



CITY OF  
**HAYWARD**  
HEART OF THE BAY

# Adoption of the Community Development Block Grant (CDBG) Compliance Policy Manual; and Review of a Proposed Substantial Amendment

**September 16, 2014**

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Director

**Department of Library & Community Services**



## **Recommendation:**

### **That the Council:**

- Adopts the City of Hayward Community Development Block Grant (CDBG) Compliance Policy Manual
- Reviews and comments on a draft Substantial Amendment to the FY 2015 CDBG Annual Action Plan, which will be presented to Council for final review and authorization on October 21, 2014.



# Part 1 - CDBG Overview

## CDBG Basics

- Created by Congress in 1974
- Administered by the U.S. Dept of Housing and Urban Development (HUD)
- Heavily regulated, administratively complex federal grant program
- 1,209 CDBG grantee jurisdictions nationwide
- City of Hayward receives formula grant funding annually
- FY 2015 CDBG grant award: \$1.32 million.



# CDBG Overview

## CDBG National Objectives

1. Benefit low- and moderate-income persons;
2. Prevent or eliminate slums or blight;
3. Address urgent needs that pose an immediate and serious threat to the health and welfare of the community for which other funding is not available.

**\* All CDBG activities must substantively meet one or more of these three national objectives.**



# CDBG Overview

## Eligible Beneficiaries\* & Activities

- Construction of public facilities and improvements
- Rehabilitation of residential and non-res. structures
- Economic development / job creation assistance for small businesses
- Residential energy conservation and renewable energy resources
- Real property acquisition
- Public Services, i.e. social services (capped at 15%)

\* In addition to meeting National Objectives, at least 70% of CDBG funds must be used to benefit low- and moderate-income persons.



## Part 2 - HUD Monitoring Update

### Overview

- HUD has begun comprehensive reviews of each of the 1,209 CDBG grantee jurisdictions
- In May 2014, HUD selected the City of Hayward for a comprehensive review spanning all 38 program years (1976 – 2014)
- Staff and HUD worked closely together for several months to reconcile the entire back file
- The City proactively implemented recommendations and resolved concerns as they were identified.



# HUD Monitoring Update

## Pending Action Steps

- Council adoption of a comprehensive CDBG Compliance Policy Manual to help clarify and resolve previously unclear or outdated policies.
- Council authorization of a Substantial Amendment to utilize unspent CDBG fund balance identified during the comprehensive review and reconciliation of past program years 1976 – 2014



# Part 3 - CDBG Compliance Policy Manual

## Overview

- Clarifies and resolves previously unclear or outdated policies
- Codifies the City of Hayward's specific policies for operating the administratively complex and process-laden CDBG program.
- Outlines the City's local preferences for CDBG, where local preferences are allowed within the framework of HUD's requirements.



# CDBG Policy Manual – Key Elements

## Program Income, p. 10

*Program income (PI) includes proceeds from sale of property purchased with CDBG; or payments of principal and interest on loans made with CDBG funds.*

- Current policy only allows for PI from loan payments to be used for more loans of the same type.
- Modifies local policy to allow more flexibility in how PI can be utilized for public benefit
- Allows for more timely and productive expenditure of PI funds for a wider range of projects



# CDBG Policy Manual – Key Elements

## Conflicts of Interest, p. 24

*HUD's Conflict of Interest policy restricts elected officials or appointed commissioners from participating in the selection, award, or administration of CDBG contracts if a real or perceived conflict of interest would be involved.*

- Codifies and adopts HUD's policy restricting Conflicts of Interest.



# CDBG Policy Manual – Key Elements

## Program Oversight, p. 30

- Allows for timely expenditure of unspent or under spent CDBG funds for the public benefit
- Avoids “timeliness” spending test issues with HUD, risk of forfeiture back to U.S. Treasury
- Enables one-time projects to be brought directly to Council to timely authorize the use of any one-time CDBG funds that may become available.



# CDBG Policy Manual – Key Elements

## Annual Allocation of CDBG funding, p. 31

- Allows greater flexibility and sustainability in how the City uses CDBG funds to support essential City-operated projects and HUD-required fair housing activities.
- Allocates CDBG funding to essential City-operated programs and fair housing activities according to their costs.
- Provides a more accurate analysis of funding availability to external applicants for CDBG funding, and a more transparent funding process.



## Part 4 - Proposed Substantial Amendment

### Overview

- Comprehensive review and reconciliation of 38 program years 1976 – 2014
- \$1.38 million identified = approximately 2% of all CDBG funds received by the City from 1976 – 2014.
- HUD recommends a shovel ready infrastructure project that can be timely completed in 18 months or less for the public benefit.



## Proposed Substantial Amendment

### Hayward Promise Neighborhood Street Improvement Project

- Timeliness spending test is critically important
- HUD has provided prior review and approval of project
- Low income eligible census tract
- High need area of Hayward
- Demonstrable public benefit
- Shovel ready infrastructure project that can be completed within 18 month window
- Neighborhood is identified by the City and a coalition of partners as a focus for significant infrastructure and education reinvestment.

\* Final Council review and approval on October 21, 2014





# HUD Qualified Census Tract - 4366.01



August, 2014



# **Recommendations**

## **September 16, 2014**

- *Adopt the City of Hayward Community Development Block Grant (CDBG) Compliance Policy Manual (Resolution in Attachment II, page 309 of the packet)*
- *Review and comment on the draft Substantial Amendment to the FY 2015 CDBG Annual Action Plan, which will be presented to Council for final review and authorization on October 21, 2014.*

