CDBG-CV COVID-19 Fact Sheet
Updated: July 10, 2020

This fact sheet provides information to Community Development Block Grant (CDBG) and CDBG CARES Act (CDBG-CV) grantees on using grant funds and related flexibilities provided by the CARES Act as communities work to prevent and respond to the spread of COVID-19.

FAQs
Use of CDBG and CDBG-CV Grant Funds for COVID-19 Recovery

CARES Act and CDBG General Information

Q1: Where do I find the CARES Act? When was it enacted?

A: The CARES Act, PL 116-136, was signed by President Trump on March 27, 2020. It is available online at : https://www.congress.gov/bill/116th-congress/house-bill/748, and the section dealing with CDBG can be found under the subheading "Community Development Fund."

Q2: Where can I find the CDBG regulations?

A: The regulations can be found at the following websites:

- For entitlements, States, and insular areas: https://www.hud.gov/program_offices/comm_planning/communitydevelopment

- For the Consolidated Plan: https://www.hudexchange.info/program_offices/comm_planning/consolidatedplan

Q3: How do I explain CDBG to local officials and citizens who do not know much about it?

A: Resources can be found at the following websites:
- Explore CDBG: https://www.hudexchange.info/programs/cdbg/cdbg-ta-products/#all-products
- Public Services video: https://www.hudexchange.info/programs/cdbg/public-services/
- Public facilities video: https://www.hudexchange.info/programs/cdbg/public-facilities-and-improvements/

Q4: Is there a basic guide to CDBG that isn't a regulation?

A: Yes, HUD and HUD's Technical Assistance providers have developed resources for grantees. These include:

- Basically CDBG for Entitlements: https://www.hudexchange.info/resource/19/basically-cdbg-training-guidebook-and-slides/
- Basically CDBG for States: https://www.hudexchange.info/resource/269/basically-cdbg-for-states/
- The Guide to National Objectives and Eligible Activities for Entitlement Communities: https://www.hudexchange.info/resource/89/community-development-block-grant-program-cdbg-guide-to-national-objectives-and-eligible-activities-for-entitlement-communities/
- The Guide to National Objectives and Eligible Activities for State CDBG Programs: https://www.hudexchange.info/resource/2179/guide-national-objectives-eligible-activities-state-cdbg-programs/

Q5: Where can I find contact information for a CDBG grantee?

A: Grantee contact information is available on the HUD Exchange at: https://www.hudexchange.info/grantees/

Q6: Does HUD have any ideas for how CDBG can help with pandemic response, prevention, or preparation?

A: HUD issued a Quick Guide to CDBG Eligible Activities to Support Coronavirus and Other Infectious Disease Response. You can find it on the HUD Exchange here: https://www.hudexchange.info/news/hud-publishes-a-cdbg-quick-guide-to-support-infectious-disease-response/

Duplication of Benefits

Q7: What is a duplication of benefits?

A: A duplication of benefits occurs when a person, household, business, government, or other entity receives financial assistance from multiple sources for the same purpose, and the total assistance received for that purpose is more than the total need for assistance.

The CARES Act provides that the Secretary shall ensure there are adequate procedures in place to prevent any duplication of benefits as required by section 312 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5155) and in accordance with section 1210 of the Disaster Recovery Reform Act of 2018 (division D of Public Law 115–254; 132 Stat. 3442), which amended section 312 of the Robert T.

Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5155). HUD will require each grantee to have procedures in place to prevent the duplication of benefits when it provides financial assistance with CDBG-CV funds. Grant funds may not be used to pay for a particular cost if another source of financial assistance is available to fully pay for that same cost.

Q8: We are hearing HUD representatives say that HUD stresses that CDBG-CV funds should not be used in a way that duplicates other resources. Is that an accurate representation of HUD's guidance? Would it be fair to read that as a caution against applying these funds to uses supported by the rest of the CARES Act?

A: CDBG-CV grantees must have policies and procedures in place to prevent duplication of benefits with Stafford Act and other CARES Act programs. This means that grantees may not use CDBG-CV funds for costs already fully covered by other programs. Many other programs are providing similar advice. HUD is not cautioning grantees to avoid the same uses as other CARES Act programs if unmet need exists and the use is CDBG-CV eligible. Rather, HUD is advising grantees to be strategic in selecting program designs that best align funding sources with local needs.

Practically, CDBG-CV funds cannot be used to pay for eligible costs that have already been paid for, or will be paid for, by another Federal program, insurance, or other sources. If this occurs, the grantee must repay its CDBG-CV grant. (This does not include the reimbursement of costs previously incurred by the grantee as authorized under the CARES Act.)

A grantee must check to see that subrecipients, assisted individuals or families, businesses, and other entities that receive CDBG-CV assistance have not previously received, or will not receive, duplicative assistance from another source before CDBG-CV assistance is provided. This duplication of benefits analysis may be accomplished in various ways including by requiring these entities or beneficiaries to provide a self-certification indicating that they have not received a duplicative benefit, requiring them to fill out a questionnaire listing potentially duplicative assistance that they have already received, or reasonably anticipate receiving, and through other means. The grantee must do this duplication of benefits analysis before providing CDBG-CV assistance and should only pay for unmet needs/needs not met by other sources of assistance. The grantee must also require that if a subgrantee, individual or family, business, or other entity subsequently receives a duplicative benefit, it agrees to repay the grantee.

A CDBG-CV grantee may permit payment of a cost that will be or is likely to be paid by another source in the future if the person or entity receiving the assistance enters an agreement to repay the CDBG-DR funds when the other source of assistance is received.

Q9a: What is another option to complete a duplication of benefits analysis at a project or activity level?

When assistance is provided to entities for CDBG activities, including activities that are part of a larger project, a grantee may complete a duplication of benefits analysis by developing an overall budget for COVID-19 preparation, prevention and response that demonstrates the funding need for the activity and the funding reasonably anticipated. (HUD has described this on stakeholder webinars as being similar in many ways to a "sources and uses" analysis for a housing or economic development project.) This budget should include all Federal and non-Federal funding, including in-kind donations. If the budget shows that the need is greater than the funding sources, there is no duplication of benefits.

The recipient must do this duplication of benefits analysis before providing CDBG-CV assistance and may only pay for unmet needs/needs not met by other sources of assistance.

When assistance is provided to individuals, the duplication of benefits analysis must examine other sources the person has or will receive for the same purpose (i.e.cost).

Q9b: How can a grantee prevent a duplication of benefits?

A: A grantee can prevent duplication of benefits by having an awareness of other assistance that its community may receive for COVID-19 prevention, preparation and response and designing its CDBG-CV program and activities to target unmet needs.

Q10: What happens if there is a duplication of benefits?

A: HUD will require the grantee to repay the CDBG-CV grant with non-Federal funds.

CARES Act and Program Implementation

Q11: What are the CDBG program flexibilities available under the CARES Act?

A: HUD published guidance on *CARES Act Flexibilities for CDBG Funds Used to Support Coronavirus Response*. The document is available here: https://files.hudexchange.info/resources/documents/CARES-Act-Flexibilities-CDBG-Funds-Used-Support-Coronavirus-Response.pdf

Q12: The CARES Act suspended the public services limitation for what purpose and which grants?

A: Pursuant to the CARES Act, the public services cap in section 105(a)(8) (42 U.S.C. 5305(a)(8)) and 24 CFR 570.201(e) does not apply to CDBG-CV grants, or to FY 2019 and 2020 CDBG grant funds used to prevent, prepare for and respond to coronavirus.

Q13: Is emergency rental assistance eligible under CDBG?

A: Yes, with limits. First, other assistance may be available for this purpose from the Emergency Solutions Grant (ESG) program, or under other Federal or State emergency programs, so a grantee must be alert for possible duplication of benefits in program design and execution.

In terms of eligibility, CDBG funds may not be used for income payments, which are not included among eligible activities in section 105(a) of the Housing and Community Development Act of 1974 for States, and which are expressly prohibited by 24 CFR 570.207(b)(4) in the Entitlement CDBG Regulations. Income payments mean a series of subsistence-type grant payments made to an individual or family for items such as food, clothing, housing (rent or mortgage) or utilities. The definition of income payments excludes emergency payments made over a period of up to three consecutive months to the provider of such items or services on behalf of an individual or family. Such emergency payments are eligible as a public service.

Q14: Can I use the Urgent Need national objective?

A: Yes, to some extent. At least 70 percent of CDBG-CV funds must assist activities that meet the Low- and Moderate-Income national objective. The remaining 30 percent may be used for activities that meet either the Urgent Need national objective or the Slums and Blight national objective.

To meet the urgent need national objective criteria at 24 CFR 570.208(c), the Entitlement CDBG program requires a recipient to certify that the activity is designed to alleviate existing conditions which pose a serious and immediate threat to the health and welfare of the community which are of recent origin or recently became urgent, that the recipient is unable to finance the activity on its own, and that other sources of funds are not available. In the State CDBG program, the criteria at 24 CFR 570.483(d) require that the local government provides this certification and the State makes the determination of the same.

Q15: How do I add CDBG-CV to my Action Plan and submit to HUD?

A: A grantee may amend its FY2019 plan (or its FY2020 plan) to include the CDBG-CV, ESG-CV, and HOPWA-CV funding. This means that a grantee that has not yet submitted its FY 2020 plan does not need to expedite its FY2020 plan submission to receive its CARES Act funding; instead, the grantee may make a substantial amendment to the FY 2019 Action Plan. The FY 2020 annual action plan is still required to be submitted for the FY 2020 formula programs, including CDBG.

A grantee that has submitted a FY 2020 annual action plan to HUD that was marked "review completed" in IDIS or not disapproved within 45 days, must amend its FY 2020 plan to include CARES Act funding. Other grantees may include CARES Act funding in either a substantial amendment to the FY2019 plan or an original FY 2020 plan

submission. Grantees are encouraged to choose the most expeditious option given individual circumstances.

HUD has issued waivers to permit grantees to prepare substantial amendments to their most recent annual action plan, including their 2019 annual action plan. The substantial amendments must identify the proposed use of all funds and how the funds will be used to prevent, prepare for, and respond to coronavirus. The waivers require grantees to submit the following to HUD: the substantial amendment describing the use of CDBG-CV funds, a SF-424, SF-424D, and the certifications at 24 CFR 91.225(a) and (b) or 24 CFR 91.325(a) and (b).

Q16: Will HUD expedite reviews?

A: Yes, normally, HUD reviews Consolidated Plans and Action Plans within 45 days. For CDBG-CV, HUD plans to expedite reviews.

Q17: The CARES Act says grantees may reimburse for coronavirus preparation, response, and prevention costs. How will that work?

A: The CARES Act provides that CDBG-CV funds may be used to cover or reimburse allowable costs of activities to prevent, prepare for, and respond to coronavirus incurred by a State or locality regardless of the date on which such costs were incurred. Grantees may also pay costs in accordance with pre-agreement cost authority under 24 CFR 570.489(b) (States) and pre-award cost authority under 24 CFR 570.200(h) (Entitlements). Reimbursed costs must comply with all grant requirements, must be costs to prevent, prepare for, or respond to coronavirus, and must not constitute a duplication of benefits.

Q18: Will HUD publish a Federal Register Notice?

A: HUD intends to issue a notice in the Federal Register to provide additional waivers, alternative requirements, and the rules implementing CARES Act requirements. This will facilitate and expedite the use of the funds for preventing, preparing for, and responding to coronavirus.

Q19: What is a virtual hearing and how do I do one? Do I have to do a public hearing?

A: The CARES Act provides that, for as long as national or local health authorities recommend social distancing and limiting public gatherings for public health reasons, a grantee may create virtual public hearings to fulfill applicable public hearing requirements related to plans for the use of FY2019, FY2020, and CDBG-CV grants. The CARES Act also provides that any such virtual hearings shall provide: (1) reasonable notification and access for citizens in accordance with the grantee's certifications, (2) timely responses from local officials to all citizen questions and issues; and (3) public access to all questions and responses. Some platforms for virtual hearings are Facebook,

Zoom, Skype, email, and conference calls, but the grantee is not limited to these methods. Additionally, grantees must take appropriate actions to encourage the participation of all residents, including the elderly, minorities, and non-English speaking persons, as well as persons with disabilities. For an amendment, a hearing is required if the grantee's citizen participation plan requires one. (To take advantage of the CARES Act provisions, a grantee may amend its citizen participation plan concurrently with its CDBG-CV plan or amendment publication.) For an action plan or Consolidated Plan, hearing requirements are contained in 24 CFR 91.105(e) for entitlement communities and 24 CFR 91.115(b)(3) for states.

Q20: Are the CARES Act flexibilities just for CDBG-CV or may a grantee access them for the main program as well?

A: Some flexibilities also apply to FY2019 or FY2020 grants as well as CDBG-CV. HUD posted a guide to the flexibilities here: https://files.hudexchange.info/resources/documents/CARES-Act-Flexibilities-CDBG-Funds-Used-Support-Coronavirus-Response.pdf

Q21: Does an Urban County have to consider the needs of all of its participating units of general local government in designing and implementing its program?

A: Every grantee should consider the needs of all citizens who may reasonably be expected to participate in or be affected by CDBG or CDBG-CV programs. Urban Counties that normally distribute CDBG funds on a proportional basis among all participating jurisdictions should consider whether their normal procedures would result in funding awards that are too small to be used expeditiously and productively by the participating jurisdictions.

Q22: Will HUD extend the deadline for CAPERs?

A: HUD has issued a waiver to the 2019 CAPER Submission. The Waiver provides grantees an additional 90 days to submit their 2019 CAPER. Grantees may now submit the 2019 CAPER within 180 days of the end of their 2019 program year. The Waiver can be found at the following link: https://www.hud.gov/sites/dfiles/CPD/documents/CPD-COVID-19-CAPER-Waiver-050420-signed-JG.pdf

Q23: Can I have relief from Single Audit requirements and deadlines?

A: The U.S. Office of Management and Budget (OMB) memorandum, M-20-17, dated March 19, 2020 (available here) discusses the Single Audit submission extension [2 CFR 200.512] and modifies prior guidance found in the M-20-11 memo, dated March 9, 2020.

Pursuant to the March 19th memo, awarding agencies, in their capacity as cognizant or oversight agencies for audit, should allow recipients and subrecipients that have not yet filed their single audits with the Federal Audit Clearinghouse as of March 19, 2020, that have fiscal year-ends through June 30, 2020, to delay the completion and submission of the Single Audit reporting package, as required under Subpart F of 2 CFR § 200.501 - Audit Requirements, to six (6) months beyond the normal due date.

No further action by awarding agencies is required to enact this extension. This extension does not require individual recipients and subrecipients to seek approval for the extension by the cognizant or oversight agency for audit; however, recipients and subrecipients should maintain documentation of the reason for the delayed filing. Recipients and subrecipients taking advantage of this extension would still qualify as a "low-risk auditee" under the criteria of 2 CFR § 200.520 (a) – Criteria for a low-risk auditee.

Q24: How will HUD handle the CDBG timeliness requirements in FY2020?

A: HUD has a statutory responsibility to review a grantee's performance at least annually to determine whether the grantee has the continuing capacity to carry out grant activities in a timely manner. HUD will continue its oversight of grantee progress and will notify grantees who are not progressing as expected. However, in the normal course of oversight, if a CDBG grantee does not carry out its activities in a timely manner, HUD consults with the grantee to determine the causes. If the causes are beyond the grantee's control, as coronavirus (COVID-19) is, HUD does not take corrective action or sanction, but works with the grantee to ensure that the grantee is timely at the next annual checkpoint.

Q25: How do I do electronic signatures?

A: On March 22, 2020, the U.S. Office of Management and Budget (OMB) released a memorandum providing guidance on the use of technology to support mission continuity in response to coronavirus. The guidance is in the form of Frequently Asked Questions and includes OMB guidance for the use of e-signatures. Also included in the Frequently Asked Questions are resources for implementing technology.

A copy of the memorandum and related Frequently Asked Questions can be found here: https://www.whitehouse.gov/wp-content/uploads/2020/03/M-20-19.pdf

Q26: Is assistance to hospitals or clinics a CDBG eligible activity?

A: Please see the Quick Guide to CDBG Eligible Activities to Support Coronavirus and Other Infectious Disease Response: https://www.hudexchange.info/news/hud-publishes-a-cdbg-quick-guide-to-support-infectious-disease-response/.

Note that each such activity must meet a national objective. Additionally, funds can be used for the *allocable* costs of operating and maintaining a facility used in providing a

public service, even if no other costs of providing such a service are assisted with such funds, but funds cannot be used for operation and maintenance costs that cannot be allocated to the public service (see the CDBG Entitlement program regulation at 24 CFR 570.207(b)(2), which states may use as guidance).

Further, use for operation and maintenance costs of a public service trigger CDBG requirements. Particularly for hospitals, a grantee may wish to consult with its field office in structuring the assisted activity so that the grantee can clearly identify which public service activities within the hospital are subject to CDBG requirements. In addition, a grantee assisting a hospital or clinic should be aware of the possibility that other federal and state funds may be available for this purpose and take this under consideration in its analysis of duplications of benefit.

Q27: May a CDBG grantee provide housing near the hospital for medical staff and first responders who are concerned about going home and possibly bringing back infections that will further spread the disease to those receiving health care at the hospital? And for such staff who become infected and must self-isolate?

A: It depends. Housing staff may be necessary as part of an eligible public service, if providing the public service requires the staff to be located in housing that reduces risk of infection through isolation to prevent the spread of coronavirus.

The activity must also meet a national objective by either benefitting low-and moderate-income (LMI) persons or meeting an urgent need. To benefit LMI persons, the grantee may demonstrate that at least 51 percent of the public receiving the benefit of the public service provided by the hospital are low-and moderate-income persons, or that the hospital provides services to a primarily residential area with a predominantly LMI population.

Alternatively, the activity may meet an urgent need related to the novel coronavirus if the grantee has no other funding for the activity. Grantees are reminded that overall benefit requires that at least 70 percent of the funds be used to benefit LMI persons.

Q28: Can CDBG assist a food bank purchasing and delivering emergency food for current and new beneficiaries? How can we meet a national objective?

A: Yes. For a food bank located in and serving a primarily residential low/mod area, the grantee may document compliance with low-and-moderate-income (LMI) area benefit national objective criteria. For a food bank serving a non-LMI service area, the regulations provide that the grantee may meet the LMI limited clientele national objective in one of two ways.

One way is to document how the nature and location of the activity will result in at least 51 percent of the beneficiaries being LMI. Another would be to collect a simple verifiable income certification from at least 51 percent of the beneficiaries attesting they

are LMI. Some grantees have provided a pro tip on obtaining this documentation: If the beneficiary signs a paper certification and the grantee or subrecipient uses a cell phone document scanning app to collect the image prior to instructing the beneficiary to place the completed certification in a storage box, collection of such certifications can be contactless. Either wipe down the pen between signers or provide hand sanitizer.

Q 29: May I use CDBG or CDBG-CV for FEMA cost share?

A: Yes. Under 24 CFR 570.201(g), CDBG funds may be used to pay the non-Federal share of a Federal grant-in-aid program, provided that the activities funded are otherwise eligible for CDBG assistance and comply with CDBG requirements. State grantees are authorized to pay non-Federal cost share under Section 105(a)(9) of the Housing and Community Development Act of 1974.

Q30: Can I use CDBG or CDBG-CV to help small businesses?

A: Yes, direct assistance to for-profits is a special economic development activity in the CDBG program and it is eligible provided it meets a national objective, underwriting, and public benefit requirements. Because there is a large amount of SBA funding for small businesses in the CARES Act and other sources of financial assistance to small businesses may be available, grantees must also have procedures to prevent duplications of benefits between various programs that provide this type of financial assistance.

Q31: Are staff costs of CDBG program administration and eligible activities allowable if the staff person is on leave due to the closure of the grantee or subrecipient's offices in response to COVID-19?

A: Yes. If staff costs meet the program administration requirements of 24 CFR 570.206 or are related to carrying out activities eligible under § 570.201 through § 570.204, the cost of fringe benefits, as provided at 2 CFR 200.431(b), in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, family-related leave, sick leave, holidays, court leave, military leave, administrative leave, and other similar benefits, are allowable if all of the following criteria are met:

(1) They are provided under established written leave policies;

(2) The costs are equitably allocated to all related activities, including Federal awards; and

(3) The accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the grantee/subrecipient or specified grouping of employees.

Please note, however, that such charges are subject to regulatory or statutory limits on certain categories of costs (e.g., the 20-percent limit on CDBG planning and administrative costs).

Q32: What about the costs of unused and partially utilized space, when space used by grantees/subrecipients in carrying out activities with CDBG funds is no longer used or is no longer used fully as a result of COVID-19? Are costs such as maintenance, repair, rent, and other related costs (e.g., insurance, interest, and depreciation,) allowable?

A: Yes, subject to program restrictions and the regulations at 2 CFR 200.446 *Idle facilities and idle capacity.* While costs for unused space (idle facilities) are usually unallowable, §200.446(b)(2) permits exceptions when the space (facilities) are idle for causes which could not have been reasonably foreseen. Clearly, the COVID-19 situation falls within that exception. Under this exception, "…costs of idle facilities are allowable for a reasonable period of time, ordinarily not to exceed one year, depending on the initiative taken to use, lease, or dispose of such facilities."

Grantees and subrecipients should note, however, that program regulations may prohibit certain costs referenced in the question. For example, 24 CFR 570.207(b)(2)(i) prohibits use of CDBG funds for maintenance and repair of publicly owned facilities and improvements.

As to partially utilized space (idle capacity), 2 CFR 200.446(c) provides that:

"The costs of idle capacity are normal costs of doing business and are a factor in the normal fluctuations of usage or indirect cost rates from period to period. Such costs are allowable, provided that the capacity is reasonably anticipated to be necessary to carry out the purpose of the Federal award or was originally reasonable and is not subject to reduction or elimination by use on other Federal awards, subletting, renting, or sale, in accordance with sound business, economic, or security practices…."

Accordingly, costs of idle capacity are allowable, subject to the provisions in §200.446(c) and to any program regulatory restrictions noted above.

Q33: May the grantee continue to fund a subrecipient for an activity that will be canceled or postponed?

A. It depends. The recent OMB memo M-20-17 discusses allowability of costs not normally chargeable to awards, stating:

> "Awarding agencies may allow recipients who incur costs related to the cancellation of events, travel, or other activities necessary and reasonable for the performance of the award, or the pausing and restarting of grant funded activities due to the public health emergency, to charge these costs to their award without regard to 2 CFR § 200.403, *Factors affecting allowability of costs*, 2 CFR § 200.404, *Reasonable costs*, and 2 CFR § 200.405, *Allocable costs*. Awarding agencies may allow recipients to charge full cost of cancellation when the event, travel, or other activities are conducted under the auspices of the grant. Awarding agencies must advise recipients that they should not assume additional funds will be available should the charging of cancellation or other fees result in a shortage of funds to eventually carry out the event or travel. Awarding agencies must

require recipients to maintain appropriate records and cost documentation as required by 2 CFR § 200.302 - *Financial management* and 2 CFR § 200.333 - *Retention requirement of records*, to substantiate the charging of any cancellation or other fees related to interruption of operations or services. As appropriate, awarding agencies may list additional guidance on specific types of costs on their websites and/or provide a point of contact for an agency program official."

In addition, in the context of subrecipients, CDBG grantees should also consider whether the subrecipient's staff costs are administrative (see 2 CFR 570.206) or related to carrying out activities eligible under § 570.201 through § 570.204. The activity delivery costs associated with postponed or cancelled activities are limited to those necessary and reasonable to the pausing and restarting of the grant and may include cancellation fees, as explained further in OMB memo M-20-17. For subrecipients with an administrative role, their allowable costs may include fringe benefits, such as authorized leave (see Q31 above for more information); however, planning, administrative and management costs are limited to 20 percent of the grant, pursuant to Annual Appropriations Acts.

Grantees may be interested in providing assistance to their partners to retain employees during this crisis; however, HUD strongly recommends that this be done appropriately. Grantees may wish to direct such partners to apply for assistance available to small businesses and nonprofits for the retention of employees, such as programs provided by the Small Business Administration and, possibly, a local CDBG-funded job retention program, if one has been appropriately established.