

CDBG METHOD OF DISTRIBUTION

July 1, 2022

1) Describe the state program to be addressed by the Method of Distribution.

The Community Development Block Grant (CDBG) program is a flexible program that provides communities with resources to address a wide range of unique community development needs. Beginning in 1974, the CDBG program is one of the longest continuous programs at HUD. Through the CDBG program, HUD provides annual grants on a formula basis to 1,209 general units of local government and States.

The CDBG entitlement program allocates annual grants to larger cities (over 50,000) and urban counties (over 200,000) to develop viable communities by providing decent housing, a suitable living environment, and opportunities to expand economic opportunities, principally for low- and moderate-income persons.

The State of Nevada is a recipient of the State Administered CDBG program, also known as the Small Cities' CDBG program (also referred to as CDBG non-entitlement). States award grants to smaller units of general local government (cities under 50,000 and counties under 200,000) that carry out community development activities. Annually, each State develops funding priorities and criteria for selecting projects. Nevada's priorities are established by the consolidated planning process, state priorities, and the regional community and economic development needs of the communities.

Funding Period

Grant applications are submitted early to mid-February with funding recommendations generally made before the end of March/April. Grant awards are effective July 1.

The grant period is generally 12 to 24 months depending on the type of grant and complexity of the project. Depending on circumstances, grants may be extended beyond the expiration date. If additional time is required, the grantee must submit a formal request to the CDBG Program Administrator. The request needs to include the reason for the delay, a reasonable revised timeline, and the estimated completion date for all deliverables. Any delayed project is subject to de-obligation of funding. If necessary, the request is referred to the Advisory Committee (AC) for consideration.

Distribution of Funds

a. Unused Funds: Funds unused by a grantee may be redistributed to another CDBG applicant or grantee. The distribution of unused funds may occur during the program year or during the annual allocation process.

b. Reallocated Funds: Funds reallocated to the State by HUD and funds recaptured from HUD-administered Small Cities grants and returned to the State by HUD may be redistributed to CDBG applicants or grantees in the same manner as unused funds that revert to the State because of non-use by a grantee. GOED may use up to two percent of the reallocated funds to administer the CDBG Program, if not allocated for administration at a prior time.

c. Additional or Remaining Funds: Additional funds received by the State as the result of action at the federal level will be distributed to CDBG applicants or grantees in the same manner as unused funds that revert to the state from a grantee. Funds remaining at the state level may be distributed in the same manner as unused

funds. GOED may use up to two percent of the additional or remaining funds to administer the CDBG Program, if not allocated for administration at a prior time.

d. Recaptured Funds: Funds that were awarded to a grantee and later taken back may be distributed in the same manner as unused funds.

e. Program Income: This is gross income received by the state or eligible city or county and directly generated from the use of CDBG funds. Program income earned by eligible units of general local government through a Revolving Loan Fund (RLF), a Housing Rehabilitation Program, or other income producing activity may be kept at the local level to continue economic development or housing efforts locally. Program income may be distributed to eligible applicants in the form of loans to for-profit businesses via local governments, or for grants for CDBG-eligible project such as infrastructure projects, housing activities, etcetera. Income earned from other CDBG activities may be retained at the local level and used to fund additional eligible community development activities. Communities electing to retain these funds must submit an intended use plan for the program income to GOED for approval prior to project closeout.

To be treated as program income, the total amount of funds received in a single year and retained by a unit of local government and its sub-recipients must be \$25,000 or more. Program income that is received by the State from the RLF program may be obligated and distributed to eligible grantees for economic development projects funded where deemed appropriate. The State may use two percent of the program income generated by the RLF program for program administration. Program income received by the State from projects other than the RLF program will be distributed in the same manner as unused funds returned to the State by a grantee. Program income received from the Housing Rehabilitation Set-Aside Program may be used to fund other CDBG eligible activities including housing activities were deemed appropriate.

2. Describe all the criteria that will be used to select applications and the relative importance of these criteria.

The CDBG Application: Rating criteria and other eligibility factors contribute to the final funding recommendations. All application questions/sections are of equal importance. Ranking criteria contains the following elements:

Question 1 & 2

Project Needs Analysis: [10 points] The applicant identifies the problem and how it is currently being addressed. The application details how the problem/need was determined and why the project is needed. The applicant addresses how the problem/need will be resolved and how the resolution will be monitored. This section also addresses how the applicant will know the problem has been resolved and the goal(s) of the project met.

Question 3

Scope of Work (SoW): [10 Points] Proposals are evaluated to determine if the proposed project is clearly defined and provides sufficient detail. The SoW must identify the project activities, milestones and deliverables. The SoW also identifies cost-sharing funds and notes if those funds are secured. The purpose of the proposed project is described in terms of the effect the proposed project will have on the community.

Question 4 & 5

Planning & Project Context: [10 points] The applicant provides details about how the proposed project contributes to the goals, objectives, and activities of the current Consolidated Plan. If the proposed project is specifically or generally identifying a city, county, regional or other state plan, the applicant describes that contribution. The applicant also shows how the proposed project promotes long-term proactive planning in the project category (asset management).

Question 6

Environmental Review (ER): [10 points] Proposals are evaluated based on the status of the ER: (1) has the level of environmental review been determined; (2) if determined, is the ER included with the application; (3) if a review includes other State or Federal funding, are those agencies identified and have they been contacted; (4) have environmental impacts associated with the proposed project been adequately addressed?

Question 7

Economic Development Impact: [10 points] In a continuation of the Planning & Project Context section, the applicant describes how the proposed project contributes to the area's Regional Redevelopment Authority's (RDA) planning goals and indicators. The applicant details the efforts of private investment, local government and the community in funding the proposed project. Additional detail on private funding may be included in this section. The applicant also provides research-based post-grant impacts to the community on employment, tax increment increases, per capita income, and number of businesses impacted.

Questions 8, 9, & 10

Project Budget & Budget Justification Narrative: [10 points] Proposals are evaluated on the soundness of the project budget and the narrative, which explains: (1) each budget line item; (2) how the cost was determined; (3) the source of the estimate. The narrative identifies the proposed project's cost-sharing funds and whether they are secured or not. The application must provide letters of commitment or letters of intent for other funding sources.

Question 11

Maturity & Project Readiness: [10 points] Evaluation of a proposed project assesses project readiness by reviewing information throughout the application and the supporting documentation. This includes but is not limited to: (1) commitment of cost-sharing funds; (2) the proposed timeline of the project; (3) ability of the proposed project to implement on July 1st; (4) status of proposed project if a phase in a multi-year project. Ownership issues, if applicable, are addressed in this section.

The CDBG program does not require a match. However, cost-sharing funds, noted in the Project Budget & Budget Justification Narrative, contribute to the strength of that section. The CDBG program is one of the few federal grants that can be used as a match for other federal funds. This is helpful to all and often critical for HUD-designated LMI areas in accessing other federal funds, such as USDA or NDEP.

In addition to application scoring, eligible entities are assessed by CDBG staff members for Risk Analysis. The applicant review is based on general grant administration capacity, project readiness, and the ability to implement and maintain the proposed project. Refer to state Risk Assessment tool attached.

Other Considerations:

Factors other than rating are involved in making funding recommendations. The project's rating form contains primary factors taken into consideration by the CDBG Advisory Committee (AC) in recommending projects for funding. Other factors, some included in the Risk Assessment, may be considered during the advisory committee deliberation. Such factors are:

- If an application with a high rating requests a large proportion of funds available, the AC may take that into consideration and recommend other lower rated applications for funding in the interest of better use of funds.
- Additionally, phasing of larger projects, where practical, into freestanding segments is strongly encouraged to allow the AC to recommend partial funding for projects that might otherwise be non-fundable as a whole. In those cases, projects are partially funded allowing phased implementation with a reduced Scope of Work. In past years, these applications have been funded in their entirety. However, as HUD's allocation has decreased over the past decade, it has not always been possible to fully fund projects with CDBG funding only. Multi-year projects may receive priority when ranking in an effort to "do no harm" to these larger projects. In that effort, projects that receive a lower rating may be funded over projects with a higher rating. Applicants should also be mindful that the award needs to be expended in 12 months for a planning grant and 24 months for a construction grant: the request for funds needs to be in line with an estimated timeline. Projects that require larger funding amounts and take a longer amount of time, should be phased. If requesting future funding from CDBG, that needs to be detailed when requesting funding for the first phase. Generally, the applicant should not expect CDBG to fully fund all phases of a larger project. Other funding sources should be pursued.
- The AC may consider the community's demonstrated efforts to seek other sources of funding for the project. If a community has not explored, secured, or exhausted resources available at the local or state level to fund the project, the AC may choose to not recommend the project for funding. Examples of these resources include, but are not limited to other federal funding, a local user fee, room tax, a local gas tax or setting up a general or special assessment district.
- Project readiness is an important factor taken into consideration. The AC will pay particular attention to the starting and completion dates for projects, so funds are not allocated to a project unable to start for nine to 12 months or more. A grantee must be able to implement a project on July 1st and make a first draw down of funds within nine months of grant award (March 31st).
- Past performance on CDBG projects also is a consideration. This is one factor in the Eligibility review of the application. If a community has not made progress on prior year grants, the AC may take this into account when considering whether the community will be able to effectively administer an additional grant. The capacity of the community to administer additional grants and the extent to which the community has received assistance from the State's CDBG program may also be taken into consideration in funding recommendations. A maximum of five (5) open grants is allowable.
- Proposals must demonstrably address the primary objective of the Housing and Community Development Act as well as one of the three broad national objectives set out in the federal act passed by Congress. In accordance with federal law, the program must meet or exceed the requirement that 70 percent of the State's CDBG funds for any three-year period must be allocated to projects that benefit LMI persons. The current three-year reporting period is 2021-2023.

- The Department of Housing and Urban Development (HUD) allows states to determine the focus of its State CDBG Program. Since 2011, the Nevada CDBG Program has been part of the Governor's Office of Economic Development (GOED) and the program focus has been to align with the goals of GOED by funding fewer but larger projects that have a greater impact on communities and regions. Guidance from HUD has supported that approach by suggesting that states focus on fewer activities and award larger grants. In part, HUD has given the guidance because staff levels have been reduced at both federal and state levels.

3. Describe the process for awarding funds to state recipients and how the state will make its allocation available to units of general local government (UGLG), and non-profit organizations, including community and faith-based organizations.

Nevada has established a selection process that is used for considering which jurisdictions are awarded Community Development Block Grant funds. There are 27 units of local government (UGLG's) eligible to apply. Non-profits, including community and faith-based organizations, apply through sponsorship by an UGLG. The CDBG Grant Administrator at the local level is responsible for meeting the application and grant requirements, even when there is a sub-recipient project.

The process for awarding funds to state recipients is designed to include analysis and comments from a range of interested parties and the public at large.

The application process is a two-step process: Step #1 is Eligibility; Step #2 is Development of Application. Each July 1st, a new grant cycle is opened in ZoomGrants. Applicants should hold the first of three required public meetings at this time (month of July). The first meeting informs the public that funding is available from CDBG; the types of projects that are funded; any proposed projects to date; the grant process; the time and date of the next meeting. Applicants are strongly encouraged to communicate with CDBG staff members about proposed projects. This application development is critical in clarifying issues that will enhance the AC's understanding of the project, such as line items within the budget, and in ensuring that potential projects are eligible.

Proposed projects are due in the fall when technical reviews are done by CDBG staff members to ensure eligibility. This initial review ensures the applicant is eligible, the activity is eligible, a national objective is met, and the project meets the focus of GOED. Once eligibility of a proposed project is established, the proposed projects are designated "Eligible" or "Not Eligible". Both are contacted regarding proposal status. Those proposals meeting the eligibility requirements begin the application process. Applications are due mid-February, when CDBG staff members review the final application and assign review to colleagues, in other public agencies, who have expertise regarding the proposed projects. Reviews and comments from the external reviewers are provided to the AC during the allocation meeting and is another factor that may impact initial application scores.

All applications determined to be eligible are provided to the AC in ZoomGrants: each member has a password by which to access the applications on ZoomGrants. In late March or early April, or when congress approves a budget, the AC meets to review and deliberate on which applications best meet the priorities of the current Consolidated Plan, the priorities of GOED's Rural Community & Economic Development Division, other state and regional plans, and the needs of the communities.

The AC is tasked with scoring the applications in advance of the advisory committee meeting. During the meeting, each community that applies for funds is permitted 15 minutes per application to present the project and respond to questions from the AC. Communities not able to send a representative in-person to present to the AC may present via video. In addition to the ranking criterion, selection of projects for funding may take into consideration emergency situations, public health and safety concerns, applicant performance and/or capacity, project readiness, leveraging and any other factors deemed relevant. The cost benefit to low and moderate-income persons is always a consideration and high priority. The AC makes funding recommendations after the final rating and ranking of proposed projects and deliberations.

The list of proposed projects recommended for approval is submitted to the Director of Rural Community & Economic Development and the Executive Director of the Governor's Office of Economic Development. A summary of projects and awards is then forwarded to the Governor for final approval. In the event of disagreement with the AC's recommendation or if an applicant appeals the decision of the AC, the matter is directed back to CDBG staff and the GOED Director for reconsideration.

4. Describe how resources will be allocated among funding categories.

The allocation of resources is determined by a series of planning processes. The consolidated planning process involves CDBG eligible entities and other stakeholders from across the state. The end-product of that process is the identification of priorities of HUD's formula programs, CDBG, HOME, ESG, HTF (non-formula) and HOPWA, for the next five years. The 2020-2024 funding categories for HUD's four formula programs are in the current Consolidated Plan, which must be referenced in an application. In addition to the statewide planning process, the eligible entities conduct three public participation meetings that occur July through December. These meetings help determine the needs (funding categories) in the various cities and counties. Local government officials prioritize the projects recommended for development as CDBG grant applications. The applications are submitted mid-February and reviewed and recommended for funding in late March or early April. The review date may be later, depending on congressional approval of a budget.

The distribution of resources among funding categories is determined by the needs of the 27 eligible entities as described in the applications. There are no set allocation limits per funding category other than those imposed by HUD for the CDBG program for (1) administration/, technical assistance, planning and (2) public services. The allocation of resources among the funding categories is determined by the CDBG eligible entities in the rural, non-entitlement area of Nevada plus Carson City. Each eligible entity can submit two applications and sponsor two applications.

This Method of Distribution (MoD) of addressing funding categories applies to the 2022 grant allocation cycle. **The Method of Distribution continues to focus more on economic development and collaboration on a regional level to develop projects that have greater community and economic development impact. This focus is expressed in a section of the application handbook, which is updated and posted online.** Each July 1st, applicants can begin entering proposed projects in ZoomGrants and can begin working with CDBG staff members to determine project eligibility, as well as on proposed project applications.

Amendment Process:

Once an award is made and a grant agreement has been signed by all parties, any significant changes must be made through an amendment process. A grantee must request approval to change the size, scope, or beneficiaries of a project. If a project selected for funding requires an amendment, the process is as follows:

The grantee makes a formal request to the CDBG Program Administrator; the Director of Rural Community & Economic Development approves all grant amendments. If the request involves a major change in the Scope of Work of the project, the AC may also be involved in the approval of any amendment to the grant agreement.

Monetary Increases:

Request for additional funds for an existing project must follow the same process as normal grant applications. The AC will make a funding recommendation to CDBG staff and the proposal will be submitted to the Governor for final approval. Monetary Increases have not been done in recent history: the applicant should project funds required for a project and request funding initially.

Scope, Purpose or Intent:

CDBG staff members may approve requests for minor changes in the scope of a project. If staff members determine a request constitutes a major change in the project, the request requires review by the AC with a recommendation to staff and the director for final approval.

Changes in the scope, purpose and intent include, but are not necessarily limited to, changes in the size, location, use and budget. Changes in the CDBG budget items that constitute less than 20 percent of the CDBG budget are considered minor and may be made by the grant recipient filing an amended budget with staff. Staff members will review budget amendments that are more than 20 percent to determine whether the change alters the scope of the project. If staff members determine that the change in the budget does not constitute a change in scope, the amended budget will be accepted. If staff members believe the amendment significantly changes the scope, the change will be referred to the AC for a recommendation to staff and the director for final approval.

Beneficiaries:

If a project was approved to benefit LMI persons and the proposed change results in the total percentage of LMI persons benefited of less than 51 percent, the change will be reviewed by the AC with a recommendation to staff and the director for final decision. The current three-year period for meeting the 70 percent of project benefiting people who are LMI is 2021-2023. Nevada's non-entitlement program has historically been at a higher percentage than 70.

NOTE: If the project scope, purpose, intent, location or beneficiaries changes substantially, the local government shall follow the State's Citizen Participation plan by providing citizen's reasonable notice of and an opportunity to comment on the proposed changes.

5. Describe threshold factors and grant size limits.

There is neither a maximum nor minimum limit on the amount of a grant award. However, as noted earlier, the focus of the Nevada CDBG Program places an emphasis on larger community and economic development projects, and fewer and larger grants. The process is highly competitive with only 30 to 40 percent of projects recommended for funding. Over the past three years, CDBG requests have ranged from \$10,000 to \$800,000. Smaller requests are planning grants; larger requests are generally for multi-year projects. Applications for planning grants must lead to a project. Whether small or large, a project based on long-term plans and asset

management are priorities over applications that do not reflect planning. Often the latter applications are not project-ready and are not likely to be eligible.

The Nevada CDBG program does not have a Section 108 program or have Community Revitalization Strategy Areas (CRSA's) but does support community efforts of revitalization. This is done using the National Objective of Slum & Blight.

6. What are the outcome measures expected as a result of the method of distribution?

The Method of Distribution ensures that outcome measures are more clearly defined and more readily measured by the application rating criteria. Local public participation contributes to the determination of need by the units of local government. Additionally, because the UGLGs participate in the consolidated planning process, and are the entities that help determine priorities and goals, they also help establish outcome measures during that planning process. Those outcome measures are to provide: (1) suitable living environments; (2) decent housing; (3) increased economic opportunities. The State Program is responsible for ensuring that, over a three-year period, a minimum of 70 percent of projects meet the LMI National Objective. The State of Nevada's Non-Entitlement Program is well over that requirement.

CDBG Grant Administrator

Date