

CHAPTER 2: ACTIVITY SELECTION AND IMPLEMENTATION

CHAPTER PURPOSE & CONTENTS

This chapter provides an overview of the framework within which grantees must make decisions concerning activities and organizations to fund under their CDBG programs. This chapter also discusses the various types of organizations that grantees may choose to work with as well as how the selection process might be implemented.

SECTION	TOPIC
2.1	The Planning Framework
2.2	Methods of Administering Programs
2.3	Project and Partner Selection

2.1. The Planning Framework

Within the framework established by the CDBG rules, grantees need to make strategic choices about how they administer their local programs. This chapter highlights the planning framework under which the grantee will make these choices.

Key Topics in This Section: The Consolidated Plan

Regulatory/Statutory Citations: Section 104, 91, 570.302

Other Reference Materials on This Topic Consolidated Plan Guidelines, <http://www.hud.gov/offices/cpd/about/conplan/toolsandguidance/guidance/>

CPMP Tool, <http://www.hud.gov/offices/cpd/about/conplan/toolsandguidance/cpmp/#download>

To begin the process of implementing CDBG activities, grantees must understand community needs, interests, and objectives in order to make effective choices about how to administer their CDBG programs.

Based on this analysis of the community, grantees can then make decisions about:

What types of activities will be funded?

Who will implement these activities?

How will activities/organizations be selected?

The remainder of this chapter highlights these key program administration questions and the framework within which these key decisions are made. The first step in this process is the creation of a Consolidated Plan.

2.1.1. Consolidated Plan Components

Completing the Consolidated Plan (and annual Action Plans) will help grantees determine what activities and organizations to fund in the coming year.

The Consolidated Plan is a plan of three to five years in length, which describes community needs, resources, priorities, and proposed activities to be undertaken under

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certain HUD programs, including CDBG, Home Investment Partnerships (HOME), Emergency Shelter Grant (ESG), and Housing Opportunities for Persons with AIDS (HOPWA).

Each year, grantees must submit an update to HUD, referred to as an Action Plan. The Action Plan describes the specific planned uses for HUD programs, including CDBG, as well as certain other program requirements.

To meet the minimum requirements set forth by HUD, the Consolidated Plan must include five main components:

- A description of the lead agency or entity responsible for overseeing the development of the Consolidated Plan and a description of the process undertaken to develop the plan;
- A housing and homeless needs assessment;
- A housing market analysis;
- A strategic plan (three to five years in length); and
- A one-year Action Plan.

See Exhibit 2-1 for specific information on what each of these components must include.

2.1.2. Consolidated Plan Management Process (CPMP) Tool

HUD has created this *optional* tool to assist grantees in meeting the requirements of a Consolidated Plan. The CPMP tool is comprised of 19 different documents. When completed successfully, grantees may submit the Consolidated Planning materials to HUD almost entirely in electronic format. The CPMP tool, as it is currently designed, is suited more toward local jurisdictions than to states; however, future versions will be customized for states.

Grantees may still submit their Consolidated Plans, Annual Action Plans, and CAPERs in the format that they have submitted them in the past. They may also choose to combine parts of the CPMP with formats currently used by grantees. However, where signatures are needed (i.e., SF-424s, certifications), submission of hard copies with original signatures will still be required until a methodology for electronic signatures is implemented.

Exhibit 2-1: Contents of a Consolidated Plan

A **description of the lead agency** or entity responsible for overseeing the development of the Consolidated Plan and a **description of the process undertaken** to develop the plan.

A housing and homeless needs assessment:

- Number and type of families in need of housing assistance;
- Disproportionate needs of minority groups, if applicable;
- Nature and extent of homelessness;
- Number of persons requiring supportive housing;
- Size and characteristics of population with HIV/AIDS; and
- Number of housing units occupied with LMI families with lead-based paint hazards.

A housing market analysis which contains:

- Supply, demand, cost and condition of housing;
- Housing stock available to persons with special needs;

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Description of areas of minority and low-income concentrations;
Number, physical condition and rehabilitation needs of public housing units;
Housing authority's strategy for improving management and operations of public housing and for improving the living environment of families residing in public housing; and
Identification of public housing developments participating in an improved PHA Plan (as per 24 CFR 91.201(b)(1)), including a reference to those being funded with other funds covered by the Consolidated Plan.

A **strategic plan** which includes the following:

General housing, homeless and special needs priorities and geographic investment among priority needs;
Identification of any obstacles to meeting underserved needs;
Description of how funds made available will be used to address priority needs;
Proposed accomplishments over a specific time period;
Non-housing community development plan;
Neighborhood revitalization strategy (optional);
Strategy to remove or improve barriers to affordable housing;
Actions to evaluate and reduce lead-based paint hazards;
Anti-poverty strategy;
A description of the institutional structure;
A description of activities to enhance coordination between public and private housing providers; and
Public housing resident initiatives.

An **action plan** which contains:

Application form (SF 424);

An Executive Summary which includes:

- Objectives and outcomes for the upcoming year;
- Self evaluation of past performance;
- Citizen participation and consultation process;
- Public comments, views, and responses;

A description of Federal and other resources expected to be available;

A description of leveraging of sources and how match obligations will be met;

Annual objectives expected to be achieved;

A description of the activities to be undertaken, including:

- Number and type of families that will benefit;
- Priority needs addressed;
- Program income anticipated;
- Proposed accomplishments;
- Target completion dates;

Outcome measures for proposed activities;

A description of the geographic distribution of investment;

A description of planned homeless and other special needs activities;

A description of other actions proposed to:

- Address obstacles to address underserved needs;
- Foster and maintain affordable housing;
- Remove barriers to affordable housing;
- Evaluate and reduce lead-based paint hazards;
- Reduce the number of families in poverty;

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- Develop the community's institutional structure;
- Enhance coordination between public and private housing providers, social service agencies; and
- Foster public housing improvements and resident initiatives.

Appropriate reference to annual revisions made in the PHA plan by the housing authority;
If the housing authority is designated as a "troubled" housing authority, the plan to assist the agency in addressing its problems;

General certifications;

A description of proposed alternate forms of investment not specifically listed as eligible in the HOME regulations;

If undertaking homebuyer activities, a description of proposed resale and/or recapture guidelines; and

Program-specific certifications.

2.1.3. Citizen Participation

The Consolidated Plan regulations stipulate that grantees meet certain minimal citizen participation requirements. In fact, each grantee is required to prepare a Citizen Participation Plan that details the community's procedures for involving the public in its program planning and implementation. The complete requirements can be found in 24 CFR 91.105.

At a minimum, the Citizen Participation Plan must ensure that the following requirements are met:

- The grantee must hold at least two public hearings a year to obtain citizens' views and to respond to proposals and questions. They should be conducted at a minimum of two different stages of the program year;

- One of the public hearings should be held during the development of the plan. This can count as one of the two required public hearings;

- The proposed Consolidated Plan must be published. At a minimum, the grantee is required to publish a summary of the proposed plan in one or more newspapers of general circulation, and make copies available in libraries, government offices, and public places;

- There must be a 30-day period for citizen review and comment prior to submitting the plan to HUD; and

- Public comments must be given consideration. The plan should include a summary of comments received and reasons the comments/suggestions were not incorporated.

In addition, grantees must consult with other public and private agencies that provide assisted housing, health services, social services, child welfare agencies (regarding lead paint), adjacent units of local government (for non-housing community development needs), and local housing authorities.

Meeting or exceeding the minimum citizen participation requirements may help grantees to:

- Better inform the public about community needs and the resources available to address needs;

- Learn about "hidden" community needs and issues;

- Allow citizens and organizations to bring forward ideas on how to address community needs; and

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Generate involvement in and commitment to proposed solutions.

In developing the Consolidated Plan and making choices about the types of programs to be undertaken, grantees need to think about the range of possible CDBG activities and about how these activities compare to the needs of the community.

2.1.4. Plan Review and Approval

A grantee's Consolidated Plan must be submitted to its respective field office for review and approval at least 45 days before the start of the grantee's program year. HUD will not accept a submission earlier than November 15 or later than August 16 of the Federal fiscal year for which the grant funds are appropriated.

HUD will review the consolidated plan upon receipt. The grantee should consider the Plan approved after 45 days unless HUD notifies the grantee before that date that it is disapproved.

Within 15 days of a disapproval notice, HUD must provide the grantee with written reasons for disapproval and corrective actions.

The grantee then has 45 days to resubmit its corrected Consolidated Plan.

HUD will disapprove a plan if:

Any portion of the Plan is inconsistent with the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12703); or

It is "substantially incomplete," meaning:

The Plan was developed without the required citizen participation or the required consultation;

The Plan does not include all the elements listed in 24 CFR 91.200 through 91.225; or

The Plan contains an inaccurate certification.

There are times when grantees must amend their Consolidated Plans after they have been approved. A grantee must amend its Plan:

To make a change in its allocation priorities or a change in its method of distributing funds;

To carry out a new activity using funds covered under the consolidated plan; or

To change the purpose, scope, location or beneficiary of an activity.

The citizen participation plan must specify what program changes constitute a substantial amendment to the Consolidated Plan, and what procedure will be followed to amend the plan. While all amendments must be made public, it is substantial amendments that are subject to a citizen participation process, in accordance with the grantee's citizen participation plan. Such plan must provide a period of not less than 30 days to receive public comments on substantial amendments before they are implemented.

Grantees may submit a copy of each amendment to HUD as it occurs, or at the end of its program year.

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2.1.5. Reporting on the Consolidated Plan

Grantees are required to submit a Consolidated Annual Performance and Evaluation Report (CAPER) 90 days after the end of the grantee's program year. The CAPER must include the following:

- A description of the resources made available;
- The investment of available resources;
- The geographic distribution and location of investments;
- The families and persons assisted including their racial and ethnic status; and
- Actions taken to affirmatively further fair housing

The CAPER must also include detailed information on progress towards addressing priorities, goals, and objectives outlined in a grantee's Consolidated Plan.

Refer to Chapter 13 of this manual for further details on the CAPER.

2.2. Methods of Administering Programs

Grantees have many options for how they can administer their CDBG programs. This section highlights the range of possible options.

Key Topics in This Section Grantee responsibilities; Subrecipients; Community Based Development Organizations (CBDOs); Community Development Financial Institutions (CDFIs); Faith Based Organizations; Contractors

Regulatory/Statutory Citations: Section 105(a)(15), 570.3, 570.200(j), 570.204, 570.503

Other Reference Materials on This Topic: Managing CDBG: A Guidebook for Grantees on Subrecipient Oversight <http://www.hud.gov/offices/cpd/communitydevelopment/library/subrecipient/>

Guidance to Faith-Based and Community Organizations on Partnering with the Federal Government: <http://www.whitehouse.gov/government/fbci/guidance/>; and

CPD Notice 04-10: Notice of Guidelines for Ensuring Equal Treatment of Faith-based Organizations: <http://www.hud.gov/offices/cpd/lawsregs/notices/2004/04-10.pdf>.

2.2.1. Overview

The CDBG Program does not dictate which kinds of activities or organizations grantees work with to implement their programs. Instead, grantees must make choices about who will administer and carryout CDBG activities. These choices are made as part of the planning process. Options for carrying-out eligible activities include use of:

- Grantee staff;
- Subrecipients;
- Community Based Development Organizations (CBDOs);
- Community Development Financial Institutions (CDFIs);
- Faith Based Organizations; and
- Contractors.

2.2.2. Grantee Staff Administration of Programs

Some communities' CDBG programs are run with few staff and a large number of subrecipients while others are administered primarily by grantee staff and few subrecipient organizations. Factors which tend to affect the degree to which grantee staff are relied upon more heavily for all CDBG functions include:

- Size of the community and of the entitlement grant amount;
- Types of programs undertaken;
- Local politics;
- Capacity of in-house staff; and
- Capacity and availability of subrecipient organizations.

Before undertaking any CDBG-funded activity, grantees should consider the following issues:

- Is there political will to carry the program/project through the development, approval, and implementation phases?
- Does the required staffing experience currently exist?
- Is there sufficient time to take on new or expanded work?
- Are there adequate and appropriate administrative resources (e.g., legal, financial, etc.)?
- Are there subrecipients with the capability to assist with the program/project?
- Will consultants be needed?
- Are there sufficient funds to carry out the program/project and/or to invest the level of effort necessary for its implementation?

Staffing for CDBG programs and activities generally requires:

- Conducting a skills inventory of staff members;
- Developing a list of required skills;
- Assessing where gaps exist between existing staff skills and required skills; and
- Undertaking the appropriate training, capacity building, and staff expansion necessary to administer the programs/activities.

Based upon the grantee's analysis of staffing capacities and upon programmatic needs, the grantee must determine whether and/or to what extent it will work with subrecipients, CBDOs, contractors, and CDFIs.

2.2.3. Subrecipients

A subrecipient is a public or private non-profit agency or organization receiving CDBG funds from a grantee or another subrecipient to undertake eligible activities.

Entities, including public and private for-profit organizations, providing assistance to microenterprises are considered subrecipients.

Contractors are not considered subrecipients.

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CBDGs are not considered subrecipients unless the grantee specifically designates these organizations as such.

Institutions of higher learning may be subrecipients if carrying out CDBG-eligible activities.

The grantee 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 grantee of this responsibility. The grantee is also responsible for determining the adequacy of performance under subrecipient agreements and procurement contracts and for taking appropriate action when performance problems arise.

Before disbursing funds to any organization that is carrying out CDBG activities on behalf of the grantee as a subrecipient, a written agreement must be executed. The CDBG regulations stipulate that certain requirements be included in all written agreements with subrecipients. These requirements are listed in the section below.

Written agreements must remain in effect for the length of time that the subrecipient has control over any CDBG funds, including program income. However, it is good practice to update subrecipient agreements annually to ensure the agreements are current with regulations and requirements. This process also allows an opportunity to revisit and clarify problem areas or issues.

2.2.4. Subrecipient Agreements

For subrecipients, compliance with applicable requirements is covered through a Subrecipient Agreement. The following general requirements are applicable:

All CDBG requirements are applicable to subrecipients.

Procurement by the subrecipient must follow the open and competitive requirements of Grants Administration's procurement code.

Uniform administrative requirements in 24 CFR Part 85 and OMB Circular A-87, and A-133 must be met.

The grantee may allow the subrecipient to retain program income for use for specified eligible activities, provided a subrecipient agreement remains in effect during any period the subrecipient has control over the program income. The agreement must specify the activities that will be undertaken. Program income is subject to all CDBG requirements.

At a minimum, the written agreement with the subrecipient shall include provisions concerning the following items:

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 grantee to effectively monitor performance under the agreement.

Records and reports - The grantee shall specify in the agreement the particular records the subrecipient must maintain and the particular reports the subrecipient must submit in order to assist the grantee in meeting its recordkeeping and reporting requirements.

Program income - The agreement shall include the disposition of any program income received as a result of the CDBG project in compliance with all CDBG requirements. The agreement shall also specify that, at the end of the program year, the grantee may

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require remittance of all or part of any program income balances held by the subrecipient. For more information on the remittance of excess program income, please see chapter 11 of this manual.

Uniform administrative requirements - The agreement shall require the subrecipient to comply with applicable uniform administrative requirements, (OMB Circular A-110, A-122, and A-133).

Other program requirements - The agreement shall require the subrecipient to carry out each activity in compliance with all Federal and State laws and regulations except that:

The subrecipient does not assume the grantee's environmental responsibilities; and

The subrecipient does not assume the grantee's responsibility for initiating the review process under the provisions of 24 CFR Part 52, Intergovernmental Coordination Regulations.

Conditions for religious organizations - Where applicable, the conditions prescribed by HUD for the use of CDBG funds by religious organizations shall be included in the agreement.

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 terms of the agreement, and that the agreement may be terminated for convenience in accordance with 24 CFR 85.44.

Reversion of assets - The agreement shall specify that upon its expiration, the subrecipient shall transfer to the grantee 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 subrecipient's control that was acquired or improved in whole or in part with CDBG funds in excess of \$25,000 is either:

Used to meet one of the three National Objectives of the CDBG program until five years after expiration of the agreement, or for such longer period of time as determined to be appropriate by the grantee; or

Disposed of in a manner that results in the grantee being reimbursed in the amount of the current fair market value of the property less any portion of the value attributable to expenditures of non-CDBG funds for acquisition of, or improvement to, the property. (Reimbursement is not required after five years.)

2.2.5. Community Based Development Organizations

CDBG funds may also be provided to Community Based Development Organizations (CBDOs) to carry out certain activities in connection with neighborhood revitalization, community economic development or energy conservation projects.

A neighborhood revitalization project must include activities of sufficient size and scope to have an impact on the decline of a particular neighborhood.

The neighborhood must be designated in a local comprehensive plan or other local planning document or ordinance.

For communities with populations of less than 25,000, the entire community can be considered a neighborhood.

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A community economic development project must include activities that will increase economic opportunity, principally for LMI persons, or that retain or create jobs.

Projects that address a lack of affordable housing accessible to existing or planned jobs are considered eligible under a community economic development project.

Energy conservation projects must include activities that address energy conservation, principally for LMI persons in the community.

In order to qualify as a CBDO, an organization must have the following characteristics:

Is organized under state or local law to engage in community development activities in a specific geographic area within the community;

Has as its primary purpose the improvement of the physical, social, economic environment of its service area by addressing one or more critical problems in the area, with particular attention to the needs of LMI persons;

If a for profit organization, the profits to shareholders or members are incidental to its operations;

The governing body's membership consists of 51 percent LMI residents of its service area or owners or officers of entities located in the service area or representatives of LMI organizations in the service area;

Is not an agency or instrumentality of the grantee, and no more than one-third of the board is elected or appointed public officials or employees of the grantee; and

The governing body is nominated by the general membership of the organization.

Certain types of organizations organized and/or approved by the Small Business Administration (SBA), as well as Community Housing Development Organizations (CHDOs) designated by the grantee under the HOME Program may qualify as a CBDO.

NOTE: CHDOs only automatically qualify as CBDOs if that CHDO serves a single neighborhood.

CBDOs that do not meet the above requirements may be determined to qualify if HUD determines that the organization is sufficiently similar in purpose, function, and scope to the above criteria.

CBDOs are not automatically designated as subrecipients: the grantee may elect whether or not to consider the CBDO as a subrecipient.

Note that the assets of a CBDO do not revert back to the grantee (as is required with subrecipient organizations) and that CBDOs are free to contract for goods and services.

For CBDO assets paid for by the grantee under CDBG, the grantee may elect to require reversion of assets. It is good practice for the grantee to develop policies about the types of CDBG-funded assets that will be subject to reversion from CBDOs.

If the grantee elects to designate the CBDO as a subrecipient, all of the rules regarding subrecipients will also apply to that CBDO, including the requirement for reversion of assets.

2.2.6. Community Development Financial Institutions

A community development financial institution (CDFI) is a community-based lending institution. The CDBG regulation changes that took effect in 1995 included certain flexibilities for activities carried out by CDFIs.

As defined in the Community Development Banking and Financial Institutions Act of 1994, CDFIs have the following characteristics:

- Primary mission of promoting community development;
- Serve an investment area or targeted population;
- Have as its predominant business the provision of loans or development investments and provides development services in conjunction with such loans and investments;
- Maintains accountability to residents of its investment area or targeted population through representation on its governing board or some other means; and
- Is not an agency or instrumentality of the government (Federal, state or local).

CDFIs are not considered subrecipients or contractors. A CBDO may qualify as a CDFI.

Types of organizations that may meet these criteria include community development banks; community development loan funds; microenterprise loan funds; and venture capital organizations.

The Community Development Banking and Financial Institutions Act of 1994 also created a CDFI Fund to promote economic revitalization and community development through investment in and assistance to CDFIs.

The CDFI Fund is managed by the Department of Treasury and provides assistance to qualified organizations.

CDFIs then provide funds to other organizations in accordance with their missions.

Activities carried out by CDFIs receive special consideration under the new CDBG regulations regardless of whether or not the CDFI is actually receiving assistance from the CDFI Fund.

For a CDFI whose charter limits its investment area to a primarily residential area with 51 percent LMI persons:

- Job creation/retention activities may be qualified as meeting area benefit requirements;
- Scattered site housing activities may be considered to be a single structure for the purposes of applying the LMI benefit national objective (housing) criteria; and
- Economic development activities may be exempt from the aggregate public benefit standards.

For any CDFI, regardless of its investment area, job creation/retention national objective requirements may be met by aggregating the jobs created/retained by all businesses for which CDBG assistance was obligated during the program year.

2.2.7. Faith Based Organizations

Effective October 30, 2003, HUD issued a new final rule to remove barriers to the participation of faith-based organizations in eight of HUD's Community Planning and Development programs, including the CDBG program.

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The amended CDBG regulations establish the following policies (§570.200(j)):

Faith-based organizations are eligible for CDBG funding on an equal footing with any other organization. There is no Federal requirement that an organization incorporate or operate as a nonprofit to obtain tax-exempt status under section 501(c)(3) in order to receive CDBG funds.

Organizations may not use direct CDBG funds to support inherently religious activities such as worship or religious instruction. If an organization does conduct such activities, the activities must be offered separately than activities funded by the CDBG program, in time or location.

Faith-based organizations retain their independence from Federal, state, and local governments, including their exemption from the federal prohibition on employment discrimination on the basis of religion for employees not involved in CDBG funded activities (§570.607).

Faith-based organizations, like all organizations implementing HUD-funded programs, must serve all eligible beneficiaries without regard to religion. The CDBG statute and regulations prohibit any person from being denied the benefits of, or being subjected to discrimination, on the basis of religion under any activity funded in whole or in part with CDBG funds.

Faith-based organizations, like all organizations, may receive CDBG funds to acquire, construct, or rehabilitate buildings and other real property as long as the funds only pay the costs attributable to CDBG activities.

The final rule applies to state or local funds if a state or local government chooses to commingle its own funds with CDBG funds.

For more information regarding the participation of faith-based organizations in the CDBG Program, see the following resources:

HUD Center for Faith-Based and Community Initiatives: <http://www.hud.gov/offices/fbci/>;

Guidance to Faith-Based and Community Organizations on Partnering with the Federal Government: <http://www.whitehouse.gov/government/fbci/guidance/>; and

CPD Notice 04-10: Notice of Guidelines for Ensuring Equal Treatment of Faith-based Organizations: <http://www.hud.gov/offices/cpd/lawsregs/notices/2004/04-10.pdf>.

2.2.8. Contracted Administrators

A contractor can be either a for-profit or a nonprofit entity that is paid CDBG funds by the grantee (or subrecipient/CBDO) in return for specific services, where payment is made to the contractor as compensation for such services.

A contractor is different than a CBDO and/or subrecipient in the following ways:

A contractor must be procured competitively according to the OMB rules; and

Most of the uniform administrative requirements do not apply to contractors (once the procurement process is complete).

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Typically, grantees use a contractor when:

- The project is a discrete activity and does not involve program management or administration;

- There will be a specific activity under contract with a clearly defined beginning and end date; and

- The specific activity undertaken by a contractor may be a physical project (like a multi-family rehabilitation) or a social service activity (like running a day care center.)

See Chapter 14 in the manual for additional information on procurement.

2.3. Project and Partner Selection

There are several common ways that grantees may choose their partners. The section below highlights some possible processes for selecting partners.

Key Topics in This Section: Application processes

Regulatory/Statutory Citations: Not applicable

Other Reference Materials on This Topic: Not applicable

There are a variety of approaches that grantees use to select activities and organizations for funding under local CDBG programs within the framework of the Consolidated Plan. Note, however, that **contractors** must be selected in accordance with the procurement requirements of 24 CFR Part 85. See Chapter 14 for information on procurement.

Communities take many different approaches toward activity selection, including:

- Some communities take a “wait and see” approach: evaluating each activity on a case-by-case basis as it is proposed.

- Other communities take a more proactive approach: seeking out and choosing only those projects clearly falling within the scope of a concrete series of objectives and plans.

- Many communities are somewhere in between these two: on the lookout for interesting opportunities, but working from a basic program design framework.

There are four basic models upon which the selection process can be based; however, different variations of these approaches may be necessary or appropriate to meet community needs. These models are discussed below.

2.3.1. Formal Application Process

Requires the submission of a formal application or proposal from the subrecipient, and is typically undertaken once a year in conjunction with the grantee’s planning and budgeting process.

Under the formal application process, applications are evaluated based on explicit selection criteria.

This process works best in communities with:

- Numerous or complex activities;

- Numerous potential applicants with varying degrees of experience; or

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Politics or other community issues require standardized, consistent treatment of all requests for funding.

Advantages to a formal application process are that:

It requires the subrecipients to provide all the information needed (e.g., details on the proposed activity and on the organization's experience and capacity); and

It helps to ensure consistency throughout the evaluation process.

Disadvantages to a formal proposal approach are that:

This type of process tends to favor more experienced subrecipients (i.e., those familiar with the application process);

Staff time to ensure consistency, from the preparation of application packages to the review and evaluation of submissions, may be substantial; and

This approach may limit new activities or new subrecipients to only one chance per year.

2.3.2. Limited Application Process

This approach is similar to the formal application process, but the application is not as detailed and grantees provide more follow-up and "hands on" involvement in the process.

Grantees may review the applications and narrow the number of applications under consideration before requesting additional detailed information from the subrecipient.

This approach may be useful for grantees interested in encouraging the participation of potential subrecipients not familiar with the program or the application process, or when the grantee's program is not complex.

Some of the advantages of the limited application approach include the fact that it is more open and may attract new organizations or new ideas to the program.

On the other hand, this approach shifts the responsibility for determining capacity and experience to the grantee. This, in turn, may require more grantee staff time. In addition, this process may not ensure the consistency and fairness that is more evident in the formal application process.

2.3.3. Solicitation of Applications from Qualified Organizations

Grantees identify potential qualified applicants through an informal process or through a general Request For Qualifications (RFQ).

From the identified group, grantees identify organizations to carry out specific activities and approach the organization about their interest in doing so.

This approach is proactive and is more focused on qualified organizations. Because of this, it may result in less grantee staff time.

However, this approach is much more "closed door" than the previous two and can result in criticism of the grantees selection process. In addition, by focusing on the known, qualified organizations, lesser known, but possibly equally capable organizations may be overlooked.

2.3.4. “Open Door” Or Unsolicited Application Process

This is a “laissez faire” approach to selecting activities and subrecipients. It either encourages or allows consideration of requests for funding at any time during the program year, and may or may not include an actual application.

In reality, unsolicited applications may occur regardless of the type of approach in place in the community. However, if there is another process in place (e.g., formal application), the unsolicited application should be required to meet the requirements of the process already in place. This may mean that the application is held until the next application process is conducted, or the application is evaluated based on the criteria used during the regular application process.

If the grantee uses the open door process as its only means for accepting applications, it must ensure that all applications are treated consistently and that the same types of information are received and reviewed by the grantee.

One of the advantages of this type of process is that it is open and may allow opportunities for grantees to more quickly respond to community needs.

The primary disadvantage of this approach is that it is unplanned. Applications may come in at any time and require crucial staff time and effort to respond.

Another disadvantage to this approach is timing. By not conducting the process at a specific time of year, grantees may commit funds to projects before qualified applications are received. This process tends to result in budget changes and program amendments throughout the year.

2.3.5. Mixed Approach

As mentioned previously, the reality in many communities may be that one application process only is not feasible or does not work given local politics and community needs. In these cases, a variation of any of the above approaches or a mix of the four approaches may be more appropriate.

Grantees should use caution however when mixing very different types of application processes and strive to maintain accountability to applicants and consistent treatment of requests for funds regardless of the process used.

2.3.6. The Application Package

The specific elements of a grantee’s application package will vary based on the type of application process used as well as the grantee’s preferred level of information requested on the applicant organization and project/activity.

In order for an application package to be effective, it should:

- Provide a clear explanation of the grantee’s CDBG program in order for prospective subrecipients to understand what they are applying for, how their proposed project fits into the overall program and what their responsibilities will be;

- Provide detailed information regarding eligible activities and national objectives to eliminate the possibility of applications for ineligible activities;

- Not be so complicated that organizations are discouraged from applying; and

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Require enough information about the organization to permit the grantee to make informed reasonable decisions about the subrecipient's ability to carry out the proposed activity.

2.3.7. General Contents of an Application Package

The general contents of an application package fall into two categories:

1. Information provided to applicants; and
2. Information required from the applicants when their applications are submitted.

Information Provided to Applicants

In order to provide a clear picture to prospective subrecipients of the CDBG program as a whole and the grantee's program in particular, the application package may contain the following elements:

- Summary of funding available (total and, if applicable, by activity type);
- Summary of the grantee's funding priorities (if applicable);
- Current income limits for the program;
- Summary of eligible activities;
- Summary of national objectives;
- Description of the policies and criteria used to determine funding allocations;
- Schedule for determining funding allocations;
- Summary of rules and requirements applicable to CDBG subrecipients;
- Name and telephone number of a contact person for questions; and
- Application deadline and location where applications are to be submitted.

Information Required from Applicants

Types of information required from applicants often includes:

Project summary:

- Need/problem to be addressed;
- Project location;
- Population/area to be served;
- Description of work;
- Proposed budget (including staff and other sources of funding);
- Proposed schedule of work;

Agency information:

- Background and mission;
- Non-profit determination;
- Articles of information/by-laws;

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Personnel; and

Financial information (funding sources, financial statements, audits, etc.).

The amount of information required from applicants under a grantee's CDBG program will vary depending upon the type of application process used.

For example, if a grantee uses the formal application process, this process typically requires applicants to provide all the information needed (e.g., details on the proposed activity and on the organization's experience and capacity).

On the other hand, if using a limited application or open door process, the amount of information required from applicants is typically less. In this case, the grantee either makes decisions based on a lesser amount of information, or it requests the detailed information later in the process.

2.3.8. Evaluating Applications

Grantees should establish criteria for selecting subrecipients and CBDOs and assessing risk. The criteria should be used to determine whether a prospective subrecipient has the necessary systems in place to carry out the proposed project/activity **and** to comply with applicable rules and regulations.

At a minimum, the criteria should include:

Eligibility of the activity under CDBG;

Compliance with a CDBG national objective;

Consistency with the priorities and specific objectives established in the Consolidated Plan;

Prior experience with CDBG and/or other grant programs;

Prior experience in the community;

Prior experience in the type of project/activity being proposed;

Organization's administrative and financial capacity to carry out the proposed activity;
and

Appropriateness of the design of the proposed project or program delivery approach.

In addition to general selection criteria, some grantees perform a risk analysis. This process provides for a way to assess potential risks associated with proposed projects. The analysis can also be used to guide the allocation of training, technical assistance and monitoring resources once activities are funded.