

**SECTION II**

**CDBG PROGRAM INFORMATION AND POLICIES**

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This section of the application guide contains a description of the general requirements and policies applicable to all CDBG projects.

A. **REQUIREMENTS AND DISCLAIMERS**

The following requirements and disclaimers apply to all applications submitted for consideration under the CDBG Program.

1. Costs previously incurred (such as design) as well as costs incurred in preparation of applications and local income surveys are not reimbursable under this grant program.
2. The Department reserves the right to reject any or all applications received and/or negotiate or cancel in part or in entirety grants resulting from application awards if it is in the Department’s best interest to do so.
3. **The Department reserves the right to withdraw a commitment for CDBG funds where special grant conditions have not been satisfied within 90 days after the date of the Notice of State Award Finalist**, or at the discretion of the Department if it is determined the project will not progress.
4. The Department reserves the right to establish the amount of grant funds awarded, raise the individual grant ceilings, and to shift funds from one CDBG component funding area to another. The Department further reserves the right to award funds to the next highest rated applicant(s) for any component should funds become available due to de-obligations, etc.
5. The Department reserves the right to deny funding when submitted applications involve eligible units of government with serious unresolved audit or monitoring findings related to performance.
6. On an annual basis, the Department will re-evaluate the timely distribution of funds under all program components, as well as the availability of unspent and recaptured funds. Unspent and recaptured funds will be awarded to fund additional CDBG-eligible projects. Depending upon available funds, a Back-up Funding round may be implemented later in the program year.
7. The Department reserves the right to not fund applications that address problems which obviously are a result of deferred maintenance.
8. The Department reserves the right to consider an outside technical review by an appropriate agency or agencies. The Illinois Environmental Protection Agency, the Illinois Department of Public Health, and/or USDA Rural Development may be asked to review public infrastructure projects involving water or sewer activities.
9. Any additional non-CDBG resources must be firmly committed. Also, it must be evident in the application that both CDBG and non-CDBG funds will address the same need.
10. A grant agreement will be issued for a contract period of twenty-four months for Public Infrastructure, Housing Rehabilitation and Economic Development grants. All projects must be operational at the end of the twenty-four-month grant term. No more than one twelve-month extension may be considered.
11. Proposed projects (including the fund source, cost estimates, benefit, urgency, project area, and/or construction activities) supplied in the grant application submitted for funding must not be changed or modified prior to grant award or at the time the project is bid. If extenuating circumstances exist, the Grantee may submit a modification request after the receipt of its executed Grant Agreement.
12. Requests for Modifications must be presented to the Department prior to any changes being made to the project area, beneficiaries, cost estimates, or funded activities. All modifications must include only original and environmentally-cleared project location(s). Requests for activities outside the original project location(s) will not be considered. In addition, if the proposed modification alters the LMI benefit, the percentage of benefit must be within the same “LMI scoring” received in the review of the application. Modifications that will decrease the benefit to low-to-moderate income persons will not be considered. Modifications to decrease or increase the scope of work due to greater than or less than estimated costs will not be considered.
13. The use of in-kind services as additional funding is limited. Applicants must identify the specific tasks/services that will be performed or provided. Each task/service must be quantified by outlining the number of personnel assigned to the task and current payroll status; number of hours; and the hourly rate. Additionally, the qualifications of each individual to perform the assigned task/service (e.g., construction inspection) must be provided. If in-kind services are being utilized, a local council resolution must be included in the application.
14. Local governments may not assess any fees against property "occupied" by eligible low-to-moderate income persons. The most common type of assessment is a connection fee, which is a one-time charge made as a condition of access to an improvement -- normally a sanitary sewage collection or water distribution system.
15. **No environmental review activities can take place until the applicant has received the Notice of State Award Finalist.** Once this Notice is received, only then may the grantee initiate required environmental clearance requests with the four State environmental clearance agencies in accordance with Federal NEPA requirements and State law. **DO NOT** reuse State environmental clearance letters previously obtained for another funding source. In certain circumstances, the CDBG Economic Development Program Manager may allow a community to begin the Environmental review early.
16. In accordance with the Interagency Wetland Policy Act of 1989, an applicant whose proposed project site is located on or within 250 feet of a wetland site listed on the National Wetlands Inventory will be required to comply with the requirements of the Act. This includes: developing a plan to minimize adverse impacts on wetlands, or providing written evidence that the proposed project will not have an adverse impact on a wetland. Project must also comply with Federal Wetlands Protection regulations at 24-CFR 58.5(b)(2) and Executive Order 11990, which may require preparation of an Eight-Step Wetlands Review.
17. A FEMA issued Floodplain Map must be included in the application. You can obtain this map by calling FEMA at 1(800) 358-9616 or by using their website: <https://msc.fema.gov>. Exact project location(s) must be clearly drawn on the FEMA map prior to submission. The most current version available on <https://msc.fema.gov> must be used.
18. CDBG grant funds may not be used for any activity in an area delineated as a special flood hazard area in FEMA's most current flood advisory maps unless it also ensures that the action is designed or modified to minimize harm to or within the floodplain in accordance with Executive Order 11988 and 24 CFR 55. In accordance with 24 CFR 55, CDBG grant funds must not be committed in a FEMA-designated floodway, unless the project is a functionally dependent use of the floodway, as approved by the Department ahead of time.

B. **STATE AND FEDERAL COMPLIANCE AREAS**

Each applicant must agree to comply with all applicable federal and state requirements. **This includes 2 CFR 200, 24 CFR 570, Part 85, and the Grantee Accountability & Transparency Act (GATA).**  These can have a significant impact on the costs and complexity of a project. Applicants who receive a grant award will be expected to submit signed assurances that they will comply with all federal mandates. Some areas which applicants must comply with include:

1. The National Environmental Policy Act (NEPA) which establishes procedures for protecting the environment. In order to use the CDBG funds awarded to a local government, the grantee has to comply with environmental procedures, standards and guidelines mandated by NEPA and all other applicable environmental regulations (e.g., prime farmland protection, historic preservation, floodplain hazards, etc.).
2. The Interagency Wetland Policy Act of 1989 requires applicants to certify that the proposed project is compatible with established State of Illinois policy regarding wetlands (i.e., to minimize the destruction of existing wetlands in Illinois as a result of State and State-supported activity). The Federal Wetlands Protection regulations at 24 CFR 58.5(b)(2) and Executive Order 11990 also apply.

3. The Illinois Endangered Species Protection Act and the Illinois Natural Area Preservation Act & Federal Endangered Species Act of 1973 Compliance requires consultation with the Endangered Species Consultation Program of the Illinois Department of Natural Resources to assure compliance. The consultation process must be implemented to avoid or minimize adverse impacts to State-listed species and their essential habitats that may result from the actions of state and local units of government. Applicants must certify the completion of the consultation process, as well as Federal Endangered Species Compliance under 24 CFR 58.5(e). This process can be initiated through the U.S. Fish & Wildlife Service Endangered Species website (https://www.fws.gov/endangered/).

4. The Davis-Bacon Prevailing Wage Act requires the payment of prevailing wages for all construction funded in whole or in part with federal funds, including funds passed through to private firms. If your project involves construction and/or equipment installation, go to <https://dceo.illinois.gov/communitydevelopment/davisbaconresources.html> for information concerning the applicability of federal labor standards.

5. The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1987 applies to federally assisted activities that involve the acquisition of real property or the displacement of persons, including displacement caused by rehabilitation and demolition activities. Any person or business displaced as a direct result of federal assistance must be provided with Uniform Relocation benefits.

6. Equal Opportunity and Fair Housing Accessibility Laws require that CDBG grantees administer their project in a manner that affirmatively furthers equal opportunity and fair housing. All CDBG grantees will be required to undertake specific activities to further fair housing. CDBG grantees must assure all activities and services are accessible to persons with disabilities.

7. Section 3 under the Housing and Urban Development Act of 1968 requires recipients to give, to the greatest extent feasible and consistent with the existing federal, state, and local laws and regulations, job training, employment, contracting and other economic opportunities to Section 3 residents and Section 3 business concerns. For more information on Section 3, please see <https://dceo.illinois.gov/communitydevelopment/section3.html>

8. The National Emission Standards for Hazardous Air Pollutants (NESHAP) of the U.S. Clean Air Act assures that, when existing buildings are demolished and/or renovated, people outside of those buildings (i.e., passers-by or neighborhood residents) are protected from airborne asbestos. If asbestos materials are involved in the rehabilitation work, the applicant must contact the Field Operations Section, Bureau of Air of the Illinois Environmental Protection Agency to ensure compliance with Asbestos NESHAP.

9. Build America Buy America Standards set forth in the Infrastructure Investment and Jobs Act. The Grantee must comply with the requirements of the Build America, Buy America (BABA) Act, 41 USC 8301 note, and all applicable rules and notices, as may be amended, if applicable to the Grantee’s infrastructure project. Pursuant to HUD’s Notice, “Public Interest Phased Implementation Waiver for FY 2022 and 2023 of Build America, Buy America Provisions as Applied to Recipients of HUD Federal Financial Assistance” (88 FR 17001), any funds obligated by HUD on or after the applicable listed effective dates, are subject to BABA requirements, unless excepted by a waiver. BABA does not apply to the Housing Rehabilitation program.

C. **CITIZEN PARTICIPATION**

**If the publication guideline or public hearing requirements are not met, the application will not be reviewed further nor considered for funding.**

**A public hearing must be held prior to submission of an application** and prior to passage of a local council resolution of support by the local governing body.

Public Participation

1. All applicants must provide for public participation. All citizens must be given reasonable access to the community’s application and reasonable time to review the application prior to the public hearing.

Public Notice

1. A Notice of Public Hearing must be published at least once in a newspaper of general circulation at least seven calendar days (excluding the date of publication *and* excluding the date of the hearing) prior to the public hearing.
2. The Notice of Public Hearing must include the address of where project information is available for viewing.
3. All project information must be available for viewing on the first business day (not Saturday, Sunday, or a holiday) after date of publication at an easily accessible location within the community applying for the grant.
4. The Public Comment Period must coincide with the time period between Notice and Hearing; concluding after the Hearing has been completed. The address for submission of written comments must be included in the Public Notice.

Conducting the Public Hearing

1. Public Hearings must be facilitated by the applicant’s governing body chief elected official or authorized official and certified by the chief elected official, authorized official or clerk.
2. Efforts must be made to assure reasonable access to the public hearing by persons with disabilities; as well as 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. Those attending the public hearing must be informed of where and how to access the applicant's CDBG records.
4. The Hearing must allow for public comments on the application and project.
5. A sign-in sheet must be provided to document attendance. It is suggested that each person attending the public hearing provide his address and identify his role of participation (e.g., citizen, elected or appointed official, municipal employee, contractor, grant writer or administrator, business owner, etc.).
6. The public hearing must cover:
7. The amount of funds available;
8. The project activities that will be undertaken with CDBG funding, including amount;
9. The project activities that will be undertaken with additional project funding, including amount;
10. The estimated amount proposed for activities that will benefit LMI individuals;
11. Plans for minimizing displacement as a result of the CDBG grant-assisted activities and to assist persons actually displaced, if applicable;
12. A detailed, prioritized list of community development and housing needs; and
13. A narrative discussion of the scope of the project including the proposed improvements, costs, benefit area, impact on community finances, etc.
14. The minutes of the public hearing must be certified by the chief elected official or other authorized local officials, such as county clerk, city clerk, etc.
15. Following the Public Hearing, a Resolution of Support from the local governing body must be passed that authorizes the local government to apply for funds. The date of the Resolution must be on or after the date of the Public Hearing.

Documenting Citizen Participation

The following documents verifying 7-day notice and citizen participation must be submitted with the application.

1. Complete Newspaper Clipping of Notice of Public Hearing that contains all published verbiage
2. Publisher’s Certification (cannot be an e-mail)
3. Certified Minutes
4. Attendance Sheet, (original sign-in sheet; not type-written, not roll call from minutes)

**If the publication guideline or public hearing requirements are not met, the application will not be reviewed further nor considered for funding.**

**A public hearing notice template is contained in Section VII.**

Please use the following calendar as a guide to timing of Citizen Participation activities:

|  | **November 2023** | | | | |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Sun** | **Mon** | **Tue** | **Wed** | **Thu** | **Fri** | **Sat** |
|  |  |  | 1 | 2 | 3 | 4 |
| 5 | 6 | 7 | 8  Public Hearing Notice Published | 9  **Application Materials available to Public** | 10 | 11 |
| 12 | 13 | 14 | 15 | 16  **Public Hearing** | 17 | 18 |
| 19 | 20 | 21 | 22 | 23  **Thanksgiving** | 24 | 25 |
| 26 | 27 | 28 | 29 | 30 |  | |

D. **ACTIVITY DELIVERY COSTS and ASSOCIATED COSTS**

**All application writers and grant administrators must attend both the 2023/2024 Application Workshop and the Grant Administrator’s Workshop to be held October 18th & 19th, 2023.**

**All Grantees must use an experienced Environmental specialist, who has completed at least one Illinois CDBG Environmental Record Review since January 1, 2018 OR has successfully completed DCEO Environmental Training conducted on July 18, 2018.**

Community Development Block Grants are federally funded and must comply with extensive federal regulations including procurement, environmental, Davis-Bacon labor standards and others. Failure to comply could result in grant funds being repaid by the Grantee/Community. It is important that Grantees seek out an experienced Grant Administrator to manage all the details of the grant, provide oversight and coordination of the project. This management process is called “Activity Delivery”.

Contracts for the purpose of securing services for activity delivery must be competitively procured under 2 CFR 200 unless the contract is with an Intergovernmental Agreement Agency, an Inter-Entity Agreement Agency. If an applicant is awarded a CDBG grant, the grantee’s procurement process must be documented and kept with the grant files. **All contracts for provision of Activity Delivery must be provided to DCEO.**

The maximum amount of CDBG funds that may be allowed for reasonable activity delivery costs is $35,000. Activity delivery costs above that amount must be contracted separately and not included in the application. If paid with CDBG funds, activity delivery costs must be included in the total grant award.

**Activity Delivery:** Includessuch costs as (but are not limited to) salaries, travel costs, services performed under third party contracts, including legal and audit services, environmental record review preparation, additional fidelity bonding costs or other services required for the delivery of grant activities. For Housing Rehabilitation, Activity Delivery is to be used for administrative services necessary to the delivery/completion of the CDBG housing rehabilitation project.

Activity delivery costs may include the estimated cost of an audit to be conducted in accordance with the Comptroller General's Governmental Auditing Standards, and 2 CFR 200.501, if applicable. However, be advised that CDBG funds can only be used to pay for its portion of the costs of an audit when a "single audit" is required. If a grantee expends less than $750,000 of federal funds in one fiscal year, a single audit is not required. The grantee may still have to conduct an annual audit as required by State statute, but CDBG funds may not be used to pay for any portion of the audit costs. For more information on audit standards, please see: <https://www.ilga.gov/commission/jcar/admincode/044/044070000A00900R.html>

All Activity Delivery costs must be substantiated with complete invoices utilizing the template provided by the Department. Invoices without sufficient detail will not be paid.

In addition to Activity Delivery, recipients of Housing Rehabilitation grants may utilize grant funds to pay for Rehabilitation Administration (inspection) based on a pre-determined scale set by the Department (see below).

Rehabilitation Administration covers all delivery costs (including staff, other direct costs, and service costs) directly related to carrying out housing rehabilitation activities. Examples include appraisal, architectural, engineering, and other professional services; preparation of work specifications and work write-ups; loan processing; survey, site and utility plans; application processing; and other fees. Rehabilitation Administration costs must be substantiated with complete invoices.

|  |  |
| --- | --- |
| 8 Homes | $34,000 |
| 9 Homes | $36,000 |
| 10 or more Homes | $38,000 |

E. **INITIAL GRANTEE RESPONSIBILITY**

Successful applicants will receive a **Notice of State Award Finalist** (NOSAF) specifying terms and conditions of the grant. This will include completion of Environmentals (including “before” pictures for Tier II Housing Rehabilitation projects), clearance of special conditions resulting from the application review, and acknowledgement letters to the locality’s federal-level Senators and Representative. **Grantees are expected to meet all special conditions within 90 days of the NOSAF date or the Department may withdraw the Notice of State Award Finalist (NOSAF).**

DCEO will hold a mandatory Grant Administration Workshop after Awards are announced. All Administrators assigned to an awarded grant are required to attend.

Once terms are accepted, and the conditions met, the Grantee will receive a **Notice of State Award** (NOSA) which includesinformation regarding your entity, grant funding, grant terms and conditions, and specific conditions assigned to the grant based on the risk assessments. In order to receive the formal Grant Agreement, the Grantee must indicate agreement to the contents of the NOSA by remitting its acceptance through Grantee Portal (https://grants.illinois.gov/portal).

After the Grantee has submitted all applicable documents, they will receive a formal **Grant Agreement** with further instructions. Grantees will be expected to sign and return the agreement within 30 days for formal execution by the Department.