the improvement corrects a CDBG-defined urgent situation, the Urgent Need National Objective may be met. West Virginia seldom funds Urgent Need projects. In cases where Urgent Need projects have been funded, they typically addressed disaster relief or recovery.

### **Determining LMI Eligibility**

There are two ways to verify that proposed projects meet the National Objective of benefitting low to moderate income individuals. Eligibility may be verified through the use of Census/American Community Survey data, or an income survey of the project area.

If the project area is accurately represented by a particular Block Group, the applicant may cite Low and Moderate Income Summary Data (LMISD) data to qualify the project by LMI percentage. **In all cases, the LMI benefit must be accurately documented and the project area must be accurately represented.** If LMISD is being used to qualify a project, the census data must coincide with project area and the application must include a map to verify this representation.

If the LMISD data does not reflect current income levels, or census boundaries do not sufficiently coincide with the project area, an income survey may be warranted. Additional details regarding the State's guidelines for conducting income surveys are provided in a revised Income Survey Guide available at [www.wvcommerce.org](http://www.wvcommerce.org), and by calling the West Virginia Development Office (WVDO). Income surveys should be methodologically sound and conducted in accordance with 24 CFR 570.483(b)(1)(i), and according to CPD Notice 05-06.

### **Project/Service Area**

As stated in HUD CPD Notice 14-013, "One of the crucial aspects of qualifying an activity as principally benefiting LMI persons on an area basis is the proper identification of the service area. The service area must be defined first before deciding which data to use to determine the percentage of LMI persons and not vice versa." Each application must provide information for the Census Tract(s) and Block Group(s) most closely approximating the project area.

### **Income Eligibility: Area-Wide Benefit to Low and Moderate Income Individuals**

The Area-Wide Benefit to Low and Moderate Income Individuals category is the most commonly used National Objective for activities that benefit a residential neighborhood. As defined, this includes activities that benefit all residents in a particular area or neighborhood, where at least 51 percent of the residents are LMI persons. For this purpose, LMI determination is based upon the income of a family, household, or individual living in the CDBG-Small Cities project area whose household income does not exceed 80 percent of the median income for the area, as determined by HUD, with adjustments for smaller and larger households or families (HUD generated LMI data).

### **Eligibility must be verified by one of the following methods:**

- 1. HUD Low Income Summary Data/LMISD: HUD CPD Notice 14-10:** To qualify by Census, the census blocks/areas must closely with the service area and have a 51 percent or greater LMI population according to HUD generated census data (Low and Moderate – Income Summary Data/LMISD).

The HUD Income Summary Data/LMISD data, based upon the American Community Survey (ACS), is updated on an annual basis and is available [HERE](#). Use the most current data available. If the project area is a census tract(s), select ALL BLOCK GROUPS. If the project area is a whole town or county, select LOCAL GOVERNMENT SUMMARIES.

### 2. Income Summary in compliance with HUD CPD Notice 14-013:

To qualify by Income Survey, review HUD CPD Notice 14-013 and WVDO Income Survey Guidelines available [HERE](#) and the WVDO Income Survey Guide available at [www.wvcommerce.org](http://www.wvcommerce.org).

HUD Income Limits are updated on an annual basis. The WVDO provides notification of these updates to project administrators. The Fiscal Year 2015 limits are available at [www.huduser.org/portal/datasets/il/il15/index.html](http://www.huduser.org/portal/datasets/il/il15/index.html). Follow the link, choose West Virginia, and then identify the proper County or Metropolitan Statistical Area.

Visit [www.hud.gov/offices/cpd/systems/census/lowmod/dictionary.cfm](http://www.hud.gov/offices/cpd/systems/census/lowmod/dictionary.cfm) for data definitions.

**Contact the WVDO prior to conducting an Income Survey.** The Income Survey should include detailed descriptions of the project area, the methodology, tabulations and results.

### Eligible Activities

#### Eligible Activities

Each project that receives CDBG funds must meet two criteria: the project must meet a National Objective and it must also be an Eligible Activity. A listing of typical eligible activities includes, but is not limited, to:

1. Public facilities improvements
2. Public services
3. Economic development projects
4. Infrastructure improvements
5. Acquisition
6. Relocation
7. Clearance activities
8. Historic preservation
9. Planning activities
10. Grant administration
11. Accessibility projects

#### Ineligible Activities

In general, any activity not specifically authorized under CDBG statute or regulations is ineligible for CDBG funds. In addition, the statute specifically stipulates that the following activities may not be assisted with CDBG funds:

1. Buildings for the general conduct of government, except to create accessibility for disabled population (e.g., city hall),
2. General government expenses,
3. Political activities,
4. Purchase of equipment or furnishings for a property. This excludes, certain types of manufacturing equipment connected with economic development activities and the purchase of fire trucks as firefighting equipment,
5. New housing construction and Income Payments (Income Payments are defined in the regulations as direct payments to subsidize rent and/or utilities),
6. Operating and maintenance expenses for public facilities, improvements and services,

## Introduction

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### 7. Lobbying activities.

The Consolidated Plan for the State of West Virginia has identified three primary community development objectives, through which the CDBG program will:

1. Support local government efforts to provide affordable infrastructure systems;
2. Support local community efforts to assist low- to moderate-income citizens to achieve an improved quality of life; and
3. Support job creation and retention efforts.

## Implementation Manual

The purpose of the Implementation Manual is:

- 1. To assist grant recipients in the day-to-day administration of their CDBG projects;**
- 2. To provide practical information on how to implement a CDBG project to meet legal, financial and program obligations; and**
- 3. To provide the grant administrator a simple step-by-step approach to grant approval, set-up, implementation, audit and close-out of a CDBG project.**

This manual is intended as a guide, not as a substitute for a thorough knowledge of State and Federal laws and regulations referenced in this manual. Though not all inclusive, this manual covers the major areas of CDBG administration, provides required and suggested forms and instructions, and provides references for applicable laws and regulations. This Manual also covers several different program years. Depending on the program year, not all activities in this Manual may be currently eligible.

For project and activity eligibility and program updates, the current program year CDBG Program Description and Application Guidelines should be consulted. Revisions and/or additions to this manual will be updated and made available on the (WVDO) website at [www.wvdo.org](http://www.wvdo.org).

## Additional Resources and Information

In addition to this Manual, the State will post full copies of regulations, notices, circulars and other related information referenced in the Manual to the WVDO website, [www.wvdo.org](http://www.wvdo.org). Regulations and requirements are subject to change. Funding recipients are responsible for ensuring that they are in compliance with all applicable rules. This can be accomplished by periodically checking the websites listed below to see if updated or revised regulations have been issued:

## Introduction

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- National Archives: [www.gpoaccess.gov/nara/index.html](http://www.gpoaccess.gov/nara/index.html)
- HUD databases: [www.hud.gov/offices/adm/hudclips/](http://www.hud.gov/offices/adm/hudclips/)
- Department of Labor: [www.dol.gov/](http://www.dol.gov/)  
[www.dol.gov/osbp/sbrefa/poster/main.htm](http://www.dol.gov/osbp/sbrefa/poster/main.htm)
- Office of Management and Budget: [www.whitehouse.gov/omb](http://www.whitehouse.gov/omb)

The Grantee is responsible for applying the following rule:

Whether local, state or federal, the most stringent law or regulation must be followed.

The WVDO will conduct workshops to assist local governments and other interested parties in the preparation of grant applications and the administration and management of projects in accordance with program requirements. Also, the WVDO is available to provide technical assistance to local governments regarding the CDBG program.

### Glossary of Terms in the CDBG Program

1. **CDBG** - *Community Development Block Grant* – The Federal entitlement program that provides funds to states and cities/counties for community development programs and projects.
2. **Con Plan** - *Consolidated Plan* - A plan prepared in accordance with the requirements set forth in 24 CFR Part 91 which describes community needs, resources, priorities and proposed activities to be undertaken under certain HUD programs, including CDBG.
3. **Contractors** - A contractor is an entity paid with CDBG funds in return for a specific service (e.g., construction). Contractors must be selected through a competitive procurement process.
4. **DOL** – *Department of Labor* – The Federal department of the United States government that is responsible for labor regulations and requirements.
5. **EEO** – *Equal Employment Opportunity* – Laws and regulations that require CDBG recipients to provide equal opportunity to all individuals without regard to race, color, religion, age, familial status, disability, national origin, or sex in the administration of their programs.
6. **Extremely Low Income** – Under CDBG regulations, a household/family having an income equal to or less than the Section 8 Very Low Income limit (30 percent of the area median income) as established by HUD.
7. **Fair Housing** – Multiple laws and regulations applied to the CDBG program that prohibits a wide range of discriminatory practices and requires the CDBG program to be administered in a manner which affirmatively furthers fair housing.
8. **Family** – All persons living in a household who are related by birth, marriage, or adoption.

9. **Grantee** – See Recipient.
10. **Household** – All the persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any groups of related or unrelated persons who share living arrangements.
11. **HUD** – *The United States Department of Housing and Urban Development*. HUD establishes the regulations and requirements for the CDBG program and exercises oversight responsibilities for the use of CDBG funds.
12. **LMI** – *Low and Moderate Income* - A household/family having an income equal to or less than, the Section 8 Low Income limit (80 percent of the area median) as established by HUD.
13. **Local match** – Funding provided by a community/recipient as a condition of award or use of CDBG funds. The amount of local match varies by activity and can come from a variety of non-grant, cash sources. Local match funds must be used for CDBG-eligible activities and must be spent prior to drawing down CDBG funds.
14. **Low income** – Under CDBG regulations, a household/family having an income equal to or less than the Section 8 Very Low Income limit (50 percent of the area median income) as established by HUD.
15. **MBE/WBE** – *Minority Business Enterprise / Woman-owned Business Enterprise*; Companies owned by minorities and/or women.
16. **Middle Income** – Under CDBG regulations, a household/family having an income equal to or less than the Section 8 Low Income limit; a household with an income between 80 and 95 percent of the area median income.
17. **Moderate Income** – Under CDBG regulations, a household/family having an income equal to or less than the Section 8 Low Income limit (80 percent of the area median), but greater than the Section 8 Very Low Income limit (50 percent of the area median) as established by HUD.
18. **National Objective** – The three main goals of the CDBG program – benefit LMI individuals, prevent or eliminate slum/blight, or meeting a particular urgent need. All funds expended under the program must meet one of the three National Objectives.
19. **OMB** – *Office of Management and Budget* – The oversight agency for matters relating to financial management and audits. OMB requirements are issued in the form of “circulars.”
20. **Project Development** – The Division within the West Virginia Development Office that processes requests for payments for CDBG funds and monitors financial aspects of program implementation and reviews audits.

## Introduction

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21. **Recipient** – Eligible localities and agencies that receive and use CDBG funds under the State of West Virginia’s CDBG Program. Commonly referred to as “Grantee”.
22. **Regulations** – The requirements developed and issued by the agency responsible for specific programs and/or requirements. For CDBG, regulations are issued by HUD and are located in 24 CFR Part 58.
23. **RFP** – *Request for Payment* – The formal process of requesting payment of CDBG funds from the WVDO. RFP can also refer to procuring a Request for Proposal.
24. **RLF – Revolving Loan Fund** - a separate fund with a set of accounts that are independent of other program accounts established to carry out specific activities that, in turn, generate payments to the fund for use in carrying out such activities. Commonly used with CDBG program income funds for ongoing housing rehabilitation or economic development activities.
25. **Section 3** – The Housing and Urban Development Act of 1968, as amended in 1992, that requires employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, be directed to low and very low income persons; particularly those who are recipients of government assistance for housing, and to businesses that provide economic opportunities to low- and very low-income persons.
26. **Statute/Statutory** – Requirements that have their basis in laws passed by Congress. For CDBG, the statute is Title 1 of the Housing and Community Development Act of 1974. Statutory provisions cannot be waived by HUD except in cases of natural disaster and must be amended or approved by Congress.
27. **Sub-recipient** – Sub-recipients are government or private nonprofit organizations chosen by the Grantee to undertake certain eligible CDBG activities. Public Service Districts and County Commissions are examples of sub-recipients. Sub-recipients may also be referred to as sub-Grantees.
28. **URA** – *Uniform Relocation Act* – A Federal regulation governing the acquisition of real property and the relocation or displacement of persons from federally-assisted projects.
29. **Very Low Income** – Under CDBG regulations, a household/family having an income equal to or less than the Section 8 Low Income limit does not exceed 50 percent of the area median income.
30. **ABA** – Architectural Barriers Act of 1968
31. **ADA** – Americans with Disabilities Act
32. **AFFH** – Affirmatively Furthering Fair Housing
33. **AI** – Analysis of Impediments to Fair Housing
34. **ARC** – Appalachian Regional Council

35. **BNA** – Block Numbering Area (now obsolete)
36. **CAPER** – Consolidated Annual Performance Evaluation Report (the annual Con Plan Report)
37. **CBDO** – Community-based development organizations
38. **Certs** – Certifications
39. **CDFI** – Community Development Financial Institutions
40. **CFR** – Code of Federal Regulations (24 CFR is HUD Regulations)
41. **COG** – Council of Governments
42. **ConPlan** – Consolidated Plan
43. **CP** – Citizen Participation
44. **CPD** – HUD Office of Community Planning and Development
45. **CRSA** – Community Revitalization Strategy Area
46. **CT** – Census Tract
47. **ED** – Economic Development
48. **EZ/EC/RC** – Empowerment Zones/Enterprise Communities/Renewal Communities
49. **FHA** – Federal Housing Administration – HUD Office of Housing
50. **FmHA** – Farmers Home Administration (sometimes also called FHA; both are obsolete), now the Rural Housing Administration in the Department of Agriculture
51. **FHEO** – HUD Office of Fair Housing and Equal Opportunity
52. **FTE** – Full-Time Equivalent of Jobs
53. **GoZone** – Gulf Opportunity Zone (hurricane recovery)
54. **HCDA** (or the Act) – Housing and Community Development Act of 1974, as amended
55. **HoZo** – Homeownership Opportunity Zone
56. **IDIS** – Integrated Disbursement and Information System
57. **LBP** – Lead-Based Paint
58. **LDP** – Limited Denial of Participation
59. **LMI (or low/mod)** – Low- and Moderate-Income person(s)

## Introduction

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60. **LMISD** – Low and Moderate Income Summary Data (shows percent of low/mod persons by state, and by CT, BG)
61. **MBE** – Minority-Owned Business Enterprise
62. **MOD** – Method of Distribution (part of the annual Action Plan for States)
63. **NRSA** – Neighborhood Revitalization Strategy Area
64. **OGC** – HUD Office of General Counsel
65. **PDR** – HUD Office of Policy Development and Research
66. **PI** – Program Income
67. **PJ** – participating Jurisdiction (in the HOME program)
68. **RLF** – Revolving Loan Fund
69. **Title VIII** – Title VIII of the Civil Rights Act of 1968 (also known as the Fair Housing Act)
70. **ULG** – Unit of Local Government
71. **URA** – Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970
72. **WBE** – Woman-owned Business Enterprise
73. **105** – Section of the HCDA which contains the list of eligible activities in the CDBG program
74. **109** – Section of the HCDA prohibiting discrimination

The West Virginia Development Office does not discriminate on the basis of age, race, color, religion, sex, national origin, familial status or disability in the admission, access to, treatment of, or employment in, its federally assisted programs or activities.

## Introduction

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