

CITY OF STEUBENVILLE

**Policies & Procedures for Determining
Compliance with CDBG Program National
Objectives & Activity Eligibility**

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PROPOSED ACTIVITY WORKSHEET

COMPLIANCE PROCEDURES CHECKLIST

OVERVIEW

The City of Steubenville Planning & Zoning Commission, Community Development Division (CDD) has prepared this set of procedures to guide the determination of eligible activities and national objectives under its Community Development Block Grant (CDBG) program. They establish a management practice for documenting compliance with important Federal requirements. Modeled after the Department of HUD's "Guide to National Objectives & Eligible Activities for Entitlement Communities", the City expects to use these policies and procedures in conjunction with that guide. The procedures also enable the City to properly qualify activities and completely record compliance in advance of submitting Annual Action Plans to the U.S. Department of Housing and Urban Development (HUD).

While many aspects must be considered in selecting activities under the CDBG program, certain key steps must be taken in the early stages of the process of determining if CDBG funds may be used to assist a proposed activity. Using the *Proposed Activity Worksheet* (shown in the Appendices), the CDD writes a clear description of the activity and begins following the procedures.

The first step is to determine if the activity is included within the listing of eligible activities in the CDBG statute, as amplified by regulation.

The second step is to determine if the proposed activity falls within a category of explicitly ineligible or prohibited activities, despite its apparent inclusion within an authorized category.

The third and arguably the most important step is determining if the proposed activity can meet one of the national objectives of the program. This step

deserves special attention because of the mix of activities that the City historically undertakes. Both national objective criteria and records to be maintained for compliance are described in these procedures. Sections of the *Proposed Activity Worksheet* require full documentation of support for the national objectives.

The fourth step is to ensure that carrying out the activity with CDBG funds will not result in the City of Steubenville violating its certification that at least 70% of CDBG expenditures will be for activities that are considered to benefit L/M income persons over three consecutive program years.

In addition to the above five steps, the City recognizes that activities must also satisfy other Federal requirements. The *Proposed Activity Worksheet* is expected to identify such requirements, including but not limited to the environmental review requirements in 24 CFR Part 58.

Upon completion of these procedures by a representative of the CDD, a *Compliance Procedures Checklist* (which appears in the Appendices) must be completed and approved by the Steubenville Planning & Zoning Commission.

To carry out all of these procedures, the City of Steubenville expects to refer not only to the HUD Guide but to all other available sources and to keep abreast of changes with the assistance of the HUD field office.

STEP #1 ELIGIBILITY

The purpose of this step is to help ensure that the City of Steubenville will use CDBG funds only for activities that fall under an authorized category of basic eligibility, properly classify the activity and provide adequate documentation as required by the chosen category for each such activity. Correctly determining eligibility not only conforms to the law, it sets up other actions. For example, the classification of an activity by one of these categories can place on it specific statutory or regulatory requirements for are not applied to other categories.

Prior to beginning this step, a representative of the CDD will write a clear description of the proposed activity. The *Proposed Activity Worksheet*, shown in the Appendices, will be filled out to the extent possible. (The worksheet will serve as a precursor to either including the activity in the Annual Action Plan or setting it up in the Integrated Disbursement & Information System (IDIS)). The Worksheet will describe what the activity will do -- in support of the City of Steubenville's Consolidated Plan, who will carry out the activity, how and when it will be accomplished as well as what the estimated cost is. Specific actions of Step #1 will follow as indicated below:

- A. Eligible Activity List – Determine if the activity described on the *Proposed Activity Worksheet* falls within one or more of the categories listed among the basic eligible activities of the CDBG program.

A listing of these categories appears in numerous sources including HUD's "Guide to National Objectives & Eligible Activities for Entitlement Communities" among other sources. Use of these procedures is facilitated by reference to the HUD Guide. The CDD will examine the complete listing and refer as necessary to the corresponding pages of the Guide for detailed information. (See listing on the next page.) The category that best fits the proposed activity will be identified on the *Proposed Activity Worksheet*.

LISTING OF ELIGIBLE ACTIVITIES

<u>CATEGORIES</u>	<u>PAGE (HUD GUIDE)</u>
Acquisition of Real Property	2-3
Disposition	2-9
Public Facilities and Improvements	2-11
Clearance	2-18
Public Services	2-22
Interim Assistance	2-29
Relocation	2-33
Loss of Rental Income	2-35
Privately-Owned Utilities	2-36
Rehabilitation	2-38
Construction of Housing	2-47
Code Enforcement	2-51
Special Economic Development Activities	2-55
Microenterprise Assistance	2-63
Special Activities by CBDOs	2-66
Homeownership Assistance	2-73
Planning and Capacity Building	2-75
Program Administration Costs	2-77
Miscellaneous Other Activities	2-82

- B. Examples of Allowable Cost – Determine if the use of CDBG funds relates to one or more examples of allowable costs contained in the appropriate section of the HUD Guide.

For most eligible activity categories, a representative of the CDD will find a related example in the HUD Guide. For example, the category of eligible code enforcement activities states that “CDBG funds may be used to pay the salaries of inspectors enforcing codes in a blighted area being renewed through comprehensive treatment.” The representative would indicate on the Worksheet that the proposed use of CDBG funds is an allowable cost.

- C. Additional Considerations – If necessary, note that the activity is subject to additional considerations.

Before completing this step, the CDD will also record the need for taking into account additional considerations stipulated by CDBG rules, such as conformity to the public services cap or public benefit standards (certain economic development activities). This circumstance will be noted on the *Proposed Activity Worksheet*.

STEP #2 PROHIBITION

The purpose of this step is to prevent the City of Steubenville from using CDBG funds for activities that are prohibited under HUD rules or other laws. Even though an activity may appear to be eligible, it may be prohibited. Public facilities, for instance, are generally eligible under the category of Public Facilities and Improvements. Yet the law explicitly prohibits providing assistance to “buildings for the general conduct of government”. The actions in this step will ensure that the City uses no CDBG funds for ineligible activities.

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- A. Ineligible Activity Review – Determine if the activity described on the *Proposed Activity Worksheet* falls within one of the categories of prohibited activities.

The CDD recognizes that CDBG program regulations identify certain activities as categorically ineligible. They also identify certain other activities that are ineligible unless they are carried out by certain organizations, such as a CBDO under the authority of §570.204.

The CDD representative who completes the *Proposed Activity Worksheet* will refer to the HUD Guide beginning on Page 2-87 to determine if the described activity falls within any category of ineligible or prohibited activities. Assuming that the activity is not identified as either “categorically ineligible” or “generally ineligible,” that conclusion will be recorded and the representative will proceed to the next step.

- B. Further Consultation – If any doubt exists about the above conclusion, engage in further consultations with the HUD Columbus, Ohio Field Office CPD Representative.

Especially for activities that are generally ineligible but may be permitted under certain conditions, this determination can become complicated. The representative will confer with the HUD Columbus, Ohio Field Office as necessary.

STEP #3 NATIONAL OBJECTIVES

Determining if a proposed activity will meet one of the national objectives of the CDBG program is the purpose of Step #3. As the CDD establishes that a proposed activity is clearly eligible and not otherwise prohibited, it will also address the program’s national objectives. Compliance with this requirement is closely related to the preceding steps. It ensures that Steubenville’s program

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will benefit residents, areas or needs targeted by the national program. Consequently, it is a very important step integral to effective implementation.

Because the City of Steubenville historically undertakes a broad mix of activities, this step deserves special attention. Both national objective criteria and records to be maintained for compliance with those requirements are described in this part of the procedures. The specific actions are as follows:

- A. Criteria for Objectives – Determine if the activity described on the *Proposed Activity Worksheet* meets the criteria for one or more of the national objectives of the CDBG program.

The City of Mount Steubenville recognizes that that, in order to be eligible for funding, every CDBG-funded activity must qualify as meeting one of the three national objectives of the program. This requires that each activity (except those carried out under the basic eligibility categories of Program Administration and Planning and Capacity Building) meet specific tests for either:

- Benefiting low- and moderate-income persons,
- Preventing or eliminating slums or blight, or
- Meeting other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community and other financial resources are not available to meet such needs.

An activity that fails to meet one or more of the applicable tests for meeting a national objective is in noncompliance with CDBG rules.

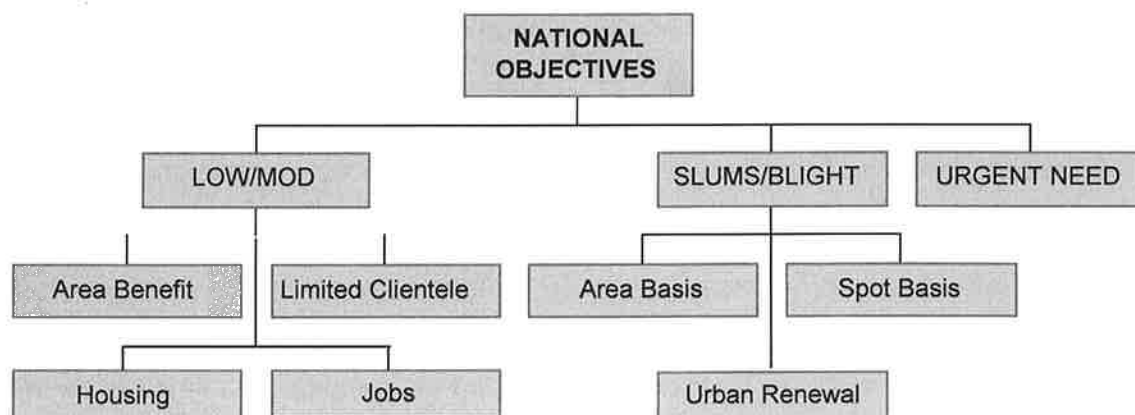
Because this action is complicated by different tests for qualifying eligible activities, this procedure will use National Objectives Tables provided in the

HUD Guide. A separate table appears in Chapter 2 of the Guide for each eligible activity – the first appearing on Page 2-6. Identifying the proposed activity, a representative of the CDD will consider how an activity will benefit the City of Steubenville, refer to an appropriate National Objective Table, and select the test (criterion) for qualifying the activity.

If the proposed activity were to deliver a public service of benefit to low- and moderate-income persons, for example, the City would examine the National Objective Table for Public Services. Together with determining that the activity meets the L/M national objective, the representative would select one of the criteria for qualifying the service, such as “L/M Income Area Benefit” or “L/M Limited Clientele.”

The *Proposed Activity Worksheet* will record what national objective the activity supports as well as which one of the criteria it satisfies. The selected criterion will determine the method of documenting compliance with the national objective requirement. (See next action.)

A simple chart appearing below summarizes the categories of national objectives and the sub-categories of criteria.



- B. Records to be Maintained – Describe the records to be maintained that document compliance with a national objective per one of the criteria.

After indicating which national objective the proposed activity supports, the representative of the CDD will describe records that evidence compliance. Once again, the HUD Guide will serve as the key reference. According to how the activity is qualified, the representative will find that category and subcategory of criteria. A helpful table of contents appears on Page 3-2 of the Guide.

The earlier example of a proposed public service illustrates how the procedure will be applied. Assuming that the public service activity qualifies as a “L/M Area Benefit”, the representative will refer to Page 3-13 of the Guide and note that:

“The records that the grantee must keep to demonstrate compliance under this subcategory include:

- Boundaries of the service area and the basis for determining those boundaries, and
- The percentage of L/M income persons in the service area and the data used for determining that percentage.”

In this example, the *Proposed Activity Worksheet* would indicate the required records. Both a service area map and corresponding census data would be placed in the file.

The Guide explains on preceding pages that the field office will provide a special, HUD-produced computer compact disk giving a listing of all census tracts and block groups in the community’s. The data on the disk also shows the number of persons that resided in each such tract/block group at the time

of the last census and the percentage of such persons who were L/M income (based on the CDBG definition) at that time. Please note that in reality however, the field office does not supply such a disk and the data is provided by HUD Headquarters by posting it on its website for all grantees.

STEP #4 OVERALL BENEFIT

The purpose of Step #4 concerns the required level of expenditures made for activities that meet the L/M Income Benefit national objective. Consistent with the primary objective of the Housing and Community Development Act of 1974 as amended, the City of Steubenville certifies that, in the aggregate, at least 70% of CDBG funds expended during a three program year period will be for activities meeting the L/M Income Benefit national objective.

The City therefore must report a percentage of total expenditures that complies with this requirement. To ensure that a proposed activity will not result in a violation of this critical standard, these procedures should examine the effect of adding the activity to Steubenville's CDBG program. Two detailed actions will help ensure future compliance.

- A. CDBG Funds – Project the expenditure of CDBG funds for the proposed activity over the three-year period covered by the primary benefit certification

The City of Steubenville will note the total expenditures that are likely to occur in above time period on the *Proposed Activity Worksheet*.

- B. Calculation of Overall Expenditure Benefit – If necessary, perform the calculation of overall expenditure benefit with the proposed activity included.

Should circumstances warrant, the CDD will estimate the potential impact of the activity's expenditures on the L/M Benefit expenditure percentage for the present three-year period. (It will follow instructions for making this

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computation in Chapter 4 of the HUD Guide.)

STEP #5 COST

The fifth step is to review proposed costs of the activity to determine if they appear to be necessary and reasonable and will otherwise conform with the requirements of OMB Circulars A-87, "Cost Principles for State, Local, and Indian Tribal Governments," A-122, "Cost Principles for Non-Profit Organizations," A-21, "Cost Principles for Educational Institutions," 24 CFR Part 84, "Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations;" or 24 CFR Part 85, "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments," as applicable. 1-2 v Selecting Activities That Comply Community Development Block Grant Program.

CONCLUSION

In addition to the five steps summarized above, the City recognizes that activities must also satisfy other Federal requirements detailed in separate Federal laws and that it must perform related environmental review and clearance procedures in advance of implementation. The representative of the CDD who completes the *Proposed Activity Worksheet* will identify the applicable requirements. This action will alert other officials to necessary compliance actions in the future.

Upon completion of these procedures by a representative of the CDD, a *Compliance Procedures Checklist* (which appears in the Appendices) must be completed and approved by that official's superior. The Checklist will indicate that all procedures have been completed, when they the *Project Activity Worksheet* was checked, and by whom it was reviewed and approved.

To carry out all of these procedures, the City of Steubenville will refer as necessary to the complete HUD Guide, the CDBG Regulations and references for the other Federal requirements. The City will seek guidance from the HUD field office in interpreting or applying requirements to different factual situations. Because program requirements may change, the City will stay in close contact with the field office to keep abreast of HUD's latest guidance.

APPENDICES

PROPOSED ACTIVITY WORKSHEET
CITY OF STEUBENVILLE

ACTIVITY NAME: _____

DESCRIPTION:

Describe what the activity will do – in support of the Consolidated Plan, how and when it will be accomplished as well as what the estimated cost is.

STEP # 1 ELIGIBILITY

A. Eligible Activity List

Determine if the activity falls within one or more of the categories listed among the basic eligible activities. (See HUD Guide.) If so, name the category. Otherwise, stop. Go no further in qualifying the activity.

B. Examples of Allowable Cost

Determine if the use of CDBG funds relates to one or more examples contained in the HUD Guide. If so, specify the allowable cost.

C. Additional Considerations

If necessary, note that the activity is subject to additional considerations and describe those circumstances.

STEP # 2 PROHIBITION

A. Ineligible Activity Review

Determine if the activity falls within one or more of the categories of prohibited activities. (See HUD Guide.) If so, name the category. Stop and go no further.

B. Further Considerations

If any doubt exists about the above conclusion, engage in further consultations with local and Federal officials. Record the outcome of the consultations.

STEP # 3 NATIONAL OBJECTIVES

A. Criteria for Objectives

Determine if the activity meets the criteria for one or more of the national objectives. (See HUD Guide.) If so, name both the category of national objective and the criterion that it satisfies. Otherwise, stop and go no further.

B. Records to be Maintained

Describe the records to be maintained that document compliance with the above national objective per one of the criteria. Place those records in the file accompanying this Worksheet.

STEP # 4 OVERALL BENEFIT

A. CDBG Funds

Project the expenditure of CDBG funds for the proposed activity over the three-year period covered by the primary benefit certification. Record the total expenditures that are likely to occur in that time period.

B. Calculation of Overall Expenditure Benefit – If necessary, perform the calculation of overall expenditure benefit with the proposed activity included. Note the results below. If the activity should cause a violation of the certification, stop and go no further.

STEP # 5 COST(S)

A. Reasonable

Determine if the project cost(s) appear to be reasonable.

B. Necessary

Determine if the project cost(s) appear to be necessary to complete the project.

OTHER FEDERAL REQUIREMENTS

List the other Federal requirements that are applicable to this proposed project and will necessarily be addressed in the future.

PROCEDURES COMPLETED BY:

(Name)

(Title)

(Date)

COMPLIANCE PROCEDURES CHECKLIST
CITY OF STEUBENVILLE

ACTIVITY NAME: _____

- DESCRIPTION** – The proposed activity has been fully described on the *Proposed Activity Worksheet* in sufficient detail for the compliance procedures to be completed.

- STEP # 1 ELIGIBILITY** – The City has clearly established on the *Proposed Activity Worksheet* that the activity is listed among the basic eligible activities under the CDBG Program.

- STEP # 2 PROHIBITION** – The City has determined and recorded that the activity described on the *Proposed Activity Worksheet* is not prohibited.

- STEP # 3 NATIONAL OBJECTIVES** – The City has determined that the activity described on the *Proposed Activity Worksheet* meets one or more of the national objectives of the CDBG program. It has described records that document such compliance and placed those records in the file.

- STEP # 4 OVERALL BENEFIT** – The City has determined that the activity described on the *Proposed Activity Worksheet* will not result in a violation of the primary benefit certification.

- STEP # 5 COST** – The City has determined that the costs associated with the activity described on the *Proposed Activity Worksheet* are reasonable and necessary.

CERTIFICATION:

I certify that the compliance procedures for this proposed activity were satisfactorily completed and upon this review they are approved.

(Name)

(Title)

(Date)