

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM-COVID FUNDING
METHOD OF DISTRIBUTION - ROUND #3

Under the CARES Act, Congress provided \$5 billion to fund the Community Development Block Grant Program (CDBG-CV) for activities to prevent, prepare for and respond to the coronavirus crisis. The U.S. Department of Housing and Urban Development (HUD) awarded funds to entitlements and states for federal fiscal year 2020. The State of Maryland, through the Department of Housing and Community Development (DHCD), was awarded \$4,691,887 for non-entitlement communities (Round 1) and \$16,144,887 (Round 2) to be used for both entitlement and non-entitlement communities. The State was awarded a third and final round of funds in the amount of \$5,277,931 to be used in non-entitlement communities.

This document serves as an amendment to the State’s federal 2019 Action Plan and addresses how the State will distribute Round 3 funds. It includes a description of how the State will distribute CDBG-CV funds, identifies eligible projects and activities, identifies eligible applicants, and discusses primary regulations, policies and procedures.

DHCD prepared this plan using all available information provided by HUD at the time. If future guidance from HUD requires substantial changes to this plan, those changes will be identified in future amendments.

HUD provides the State with “maximum feasible deference” to create additional policies, be more restrictive than HUD in policies and interpretation of regulations, and to determine how funds will be distributed. Additionally, the State may choose not to fund certain types of projects though they are eligible. Of the total received, 70% of the funds must be spent on activities that benefit low and moderate income persons. For this grant, HUD has removed the 15% limit on funding of public services.

The CDBG-CV funds will be distributed as follows:

STATE OF MARYLAND CDBG-CV ALLOCATION – ROUND 3	
State Administration	\$304,653.26
Technical Assistance	\$152,478.13
Emergency Rental Assistance	\$4,320,799.61
Eviction Prevention Legal Services	\$500,000
TOTAL	\$5,277,931

ELIGIBILITY AND NATIONAL OBJECTIVE

As Maryland businesses were required to close due to the COVID crisis, thousands of people lost their jobs or had a reduction of work hours. Due to the length of the quarantine and the staggered reopening of businesses, households have been unable to pay their rent and many are facing eviction. In a July 22,

2020 report issued by the Maryland Senate Judicial Proceeding Committee's Workgroup on COVID 19 and Housing, it was estimated that 292,000 households are at risk of eviction. This represents 40% of all renters in the state. Rental assistance is critical to stabilizing the economy and preventing Marylanders from becoming homeless.

CDBG funded projects must meet at least one of the following national objectives as required by Title I of the Housing and Community Development Act of 1974, as amended. Due to the overwhelming need for funds to assist rental tenants impacted by the COVID crisis, the State chooses to use one national objective which provides benefit to low and moderate income persons through two activities. The eligible activities are limited to the use of funds under public services for emergency rental assistance and for legal services to prevent eviction under the Maryland Eviction Prevention Partnership.

For the emergency rental assistance, to ensure that this activity prevents, prepares for and responds to the coronavirus crisis, households must demonstrate that they have an unmet need. Principally, beneficiaries must have lost their jobs or had a reduction in work hours and the total income of the household must be less than 80% of the area median income as determined by HUD to qualify. Additionally, the provision of funds must prevent households from being evicted and becoming homeless. Other requirements will be provided to applicants in the CDBG Policies and Procedures Manual which is specific to this funding.

For legal services to prevent eviction, to ensure that this activity prevents, prepares for and responds to the coronavirus, households must provide information to demonstrate that their needs are due to the pandemic. Principally, beneficiaries must have lost their job or had a reduction in work hours and the total income of the household must be less than 80% of the area median as determined by HUD to qualify. Applicants are ineligible if eviction proceedings had been filed for non-payment of rent prior to March 16, 2020.

EMERGENCY RENTAL ASSISTANCE

To expedite the use of this critical funding, the State will utilize the majority of Round 3 funding to supplement applications received for Round 2 funds. The funding in Round 2 was targeted to emergency rental assistance and applications for funding are due on October 2nd with awards to be made by October 20th. The Round 3 funding will only be available for the non-entitlement counties where as the Round 2 funds are available to all counties and the City of Baltimore.

Non-entitlement counties have been notified of the State's intent to utilize the majority of Round 3 funding for applications received through the competitive process as outlined in the Action Plan Amendment for Round 2.

The following is information provided for Round 2 that will apply to the use of the Round 3 funds for non-entitlement counties only for emergency rental assistance:

For this grant, the State chooses to only accept applications from county governments through a competitive process. This limitation is an effort to address needs impacting the entire county.

A county government may submit an application which includes projects to be carried out by subrecipients *if they choose to do so*. Eligible subrecipients are non-profit organizations that are corporations, associations, agencies or faith-based organizations with non-profit status under the IRS Section 501(c)(3).

The county government is expected to conduct a risk analysis to review and evaluate the financial and administrative capacity of subrecipients to manage and complete projects. This risk analysis should include an assessment of past performance with CDBG funds, experience of staff, and determination that the proposed number of staff to carry out the project(s) is sufficient. If funded, the grantee will be required to execute a Subrecipient Agreement with the specific entity(s). These agreements bind subrecipients to the requirements and policies of the CDBG program and the grantee.

No funds will be awarded for general administration or indirect costs. County applicants can request reasonable amounts of funds for project administration for themselves and one subrecipient if applicable. If an application includes more than one subrecipient, the applicant may only ask for project administration for one of them.

One original and two copies of the application are due by October 2, 2020 by 5 p.m. Those received after the designated date and time will be rejected. Applications are to be mailed to: DHCD, 7800 Harkins Road, Lanham, MD 20706. Attention: CDBG Program.

EMERGENCY RENTAL ASSISTANCE - RATING AND RANKING

The State will award CDBG-CV funds through a competitive process. Applications will be evaluated using a three-step process: threshold review, project evaluation, and funding recommendations. Applications will not pass threshold and be rejected if: 1) the application is not complete; 2) the public hearing process was not done correctly; 3) the draft of the application was not available for public review before submission; 4) the application is not received by the established due date; or 5) the proposed project and/or activities do not meet the eligibility requirements.

Staff will review the application to determine if it is complete. It will then be rated and ranked competitively by a review committee composed of Maryland CDBG program staff. Applicants will be given an opportunity to answer the committee's questions via phone or email.

Rating is based on a 100 point scale. Point ranges have been established for each criterion to gauge the extent to which the applicant meets the criterion. The following factors will be considered in determining the points assigned.

RANKING FACTOR	MAXIMUM POINTS
NEED	60 Points
READINESS TO PROCEED	40 Points

1. NEED (60 maximum points) - Applications and projects will be evaluated based on information provided which supports the need for emergency rental assistance. This includes unemployment data, information from housing and homeless organizations including waiting lists and court eviction filing data. Additionally, applicants should identify the percentage of their total population impacted by the need for rental assistance. Applicants must clearly describe needs, proposed benefits and accomplishments.

2. READINESS TO PROCEED (40 maximum points) - As Congress and HUD have mandated that funds must be spent in a timely manner, the applications and projects will be evaluated based on capacity and readiness to proceed.

- Applicants must describe how they will implement their grant activities.
- Applicants must provide an overall grant management plan including, if applicable, how they will manage subrecipient(s).
- Applicants must provide detailed schedules.
- Applicants must provide detailed explanations as to how costs were derived.

EMERGENCY RENTAL ASSISTANCE - FUNDING RECOMMENDATIONS

The highest rated applications are recommended for funding until the available funding for the round is exhausted. DHCD reserves the right to reduce requested amounts or to not fund specific projects/activities identified in an application.

The recommendations of the Rating Committee for both approval and rejection of applications are reviewed by the Assistant Secretary for Neighborhood Revitalization and presented to the Secretary of DHCD for final approval. Awards are expected to be announced within approximately 15 days of the application submission deadline.

LEGAL SERVICES

Applications for funding for eviction prevention legal services will be accepted on a first come-first serve basis for complete applications. An application will be developed and made available to non-entitlement county governments on November 1, 2020. Applications may include subrecipients who must be non-profit legal services organizations.

If the set-aside of \$500,000 is not awarded by February 28, 2021, the balance of funds will be made available to non-entitlement grantees for rental assistance. The additional funds will be provided to grantees with strong expenditure rates and high demand.

APPLICATION SUBMISSION PROCESS

The following regulations, requirements and policies apply to submission of a CDBG application for emergency rental assistance or for legal services. The *CDBG Policies and Procedures Manual* and appropriate applications will be made available to counties.

1. Citizen Participation Requirements – Governments must comply with citizen participation requirements when seeking CDBG funding and implementing CDBG funded projects. The State requires a jurisdiction to adopt and maintain a written *Citizen Participation Plan* which outlines and describes their efforts in soliciting citizen input and responding to concerns and questions. Applicants/grantees are provided minimum language to be included.

A jurisdiction's *Citizen Participation Plan* is effective for a five year period. The plan must be current at the time of application. If it is not current or the applicant does not have one, the applicant must adopt and submit a new plan with their application.

2. Public Hearing - A jurisdiction is to conduct at least one public hearing prior to submission of an application for a CDBG project. Failure to conduct the hearing as required will result in the rejection of the application as it will not be in compliance with Citizens Participation requirements.

Hearings may take place in conjunction with a regularly scheduled meeting of the elected public officials of the county that is submitting the application or as a special public hearing. At the hearing, the jurisdiction should discuss the impact of coronavirus crisis on the county and the need for rental assistance. If a special public hearing is held, there must be elected officials in attendance. A copy of the meeting minutes and the hearing notice must be submitted with the application.

The public hearing notice must be published in a local newspaper at least five (5) days prior to the date of the hearing. Applicants are provided with the *minimum* language required for the notice. Additionally, the jurisdiction should seek to notify the public with other means such as cable television, posted notices in public places, notices in other local publications, newsletters, government website, etc. The jurisdiction should encourage participation of potential or actual beneficiaries of a project and make accommodations for the disabled.

Public hearings shall be conducted in a manner to meet the needs of non-English speaking residents where a significant number of non-English speaking residents can reasonably be expected to participate.

3. Public Review of Application – The public should have the opportunity to review and comment on a draft of the application before it is submitted to the State. In the public hearing notice, the applicant must provide the anticipated date the draft application(s) will be available for review as well as the location where it can be found.

4. Local Resolution - The legislative body of the jurisdiction must pass a resolution authorizing submission of the application and the specific amount of funds being requested. The resolution must authorize the application in an amount equal to or greater than the amount requested in the application. The resolution must also acknowledge that the signers understand that repayment of grant funds could be required if the application is funded and the project is not completed or does not meet a CDBG national objective. A copy of the resolution must accompany the application or the application will not be reviewed.

5. Debarment - The applicant is required to complete Debarment Checks on subrecipients, if any, prior to submission of an application. The completed forms do not need to be included with the application unless there is a problem.

6. Limited English Proficiency – Applicants are to demonstrate that they complied with their Limited English Proficiency Plan if they are an existing grantee or, if a new applicant to the State, they researched the available data to determine if any of their outreach efforts required information to be translated into other languages or if other outreach efforts were required. A specific form is to be submitted with the application which will be found in the CDBG Policies and Procedures Manual.

7. Clearinghouse Submission - Applicants must comply with the Maryland Intergovernmental Review and Coordination Process (COMAR 14.24.04). Simultaneous with the submission of any application for CDBG funding, applicants must submit an electronic copy of a project profile to the Maryland State Clearinghouse. The profile must include a cover form; a summary briefly explaining the nature, purpose, scope and justification for the project; a map of the project location and geographic area to be served; a budget identifying all sources and uses of funds; and staffing for the project. The submission to the Clearinghouse must be submitted by the government applicant, not the subrecipient. Comments from this review will be forwarded to the CDBG program. Information must be submitted to mdp.clearinghouse@maryland.gov

PROGRAM REGULATIONS, REQUIREMENTS AND POLICIES

Grants must be implemented in compliance with the requirements found in the HCD Act of 1974, the CDBG program regulations found in 24 CFR 570, other federal regulations, and state policies and procedures. While most are not applicable until a project is funded and underway, some have to be considered when submitting an application for funding as they may impact cost, schedule, staffing, etc. The ones listed below are specific to the eligible activities that can be funded under this grant:

1. Audits – If a grantee spends more than \$750,000 of federal funds from any source during their fiscal year, they are required to have a Single Audit prepared in conformance with the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (2 CFR Part 200).

2. Conflict of Interest - Grantees must comply with federal Code of Conduct or Conflict of Interest Standards found in 2 CFR Part 200 and 24 CFR Part 570.489 which includes having a written policy. Additionally, State of Maryland law requires local governments to adopt conflict of interest restrictions and financial disclosure requirements for local elected officials and candidates that are at least as stringent as the requirements for public officials contained in the Public Ethics Law. More information regarding the Local Government Ethics Law can be found at COMAR, Title 19A, Subtitle 04, Local Government Ethics Law. *Note that those exempt from this requirement under the State of Maryland law must still comply with federal requirements.*

3. Duplication of Benefits – Grantees are to ensure that there is no duplication of benefits related to funding of projects. Additional guidance will be provided to approved grantees.

4. Emergency Rental Assistance – Specific policies and requirements will be provided in the *CDBG Policies and Procures Manual – Round 2* to ensure that funds are awarded in compliance with all applicable regulations and policies and that funded programs prevent, prepare for and respond to the coronavirus.

5. Expenditure Requirements – In compliance with the State CDBG fiscal requirements, grantees must request 50% of grant funds within 240 days of the grant award for emergency rental assistance. Failure to comply would result in the loss of grant funds.

6. Environmental Review – Grantees must comply with the National Environmental Policy Act of 1969 and other federal laws which are specified in 24 CFR Part 58. Applicable forms and requirements must be undertaken as part of the application process.

7. Fair Housing and Equal Opportunity – Grantees must demonstrate their compliance with numerous federal laws, regulations, and Executive Orders as a recipient of a CDBG award and in their general conduct of operating a government. The most relevant regulations are related to non-discrimination when using HUD funding programs; non-discrimination and equal opportunity in housing; non-discrimination on the basis of race, color, religion, sex, national origin, handicap or familial status in programs and activities receiving or benefiting from federal assistance; and employment and contracting opportunities for lower income persons or minority businesses. The grant agreements issued for funded projects will identify all that apply and the specific requirements. Note that these requirements also apply to subrecipients.

8. Fair Housing and Equal Opportunity – Disadvantaged Businesses – For any services that must be procured, grantees are to take affirmative steps to solicit bids from minority owned businesses (MBE) and women owned businesses (WBE).

9. Financial Management - Grantees must comply with appropriate sections of 2 CFR Part 200, 24 CFR 570.489 and State regulations and requirements in the financial management of their federal grant. CDBG funds should only be spent on costs that are deemed as “reasonable and necessary.” *The State CDBG Program Financial and Procurement Manual* will provide policies and requirements.

10. Operating Costs – Costs must be in support of the new or expanded services.

11. Procurement - Grantees are to comply with requirements and processes as identified in the *State CDBG Program Financial and Procurement Manual* for all procurement activities. The use of the same policy by all grantees ensures compliance with appropriate sections of 2 CFR Part 200 and 24 CFR 570.489 when purchasing materials, products or services with federal funds.

12. Project Administration Costs – All costs supporting project administration or project delivery costs must be documented. Timesheets must be maintained for all persons paid with CDBG funds. The timesheets must reflect actual hours worked on the project. Grantees will be required to document their paid and in-kind costs committed as leverage.

ADDITIONAL PROGRAM INFORMATION

1. Grant Period – The end date for emergency rental assistance grants will be December 31, 2021. The end date for legal services will be December 31, 2022. The grant period is related to the expenditure of the grant funds only.

2. Reporting – Grantees will be required to submit quarterly reports. The report forms will be specific to projects and activities for each grant.

3. Monitoring and Close Out of Grants - Grants will be monitored on an on-going basis by CDBG Program staff for compliance with federal and state regulations and requirements and to ensure that the national objective has been met. All applications are considered “open” until they have been fully monitored and all issues are resolved. The State will issue a Close Out letter to the grantee when it has been

formally closed. Grant files and records must be retained by the grantee for a five (5) year period after close out of the State's grant by HUD.

4. Recapture and Repayment of Funds – The CDBG Program will recapture funds from awarded grants for emergency rental assistance if the grantee is not expending funds and implementing projects in a timely manner. In the event that additional funds are made available under this round due to recapture, funds will be offered to other CDBG-CV 2 grantees provided they can demonstrate immediate need for additional funding.

Any funds recaptured through grant termination, repayment due to monitoring findings, or completion of an activity at a cost savings will be subject to HUD regulations and requirements.