

# Maryland Department of Housing and Community Development

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## MARYLAND COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM

SFY 11

Project Evaluation Guide  
& Additional Policies and Procedures

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## **INTRODUCTION**

The Maryland Community Development Block Grant Program is a federally funded program designed to assist units of local government with activities directed toward neighborhood revitalization, housing opportunities, economic development and improved public facilities and services. Congress initiated the program in Title I of the Housing and Community Development Act of 1974 and provides funds to non-entitlement areas of the State. Non-entitlement areas are non-urban counties with populations less than 200,000 and municipalities of less than 50,000 in population.

The Maryland CDBG program is administered jointly by the Departments of Housing and Community Development (DHCD) and Business and Economic Development (DBED). This project evaluation guide describes only the selection process for CDBG funds administered by DHCD which are approximately 72% of Maryland's CDBG allocation. These funds are targeted to community development activities. A total of \$1,000,000 is targeted for special projects and planning grants.

### **State Fiscal Year 2011 Allocation**

For SFY 2011 (FFY 2010), Maryland anticipates an allocation of \$8,070,375. The allocation is divided into the following categories:

<b>STATE OF MARYLAND CDBG ALLOCATION – FFY 2010 (Estimated)</b>	
State Administration (2% + \$100,000)	\$261,408
Technical Assistance (1%)	\$80,704
Community Development (72% - \$1,100,000)	\$4,710,670
Special Projects and Planning	\$1,000,000
Economic Development (25%)*	\$2,017,593
<b>TOTAL</b>	<b>\$8,070,375</b>

The State will match the two-percent administrative allowance with State general funds. The one percent Technical Assistance funds will be used to provide technical assistance to grantees and potential CDBG recipients.

### **Program Objectives**

The primary objectives of the Maryland CDBG program are to provide decent housing and necessary supporting infrastructure, preserve and develop viable communities through the expansion of economic opportunities, and meet the critical needs of Maryland's communities. The Maryland CDBG program provides public funds for activities that 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:

- gives maximum feasible priority to activities that will benefit low and moderate (LMI) persons and households having an income equal to or less than the Section 8 lower income limits established by HUD;
- aids in the prevention or elimination of slums or blight; or

- meets community needs that are of an urgent nature or an immediate threat to community health and welfare.

Additional Maryland CDBG program objectives include:

- revitalizing older neighborhoods and established communities;
- leveraging CDBG funds with other public assistance programs and private resources;
- directing growth to existing population centers;
- providing essential public services to low and moderate income persons;
- encouraging collaboration with Maryland State, federal and local programs focused on community development and planning efforts; and
- supporting initiatives that preserve affordable homeownership; and
- supporting initiatives that create homeowners such as Individual Development Accounts.

### **PROCESS OVERVIEW - Community Development Competitive Application Process**

Applications for community development projects are accepted annually on a competitive basis. The funding round is announced in advance of program opening, and applicants are given a minimum of 45 days to prepare their applications. Any funds not awarded in the round will be announced to eligible jurisdictions and distributed on a first come, first served basis to projects meeting the minimum standard and approved by the Department.

Applications are evaluated in a three-step process: threshold review, project evaluation, and funding recommendations. Only projects that meet threshold requirements set forth in these guidelines and have complete applications submitted by the application deadline date will be rated and ranked in any competitive round.

#### **Threshold Review**

Applications received in the competitive process are pre-screened by Maryland CDBG program staff for compliance with minimum thresholds. At the completion of the threshold review, applicants whose proposed project applications are not complete or do not meet basic eligibility and threshold requirements will be notified by mail that project review has been terminated.

Each application must meet the following minimum eligibility requirements:

- The applicant is an eligible non-entitlement jurisdiction;
- The proposed activities are eligible under Title I of the Housing and Community Development Act of 1974, as amended;
- The proposed project meets a national objective as required under 24 CFR Part 570;
- The project is located in a Priority Funding area, except for single family housing rehabilitation or where the Secretary determines that the project is necessary to protect public health, alleviate personal economic hardship in an emergency situation or promote economically integrated housing or where an exception has been granted through the Maryland Department of Planning exception process;
- The applicant meets performance thresholds on prior CDBG grants including timely drawdown of funds, submission of Progress Reports or other requested materials and resolution of monitoring issues.

The maximum amount an applicant may seek in the competitive round of CDBG funds distributed by DHCD is \$800,000.

Additionally, grantees that have revolving loan funds (RLFs) that were capitalized with CDBG funds will be required to submit information regarding the current fund balance and the most recent activity. This applies to economic development RLFs as well as housing rehabilitation RLFs. Grantees may be required to submit additional information to explain large loan balances and lack of activity.

### **Performance Thresholds**

There are performance thresholds related to previous CDBG grants. There are both financial and monitoring threshold requirements.

Expenditure of certain minimum percentages of previous grants must be met by the last Friday of the week preceding the deadline for submission of the application in the competitive process. This will apply to all open Maryland CDBG community development, economic development, and non-planning special projects grants. Exceptions will be made only under extenuating circumstances, particularly where funds are targeted for recapture by the State but no formal letter has been issued. The required expenditure amount is based on the grant start date. Planning grants will be evaluated on a case by case basis.

<b>Grant Agreement Start Date</b>	<b>Minimum % Required to be Expended</b>
July 1, 2007 to June 30, 2008	100%
July 1, 2008 to June 30, 2009	50%
July 1, 2009 to Present	20%

Outstanding monitoring issues will be reviewed on a case-by-case basis, taking into consideration the significance of the finding(s) or concern(s), the corrective action(s) taken by the grantee or subrecipient to resolve the issue(s) and the timeliness of the grantee in responding.

Waivers of threshold requirements may be granted based on extenuating circumstances. Such waivers will be reviewed on a case-by-case basis when requested in writing prior to the submission deadline for the application. The decision made by DHCD will be final.

### **Project Evaluation**

All applications that meet the threshold criteria will be rated and ranked competitively by a review committee composed of Maryland CDBG program staff and other departmental staff with participation from other government agencies when appropriate. Applicants will be given an opportunity to answer the committee's questions via phone or e-mail.

Rating is based on a 150-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. A copy of the rating form may be obtained from the CDBG program staff or on the DHCD CDBG website.

<b>RANKING FACTOR</b>	<b>MAXIMUM POINTS</b>
<b>PUBLIC PURPOSE</b> - Consistency (10) - Severity of Need (30) - Community Support (5)	<b>45 Points</b>
<b>PROJECT IMPACT</b> - Impact on Need (10) - Benefit to LMI Households (15)	<b>25 Points</b>
<b>PROJECT MANAGEMENT</b> - Readiness (35) - Accuracy of Costs (10) - Capacity (10)	<b>55 Points</b>
<b>LOCAL COMMITMENT / LEVERAGING</b> - Local Commitment (15) - Leveraging (10)	<b>25 Points</b>

### **Public Purpose/Local Need (45 maximum points)**

Severity of Need (30 maximum points). Based on the information in the application, the degree of distress and examples provided will determine the number of points awarded. Distress factors considered include the quality and quantity of existing facilities, including the need for rehabilitation or replacement, condition description, age, adequacy or absence of facilities, services, housing etc. Up to twenty (20) points are awarded where there is indication of unmet need for new or additional services or facilities such as housing rehabilitation, head start centers, streets and sidewalks or developmental centers. Up to five (5) points are awarded where existing physical health and safety conditions are documented. Up to five (5) additional points are given to projects that address imminent health and safety issues such as contaminated wells, failing septic or emergency housing repairs. *Please note that documentation is key to receipt of maximum points.*

Community Support and Involvement (5 maximum points). Maximum points may be awarded based on evidence of current community support and involvement in the project, its development and implementation. Letters of general support and participation may include local interest of neighborhood groups, local public or non-profit agencies and individuals that might directly benefit from the project.

Consistency with Local Needs/Plans/Strategies (10 maximum points). Points are awarded based on the degree to which the project fills a need in the community and is specifically identified and consistent with a locally developed revitalization strategy, capital improvements plan or comprehensive plan (up to 5 points). Maximum consideration is given to projects that are consistent with local plans and most effectively re-use existing buildings and infrastructure (up to 5 additional points).

### **Project Impact (25 maximum points)**

Impact on Need (10 maximum points). Points may be awarded based on the extent to which the project will address the needs and alleviate the existing problems described by the applicant.

Benefit to Low and Moderate Income (LMI) Households (15 maximum points). Maximum points may be awarded to projects where there is a direct benefit to LMI households. Moderate points will be awarded to projects where there is an area wide benefit to LMI households. No points will be given for slum/blight projects where there is no benefit to LMI persons, or where benefit cannot be determined. If there is more than one national objective, maximum points will be given for the activity that benefits more people.

### **Project Management (55 maximum points)**

Readiness to Proceed (35 maximum points). Points may be awarded for the extent to which the project is ready to proceed and the implementation schedule is reasonable. The assessment is based on the relative progress of elements such as site control/easements, architectural design or preliminary or final engineering, commitment other project financing or the development of rehabilitation guidelines. If the applicant is not able to document that other funds are committed, they will not receive any points under this section because the project is not ready to proceed. This category considers the project as a whole.

Maximum points (30) may be awarded to applicants that have completed preliminary or final design and/or engineering, can bid project within 60 days, and can complete the environmental review process within 60 days of the award date or can otherwise demonstrate an immediate readiness to proceed.

Twenty (20) points are awarded to applicants that have completed preliminary design and/or engineering and can bid project within 90 days and can complete the environmental review process within 90 days of the award date.

Ten (10) points are awarded for projects that can complete the environmental review process within 90 days and commence the projects within 91-120 days of the award date.

No points are awarded when completion of the environmental review cannot be completed within 90 days, project commencement is projected beyond 120 days of the award date or other funds are not committed.

Up to five (5) points are awarded based on the reasonableness of the projected implementation schedule.

Accuracy of Costs (10 maximum points). Maximum points may be awarded to projects which best document that project costs have been carefully estimated. Estimates should reflect the applicability and impact of Davis-Bacon wage rates, acquisition, relocation or replacement housing requirements. Estimates should be current within six months. Preliminary professional studies, appraisals, tax assessments, wage rate determinations are some examples of acceptable documentation. No points will be awarded if documentation of costs is not submitted.

Administrative Capacity (10 maximum points). Points may be awarded for projects based on the general stability and track record of the local government (5 points maximum) and the subrecipient where applicable, as well as the adequacy of staff to implement the project (5 points maximum).

## **Local Commitment and Leveraging (25 points maximum)**

Local Commitment (15 maximum points). The Department will consider the extent to which local funds will be contributed to the project. Maximum points (15) may be awarded to applicants whose local contribution exceeds 25% of the total project costs. Local contribution of 15%-24% of total project costs receives 10 points. Where there is some local contribution but less than 15% of the total project costs, 5 points are awarded. No points will be given where there is no local contribution.

Local funds include cash and any in-kind contributions which materially contribute to the project completion. In-kind contributions must be documented and may include the donation or long term lease of land or buildings, appropriation of local revenues, site improvements or installed infrastructure, deferral of real estate taxes, abatement or payment in lieu of taxes, payment of debt service (including federal and state loans to the local government) or operation and maintenance expenses, provision of public services without charge and administration. The contribution may be provided by the local government or directly by a non-profit sub-recipient.

Leveraging (10 maximum points). The Department will consider the extent to which local and CDBG funds are used to leverage other public and private funds (non-local). Points will be awarded based on the documented commitment of funds specifically identified to supplement CDBG funds. Maximum points (10) will be awarded for projects where 50% or more of the project costs are from sources other than local or CDBG. If less than 50% of the project costs are from sources other than CDBG and the locality, five (5) points are awarded. The application will receive no points for leveraging if other funding sources are available but are not sought. Leveraged funds include other public or private grant funds, individual or corporate donations, or public loan funds made directly to the beneficiary.

## **Funding Recommendations**

The highest rated applications are recommended for funding until the available funding for the round are exhausted or the next highest rated project requests more funds than are available and the project cannot be phased. In that case, the next highest scoring project may be funded. In case of a tie score, the application with the highest combined score on Public Purpose/Local Need and Project Management is funded first. The Maryland CDBG program has established a minimum point standard of 105 (70%). Applications that receive less than 70% of the total points are not recommended for funding.

***The committee may recommend an award less than the requested amount with a recommendation to decrease the size, scope and/or costs of the project. A planning grant may be awarded in lieu of project funding where further study is deemed necessary.***

Those applications not funded are rejected and are not reconsidered unless the applicant reapplies in a later round or is considered for special projects at the discretion of the Secretary. The application then is competitively rated against the applications received in that round.

Committee recommendations (both for approval and rejection) are reviewed by the Assistant Secretary for Neighborhood Revitalization and forwarded to the Secretary of Housing and Community Development for final approval. In addition to the rating criteria, the Assistant

Secretary for Neighborhood Revitalization or the Secretary of DHCD may consider other factors in making funding determinations, including:

- The State's CD objectives and priorities
- The availability of alternate or contributing funding sources for the total project or some of its components
- A reasonable distribution of projects among regions of the State
- The ability to respond to a locality's special needs, and
- The degree of community commitment for the project.

Awards are expected to be announced within approximately 90 days of the application submission deadline.

### **PROCESS OVERVIEW - Special Projects and Planning Application Process**

Special Projects and Planning applications may be submitted anytime, however, applicants must consult with CDBG Program staff prior to submission. Those submitted are reviewed independently by CDBG program staff and are subject to the same minimum Threshold criteria as community development projects. They are also required to meet the minimum point standard of 105 points. \$1,000,000 dollars of the CD set-aside is reserved for special projects and planning grants.

Applications may be submitted for special projects funds based on:

- high priority and emergency need;
- timing of the request is out of cycle; or
- the need for supplemental funding for an existing project.

No specific amount is allocated for planning applications, nor is there a limit on the amount of a planning grant. However, a twenty percent (20%) match is required, of which no more than 5% can be in-kind. (Planning grants for economic development activities can be funded from the economic development set-aside).

For grantees seeking supplemental funding for an existing project, only amounts less than \$75,000 will be considered. Grantees must apply for additional funding through the next community development application round if the amount is over \$75,000.

Special project and planning grant funding recommendations are made on a case by case basis to the Assistant Secretary for Neighborhood Revitalization and to the Secretary of Housing and Community Development for final approval.

### **ADDITIONAL PROGRAM POLICIES AND PROCEDURES**

#### **Funds Transfer**

No later than eight months from the award date of the State allocation, DHCD and DBED will consult regarding the status of funds and pending projects to assess the need for transfer of unobligated funds between categories. With mutual concurrence of the Secretaries of DHCD and DBED, unobligated funds remaining in the ED category will be made available for funding

CD projects. If sufficient qualifying CD applications are not then pending, the funds may be awarded to the next qualifying special project or rolled into a future competitive funding round.

With concurrence of both agencies, funds also may be transferred between categories at any time during the year to meet additional demand for funds for special projects.

A review of the Special Projects balance will occur prior to the announcement of the annual CD competitive round. If sufficient projects have not been funded or are not expected to obligate the entire \$1,000,000 dollar set aside, all or a portion of the funds can be used to fund competitive projects.

### **Other Policies and Requirements**

1. Applicants may not submit the same project for funding to both DHCD and DBED simultaneously. However, DHCD and DBED may decide to jointly fund an application.
2. Applications submitted on forms from one department or category may be funded from the other without resubmitting the proposal, should DHCD or DBED transfer the application between departments. When applications are transferred from one department or category to another, projects are reviewed against the criteria for the particular category to which they are transferred.
3. DHCD reserves the right to negotiate with the applicant for elimination of certain portions of the proposed project which do not make a strong contribution and/or for reducing the grant amount, and for the determination of payment terms and schedules when loans are involved.
4. Financial Penalty - The Environmental Review and Request for Release of Funds must be submitted for approval by DHCD within 5 months of the award date. Failure to do so may result in a 10% financial penalty of the grant award. The penalty will be assessed initially from administrative funds awarded. If no administrative funds were awarded, then project funds may be recaptured. The exception shall be for projects with issues identified through screening letters where the CDBG Environmental Officer has been notified in writing. Further delay in completing the Environmental Review and obtaining a Release of Funds could result in the termination of the grant.

### **Requests for Additional Funding**

A jurisdiction may not apply to DHCD for additional funds for a previously funded project unless there are extenuating circumstances surrounding the shortfall. As stated previously, grantees may only ask for an amendment for additional funds if the amount is less than \$75,000. If the amount needed is higher than \$75,000, grantees must apply for funding through the next community development application round. The locality must provide a written explanation of the reasons for the shortfall, including:

1. the reasons for the request for additional funds;
2. verifiable documentation of a significant increase in beneficiaries, if applicable (i.e., job creation), tax revenues, and/or private sector leverage;

3. proof that all alternate funding sources have been exhausted; and
4. documentation of any negative impact on the community if the project is not completed.

All requests for additional funds are subject to review by DHCD in accordance with evaluation criteria applicable to the year from which additional funding, if awarded, is allocated. This does not apply to projects that are anticipated to be completed in clearly identifiable stages.

### **Other Project Amendments**

Circumstances or conditions may develop during the course of a project's implementation which could prompt the grantee to request, in writing, an amendment to the grant. Accordingly, grantees must obtain approval from DHCD for amendments in the following instances:

1. if the addition of a new, or deletion of an existing activity or project is proposed;
2. if activities in an area other than the approved target or project area are proposed;
3. if the scope of the existing project or activities will change (i.e., number of beneficiaries);
4. if a budget revision is proposed resulting in a transfer between approved projects and activities of a cumulative amount in excess of ten percent of the grant award;
5. in other instances where DHCD determines an amendment to be appropriate, such as where technical changes in legal or administrative terms occur.

The request for a project amendment shall provide sufficient information to explain and justify the proposed changes. An amendment to a grant agreement resulting from 1., 2., or 3., is subject to the following requirements:

1. citizen participation;
2. State clearinghouse review;
3. environmental clearance.

The request for a project amendment will be reviewed on the basis of eligibility and the evaluation criteria applicable at the time of the amendment request.

A time extension may be granted, generally for one year, when it is determined by DHCD that as a result of unforeseen circumstances, the grantee will not complete a project by the completion date established in the grant agreement. The time extension is processed internally by DHCD and is not subject to the requirements of project amendments listed above. DHCD reserves the right to determine the length of time for the amendment.

### **Funds Recapture**

Any funds recaptured through project cancellation, misuse, failure to expend funds in a

reasonable period of time, or completion of an activity at a cost savings will be returned to the category from which they were awarded, less any amount eligible for State administration and technical assistance costs, for redistribution to an eligible project. Recaptured funds may be transferred to another category or set-aside with the concurrence of the program administrator or the agency, if applicable.

## **Program Income**

Program income is defined as gross income received by the recipient or a sub-recipient directly generated from the use of CDBG funds. It includes, but is not limited to, the following:

1. proceeds from the disposition by sale or long term lease of real property purchased or improved with CDBG funds;
2. proceeds from the disposition of equipment purchased with CDBG funds;
3. gross income from the use or rental of real or personal property acquired by the recipient or a sub-recipient with CDBG funds, less the costs incidental to the generation of the income;
4. gross income from the use or rental of real property owned by the recipient or a sub-recipient that was constructed or improved with CDBG funds, less the costs incidental to the generation of the income;
5. payments of principal and interest on loans made using CDBG funds;
6. proceeds from the sale of loans made with CDBG funds;
7. proceeds from the sale of obligations secured by loans made with CDBG funds;
8. interest earned on funds held in a revolving loan fund account;
9. interest earned on program income pending disposition of the income;
10. funds collected through special assessments made against properties owned and occupied by households not of LMI, where the assessments are used to recover all or part of the CDBG portion of a public improvement.

As of July 1, 2008, any gross income that will be derived from the use of CDBG funds is to be returned to the State. The previous policies regarding generated income under \$25,000 are no longer in effect for the State of Maryland. All funds will be considered Program Income. The State may use two percent of any program income returned to the State or received and retained at the local level during the program year for administration.

A re-use plan for program income, which includes a description of the proposed method to manage the funds and the capacity of the grantee to comply with State and federal regulations, must be submitted as part of the application and approved by DHCD or DBED, depending on the category. The decision to permit retention of program income by the grantee will be made on a case-by-case basis.

If a re-use plan is approved, program income may be retained by the grantee provided the

grantee pledges its general funds to reimburse the State for any financial liability related to negative findings by HUD with regard to the re-use of income and if:

1. the program income is targeted for an eligible CDBG activity that meets a national objective and for which DHCD or DBED has given approval; or
2. the program income is targeted for use for the "same activity". "Same activity" is defined as one with the same purpose and same location as the activity generating the program income; and
3. completion of the proposed activity will meet time constraints established by DHCD.

Upon the written instructions of DHCD or DBED, a grantee and any sub-recipient shall permit an authorized agent of DHCD to collect, distribute, or in any other manner deal with program income in accordance with such written instructions.

Program income received by the State will be distributed in an expeditious manner for activities in the same category and/or set-aside from which it is derived unless it is transferred to another category or set-aside with the mutual concurrence of both agencies. The distribution will be in accordance with the criteria and method of distribution for the category as set forth in the Consolidated Plan. Any program income that is distributed by the State during the period beginning with the date HUD awards the annual grant to the State and ending with the following year's grant award date is considered to be covered by the current Consolidated Plan.

Additionally, the State is receiving program income from loans made from a federal CDBG Disaster Grant that was awarded after Hurricane Isabelle. The CDBG funds were used by DHCD to make loans to homeowners who suffered major damage to their homes during the hurricane. The loan repayments made to the State are considered to be program income and can be used by DHCD upon the accumulation of a significant amount. The State may use two percent of any program income returned during the program year for administration. These funds will be used to supplement either the community development or special projects categories.

### **New Policy Regarding Terms for Public Facilities**

Effective July 1, 2010, the Maryland CDBG program will require grantees to comply with term limits for public facilities acquired or constructed with CDBG funds. For a grantee, the term shall be identified in the grant agreement. For a subrecipient, the grantee shall enforce this requirement with a lien between themselves and the subrecipient on the property. The terms shall be:

<b>FUNDING AMOUNT</b>	<b>LENGTH OF TERM</b>
Up to \$400,000 in CDBG funds	10 years after occupancy date
Between \$400,001 and \$600,000 in CDBG funds	15 years after occupancy date
Above \$600,001 in CDBG funds	20 years after occupancy date

The term shall be in effect after the occupancy permit is issued.

If the terms can not be met, the grantee must contact the CDBG Program to discuss future actions and consequences. Other options could include completing the term with a different

subrecipient, a different use for the building that still meets a national objective, or return of funds based on regulatory requirements. All will be considered on an individual basis.

### **Suspension of Method of Distribution for Presidential Disaster Declarations**

In the event of a Major Disaster Declaration by the President of the United States for a city, town, or unit of local government located in the State of Maryland, the Secretary of DHCD shall have the authority to waive the Method of Distribution or any other State policies for the CDBG program to address emergency needs of impacted communities. This will be done in consultation with HUD and the program will operate within the parameter of the law or laws addressing the CDBG program.