

Proposed changes to Georgia’s State CDBG program’s “Method of Distribution”

The Community Development Block Grant (CDBG) program is the cornerstone of states’ efforts to address the economic and community development needs of towns and rural areas. CDBG is the only flexible source of federal assistance available to address a wide array of rural community development needs that stabilize and grow communities, ranging from economic development efforts to infrastructure improvements to community services. For three decades, states have used CDBG funds to address these needs, leveraging both public and private funds. Flexibility has been critical to CDBG’s effectiveness, allowing communities to decide which projects and programs will provide the greatest benefit to their low- and moderate-income residents.

For many projects, CDBG provides the crucial “gap financing” that allows projects to move forward that otherwise would not. It is the “glue” that holds the financing for a wide variety of community projects together.

Nationwide, states spend slightly more than half their CDBG funds on public infrastructure, projects that repair and replace public water and sewer systems, repair and upgrade roads, and provide public facilities that supply vital services in neglected communities across the nation. States also use CDBG for economic development activities that stimulate the economy through the creation and retention of jobs that ultimately improve the quality of life for low- and moderate-income persons. The CDBG program remains one of DCA’s most popular and flexible financing programs available to local governments.

After almost 20 years without any significant changes to the Method of Distribution, which is the formal description of the rating and selection criteria for the CDBG program, the Department has recently re-evaluated the existing program criteria. This re-evaluation took into consideration increased costs associated with implementing projects as well as increased compliance and administrative requirements. In consideration of these factors, the following changes are proposed:

➤ **Increase in maximum Award Amounts**

	<u>Current</u>	<u>Proposed</u>
✓ Single activity	\$ 500,000	\$ 750,000
✓ Multi-Activity	\$ 800,000	\$ 1,000,000

These proposed amounts represent the maximum grant size. The recommendation to increase the maximum grant amounts is based on recognition of increased construction costs along with increased administrative compliance requirements. DCA will continue to provide guidance to eligible local governments that applications should be consistent with the local government’s needs and ability to complete the project in a timely fashion. DCA’s review process emphasizes the establishment of realistic goals and the development of resources needed to address the goals. Applicants are also encouraged to apply for other federal, state, or private funds in order to increase the resources at their disposal to address their community development needs.

➤ **Increase in allowable Administrative Amounts**

Since the inception of the State CDBG program 32 years ago, states and local administrators, whether in-house staff, regional commissions or private consultants, have administered the CDBG program. During this time, there has been a significant increase in the number of CDBG program requirements, as well as sharply increased costs associated with doing business such as staffing, service delivery and monitoring. Due to this increase in administrative compliance requirements, DCA is recommending that maximum administrative amounts be increased. Also, DCA is recommending an allowable minimum administrative limit in recognition of the amount of compliance required, regardless of the grant amount.

Eligible administrative costs include costs directly associated with carrying out a CDBG project such as program management, coordination with project partners, monitoring and evaluation. In recent years, increased emphasis on basic compliance requirements include Civil Rights/Fair Housing Equal Opportunity (FHEO), Section 3 Policy compliance/monitoring requirements, and new environmental review requirements to consult with Native Americans. New Assessment of Fair Housing rules for States are expected to be another administrative compliance requirement within the year.

	<u>Current</u>	<u>Proposed</u>
✓ Single-activity awards (Public Facility or Economic Development)	6 %	6% (Maximum \$40,000)
✓ Multi-Activity	7 % *	7% * (Maximum \$ \$60,000)
✓ Single-activity Housing	7 % *	7% * (Maximum of \$45,000)

*+ up to \$2,500 per unit rehabbed

In consideration of these factors, DCA also recommends the following:

- ✓ Regardless of grant amounts, a **minimum of \$25,000** for administrative fees will be allowed. For example, using our existing formula for eligible administrative fees, a \$300,000 grant award allows a maximum of \$ 18,000.
- ✓ This change is recommended due to increased compliance requirements, regardless of grant amount.

➤ **New Match requirements based on increased grant amounts**

All grants funded under the CDBG Annual Competition (except for CDBG single-activity housing, which requires no match) must be matched by the recipient. The match must be cash whether loans, bond proceeds, grants or appropriated funds.

In consideration of increased grant award limits, we propose the following cash match requirements:

Existing matching requirements are:

- 0% for amounts up to \$300,000 in CDBG funds
- 5% of amounts from \$300,001 to \$500,000 in CDBG funds
- 10% of amounts from \$500,001 to \$800,000 in CDBG funds

Proposed matching requirements based on increased grants amounts are:

- 0% for amounts up to \$300,000 in CDBG funds
- 5% of amounts from \$300,001 to \$750,000 in CDBG funds
- 10% of amounts from \$750,001 to \$1,000,000 in CDBG funds

DCA's review of the two previous Annual Competition rounds indicates most local governments are putting additional funding into projects already. For FY 2014's competition, only 4 of the 123 applications submitted received bonus points for 'leverage' of other funds. Likewise, with the recent FY 2015 competition, only one of the 129 applications did not receive bonus points for Leverage so there's substantial 'skin in the game' by our local governments already.

Impact of proposed match requirements:

- ✓ Existing match requirements:
 - \$300,000 and less no match requirement
 - \$300,001 to \$500,000 max of \$10,000 for \$500,000
 - \$500,001 to \$800,000 max of \$ 40,000 for \$800,000
- ✓ Proposed based on increased grant award limits:
 - \$ 300,000 and less no match requirement
 - \$ 300,001 to \$ 750,000 max of \$ 22,500 for \$ 750,000
 - \$ 750,001 to \$1,000,000 max of \$ 47,500 for \$1,000,000