

**Community Development Department
Development and Planning Division
Funding Policies for CDBG and HOME for Commitment and Expenditures**

I. Procedures for timely expenditures of CDBG and HOME funds

These policies and procedures shall apply to projects, programs and activities that are funded with CDBG and HOME funds

A. CDBG

Under the provisions of 24 CFR 570.902(a) of the CDBG regulations, an entitlement grantee is considered to be spending funds in a timely manner, if 60 days prior to the end of the grantee's program year, the balance in its U.S. Treasury Department line-of-credit, together with the amount of CDBG program income the entitlement grantee has on hand, does not exceed 1.5 times the annual grant for its current program year. The deadline for meeting the 1.5 times expenditure target for the CDBG program is May 2nd each year. The grantee will be subject to a reduction of the total amount by which it exceeded the 1.5 threshold.

B. HOME

The HOME regulations include commitment and expenditure deadlines, which have been modified and are reflected in HUD guidance as described below.

Generally, HOME regulations at 24 CFR 92.500 (d) require that funds must be committed within 24 months of grant execution with HUD. For grants from years 2014 and earlier, HUD determines the commitment compliance cumulatively. Commitment compliance for 2015 and later grants is determined on a grant by grant basis. However, the 2018 Appropriations Act suspended the commitment deadline for HOME funds with deadlines occurring in 2016, 2017, 2018, 2019, and 2020, except that the HOME CDHO reservation requirement still has a 24-month deadline. The suspension of commitment requirements also applies to program income. However, program income still must be committed prior to committing funds from the HOME allocation.

HOME funds from 2014 and earlier grants must be spent within 5 years. There is no expenditure requirement for 2015 and later grants, except that, regardless of the funding year, HOME funds must be spent before the appropriation of the funds expires, which is 8 years for grants through 2014 and 9 years for grants from 2015 and later.

HUD determines the compliance of a Participating Jurisdiction (PJ) with the 24-month commitment requirement using the HOME Deadline Compliance Reports, which are generated monthly by HUD, and posted on the HOME

webpage on HUD Exchange. These reports track the amount of HOME funds each PJ commits through data entered by the PJ in the Integrated Disbursement and Information System (IDIS). PJs use these reports to monitor their progress toward meeting the 24-month commitment deadlines, as well as other program deadlines.

C. Reports

After the monthly drawdown in IDIS, the project coordinator will provide a monthly report to the Community Development Director and Senior Project Supervisor in the Development and Planning Division (DPD) which will include information on expenditures and the remaining commitment balance for each project.

II. Procedures to recommend funds to be transferred to meet the expenditure requirements for CDBG and HOME funds

- A. To ensure that the timeliness of spending of CDBG and HOME funds contributes to the City's ability to meet HUD CDBG and HOME timeliness requirements, staff will review the monthly progress and expenditure reports for all projects, programs and activities to which funds have been awarded by the City. At any time during the term of the funding, the pro rata portion of any grant or loan for a project, program or activity that has not been spent will be subject to recapture and reallocation by the City. At any time during the grant term, the City may request that the funded organization provide an updated timeline and plan for spending all grant funds in a timely manner throughout the funding period.
- B. Examples of recapture after September 30th of the funding year for a set of projects with 12-month terms beginning July 1 are shown below:

| Project | Annual Grant Amount (examples) | Amount Spent by October 31 | Amount That Should Have Been Spent | Amount Recaptured |
|---------|--------------------------------|----------------------------|------------------------------------|-------------------|
| A | 120,000 | 18,000 | 30,000 | 12,000 |
| B | 80,000 | 20,000 | 20,000 | 0 |
| C | 150,000 | 30,000 | 37,500 | 7,500 |
| D | 60,000 | 10,000 | 15,000 | 5,000 |
| E | 40,000 | 0 | 10,000 | 10,000 |
| Totals | 450,000 | 78,000 | 112,500 | 34,500 |

- C. Staff will develop a list of potential eligible projects to be considered for funding should any existing funded projects be delayed in such a way to result in the

City not meeting drawdown/expenditure ratios or deadlines. Projects eligible for receipt of recaptured funds will include, but not be limited to, currently funded projects and projects previously reviewed by the Community Agency Allocation Committee which would have been recommended for funding if funds had been available.

- D. The table below shows an example of reprogramming of the funds recaptured from the sample projects shown in the table above:

| Project | Total Requested Amount | Amount Funded in Current Year | Additional Reprogrammed Funds | Total Project Funding |
|---------|------------------------|-------------------------------|-------------------------------|-----------------------|
| 1 | 75,000 | 50,000 | 10,000 | 60,000 |
| 2 | 65,000 | 60,000 | 5,000 | 65,000 |
| 3 | 15,000 | 0 | 10,000 | 10,000 |
| 4 | 70,000 | 60,000 | 0 | 60,000 |
| 5 | 80,000 | 65,000 | 9,500 | 74,500 |
| Totals | 305,000 | 235,000 | 34,500 | 269,500 |

- E. Priority for receipt of reprogrammed funds will be given to projects that will not require an extensive environmental review process, which can meet other compliance requirements in a timely manner and which have the organizational capacity to complete the project by the City's required deadline.
- F. If staff do not identify potential projects to fund from current year projects and the CAAC's recommended funding list for the current year that are sufficient to use the recaptured funds, then the City may release a Request for Proposals and submit funding recommendations to the Finance and/or Community Development/Housing and General Government committees for review for consideration and recommendation for City Council approval.
- G. All recommendations for funds to be transferred or reprogrammed will be presented to the appropriate committee of City Council in order to request approval from the Mayor and City Council.

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