



CITY OF MCKINNEY COMMUNITY DEVELOPMENT BLOCK GRANT GENERAL APPLICATION INSTRUCTIONS & GUIDEBOOK 2016-2017 FUNDING

The Community Development Block Grant (CDBG) is a grant provided by the U.S. Department of Housing and Urban Development (HUD). The CDBG program is a flexible program that allows the City of McKinney to leverage local resources toward community development projects and activities, under the priorities of the Consolidated Plan. Funds awarded under this grant are subject to federal program regulations 24 CFR Part 570. For more information on CDBG programs and HUD regulations, please visit HUD's website at www.hud.gov.

- **Application Training:** Organizations and interested persons must attend the pre-application workshop on Wednesday, March 16, 2016 at 2 p.m. (*Council Chambers, 222 N. Tennessee Street, McKinney, TX 75069.*) We require a representative to attend the session in order to apply for funding.
- Technical assistance will be available for applicants until April 8, 2016 at 4:00 p.m. Please call the Housing & Community Development Department at 972-547-7572.
- **Applications must be received by the Housing & Community Development Department, no later than 4:00 p.m. on Monday, April 11, 2016.** For proposals, organizations may submit a maximum of TWO (2) separate program funding requests. Applications must be complete at the time of submission. Incomplete applications may prevent consideration of your request. Late submissions will not be accepted.
- Proposals may be submitted by mail or delivered in person. Please submit one printed copy of the original application packet, and a scanned copy of the entire original application on a flash drive.

Physical Delivery and Mailing Address for Applications

Shirletta Best, Community Services Administrator
City of McKinney
Housing & Community Development Department
314 S. Chestnut Street, Suite 101
McKinney, TX 75069

REVIEW PROCESS

The City invites organizations with eligible program to apply for CDBG funding for the program year, October 1, 2016 to September 30, 2017. Organizations must demonstrate capacity to meet program requirements, program needs, priorities and objects identified in the Consolidated Plan. Before application submittal, organizations are encouraged to review the guidelines and instructions carefully.

Review all items, calculations and other items for completeness. Inaccuracies, omissions and use of other forms or instructions from previous CDBG applications may be grounds for rejection.

The review process begins with the pre-application meeting, submittal, review by City staff, review and Public Hearings by the Community Grants Advisory Commission (CGAC), recommendations by the CGAC, a 30-day public comment period for public input, City Council review and approval (Public Hearing) and HUD review and final approval.

- 1) Staff reviews content to verify submitted items and determines if proposed activity or location is an eligible use of HUD funds, as determined by regulations and programs. In cases where there is uncertainty to proposal eligibility, the City's HUD representative will be consulted for a decision. Staff will evaluate proposals based on information in the application and prepare for Commission review.
- 2) The CGAC will hold public hearings and evaluate the content of the proposals, determine the need, and ensure services are not provided to another entity in full duplication. The Commission will provide funding recommendations to City Council. The CGAC will not request missing information.
- 3) Recommendations and City programs are developed in a document known as the Annual Action Plan. Citizen input is obtained through the public hearing processes and a 30-day public comment period. Also, notices are published in local papers in advance of hearings, providing dates, times and proposed activities. The City Council holds a public hearing and approves the Annual Action Plan submittal by resolution following the 30-day public comment period. Applicant agencies will be notified in writing regarding funding approval. The Plan is forwarded to HUD for review and final approval.
- 4) If citizens are unable to attend public hearings, they may forward comments in writing:

City of McKinney
Housing & Community Development Department
Attn: Community Services Administrator
222 N. Tennessee Street, P.O. Box 517
McKinney, TX 75070
sbest@mckinneytexas.org

GENERAL INFORMATION

Eligible Organizations

Organizations that deliver services to low-to-moderate income clients within the City of McKinney may apply for CDBG funding through the City's Housing and Community Development Department. Before making application to apply, organizations must be:

- A. Public or private non-profit, tax-exempt organization or local government entity;
- B. In good standing with the State of Texas, and must have an active Board of Directors
- C. Compliant with IRS section 501 (c)(3) requirements;
- D. Agency programs must be in operation a minimum of three (3) years prior to the application deadline; and
- E. Property taxes and other debts to the City of McKinney must be paid up-to-date.

Application

Organizations applying for CDBG funding for public services, acquisition, housing or job creation activities must complete the City's application and include applicable documentation requested. Please review the application instructions carefully and complete all sections relevant to your activity. Incomplete applications will not be considered for funding. Applicants must attend the pre-application meeting and technical assistance will be available prior to submittal. The minimum proposal must be for \$ 5,000 to be considered. **Past funding approval does not guarantee continued funding under a new grant year.**

Brevity and clarity on the application are appreciated. For written submittals, the original should be unbound, on white paper, in a loose leaf format, printed on one side only. No tables. On all formats (electronic and written), pages should be numbered. Do not submit more than requested information.

Within the proposed program, activity or facility must:

- Provide services that benefit primarily low-to-moderate income persons or households with the city limits of McKinney;
- In the case of Public Facilities, be located in a low-to-moderate income Census Block;
- Must meet at least one of the Consolidated Plan Objectives; and must meet a HUD National Objective.

Financial Viability

City of McKinney funds are provided to awarded programs, projects or activities on a reimbursement basis only, meaning that funding will be available to the organization after it has paid for eligible activity costs and provided acceptable source documentation as such. No costs incurred prior to the grant agreement approval may be reimbursed. Organizations must be able to demonstrate existing and consistent cash flow; have separation of duties for personnel time allocations and responsibilities and be able to operate for 90 days or more pending reimbursement without hardship. Current awarded agencies must be in good standing with the City (no outstanding financial penalties, outstanding monitoring findings, outstanding reporting items, etc.) to be considered for funding. Organizations that do not have the financial capacity to provide the costs of their program until reimbursements are made are strongly encouraged to partner with organizations that can assist with bridging the funding gap.

Funding Disbursements

For disbursements, the City will provide reimbursement, based on the timeline within grant agreement, specific approved award, and review of payment proof prior to reimbursement request and required source documentation.

Religious Organizations

Organizations must meet conditions outlined in federal regulations at 24 CFR Part 570.200(j). An organization that participates in the CDBG program shall not, in providing program assistance, discriminate against a program beneficiary or prospective program beneficiary on the basis of religion or religious beliefs and may not engage in inherently religious activities, such as worship, religious instruction or proselytizing as part of the programs or services funded under this part.

If an organization conducts these activities, they can favorably do so, but they must be offered separately, in time or location, from the programs funded or leveraged by CDBG. Participation must also be voluntary for the beneficiaries of the HUD-funded programs. Faith-based organizations may receive HUD funds to acquire, rehabilitate, or repair buildings or other real property, so long as the funds only pay the percentage of the total cost attributable to HUD activities. However, HUD funds may not be used to acquire or improve sanctuaries, chapels, and other rooms that a HUD-funded congregation uses as its principal place of worship.

Matched Funding Requirements

CDBG regulations do not require matching funds. However, funding is limited and may not support 100 percent of any program. The City of McKinney highly recommends organizations provide leveraged funding sources. Types of sources may include contributions from non-federal sources and the value of third party in-kind contributions (i.e. volunteers, personnel, materials, office or program space, equipment, and supplies.)

City Funded Programs

The City of McKinney will not award CDBG funds to the same program of an organization currently receiving other city funds within the same program year.

Timely Expenditures

Reimbursements and timely expenditures are to be conducted monthly for subrecipients. Organizations will be expected to expend 100% of CDBG funds granted no later than two weeks before the end of the program year ending September 30, 2016 as listed in the grant agreement. Organizations applying for public facilities or economic development funds are expected to have secured full financing when the project is ready to begin programming.

Readiness means that all funding has been secured, or will be available within 120 days and the project shall be underway. Examples include:

Purchase offer has been accepted or can be made as soon as funds can be encumbered; Bidding completed using relevant prevailing wages for labor costs and construction can proceed when funds are encumbered; design phase completed and ready to begin a bid process. All funds allocated to projects and programs that are not expended by September 30 of the program year will be reprogrammed under future grant programs to city CDBG programs.

Insurance

If awarded, the organization shall procure and maintain insurance for the duration of the Grant Agreement. Insurance against claims for injuries to persons or damages to property which may arise from or in connection with the services performed or to be performed hereunder by the Agency, its agents, representatives, employees, volunteers, officers, directors, or subcontractors. A copy of your current insurance ACORD form must be provided with the application. NOTE: Applicants without an ACORD must provide a written statement to indicate financial ability to obtain insurance.

CONFLICT OF INTEREST

The federal standards listed in OMB A-110, Subpart C, provide that no employee, officer, or agent shall participate in the selection, award, or administration of a contract supported by Federal funds, if a real or perceived conflict of interest would be involved. Such a conflict would arise when an employee, officer, agent, any member of his or her immediate family, his or her partner, or an organization which employs, or is about to employ any of the parties indicated in the contract, has a financial or other interest in the organization selected for award.

Specifically to the CDBG program, pursuant to Title 24, 570.611 of the Code of Federal Regulations, no persons who exercise any functions or responsibilities with respect to HUD-funded activities, or who are in a position to participate in the decision making process, or gain inside information with regard to such activities, may obtain a financial interest or benefit from a HUD-funded activity, or have a financial interest, including compensation, in any contract, subcontract or agreement with respect to a HUD-funded activity, or with respect to the proceeds of a HUD-funded activity, either for themselves or those whom they have business or immediate family ties, during their tenure or for one year after. Also in the procurement of supplies, equipment, construction, and services by recipients and by subrecipients, the conflict of interest provisions in 2 CFR 200.317 and 200.318 shall apply. Conflicts of Interest are identified in two ways: applicant identification per application, and self-disclosure by an elected or appointed official on the public disclosure form and in public hearings. Applicant organization will be required to sign a pre-Conflict of Interest form with the application. Organizations receiving funding executed under grant agreement will be subject to federal, city, and state conflict of interest requirements. City staff, officers, and the Community Grants Advisory Commission are also subject to requirements.

All applicants must complete the Conflict of Interest form. Carefully consider whether any activity may give rise to an improper conflict of interest situation. Conflict of interest situations that are not properly addressed can result in a loss of CDBG funding to the program and/or to the City, and in some cases can result in civil or criminal liability. Organizations requesting CDBG funding should take into consideration questions, including:

Are any of my employees or board members?

- A City employee or consultant who exercises CDBG-related functions as part of their City position?
- A member of the Community Grants Advisory Commission that will participate in the City's CDBG selection process?
- A City Council member?

Are any immediate family members or business associates of my employees or board members?

- A City employee or consultant who exercises CDBG-related functions as part of their City position?
- A member of the Community Grants Advisory Commission that will participate in the City's CDBG selection process?
- A City Council member?

Do I know if any of my employees or board members receive a financial interest or benefit from CDBG funds (other than employee salaries or personnel benefits)? Will any immediate family members or business associates of my employees or board members receive a financial interest or benefit from CDBG funds (other than employee salaries or personnel benefits)?

To my knowledge, will my agency's program or project have a financial effect on a City official or employee who exercises CDBG-related functions, or an immediate family member or business associate of such person? For example, will any of these persons be receiving rental payments, other business income, or program services from the agency's program?

Or, for example, do any of these persons own real property near the program or project site, and is it likely that my program or project will have an effect on any neighboring real property values?

If you can answer "yes" to any of these questions, there may be a conflict of interest, real or apparent.

DECISION-MAKING CRITERIA

Under HUD statutory law, the City will use up to 15% percent of the overall grant allocation will be awarded for public services funding to agencies, and 20% for grant administration. The remaining 65% of the allocation is used to fund the City's CDBG Housing Rehabilitation program, CDBG Economic Development program and other eligible programs.

CDBG eligible proposals will be evaluated on items including:

- Application Completeness
- Eligibility Requirements; Organization Capacity to Carry Out the Project, Relevant Experience
- Community Need for Services
- Assessment of Risk (2 CFR Part 200), including workshop attendance
- Project Activity within Meeting Consolidated Plan Goals
- Statement of Work and Service Plan
- Financial Management, Budget Plan and Narrative (Cost Effectiveness)
- Past Experience and Compliance may be considered, as applicable

The City Council makes the decision regarding program funding, under the CDBG Annual Action Plan. The Plan is submitted to HUD annual in August for review and final approval. The City will execute funding grant agreements with each awarded organization.

The Application Proposal does not commit the City to award a contract for any costs incurred in the preparation of this proposal. If the approved funding level is different that stated on the proposed budget, revised budget and objectives must be submitted before a grant agreement is executed. The Community Grant Advisory Commission reserves the right to recommend funding of a proposal by limit or in its entirety, subject to deliberations.

PLANNING SCHEDULE

The following schedule is anticipated; meetings may be rescheduled with notice due to poor weather conditions. Applicants will be directly notified of the schedule and any changes. Notices will be available on the City of McKinney's website. All locations are accessible to persons with disabilities.

Accommodations and modifications for people with disabilities are available upon request. Requests should be made as far in advance as possible, but no less than 48 hours prior to the meeting. Call 972-547-2694 or email contact-adacompliance@mckinneytexas.org with questions or for accommodations. In accordance with the requirements of Title II of the Americans with Disabilities Act of 1990, the City of McKinney will not discriminate against qualified individuals with disabilities on the basis of disability in the city's services, programs, or activities.

Date	Action Steps
February 28	Grant Announcement (Email, Press Release, Legal Notice)
March 16	Mandatory Pre-Application Meeting at 2:00 p.m. Council Chambers
April 8	Last day to receive technical assistance by staff prior to submission.
April 11	CDBG APPLICATION DEADLINE By 4:00 p.m. No submissions after 4:00 pm.
April 12-18	Application Review and Preparation (City Staff)
May 11, 12	CDBG PUBLIC HEARINGS City Hall, Council Chambers, 222 N. Tennessee Begins at 6:30 p.m. each night
June 15	Community Grants Advisory Council Deliberations
June 17	NOTIFICATIONS OF FUNDING RECOMMENDATIONS TO SUB-RECIPIENTS
June 19 -July 20	PUBLIC COMMENT PERIOD
August 1	City Council Public Hearing City Hall, Council Chambers, 222 N. Tennessee Annual Action Plan: CDBG Recommendations for Council Approval
August 25	REQUIRED SUBRECIPIENT GRANT TRAINING LOCATION - TBA
September	Council Approves entire City Budget
Oct. 1, 2016- Sept. 30, 2017	PROGRAM IMPLEMENTATION Staff will oversee grant implementation, payments and monitoring

PROGRAM GENERAL GUIDELINES

CDBG FUNDING CATEGORIES

In all activities for consideration, it is encouraged to contact staff as a resource to ensure the activity is subject to eligibility. Applications for request generally include areas under:

- ✚ **Public Services:** Activities that provide direct service for low to moderate income persons or households. There is a requirement for LMI beneficiaries to make written application and intake for the services and to be determined to be eligible through an income verification process. Activities including but not limited to: health services, counseling, education, crime prevention, training, employment, homelessness activities, including prevention, child care, and mental health.
- ✚ **Housing Services:** Projects and activities funded must be planned in order to minimize displacement of residents. The City's Housing Rehabilitation Program and Acquisition would fall under these categories.
- ✚ **Public Facilities**
 - Activities that involve public facilities and improvements are eligible, if they meet any one of the following:
 - Provide public facility improvements in a LMI census tract;
 - Provide services exclusively to a majority of low income/or special needs populations;
 - Provide facilities such as facilities for persons with disabilities and removal of architectural barriers, where services are provided to a majority of low income persons.

*A public facility is defined as a structure that's owned or operated by a public or not-for-profit entity and used primarily as the site for service delivery to LMI persons, persons with disabilities or the elderly. **Activity will require additional consultation with city staff.***

- ✚ **Non-Housing Community Development, Planning:** Activities under this category may include microenterprises, job creation/non-public service or commercial rehabilitation, CDBG Economic Development or planning activities such as capacity building, engineering services. ***This category will require additional consultation with staff.***

NATIONAL OBJECTIVES

All CDBG funded activities **MUST** meet -at minimum- one National Objective.

Objective 1:

Funded activities must primarily benefit low and moderate income persons. This includes Area benefit activities (LMA); Limited clientele activities (LMC), Housing activities (LMH); Job creation/retention activities (LMJ). At minimum **51%** of clients served must benefit low and moderate income. Low and moderate income is defined by the Dallas Metropolitan Statistical Area guidelines established by HUD, and revised annually. Each agency/organization receiving CDBG funds will be required to **obtain written proof of income for each person or household assisted**, to determine their eligibility. In this instance, the City is looking for verification of a minimum of 51 percent of the beneficiaries who are receiving direct benefit are low-income. Income certification forms are required in each clientele file with supporting documentation. The only exception is *Presumed Benefit*.

HUD allows a *“Presumed Benefit”* definition as certain groups are presumed by HUD to be principally low-income. These groups include: abused children, battered spouses, elderly persons (**62 and older**), severely handicapped adults, homeless persons, illiterate persons living with AIDS and migrant farm workers. In this instance, proof of income is not required in the file, but other sources are and the file must indicate the Presumed Benefit designation. If your program predominately serves this type of clientele, the program would be under Presumed Benefit status:

GROUP	INCOME LEVEL (Area Median Income)
Abused Children	Extremely Low Income (30% AMI)
Battered Spouses	Low Income (50% AMI)
Severely Disabled Adults	Low Income (50% AMI)
Homeless Persons	Extremely Low Income (30% AMI)
Illiterate Adults	Low Income (50% AMI)
Persons with AIDS	Low Income (50% AMI)
Migrant Farm Workers	Low Income (50% AMI)
Elderly	If assistance is to acquire, construct, convert, and/or rehabilitate a Senior Center or to pay for providing center-based Senior services, report the beneficiaries as Moderate Income (80% AMI). If assistance is for other services (not center-based), report the beneficiaries as Low Income (50% AMI)

Objective 2:

- Activities must aid in the prevention or elimination of slums or blight, either on an area basis or on a spot basis. The slum or blighted area must be so designated by the City. Activity needed to complete spot basis (SBS).

Objective 3:

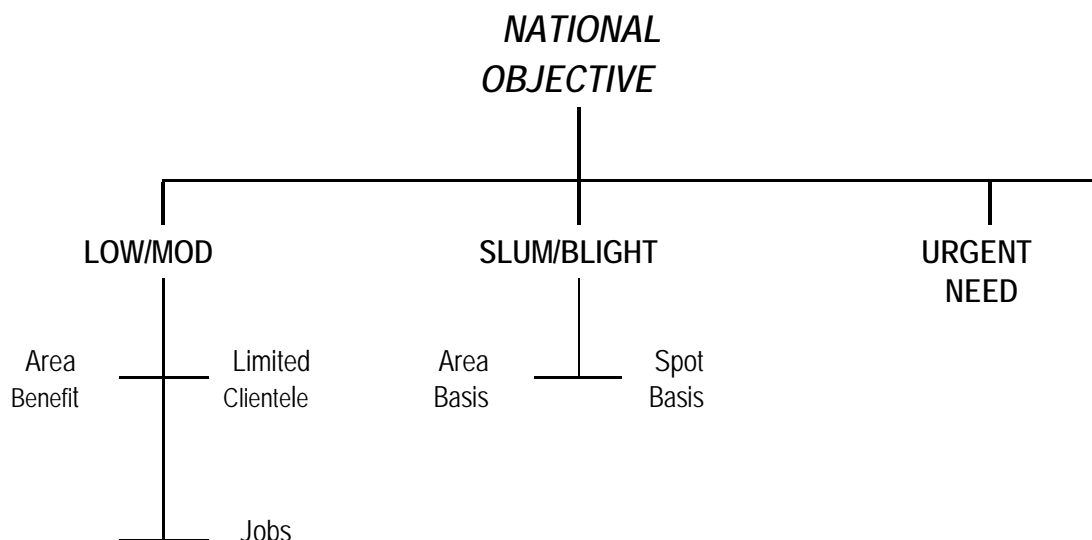
- Address community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community for which other funding is not available. This is generally associated with disaster conditions.

Benefit Criteria

Overall, activities must primarily benefit McKinney resident low-to-moderate income persons.

Benefit criteria may be used for participants citywide under limited clientele income eligibility for most public services and housing. to participants within specific census tracts (Area eligibility) for activities such as vacant lot acquisition, commercial façade improvements.

The following exhibit depicts the different categories associated with each of the national objectives.



When considering area activities, impact must be under census tracts 309, 308, 307 and 306 as identified under the consolidated plan. Census Data is used to help establish the program/project Service Area. When describing the proposed activity in the application, for example, please enter the census tract(s) and block group(s) and the number of people served in each. List the individual block groups unless all the block group in a census tract are part of the Service Area. *Contact the Administrator for assistance.*

		(A)	(B)
Census Track #	Block Group #	Total Persons in Census Track and/or Block Group	# of Low /Moderate Income Persons in
Total		(A)	(B)

Calculate: Divide (B) by (A) and enter the percentage of low and moderate income persons the project expects to serve ____%.

LIMITED INCOME LIMITS FOR FUNDED ACTIVITIES

CDBG funds administered by the City of McKinney are to be used to benefit low-to-moderate income persons and households, as defined by HUD. Low to moderate income is defined as earning 80 percent or less of the median family income (MFI). The Median Income limit in Collin County is \$ 70,400. Collin County is a part of the Dallas, TX HUD metro Fair Market Rent Area. The table below indicates incomes that range from Extremely Low to Low Income. The table below indicates current income limits, per HUD which are subject to change yearly. The City of McKinney requires all CDBG funded programs for income calculations to meet Part 5 qualifications.

Collin County, TX Income Limits: *Example* – With a client household size of three, at a maximum household income of \$18,350 the family would be listed as extremely low income, 30% income range.

FY 2015 Income Limits Summary (per HUD as of 3.6.2015)								
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
30% Extremely Low	\$14,800	\$16,900	\$20,090	\$24,250	\$28,410	\$32,570	\$36,730	\$40,890
50% Very Low	\$24,650	\$28,200	\$31,700	\$35,200	\$38,050	\$40,850	\$43,650	\$46,500
80% Low/Moderate	\$39,450	\$43,450	\$45,050	\$56,300	\$60,850	\$65,350	\$69,850	\$74,350

CDBG ELIGIBLE ACTIVITIES

The following activities listed below may be funded by the Community Development Block Grant (CDBG). Eligible activities must meet at least one National Objective.

1. Acquisition of real property in whole or in part by public or private nonprofit agencies by purchase, long-term (15+ years) lease, or otherwise. A minimum five-year forgivable lien for the amount of the purchase is required. Acquisition which would result in the relocation of an existing business or resident will NOT normally be funded. **Agencies will be required to discuss this with City staff before submitting your application.**
2. Disposition, through sale, lease, donation, or otherwise, of any real property acquired with CDBG funds, with the proceeds from such disposition to be returned to the City of McKinney.
3. Acquisition, construction, reconstruction, rehabilitation, or installation of public facilities and improvements, including homeless shelters, convalescent homes, hospitals, nursing homes, battered spouse shelters, halfway houses, and group homes for mentally retarded persons. These projects are subject to the enforcement of the labor standards provisions of the *Davis-Bacon Act*, the *Copeland Act*, and the *Contract Work Hours and Safety Standards Act*.

As such, all construction projects will be required to comply with these provisions, which include the payment of applicable federal wage rate with benefits; compliance with overtime pay requirements, and contractor and subcontractor eligibility requirements. On the projects in which contractors and subcontractors that are on the federal debarred list are ineligible to participate. Lead Based Paint regulations and state regulations will also be subjects to compliance. In addition, projects will also be subject to the bidding and procurement requirements of 24 CFR Part 85.

4. Clearance, demolition, and removal of buildings and improvements, including movement of structures to other sites.
5. Provision of public services (*including labor, supplies, and materials*) which are directed toward improving the community's public services and facilities, including but not limited to those concerned with employment, crime prevention, child care, health, drug abuse, education, fair housing counseling, energy conservation, welfare, or recreational needs.

In order to be eligible, a public service must be either a new service, or a quantifiable increase in the level of a service above that which has been funded by the City of McKinney during the previous 12 months. Emergency Financial/Subsistence Assistance cannot exceed three (3) months per client. The total amount of CDBG funds used for public services may not exceed 15 percent of the total CDBG grant.

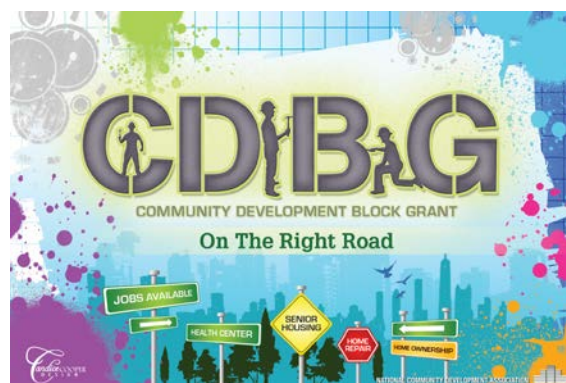
6. Removal of material and architectural barriers which restrict the mobility and accessibility of elderly or handicapped persons to publicly owned and privately owned buildings, facilities, and improvements.
7. Rehabilitation of privately and publicly owned buildings and improvements for residential purposes. If the rehabilitation will disturb or paint over existing paint, costly lead-paint abatement may be required. **Please discuss this with City staff before submitting your application.**
8. Rehabilitation of publicly or privately owned commercial or industrial buildings, except that the rehabilitation of such buildings owned by a private for-profit business is limited to improvements to the exterior of the building and the correction of code violations.
9. Improvements to buildings to increase energy efficiency.
10. Rehabilitation, preservation, or restoration of historic properties.
11. Provision of credit, technical assistance, and general support (*including peer support programs, counseling, child care, transportation, etc.*) for the establishment, stabilization, and expansion of micro enterprises. A micro enterprise is a business with five or fewer employees, one or more of whom owns the business.
12. Provision of assistance to a private for-profit business where appropriate to carry out an economic development project. Any project funded must be able to document the creation or retention of a certain number of jobs, depending on the type of project proposed and the amount of funding requested.
13. Removal of lead-based paint from residential structures.

14. The costs of audits made in accordance with the provisions of OMB Circular A-133 are allowable charges to the Community Development Block Grant (CDBG) program. You may charge a proportionate share of the cost of your single audit to your CDBG administrative budget. The allowable percentage of your audit costs cannot exceed the percentage of your program budget represented by the audited CDBG funds.

CDBG INELIGIBLE ACTIVITIES

Generally, the following activities may not be assisted with CDBG funds:

1. Acquisition, construction, or reconstruction of buildings for the general conduct of government;
2. Political activities, political engagement and purposes, or lobbying of local, state and federal legislators and policymakers.
3. The purchase of equipment, fixtures, motor vehicles, furnishings, or other personal property not an integral structural fixture is generally ineligible.
4. The construction of new permanent residential structures is not eligible, unless done by a HUD-qualified non-profit organization. Purchase of land on which to build affordable homes, however, is an eligible activity.
5. Long term subsistence payments (*longer than three months*) for such needs as rent and utilities are ineligible.
6. Landscaping and tree trimming are not eligible expenses.
7. Mortgage payments for agency properties are not eligible, although rent payments may be eligible if the building is one in which services are provided directly to clients.
8. Administrative costs which do not provide direct services to clients.
Example: The salary of an administrative assistant who does not work directly with clients would be an ineligible cost. The rent for administrative office space would NOT be an eligible expense, unless public services provided are directly from that office space.
9. Substitution of CDBG funds for current levels of state or local government funding for service is prohibited.



COSTS, AUDITING, AND REPORTING REQUIREMENTS

ALLOWABLE AND UNALLOWABLE COST RESOURCES

2 Part 200 Regulations

The Office of Management and Budget (OMB), in its efforts to deliver on the promise of a 21st-Century government that is more efficient, effective and transparent, has streamlined the OMB Circulars on Administrative Requirements, Cost Principles, and Audit Requirements for all Federal awards into one document, referred to as the Super Circular. The Super Circular combines eight previous federal regulations into comprehensive guidance codified at 2 Code of Federal Regulations (CFR) Part 200 (Subparts A – F). These changes were made to improve administration of federal grant operations from the new uniform application process to the 'close-out' process. These changes modernize cost accounting, and improve the audit process, where the threshold for a Single Audit has been increased to \$750,000 in annual federal expenditures. Museums not expending more than \$750,000 are not required to have a Single Audit; however, the administrative requirements and cost principles still apply.

Previous OMB Circulars combined into the new Super Circular include: Cost Principles Circulars A-21 for Education Institutions; A-87, for State & Local Governments; and A-122 for Non-Profit Organizations; the Circular A-89, Catalog of Federal Domestic Assistance; the Administrative Requirements Circulars A-102, for State and Local Governments; A-110 for Institutions of Higher Education, Hospitals and Other Non-Profit Organizations; and the Circulars A-133 Single Audit Guidance and A-50 Audit Follow-up. The new Super Circular breaks down into the following subparts: Subpart A–Acronyms and Definitions; Subpart B–General Provisions; Subpart C–Pre-Federal Award Requirements; Subpart D–Post Federal Award Requirements; Subpart E–Cost Principles; and Subpart F–Audit Requirements.

AUDIT REQUIREMENTS

Charitable organizations with annual contributions over \$10,000 must have current and accurate financial records in accordance with Generally Acceptable Accounting Practices (GAAP). The financial report must be made available to the public (§ 22.353(b)). Exemptions (§ 22.355) (Tex. Bus. & Org. Code § 22.352)

Subrecipients that expend \$750,000 or more in a year in federal awards must have an audit conducted in accordance with 2 CFR Part 200, Subpart F—Audit Requirements. The Single Audit Report must state that the audit was made in accordance with the provisions and should include the following:

1. Any separate management letter.
2. The auditor's report on the financial statements of the agency, and a set of the financial statements themselves.
3. The auditor's report on Schedule of Federal Assistance. The federal expenditures must be shown for each federal assistance program.
4. The auditor's report on the study and evaluation of internal controls systems. The report should identify significant internal accounting controls and any controls designed to provide reasonable assurance that federal programs are being managed in accordance with laws and regulations. Likewise, the report should identify the controls not evaluated and the material weaknesses identified as a result of the evaluations.
5. The auditor's report on compliance with the laws and regulations that may have material effect on each major federal program.

6. The auditor's report on compliance with certain requirements of non-major programs (if required).
7. The auditor's report on fraud, mismanagement, abuse, or illegal acts (if any).

GENERAL RECORD-KEEPING REQUIREMENTS

Mandatory training is held for agencies at the start of the program year, to provide information that will enable them to carry out agreement requirements, including completion of financial reporting, documentation and monitoring. Successful applicants will be required to sign a contract with the City, which includes a timeline and requirements to be placed on the agency, known as a Sub-recipient. Contracts with organizations that are not sub-recipient agencies, such as developers and businesses, will also be held to a written agreement and training will be provided individually with City staff.

In general, the following will apply to all sub-recipients:

1. Written records, including justification of all expenditures, source documentation, total of unduplicated clientele, client eligibility and income data, must be maintained for a period not less than five years after the full amount of the grant is expended, as listed under the executed agreement between the City and the funded organization. Records will be reviewed by the City, and may also be reviewed by HUD. Undocumented expenditures must be repaid to the City. Client files will be reviewed by City staff for compliance under HUD and city guidelines.
2. The agency is required to maintain the City's minimum liability insurance standards for the length of the contract. A copy of your current insurance ACORD form must be provided to the City as evidence of insurance or indicate financial ability to obtain insurance.
3. The agency must administer programs in accordance with OMB Circular 2 CFR 200 of the Federal regulations. In addition, if the agency receives \$750,000 or more in Federal grant funds, you will be required to comply with the Single Audit Act of 1984. Any and all accountants employed or consulted by the agency should be familiar with these requirements.
4. **All awarded agencies must submit monthly and annual reports for performance measurement requirements.** Reports must provide the total number of persons served, including their ethnic origin, and whether they are female heads of household. These figures are required to be reported to HUD; the Administrator will provide the deadlines at the annual contract meeting and within the grant agreement. Each agency will receive annual monitoring upon the completion of the program year.
5. **Each agency is REQUIRED to obtain written proof of income for each person or household whom you assist, unless clients are considered "Presumed Benefit". (See income limits section for definition) Income certification forms are required in each file with supporting documentation.** Certifications stating that clientele are Presumed Benefit will be required if income proof is not applicable per HUD requirements.
6. The agency is required to have a written policy in place designed to ensure that the facilities are free from the illegal use, possession, or distribution of drugs or alcohol.

7. The agency will be required to report all program income (as defined in 24 CFR 570.090(a)), if any income is derived from the activities funded by CDBG under their agreement between said agency and the City of McKinney. In this event, that program income must be accounted for and returned to the City
8. In the event that HUD or the City should determine that CDBG funds were improperly spent, and the money should be reimbursed to the U. S. Treasury, the agency will be responsible for this reimbursement, not the City of McKinney.
9. To comply with Section 3 regulations, your organization must submit an attachment with your annual report stating the following:
 - Number of new hires for the CDBG project;
 - The number of new hires trained;
 - The number of Section residents that were hired, and
 - The number of training opportunities provided to Section 3 residents.

Financial Record-Keeping

Subrecipients must keep concise and accurate records that comply with requirements of 24 CFR 85 and OMB Circulars (2 CFR 200). The financial records that must be maintained include:

- A chart of accounts that lists all the names and numbers assigned to each account;
- Accounting journals and ledgers
- Source documentation that costs were eligible and paid (invoices, purchase orders, canceled checks, etc.)
- An inventory of real property
- Records regarding revolving loan fund activities
- Drawdown requests
- Payroll records and reports
- Documentation of other administrative costs charged
- Financial reports
- Audit files
- Correspondence

Monitoring Reviews

Monitoring is a critical element of the allocation process and takes place year-round through communication, monthly and annual reports and site visits. Each month, all sub-recipient organizations are required to submit documentation for eligibility, performance, reimbursement and criteria of individuals or households served (e.g. ethnicity, race and other HUD criteria). This information adheres to the monthly monitoring desk review.

The City will conduct annual on-site monitoring of organizations after the program year has ended. Representatives of the U.S. Department of Housing and Urban Development (HUD) may also request and make on-site visits as a part of their monitoring visits to the City of McKinney; site visits may also include sub-recipients. Sub-recipients are reviewed under an at-risk analysis annually and also includes monitoring includes city implemented, CDBG funded programs. Awarded agencies will receiving monitoring forms, manuals and training.

PERFORMANCE AND CONSOLIDATED PLANNING

CONSOLIDATED PLANNING

All CDBG-funded activities must perform under the one of the priority categories under the Consolidated Plan. The Consolidated Plan is a HUD requirement and it is designed to help local jurisdictions to assess their affordable housing and community development needs and market conditions, and to make data-driven, place-based investment decisions. The consolidated planning process serves as the framework for a community-wide dialogue to identify housing and community development priorities that align and focus funding from the CPD formula block grant programs: *Community Development Block Grant (CDBG) Program*, *HOME Investment Partnerships (HOME) Program*, *Emergency Solutions Grant (ESG) Program*, and *Housing Opportunities for Persons With AIDS (HOPWA) Program*.

The Consolidated Plan is carried out through Annual Action Plans, which provide a concise summary of the actions, activities, and the specific federal and non-federal resources that will be used each year to address the priority needs and specific goals identified by the Consolidated Plan. Grantees (the City of McKinney) report on accomplishments and progress toward Consolidated Plan goals annually in the Consolidated Annual Performance and Evaluation Report (CAPER). For this application period, the 2016-2017 program year will fall under the second year of the 2015-2019 Consolidated Plan. Applicants must select a general category on the application.

The chart below provides general information toward priorities and eligible programs:

Housing	Housing Programs or Projects for Low to Moderate Income Households including: Homeownership Assistance; Rehabilitation/Reconstruction; Vacant Lot Acquisition; Housing Accessibility and Related Services for Persons with Disabilities and other Development of Affordable Housing.
Homelessness and Prevention	Activities directly assisting the Homeless, including: Homelessness Prevention Services (Emergency Assistance, Education) Direct Services for the Homeless
Special Needs Populations	Youth Services; Education and Tutoring Services; Academics; Senior Services (62 yrs. and older); Substance Abuse Treatment, Mental Health Counseling; Child Abuse/Domestic Violence Prevention, Outreach, Volunteer Training; Job Creation/Training; Crime Prevention, Counseling of Abused/Neglected children; Youth Counseling; Pre-School Child Care, After-School Care; Planning, services for persons with disabilities
Non-Housing Community Development	Commercial Rehabilitation, Low to Mod Income Areas; Micro enterprise; Acquisition; Provision of assistance to nonprofit and profit-motivated businesses to carry out economic development and job creation/retention activities.

PERFORMANCE MEASUREMENTS

Performance Measurement is the collection of reporting information that allows an agency to track resources used, work produced and results achieved. Performance measures are critical in helping organizations define what success is and whether they are achieving their mission. HUD's measurement system provides a consistent method to access data from grantees (City) and aggregate the data nationally to demonstrate the positive impact of the CDBG program makes at a national level.

Therefore, the sub-recipient's role is critical in creating positive outcomes. Indicators will be listed under the monthly and annual reports and may include output information such as number of persons or households served; number of housing units assisted, number of jobs created; race/ethnicity information; income levels (extremely low, very low and low-to moderate). City staff works with funded agencies to ensure requirements are met. Requirements are included in the grant agreement and within the Annual Action Plan. Measurements are reported to the public and HUD under the annual City's CAPER (Consolidated Annual Performance Evaluation Report).

Objectives	Availability/Accessibility	Affordability	Sustainability
Suitable Living Environments	Accessibility for the purpose of creating suitable living environments	Affordability for the purpose of creating Suitable Living Environments	Sustainability for the purpose of creating Suitable Living Environments
Decent Housing	Accessibility for the purpose of providing decent housing	Affordability for the purpose of providing decent housing	Sustainability for the purpose of providing Decent Housing
Economic Opportunity	Accessibility for the purpose of creating Economic Opportunities	Affordability for the purpose of creating Economic Opportunities	

How Performance Measurement be applied to the Application and Project

Tables # 1 and # 2 attached to the application are specifically designed for your organization to provide detail about what your performance measures will be and how you will achieve success.

Remember: *What is the story that you want to tell about your program?* You will find the following headings at the top of each column in Table # 1:

Program: Identify by name the program for which you are seeking CDBG investment. Place only one program in a box.

What: Provide a brief description of the program.

How: *Describe how the program will be implemented. What kinds of services or activities are provided?* Transportation, classes, counseling, support groups, homelessness prevention services, etc. How many clients will be served? What is covered for each service? Make it applicable to your activity.

How Will You Measure Success?

These are the **outcomes** that will help you determine how successful the program will be. Identify what you are trying to accomplish with your program and tell us how you will measure it. You must have at least one measure per activity. Explain your plan for tracking participant outcomes.

Costs to Program Activity Delivery

Indicate how much it will cost to deliver the proposed program. How much of this is CDBG and how much is from other sources? Please see **Table # 2** to arrive at the total cost to deliver the program.

Table # 2 asks that the organization indicates how it arrived at the costs for this particular program. List the cost elements, how much these elements costs, the unit of measure and its quantity, and the subtotal. Where necessary, allocate costs to the use of shared spaces, vehicles or equipment. The *“Total”* at the bottom right of the table must match the amount placed in the Summary Sheet and in the “Cost to Deliver Program” box in **Table #1**.

ADDITIONAL REQUIREMENTS

INSURANCE REQUIREMENTS

If awarded, the Agency shall procure and maintain insurance for the duration of the Grant Agreement. Insurance against claims for injuries to persons or damages to property which may arise from or in connection with the services performed or to be performed hereunder by the Agency, its agents, representatives, employees, volunteers, officers, directors, or subcontractors. **Applicants must have ability to procure and provide a written statement if they are not insured as listed below at the time of application.**

The Agency shall maintain insurance with limits not less than \$500,000 per occurrence, \$1,000,000 aggregate and will be as broad as ISO Form Number GL 0002 (Ed 1/72, covering Comprehensive General Liability and ISO Form Number GL 0404 covering Broad Form Comprehensive General Liability, or ISO Commercial General Liability coverage ("occurrence") form CG 0001). Coverage will include:

- a. Premises - Operations;
- b. Broad Form Contractual Liability;
- c. Broad Form Property Damage; and d.
- Personal Injury

The policy will be endorsed to contain the following provisions: **"The City of McKinney, its officers, officials, employees, volunteers, boards and commissions are to be added as 'Additional Insureds' as respects to liability arising out of any activities performed by or on behalf of the Agency."** The policy shall contain no special limitations to the scope of coverage afforded to the City. The Agency's insurance coverage shall be primary and any insurance or self-insurance shall be in excess of the Agency's insurance and shall not contribute with it. Also, agency must provide for at least thirty (30) days prior written notice to the City for cancellation, non-renewal, or material change of insurance.

Insurance Company Qualification: All insurance companies providing the required insurance shall be authorized to transact business in Texas. The City of McKinney prefers that insurance shall be placed with insurers with an A.M. Best rating of no less than A:VI or, a Standard & Poor's rating of A or better.

Certificate of Insurance: The Agency shall furnish the City with a certificate of insurance which shows the coverage provided. The insurance policy will be endorsed to state the coverage shall not be suspending, voided, canceled, non-renewed, reduced in coverage or in limits except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to the City.

The Certificate Holder must read as follows:

City of McKinney
C/o EBIX RCS
P.O. Box 257, REF. 72-5995
Portland, MI 48875

The City of McKinney will confirm the insurance database system for current CDBG recipients.

DUNS number & SAMS requirements

A DUNS number is required to apply for CDBG funding from the City of McKinney; HUD funded programs require a DUNS number to track some federally-funded projects. The DUNS number is a unique nine-character number that identifies your organization. It is a tool of the Federal government to track how Federal money is distributed. Most large organizations, libraries, colleges, and research universities already have DUNS numbers. Ask your grant administrator or Chief Financial Officer to provide your organization's DUNS number. If your organization does not have a DUNS number, use the online registration to receive a number free of charge.
<http://fedgov.dnb.com/webform/>

Information to obtain DUNS Number:

- Name of organization
- Organization address
- Name of the CEO/organization owner
- Legal structure of the organization (corporation, partnership, proprietorship)
- Year the organization started
- Primary type of business
- Total number of employees (full and part time)

Agencies receiving federal funds will be required to register with <https://www.sam.gov/portal/SAM/#1>. The **System for Award Management (SAM)** is the Official U.S. Government system that consolidated the capabilities of CCR/FedReg, ORCA, and EPLS. There is NO fee to register for this site. Entities may register at no cost directly from this page. User guides and webinars are available under the Help tab.

Davis Bacon Labor Requirements

These requirements may be applicable to your project. Federal labor standards provisions apply to construction work financed in whole or in part with CDBG funds of more than \$2,000. (Section 110, Housing and Community Development Act of 1974, as amended.) *Please consult with City staff for further information.*

- Contractors with a history of non-compliance are unable to participate in federally-assisted projects;
- Workers must be paid weekly wages set by the U.S. Department of Labor and receive overtime at time-and-a-half for hours worked beyond a 40-hour work week. Deductions from workers' pay must be permissible.
- No laborer or mechanic may be forced by their employer to work in conditions that are unsanitary, hazardous, or dangerous to the worker's health and
- The City of McKinney will monitor compliance through contractor reports and on-site interviews with workers. Contractors and subcontractors must maintain and submit weekly, certified payrolls.

Section 3 Requirements

Regulation Section 3 of the U.S. Department Housing and Urban Development Act of 1968 requires that employment and other economic opportunities generated by HUD financial assistance, including the Community Development Block Grant (CDBG), will to the greatest extent feasible and consistent with existing Federal, State and local laws and regulations, be directed to low-and very low income persons, particularly those who are recipients of governmental assistance for housing and to businesses, which are located in or owned in substantial part by persons residing in the area of the project. Section 3 requirements do not apply to projects that do not involve housing construction, rehabilitation, or other public construction,

Section 3 compliance must be adhered to by any, public, private, or non-profit agency that is a recipient of over \$200,000 in HUD funding for certain construction-related projects. Additionally, these recipients' contractors and subcontractors who receive contracts or subcontracts of \$100,000 or more must also comply with Section 3. The following are covered types of Section 3 assisted projects:

- Housing Rehabilitation;
- Abatement of lead-based paint hazards (excluding routine maintenance, repair and replacement);
- Housing Construction; and
- Other Public Construction, including, but not limited to, public facilities and infrastructure projects.

State of Texas - Certificate of Interested Parties

In 2015, the Texas Legislature adopted [House Bill 1295](#), which added section 2252.908 of the Government Code. The law states that a governmental entity or state agency may not enter into certain contracts with a business entity unless the business entity submits a disclosure of interested parties to the governmental entity or state agency at the time the business entity submits the signed contract to the governmental entity or state agency. The law applies only to a contract of a governmental entity or state agency that either (1) requires an action or vote by the governing body of the entity or agency before the contract may be signed or (2) has a value of at least \$1 million. The disclosure requirement applies to a contract entered into on or after January 1, 2016.

All applicants are notified at this time of the requirement under the City of McKinney and the appropriate documentation will be an addendum to the general code of ethics requirements within the grant agreement, if awarded.

APPLICATION PACKAGE

The Application Package Program Budget

The application package is separate from the instructions. Please number the application and documents accordingly.

Pay close attention to the budget. This is a very important area and may be applicable if you are asking for funding to support a program, staffing under a public service program or perhaps requesting costs that may support the benefit of housing. Please ask any questions that you may have to ensure consideration.

General Reminders:

- ✚ Read general application guide before you begin.
- ✚ Review for spelling, errors, omissions, etc.
- ✚ Application Pages must be numbered.
- ✚ No addenda will be accepted after the deadline date and time, unless specifically requested by the City. The 2016-2017 Application may not be sent by facsimile (fax) or by email for 2016-2017
- ✚ **You must submit one full original application copy and have one full copy on a thumb drive.**
- ✚ Don't forget to have Conflict of Interest and Application Certification signed by the authorized signatory for the agency.
- ✚ Remember, you must attend the pre-application meeting.
- ✚ Also, take time to use Technical Assistance period as needed (includes assistance by phone, email or one-to-one meeting).
- ✚ **USE THE ORDER OF SUBMISSION/CERTIFICATION FORM AS YOUR COVER PAGE FOR APPLICATION**