



# Administrative Manual

## City of Santa Barbara Community Development Block Grant Program



A program of the Housing and  
Redevelopment Division of the  
City of Santa Barbara  
Community Development  
Department

## Policies and Procedures

# CITY OF SANTA BARBARA COMMUNITY DEVELOPMENT DEPARTMENT HOUSING AND REDEVELOPMENT DIVISION

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Housing Interests  
Youth-Oriented Services  
Human Services  
Senior Community  
Business Community/Economic Development  
Downtown Neighborhood  
Disabled Community  
African-American Community  
Lower Westside Neighborhood  
2-Eastside Neighborhood  
Housing Authority Commission  
2-Westside Neighborhood

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Please visit the Community Development Programs website  
<http://www.santabarbaraca.gov/Resident/Health/CDBG/>

ADMINISTRATIVE MANUAL  
CDBG POLICIES AND PROCEDURES  
TABLE OF CONTENTS

**INTRODUCTION..... 5**

**BACKGROUND ..... 6**

**STAFF DUTIES AND RESPONSIBILITIES ..... 8**

**LINES OF AUTHORITY ..... 9**

**SYSTEMS ..... 10**

**OVERALL GUIDANCE FOR COMPLIANCE..... 11**

**GRANT ADMINISTRATION ..... 11**

**OBJECTIVES/PRIORITIES/CRITERIA ..... 12**

**BASIC ELIGIBLE ACTIVITIES..... 14**

**INELIGIBLE ACTIVITIES..... 14**

**APPLICABILITY OF UNIFORM ADMINISTRATIVE REQUIREMENTS ..... 14**

**AGREEMENTS WITH SUB-GRANTEES ..... 15**

**PROGRAM INCOME ..... 17**

**USE OF REAL PROPERTY ..... 17**

**RECORDS TO BE MAINTAINED..... 17**

**REQUIRED ANNUAL REPORTS..... 21**

**SUB-GRANTEE APPLICATION AND AWARD PROCESS..... 24**

**OTHER PROGRAM REQUIREMENTS ..... 32**

**SUBPART K.....32**

**NON-DISCRIMINATION (FAIR HOUSING AND EQUAL OPPORTUNITY) 32**

**ENVIRONMENTAL REVIEW .....33**

**CITIZEN PARTICIPATION.....33**

**SECTION 109 – PROHIBITIONS AGAINST DISCRIMINATION .....33**

**LABOR REQUIREMENTS .....34**

**RELOCATION .....34**

**ADA REQUIREMENTS .....35**

**FINANCIAL MANAGEMENT .....35**

**PERFORMANCE REVIEWS .....36**

**SUBPART O.....36**

**MONITORING OF SUBRECIPIENTS.....36**

**CORRECTIVE AND REMEDIAL ACTIONS .....37**

## Introduction

The City of Santa Barbara has been a participating jurisdiction in the Community Development Block Grant (CDBG) Program of the U.S. Department of Housing and Urban Development (HUD) since the program was established by Congress in 1974.

The CDBG program distributes federal funds to states, counties and urban cities to fulfill the goals of the program to

- Provide decent, safe, and sanitary housing
- Provide a suitable living environment, and to
- Expand economic opportunities principally for low and moderate-income persons

Basic requirements for a local CDBG program are set forth in CDBG Program Regulations 24 CFR 570. Federal requirements allow extensive leeway for how a local CDBG program shall be managed. Local community needs, resources, priorities and procedures for managing the CDBG program have been approved by the City Council in the past as part of the City's five-year Consolidated Plan for Housing and Community Development. In addition, each year City Council approves the current year's Action Plan which includes objectives and outcomes identified in the plan, an evaluation of past performance and activities to be undertaken in the next year. Although both the Consolidated Plan and the Action Plan describe the performance standards and procedures City staff will use to evaluate and monitor activities and ensure compliance with HUD requirements, it is necessary to outline and document all programmatic policies and procedures.

24 CFR 570.501(b) states that "The recipient of HUD funds is responsible for ensuring that CDBG funds are used in accordance with all program requirements. The use of designated public agencies, subrecipients, or contractors does not relieve the recipient of this responsibility."

A city's CDBG Program guidelines must fully describe program requirements through a policy and procedures manual approved by City Council that guides city employees, agencies, contractors and subrecipients on how to use and account for HUD funds.

While the City's policy and procedures for allocating, managing and reporting on CDBG funds have been in compliance with federal regulations and applicable City policy and practice, this document is intended to satisfy the requirement for a concise policy and procedures administrative manual.

This Administration Manual covers the City of Santa Barbara CDBG Policies & Procedures. These policies and procedures also apply to the City of Santa Barbara Human Services funds except where differences between the two are specifically identified.

This manual will be reviewed and, if required, revised annually. It can be revised to meet changes in federal regulations, action of the City Council or to meet administrative needs upon approval of the Community Development Director. The Administrative Manual document will be added as an appendix to the Amended 2010-2014 Consolidated Plan for Housing and Community Development, if required, and included in the FY12 Action Plan. Copies will be made available to the public upon request, to all current and future CDBG sub-grantees and it will be posted on the Community Development Human Services webpage.

## Background

### **1. U.S. Department of Housing and Urban Development**

The mission of the U.S. Department of Housing and Urban Development (HUD) is "to create strong, sustainable, inclusive communities and quality, affordable homes for all."

HUD's vision is "To improve lives and strengthen communities to deliver on America's dreams."

HUD's five-year (2010-2014) Strategic Plan with goals and outcome measures can be read at

[http://portal.hud.gov/portal/page/portal/HUD/program\\_offices/cfo/stratplan](http://portal.hud.gov/portal/page/portal/HUD/program_offices/cfo/stratplan)

Goal 1: Strengthen the nation's housing market to bolster the economy and protect consumers

- Goal 2: Meet the need for quality, affordable rental homes
- Goal 3: Utilize housing as a platform for improving quality of life
- Goal 4: Build inclusive and sustainable communities free from discrimination
- Goal 5: Transform the way HUD does business

## **2. Office of Community Planning and Development**

The Office of Community Planning and Development (CPD) of the U.S. Department of Housing and Urban Development seeks to develop viable communities by promoting integrated approaches that provide decent housing, a suitable living environment, and expanded economic opportunities for low- and moderate-income persons. These goals come out of the mission of HUD to "create strong, sustainable, inclusive communities and quality, affordable homes for all." The primary means towards this end is the development of partnerships between all levels of government and the private sector, including for-profit and non-profit organizations.

Consistent with these objectives, the Office of Community Planning and Development has developed a set of underlying principles that are used in carrying out its mission.

- a) Community building begins with job creation, employment, and creation of safe, decent and affordable housing.
- b) Planning and execution of community development initiatives must be bottom-up and community driven.
- c) Complex problems require coordinated, comprehensive, and sustainable solutions.
- d) Government must be streamlined to be made more efficient and effective.
- e) Citizen participation in Federal, State and local government can be increased through communication and better access to information.

CPD seeks to encourage empowerment of local residents by helping to give them a voice in the future of their neighborhoods; stimulate the creation of community based organizations; and enhance the management skills of existing organizations so they can achieve greater production capacity. Housing and community development are not viewed as separate programs, but rather as among the myriad elements that make up a comprehensive vision of community development. These groups are at the heart of a bottom-up housing and community development strategy.

## **3. City of Santa Barbara Entitlement Programs**

The City of Santa Barbara is a participating jurisdiction in two Community Planning and Development entitlement programs:

a) The Community Development Block Grant (CDBG) program supports public services and improvements that benefit low- and moderate-income individuals, families and neighborhoods. Federal regulations governing the CDBG program are in Title 24 of the Code of Federal Regulations Part 570 (24 CFR 570).

b) The HOME Investment Partnership (HOME) program supports affordable access to homeownership and development of affordable rental housing for low- and moderate-income families. Federal regulations governing the HOME program are in Title 24 of the Code of Federal Regulations Part 92 (24 CFR 92).

#### **4. City of Santa Barbara Human Services Grants**

The City of Santa Barbara has contracted with local agencies to provide essential human services for many years. Until 1986, the Federal government provided funds for this purpose through the Federal Revenue Sharing Program. When Federal support was eliminated, the City Council committed to continue funding human service programs through the City's General Fund.

This Administration Manual covers the City of Santa Barbara CDBG Policies & Procedures. These policies and procedures also apply to the City of Santa Barbara Human Services funds except where differences between the two are specifically identified. This Manual does not cover the City of Santa Barbara's administration of the HOME program.

### **Staff Duties and Responsibilities**

#### **Community Development Director – Assistant City Administrator**

Under general direction of the City Administrator, plans, organizes, and oversees the programs, services, and operations of the Community Development Department, including planning, building, zoning, redevelopment, housing, and neighborhood preservation; presents proposals and recommendations to a number of advisory boards, including City Council and the general public; serves as a member of the Executive Management Team; and performs related duties as assigned.

#### **Housing and Redevelopment Manager**

Under general direction of the Community Development Director, plans, organizes, and oversees the programs, services, and operations of the Housing



and Redevelopment Division, including Housing, Redevelopment, Community Development Programs and Rental Housing Mediation; presents proposals and recommendations to a number of advisory boards, including City Council and the general public; and performs related duties as assigned.

**Community Development Programs Supervisor**

Under general direction of the Housing and Redevelopment Manager, supervises, assigns and reviews the work of staff responsible for community development block grant, human services, rental housing mediation, fair housing/discrimination, and homeless programs; oversees and participates in all work activities; and performs a variety of professional and technical tasks relative to assigned area of responsibility. Exercises direct supervision over professional, technical, and clerical staff, as well as actively participating and working with several commissions, committees, advisory groups, task force groups and consultants.

**Community Development Programs Specialist**

Under direct supervision of the Community Development Programs Supervisor, assists in the supervision and coordination of block grant housing, rental housing mediation, fair housing/discrimination, and homeless shelter programs; to administer the CDBG/Human Services Grant program; and to perform a variety of technical tasks relative to assigned area of responsibility.

**Senior Office Specialist**

The Senior Office Specialist class is distinguished by the responsibility for performing complex clerical or accounting duties, coordinating office support functions, and occasional exercise of functional and technical supervision over various CDBG program activities. Employees at this level receive instruction and assistance as new or unusual situations arise, and are fully aware of the operating procedures and policies of the work unit.

Lines of Authority

**Program Policies and Procedures**

All CDBG and Human Services program policies, procedures, schedule and criteria are submitted annually to the City Council for approval by means of a presentation. The proposed program policies, procedure, schedule and criteria shall be based on detailed written staff reports from Community Development Programs Supervisor and Specialist.

**Funding**

All CDBG and Human Services proposed grant funding proposals are submitted for approval by means of a presentation to the City Council. The proposals shall

be based on written staff reports from Community Development Programs Supervisor and Specialist.

### **Contracts / MOU**

All contracts and MOU are reviewed annually by the City Attorney. Signatory authority for the City is at the level of the Community Development Director – Assistant City Manager and attested to by the City Clerk. All contracts require review of content and the signature of Housing and Redevelopment Manager and the form is approved by the City Attorney. Insurance provisions included in the contract are reviewed annually and approved by the signature of the City's Risk Manager.

## **SYSTEMS**

### **Program and staff performance reporting**

Monthly management reports are submitted by Community Development Programs Supervisor to the Housing and Redevelopment Manager documenting the programs current status, timeliness, funding, committee reports, construction projects status, compliance actions and any other issues.

Program staff utilizes all Microsoft programs including Excel and Access to track and report subrecipient performance, construction timelines, Davis Bacon, NEPA website "NepAssist", CPD Maps online program, and all CDBG required information. In addition, staff utilizes the City's web based financial reporting system CRIS and a web-based grant management program. Community Development Programs Supervisor and Community Development Programs Specialist are trained on all systems including the IDIS system to report all activities of the CDBG program and expenditure status. Data input occurs on a daily basis and reports are generated as needed (at least monthly) from IDIS and other programs used.

Regular section meetings are held to discuss upcoming project deadlines, tasks and priorities.

### **Training and Information Dissemination**

It is important to ensure that staff receives the appropriate information and training to enable staff to complete tasks according to CDBG regulations and other requirements. Staff is required to attend available CDBG trainings in California and participate in 'webinars' as needed to keep informed and current on HUD regulations. Staff is required to report new information via staff meetings and e-mails. The Community Development Programs Supervisor and the Community Development Programs Specialist subscribe to HUD notices via

e-mail. The City of Santa Barbara is a member of the NCDA (National Community Development Association).

The City of Santa Barbara Sub-Grantee Manual provides detailed information for CDBG and Human Services grantees on program requirements and rules regarding the City's policies. The Sub-Grantee Manual is updated, if needed, on an annual basis and is available by request or it may be accessed on the Community Development Programs webpage.

The Community Development Programs Supervisor meets on a regular basis with the Housing and Redevelopment Manager who provides pertinent information that affects the CDBG program and staff; provides direction, and discusses details of outstanding tasks or issues.

The Community Development Programs Specialist and administrative staff meet on a daily basis with the Supervisor to go over workload and review the details of any outstanding tasks or issues

### **CDBG Library**

CDBG staff maintains a library of CDBG regulations, manuals and written training materials. Staff also have access to and utilize CDBG notices and policies on-line.

## Overall Guidance for Compliance

The City will follow the regulations governing the CDBG program which are found in Title 24 of the Code of Federal Regulations (CFR) Part 570, *Community Development Block Grants*.

## Grant Administration Subpart J

The City of Santa Barbara Community Development Programs (CDP) staff accepts the responsibility for ensuring that CDBG funds are used in accordance with all program requirements. The use of designated public agencies, subrecipients, or contractors does not relieve the City of Santa Barbara Community Development Programs staff of its responsibility. The City of Santa Barbara Community Development Programs staff is also responsible for determining the adequacy of performance under subrecipient agreements and

procurement contracts, and for taking appropriate action when performance problems arise, such as the actions described in this manual §570.910.

## Objectives/Priorities/Criteria

### 1. National Objectives - CDBG

During each program year, not less than seventy percent (70%) of CDBG funds must be used for activities that benefit low- and moderate-income persons. In addition, each activity must meet one of the following National Objectives for the program:

- a) Benefit low- and moderate-income individuals, families or neighborhoods;
- b) Prevention or elimination of slums or blight; or
- c) Address community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community for which other funding is not available.

### 2. City Priorities - CDBG

- a) Proposals that facilitate housing for low and moderate-income persons.
- b) Proposals which revitalize neighborhoods (Census Tracts 8.01, 8.02, 9, 10, 11.02 and 12.04).
- c) Proposals that strengthen or expand public or social service agencies, which facilitate low and moderate income housing.
- d) Economic development proposals which leverage financial resources to create or retain jobs for low and moderate-income persons.

### 3. City Priorities – Human Services

Human Service funds are used to provide direct services; funds shall not be used for capital improvements or mortgage payments.

- a) First Priority - Services which help meet basic human needs, and programs that directly relate to City-initiated collaborative efforts, such as the South Coast Gang Task Force and the Strategies to Address Community Issues Related to Homelessness; and
- b) Second Priority - Programs which are preventative in nature and/or promote the highest degree of functioning the individual is capable of achieving.

#### **4. Combined Funding Application Criteria**

The following standards currently apply to programs applying for Community Development Block Grant and/or Human Services funds:

- a) Programs should primarily benefit low and moderate-income residents as per the most recent demographics for LMA analyses after each decennial census.
- b) Programs must address specific social or physical needs and conditions of the people they propose to serve. Documentation could include social indicators, demographic data, surveys, community plans and need as perceived by potential consumers.
- c) Programs must present a marketing strategy, which includes specific efforts to reach ethnic communities.
- d) Programs must demonstrate support from the people for which the program is proposed.
- e) Agencies must clearly identify all funding sources and justify proposal if services are available through another source.
- f) Agencies shall seek funding, or demonstrate funding support from other public/private sources. The City shall not be committed to total support of a program nor shall the City be committed to continue funding in the case where other support is withdrawn.
- g) City funds should support only those services that directly benefit residents of the City of Santa Barbara. Programs operated on a county or regional basis must show documentation that (1) services benefit City residents, and (2) sufficient funds are available to support non-city residents.
- h) Administrative costs shall be held to a minimum and will be scrutinized during the program review process.
- i) Programs shall identify geographical areas where they propose to provide services.
- j) Programs that pay the local minimum wage (as described in Chapter 9.128 of the City of Santa Barbara Municipal Code) to all staff for which CDBG/Human Services funds are requested shall receive an extra point in the rating process.

## Basic eligible activities

§ 570.201

The City of Santa Barbara may assist an activity in whole or in part with CDBG funds for activities which include, but are not limited to the following:

- 1) acquisition of real property;
- 2) relocation and demolition;
- 3) rehabilitation of residential and non-residential structures;
- 4) construction of public facilities and improvements, such as water and sewer facilities, streets, neighborhood centers, and the conversion of school buildings for eligible purposes;
- 5) public services, within certain limits;
- 6) activities relating to energy conservation and renewable energy resources; and
- 7) provision of assistance to profit-motivated businesses to carry out economic development and job creation/retention activities.

## Ineligible activities

§ 570.207

The general rule is that the City of Santa Barbara's CDBG funds shall not be used for any activity that is not authorized under the provisions of §570.201–§570.206.

Generally, the following types of activities are ineligible:

- 1) acquisition, construction, or reconstruction of buildings for the general conduct of government;
- 2) political activities;
- 3) certain income payments; and
- 4) construction of new housing by units of general local government.

## Applicability of Uniform Administrative Requirements

§570.502

The City shall follow Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the A-133

2010 Compliance Supplement for guidance on program objectives, procedures and compliance for the CDBG and other CPD programs.

The City shall also follow OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*.

OMB Circulars are available at  
[http://www.whitehouse.gov/omb/grants\\_circulars](http://www.whitehouse.gov/omb/grants_circulars)

The City will ensure that all subrecipients (agencies and organizations that receive grant funds from the City) are in compliance with all applicable OMB circulars including A-133 and A-122, *Cost Principles for Non-Profit Organizations*.

In addition, recipients of Human Services and CDBG funds shall submit an annual audit of the previous fiscal year's finances before any grant funds are disbursed. Sub-grantees with operating budgets greater than \$1 million shall submit Audited Financial Statements reviewed by an independent auditor. Sub-grantees with operating budgets less than \$1 million but greater than \$100,000 shall submit a Review of Financial Statements by an independent auditor. Subgrantees with operating budgets less than \$100,000 but greater than \$10,000 shall submit a Compilation of Financial Statements by an independent auditor. Agencies with operating budgets less than \$10,000 shall submit Financial Statements and Balance Sheet. These requirements shall not supersede OMB Circular A-133.

## Agreements with Sub-grantees § 570.503

Before disbursing any CDBG funds to a sub-grantee, the City of Santa Barbara shall sign a written agreement with the sub-grantee. The agreement shall remain in effect during any period that the sub-grantee has control over CDBG funds, including program income.

At a minimum, the written agreement with the sub-grantee shall include provisions concerning the following:

### (1) Statement of work

The agreement shall include a description of the work to be performed, a schedule for completing the work, and a budget. These items shall be in sufficient detail to provide a sound basis for the City of Santa Barbara to effectively monitor performance under the agreement.

(2) Records and reports

The City of Santa Barbara shall specify in the agreement the particular records the sub-grantee must maintain and the particular reports the sub-grantee must submit in order to assist the City of Santa Barbara in meeting its recordkeeping and reporting requirements.

(3) Program income

The agreement shall include the program income requirements set forth in §570.504(c).

(4) Uniform administrative requirements

The agreement shall require the sub-grantee to comply with applicable uniform administrative requirements, as described in §570.502.

(5) Other program requirements

The agreement shall require the sub-grantee to carry out each activity in compliance with all Federal laws and regulations described in subpart K of the regulations, except that:

(i) The sub-grantee does not assume the City of Santa Barbara's environmental responsibilities described at §570.604; and

(ii) The sub-grantee does not assume the City of Santa Barbara's responsibility for initiating the review process under the provisions of 24 CFR part 52.

(6) Suspension and termination

The agreement shall specify that, in accordance with 24 CFR 85.43, suspension or termination may occur if the subrecipient materially fails to comply with any term of the award, and that the award may be terminated for convenience in accordance with 24 CFR 85.44.

(7) Reversion of assets

The agreement shall specify that upon its expiration the sub-grantee shall transfer to the City of Santa Barbara any CDBG funds on hand at the time of expiration and any accounts receivable attributable to the use of CDBG funds. It shall also include provisions designed to ensure that any real property under the sub-grantee's control that was acquired or improved in whole or in part with CDBG funds (including CDBG funds provided to the sub-grantee in the form of a loan) in excess of \$25,000 is either:

(i) Used to meet one of the national objectives in §570.208 (formerly §570.901) until five years after expiration of the agreement, or for such longer period of time as determined to be appropriate by the City of Santa Barbara; or

(ii) Not used in accordance with paragraph (7)(i) of this section, in which event the subrecipient shall pay to the City of Santa Barbara an amount equal to the current market value of the property less any portion of the value attributable to expenditures of non-CDBG funds for the acquisition of, or improvement to, the property. The payment is program income to the City of Santa Barbara.



## Program income § 570.504

(1) The receipt and expenditure of program income as defined in §570.500(a) shall be recorded as part of the financial transactions of the City of Santa Barbara CDBG grant program.

(2) Program income received before grant closeout may be retained by the City of Santa Barbara if the income is treated as additional CDBG funds subject to all applicable requirements governing the use of CDBG funds.

(3) The sole source for CDBG program income has been from the repayment of rehabilitation loans made to homeowners; repayment happens when the owner refinances the mortgage on the home or when the home is sold. The City reports CDBG program income at draw-downs of CDBG funds and applies program income to expenditures prior to requesting new funds.

4) The City has used CDBG funds to rehabilitate City facilities, including the Franklin Community Center and the Westside Community Center. These facilities are available for short-time use by private organizations or groups, such as community groups that use recreation center space for meetings. The nominal lease/rental costs charged to agencies, organizations or private parties are calculated based on the actual cost for use, including necessary City staffing, maintenance, utilities, etc. As there is no income to the City from such leases and rentals above the cost of providing the space, these facilities do not generate program income for reporting as part of CDBG programs.

## Use of real property § 570.505

Provisions of this section do not currently apply to the City of Santa Barbara CDBG program.

## Records to be maintained § 570.506

The City of Santa Barbara shall establish and maintain sufficient records to enable the Secretary to determine whether the City of Santa Barbara has met the CDBG program requirements for activities administered by the City of Santa

Barbara under the CDBG program. At a minimum, the following records will be maintained:

(1) Records providing a full description of each activity assisted (or being assisted) with CDBG funds, including its location (if the activity has a geographical locus), the amount of CDBG funds budgeted, obligated and expended for the activity, and the provision in subpart C under which it is eligible.

(2) Records demonstrating that each activity undertaken meets one of the criteria set forth in §570.208. (Criteria for National Objectives) The City of Santa Barbara may substitute evidence that the assisted person is homeless. Such records shall include the following information:

(a) For each activity determined to benefit low and moderate income persons, the income limits applied and the point in time when the benefit was determined.

(b) For each activity determined to benefit low and moderate income persons based on the area served by the activity as per HUD Notice CPD 05-06:

(i) The boundaries of the service area;

(ii) The income characteristics of families and unrelated individuals in the service area; and

(iii) If the percent of low and moderate income persons in the service area is less than 51 percent, data showing that the area qualifies under the exception criteria set forth at §570.208(a)(1)(ii).

(c) For each activity determined to benefit low and moderate income persons because the activity involves a facility or service designed for use by a limited clientele consisting exclusively or predominantly of low and moderate income persons:

(i) Documentation establishing that the facility or service is designed for the particular needs of or used exclusively by senior citizens, adults meeting the Bureau of the Census' Current Population Reports definition of "severely disabled," persons living with AIDS, battered spouses, abused children, the homeless, illiterate adults, or migrant farm workers, for which the regulations provide a presumption concerning the extent to which low- and moderate-income persons benefit; or

(ii) Documentation describing how the nature and, if applicable, the location of the facility or service establishes that it is used predominantly by low and moderate income persons; or

(iii) Data showing the size and annual income of the family of each person receiving the benefit.

(3) Records that demonstrate that the City of Santa Barbara has made the determinations required as a condition of eligibility of certain activities, as prescribed in §§**570.201(f)**-interim assistance, **570.201(i)(2)** - emergency, **570.201(p)** – technical assistance, **570.201(q)** – higher education institutions, **570.202(b)(3)** – rehabilitation loans, **570.206(f)** - Submission of applications for federal programs, **570.209** – economic development, **570.210** – prohibition employee relocation, and **570.309** – restriction on location.

(4) Records which demonstrate compliance with §**570.505** - regarding any change of use of real property acquired or improved with CDBG assistance.

(5) Records that demonstrate compliance with the citizen participation requirements prescribed in 24 CFR part 91, subpart B, for entitlement recipients.

(6) Records that demonstrate compliance with the requirements in §**570.606** regarding acquisition, displacement, relocation, and replacement housing

(7) Financial records, in accordance with the applicable requirements listed in §**570.502** - uniform administrative requirements - including source documentation for entities not subject to parts 84 and 85 of the regulation. Grantees shall maintain evidence to support how the CDBG funds provided to such entities are expended. Such documentation must include, to the extent applicable, invoices, schedules containing comparisons of budgeted amounts and actual expenditures, construction progress schedules signed by appropriate parties (e.g., general contractor and/or a project architect), and/or other documentation appropriate to the nature of the activity.

(8) Records required to be maintained in accordance with other applicable laws and regulations set forth in subpart K of this part.

(9) Fair housing and equal opportunity records containing:

(a) Documentation of the analysis of impediments and the actions the City of Santa Barbara has carried out with its housing and community development and other resources to remedy or ameliorate any impediments to fair housing choice in the City of Santa Barbara's community.

(b) Data on the extent to which each racial and ethnic group and single-headed households (by gender of household head) have applied for, participated in, or benefited from, any program or activity funded in whole or in part with CDBG funds. Such information shall be used only as a basis for further investigation as to compliance with nondiscrimination requirements. No recipient is required to attain or maintain any particular statistical measure by race, ethnicity, or gender in covered programs.

(c) Data on employment in each of the City of Santa Barbara's operating units funded in whole or in part with CDBG funds, with such data maintained in the categories prescribed on the Equal Employment Opportunity Commission's EEO-4 form; and documentation of any actions undertaken to assure equal employment opportunities to all persons regardless of race, color, national origin, sex or handicap in operating units funded in whole or in part under this part.

(d) Data indicating the race and ethnicity of households (and gender of single heads of households) displaced as a result of CDBG funded activities, together with the address and census tract of the housing units to which each displaced household relocated. Such information shall be used only as a basis for further investigation as to compliance with nondiscrimination requirements. No recipient is required to attain or maintain any particular statistical measure by race, ethnicity, or gender in covered programs.

(e) Documentation of actions undertaken to meet the requirements of §570.607(b) which implements section 3 of the Housing Development Act of 1968, as amended (12 U.S.C. 1701U) relative to the hiring and training of low and moderate income persons and the use of local businesses.

(f) Data indicating the racial/ethnic character of each business entity receiving a contract or subcontract of \$25,000 or more paid, or to be paid, with CDBG funds, data indicating which of those entities are women's business enterprises as defined in Executive Order 12138, the amount of the contract or subcontract, and documentation of recipient's affirmative steps to assure that minority business and women's business enterprises have an equal opportunity to obtain or compete for contracts and subcontracts as sources of supplies, equipment, construction and services. Such affirmative steps may include, but are not limited to, technical assistance open to all businesses but designed to enhance opportunities for these enterprises and special outreach efforts to inform them of contract opportunities. Such steps shall not include preferring any business in the award of any contract or subcontract solely or in part on the basis of race or gender.

(g) Documentation of the affirmative action measures the City of Santa Barbara has taken to overcome prior discrimination, where the courts or HUD have found that the City of Santa Barbara has previously discriminated against persons on the ground of race, color, national origin or sex in administering a program or activity funded in whole or in part with CDBG funds.

## Required Annual Reports § 570.507

### **1. Preparation of Action Plan**

If amount of annual entitlement amount is not known, a Draft Action Plan including recommended appropriation of funds to subrecipients, contingency plans and approval of the CDBG program year budget is submitted to City Council by Community Development Programs Staff for approval. Upon receipt of annual entitlement award amount, staff will complete the annual Action Plan of the five-year Consolidated Plan for Housing and Community Development based on the Council action, using the HUD Consolidated Plan Management Process (CPMP tool).

The City will publish a notice for a minimum of 15 days (maximum 30-days) public review period, which shall include information as to where copies of the draft plan may be found and how members of the public can provide comment. The Draft Action Plan shall be made available no later than mid-April of each year in print form at the City Library, City Clerk's office, and Community Development office, and on the City's website. §570.508 Copies shall be provided to the City Council upon request.

Following the public review period, Community Development Programs Staff shall submit the Action Plan to the Los Angeles HUD Field Office no later than May 15 of each year (45 days prior to the start of the program year) unless a written extension of time is requested and received.

The Action Plan shall include goals, objectives and performance measurements for all CDBG-funded activities and projects.

Once HUD has received and reviewed the Action Plan, and the appropriate agreements with HUD have been signed for CDBG, City staff shall prepare and process agreements with subrecipients as approved by the Council. The City Attorney shall annually review the draft CDBG public services and capital agreements to ensure compliance with federal, state and City codes and regulations, including non-discrimination clauses and City insurance requirements.

## **2. Preparation of the Consolidated Annual Performance Evaluation Report (CAPER)**

The Community Development Programs Supervisor and the Community Development Programs Specialist shall prepare the Consolidated Annual Performance Evaluation Report (CAPER) using the HUD Consolidated Plan Management Process (CPMP) tool. The CAPER shall provide clear and correct financial and beneficiary information showing how the City is carrying out its housing and community development strategies, projects and activities.

The Community Development Programs Supervisor, the Community Development Programs Specialist and financial management personnel shall prepare the required IDIS program and financial reports for submission with the CAPER.

The draft CAPER shall be available for a fifteen-day (minimum) public review period in September each year together with information on how to provide comment and/or questions. Print copies shall be available at the Santa Barbara Public Library, the City Clerk's office, and the Community Development Programs Division office; a copy shall also be posted on the City's web site. §570.508 The City shall submit the final CAPER with public comments and City responses to the HUD – Los Angeles Field Office no later than September 30th each year, or within ninety days following the close of the program year.

The HUD Los Angeles Field Office prepares an annual Program Year Review Letter with comments on the use of CDBG and HOME funds as reported in the CAPER.

The City will follow up on any necessary corrections or recommendations contained in the Review Letter as quickly as possible.

## **3. Program and Financial Reporting**

a) The Community Development Programs Supervisor and the Community Development Programs Specialist shall ensure that SF 425 and SF 425-A, the Quarterly Federal Financial Report, are filed accurately and in a timely manner.

b) The Community Development Programs Supervisor and the Community Development Programs Specialist shall submit to HUD each year a report (HUD/EEO-4) on recipient employment containing data as of June 30.

(c) The Community Development Programs Supervisor and the Community Development Programs Specialist shall ensure that HUD forms 60002 (Section 3

Summary Report), 2516 (MBE Contract Activity) and 4710 (Labor Standards) are filed correctly and in a timely manner. The Program Supervisor shall also ensure that reporting requirements of the FFATA Act of 2009 are completed including reporting to FederalReporting.Gov.

(d) The Community Development Programs Supervisor and the Community Development Programs Specialist will submit such other reports and information as HUD determines are necessary to carry out its responsibilities under the Act or other applicable laws.

(e) The Community Development Programs Supervisor, the Community Development Programs Specialist, and other staff shall work with all subrecipients to ensure that they understand reporting requirements, with the understanding that the City and subrecipients share joint responsibility for carrying out permitted activities in conformance with federal requirements. Subrecipients shall provide documentation that demonstrates the achievement of program goals and the completion of activities on a monthly basis. All requests for reimbursement shall have adequate documentation of how federal funds were used and that funds were used only for eligible activities. Complete records, and accurate and timely reporting, are essential to successful CDBG programs for the City and all subrecipients.

(f) The Community Development Programs Supervisor and the Community Development Programs Specialist shall ensure that expenditures of CDBG funds shall be drawn down from the U.S. Treasury on a regular basis and not less than monthly.

# Sub-grantee Application and Award Process

## 1. City Council Participation

Since Congress appropriates all HUD program funds annually, the City Council will act to apply for CDBG funds annually and determine, based on the amount of CDBG funds available to the City and the recommendations of the Community Development Human Service Committee recommendations, the use of funds each year.

Community Development Programs Division will seek approval and direction from the Council concerning the process, priorities and uses of CDBG public service funds each new program year.

All City Council actions will be conditional upon the availability of funds.

## 2. Application Release and Schedule

The Santa Barbara City Council directs the combined application for Community Development Block Grant (CDBG) and Human Services funds to be released each year.

Council also approves the schedule and process by which funding recommendations will be developed. The schedule will be determined annually by Community Development Programs Staff based upon the following general guidelines:

September/October	Site Visits
October	Public Hearing – CAPER & Release of Application Notice of Funding Announcement
November	Mandatory Orientation/Training Application Period Opened
December/January	Application Period Closed
January	Review Period
February	Applicant Interviews Rankings/Recommendations compiled by CDHSC
March	Public Hearing – Action Plan & Recommendations
June	Contracts / MOU prepared and executed
July 1	Beginning of Program Year



### **3. Solicitation of Applications for CDBG Funds**

In order to ensure maximum participation, flyers with the funding availability announcement, information on requirements and the orientation are mailed to all agencies that expressed an interest in applying during the previous year and to those who have applied for funding in the past two years. Current grant recipients are also e-mailed the funding announcement and the time, date and location of the mandatory orientation. In addition, notices are placed in at least two local newspapers (for example, the Daily Sound and Santa Barbara News Press), a news release is disseminated to the local media, and the announcement is posted on the City of Santa Barbara's web site informing the public of the opportunity to apply and the orientation workshop.

#### **Application Requirements**

Applicants shall apply for funds during the open Application Period using the web-based Zoomgrants application program. All applicants will submit a Master application detailing the proposed program, goals, measurable objectives and agency/program finances. Capital applicants must also submit a supplemental application outlining the proposed project.

As part of the application packet, applicants must submit the following documents:

- a) Contractual Provisions
- b) Board of Director's Minutes
- c) Application Approval and Declaration
- d) Board of Director's Membership Roster
- e) Financial Audit Report and Management Letter for the most recently ended fiscal year
- f) IRS 990 Tax Return for the most recently ended fiscal year
- g) IRS Federal Tax-Exempt Status Letter
- h) State of California Franchise Tax Board Tax-Exempt Status Letter
- i) Articles of Incorporation (Stamped by Sec. of State)
- j) Organization Chart
- k) Agency and Program Financial Information/Budget
- l) Client Data
- m) Fee Donation Schedule (if applicable)

If the audit has not been completed by the time of the open Application Period, applicant can submit unaudited financial statements for purposes of proposal review.

If the 990 Tax Return has not been completed by the time of the open Application Period, applicant can submit a copy of their extension form.

#### **4. Assistance to Applicants**

An internet based on-line application submission process will commence for the FY 2013 application cycle. This process will ensure consistency, save applicant, committee and staff time, save paper and printing costs and streamline the application process over-all.

A mandatory Application Orientation/Technical Assistance workshop is held for all prospective applicants each year. The purpose of the workshop is to explain any program changes, the allocation process and to answer any questions relating to funding requirements, criteria and priorities.

Community Development Programs staff will present and answer questions on program guidelines, applicant and activity eligibility requirements, the National Objectives for the programs, local objectives and priority activities in the City's five-year Consolidated Plan, and application requirements.

Staff will be available for technical assistance from the beginning of the application period until 4:30 p.m. on the deadline date for submission.

#### **5. Review of Applications by Staff**

Community Development Programs Division staff will review the applications after submission to ensure that the applications are complete, and that the applicant and proposed program qualify for funding under U.S. Department of Housing and Urban Development regulations, as well as the City's five-year Consolidated Plan. Staff will also review information on the applicant to ensure that the applicant is an eligible nonprofit organization.

Once this review is complete, applicants are given the opportunity to meet with staff to review any errors, omissions and/or corrections to their application. Applicants are then given a specific time frame to make corrections and finalize application. After the final deadline, any further access to the application by the applicant is blocked.

City staff will keep original applications of agencies awarded CDBG funds for subsequent use in preparation of contracts.

## **6. Community Development Human Services Committee (CDHSC)**

The Community Development Human Services Committee shall have up to thirteen (13) members representing each of the following:

- a) Housing Interests
- b) Youth-Oriented Services
- c) Human Services
- d) Senior Community
- e) Business Community/Economic Development
- f) Downtown Neighborhood
- g) African-American Community
- h) Disabled Community
- i) 2-Eastside Neighborhood
- j) Housing Authority Commission
- k) 2-Westside Neighborhood

The composition of the committee shall to the greatest extent possible reflect the diversity goals of the City in terms of age, gender and racial/ethnic representation. Each year, members of the Committee shall choose a chairperson. Members shall read and abide by guidelines concerning conflicts of interest as defined in this manual. All meetings shall be subject to the Brown Act, be noticed and open to the public.

## **7. CDHSC Application Review**

City staff will review with the Committee the National Objectives, criteria and priorities established by City Council. Local objectives demonstrate the City's priorities for community development; all CDBG-funded programs must meet one of the National Objectives and one or more of the local objectives. City staff will provide information to the Committee as to the maximum amount of funds available in the CDBG and Human Services programs and the amounts that can be allocated for public services and capital projects.

Members of the committee shall review applications thoroughly and fairly, and shall evaluate the proposals on the basis of information provided in the application and according to the evaluation criteria. Members should refrain from independent investigation of particular programs or agencies. Members may ask City staff for additional information, which, if available and pertinent, will be provided to all members.

Committee members should review the previous reports of grant recipients to ascertain how well an agency is fulfilling goals and objectives set forth for the

program. Staff will provide results of performance reports to the committee which will include, but will not be limited to the following:

- a) The amount of CDBG funding received by an applicant organization from the City in the past two years, if any;
- b) The extent to which applicants have collaborated with other agencies or community organizations to deliver and/or expand services;
- c) The extent to which a proposed program complements or expands upon existing services provided by other agencies or organizations, or duplicates existing services without demonstration of additional unmet needs;
- d) The extent to which previously-funded organizations have met program objectives, satisfied contract obligations, and expended allocated funds in an efficient, appropriate and timely manner;
- e) How closely the proposed project meets National Objectives, local objectives in the Consolidated Plan, and local priorities as determined by the City Council;
- f) Whether the applicant organization is new or has significantly expanded their services

Reports on performance by sub-grantees will also be provided to the City Council with funding recommendations and always when a subrecipient has failed to perform according to contract.

Should credible information be provided to Staff concerning a program's current performance and staff determines the information directly impacts either current funding or proposed funding, staff is obligated to report such information to all CDHSC Members.

## **8. CDHSC Site Visits**

CDHSC members shall annually conduct on-site visits to all currently funded projects, many of which apply annually.

## **9. CDHSC Applicant Interviews**

The CDHSC shall conduct interviews with all of the applicants over several days depending upon the number of applicants.

Applicants will be given the opportunity to make up to a 10-minute presentation before the CDHSC to explain their program and funding request. There will be a 5 minute question and answer period.

Time must be strictly enforced to be fair to all participants.

Committee members shall treat all applicants with respect, and without regard to personal beliefs, be non-confrontational and shall not interject personal viewpoints on particular issues into interviews or committee discussions.

## **10. CDHSC Scoring and Ranking of Applications**

Following the interviews, Members shall individually score applications on the basis of objectives, criteria, priorities, information provided in the application, past performance, current performance, and upon the applicant's interview.

Members shall not give particular proposals unusually low or high scores in an attempt to influence unfairly the overall ranking by the committee. In cases in which the score of one member is significantly different from that of all other members, that score will be discarded.

Any request for clarification of an application or for additional information on an applicant organization shall be directed to City staff. Such request for clarification or information if available and appropriate will be conveyed to all members.

Members shall not be influenced by information that is not publicly available concerning the operation, management or staff of applicant agencies or organizations when rating the application. However, should credible information be provided to Staff concerning a program's current performance and staff determines the information directly impacts either current funding or proposed funding, staff is obligated to report such information to all CDHSC Members.

Committee members shall judge applications solely on the merits of the application and the objective criteria. Members should not be influenced by their personal convictions or viewpoints. If a member feels that she/he cannot judge an application fairly and impartially, conflict of interest provisions as discussed in this manual shall apply.

## **11. Rating Criteria**

Each of the 5 major categories listed below is worth up to 5 points for a total score of 25 points.

- a) AGENCY: Track record, Board of Directors, diversity, marketing
- b) PROGRAM: Qualifications (management and program staff), extent to which the program addresses a National Objective, extent to which the program addresses a Local Objectives, Need for the program, Meets Priorities, Goals and Objectives, Monitoring, Service, Measurable outcomes, Collaboration and partnerships

- c) NEED: Extent to which the program provides a clear Community Benefit, Unduplicated service
- d) CLIENTS: service to low income clients, composition/diversity
- e) FINANCES: Budget and finances, Record-keeping, accountability, accounting, internal controls, revenues and expenses, past performance Prior experience with CDBG or other federal funds

All applicants who pay a Living Wage to all staff for which CDBG/Human Service funds are requested, as described in Chapter 9.128 of the City of Santa Barbara Municipal Code, receives a "Bonus" point. The total ratings for each proposal will be averaged in order to ensure the most equitable evaluation of each application.

## **12. CDHSC Funding Recommendations**

After rating each applicant, the CDHSC members suggest funding amounts (if any) for each applicant.

A Subcommittee is selected by the full Committee to fine-tune the funding suggestions based on the full committee's average rating and average recommended funding amount.

The Committee deliberates on the Subcommittee's recommendations. Final recommendations are approved by majority vote.

In years when CDBG entitlement amount is not known, an estimated amount will be used. The amount of funds awarded may be adjusted as per Council-approved contingency plan. This plan is utilized when the CDBG entitlement differs from the estimate. The plan ensures the City does not exceed the fifteen percent public services cap.

Funding recommendations and contingency plan (if needed) are submitted to City Council for approval.

## **13. Conflict of Interest Declarations**

Before discussion of applicant organizations and agencies, CDHSC members shall declare relationships, if any, with applicant organizations or persons associated with the applicants.

This may include:

- a) Serving as a Board member of or volunteer in an applicant agency or organization;

- b) Membership or participant in activities of an applicant agency or organization;
- c) Direct contributor to an applicant agency or program;
- d) Beneficiary of the activities or services of an application agency or program; and
- e) Any connection with the applicant that would constitute or that could be perceived to constitute a conflict of interest.

When the member has a perceived or real conflict of interest with an applicant organization, the member shall refrain from ranking the application and shall withdraw from the interview with the applicant and any discussion of the merits of the application.

Members shall also declare any personal interest in an organization that is in direct competition with an applicant organization that may cause them to rank the application other than strictly on the merits of the application. Committee members who have been involved with the preparation of an application shall withdraw from consideration of that application.

#### **14. Public Participation and City Council Action**

Responsibility for the appropriation of all CDBG and Human Service funds rests with the City Council, but HUD regulations require a certain level of public participation. Public participation is accomplished through a series of public hearings and opportunity for public comment on the annual Action Plan prior to the submission of the plan to HUD. The City shall follow its Citizen Participation Plan as set forth in the Consolidated Plan and Action Plan.

a) The City Council shall hold a public hearing in March at which the CDHSC shall present its recommendations to the City Council and the draft Action Plan. Applicants as well as other members of the public will have opportunity to address the Council according to established procedures for public hearings. The hearing will be announced at least seven business days in advance. The City shall follow guidelines from the U.S. Department of Justice concerning implementation of Executive Order 13166 *Improving Access to Services for Persons with Limited English Proficiency*

b) The City Council shall take action to accept, modify or reject the recommendations at this public hearing

## Other Program Requirements

### Subpart K

This subpart sets forth certain additional program requirements which are determined to be applicable to CDBG grants provided as a matter of administrative discretion. The Community Development Programs Staff shall incorporate the following additional program requirements as per § 570.600 through § 570.614 as applicable.

#### Non-discrimination (Fair Housing and Equal Opportunity) § 570.601

The City as a recipient of CDBG funds shall ensure that subrecipients comply with Title VI of the Civil Rights Act of 1964 (prohibiting race, color, and national origin discrimination including language access for limited English proficient persons), Section 504 of the Rehabilitation Act of 1973 (prohibiting disability discrimination), Title IX of the Education Amendments of 1972 (prohibiting sex discrimination in education and training programs), the Age Discrimination Act of 1975 (prohibiting age discrimination in the provision of services), and a variety of program-specific statutes with nondiscrimination requirements.

Programs may target particular groups for services without violating guidelines regarding equal access to services, so long as any member of the particular group – e.g., any senior for a senior services program, any school-age child for a neighborhood-based afterschool program – is able to participate in the program.

The City shall ensure that provisions of Executive Order No. 11246 of September 24, 1965, as amended, regarding Equal Employment Opportunity are carried out on all CDBG funded projects or activities, and that subrecipients agree to and abide by federal (FHEO) and state (CA DFEH) fair housing and equal opportunity requirements for non-discrimination with regard to access to services or housing provided by a subrecipient.

The City will further ensure that provisions of Executive Order 13166, "Improving Access to Services by Persons with Limited English Proficiency," are carried out by subrecipients to improve access to CPD programs and activities by eligible persons with limited English proficiency (LEP).



## Environmental Review

24 CFR part 58

§ 570.605 § 570.604

The environmental review procedures set forth at 24 CFR part 58 must be completed for each activity (or project as defined in 24 CFR part 58), as applicable. Contracts will not be executed with subrecipients and expenditures for City-managed projects will not be approved until environmental review is complete. In some cases, State (CEQA) environmental regulations and/or Local Coastal Plan (LCP) requirements will also be considered. Environmental review forms and documents must be signed by the appropriate staff which may include an environmental planner in the City Planning Division.

The City will ensure that all *Finding of No Significant Impact* (FONSI) and *Request for Release of Funds* (RROF) requirements are completed for capital improvement projects and housing rehabilitation projects prior to initiation of project activities.

## Citizen Participation

The City shall follow its Citizen Participation Plan and Guidelines for Substantial Amendments as set forth in the Consolidated Plan and annual Action Plans. Any changes to this plan shall be approved by the City Council. The City shall hold public hearings at least two times per year and encourage public participation during preparation of the five-year Consolidated Plan for Housing and Community Development, the annual Action Plan and the Consolidated Annual Performance Evaluation Report (CAPER). The City will comply with Executive Order 13166 of August 11, 2000, *Improving Access to Services by Persons with Limited English Proficiency*, in all citizen participation activities.

## Section 109 – Prohibitions Against Discrimination

§ 570.602

The City and all subrecipients shall adhere to Section 109 of the Act which requires that no person in the United States shall on the grounds of race, color, national origin, religion, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance made available pursuant to the Act. Section 109 also directs that the prohibitions against discrimination on the basis of age under the Age Discrimination Act and the prohibitions against discrimination on the basis of disability under Section 504 shall apply to

programs or activities receiving Federal financial assistance under Title I programs.

## Labor Requirements

### § 570.603

Whenever CDBG funds in excess of \$2,000 are allocated for construction projects, the subrecipient and any contractor(s) shall abide by requirements of Davis Bacon and Related Acts (DBRA) for prevailing wages and of Section 3 economic opportunities for low and very low-income persons. The City shall provide appropriate guidance to both subrecipient and contractor regarding DBRA requirements, including wage determinations, and Section 3 requirements as applicable to all CDBG-funded projects.

## Relocation

### §570.606

In the event of any temporary or permanent relocation of residents or businesses as a result of CDBG-funded activity, the City shall follow § 570.606 - Displacement, relocation, acquisition, and replacement of housing as applicable and/or its Relocation Plan as set forth in the Consolidated Plan and annual Action Plans. Any changes to said Plan shall be approved by the City Council. The Plan shall be updated as needed to adhere to HUD Handbook 1378, *Real Estate Acquisition and Relocation Policy and Guidance*.

The CDBG program supervisor shall maintain a current copy of HUD Handbook 1378 in the Community Development Department office and update this handbook as it is amended.

## ADA Requirements

The City shall abide by HUD regulations in Section 504, HUD's implementation of the American with Disabilities Act, to ensure that no qualified individual with a disability should, only by reason of his or her disability, be excluded from the participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving CDBG funds. The City shall include monitoring for Section 504 compliance as part of the annual monitoring of CDBG subrecipients. Monitoring shall include inspection of facilities in which CDBG-funded program are offered to ensure that the facilities are accessible to persons with disabilities.

## Financial Management

a) The City provides reimbursement payments to sub-recipients based on verification of expenditures by submission of a request for payment form with all required back-up documentation. The payment request is reviewed upon submission and approved by Community Development Programs Specialist, the Community Development Programs Supervisor and the Housing and Redevelopment Manager. This payment request is then forwarded to City Finance Department to issue and mail the check to the subrecipients.

b) Subrecipients shall normally be paid directly as reimbursement for eligible expenses. Subrecipients of CDBG funds for capital projects may request that funds be paid directly to a contractor or vendor; such request must be made at the beginning of the project. Payments will be made only upon presentation of invoices from the contractor or vendor and approved for payment by the subrecipient and Community Development Programs Staff responsible for Davis Bacon payroll reporting. Final payments to subrecipients will be made only upon submission of final program reports that document the achievement of program goals and satisfactory completion of the CDBG-funded activity.

c) Each request for payment must have adequate documentation for the costs incurred such as payroll records, purchase orders, copies of canceled checks, timesheets reflecting time spent directly on CDBG activities, etc. Requests must be only for costs directly related to the approved activity and included in the approved budget attached to the contract.

d) Subrecipients may not use CDBG funds for general administrative costs or "overhead" costs unless the subrecipient has established cost allocation for such costs applicable to all subrecipient activities regardless of funding source.

e) Subrecipients will be required to submit requests for reimbursement monthly in order that the City may demonstrate its timely use of CDBG funds.

f) CDBG expenditures as shown in the City's accounting system are reviewed on a monthly basis by the Community Development Programs Supervisor and the Community Development Programs Specialist who initiates the paperwork for a drawdown of funds through the IDIS reporting system based on actual expenses. The Specialist prepares the request for funds and the Supervisor approves the drawdown. Upon the approval of the drawdown all records are forwarded back to the Finance Department for entry into the City's accounting system (CRIS) after acknowledgement in IDIS of receipt of funds from the U.S. Treasury.

g) The City will not request CDBG funds in advance or as "float" funds from the U.S. Treasury.

## Performance Reviews Subpart O Monitoring of Subrecipients

The Community Development Programs staff will monitor all subrecipients to ensure program compliance. Staff will utilize both "Desk Monitoring" and "Internal/On-site" monitoring to assess the quality of program performance over the duration of the contract.

Monitoring provides information for making informed judgment about program effectiveness and management efficiency, as well as identifies internal weaknesses that may contribute to fraud or abuse.

The procedures established are to ensure program compliance with the requirements of the Subpart O and all other applicable laws and regulations.

Monitoring of subrecipients shall concentrate on program, financial, and regulatory performance of the subrecipients, including subrecipients of capital improvement project funds. Primary monitoring objectives are to make sure that subrecipients comply with all regulations governing administrative, financial, and programmatic operations.

In conducting monitoring and performance reviews, Community Development Programs staff will primarily rely on information obtained from the subrecipient's

performance reports, records, audits, allowed costs, review of financial reports, eligibility and number of beneficiaries served, compliance with federal regulations and City program requirements. Staff may also consider relevant information pertaining to a recipient's performance gained from other sources, including litigation, citizen comments, and other information provided by or concerning the subrecipient.

Within three months of contract execution, City staff shall develop and implement a monitoring schedule to visit all new subrecipients. Previously funded subrecipients shall be monitored as per risk analysis system established by Community Development Programs staff based upon grant amounts, reporting and performance. Monitoring visits shall include review of compliance by funded agencies and organizations of federal EEO and Section 504 ADA requirements. The City shall include its monitoring program in the annual Action Plan. A record of monitoring visits and any subsequent action shall be maintained in the files of each CDBG subrecipient.

## Corrective and remedial actions

### **§570.910**

A subrecipient's failure to perform under the terms of the contract with the City of Santa Barbara and/or maintain records in the prescribed manner may result in a finding that the subrecipient has failed to meet the applicable requirement to which the contract with the subrecipient pertains. If the Community Development Programs staff finds that a recipient has failed to comply with program and/or contract requirements or has failed to meet a performance criterion, staff will take the following steps:

- (1) Issue a letter of warning advising the recipient of the deficiency and putting the recipient on notice that additional action will be taken if the deficiency is not corrected or is repeated;
- (2) Recommend, or request the recipient to submit, proposals for corrective actions, including the correction or removal of the causes of the deficiency.

City staff will offer technical assistance to subrecipients when monitoring indicates less than complete compliance with CDBG regulations or contract requirements. Such assistance may include, but is not limited to, providing applicable copies of Office of Management and Budget (OMB) circulars, in particular OMB Circular No. A-122 *Cost Principles for Nonprofit Organizations*. In addition, the latest edition of *Playing by the Rules* guidance for CDBG subrecipients may be provided.

If the subrecipient fails to undertake appropriate corrective or remedial actions which resolve the deficiency to the satisfaction of the Community Development Programs Staff, the Staff may take one or more of the following actions. Such actions shall be designed to prevent a continuation of the performance deficiency; mitigate, to the extent possible, the adverse effects or consequences of the deficiency; and prevent a recurrence of the deficiency. Prior to a reduction, withdrawal, or adjustment of a grant or other appropriate action, taken pursuant to (1), (2), or (3) below, the recipient shall be notified of such proposed action and given an opportunity within a prescribed time period for an informal consultation.

These actions may include but are not limited to the following:

- (1) Advise the subrecipient in writing that additional assurances are required;
- (2) Advise the subrecipient to suspend disbursement of funds for the deficient activity;
- (3) Advise the subrecipient to reimburse the City of Santa Barbara program account in any amounts improperly expended

The City of Santa Barbara shall have the same rights as the Secretary of HUD as to other remedies for noncompliance per § 570.912 and § 570.913.