

Grant Funding Allocation Policy

Procedures for Maintaining Effective Annual Action Plans & Handling Slow-Spending Grants in Adherence with Federal and Local Compliance Requirements

Effective Date:

October 10, 2018

Applicable Programs:

CDBG, ESG, HOME, LCAHP

Approved by:

Housing & Community Development Commission

Background

The grant funding administered by Lake County Community Development (LCCD) requires prudent administration and timely spending to meet federal compliance requirements. This *Grant Funding Allocation Policy* streamlines the way funds are both allocated from new funding sources (e.g. program income) and reallocated from slow-spending grants & troubled/canceled projects on a timely and consistent basis. Prior to the effective date of this policy, initial allocations were made in the annual funding process and reallocations/shifts were made on a sporadic basis by Housing & Community Development Commission (HCDC) actions (e.g. Scope Change, Funding Shifts, Action Plan Amendments, etc.).

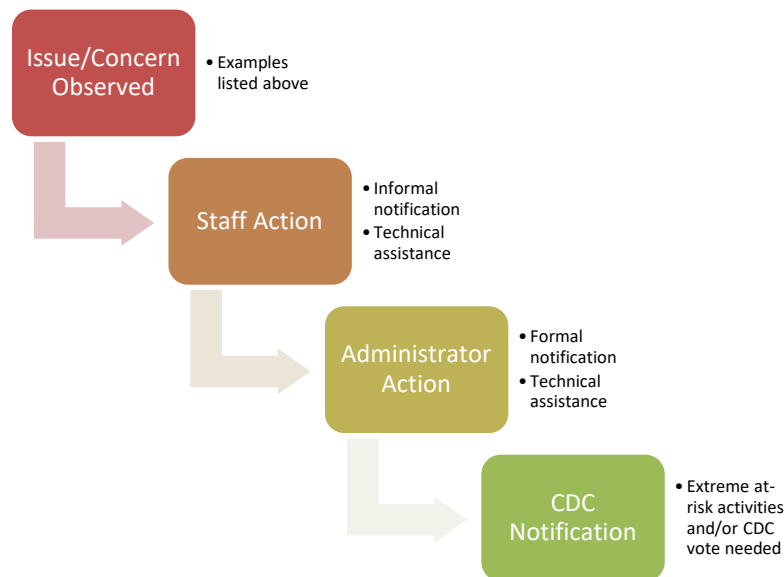
This policy sets the expectation that HCDC be asked to make (re)allocation decisions only three times per year, including the annual application funding round. With the advent of this policy, allocations will continue to occur primarily in the annual application funding process and reallocations will be clustered into replacement projects/programs already approved by Lake County Board (LCB) in order to meet federal spending timeliness requirements. This process must take place as efficiently, predictably and transparently as possible.

Funding Sources

Community Development & Housing Grant funds to be allocated according to this policy are limited to Lake County Affordable Housing Program (AHP) and federal Community Development Block Grant (CDBG), HOME Investment Partnership (HOME) and Emergency Solutions Grant (ESG) – and are derived from three potential sources:

1. **Source #1: Annual grant allocations & program income**
2. **Source #2: Voluntary Reallocation:** If the subrecipient requests a project or scope change, staff will reallocate funds according to the process herein.
3. **Source #3: Involuntary Reallocation:**
 - o As defined in the *Grant Performance Update Policy* (approved July 2014), potential issues with grants that could trigger compliance problems include:
 - Breach of grant agreement / contract
 - Past vouchering of expenses that are not eligible for federal reimbursement
 - Failure to resolve documented compliance problems
 - Failure to initiate project within 12 months of executed grant agreement

- Failure to counter sign and return, fully executed, a County-signed grant agreement within 45 days of County signature
 - Material underperformance
 - Substantial organizational or governance problems for the manager of the project or program, such as resignation by over half of the board members or directors
 - In some instances, issues may arise from County action or the influence of outside circumstances, such as market-driven factors.
- o If the subrecipient does not cooperate with resolving the issues for which the project or program was placed in a Grantee Performance Update, staff will present due cause to the HCDC for it to vote to void previous funding approval and/or grant agreement(s)¹. In the *Grant Performance Update Policy*, the steps are illustrated below:



This graphic was initially established in the *Grant Performance Update Policy*. This *Grant Funding Allocation Policy* details the final HCDC Notification process and resulting re-allocation of funds.

Policy

As mentioned above, the intention of this Policy is to allocate housing & community development grant funds as efficiently, predictably and transparently as possible.

Goals

1. **Goal #1: Efficiency** – This allocation process will take place a maximum of three times per 12-month period, including the annual application process, at HCDC meetings.
2. **Goal #2: Predictability** – After an Annual Action Plan (AAP) for the U.S. Department of Housing & Urban Development (HUD) is created by the HCDC and approved by the Lake County Board, real-world factors may cause project changes, many of which impact the AAP. This *Grant Funding Allocation Policy* is designed to help LCCD meet federal spending timeliness requirements while absorbing project changes resulting from real-world factors such as:

¹ Subject to the terms of the Grant Agreement(s)

- Project award (or lack thereof) of large housing subsidy (i.e. Low Income Housing Tax Credits)
 - Project scheduling problems (e.g. missing the construction season)
 - Project budget adjustments resulting from a number of potential changes including:
 - Final known funding sources and amounts
 - Final approved scope of work
 - Actual contractor bids and final development budget
 - Negotiated factors such as the number of HOME units resulting from a project
3. **Goal #3: Transparency** – Actions taken according to this Policy are ensured transparency with both the public and key stakeholders due to requirements for a public hearing in Lake County’s *Citizen Participation Plan (CPP)*, triggered in the following instances:
- Introducing a project not originally listed in AAP; OR
 - Removing a project from AAP, unless decision to do so is that of the sub-recipient; OR
 - Changing the budget,² location,³ or beneficiaries⁴ of a project by more than the thresholds defined in the CPP and footnoted here.

Changes below the thresholds defined here require neither an Action Plan substantial amendment nor a public hearing per the *Citizen Participation Plan* but will be made public according to the HCDC’s *Grant Performance Update Policy*.

(Re)allocation Protocol

A maximum of three times per year, the HCDC will vote to approve grant (re)allocations that seek to meet federal spending timeliness and compliance requirements while balancing two priorities:

- ❖ **Addressing major community development and housing needs** takes time and the HCDC often selects for Lake County Board (LCB) approval the impactful, major community development & housing projects that may take several years to reach fruition.
- ❖ **Maintaining strong community impact with consistent spending rates** requires steady flows of grant funding to LCB-approved housing & community development projects and programs.

In order to achieve this balance, this Policy establishes several protocols adhering to the above two priorities:

- ❖ **Address major community development and housing needs** by staying the course with approved major housing & community development projects until they are no longer feasible.
 - In anticipation of project attrition, make initial funding commitments to a greater number of major community development & housing projects than can actually be funded. This would be accomplished by making initial commitments at a smaller dollar amount than would be needed in the long-term. (When projects don’t move forward, other previously approved projects may be eligible for an award increase per the “Ongoing” funding recommendation process defined below.)
 - Respond to major project schedule & budget changes with (re)allocation;
 - Budget as many dollars as possible in each annual funding application round so that additional major housing & community development projects can be approved.

² More than 25% change in project budget (Per CPP)

³ Change in project location outside the original census tract block group in which project was located (Per CPP)

⁴ Decrease in number of beneficiaries by more than 25% (Per CPP)

- ❖ **Maintain strong community impact with consistent spending rates by** investing in LCB-approved housing & community development projects and programs that have the capacity and proven ability to spend the additional funds in the next six to nine months with certainty. Going forward, these projects and programs will be approved as “Ongoing” funding recommendations for each funding application round containing CDBG, HOME, ESG or AHP dollars.

As a result of an annual funding round, housing & community development projects/programs can be contained in both the initial AAP and “Ongoing” recommendations. In cases when “Ongoing” project funding recommendations are not available, “Ongoing” programs will be identified with target “ongoing” funding amounts in each funding application round. Eligible programs must have the capacity to spend target amounts of additional grant funds in the next six to nine months and be proven pre-approved housing & community development programs or models such as:

- Owner-occupied rehabilitation housing programs
- Down-payment assistance housing programs
- Community Land Trust housing model
- Small business loan funds
- Rapid rehousing & homelessness prevention

Only when the program has a small backlog of unspent grant funds (less than six months of past spending remaining to be spent) will it be eligible.

Summary

By allocating and reallocating funds according to the protocol described in this policy, LCCD will be able to balance the two priorities listed above in the most efficient, predictable, and transparent way possible.