



Central Arizona Governments

**COMMUNITY DEVELOPMENT BLOCK
GRANT (CDBG)**

**METHOD OF DISTRIBUTION
2023-2025**

Approved by CAG Regional Council
March 29, 2023

COMMUNITY DEVELOPMENT BLOCK GRANTS

METHOD OF DISTRIBUTION (MOD) 2023-2025

I. INTRODUCTION

CDBG REGIONAL ACCOUNT

The CDBG Regional Account (RA) consists of 85 percent of the State of Arizona allocation from Housing and Urban Development (HUD), after set-asides are allocated to administration, technical assistance, and the Colonia set-aside. The remaining 15 percent makes up the State's Special Projects (SSP) allocation. The RA is distributed on a non-competitive basis to all rural cities, towns, and counties in Arizona. The method by which the funds are distributed is determined by the State working in conjunction with each regional Council of Governments (COG). Each COG develops a Method of Distribution (MOD) each year and forwards the MOD to the Arizona Department of Housing (ADOH) for approval. The MOD determines which communities will receive funding each year and how much will be received. At the time of application each community's CDBG application amount must equal the allocation amount. The applications are routed through the COG to ADOH. ADOH will review all applications and make the final award determinations.

To determine the amount of CDBG funding allocated to each COG's sub-account, the State uses a formula based on population and persons in poverty. Specifically, the COG sub-accounts are determined by: 1) multiplying the percentage of the total population of each COG by 30 percent; 2) multiplying the percentage of the total poverty population of each COG by 70 percent; and 3) adding the products of the two. The RA is divided into four sub-accounts, one for each of the non-metropolitan COG areas:

- ♦ Central Arizona Governments (CAG): Gila and Pinal Counties.
- ♦ Northern Arizona Council of Governments (NACOG): Apache, Coconino, Navajo, and Yavapai Counties.
- ♦ SouthEastern Arizona Governments Organization (SEAGO): Cochise, Graham, Greenlee, and Santa Cruz Counties.
- ♦ Western Arizona Council of Governments (WACOG): La Paz, Mohave, and Yuma Counties.

Every three years the COG will recommend their MOD to ADOH for the communities participating within the respective COG region. The MOD will be included in the annual updates of the Consolidated Plan, which is subject to a public participation process. At a regularly scheduled meeting held March 29, 2023 the CAG Regional Council adopted this Method of Distribution (MOD).

CHANGES TO THE MOD

Deviations from rotation schedules whereby communities trade allocations are allowed. **Should any community in the CAG Region wish to discuss trading allocation years or any other substantial revisions to this MOD, they must notify CAG no later than May 1st of the appropriate funding year.** If so requested, CAG will convene a working group meeting consisting of one representative from each community, unless the issues to be raised affect only a particular sub-region. In that case, only representatives from communities within that sub-region will be convened. Each community will be responsible for designating its representative to that (those) meeting(s). Recommendations from said working group will be forwarded to the Administrative Council and Executive Board for approval. **Should any communities applying in the same Fiscal Year wish to "gift" or combine their allotments and designate one community to apply for and administer the "joint" project, they must notify CAG no later than May 1st of the appropriate funding year.**

II. NATIONAL OBJECTIVES

CDBG funds are allocated from the U.S. Department of Housing and Urban Development (HUD) to the State of Arizona's Small Cities Program. The Arizona Department of Housing (ADOH) is the State designated recipient of the funds.

In order to be eligible for funding, grant activities must meet at least one of the three national objectives as authorized by Title I of the Housing and Community Development Act of 1974:

- ◆ Benefit at least 51% of low to moderate income persons;
- ◆ Aid in the prevention or elimination of slum or blight;
- ◆ Resolve an urgent need health hazard.

NON LOW-MODERATE INCOME ACTIVITIES

There is no minimum income criterion for beneficiaries for Slum/Blight or Urgent Need activities. The State cannot invest more than 30% of the state allocation in non-low moderate income activities. If a community wishes to do a non-low-mod activity, it must obtain pre-approval by ADOH. ADOH will "set-aside" the funds on a first come, first serve basis up to the 30% limit.

III. PERFORMANCE MEASUREMENT OBJECTIVES

Additionally, HUD has issued an outcomes performance measurement system. If a project does not fit into one of three overarching objectives, it will not be considered eligible for the state program. The three overarching objectives each have three possible outcomes. The objectives and outcomes are:

- Objective #1. Creating Suitable Living Environments
Outcomes: Availability/Accessibility, or Affordability, or Sustainability

- Objective #2. Providing Decent Affordable Housing
Outcomes: Availability/Accessibility, or Affordability, or Sustainability

- Objective #3. Creating Economic Opportunities
Outcomes: Availability/Accessibility, or Affordability, or Sustainability

Every project must address one of the nine possible outcome/objective statements.

IV. COMPLIANCE WITH PROGRAM REQUIREMENTS

In order to achieve compliance with ADOH Community Development Block Grants requirements, the CAG Method of Distribution incorporates by reference the 2020-2024 Consolidated Plan and amendments, the Annual HUD Action Plans and amendments, the most recent version of the CDBG Application Handbook, and all related federal overlay statutes.

V. REGIONAL PROCESS

ADOH allocates funds to the four rural Councils of Government based on county population and poverty. The formula weights poverty 90% and population 10%.

In the CAG Region, funds are allocated to Gila and Pinal counties. Each member entity participating in CAGs CDBG program is eligible to submit an application. The amount any one community may receive will be determined by the amount of the Regional Account allocation to CAG divided by the number of participating member entities. Thus, the allocation will be equally distributed amongst the participating member entities.

Each local government applicant for CDBG funds will conduct at least one public hearing to receive public input on potential projects, and another public hearing to select the projects being applied for and adopt resolutions. The first hearing may or may not be held at a Council/Board meeting and the second must be held at a Council/Board meeting. CAG staff will, upon invitation, attend the first or both public hearings to ensure that required information is entered into the minutes of the hearing. An activity MUST BE DISCUSSED at a Public Hearing in order to be fundable.

The local Council will review all proposals that are presented at the Public Hearings and will select the activities that best meet the following criteria:

- ◆ The activity meets one of the three national objectives;
- ◆ The activity is do-able for the community during the allowed time period (two years) and for the amount of funds available to the community (including leverage);
- ◆ The activity fits with the overall community development and housing goals of the community;
- ◆ There is a community need that the activity addresses beneficially;
- ◆ Any additional criteria that the community may wish to consider.

VI. APPLICATIONS

APPLICATION PROCESS AND TECHNICAL ASSISTANCE/APPLICATION PREPARATION (TAAP)

Before the CAG Application Deadline:

- a. Technical Assistance (TA) from CAG staff is available and ADOH recommends that this Technical Assistance and Application Preparation (TAAP), be utilized. CAG will collect the TAAP charges directly from the applicant, which can be reimbursed from the grant funds. Each applicant's share of TAAP costs will be negotiated and set in the application budget. At a minimum, \$5,000 should be put in the application's administration budget to cover TA meetings, and preparation and review of the application(s). Should the application not be funded, CAG may recover its TAAP fee from the applicant, who remains the responsible party regardless of the success of their application.
- b. TAAP can range from assistance with public notices and hearings to researching and writing the proposed application on behalf of the community before the submittal deadline. The amount of direct TAAP assistance is determined by the applicant and should be negotiated with CAG very early in the process. In accordance with State policy, CAG will attend and assist with any mandatory TA meetings/workshops set by the State during the pre-application review process. **It is recommended that immediately after the applicant's first public hearing, the applicant discuss with CAG all potential projects** brought up at the hearings for review of information that would affect the eligibility of the proposed activities (e.g., meeting a National Objective, amount of leveraging, or number of beneficiaries) because such information cannot be changed after the CAG submission deadline. Additionally, any ineligible or potentially un-fundable projects brought up at the hearing should not be considered by the applicant's Council/Board nor presented to the State as potential projects. CAG will assist all applicants throughout the application process to avoid non-fundable applications to the greatest extent possible.
- c. Additionally, immediately after this initial consultation with CAG, Councils/ Boards should meet to decide which most likely project(s) staff should begin planning and completing any required surveys to determine eligibility. Final selection of a project(s) will need to be advertised and appropriate Resolutions passed.
- d. The applicant should then hold their last hearing to adopt all appropriate Council resolutions.
- e. TAAP then continues with CAG's formal review of the application submitted to it by August 1. That will allow time before the applications are due to ADOH on September 1 for any additional changes to the application. Please refer to the enclosed CAG CDBG Program Calendar for further guidance regarding the application timeline.

APPLICATION SUBMITTAL

All applications must follow the ADOH CDBG Application Handbook instructions. For the application to be eligible for review by ADOH it must be complete, and all attachments must be included. Attachments will vary depending on the activities selected. CAG will assist each community throughout the application process as needed. All items can be emailed to CAG except for the signed certifications and Disclosure Report.

CDBG APPLICATION ROUTING THROUGH COG

All regional CDBG applications must be routed through the COG for review. The COG will review each application for completeness, notify each community of their findings and assist the community with rectifying any application deficiencies. The responsibility to correct deficiencies lies with the community unless the COG is under contract to provide this service to the community. COGs have no discretion to reject applications and must forward all applications to the State. Only those communities identified as eligible to receive funding in the current year MOD may submit an application, therefore, backup applications will not be accepted from other communities, nor will any rating or ranking or similar comparative analysis be necessary. Each COG establishes its own application procedures and submission deadline.

COMPLIANCE WITH STATE PROGRAM REQUIREMENTS

In compliance with state requirements, CAG hereby incorporates into the MOD all state-mandated provisions identified in the State's Consolidated Plan, Annual Updates, the most recent CDBG Application Handbook and all related federal overlay statutes.

Prior to being recommended to the State for funding, each application will be reviewed by CAG staff to ensure that it meets at least one of the three national program objectives:

- a. Project benefits low-/moderate-income persons, who shall comprise at least 51 percent of the population served.
- b. Project aids in the prevention or elimination of slum or blight (*see note*).
- c. Project meets a need having a particular urgency, or which poses a serious and immediate threat to the health and/or welfare of the community (*see note*).

NOTE: According to federal regulations, only up to 30 percent of the total state of Arizona CDBG allocation may be applied to the cumulative total of both Slum and Blight, and Urgent Need projects. A community must notify ADOH in writing, of its intention to apply for Slum and Blight or Urgent Need funding. Allocation of funds will be prioritized on a first-come, first-served basis, based on the date of receipt of the letter of intent by ADOH. Please provide a copy of any letter of intent to CAG. Special procedures are required by law in the Arizona Revised Statutes to declare a slum and blight redevelopment area.

Additionally, requests for public service funds are limited to not more than 15 percent of the total CDBG allocation and are funded on a first-notified (to ADOH), first-funded basis as above.

SUBMITTING THE APPLICATION TO CAG

All eligible applicants must submit a full and complete original CDBG application in conformance with the State's Application Handbook instructions.

Applications should not be page numbered, to accommodate any changes recommended after CAG review. Applications must be **RECEIVED by CAG, 2540 W. Apache Trail Suite 108, Apache Junction, AZ 85120 or emailed to Angela Gotto at agotto@cagaz.org by 4:00 p.m., August 1.** Applications forwarded by U.S. mail should be sent Return Receipt Requested and must be mailed in time to be received before this deadline; all applications that are hand-carried to the CAG office will be received by CAG.

VII. ADOH - COMMUNITY CONTRACTS

All successful applicants will sign a Contract with ADOH. By signing the contract, the local government is stating that it will take full responsibility for the performance of the contract in accordance with all applicable federal and state guidelines. The applicant is solely responsible for correcting any deficiencies, expenditure disallowances, or sanctions relating to the grant. More specifically, any repayments required by ADOH are the sole responsibility of the local government and not future CAG allocations, unless it is out of its own future CDBG.

VIII. FUNDS AVAILABILITY AND ALLOCATIONS

The CAG Regional Account is estimated at **\$720,831** based on the FY 2022 Funding. The actual funding levels may not be available until March of the funding year or later.

ESTIMATED FUNDING LEVELS

FY 23	FY 24	FY 25	Approximate Annual Allocations
3 Year Partnership			
Superior	Globe	Miami	\$196,590
Winkelman	Hayden	Kearny	\$196,590
2 Year Partnership			
Star Valley	Payson	Star Valley	\$131,060
Gila County	Apache Junction	Gila County	\$131,060
Single Allocation			
Coolidge	Coolidge	Coolidge	\$65,530

Requests for administrative funds are limited to not more than eighteen percent (18%) aggregate of each applicant’s total application amount. Requests for public service funds are limited to not more than 15 percent (15%) of the total CDBG allocation and are funded on a first-notified (to ADOH), first-funded basis.

IX. CAG DOCUMENTATION

CAG will document that the procedures included in the Method of Distribution have been followed and that all communities were notified of this document.

X. RECAPTURED AND DE-OBLIGATED FUNDS

Recapture is the action of removing funds from a contract due to one of the following two types of circumstances:

1. Recapture for Non-compliance. ADOH determines that CDBG funds were not used in compliance with the contract between ADOH and the recipient or in compliance with federal regulations.
2. Recapture for Non-performance. The recipient fails to perform according to the performance criteria outlined in the contract scope of work, the contract schedule, and/or the performance criteria outlined in the text of the contract with ADOH.
3. Funds may also be returned to ADOH for use in the State Special Projects Competitive Application round.

Recaptured funds will be returned to ADOH to be redistributed through the State Special Projects account to the applicant next in line for funding.

De-obligation is the action of removing funds from a contract due to one of the following:

1. The scope of work is completed using less CDBG funds than anticipated and leaving an unexpended balance.

2. The original allocation was a loan and the loan was paid back.
3. An activity was changed or cancelled (for reasons other than performance) resulting in excess funding.
4. Program income is received that is not programmed for use.

The State will distribute any recaptured funds, de-obligated funds, disallowed costs from prior contracts, and program income (PI) not retained by grantees. These funds will be distributed as follows:

ADOH may reallocate de-obligated funds to the same community from which it was de-obligated to an existing or new contract of the same funding year based on the following criteria: 1) performance of the contract from which the funds were de-obligated; and 2) ability to commit de-obligated funds to another project that can immediately use the funds provided the new funds can be committed through a new contract or an amended contract within 60 days.

De-obligated funds can also be returned to ADOH for use in the State Special Projects Competitive Application round.

XI. MULTI-JURISDICTIONAL APPLICATIONS

Multi-jurisdictional applications are allowed. There will need to be an Intergovernmental Agreement between the two entities and both will need to have met the performance and public participation requirements.

XII. CAG APPLICATION ASSISTANCE AND PROFESSIONAL SERVICES AGREEMENT

CAG contracts with communities needing technical assistance, application preparation and review (TAAP), and/or project administration (Appendix A). Each applicant authorizes payment by including a CDBG budget line item in their application. Communities requiring additional assistance or project administration, such as with a special income survey, labor standards, or environmental review record, will be charged based on the amount of assistance provided, which will be estimated using the \$90 per hour consulting rate previously approved by the CAG Regional Council. These services will be contracted through a Professional Services Agreement.

XIII. CAG NOTICE OF APPLICATION AND PARTNERING INTENT

All communities shall submit to CAG a Notice of Application and Partnering Intent (NOI) to apply for the current fiscal year's funds. The Notice of Application and Partnering Intent will help direct the CAG staff to those entities that will require application assistance and will also assist in assessing the workload and the number of entities applying for funds. It is not necessary for a community to be specific in the Notice of Application and Partnering Intent, only to state whether or not they plan on submitting an application and if they are partnering with other communities in the current funding cycle. FY 2023 Regional Account Letters of Intent and Non-Intent should be received by CAG no later than 5:00 pm on May 1, 2023. CAG will notify all communities of the Regional Account allocation one week after the Arizona Department of Housing receives notification, in order to assist the communities in determining the nature of the activity(ies) for which they will apply.

PARTNERING

Communities have the option to switch funding years with another community (i.e. "partner-up"). If a community wishes to skip a year or is interested in receiving a double funding round, it is the responsibility of the community to "partner-up" with another community. Both communities need to understand the risk of possible increases or decreases in funding in the future before submitting a Letter of Intent. Deviations from rotation schedules whereby communities trade allocations is allowed but must be accomplished prior to **May 1st**.

When submitting a Letter of Intent (due date May 1st see above reference), communities must state whether they are

submitting for a single funding round or are choosing to “partner-up.” If a community “partners-up,” they must state which community is their partner, which community will receive funding in the current fiscal year and which community has or will receive funding in the previous or next fiscal year, and that the entities understand possible changes in State policy and funding in the future. This Letter of Intent will be kept on file and will be valid for two years (i.e. a community cannot decide in their ‘off year’ that they want to apply again).

XIV. STATE OF ARIZONA DEPARTMENT OF HOUSING REQUIREMENTS

All applicants will also comply with the requirements of the Arizona Department of Housing (ADOH). The ADOH issues an application handbook and administrative and implementation guidelines. The ADOH is ultimately responsible for fulfilling the state’s commitments to U.S. Housing and Urban Development and will monitor all projects.

More information on ADOH CDBG program requirements can be found at the ADOH website: <https://housing.az.gov/>

REGIONAL ACCOUNT SCHEDULE

This schedule will meet the CDBG obligations and reflects the final dates for the activities listed; however, individual communities may have an earlier deadline to meet its needs.

March (every 3 years)	CAG Regional Council approves Method of Distribution
April 30	Letter of Intent for Urgent Need or Slum and Blight Activities due to CAG
May 1	Notice of Application and Partnering Intent due to CAG
May	Begin Public Participation process
August 1	Regional Account Applications due to CAG for review
September 1	CAG will submit Applications to ADOH for funding

APPENDIX A

CAG APPLICATION ASSISTANCE

CAG will provide technical assistance and application review during the process. The types of activities that CAG can provide include, but are not limited to:

- o Application forms review with ADOH;
- o Assistance with development and review of schedules;
- o Assistance with development and review of Public Participation activities;
- o Assistance with Public Hearings;
- o Assistance with review of forms before submittal;
- o Assistance with determination of project eligibility;
- o Assistance with preparation of Public Notices and PSA's;
- o Assistance with Resolution preparation;
- o Assistance with Special Surveys;
- o Review of applications for completeness and compliance before submittal to ADOH;
- o Adjustments to applications based on reviews;
- o Assuring submission of applications to ADOH;
- o Assistance with any application changes requested by ADOH;
- o Technical Assistance on various matters; ex: cost estimates, data identification and collection.

For budgeting purposes, communities may budget up to 18% of their grant for total administration. Charges of developing the application may be charged to the grant when it is received as long as those amounts are documented.

NOTE: Communities may contract for overall grant administration and implementation. Under federal and state rulings, communities may contract with CAG without the RFP process if they wish to contract out any or all grant administration functions.